

The Corporation Of The Town Of Petrolia

Financial Statements

December 31, 2023

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 MNP 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



The Corporation of the Town of Petrolia
Financial Statements
For The Year Ended December 31, 2023

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Town Council

Mayor	Brad Loosley
Deputy Mayor	Joel Field
Councillors	Bill Clark
	Chad Hyatt
	Ross O'Hara
	Debb Pitel
	Liz Welsh

Town Administration

CAO/Treasurer	Rick Charlebois
Director of Legislative Services/Deputy Operations/Clerk	Mandi Pearson
Director of Parks, Recreation & Facilities	Julie Bullock
Director of Marketing, Arts, and Communications	Laurissa Ellsworth
Director of Operations	Mike Thompson
Fire Chief & Director of Public Safety	Rick Cousins
Finance Manager/Deputy Treasurer	Annette Strand

To the Members of Corporation of the Town of Petrolia:

Opinion

We have audited the financial statements of Corporation of the Town of Petrolia (the "Municipality"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, accumulated surplus, changes 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2023, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matter

The financial statements of the Corporation of the Town of Petrolia for the year ended December 31, 2022 were audited by Baker Tilly Sarnia LLP of Sarnia, Ontario, Canada, prior to its merger with MNP LLP. Baker Tilly Sarnia LLP expressed an unmodified opinion on those statements on July 10, 2023.

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.

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

July 8, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

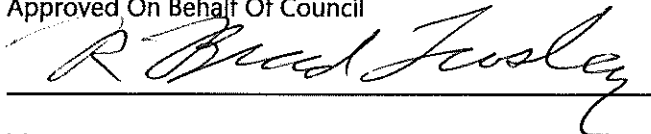
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Corporation of the Town of Petrolia
Statement Of Financial Position
December 31, 2023

	2023	2022
Assets		
Financial Assets		
Cash (note 3)	\$ 8,274,917	\$ 8,785,313
Taxes and interest receivable (payable)	120,321	(81,638)
Accounts receivable	2,048,820	2,111,125
Land available for sale	600,458	557,641
Long-term receivable	347,182	83,054
Investment in Bluewater Power Corporation (note 4)	<u>6,583,580</u>	<u>6,300,386</u>
Total financial assets	<u>17,975,278</u>	<u>17,755,881</u>
Liabilities		
Accounts payable and accrued liabilities	2,291,673	1,837,152
Other current liabilities	386,777	493,755
Interest on municipal debt	64,631	70,343
Municipal debt (note 5)	6,509,087	7,181,638
Deferred revenue (note 6)	<u>1,863,869</u>	<u>2,150,674</u>
Total liabilities	<u>11,116,037</u>	<u>11,733,562</u>
Net Financial Assets	<u>6,859,241</u>	<u>6,022,319</u>
Non-Financial Assets		
Tangible capital assets (note 7)	97,881,860	95,974,043
Prepaid expenses	<u>197,584</u>	<u>230,540</u>
Total non-financial assets	<u>98,079,444</u>	<u>96,204,583</u>
Accumulated Surplus (note 8)	<u>\$ 104,938,685</u>	<u>\$ 102,226,902</u>

Contingencies and Commitments (note 9)

Approved 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, 2023

	Budget 2023 (note 10)	Actual 2023	Actual 2022
Revenues			
Taxation	\$ 6,401,470	\$ 6,403,537	\$ 6,140,937
Water and sewage charges	3,387,911	3,279,108	3,683,275
Fees and user charges	1,901,164	1,870,486	1,959,388
Fees and user charges - other municipalities	1,273,477	1,332,644	1,195,177
Grants (note 15)	2,794,905	2,656,277	1,352,260
Other	1,542,816	1,714,876	882,723
Bluewater Power Corporation	<u>400,000</u>	<u>261,393</u>	<u>389,545</u>
Total revenues	<u>17,701,743</u>	<u>17,518,321</u>	<u>15,603,305</u>
Expenditures			
General government	1,886,814	1,876,528	1,808,643
Protection services	1,928,232	1,998,121	1,879,097
Transportation services	1,534,196	1,562,978	1,432,514
Environmental services	5,206,018	4,962,088	5,112,884
Health services	147,755	137,741	150,745
Recreation and cultural services	4,047,272	3,822,734	4,187,915
Planning and development	<u>436,593</u>	<u>446,348</u>	<u>414,778</u>
Total expenditures	<u>15,186,880</u>	<u>14,806,538</u>	<u>14,986,576</u>
Annual Surplus of Revenues over Expenditures	2,514,863	2,711,783	616,729
Accumulated Surplus, Beginning Of Year	<u>102,226,902</u>	<u>102,226,902</u>	<u>101,610,173</u>
Accumulated Surplus, End Of Year	<u>\$ 104,741,765</u>	<u>\$ 104,938,685</u>	<u>\$ 102,226,902</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, 2023

