



**Collins Barrow**

Chartered Accountants

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## Auditors' Report

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### **To The Members Of Council, Inhabitants And Ratepayers Of The Corporation Of The Town Of Petrolia**

We have audited the consolidated statement of financial position of the **Corporation of the Town of Petrolia** as at December 31, 2008 and the consolidated statement of financial activities and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow*

**Chartered Accountants  
Licensed Public Accountants**

**Sarnia, Ontario  
March 6, 2009**

Corporation of the Town Of Petrolia  
 Consolidated Statement Of Financial Position  
 December 31, 2008

	2008	2007
<b>Assets</b>		
<b>Financial Assets</b>		
Cash (note 3)	\$ 4,551,715	\$ 2,843,082
Taxes receivable (note 4)	400,584	376,239
Accounts receivable	351,356	823,998
Other receivable (note 5)	467,865	483,242
Other current assets	40,979	5,500
Long-term receivable (note 6)	600,000	650,000
Investment in Bluewater Power Corporation (note 7)	<u>3,614,253</u>	<u>3,520,636</u>
	<u>10,026,752</u>	<u>8,702,697</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	989,860	1,042,555
Interest on municipal debt	19,500	21,863
Municipal debt (note 8)	6,639,784	7,443,479
Deferred revenue (note 9)	<u>486,958</u>	<u>509,271</u>
	<u>8,136,102</u>	<u>9,017,168</u>
<b>Net Financial Assets</b>	1,890,650	(314,471)
<b>Non-Financial Assets</b>		
Inventory	<u>-</u>	<u>858</u>
<b>Net Assets</b>	<u>\$ 1,890,650</u>	<u>\$ (313,613)</u>
<b>Municipal Position</b>		
Operating fund (note 10(a))	\$ (16,466)	\$ 136,230
Reserves and reserve funds (note 10(b))	4,952,147	3,494,863
Equity in Bluewater Power Corporation.	<u>3,614,253</u>	<u>3,520,636</u>
Fund balances	8,549,934	7,151,729
Amounts to be recovered (note 11)	<u>(6,659,284)</u>	<u>(7,465,342)</u>
<b>Total Municipal Position</b>	<u>\$ 1,890,650</u>	<u>\$ (313,613)</u>

On Behalf Of Council

Mayor

Finance Chair

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

**Corporation of the Town Of Petrolia  
Consolidated Statement Of Financial Activities  
For the Year Ended December 31, 2008**

	Budget 2008	Actual 2008	Actual 2007
<b>Revenues</b>			
Net municipal taxation	\$ 3,044,954	\$ 3,042,478	\$ 2,758,543
User charges	2,076,343	2,127,023	1,988,527
Water and sewage charges	2,788,000	2,684,120	2,783,881
Transfer payments	1,139,750	1,810,611	1,032,460
Other	546,316	1,271,133	750,718
Bluewater Power Corporation, net increase in equity	-	93,617	76,984
<b>Total Revenues</b>	<u>9,595,363</u>	<u>11,028,982</u>	<u>9,391,113</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	872,727	852,068	710,699
Protection to persons and property	1,055,143	1,068,505	947,797
Transportation services	633,227	729,492	589,240
Environmental services	1,654,100	1,521,885	1,590,258
Health services	97,225	78,114	72,600
Recreation and cultural	2,757,056	2,933,644	2,681,159
Planning and development	99,725	89,306	184,000
<b>Total current</b>	<u>7,169,203</u>	<u>7,273,014</u>	<u>6,775,753</u>
<b>Capital</b>			
General government	10,732	44,757	38,114
Protection to persons and property	18,000	21,067	42,672
Transportation services	532,260	463,639	266,704
Environmental services	881,905	948,858	413,094
Recreational and cultural services	69,600	73,384	12,493
Planning and development	51,350	-	-
<b>Total capital</b>	<u>1,563,847</u>	<u>1,551,705</u>	<u>773,077</u>
<b>Total Expenditures (note 14)</b>	<u>8,733,050</u>	<u>8,824,719</u>	<u>7,548,830</u>
<b>Excess of Revenues over Expenditures</b>	862,313	2,204,263	1,842,283
Less municipal debt principal repayments	(803,694)	(803,695)	(769,532)
Less accrued interest on municipal debt	-	(2,363)	(2,262)
<b>Decrease in amounts to be recovered</b>	<u>(803,694)</u>	<u>(806,058)</u>	<u>(771,794)</u>
<b>Change in Fund Balances</b>	<u>\$ 58,619</u>	<u>\$ 1,398,205</u>	<u>\$ 1,070,489</u>

