

Independent Auditors' Report

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

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We have audited the accompanying financial statements of the **Corporation of the Town of Petrolia**, which comprise the statement of financial position as at December 31, 2010 and the statements of financial activities and accumulated surplus, cash flows and change in net financial assets for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Petrolia as at December 31, 2010 and the results of its financial activities, cash flows and change in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Sarnia, Ontario
November 28, 2011

Collins Barrow Sarnia
**Chartered Accountants
Licensed Public Accountants**

Corporation of the Town Of Petrolia
Statement Of Financial Position
December 31, 2010

	2010	2009 (Restated - note 2)
Assets		
Financial Assets		
Cash (note 4)	\$ 4,455,397	\$ 5,784,701
Taxes receivable (note 5)	628,294	530,287
Accounts receivable	1,333,389	1,712,954
Other receivable (note 6)	289,174	378,583
Long-term receivable (note 7)	500,000	550,000
Investment in Bluewater Power Corporation (note 8)	3,725,747	3,540,201
Total financial assets	<u>10,932,001</u>	<u>12,496,726</u>
Liabilities		
Bank loan	\$ 1,240,000	\$ -
Accounts payable and accrued liabilities	1,348,518	2,064,570
Interest on municipal debt	21,316	28,224
Municipal debt (note 9)	5,847,419	7,909,408
Deferred revenue (note 10)	305,281	401,712
Total liabilities	<u>8,762,534</u>	<u>10,403,914</u>
Net Financial Assets	<u>2,169,467</u>	<u>2,092,812</u>
Non-Financial Assets		
Tangible capital assets (note 14)	55,645,809	53,682,862
Prepaid expenses	22,209	11,045
Total non-financial assets	<u>55,668,018</u>	<u>53,693,907</u>
Accumulated Surplus (note 13)	<u>\$ 57,837,485</u>	<u>\$ 55,786,719</u>

On Behalf Of Council

Mayor

Treasurer

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

Corporation of the Town Of Petrolia
Statement Of Financial Activities and Accumulated Surplus
For the Year Ended December 31, 2010

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited - note 18)		(Restated - note 2)
Revenues			
Net municipal taxation	\$ 3,300,324	\$ 3,305,926	\$ 3,150,258
User charges	2,134,738	1,908,824	2,009,168
Water and sewage charges	2,763,472	2,735,949	2,745,243
Transfer payments	3,653,923	3,163,000	2,471,746
Other	435,364	625,641	758,188
Bluewater Power Corporation, change in equity	-	185,546	(74,052)
Total Revenues	<u>12,287,821</u>	<u>11,924,886</u>	<u>11,060,551</u>
Expenditures			
General government	911,439	1,098,263	1,109,866
Protection to persons and property	1,124,202	1,189,519	1,138,333
Transportation services	871,273	1,283,023	1,322,118
Environmental services	1,815,499	2,700,102	2,313,769
Health services	108,417	98,687	81,908
Recreation and cultural	2,980,576	3,371,623	3,247,016
Planning and development	143,555	132,903	151,065
Total Expenditures	<u>7,954,961</u>	<u>9,874,120</u>	<u>9,364,075</u>
Annual Surplus	4,332,860	2,050,766	1,696,476
Accumulated Surplus, Beginning Of Year (note 2)	<u>55,565,749</u>	<u>55,786,719</u>	<u>54,090,243</u>
Accumulated Surplus, End Of Year (note 13)	<u>\$ 59,898,609</u>	<u>\$ 57,837,485</u>	<u>\$ 55,786,719</u>

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

Corporation of the Town Of Petrolia
Statement Of Cash Flows
For The Year Ended December 31, 2010