	Budget 2023 (note 10)	Actual 2023	Actual 2022
Annual surplus	\$ 2,514,863	\$ 2,711,783	\$ 616,729
Amortization of tangible capital assets	3,387,696	3,387,696	3,224,080
Change in prepaid expenses	-	32,956	(31,994)
Loss on sale of tangible capital assets	-	109,091	6,610
Proceeds from sale of tangible assets	-	19,000	14,273
Acquisition of tangible capital assets	<u>(7,130,484)</u>	<u>(5,423,604)</u>	<u>(2,647,449)</u>
Net change in net financial assets	(1,227,925)	836,922	1,182,249
Net financial assets, beginning of year	<u>6,022,319</u>	<u>6,022,319</u>	<u>4,840,070</u>
Net financial assets, end of year	<u>\$ 4,794,394</u>	<u>\$ 6,859,241</u>	<u>\$ 6,022,319</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, 2023

	2023	2022
Operating Activities		
Annual surplus	\$ 2,711,783	\$ 616,729
Items not requiring cash:		
Amortization and non-cash items	3,387,696	3,224,080
Share of net income of Bluewater Power Distribution	(435,585)	(541,601)
Loss on disposal of tangible capital assets	<u>109,091</u>	<u>6,610</u>
	5,772,985	3,305,818
Taxes and interest receivable	(201,959)	279,153
Accounts receivable	62,305	(582,683)
Land available for sale	(42,817)	(328,183)
Accounts payable and accrued liabilities	347,543	341,980
Interest on municipal debt	(5,712)	(5,530)
Deferred revenue	(286,805)	962,962
Prepaid expenses	<u>32,956</u>	<u>(31,994)</u>
	<u>5,678,496</u>	<u>3,941,523</u>
Capital Transactions		
Proceeds from sale of tangible assets	19,000	14,273
Acquisition of tangible capital assets	<u>(5,423,604)</u>	<u>(2,647,449)</u>
	<u>(5,404,604)</u>	<u>(2,633,176)</u>
Investing Transactions		
Issuance of long-term receivable	(264,128)	(83,054)
Dividend from Bluewater Power Corporation	<u>152,391</u>	<u>152,056</u>
	<u>(111,737)</u>	<u>69,002</u>
Financing Transactions		
Repayment of municipal debt	<u>(672,551)</u>	<u>(650,908)</u>
	<u>(672,551)</u>	<u>(650,908)</u>
Net Change in Cash and Cash Equivalents	(510,396)	726,441
Opening Balance, Cash and Cash Equivalents	<u>8,785,313</u>	<u>8,058,872</u>
Closing Balance, Cash and Cash Equivalents	<u>\$ 8,274,917</u>	<u>\$ 8,785,313</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.

Notes continued on page 6....

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.

(iv) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

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

(iv) Asset Retirement Obligations cont'd...

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the financial statement reporting date. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

As of December 31, 2023, management's best estimate based on their information available does not recognize any asset retirement obligations, and therefore no liability exists. Management will continue to address the new standard and review the policy to determine if any asset retirement obligations are to be reported.

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	2023 Total	2022 Total
Taxation	\$ 1,393,390	\$ 3,001,425	\$ 4,394,815	\$ 4,261,520
Share of payments in lieu of taxes	<u>52,250</u>	<u>41,630</u>	<u>93,880</u>	<u>89,049</u>
	<u>1,445,640</u>	<u>3,043,055</u>	<u>4,488,695</u>	<u>4,350,569</u>
Share of taxes written off	1,216	4,927	6,143	16,294
Share of tax rebates and capping adjustments	<u>1,494</u>	<u>3,772</u>	<u>5,266</u>	<u>8,320</u>
	<u>2,710</u>	<u>8,699</u>	<u>11,409</u>	<u>24,614</u>
Amounts transferred	<u>\$ 1,442,930</u>	<u>\$ 3,034,356</u>	<u>\$ 4,477,286</u>	<u>\$ 4,325,955</u>

3. Cash and Short-Term Investments	2023	2022
Unrestricted	\$ <u>8,274,917</u>	\$ <u>8,785,313</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.