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

**Corporation of the Town Of Petrolia  
Consolidated Statement Of Changes In Financial Position  
For The Year Ended December 31, 2008**

	2008	2007
<b>Operating Activities</b>		
Excess of revenues over expenditures	\$ <u>2,204,263</u>	\$ <u>1,842,283</u>
Uses		
Increase in taxes receivable	(24,345)	-
Increase in accounts receivable	-	(94,061)
Increase in other receivables	-	(483,242)
Increase in other current assets	(35,479)	-
Decrease in accounts payable and accrued liabilities	(52,695)	(29,185)
Decrease in interest on municipal debt	(2,363)	(2,262)
Decrease in deferred revenue	<u>(22,313)</u>	<u>-</u>
	<u>(137,195)</u>	<u>(608,750)</u>
Sources		
Increase in interest on municipal debt	15,377	-
Increase in deferred revenue	-	443,654
Decrease in taxes receivable	-	74,049
Decrease in accounts receivable	472,642	-
Decrease in other receivable	15,377	-
Decrease in other current assets	-	11,701
Decrease in long-term receivable	50,000	50,000
Decrease in inventory	<u>858</u>	<u>4,395</u>
	<u>538,877</u>	<u>583,799</u>
Net increase in cash from operations	<u>2,605,945</u>	<u>1,817,332</u>
<b>Investing Activities</b>		
Investment in Bluewater Power Corporation	<u>(93,617)</u>	<u>(36,202)</u>
<b>Financing Activities</b>		
Municipal debt repaid	<u>(803,695)</u>	<u>(769,532)</u>
<b>Net Increase In Cash</b>	<b>1,708,633</b>	<b>1,011,598</b>
<b>Opening, Cash</b>	<u>2,843,082</u>	<u>1,831,484</u>
<b>Closing, Cash</b>	<u>\$ 4,551,715</u>	<u>\$ 2,843,082</u>
<b>Supplemental Cash Flow Information:</b>		
<b>Cash Disbursed For</b>		
Interest on municipal debt	<u>\$ 307,937</u>	<u>\$ 342,101</u>

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

**1. Significant Accounting Policies**

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The Consolidated Financial Statements of the Corporation of the Town of Petrolia (the "Town") are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted include:

**(a) (i) Reporting Entity**

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the operating fund, capital fund and reserves and includes the activities of all organizations, local boards and entities accountable to the Town for the administration of their financial affairs and resources.

**(ii) Government Business Enterprises**

The investment in Petrolia Electricity Holdings Inc. investment in Bluewater Power Corporation is accounted for on the modified equity basis which reflects the Town of Petrolia's investment in the enterprise and its share of net income since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated.

**(iii) Accounting for County and School Board Transactions**

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in the municipal fund balances of these financial statements.

**(iv) Trust Funds**

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

**(b) Basis of Accounting**

**(i) Accrual Basis of Accounting**

Sources of financing and expenditures 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.

**(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, which approximates market value.

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Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

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

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(b) Basis of Accounting cont'd

(iii) Inventories

Inventory of material held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

(iv) Tangible Property, Plant And Equipment Assets

Tangible property, plant and equipment expenditures incurred during the year are recorded as capital expenditures in the Statement of Financial Activities.

(v) Deferred Revenue

Deferred revenue represents unspent funds which have been collected and for which the qualifying expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year in which the qualifying expenditures are incurred.

(vi) Investment Income

Investment income earned on surplus operating fund, capital fund and reserves (other than deferred revenue) is reported as revenue in the period earned. Investment income on deferred revenue is added to the fund balance and forms part of the respective deferred revenue balances.

(vii) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require 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 those estimates.