	2010	2009 (Restated - note 2)
Operating Activities		
Annual surplus	\$ 2,050,766	\$ 1,696,476
Items not requiring cash:		
Amortization	1,813,437	1,771,615
Share of net income of Bluewater Power Distribution	(291,544)	(12,585)
Loss on disposal of tangible capital assets	<u>214,387</u>	<u>28,533</u>
	3,787,046	3,484,039
Taxes receivable	(98,007)	(129,703)
Accounts receivable	379,565	(1,361,598)
Other receivable	89,409	89,282
Accounts payable and accrued liabilities	(716,052)	1,074,710
Interest on municipal debt	(6,908)	8,724
Deferred revenue	(96,431)	(85,246)
Prepaid expenses	<u>(11,164)</u>	<u>29,934</u>
Cash provided from operating activities	<u>3,327,458</u>	<u>3,110,142</u>
Capital Transactions		
Proceeds from sale of tangible assets	79,488	-
Acquisition of tangible capital assets	<u>(4,070,259)</u>	<u>(3,283,417)</u>
Cash (used in) capital transactions	<u>(3,990,771)</u>	<u>(3,283,417)</u>
Investing Transactions		
Long term receivable	50,000	50,000
Dividend from Bluewater Power Corporation	<u>105,998</u>	<u>86,637</u>
Cash from investing transactions	<u>155,998</u>	<u>136,637</u>
Financing Transactions		
Proceeds from bank loan	1,240,000	-
Proceeds from long-term debt	-	2,109,000
Repayment of long-term debt	<u>(2,061,989)</u>	<u>(839,376)</u>
Cash provided from (used in) financing transactions	<u>(821,989)</u>	<u>1,269,624</u>
Net Increase (Decrease) In Cash	(1,329,304)	1,232,986
Opening, Cash	<u>5,784,701</u>	<u>4,551,715</u>
Closing, Cash	<u>\$ 4,455,397</u>	<u>\$ 5,784,701</u>
Supplemental Cash Flow Information:		
Cash Disbursed For		
Interest on municipal debt	<u>\$ 310,584</u>	<u>\$ 300,480</u>

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

Corporation of the Town Of Petrolia
Statement of Change in Net Financial Assets
December 31, 2010

	Actual 2010	Actual 2009
Annual surplus	\$ 2,050,766	\$ 1,696,476
Amortization of capital assets	1,813,437	1,771,615
Change in prepaids	(11,164)	29,934
Loss on disposal of tangible capital assets	214,387	28,533
Proceeds from sale of tangible assets	79,488	-
Acquisition of tangible capital assets	<u>(4,070,259)</u>	<u>(3,283,417)</u>
Increase in net financial assets	76,655	243,141
Net financial assets, beginning of year	<u>2,092,812</u>	<u>1,849,671</u>
Net financial assets, end of year	<u>\$ 2,169,467</u>	<u>\$ 2,092,812</u>

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

1. Significant Accounting Policies

The Financial Statements of the Corporation of the Town of Petrolia (the "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 financial statements reflect the financial assets, liabilities, operating revenues and expenditures, reserves and changes in investment in tangible capital assets of the Town.

(ii) Government Business Enterprises

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

(iii) Accounting for County and School Board Transactions

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

(iv) 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.

(b) Basis of Accounting

(i) 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.

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

(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) Non-Financial Assets

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

(a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Years
Land improvements	75 years
Buildings	50 years
Equipment	4 to 15 years
Vehicles	7 to 20 years
Road infrastructure	30 to 75 years
Environmental infrastructure	45 to 60 years

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

(b) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue

(c) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(v) 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.

Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

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

(b) Basis of Accounting cont'd..

(vi) 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.

2. Prior Year Adjustment

During the year, it was discovered that the December 31, 2008 net book value of the tangible capital assets had been understated by \$220,970. This error has been corrected and the January 1, 2009 opening accumulated surplus has been increased and the January 1, 2009 net book value of tangible capital assets have been increased by \$220,970.

3. Operations Of School Boards And The County Of Lambton

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

	School Boards	County	2010 Total	2009 Total
Taxation and user charges	\$ 1,694,430	\$ 1,927,281	\$ 3,621,711	\$ 3,497,923
Grants-in-lieu	<u>-</u>	<u>14,099</u>	<u>14,099</u>	<u>14,128</u>
Total	\$ <u>1,694,430</u>	\$ <u>1,941,380</u>	\$ <u>3,635,810</u>	\$ <u>3,512,051</u>

Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

4. 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 10). The composition is as follows:

	2010		2009	
	Cash	Investments	Cash	Investments
Operating Fund	\$ 4,439,483	\$ -	\$ 5,761,574	\$ -
Restricted Funds	<u>15,914</u>	<u>-</u>	<u>23,127</u>	<u>-</u>
Total	<u>\$ 4,455,397</u>	<u>\$ -</u>	<u>\$ 5,784,701</u>	<u>\$ -</u>

5. Taxes and Interest Receivable

	2010	2009
Current year	\$ 381,384	\$ 413,227
Arrears from previous years	<u>276,910</u>	<u>147,060</u>
	658,294	560,287
Less allowance	<u>30,000</u>	<u>30,000</u>
	<u>\$ 628,294</u>	<u>\$ 530,287</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.