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

4. Hydro Investments cont'd...

The investment is composed of the following:

	2023	2022
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>3,825,503</u>	<u>3,542,309</u>
	<u>\$ 6,583,580</u>	<u>\$ 6,300,386</u>
Continuity of Investment		
Balance, beginning of year	\$ <u>6,300,386</u>	\$ <u>5,910,841</u>
Share of net income for the year	435,585	652,143
Prior year adjustment	-	(110,542)
Dividends received during the year	<u>152,391</u>	<u>152,056</u>
Net increase in equity during the year	<u>283,194</u>	<u>389,545</u>
Balance, end of year	<u>\$ 6,583,580</u>	<u>\$ 6,300,386</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 2023, the Town of Petrolia received \$99,878 (2022 - \$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	2023	2022
Assets		
Current assets	\$ 36,535,515	\$ 31,702,654
Property, plant and equipment	101,615,249	95,027,706
Other assets	<u>8,234,149</u>	<u>8,396,653</u>
Total assets	146,384,913	135,127,013
Regulatory balances	<u>6,777,728</u>	<u>8,349,095</u>
Total assets and regulatory balances	<u>\$ 153,162,641</u>	<u>\$ 143,476,108</u>

Notes continued on page 11....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

4. Hydro Investments cont'd...

Liabilities		
Current liabilities	\$ 24,765,027	\$ 30,042,847
Long-term liabilities	<u>56,930,689</u>	<u>44,260,708</u>
	<u>81,695,716</u>	<u>74,303,555</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	52,577,061	48,112,287
Accumulated other comprehensive gain (loss)	<u>(600,132)</u>	<u>16,907</u>
Total equity	<u>70,009,034</u>	<u>66,161,299</u>
Total liabilities and equity	151,704,750	140,464,854
Regulatory balances	<u>1,457,891</u>	<u>3,011,254</u>
Total Liabilities, Equity and Regulatory Balances	<u>\$ 153,162,641</u>	<u>\$ 143,476,108</u>
Bluewater Power Corporation - Results of Operations		
Revenues	\$ 139,461,012	\$ 143,731,056
Expenditures	130,857,700	137,236,671
Income tax expense	<u>2,205,000</u>	<u>2,245,000</u>
Net income for the year	6,398,312	4,249,385
Net gain from discontinued operation, net of tax	-	-
Net movement in regulatory balances, net of tax	136,996	2,026,650
Other comprehensive income for the year	<u>(617,039)</u>	<u>2,584,605</u>
Total comprehensive income for the year	<u>\$ 5,918,269</u>	<u>\$ 8,860,640</u>
Town of Petrolia Share of Net Income @ 7.36%	<u>\$ 435,585</u>	<u>\$ 652,143</u>
Prior year adjustment	<u>\$ -</u>	<u>\$ (110,542)</u>
Dividends	<u>\$ 2,070,534</u>	<u>\$ 2,065,974</u>
Town of Petrolia, dividend @ 7.36%	<u>\$ 152,391</u>	<u>\$ 152,056</u>
Net Increase in Equity During the Year	<u>\$ 283,194</u>	<u>\$ 389,545</u>

Notes continued on page 12...

5. Municipal Debt

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

	2023	2022
CMHC loan, bearing interest at 3.99%, repayable in blended annual payments of \$111,269, due November, 2024.	\$ 107,000	\$ 209,894
CMHC loan, bearing interest at 3.97%, repayable in blended annual payments of \$78,174, due December, 2024.	75,189	147,508
Ontario infrastructure debenture, bearing interest at 2.29%, repayable in blended semi - annual payments of \$53,416, due October, 2025.	207,687	308,037
Ontario infrastructure debenture, bearing interest at 3.17%, repayable in blended semi - annual payments of \$37,916, due February, 2027.	249,353	315,698
Ontario infrastructure debenture, bearing interest at 3.27%, repayable in blended semi - annual payments of \$171,283, due October, 2037.	3,823,527	4,035,843
Ontario infrastructure debenture, bearing interest at 3.33%, repayable in blended semi - annual payments of \$94,717, due February, 2037.	<u>2,046,331</u>	<u>2,164,658</u>
	<u>\$ 6,509,087</u>	<u>\$ 7,181,638</u>

(b) Principal repayments are as follows:

2024	\$ 694,931
2025	528,630
2026	437,575
2027	414,091
2028	389,270
2029 to 2033	2,148,913
Thereafter	<u>1,895,677</u>
	<u>\$ 6,509,087</u>

(c) Total interest charges for the year for municipal debt which is reported on the statement of financial position was \$231,556 (2022 - \$247,671).

Notes continued on page 13....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

5. **Municipal Debt** cont'd...

(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.

6. **Deferred Revenue** 2023 2022

The deferred revenue is comprised of the following:

OCIF grant	\$ 1,266,192	\$ 1,237,266
MMAH efficiency grant	-	42,986
Parkland in lieu reserve	21,514	20,367
Cannabis legislation grant	22,422	21,227
Canada gas tax funding	<u>553,741</u>	<u>828,828</u>
	<u>\$ 1,863,869</u>	<u>\$ 2,150,674</u>

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

Balance, beginning	\$ 2,150,674	\$ 1,187,712
OCIF funding - formula based grant	785,810	872,232
Canada Community-Building Fund (Federal GasTax)	190,026	182,108
Parkland in lieu reserve	-	20,000
Investment income	121,130	50,154
Ontario Cannabis Legalization Implementation	<u>-</u>	<u>-</u>
	3,247,640	2,312,206
Utilization of reserve funds - tangible capital assets	1,383,771	23,852
Utilization of reserve funds - current operations	<u>-</u>	<u>137,680</u>
Balance, ending	<u>\$ 1,863,869</u>	<u>\$ 2,150,674</u>

Notes continued on page 14...

