

**THE CORPORATION OF THE TOWN
OF PETROLIA
CONSOLIDATED FINANCIAL STATEMENTS**
December 31, 2025

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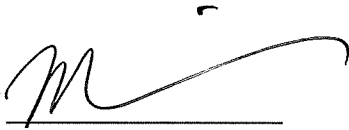
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MANAGEMENT'S REPORT

The accompanying consolidated financial statements of the Corporation of the Town of Petrolia (the "Town") are the responsibility of the Town's 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 consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town'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 regularity requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

The consolidated financial statements have been audited by MNP LLP, independent external auditors and appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

A handwritten signature in black ink, appearing to be 'Rick Charlebois', written over a horizontal line.

Rick Charlebois

CAO - Treasurer

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 "Town"), which comprise the statement of consolidated financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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 Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Town as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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 13, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

THE CORPORATION OF THE TOWN OF PETROLIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	2025	2024
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 6,716,473	\$ 6,818,123
Taxes and interest receivable (note 2)	759,790	756,641
Accounts receivable	3,885,352	2,228,021
Long-term receivable (note 4)	655,131	632,632
Loans receivable (note 5)	263,546	379,419
Investment in Bluewater Power Corporation (note 6)	7,190,579	6,781,350
TOTAL FINANCIAL ASSETS	19,470,871	17,596,186
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	2,991,603	2,389,389
Interest on municipal debt	53,618	58,730
Municipal debt (note 8)	5,285,527	5,814,157
Deferred revenue (note 10)	3,702,422	2,925,328
TOTAL LIABILITIES	12,033,170	11,187,604
NET FINANCIAL ASSETS	7,437,701	6,408,582
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9) (schedule 1)	105,591,615	101,282,704
Prepaid expenses	296,507	262,010
TOTAL NON-FINANCIAL ASSETS	105,888,122	101,544,714
ACCUMULATED SURPLUS (note 17)	\$ 113,325,823	\$ 107,953,297

Commitments (note 14)

Approved on behalf of Council:

 Mayor

 C.A.O./Treasurer

THE CORPORATION OF THE TOWN OF PETROLIA

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2025

	Budget 2025 \$ (note 12)	Actual 2025 \$	Actual 2024 \$
REVENUES			
Taxation	6,747,614	\$ 6,779,120	\$ 6,561,857
Water and sewer charges	3,560,876	3,532,387	3,462,388
Fees and user charges	2,036,738	2,544,809	2,392,167
Fees and user charges - other Municipalities	1,150,000	1,551,560	1,449,578
Grants (note 13)	1,791,869	5,844,054	1,791,297
Other	295,402	718,812	2,273,082
Bluewater Power Corporation	254,878	693,392	311,242
TOTAL REVENUES	15,837,377	\$ 21,664,134	\$ 18,241,611
EXPENSES			
General government	1,531,858	\$ 2,152,538	\$ 1,797,225
Protection services	1,899,124	2,284,814	1,995,487
Transportation services	1,280,646	1,690,083	1,550,254
Environmental services	4,710,876	5,410,913	4,936,009
Health services	218,125	132,659	139,870
Recreation and cultural services	3,352,858	4,114,379	4,345,273
Planning and development	571,425	506,222	462,881
TOTAL EXPENSES	13,564,912	\$ 16,291,608	\$ 15,226,999
ANNUAL SURPLUS	2,272,465	5,372,526	3,014,612
ACCUMULATED SURPLUS - beginning of year	107,953,297	107,953,297	104,938,685
ACCUMULATED SURPLUS - end of year (note 17)	\$ 110,225,762	\$ 113,325,823	\$ 107,953,297

THE CORPORATION OF THE TOWN OF PETROLIA

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2025

	Budget 2025 \$ (note 12)	Actual 2025 \$	Actual 2024 \$
ANNUAL SURPLUS	2,272,465	5,372,526	3,014,612
Amortization of tangible capital assets	3,508,135	3,508,135	3,294,193
Acquisition of tangible capital assets	(7,573,828)	(7,828,490)	(7,084,323)
(Gain) loss on sale of tangible capital assets	-	(5,414)	309,285
Proceeds from sale of tangible capital assets	-	16,858	80,000
Change in prepaid expenses	-	(34,496)	(64,426)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(1,793,228)	1,029,119	(450,660)
NET FINANCIAL ASSETS - beginning of year	6,408,582	6,408,582	6,859,242
NET FINANCIAL ASSETS - end of year	4,615,354	7,437,701	6,408,582