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2. Operations Of School Boards And The County Of Lambton

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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	2008 Total	2007 Total
Taxation and user charges	\$ 1,609,093	\$ 1,751,552	\$ 3,360,645	\$ 3,323,062
Grants-in-lieu	<u>-</u>	<u>15,126</u>	<u>15,126</u>	<u>14,378</u>
Total	\$ <u>1,609,093</u>	<u>1,766,678</u>	\$ <u>3,375,771</u>	\$ <u>3,337,440</u>

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Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

**3. Cash and Short-Term Investments**

This represents a consolidation of cash and short-term investments from the operating fund and the reserve funds (including those funds set aside in respect of deferred revenue as detailed in note 9). The composition is as follows:

	2008		2007	
	Cash	Investments	Cash	Investments
Operating Fund	\$ 4,562,622	\$ -	\$ 2,817,053	\$ -
Restricted Funds	<u>19,093</u>	<u>-</u>	<u>26,029</u>	<u>-</u>
Total	<u>\$ 4,581,715</u>	<u>\$ -</u>	<u>\$ 2,843,082</u>	<u>\$ -</u>

**4. Taxes and Interest Receivable**

	2008	2007
Current year	\$ 289,962	\$ 271,706
Arrears from previous years	<u>140,622</u>	<u>134,533</u>
	430,584	406,239
Less allowance	<u>30,000</u>	<u>30,000</u>
	<u>\$ 400,584</u>	<u>\$ 376,239</u>

The allowance of \$30,000 has been established to cover the Town's share of potential adjustments from unresolved appeals, vacancy rebates and penalty and interest adjustments.

**5. Other Receivable**

This amount represents a surplus in the OMERS pension plan. The employee portion of this surplus has been returned to the affected employees and the remaining balance of the surplus, plus any interest earned, is restricted in that it may only be used by the Town to fund the town portion of OMERS pension plan contributions in future years.

**6. Long-Term Receivable**

In 2000, the Town reached a settlement with regards to royalties to be paid for waste deposited in the landfill site formerly owned by the Town. Under the terms of the settlement, the Town received a settlement of \$5,000,000, of which \$4,000,000 was paid during the year 2000 and the remaining \$1,000,000 is to be paid without interest over 20 years with an annual payment of \$50,000 per year commencing January 1, 2001. At the end of 2008, \$600,000 (2007 - \$650,000) was still outstanding. The outstanding principal balance or any portion thereof may be prepaid at any time.

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Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

**7. Hydro Investments**

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Town, along with the City of Sarnia, Township of Warwick, Village of Point Edward, Village of Oil Springs and Village of Alvington passed in the year 2000 transfer by-laws that transferred, effective October 31, 2000, all of the their hydro assets and liabilities to Bluewater Power Distribution Corporation. 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 \$1,430,914 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 \$1,327,163.

	2008	2007
7.25% 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>856,176</u>	<u>762,559</u>
	<u>\$ 3,614,253</u>	<u>\$ 3,520,636</u>
<b>Continuity of Investment</b>		
Balance, beginning of year	\$ 3,520,636	\$ 3,443,652
Share of net income for the year	150,858	124,088
Dividends received during the year	<u>57,241</u>	<u>47,104</u>
Net increase in equity during the year	<u>93,617</u>	<u>76,984</u>
Balance, end of year	<u>\$ 3,614,253</u>	<u>\$ 3,520,636</u>

The promissory note is due from Bluewater Power Distribution Corporation is unsecured, subordinated and due twelve months following demand for payment. During 2008, the Town of Petrolia received \$103,741 (2007 - \$103,741) of interest income on the promissory note.



Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

7. Hydro Investments cont'd...

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

**Bluewater Power Corporation**

	2008	2007
Financial Position		
Assets		
Current assets	\$ 28,685,969	\$ 26,422,208
Property, plant and equipment	43,831,066	41,900,332
Other assets	<u>4,053,148</u>	<u>3,851,361</u>
Total assets	<u>\$ 76,570,183</u>	<u>\$ 72,173,901</u>
Liabilities		
Current liabilities	\$ 14,386,477	\$ 13,133,724
Long-term liabilities	<u>32,518,776</u>	<u>30,647,213</u>
	<u>46,905,253</u>	<u>43,780,937</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	<u>11,632,825</u>	<u>10,360,859</u>
	<u>29,664,930</u>	<u>28,392,964</u>
Total liabilities and equity	<u>\$ 76,570,183</u>	<u>\$ 72,173,901</u>
Results of operations		
Revenues	\$ 92,298,125	\$ 94,252,579
Expenditures	89,138,646	90,923,931
Payment in lieu of income taxes	<u>1,109,784</u>	<u>1,642,666</u>
Net income	<u>\$ 2,049,695</u>	<u>\$ 1,685,982</u>
Town of Petrolia share of net income @ 7.36%	<u>\$ 150,858</u>	<u>\$ 124,088</u>
Dividends	<u>\$ 777,729</u>	<u>\$ 640,000</u>
Petrolia Electricity Holdings Inc. share of dividend @ 7.36%	<u>\$ 57,241</u>	<u>\$ 47,104</u>
Change in equity	<u>\$ 93,617</u>	<u>\$ 76,984</u>