7. Tangible Capital Assets

Asset Cost 2023

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,539,396	\$ 1,534,729	\$ 19,232,436	\$ 4,595,145	\$ 2,909,063	\$ 116,002,252	\$ 2,506,886	\$ 148,319,907
Additions	-	7,181	621,730	816,880	307,654	2,855,455	3,278,121	7,887,021
Disposals	-	-	10,000	438,484	21,900	284,645	2,463,417	3,218,446
Class transfers, (to) from	-	48,411	1,917,720	115,360	-	(2,081,491)	-	-
Balance, ending	\$ <u>1,539,396</u>	\$ <u>1,590,321</u>	\$ <u>21,761,886</u>	\$ <u>5,088,901</u>	\$ <u>3,194,817</u>	\$ <u>116,491,571</u>	\$ <u>3,321,590</u>	\$ <u>152,988,482</u>

Accumulated Amortization

Balance, beginning	\$ -	\$ 668,061	\$ 9,008,834	\$ 2,516,259	\$ 1,196,414	\$ 38,956,296	\$ -	\$ 52,345,864
Amortization	-	59,658	460,893	293,296	169,214	2,404,635	-	3,387,696
Disposals	-	-	9,639	420,151	20,900	176,248	-	626,938
Class transfers, (to) from	-	22,387	1,446,340	5,654	-	(1,474,381)	-	-
Balance, ending	\$ -	\$ <u>750,106</u>	\$ <u>10,906,428</u>	\$ <u>2,395,058</u>	\$ <u>1,344,728</u>	\$ <u>39,710,302</u>	\$ -	\$ <u>55,106,622</u>

Net Book

Value	\$ <u>1,539,396</u>	\$ <u>840,215</u>	\$ <u>10,855,458</u>	\$ <u>2,693,843</u>	\$ <u>1,850,089</u>	\$ <u>76,781,269</u>	\$ <u>3,321,590</u>	\$ <u>97,881,860</u>
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Asset Cost 2022

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 1,539,396	\$ 1,455,986	\$ 19,107,925	\$ 4,071,170	\$ 2,801,573	\$ 113,618,571	\$ 2,975,886	\$ 145,570,507
Additions	-	78,743	124,511	618,325	107,490	2,615,283	2,534,103	6,078,455
Disposals	-	-	-	94,350	-	280,010	2,320,701	2,695,061
Class transfers, (to) from	-	-	-	-	-	48,408	(682,402)	(633,994)
Balance, ending	\$ <u>1,539,396</u>	\$ <u>1,534,729</u>	\$ <u>19,232,436</u>	\$ <u>4,595,145</u>	\$ <u>2,909,063</u>	\$ <u>116,002,252</u>	\$ <u>2,506,886</u>	\$ <u>148,319,907</u>

Accumulated Amortization

Balance, beginning	\$ -	\$ 612,302	\$ 8,020,950	\$ 2,394,657	\$ 1,040,635	\$ 36,930,406	\$ -	\$ 48,998,950
Amortization	-	55,759	511,575	215,952	155,779	2,285,015	-	3,224,080
Disposals	-	-	-	94,350	-	259,125	-	353,475
Balance, ending	\$ -	\$ <u>668,061</u>	\$ <u>9,008,834</u>	\$ <u>2,516,259</u>	\$ <u>1,196,414</u>	\$ <u>38,956,296</u>	\$ -	\$ <u>52,345,864</u>

Net Book

Value	\$ <u>1,539,396</u>	\$ <u>866,668</u>	\$ <u>10,223,602</u>	\$ <u>2,078,886</u>	\$ <u>1,712,649</u>	\$ <u>77,045,956</u>	\$ <u>2,506,886</u>	\$ <u>95,974,043</u>
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Notes continued on page 15....

7. Tangible Capital Assets cont'd...

Assets Under Construction

Assets under construction having a value of \$3,321,590 (2022 - \$2,506,886) 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 (2022 - \$NIL).