THE CORPORATION OF THE TOWN OF PETROLIA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

	Actual 2025 \$	Actual 2024 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	5,372,526	3,014,612
Non-cash charges to operations		
Amortization of tangible capital assets	3,508,135	3,294,193
(Gain) loss on disposal of tangible capital assets	(5,414)	309,285
Equity basis net income in Bluewater Power Corporation	(579,921)	(362,949)
Change in non-cash assets and liabilities		
Taxes and interest receivable	(3,149)	(256,762)
Accounts receivable	(1,657,331)	(179,201)
Long-term receivable	(22,499)	(32,174)
Accounts payable and accrued liabilities	602,215	(281,841)
Interest on municipal debt	(5,112)	(5,901)
Deferred revenue	777,094	674,682
Prepaid expenses	(34,497)	(64,426)
Net increase in cash from operating transactions	7,952,047	6,109,518
CAPITAL		
Acquisition of tangible capital assets	(7,828,490)	(7,084,323)
Proceeds on disposal of tangible capital assets	16,858	80,000
Net decrease in cash from capital transactions	(7,811,632)	(7,004,323)
INVESTING		
Dividends received from Bluewater Power Corporation	170,692	165,179
Net change in Loan	115,873	(32,237)
Net decrease in cash from investing transactions	286,565	132,942
FINANCING		
Repayment of municipal debt	(528,630)	(694,931)
DECREASE IN CASH AND CASH EQUIVALENTS	(101,650)	(1,456,794)
CASH AND CASH EQUIVALENTS - beginning of year	6,818,123	8,274,917
CASH AND CASH EQUIVALENTS - end of year	6,716,473	6,818,123

The Corporation of the Town of Petrolia ("Town") is a municipality in the Province of Ontario, Canada. It was incorporated in 1874 and conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation. The Town provides municipal services such as fire, public works, planning, parks and recreation and other general government operations.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) as defined in the CPA Canada Public Sector Accounting Handbook. Significant aspects of the accounting policies are as follows:

a) *Basis of Consolidation*

i. *Consolidated Entity*

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees and local boards accountable for the administration of their financial affairs and resources of the Town and which are owned or controlled by the Town.

Inter-departmental and inter-organizational transactions and balances with this entity have been eliminated.

ii. *Government Business Enterprise*

The Town's investment in Bluewater Power Corporation ("BPC") is accounted for on the modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, BPC's accounting policies are not adjusted to conform to those of the Town and inter-organizations transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of BPC in its Consolidated Statement of Operations with corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from BPC will be reflected as reductions in the investment asset account.

iii. *Accounting for County and School Board Transactions*

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Lambton are not reflected in these consolidated financial statements except that any amounts due to or from these organizations are reported on the statement of financial position. Taxation raised by the Town on behalf of these organizations is reflected as a deduction from total taxation on the Statement of Operations and Accumulated Surplus.

vi. *Trust funds*

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of accounting

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and/or the creation of a legal obligation to pay.

c) Cash and cash equivalents

Cash equivalents are comprised of guaranteed investment certificates and term deposits with original maturities of 90 days or less.

d) Non-financial assets

Non-financial assets are not yet 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.

e) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amount 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, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Asset	Useful Life - Years
Land improvements	75 years
Buildings	50 years
Equipment	3 to 15 years
Vehicles	7 to 20 years
Road infrastructure	30 - 75 years
Environmental infrastructure	45 to 80 years

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

f) 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 in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Deferred Revenue

The Town receives revenue restricted by legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. The revenue is reported on the Statement of Operations and Accumulated Surplus in the year in which the related expenses are incurred or services performed.

h) Development charges and other revenues

Revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year are deferred and reported as liabilities.

i) Revenue recognition

Property tax billings are prepared by the Town based on the assessment roles issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in the property assessments. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders a supplementary tax billing. Taxation revenues are recorded at the time the tax billings are issued.

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

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals and other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

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 assets are recognized in the period in which eligible expenditures are made.

Investment income earned on surplus funds (other than obligatory reserve funds) is recognized when earned. Investment income earned on deferred revenue is recorded directly to each fund.