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**Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008**

**7. Hydro Investments cont'd...**

**Petrolia Electricity Holdings Inc.**

	2008	2007
Current assets	\$ 57,241	\$ 47,104
Investment in Bluewater Power Corporation	<u>1,327,163</u>	<u>1,327,163</u>
Total assets	<u>\$ 1,384,404</u>	<u>\$ 1,374,267</u>
Liabilities		
Current liabilities	\$ 57,241	\$ 47,104
Equity	<u>1,327,163</u>	<u>1,327,163</u>
Total liabilities and equity	<u>\$ 1,384,404</u>	<u>\$ 1,374,267</u>
Results of operations		
Revenue	\$ 57,241	\$ 47,104
Expenditures	<u>-</u>	<u>-</u>
Net income	<u>57,241</u>	<u>47,104</u>
Dividends	<u>(57,241)</u>	<u>(47,104)</u>
Change in equity	<u>\$ -</u>	<u>\$ -</u>

**8. Municipal Debt**

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

	2008	2007
4.55% bank loan, due October 3, 2010	\$ 1,461,862	\$ 1,640,232
4.60% bank loan, due October 3, 2015	1,316,581	1,476,898
4.19% bank loan, due December 9, 2015	<u>3,861,341</u>	<u>4,326,349</u>
	<u>\$ 6,639,784</u>	<u>\$ 7,443,479</u>

(b) Principal repayments are as follows:

2009	\$ 839,375
2010	1,956,521
2011	711,168
2012	742,330
2013	744,860
2014 to 2015	<u>1,645,530</u>
	<u>\$ 6,639,784</u>

Continued on page 11....

Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

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**8. Municipal Debt cont'd....**

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Revenue for the above principal repayments will be raised from the following areas:

	2009 to 2013	2014 to 2015	Total
From water charges	\$ 2,640,500	\$ 1,220,841	\$ 3,861,341
From taxation rates	921,892	394,689	1,316,581
From Oil Heritage District Community Centre Association	<u>1,461,862</u>	<u>-</u>	<u>1,461,862</u>
	<u>\$ 5,024,254</u>	<u>\$ 1,615,530</u>	<u>\$ 6,639,784</u>

(c) Municipal debt approved after January 1, 1993 have been approved by by-law. 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.

d) Total charges for the year for municipal debt which is reported on the Statement of Financial Position are as follows:

	2008	2007
Principal	\$ 803,695	\$ 769,532
Interest	<u>305,574</u>	<u>339,840</u>
	<u>\$ 1,109,269</u>	<u>\$ 1,109,372</u>

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**9. Deferred Revenue**

2008

2007

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The deferred revenue is comprised of the following:

Recreational land	\$ 18,906	\$ 17,462
Canada Gas Tax Funding	187	8,567
OMERS Pension Plan Type 3 Excess Funds	<u>467,865</u>	<u>483,242</u>
	<u>\$ 486,958</u>	<u>\$ 509,271</u>

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Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

9. Deferred Revenue cont'd....

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

	OMERS Excess Funds	Canada Gas Tax Funding	Parkland Fees
Balance, beginning	\$ 483,242	\$ 8,567	\$ 17,462
Current year contribution	-	-	1,000
Interest earned	<u>47,869</u>	<u>187</u>	<u>444</u>
	531,111	8,754	18,906
Transfer to operating and capital fund	<u>63,246</u>	<u>8,567</u>	-
Balance, ending	\$ <u>467,865</u>	\$ <u>187</u>	\$ <u>18,906</u>