8. Accumulated Surplus	2023	2022
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Accumulated surplus consists of the following individual fund surplus and reserves as follows:

Surplus

Invested in tangible capital assets	\$ 97,881,860	\$ 95,974,043
Reduce from future taxation	136,045	39,311
Equity in Bluewater Power Corporation	6,583,580	6,300,386
Unfunded	(6,573,718)	(7,251,981)
	\$ 98,027,767	\$ 95,061,759

Reserves set aside for specific purposes by Council for:

Working capital	\$ 2,968,520	\$ 2,970,702
Budget stabilization	130,032	130,032
Cemetery	20,051	17,309
Elections	7,500	-
Fire equipment	1,404	-
Insurance	70,000	70,000
Library	9,319	9,319
Other unspecified	-	1,128,510
Other cultural	1,122,185	1,172,118
Parks	16,631	791
Planning	1,325	1,325
Recreation facilities	470,258	319,189

Notes continued on page 16....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

8. Accumulated Surplus cont'd...	2023	2022
Recreation programs	16,940	30,660
Sewage	133,419	36,816
Waterworks	<u>1,943,334</u>	<u>1,278,372</u>
Total Reserves	\$ <u>6,910,918</u>	\$ <u>7,165,143</u>
Accumulated Surplus	\$ <u>104,938,685</u>	\$ <u>102,226,902</u>

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 3, 2023, with a renewal option of an additional 5 years based on mutual review and agreement.

10. Comparative Figures

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

Notes continued on page 17....

11. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2023 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.

	2023 Budget Amount
Budgeted surplus for the year	\$ 2,783,196
Adjustments to budgeted deficit:	
Debt principal repayments	672,551
Net capital expenditures	7,130,484
Net reserve transfers	(4,847,288)
Amortization	<u>(3,224,080)</u>
Annual budgeted surplus	<u>\$ 2,514,863</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 2023 was \$212,348 (2022 - \$183,472) for current service. Employers contributions for current service are included as an expense in the consolidated Statement of Financial Activity.

13. Change in Accounting Policy

PS 3280 Asset Retirement Obligations

PS 3280 establishes accounting standards on how to account for and report a liability for an asset retirement obligation related to tangible capital assets. The standard is effective for annual periods beginning on or after April 1, 2023. The Town is assessing the impact of these new standards, and as of December 31, 2023, management has not recognized any asset retirement obligations.

Notes continued on page 18...

14. Trust Funds

Trust funds administered by the Municipality amounting to \$499,453 (2022 - \$479,706) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

15. Grants	2023	2022
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 879,900	\$ 862,300
Ontario Community Infrastructure Fund	785,810	-
Ontario Cultural Attractions Fund	-	40,000
Tourism Relief Funding	-	116,825
Reconnect Ontario	-	121,426
Ontario Trillium Foundation	-	67,500
Community Events	5,000	-
Stewardship Ontario	<u>64,018</u>	<u>55,669</u>
	<u>1,734,728</u>	<u>1,263,720</u>
Government of Canada		
Canada Community Building Fund	190,026	-
Program Support	<u>9,941</u>	<u>36,393</u>
	<u>199,967</u>	<u>36,393</u>
Total Operating	<u>1,934,695</u>	<u>1,300,113</u>
Capital		
Government of Canada		
Investing in Canada Infrastructure Program	286,794	-
Canada Community Revitalization Fund	<u>434,788</u>	<u>52,147</u>
Total Capital	<u>721,582</u>	<u>52,147</u>
Total Grants	<u>\$ 2,656,277</u>	<u>\$ 1,352,260</u>

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 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 20....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

16. Segmented Information cont'd...

For the Year Ended December 31, 2023

	General Government	Protection Services	Transport. Services	Environ. Services	Health Services	Recreation Services	Planning Development	Total
Revenue								
Taxation	\$5,403,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,403,537
Water and sewer charges	-	-	-	3,279,108	-	-	-	3,279,108
Fees and User charges	44,763	4,470	-	-	80,821	1,719,956	20,476	1,870,486
Fees and User charges Other municipalities	-	241,743	-	1,071,201	9,000	10,700	-	1,332,644
Grants	1,185,526	-	787,980	235,212	-	447,559	-	2,656,277
Other	522,599	18,745	-	933,576	22,166	160,373	57,417	1,714,876
Bluewater Power	<u>261,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,393</u>
	<u>8,417,818</u>	<u>264,958</u>	<u>787,980</u>	<u>5,519,097</u>	<u>111,987</u>	<u>2,338,588</u>	<u>77,893</u>	<u>17,518,321</u>
Expenditures								
Salaries and benefits	921,634	311,576	484,758	475,196	100,165	773,899	200,251	3,267,479
Materials and supplies	478,967	335,215	331,121	1,132,225	30,188	2,465,401	198,779	4,971,896
Contracted services	218,481	1,118,882	1,568	1,374,539	-	181,661	9,769	2,904,900
Interest on long term debt	474	-	13,553	201,545	-	3,400	7,067	226,039
Amortization	250,322	190,570	731,978	1,778,583	7,388	398,373	30,482	3,387,696
Other	<u>6,650</u>	<u>41,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,528</u>
	<u>1,876,528</u>	<u>1,998,121</u>	<u>1,562,978</u>	<u>4,962,088</u>	<u>137,741</u>	<u>3,822,734</u>	<u>446,348</u>	<u>14,806,538</u>
Annual Surplus (Deficit)	<u>\$5,541,290</u>	<u>\$1,733,163</u>	<u>\$(774,998)</u>	<u>\$ 557,009</u>	<u>\$(25,754)</u>	<u>\$1,484,146</u>	<u>\$(368,455)</u>	<u>\$ 2,711,783</u>