The Town's share of net income in Bluewater Power is recognized when earned.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Revenue recognition (continued)

The Town recognizes revenue from fines and penalties on late tax payments. These non-exchange transactions have no performance obligations and are recognized at their realizable value when the Town has the authority to claim or retain economic inflows based on a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized when the Town satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time. The Town recognizes revenues from utilities, licenses and permits, certificates, recycling services, and rentals at a point in time, which occurs when the goods and/or services have been provided. In determining the transaction price, the Town measures revenue based on the consideration that is expected to receive in exchange for providing the goods and/or services.

j) Financial instruments

The Town classifies its financial instruments as either fair value or amortized cost. The Town's accounting policy for each category is as follows:

i. Fair Value

Fair value investments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This category includes cash. Which is initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations. The Town classifies this as a Level 1.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

ii. Amortized Cost

Financial assets measured at amortized cost include accounts receivable, taxes receivable, and other receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deposits and municipal debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest method rate, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

k) Accumulated surplus

Accumulated surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

l) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Items requiring the use of significant estimates include those related to the useful life of tangible capital assets, allowance for doubtful accounts, and accrued accounts payable. Actual results could differ from these estimates.

m) Employee future benefits

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) *Asset retirement obligations*

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; 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. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

As of December 31, 2025, 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.

o) *Budget figures*

The Town's council completes separate budget reviews for tax supported operating and capital, as well as water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given the differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. TAXES RECEIVABLE

As at December 31, the balances are as follows:

	2025	2024
	\$	\$
Taxes receivable	741,548	730,584
Penalties and interest	77,885	85,700
Allowance for doubtful accounts	(59,643)	(59,643)
	759,790	756,641

3. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

During 2025, requisitions were made to the County of Lambton and School Boards requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows.

	School Boards \$	County \$	2025 Total \$	2024 Total \$
Property taxes	1,431,895	3,402,690	4,834,585	4,653,546
Payments in lieu	52,668	46,125	98,793	96,828
	1,484,563	3,448,815	4,933,378	4,750,374
Share of taxes written off	6,621	9,111	15,732	25,195
Share of tax rebates and capping adjustments	1,544	4,313	5,857	5,123
	8,165	13,424	21,589	30,318
Amounts transferred	1,476,398	3,435,391	4,911,789	4,720,056

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

4. LONG-TERM RECEIVABLE

The balance recorded on the Statement of Financial Position is a receivable from land developers for future development of subdivisions. There are no terms of repayment on this receivable. Total interest earned during the year was \$22,499 (2024 - \$32,174). Total interest earned during the year was \$10,582 (2024- \$11,591) and is earned at the monthly variable rate ranging from 0.300%-0.398% (2024 – 0.350% - 0.480%).

5. LOANS RECEIVABLE

Included in this balance is \$158,546 (2024 - \$259,419) of amounts receivable from ratepayers for work the Town has done with regards to drain construction or drain maintenance on behalf of these ratepayers. The receivables are due in 10 years with a maturity date of August 2032, bearing interest at 6% and have yearly blended payments ranging between \$3,525 to \$11,169.

Included in this balance is \$105,000 (2024 - \$120,000) of an unsecured contribution note from the Kiwanis Club of Petrolia and Area for the reimbursement of the costs for the Kiwanis Splashpad. Terms of repayment are \$15,000 annually.

6. INVESTMENT IN BLUEWATER POWER CORPORATION

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Town through Petrolia Electricity Holdings Inc. (holding company), along with the City of Sarnia, Township of Warwick, Village of Oil Springs and Town of Alvinston passed in the year 2000 transfer by-laws that transferred, effective October 31, 2000, all their hydro assets and liabilities to Bluewater Power Distribution Corporation.

6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

Upon determination of the fair value of assets and liabilities transferred, each municipality received a promissory note from Bluewater Power Distribution Corporation and shares of Bluewater Power Corporation, which owns 100% of Bluewater Power Distribution Corporation, equal to the percentage of the fair market value of assets and liabilities each municipality contributed compared to the total fair market value of the assets and liabilities contributed by the municipalities.

The fair market value of the assets and liabilities contributed by the Town of Petrolia was determined to be 7.36% of the fair market value of all of the assets and liabilities contributed by all of the six participating municipalities.

For its contribution the Town took back a promissory note from Bluewater Power Distribution Corporation bearing interest at 7.25% and Petrolia Electricity Holdings Inc., wholly owned by the Town was incorporated to hold the Town's investment in 7.36% of the common shares of Bluewater Power Corporation. This investment in 7.36% of the common shares of Bluewater Power Corporation was valued at \$1,430,914.

Commencing May 1, 2009, the interest rate payable on the promissory note increased from 7.25% to 7.62%, the deemed debt cost allowed by the Ontario Energy Board and on May 1, 2013, the increase rate declined to 6.39%. In May 2016 the rate was adjusted to 6.73%. In May 2018, the rate was adjusted to 6.98%. In May 2023, the rate was adjusted to 7.93%.