10. Municipal Fund Balances At The End Of The Year

	2008	2007
(a) Operating fund balance		
For general (increase) decrease of taxation	\$ <u>(16,466)</u>	\$ <u>136,230</u>
(b) Reserves		
Working capital	\$ 202,282	\$ 139,036
Insurance	555,195	605,580
Fire equipment	18,656	22,749
Recreation facilities	55,379	62,644
Planning and development	487,632	348,495
Capital projects	1,128,669	486,930
Waterworks	1,300,807	1,062,780
Sewage	1,162,866	742,927
Cemetery	32,293	15,504
Library	<u>8,368</u>	<u>8,218</u>
Total reserves	\$ <u>4,952,147</u>	\$ <u>3,494,863</u>

11. Amounts To Be Recovered

Amounts to be recovered will be funded as follows:

	2008	2007
From future revenue for:		
Municipal debt	\$ 6,639,784	\$ 7,443,479
Accrued interest on municipal debt	<u>19,500</u>	<u>21,863</u>
	\$ <u>6,659,284</u>	\$ <u>7,465,342</u>

Continued on page 13....

**Corporation of the Town Of Petrolia**  
**Notes To Consolidated Financial Statements**  
**December 31, 2008**

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**12. Pension Agreements**

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of 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.

For 2008 the contribution made by the Town to OMERS was \$63,246 (2007 - \$70,490).

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**13. Public Sector Salary Disclosure**

During 2008, no town employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

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**14. Classification Of Expenditures By Object**

The Consolidated Statement of Financial Activities presents the expenditures by function; the following classifies those same expenditures by object.

	2008	2007
Salaries, wages and employee benefits	\$ 2,287,162	\$ 1,994,515
Operating materials and supplies	3,077,028	2,828,954
Contracted services	1,555,416	1,568,130
Rents and financial expenses	35,642	18,969
External transfers to others	12,192	25,346
Tangible capital assets	1,551,705	773,077
Interest on long-term debt	<u>305,574</u>	<u>339,839</u>
Total expenditures by object	<u>\$ 8,824,719</u>	<u>\$ 7,548,830</u>

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**15. Contingencies**

**Federal Grants**

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

Corporation of the Town Of Petrolia  
Notes To Consolidated Financial Statements  
December 31, 2008

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**15. Contingencies cont'd....**

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**Insurance**

At December 31, 2008, the Town was in dispute over various insurance claims. The outcome of these disputes is indeterminable at this time. Any payments, if any, made by the Town from these disputes will be recognized as an expense in the year any settlements are made.

**Line of Credit**

The Town approved a recommendation of the Victoria Hall Committee whereby a line of credit in the form of a bond in the amount of \$82,000 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**

On June 5, 2005, the Town entered into an agreement with the Oil Heritage District Community Centre Association ("Association") whereby it was agreed that the Town's financial contribution to the construction of the Oil Heritage District Community Centre ("OHDCC") would be limited to \$2,800,000 of the estimated cost of \$7,600,000, \$2,186,000 would be financed by government grants and the remaining portion of \$2,614,000 would be financed through fundraising by the Association within five years. In order to facilitate construction of the OHDCC, the Town agreed to incur on behalf of the Association debt of \$2,000,000. As part of the agreement, the Association is to provide funds to the Town to repay this debt and interest charges.

Should the Association not be able to meet its fundraising commitments the Town will have to finance the loan and interest costs that would have been financed by the Association. As at December 31, 2008, the remaining outstanding loan balance is \$1,461,862 and remaining interest costs until the loan is due October 3, 2010 are \$108,258. \$249,311 is due in 2009 and \$1,320,809 is due in 2010.

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

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**16. Commitments**

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**Leases**

The Town leases vehicles under operating leases. Future minimum lease payments are as follows:

Year Ending December 31	
2009	\$ 4,437
2010	<u>2,218</u>
	\$ <u>6,655</u>

Continued on page 15....

#### **17. Trust Funds**

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Trust funds administered by the Town amounting to \$353,923 (2007 - \$345,619) are not included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

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#### **18. Tangible Capital Assets**

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Effective January 1, 2007, the Town of Petrolia adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009. The adoption of this guideline did not impact January 1, 2008 opening balances of the Town.

Tangible capital assets are significant economic resources managed by local government and a key component of cost in the delivery of many local government programs and services. Tangible capital assets include such diverse items as land, buildings, roads, vehicles, water and sewage systems and computer hardware and software.