6. 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.

7. 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 2010, \$500,000 (2009 - \$550,000) was still outstanding. The outstanding principal balance or any portion thereof may be prepaid at any time.

Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

8. Hydro Investments

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Town, along with the City of Sarnia, Township of Warwick, Village of Point Edward, Village of Oil Springs and Village of Alvinston 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.

Commencing May 1, 2009, the interest payable on the promissory note increased from 7.25% to 7.62%, the deemed debt cost rate allowed by the Ontario Energy Board.

	2010	2009
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>967,670</u>	<u>782,124</u>
	<u>\$ 3,725,747</u>	<u>\$ 3,540,201</u>
Continuity of Investment		
Balance, beginning of year	\$ <u>3,540,201</u>	\$ <u>3,614,253</u>
Share of net income for the year	291,544	12,585
Dividends received during the year	<u>105,998</u>	<u>86,637</u>
Net increase (decrease) in equity during the year	<u>185,546</u>	<u>(74,052)</u>
Balance, end of year	<u>\$ 3,725,747</u>	<u>\$ 3,540,201</u>

The promissory note due from Bluewater Power Distribution Corporation is unsecured, subordinated and due twelve months following demand for payment. During 2010, the Town of Petrolia received \$107,712 (2009 - \$103,741) of interest income on the promissory note.

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

Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

8. Hydro Investments cont'd....

Bluewater Power Corporation

	2010	2009
Financial Position		
Assets		
Current assets	\$ 32,323,774	\$ 28,746,920
Property, plant and equipment	48,173,407	44,129,533
Other assets	<u>14,602,664</u>	<u>9,389,672</u>
Total assets	<u>\$ 95,099,845</u>	<u>\$ 82,266,125</u>
Liabilities		
Current liabilities	\$ 26,036,464	\$ 18,996,901
Long-term liabilities	<u>37,883,581</u>	<u>34,610,435</u>
	<u>63,920,045</u>	<u>53,607,336</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	<u>13,147,695</u>	<u>10,626,684</u>
	<u>31,179,800</u>	<u>28,658,789</u>
Total liabilities and equity	<u>\$ 95,099,845</u>	<u>\$ 82,266,125</u>
Results of Operations		
Revenues	\$ 90,731,554	\$ 79,198,846
Expenditures	85,477,352	74,652,819
Payment in lieu of income taxes	<u>1,293,000</u>	<u>4,375,000</u>
Net income	<u>\$ 3,961,202</u>	<u>\$ 171,027</u>
Town of Petrolia share of net income @ 7.36%	<u>\$ 291,544</u>	<u>\$ 12,585</u>
Dividends	<u>\$ 1,440,191</u>	<u>\$ 1,177,168</u>
Petrolia Electricity Holdings Inc. share of dividend @ 7.36%	<u>\$ 105,998</u>	<u>\$ 86,637</u>
Change in equity	<u>\$ 185,546</u>	<u>\$ (74,052)</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

8. Hydro Investments cont'd....

Petrolia Electricity Holdings Inc.