The financial statements of Bluewater Power Corporation were prepared in accordance with International Financial Reporting Standards (IFRS).

The investment in Bluewater Power Corporation is reported on the modified equity basis.

The investment is comprised of the following:

	2025	2024
	\$	\$
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	4,432,502	4,023,273
	7,190,579	6,781,350
Continuity of Investment		
Balance, beginning of year	6,781,350	6,583,580
Share of net income for the year	579,921	362,949
Dividends received during the year	170,692	165,179
Net increase in equity during the year	409,229	197,770
Balance, end of year	7,190,579	6,781,350

6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

The promissory note is due from Bluewater Power Distribution Corporation is unsecured, subordinated and due eighteen months following demand for payment. During 2025, the Town received \$113,471 (2024 - \$113,471) of interest income on the promissory note.

The following is the financial information presented by Bluewater Power Corporation:

Consolidated Statement of Financial Position

	2025	2024
	\$	\$
Assets		
Current assets	51,988,103	46,452,761
Property, Plant and equipment	114,359,460	106,756,018
Other assets	6,047,187	6,631,029
Total assets	172,394,750	159,839,808
Regulatory balances	7,196,123	5,877,024
Total assets and regulatory balances	179,590,873	165,716,832
Liabilities		
Current liabilities	33,434,379	27,019,759
Non-current liabilities	64,013,392	63,309,409
	97,447,771	90,329,168
Equity		
Share Capital	18,032,105	18,032,105
Retained Earnings	59,392,507	55,017,910
Accumulated other comprehensive gain (loss)	831,710	(353,880)
Total equity	78,256,322	72,696,135
Total liabilities and equity	175,704,093	163,025,303
Regulatory balances	3,886,780	2,691,529
Total liabilities, equity, and regulatory balances	179,590,873	165,716,832

Bluewater Power Corporation - Results of Operations

	2025	2024
	\$	\$
Revenue	160,851,811	153,689,070
Operating expenditures	151,248,883	144,469,594
Income tax expense	2,734,000	2,339,000
Net income for the year	6,868,928	6,880,476
Net movement in regulatory balances, net of tax	(175,152)	(2,195,342)
Other comprehensive income	1,185,590	246,252
Total comprehensive income	7,879,366	4,931,386

6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

Due to the ownership of Bluewater Power Corporation, the Town would be responsible for their related commitments and contingencies. These can be found within the standalone financial statements of Bluewater Power Corporation.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in Accounts payable and accrued liabilities are the government remittances totalling \$24,684 (2024 – \$36,491).

8. MUNICIPAL DEBT

The balance of municipal debt reported on the statement of financial position is comprised of the following loans and debentures:

	2025	2024
	\$	\$
Ontario Infrastructure debenture, bearing interest at 2.29% repayable in blended semi-annual payments of \$53,416 repaid during the year	-	105,026
Ontario Infrastructure debenture, bearing interest at 3.17% repayable in blended semi-annual payments of \$37,916, maturing February 2027	110,234	180,887
Ontario Infrastructure debenture, bearing interest at 3.27% repayable in blended semi-annual payments of \$171,283, maturing October 2037	3,377,668	3,604,213
Ontario Infrastructure debenture, bearing interest at 3.33% repayable in blended semi-annual payments of \$94,717, maturing February 2037	1,797,624	1,924,031
	5,285,527	5,814,157

8. MUNICIPAL DEBT (continued)

Principal repayments are as follows:

2026	437,575
2027	414,091
2028	389,270
2029	402,189
2030	415,534
Thereafter	3,226,868
	<u>\$ 5,285,527</u>

The total interest charges for the year for municipal debt which is reported on the "Statement of Operations and Accumulated Surplus" was \$239,650 (2024 - \$209,176).

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

9. TANGIBLE CAPITAL ASSETS

Assets Under Construction

Assets under construction having a value of \$10,201,088 (2024 - \$4,253,340) 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 set up as capital assets or amortized.

Writedown of Tangible Capital Assets

The writedown of tangible capital assets during the year was \$NIL (2024 - \$Nil).