The Town continues to record tangible assets as expenditures within the capital fund. This will change when the new recommendations for accounting for tangible capital assets are adopted. When adopted, tangible capital assets will be capitalized when acquired and recorded as an asset on the statement of financial position and the cost of the tangible asset will be amortized over its estimated useful life on the statement of operations.

During 2008 the Town has worked towards compliance with the new recommendations for accounting for tangible capital assets. Inventory listings of the tangible assets are being compiled but valuation of the tangible capital assets had not yet been completed.

The Town expects the inventory listings and valuations of the various categories of tangible assets to be completed during the fall of 2009 and be in a position to adopt the Section 3150 standards for the 2009 financial statements.

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#### **19. Comparative Figures**

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

**Corporation of the Town Of Petrolia  
Schedule Of Operating Fund Operations  
December 31, 2008**

	Budget 2008	Actual 2008	Actual 2007
<b>Revenues</b>			
Net municipal taxation and user charges	\$ 3,044,954	\$ 3,042,478	\$ 2,758,542
User charges	2,076,343	2,127,023	1,988,527
Water and sewage charges	2,788,000	2,684,120	2,783,881
Transfer payments	952,016	999,489	957,967
Other	<u>347,060</u>	<u>544,969</u>	<u>500,685</u>
Total revenues	<u>9,208,373</u>	<u>9,398,079</u>	<u>8,989,602</u>
<b>Expenditures</b>			
General government	872,729	852,068	710,699
Protection to persons and property	1,055,143	1,068,505	947,797
Transportation services	633,227	729,492	589,240
Environmental services	1,654,100	1,521,884	1,590,258
Health services	97,225	78,114	72,600
Recreation and culture	2,757,056	2,933,645	2,681,159
Planning and development	<u>99,725</u>	<u>89,306</u>	<u>184,000</u>
Total expenditures	<u>7,169,205</u>	<u>7,273,014</u>	<u>6,775,753</u>
Excess of revenues over expenditures	<u>2,039,168</u>	<u>2,125,065</u>	<u>2,213,849</u>
<b>Financing And Transfers</b>			
Municipal debt principal payments	(803,694)	(803,695)	(769,532)
Transfers to reserves	(725,654)	(1,057,375)	(856,332)
Transfers to capital operations	(646,050)	(414,328)	(449,494)
Accrued interest on municipal debt	-	(2,363)	(2,261)
Net financing and transfers	<u>(2,175,398)</u>	<u>(2,277,761)</u>	<u>(2,077,619)</u>
Change in Operating Fund	(136,230)	(152,696)	136,230
Fund Balance, Beginning	<u>136,230</u>	<u>136,230</u>	<u>-</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ (16,466)</u>	<u>\$ 136,230</u>



Corporation of the Town Of Petrolia  
 Schedule Of Capital Fund Operations  
 December 31, 2008

	Budget 2008	Actual 2008	Actual 2007
<b>Revenues</b>			
Transfer payments	\$ 187,734	\$ 811,122	\$ 74,493
Other	190,689	718,097	290,815
Contribution from deferred revenue	<u>8,567</u>	<u>8,067</u>	<u>-</u>
Total revenues	<u>386,990</u>	<u>1,537,286</u>	<u>365,308</u>
<b>Expenditures</b>			
General government	10,732	44,757	38,114
Protection to persons and property	18,000	21,067	42,672
Transportation services	532,260	463,639	266,704
Environmental services	881,905	948,858	413,094
Recreation and culture	69,600	73,384	12,493
Planning and development	<u>51,350</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,563,847</u>	<u>1,551,705</u>	<u>773,077</u>
Deficiency of revenues over expenditures	<u>(1,176,857)</u>	<u>(14,419)</u>	<u>(407,769)</u>
<b>Financing And Transfers</b>			
Transfers from operating fund	646,050	414,328	449,494
Transfers from (to) reserves	<u>530,807</u>	<u>(399,909)</u>	<u>(41,725)</u>
Net financing and transfers	<u>1,176,857</u>	<u>14,419</u>	<u>407,769</u>
Change in Capital Fund Balance	-	-	-
Opening, Capital Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing, Capital Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Corporation of the Town Of Petrolia**  
**Schedule Of Reserves**  
**December 31, 2008**