	2010	2009
Current assets	\$ 105,998	\$ 86,637
Investment in Bluewater Power Corporation	<u>1,327,163</u>	<u>1,327,163</u>
Total assets	<u>\$ 1,433,161</u>	<u>\$ 1,413,800</u>
Liabilities		
Current liabilities	\$ 105,998	\$ 86,637
Equity	<u>1,327,163</u>	<u>1,327,163</u>
Total liabilities and equity	<u>\$ 1,433,161</u>	<u>\$ 1,413,800</u>
Results of Operations		
Revenue	\$ 105,998	\$ 86,637
Expenditures	<u>-</u>	<u>-</u>
Net income	105,998	86,637
Dividends	<u>(105,998)</u>	<u>(86,637)</u>
Change in equity	<u>\$ -</u>	<u>\$ -</u>

9. Municipal Debt

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

	2010	2009
4.55% bank loan, due October 3, 2010	\$ -	\$ 1,275,205
4.60% bank loan, due October 3, 2015	973,000	1,148,733
4.19% bank loan, due December 9, 2015	2,870,888	3,376,470
3.99% CMHC loan payable, due November 1, 2024	1,176,127	1,238,000
3.97% CMHC loan payable, due December 1, 2024	<u>827,404</u>	<u>871,000</u>
	<u>\$ 5,847,419</u>	<u>\$ 7,909,408</u>

- (b) Principal repayments are as follows:

2011	\$ 820,737
2012	856,365
2013	893,436
2014	932,115
2015	934,918
2016 to 2020	721,822
2021 to 2025	<u>688,026</u>
	<u>\$ 5,847,419</u>

Continued on page 13....

Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

9. Municipal Debt cont'd....

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

	2011 to 2015	2016 to 2020	2021 to 2025	Total
From water and sewer charges	\$ 2,964,588	\$ 113,898	\$ 108,560	\$ 3,187,046
From taxation rates	<u>1,473,083</u>	<u>607,892</u>	<u>579,398</u>	<u>2,660,373</u>
	<u>\$ 4,437,671</u>	<u>\$ 721,790</u>	<u>\$ 687,958</u>	<u>\$ 5,847,419</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 interest charges for the year for municipal debt which is reported on the Statement of Financial Position was \$303,676 (2009 - \$280,980).

10. Deferred Revenue	2010	2009
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The deferred revenue is comprised of the following:

Recreational land	\$ 15,914	\$ 22,938
Canada Gas Tax Funding	191	191
OMERS Pension Plan Type 3 Excess Funds	<u>289,176</u>	<u>378,583</u>
	<u>\$ 305,281</u>	<u>\$ 401,712</u>

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	\$ 378,583	\$ 191	\$ 22,938
Investment income (loss)	<u>3,186</u>	<u>-</u>	<u>38</u>
	381,769	191	22,976
Transfer to operations	<u>92,593</u>	<u>-</u>	<u>7,062</u>
Balance, ending	<u>\$ 289,176</u>	<u>\$ 191</u>	<u>\$ 15,914</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

11. 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 2009 the contribution made by the Town to OMERS was \$92,593 (2009 - \$80,429).

12. Public Sector Salary Disclosure

During 2010, no town employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

13. Accumulated Surplus

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

	2010	2009
Surplus		
Invested in tangible capital assets	\$ 55,645,809	\$ 53,682,862
Other	(82,435)	(132,836)
Equity in Bluewater Power Corporation	3,725,747	3,540,201
Unfunded	<u>(6,312,248)</u>	<u>(7,937,632)</u>
	<u>\$ 52,976,873</u>	<u>\$ 49,152,595</u>
Reserves set aside for specific purposes by Council for:		
Working capital	\$ 123,903	\$ 182,712
Insurance and capital projects	251,343	579,491
Fire	111,811	58,656
Recreation facilities	89,496	106,978
Planning and development	715,655	623,433
Capital projects	373,021	385,080
Waterworks	1,252,490	1,583,832
Sewage	1,919,022	1,801,623
Cemetery	15,503	15,503
Library	8,368	8,368
Stimulus projects	<u>-</u>	<u>1,288,448</u>
Total Reserves	<u>\$ 4,860,612</u>	<u>\$ 6,634,124</u>
Accumulated Surplus	<u>\$ 57,837,485</u>	<u>\$ 55,786,719</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

14. Tangible Capital Assets

Asset Cost 2010

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 900,770	\$ 744,202	\$ 22,207,306	\$ 5,885,850	\$ 1,522,293	\$ 44,654,717	\$ 2,825,294	\$ 78,740,432
Additions	-	291,214	1,117,201	27,144	114,106	4,649,656	679,366	6,878,687
Disposals	-	-	-	(8,923)	(117,505)	(515,374)	(2,808,428)	(3,450,230)
Balance, ending	\$ 900,770	\$ 1,035,416	\$ 23,324,507	\$ 5,904,071	\$ 1,518,894	\$ 48,788,999	\$ 696,232	\$ 82,168,889