10. DEFERRED REVENUE

The deferred revenue is comprised of the following:

	2025	2024
	\$	\$

The deferred revenue is comprised of the following:

OCIF grant	\$ 1,872,857	\$ 2,020,430
Parkland in lieu reserve	23,488	22,682
Cannabis legislation grant	24,480	23,639
Canada gas tax funding	743,321	525,674
Development charges	59,449	8,384
VPP capital contributions	620,312	-
Other (VPP prepaids, dogtags etc.)	358,516	324,519
	\$ 3,702,422	\$ 2,925,328

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

Balance, beginning	\$ 2,925,328	\$ 2,250,646
OCIF funding - formula based grant	584,242	667,939
Canada Community-Building Fund (Federal GasTax)	198,786	190,026
Investment income	96,542	120,592
Development charges received	50,304	8,384
VPP capital contributions received	620,312	-
Other contributions received	358,516	184,937
	4,834,030	3,422,523
Utilization of reserve funds - tangible capital asset	805,518	250,000
Utilization of reserve funds - current operations	326,090	247,195
	1,131,608	497,195
Balance, ending	\$ 3,702,422	\$ 2,925,328

11. PENSION AGREEMENTS

The Town makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2025 was \$236,253 (2024 - \$220,348).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2025. At that time the plan reported a \$1.32 billion actuarial deficit (2024 - \$2.91 billion actuarial deficit), based on actuarial liabilities of \$149.58 billion (2024 - \$140.77 billion) and actuarial assets of \$145.54 billion (2024 - \$138.17 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements.

12. BUDGET FIGURES

The unaudited budget data presented in these financial statements is based upon the 2025 budget approved by Council. Budgets are not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards which is allowable as per Ontario Regulation 284/09 of the Municipal Act. Budgets anticipate using surpluses (or deficits) accumulated in previous years to reduce current expenditures in excess of revenues to nil. In addition, the budget expensed all tangible capital assets rather than capitalizing them and recording amortization expense. The budget also expenses principal payments on debt and reserve transfers. As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus represent the budget adopted by the Town's council with the following adjustments.

	2025
	Budget Amount
	\$
Budgeted surplus for the year	2,519,639
Adjustments to budgeted surplus:	
Debt principal repayments	528,630
Net capital expenditures	7,573,828
Net reserve transfers	(4,838,395)
Amortization	(3,511,237)
Annual budgeted surplus	2,272,465

13. GRANTS

	2025	2024
	\$	\$
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 1,010,700	\$ 919,100
Community Events	5,000	4,320
Stewardship Ontario	497	748
	1,016,197	924,168
Government of Canada		
Experience Ontario	69,550	125,000
Program Support	5,407	6,200
Total Operating	1,091,154	1,055,368
Capital		
Government of Canada		
Federation of Canadian Municipalities	\$ 44,250	\$ -
Investing in Canada Infrastructure Program	3,284,507	227,984
Canada Community Revitalization Fund	-	212,064
Canada Community Building Fund	-	251,860
	3,328,757	691,908
Province of Ontario		
Emergency Management Ontario	24,784	44,021
Housing-Enabled Water Systems Fund	571,814	-
Ontario Community Infrastructure Fund	805,518	-
Ontario Trillium Foundation	22,027	-
	1,424,143	44,021
Total Capital	4,752,900	735,929
Total Grants	\$ 5,844,054	\$ 1,791,297

14. 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 \$95,000 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 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.

Brights Grove WTP Intake Replacement

The Town has contracted with Stone Town Construction Ltd. for the construction project related to the Brights Grove WTP intake replacement in the amount of \$14,139,433 including HST. This project is expected to commence April 2025, with completion by October 2026.

OPP Contract

The Town has entered into a service agreement with the Ontario Provincial Police for the provision of policing services. The 2026 annual cost will be \$1,282,166; subsequent years' amounts are to be determined on an annual basis based on estimated salary and benefit costs.

14. COMMITMENTS (continued)

Water Treatment Plant Operations

The Town has entered into a service agreement with the Ontario Clean Water Agency for the provision of operations of the Water Treatment Plant. The annual price (excluding HST and variable costs) to the Town are as follows:

Year	Amount
2026	\$541,800
2027	583,530
2028	583,530
2029	595,200 (estimated)

Wastewater Treatment Plant Operations

The Town has entered into a service agreement with the Operations Management International Canada, Inc. (OMI), commonly known as Jacobs, for the provision of operations of the Wastewater Treatment Plant. The 2026 and 2027 annual costs (excluding HST and variable costs) will be \$543,451 each year; subsequent years' amounts are to be determined on an annual basis based on estimated costs.

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 in the segmented information.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation and payment-in-lieu, OMPF Grant, net income of government business enterprise and shared other revenue consisting of penalty and interest on taxes, investment income, have been allocated to those segments that are funded by these amounts based on the net surplus for the year.