	Budget 2008	Actual 2008	Actual 2007
<b>Revenues</b>			
Other	\$ _____ -	\$ _____ -	\$ _____ -
Excess of revenue over expenditures	_____ -	_____ -	_____ -
<b>Net Transfers To Other Funds</b>			
Transfer from operating fund	725,654	1,057,375	856,332
Transfer to capital fund	(530,807)	399,909	41,725
Total net transfers	<u>194,847</u>	<u>1,457,284</u>	<u>898,057</u>
<b>Change in Reserves Balance</b>	194,847	1,457,284	898,057
<b>Opening, Reserves Balance</b>	<u>3,494,863</u>	<u>3,494,863</u>	<u>2,596,806</u>
<b>Closing, Reserves Balance</b>	<u>\$ 3,689,710</u>	<u>\$ 4,952,147</u>	<u>\$ 3,494,863</u>



Collins Barrow

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## Auditors' Report

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### To The Members Of Council, Inhabitants And Ratepayers Of The Corporation Of The Town Of Petrolia

We have audited the balance sheet of the Corporation of the Town of Petrolia Trust Funds as at December 31, 2008 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds for the Town as at December 31, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles as disclosed in note 1 to the financial statements.

*Collins Barrow*

Sarnia, Ontario  
March 6, 2009

Chartered Accountants  
Licensed Public Accountants

Corporation Of The Town Of Petrolia  
Trust Funds  
Statement Of Continuity  
For The Year Ended December 31, 2008

	Total \$	Englehart \$	Colvin \$	Fulton \$
Balance, Beginning	<u>345,619</u>	<u>8,668</u>	<u>3,130</u>	<u>4,566</u>
Receipts				
Care and maintenance	7,900	-	-	-
Interest	<u>8,838</u>	<u>214</u>	<u>77</u>	<u>113</u>
	<u>16,738</u>	<u>214</u>	<u>77</u>	<u>113</u>
Expenditures				
Transfer to Town	<u>8,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, Ending	<u>353,923</u>	<u>8,882</u>	<u>3,207</u>	<u>4,679</u>

Balance Sheet  
December 31, 2008

	Total \$	Englehart \$	Colvin \$	Fulton \$
<b>Assets</b>				
Cash	84,408	8,882	3,207	4,679
Investments (note 3)	<u>269,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>353,923</u>	<u>8,882</u>	<u>3,207</u>	<u>4,679</u>
<b>Surplus</b>				
Capital	<u>353,923</u>	<u>8,882</u>	<u>3,207</u>	<u>4,679</u>
	<u>353,923</u>	<u>8,882</u>	<u>3,207</u>	<u>4,679</u>

**Corporation Of The Town Of Petrolia  
Trust Funds  
Statement Of Continuity  
For The Year Ended December 31, 2008**

	<b>Care And Maintenance Fund Markers \$</b>	<b>Care And Maintenance Fund Cemetery \$</b>
Balance, Beginning	<u>38,094</u>	<u>291,161</u>
Receipts		
Care and maintenance	2,000	5,900
Interest	<u>1,076</u>	<u>7,358</u>
	<u>3,076</u>	<u>13,258</u>
Expenditures		
Transfer to Town	<u>1,076</u>	<u>7,358</u>
Balance, Ending	<u>40,094</u>	<u>297,061</u>

**Balance Sheet  
December 31, 2008**

	<b>Care And Maintenance Fund Markers \$</b>	<b>Care And Maintenance Fund Cemetery \$</b>
<b>Assets</b>		
Cash	16,942	50,698
Investments (note 3)	<u>23,152</u>	<u>246,363</u>
	<u>40,094</u>	<u>297,061</u>
<b>Surplus</b>		
Capital	<u>40,094</u>	<u>297,061</u>
	<u>40,094</u>	<u>297,061</u>

Corporation Of The Town Of Petrolia  
Trust Funds  
Notes To Financial Statements  
December 31, 2008

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**1. Significant Accounting Policy**

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**Basis Of Accounting**

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

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**2. Investments**

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The total for investments by the trust funds of \$269,515 (2007 - \$268,497) reported on the Balance Sheet at cost, have a market value of \$269,515 (2007 - \$268,497) at the end of the year.