Notes continued on page 21....

Corporation of the Town of Petrolia
Notes to the Financial Statements
December 31, 2023

16. Segmented Information cont'd...

For the Year Ended December 31, 2022

	General Government	Protection Services	Transport. Services	Environ. Services	Health Services	Recreation Services	Planning Development	Total
Revenue								
Taxation	\$6,140,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$6,140,937
Water and sewer charges	-	-	-	3,683,275	-	-	-	3,683,275
Fees and User charges	88,071	13,045	-	6,761	88,255	1,731,819	31,437	1,959,388
Fees and User charges Other municipalities	-	206,025	-	957,852	9,000	22,300	-	1,195,177
Grants	862,300	3,360	6,720	55,668	1,680	422,532	-	1,352,260
Other	549,779	27,174	-	15,000	10,344	229,346	51,080	882,723
Bluewater Power	<u>389,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,545</u>
	<u>3,030,632</u>	<u>249,604</u>	<u>6,720</u>	<u>4,718,556</u>	<u>109,279</u>	<u>2,405,997</u>	<u>82,517</u>	<u>15,603,305</u>
Expenditures								
Salaries and benefits	840,425	288,183	432,924	426,373	102,448	1,206,951	170,624	3,467,928
Materials and supplies	593,985	336,535	339,543	1,321,266	34,537	1,855,752	195,083	4,676,701
Contracted services	110,928	1,074,490	1,568	1,399,308	-	619,404	9,769	3,215,467
Interest on long term debt	657	-	20,126	213,895	-	4,173	8,820	247,671
Amortization	253,248	143,060	638,353	1,739,542	13,760	405,635	30,482	3,224,080
Other	<u>9,400</u>	<u>36,829</u>	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>96,000</u>	<u>-</u>	<u>154,729</u>
	<u>1,808,643</u>	<u>1,879,097</u>	<u>1,432,514</u>	<u>5,112,884</u>	<u>150,745</u>	<u>4,187,915</u>	<u>414,778</u>	<u>14,986,576</u>
Annual Surplus (Deficit)	<u>\$6,221,989</u>	<u>\$(1,629,493)</u>	<u>\$1,425,794</u>	<u>\$(394,328)</u>	<u>\$(41,466)</u>	<u>\$(1,781,918)</u>	<u>\$(332,261)</u>	<u>\$ 616,729</u>

Corporation Of The Town Of Petrolia
Trust Funds

Financial Statements
December 31, 2023

To the Members of Corporation of the Town of Petrolia - Trust Funds:

We have audited the financial statements of Corporation of the Town of Petrolia - Trust Funds (the "Trust Funds"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and changes in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the the Trust Funds as at December 31, 2023, and the results of its operations and changes in its 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 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.

Other Matter

The financial statements of the Corporation of the Town of Petrolia - Trust Funds for the year ended December 31, 2022 were audited by Baker Tilly Sarnia LLP of Sarnia, Ontario, Canada, prior to its merger with MNP LLP. Baker Tilly Sarnia LLP expressed an unmodified opinion on those statements on July 10, 2023.

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 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 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 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.

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 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 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 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

July 8, 2024

MNP LLP

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, 2023

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Assets					
Cash	\$ 483,303	\$ 472,606	\$ 1,104	\$ 5,707	\$ 3,886
Due from the Corporation of the Town of Petrolia	16,149	16,149	-	-	-
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance	<u>\$ 499,452</u>	<u>\$ 488,755</u>	<u>\$ 1,104</u>	<u>\$ 5,707</u>	<u>\$ 3,886</u>

The Corporation of the Town of Petrolia
Statement of Continuity
December 31, 2023