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

General Government

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

Protection to Persons and Property

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

15. SEGEMENTED INFORMATION (continued)

Transportation Services

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

Environmental Services

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

Health Services

Health services consists of cemetery operations.

Recreation and Cultural Services

This service provides services to improve health and development of the Town inhabitants. This is accomplished by the Town operating and maintaining an arena, splash pad, parks and ball parks, a bicycle park and providing library facilities.

Planning and Development Services

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

16. TRUST FUNDS

Trust funds administered by the Town amounting to \$540,564 (2024 - \$516,732) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

CORPORATION OF THE TOWN OF PETROLIA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025
NOTES TO THE FINANCIAL STATEMENTS

17. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	2025	2024
	\$	\$
Surplus		
Investment in Bluewater Power Corporation	7,190,579	6,781,351
Reduce from future taxation	428,461	277,554
Unfunded	(5,339,145)	(5,872,887)
Invested In Capital Assets		
Tangible capital assets - net book value	105,591,615	101,282,704
Surplus	107,871,510	102,468,721
Reserves		
Budget stabilization	130,032	130,032
Cemetery	42,246	33,337
Emergency management	15,000	15,000
Elections	22,500	15,000
Fire department renovation	116,351	75,000
Fire Equipment	7,397	3,213
Fire Training	29,818	-
Fire VFF pay	17,807	10,567
Insurance	70,000	70,000
Library	9,319	9,319
Operating tax reduction	204,509	-
Other cultural	1,903,075	1,270,441
Parks	41,322	2,947
Recreation facilities	49,217	86,631
Recreation programs	21,153	21,675
Road Projects	38,000	-
Sewage	543,036	239,749
Waterworks	2,076,644	2,746,853
Working capital	89,421	690,764
YMCA splashpad	27,466	64,048
Total Reserves	5,454,313	5,484,576
	113,325,823	107,953,297

18. FINANCIAL INSTRUMENTS AND RISKS

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant risks. There have been no changes in the Town's risk exposures from the prior year.

Credit risk

The Town is exposed to credit risk through its cash, taxes receivable and accounts receivable. There is a possibility of non-collection of its accounts receivable. The majority of the Town's receivables are from rate payers and government entities. The Town mitigates its exposure to credit loss by placing its cash with major financial institutions.

Accounts receivable credit risk is resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Town manages its credit risk by limiting the amount of days aged in accounts receivable before appropriate action is taken.

The Town's maximum exposure to credit risk at the financial statement date is the carrying value of accounts receivable and other accounts receivable as presented on the statement of financial position.

At year end, the amounts outstanding for the Town's accounts receivable are as follows:

2025					
	Current	31-60 days	61-90 days	91-120 days	Total
Accounts receivable	3,134,784	724,750	12,628	13,190	3,885,352
Taxes receivable	501,911	-	-	257,879	759,790
Long-term receivable	-	-	-	655,131	655,131
Loan receivable	-	-	-	263,546	263,546
Total	3,636,695	724,750	12,628	1,189,746	5,563,819

2024					
	Current	31-60 days	61-90 days	91-120 days	Total
Accounts receivable	1,633,676	566,593	4,115	23,637	2,228,021
Taxes receivable	481,978	-	-	274,663	756,641
Long-term receivable	-	-	-	632,632	632,632
Loan receivable	-	-	-	379,419	379,419
Total	2,115,654	566,593	4,115	1,310,351	3,996,713

18. FINANCIAL INSTRUMENTS AND RISKS (continued)

Liquidity risk

Liquidity risk is the risk that the Town will not be able to meet its obligations as they become due. The Town is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and deferred revenue. The Town manages this risk by establishing budgets and funding plans to fund its expenses and debt repayments. The Town also maintains certain credit facilities, which can be drawn upon as needed.

The following tables sets out the expected maturities (representing undiscounted contractual cash-flow of financial liabilities):

2025				
	Within 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued	2,991,603	-	-	2,991,603
Municipal Debt	437,575	2,064,657	2,783,295	5,285,527
Total	3,429,178	2,064,657	2,783,295	8,277,130

2024				
	Within 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued	2,389,389	-	-	2,389,389
Municipal Debt	528,631	2,058,659	3,226,869	5,814,157
Total	2,918,020	2,058,659	3,226,869	8,203,545