Accumulated Amortization

Balance, beginning	\$ -	\$ 275,971	\$ 5,645,710	\$ 1,699,357	\$ 973,549	\$ 16,462,983	\$ -	\$ 25,057,570
Amortization	-	29,319	473,340	236,147	60,531	1,014,100	-	1,813,437
Disposals	-	-	-	(5,889)	(26,937)	(315,101)	-	(347,927)
Balance, ending	\$ -	\$ 305,290	\$ 6,119,050	\$ 1,929,615	\$ 1,007,143	\$ 17,161,982	\$ -	\$ 26,523,080

Net Book Value	\$ 900,770	\$ 730,126	\$ 17,205,457	\$ 3,974,456	\$ 511,751	\$ 31,627,017	\$ 696,232	\$ 55,645,809
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Asset Cost 2009

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 689,013	\$ 744,202	\$ 22,163,479	\$ 5,818,304	\$ 1,522,345	\$ 44,244,945	\$ 595,648	\$ 75,777,936
Additions	211,757	-	43,827	67,546	162,948	597,693	2,229,646	3,313,417
Disposals	-	-	-	-	163,000	187,921	-	350,921
Balance, ending	\$ 900,770	\$ 744,202	\$ 22,207,306	\$ 5,885,850	\$ 1,522,293	\$ 44,654,717	\$ 2,825,294	\$ 78,740,432

Accumulated Amortization

Balance, beginning	\$ -	\$ 252,197	\$ 5,201,639	\$ 1,466,493	\$ 1,046,547	\$ 15,641,467	\$ -	\$ 23,608,343
Amortization	-	23,774	444,071	232,864	79,974	990,932	-	1,771,615
Disposals	-	-	-	-	152,972	169,416	-	322,388
Balance, ending	\$ -	\$ 275,971	\$ 5,645,710	\$ 1,699,357	\$ 973,549	\$ 16,462,983	\$ -	\$ 25,057,570

Net Book Value	\$ 900,770	\$ 468,231	\$ 16,561,596	\$ 4,186,493	\$ 548,744	\$ 28,191,734	\$ 2,825,294	\$ 53,682,862
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Assets Under Construction

Assets under construction having a value of \$696,232 (2009 - \$2,782,451) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Works Of Art And Historical Treasures

The Town manages and controls various works of art and historical cultural treasures. These assets are not recorded as tangible capital assets and are not amortized.

Write-down Of Tangible Capital Assets

The write-down of tangible capital assets during the year was \$Nil (2009 - \$Nil).

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

15. Classification Of Expenditures By Object

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

	2010	2009
Salaries, wages and employee benefits	\$ 2,539,701	\$ 2,520,412
Operating materials and supplies	3,192,591	3,094,344
Contracted services	1,753,413	1,628,310
Rents and financial expenses	43,368	55,314
External transfers to others	13,547	13,101
Loss on disposal of tangible capital assets	214,387	-
Interest on long-term debt	303,676	280,980
Amortization	<u>1,813,437</u>	<u>1,771,614</u>
Total expenditures by object	\$ <u>9,874,120</u>	\$ <u>9,364,075</u>

16. 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.

Insurance

At December 31, 2010, 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 approves a line of credit for Actors' Equity whereby a line of credit in the form of a bond in the amount of \$82,000 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 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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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2010

17. Trust Funds

Trust funds administered by the Town amounting to \$370,852 (2009 - \$359,751) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

18. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2010 operating and capital budgets approved by Council. Amortization was not included in the development of the budget. Below is a reconciliation of the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues	
Operating budget	\$ 9,946,871
Capital budget	<u>2,356,450</u>
Total revenue	<u>12,303,321</u>
Expenses	
Operating budget	10,924,501
Capital budget	4,921,100
Debt principal payments	(2,061,989)
Transfers to other funds	<u>(5,813,151)</u>
Total expenses	<u>7,970,461</u>
Annual surplus	\$ <u>4,332,860</u>

19. Comparative Figures

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