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, Beginning of year	<u>\$ 479,706</u>	<u>\$ 469,569</u>	<u>\$ 1,047</u>	<u>\$ 5,408</u>	<u>\$ 3,682</u>
Receipts					
Care and maintenance	19,186	19,186	-	-	-
Interest earned (net of service charges)	<u>22,726</u>	<u>22,166</u>	<u>57</u>	<u>299</u>	<u>204</u>
	<u>41,912</u>	<u>41,352</u>	<u>57</u>	<u>299</u>	<u>204</u>
Expenditures					
Transfer to the Corporation of the Town of Petrolia	<u>22,166</u>	<u>22,166</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 499,452</u>	<u>\$ 488,755</u>	<u>\$ 1,104</u>	<u>\$ 5,707</u>	<u>\$ 3,886</u>

The Corporation of the Town of Petrolia
Trust Funds
Statement of Financial Position
For the Year Ended December 31, 2022

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Assets					
Cash	\$ 417,035	\$ 406,898	\$ 1,047	\$ 5,408	\$ 3,682
Due from the Corporation of the Town of Petrolia	4,887	4,887	-	-	-
Investments	<u>57,784</u>	<u>57,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance	\$ <u>479,706</u>	\$ <u>469,569</u>	\$ <u>1,047</u>	\$ <u>5,408</u>	\$ <u>3,682</u>

The Corporation of the Town of Petrolia
Statement of Continuity
December 31, 2022

	Total	Care and Maintenance Cemetery	Englehart	Burley Fulton	Colvin
Balance, Beginning of year	\$ <u>465,182</u>	\$ <u>455,279</u>	\$ <u>1,023</u>	\$ <u>5,283</u>	\$ <u>3,597</u>
Receipts					
Care and maintenance	14,290	14,290	-	-	-
Interest earned (net of service charges)	<u>10,632</u>	<u>10,398</u>	<u>24</u>	<u>125</u>	<u>85</u>
	<u>24,922</u>	<u>24,688</u>	<u>24</u>	<u>125</u>	<u>85</u>
Expenditures					
Transfer to the Corporation of the Town of Petrolia	<u>10,398</u>	<u>10,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>479,706</u>	\$ <u>469,569</u>	\$ <u>1,047</u>	\$ <u>5,408</u>	\$ <u>3,682</u>

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.

July 8, 2024

Members of the Council
Corporation of the Town of Petrolia
411 Greenfield Street
PO Box 1270
Petrolia, ON
N0N 1R0

Ref: 1049250.H14

Re: Audit of the Financial Statements of Corporation of the Town of Petrolia

We have been engaged to express an audit opinion on the financial statements of Corporation of the Town of Petrolia ("the Town") for the year ended December 31, 2023. We have completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Council. This report should be read in conjunction with the final financial statements and our report thereon.

Auditor Independence

Through our planning process, we identify any potential independence threats and communicate any concerns we identify. The Town, management and the Council have a proactive role in this process, and are responsible for understanding the independence requirements applicable to the Town and its auditor. You must bring to our attention any concerns you may have, or any knowledge of situations or relationships between the Town, management, personnel (acting in an oversight or financial reporting role) and our Firm, its partners/principals and audit team personnel that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Ontario and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) Economic dependence on a client; and
- (e) Provision of services in addition to the audit engagement.

In accordance with our professional requirements, we advise you that we are not aware of any relationships between the Town and our Firm that, in our professional judgement, may reasonably be thought to bear on our independence.

Accordingly, we hereby confirm that our audit engagement team, our Firm and the other MNP Canada offices are independent with respect to the Town within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

Our Responsibilities as Auditor

As stated in the engagement letter, our responsibility as auditor of your Town is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Town in accordance with Canadian Public Sector Accounting Standards.

An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the financial statements may contain material misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used, and their application;
- Assessing the significant estimates made by management;
- Concluding 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 Town's ability to continue as a going concern; and
- Evaluating 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.

As part of our audit, we obtained a sufficient understanding of the business and internal control structure of the Town to plan the audit. This included management's assessment of:

- The risk that the financial statements may be materially misstated as a result of fraud and error; and
- The internal controls put in place by management to address such risks.

The engagement team undertook a documented planning process prior to commencement of the audit to identify concerns, address independence considerations, assess the engagement team requirements, and plan the audit work and timing.

An audit does not relieve management or those responsible for governance of their responsibilities for the preparation of the Town's financial statements.

Council's Responsibilities

The Council's role is to act in an objective, independent capacity as a liaison between the auditor, management and Council to ensure the auditor has a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

The Council's responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditor as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;

- Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditor their findings;
- Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or Independent Auditor's Report;
- Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approving same to be passed to directors for approval.

Audit Approach

Outlined below are certain aspects of our audit approach which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of Corporation of the Town of Petrolia was to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

Independent Auditor's Report

We anticipate that our Independent Auditor's Report will be issued without modification.

Our Independent Auditor's Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and the Board of Directors has approved the financial statements.

Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Town's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to the Council.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or the Council members become aware of circumstances under which the Town may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

Significant Accounting Principles and Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the financial statements.