THE CORPORATION OF THE TOWN OF PETROLIA

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2025

	Land	Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	Work in Progress	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	\$ 1,539,396	\$ 1,617,805	\$ 23,598,826	\$ 5,732,850	\$ 3,308,116	\$ 118,847,987	\$ 4,253,340	\$ 158,898,320
Add: additions during the year	-	25,887	339,785	350,261	128,800	1,036,009	5,947,748	7,828,490
Less: disposals during the year	-	-	-	102,485	7,500	23,068	-	133,053
Balance, end of year	\$ 1,539,396	\$ 1,643,692	\$ 23,938,611	\$ 5,980,626	\$ 3,429,416	\$ 119,860,928	\$ 10,201,088	\$ 166,593,757
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ -	\$ 803,694	\$ 11,252,442	\$ 2,727,524	\$ 1,480,663	\$ 41,351,293	\$ -	\$ 57,615,616
Add: amortization for the year	-	49,057	490,077	363,148	196,200	2,409,653	-	3,508,135
Less: disposals during the year	-	-	-	92,164	7,500	21,945	-	121,609
Balance, end of year	\$ -	\$ 852,751	\$ 11,742,519	\$ 2,998,508	\$ 1,669,363	\$ 43,739,001	\$ -	\$ 61,002,142
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	\$ 1,539,396	\$ 790,941	\$ 12,196,092	\$ 2,982,118	\$ 1,760,053	\$ 76,121,927	\$ 10,201,088	\$ 105,591,615

THE CORPORATION OF THE TOWN OF PETROLIA

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2024

	Land	Land Improvements \$	Buildings \$	Equipment \$	Vehicles \$	Infrastructure \$	Work in Progress \$	Totals \$								
COST																
Balance, beginning of year	\$	1,539,396	\$	1,590,321	\$	21,761,886	\$	5,088,900	\$	3,194,818	\$	116,491,571	\$	3,321,590	\$	152,988,482
Add: additions during the year		-		34,840		1,851,940		648,575		258,274		3,358,945		4,378,618		10,531,191
Less: disposals during the year		-		7,356		15,000		4,624.99		144,975		1,002,529		3,446,868		4,621,353
Balance, end of year	\$	1,539,396	\$	1,617,805	\$	23,598,826	\$	5,732,850	\$	3,308,116	\$	118,847,987	\$	4,253,340	\$	158,898,320
ACCUMULATED AMORTIZATION																
Balance, beginning of year	\$	-	\$	750,106	\$	10,906,428	\$	2,395,058	\$	1,344,726	\$	39,710,302	\$	-	\$	55,106,620
Add: amortization for the year		-		59,491		358,014		334,509		186,678		2,355,501		-		3,294,193
Less: disposals during the year		-		5,903		12,000		2,043		50,741		714,510		-		785,197
Balance, end of year	\$	-	\$	803,694	\$	11,252,442	\$	2,727,524	\$	1,480,663	\$	41,351,293	\$	-	\$	57,615,616
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS																
	\$	1,539,396	\$	814,111	\$	12,346,384	\$	3,005,326	\$	1,827,453	\$	77,496,694	\$	4,253,340	\$	101,282,704

THE CORPORATION OF THE TOWN OF PETROLIA

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2025

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue								
Property taxation	6,779,120	-	-	-	-	-	-	6,779,120
Water and sewer charges	-	-	-	3,532,387	-	-	-	3,532,387
Fees and user charges	478,457	11,046	-	-	101,630	1,922,551	31,125	2,544,809
Fees and user charges - other Municipalities	-	245,057	-	1,275,203	9,000	22,300	-	1,551,560
Grants	1,011,439	24,045	843,518	3,818,818	-	146,234	-	5,844,054
Other	485,770	34,224	-	-	18,053	126,610	54,155	718,812
Bluewater Power	693,392	-	-	-	-	-	-	693,392
Total revenues	9,448,178	314,372	843,518	8,626,408	128,683	2,217,695	85,280	21,664,134
Expenses								
Salaries and benefits	933,549	340,807	513,631	583,351	94,594	909,186	242,428	3,617,546
Materials and supplies	771,494	540,434	419,758	1,264,705	30,706	2,535,480	216,914	5,779,491
Contracted services	179,868	1,167,426	934	1,540,982	-	189,140	10,721	3,089,071
Interest on long term debt	145	-	725	231,639	-	1,840	5,301	239,650
Amortization	257,882	188,032	755,035	1,790,236	7,359	478,733	30,858	3,508,135
Other	9,600	48,115	-	-	-	-	-	57,715
Total expenses	2,152,538	2,284,814	1,690,083	5,410,913	132,659	4,114,379	506,222	16,291,608
Net surplus/(deficit)	7,295,640	(1,970,442)	(846,565)	3,215,495	(3,976)	(1,896,684)	(420,942)	5,372,526