The accounting policies adopted may be acceptable policies under Canadian Public Sector Accounting Standards; however, alternative policies may also be acceptable under Canadian Public Sector Accounting Standards. The Town and the Council have a responsibility to not adopt extreme or inappropriate interpretations of Canadian Public Sector Accounting Standards that may have inappropriate or misleading results. Alternative policies, if adopted, may produce significant changes in the reported results of the operations, financial position and disclosures of the Town.

The Council has a responsibility to review the accounting policies adopted by the Town, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of the Council believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

As described in the notes to the financial statements, the Town has adopted the following:

PS 3280 - Asset Retirement Obligations

Accounting Estimates

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditor is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Risk-based

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on areas that have a higher risk of being materially misstated.

Materiality

Materiality is used throughout the audit and in particular when:

- a) Identifying and assessing risk of material misstatement;
- b) Determining the nature, timing and extent of further audit procedures; and

- c) Evaluating the effect of uncorrected misstatements, if any, on the financial statements and in forming an opinion on the Auditor's Report.

Materiality is defined as:

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

We used an overall materiality of \$605,000 and a performance materiality of \$453,750.

Audit Procedures

The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

In response to our risk assessment and based on our understanding of internal controls, we adopted a substantive approach for the audit.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

There are no internal control matters that we wish to bring to your attention.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have not identified any uncorrected financial statement misstatements.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the Town that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Town's financial statements or Auditor's Report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the Auditor's Report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of the Council.

Management Letter

During our audit, we did not note any significant issues to report to management; accordingly, we will be issuing a "no issues" letter to management.

Conclusion

We wish to express our appreciation for the co-operation we received during the audit from the Town's management.

Should any member of the Council wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Council sign their acknowledgement in the spaces provided below.

Yours very truly,

MNP LLP

MNP LLP
per: Giovanni Spadafora, CPA, CA, LPA

Acknowledgement of Council:

We have read the above disclosures.

Corporation of the Town of Petrolia

R Beed Jode

Name

July 8/24

Date

[Signature]

Name

8 July 2024

Date

Corporation of the Town of Petrolia
411 Greenfield Street
PO Box 1270
Petrolia, ON
N0N 1R0

July 8, 2024

MNP LLP
1315 Michigan Ave
Unit G
Sarnia, Ontario
N7S 4M6
Canada

Attention: Giovanni Spadafora CPA, CA, LPA

Dear Sir:

This representation letter is provided in connection with your audit of the financial statements of Corporation of the Town of Petrolia (the "town") for the year ended December 31, 2023 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

We confirm that:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 10, 2023 for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We have assessed that the town is able to continue as a going concern and the financial statements have been prepared on a going concern basis.
4. The methods, the data, and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
6. There have been no events subsequent to the date of the financial statements up to the date hereof that would require recognition or disclosure in the financial statements. Furthermore, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

7. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
8. The accounting policies selected and the application thereof is appropriate, including those for complex areas of accounting and areas involving management's judgement and estimates, for example, revenue recognition, fair value measurements, transfers of receivables, hedging relationships and consolidation of variable interest entities.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
10. We are aware of the environmental laws and regulations that impact on our town and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the financial statements.
11. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
12. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
13. There are no derivative or off-balance sheet financial instruments held at year end.
14. We have made the appropriate determination, accounting and disclosure in the financial statements of the costs, assets and obligations associated with employee future benefits.
15. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
16. The town has satisfactory title to all assets, and there are no liens or encumbrances on the town's assets.

Information provided


17. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the town from whom you determined it necessary to obtain audit evidence.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
20. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the town and involves:

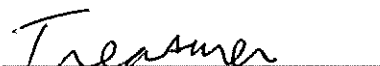
- Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
21. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the town's financial statements communicated by employees, former employees, analysts, regulators or others.
22. We have disclosed to you, and the town has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debts.
23. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
24. We have disclosed to you the identity of the town's related parties and all the related-party relationships and transactions of which we are aware.
25. The minute books of the town are a complete record of all meetings and resolutions of the town throughout the year and to the present date.

Yours very truly,


Signature


Position


Signature


Position

Schedule of Uncorrected Misstatements

Description of Misstatement	Proposed Adjustments Dr (Cr)				
	Statement of Income		Balance Sheet		
	Identified Misstatements	Likely Aggregate Misstatements	Assets	Liabilities	Opening Equity
a) Totals		-	-	-	-
b) Misstatements corrected by management		-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)		-	-	-	-
d) Effect of unadjusted misstatements from previous year's errors		-	-	-	-
e) Aggregate likely misstatements (c + d)		-	-	-	-
f) Final overall materiality		605,000	605,000	605,000	605,000
g) Amount remaining for further possible misstatement (f - e)		605,000	605,000	605,000	605,000