THE CORPORATION OF THE TOWN OF PETROLIA

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2024

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue								
Property taxation	6,561,857	-	-	-	-	-	-	6,561,857
Water and sewer charges	-	-	-	3,462,388	-	-	-	3,462,388
Fees and user charges	39,060	12,965	-	-	91,650	2,219,026	29,466	2,392,167
Fees and user charges - other Municipalities	-	229,452	-	1,188,826	9,000	22,300	-	1,449,578
Grants	1,170,960	44,021	-	228,732	-	347,584	-	1,791,297
Other	243,305	31,445	-	959,867	27,122	963,449	47,894	2,273,082
Bluewater Power	311,242	-	-	-	-	-	-	311,242
Total revenues	8,326,424	317,883	-	5,839,813	127,772	3,552,359	77,360	18,241,611
Expenses								
Salaries and benefits	916,757	313,263	527,483	502,693	109,962	887,464	206,900	3,464,522
Materials and supplies	402,847	313,486	349,863	1,153,065	22,475	2,850,979	207,938	5,300,653
Contracted services	194,480	1,132,154	906	1,312,732	-	186,057	9,769	2,836,098
Interest on long term debt	411	-	18,867	238,145	-	2,758	7,724	267,905
Amortization	265,130	190,556	653,135	1,729,374	7,433	418,015	30,550	3,294,193
Other	17,600	46,028	-	-	-	-	-	63,628
Total expenses	1,797,225	1,995,487	1,550,254	4,936,009	139,870	4,345,273	462,881	15,226,999
Net surplus/(deficit)	6,529,199	(1,677,604)	(1,550,254)	903,804	(12,098)	(792,914)	(385,521)	3,014,612

**The Corporation of the
Town of Petrolia - Trust Funds
Financial Statements**
Year ended December 31, 2025

The Corporation of the Town of Petrolia - Trust Funds

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For the year ended December 31, 2025

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To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Petrolia - Trust Funds:

Opinion

We have audited the 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, 2025, and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2025, and the results of its operations, changes in its net financial asset 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 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust Funds'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 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'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 Trust Funds'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 Trust Funds'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 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Sarnia, Ontario

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Town of Petrolia
Trust Funds
Statement of Financial Position
As at December 31, 2025

	<i>Care and Maintenance Cemetery</i>	<i>Englehart</i>	<i>Burley Fulton</i>	<i>Colvin</i>	<i>Total</i>
Assets					
Current					
Cash	\$ 506,541	\$ 1,206	\$ 6,241	\$ 4,250	\$ 518,238
Due from the Corporation of the Town of Petrolia	22,326	-	-	-	22,326
Investments	-	-	-	-	-
Fund Balance	\$ 528,867	\$ 1,206	\$ 6,241	\$ 4,250	\$ 540,564

Town of Petrolia
Trust Funds
Statement of Continuity
For the year ended December 31, 2025

	<i>Care and Maintenance Cemetery</i>	<i>Englehart</i>	<i>Burley Fulton</i>	<i>Colvin</i>	<i>Total</i>
Balance, beginning of year	\$ 505,441	\$ 1,165	\$ 6,024	\$ 4,102	\$ 516,732
Revenue					
Care and maintenance	23,426	-	-	-	23,426
Interest earned (net of service charges)	18,053	41	217	148	18,459
	41,479	41	217	148	41,885
Expenditure					
Transfer to the Corporation of the Town of Petrolia	18,053	-	-	-	18,053
Balance, ending of year	\$ 528,867	\$ 1,206	\$ 6,241	\$ 4,250	\$ 540,564

Approved on behalf of council


Mayor


C.A.O./Treasurer

The Corporation of the Town of Petrolia - Trust Funds

Notes to the Financial Statements

For the year ended December 31, 2024

1. Trust fund purpose and significant accounting policies

These financial statements relate to funds held in trust by The Corporation of the Town of Petrolia on behalf of the residents of the Town of Petrolia.

Basis of accounting

The financial statements of the Corporation of the Town of Petrolia - Trust Funds have been prepared by management in accordance with the Canadian Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Care and maintenance and Interest earned

Care and maintenance and interest earned is recorded in the period that it is earned.

Use of estimates

The preparation of these financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accrual accounting:

Revenues and expenses are reported on 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.

2. Statement of cash flows

A statement of cash flows has not been prepared as the operating, financing, and investing activities information contained therein is readily available in the statements presented.