
Auditors' Report

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

We have audited the statement of financial position of the **Corporation of the Town of Petrolia** as at December 31, 2009 and the statements of financial activities and accumulated surplus, cash flows and change in net financial assets 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 Town as at December 31, 2009 and the results of its financial activities and changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Chartered Accountants
Licensed Public Accountants****Sarnia, Ontario
July 15, 2010**

Corporation of the Town Of Petrolia
Statement Of Financial Position
December 31, 2009

	2009	2008 (Restated - note 2)
Assets		
Financial Assets		
Cash (note 4)	\$ 5,784,701	\$ 4,551,715
Taxes receivable (note 5)	530,287	400,584
Accounts receivable	1,712,954	351,356
Other receivable (note 6)	378,583	467,865
Long-term receivable (note 7)	550,000	600,000
Investment in Bluewater Power Corporation (note 8)	<u>3,540,201</u>	<u>3,614,253</u>
Total financial assets	<u>12,496,726</u>	<u>9,985,773</u>
Liabilities		
Accounts payable and accrued liabilities	2,064,570	989,860
Interest on municipal debt	28,224	19,500
Municipal debt (note 9)	7,909,408	6,639,784
Deferred revenue (note 10)	<u>401,712</u>	<u>486,958</u>
Total liabilities	<u>10,403,914</u>	<u>8,136,102</u>
Net Financial Assets	<u>2,092,812</u>	<u>1,849,671</u>
Non-Financial Assets		
Tangible capital assets (note 13)	53,461,892	51,978,623
Prepaid expenses	<u>11,045</u>	<u>40,979</u>
Total non-financial assets	<u>53,472,937</u>	<u>52,019,602</u>
Accumulated Surplus (note 14)	<u>\$ 55,565,749</u>	<u>\$ 53,869,273</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
Statement Of Financial Activities and Accumulated Surplus
For the Year Ended December 31, 2009

	Budget 2009	Actual 2009	Actual 2008
	(Unaudited - note 18)		(Restated - note 2)
Revenues			
Net municipal taxation	\$ 3,128,999	\$ 3,150,258	\$ 3,042,478
User charges	2,190,200	2,009,168	2,127,023
Water and sewage charges	2,790,000	2,745,243	2,684,120
Transfer payments	1,283,415	2,471,746	1,810,611
Other	684,801	758,188	1,271,133
Bluewater Power Corporation, change in equity	-	(74,052)	93,617
Total Revenues	<u>10,077,415</u>	<u>11,060,551</u>	<u>11,028,982</u>
Expenditures			
General government	861,085	1,109,866	1,051,896
Protection to persons and property	1,112,344	1,138,333	1,141,613
Transportation services	1,662,863	1,322,118	1,304,806
Environmental services	1,888,179	2,313,769	2,301,631
Health services	123,226	81,908	78,411
Recreation and cultural	3,133,617	3,247,016	3,198,743
Planning and development	<u>315,825</u>	<u>151,065</u>	<u>89,306</u>
Total Expenditures	<u>9,097,139</u>	<u>9,364,075</u>	<u>9,166,406</u>
Annual Surplus	980,276	1,696,476	1,862,576
Accumulated Surplus, Beginning Of Year (note 2)	<u>53,869,273</u>	<u>53,869,273</u>	<u>52,006,697</u>
Accumulated Surplus, End Of Year (note 12)	<u>\$ 54,849,549</u>	<u>\$ 55,565,749</u>	<u>\$ 53,869,273</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, 2009

	2009	2008 (Restated - note 2)
Operating Activities		
Annual surplus	\$ 1,696,476	\$ 1,862,576
Items not requiring cash		
Amortization	1,771,615	1,749,288
Share of net income of Bluewater Power Distribution	(12,585)	(150,857)
Loss on disposal of tangible capital assets	<u>28,533</u>	<u>11,315</u>
	3,484,039	3,472,322
Taxes receivable	(129,703)	(24,345)
Accounts receivable	(1,361,598)	380,780
Other receivable	89,282	15,377
Long term receivable	50,000	50,000
Accounts payable and accrued liabilities	1,074,710	(52,695)
Interest on municipal debt	8,724	(2,363)
Deferred revenue	(85,246)	(22,313)
Prepaid expenses	<u>29,934</u>	<u>(34,621)</u>
Cash provided from operating activities	<u>3,160,142</u>	<u>3,874,003</u>
Capital Transactions		
Acquisition of tangible capital assets	<u>(3,283,417)</u>	<u>(1,418,916)</u>
Investing Transactions		
Dividend from Bluewater Power Corporation	<u>86,637</u>	<u>57,240</u>
Financing Transactions		
Proceeds from long-term debt	2,109,000	-
Repayment of long-term debt	<u>(839,376)</u>	<u>(803,695)</u>
Cash provided from financing transactions	<u>1,269,624</u>	<u>(803,695)</u>
Net Increase In Cash	1,232,986	1,708,632
Opening, Cash	<u>4,551,715</u>	<u>2,843,083</u>
Closing, Cash	<u>\$ 5,784,701</u>	<u>\$ 4,551,715</u>
Supplemental Cash Flow Information:		
Cash Disbursed For		
Interest on municipal debt	<u>\$ 300,480</u>	<u>\$ 307,937</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, 2009

	Actual 2009	Actual 2008
Annual surplus	\$ 1,696,476	\$ 1,862,576
Amortization of capital assets	1,771,615	1,749,288
Change in prepaids	29,934	(34,621)
Loss on disposal of tangible capital assets	28,533	11,315
Acquisition of tangible capital assets	<u>(3,283,417)</u>	<u>(1,418,916)</u>
Increase in net financial assets	243,141	2,169,642
Net financial assets (liabilities), beginning of year	<u>1,849,671</u>	<u>(319,971)</u>
Net financial assets, end of year	\$ <u><u>2,092,812</u></u>	\$ <u><u>1,849,671</u></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.

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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. Change in Accounting Policies

The Town has implemented "PSAB" sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical costs of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost the consumer price index was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus (deficit) at January 1, 2008

Operating fund balance	\$ 136,230
Reserves	3,494,863
Equity in Bluewater Power Corporation	3,520,636
Amounts to be recovered	<u>(7,465,342)</u>
Accumulated surplus (deficit), as previously reported	(313,613)
Net book value of tangible capital assets recorded	<u>52,320,310</u>
Accumulated surplus, as restated, January 1, 2008	52,006,697
Annual surplus for 2008	<u>1,862,576</u>

Accumulated surplus, December 31, 2008 **\$ 53,869,273**

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

2. Change in Accounting Policies cont'd...

Annual surplus for 2008

Excess of revenues over expenditures, as previously reported	\$ 2,204,263
Assets capitalized but previously expensed	1,418,916
Amortization not previously recorded	(1,749,288)
Loss on sale of tangible capital assets	<u>(11,315)</u>

Annual surplus, as restated **\$ 1,862,576**

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	2009 Total	2008 Total
Taxation and user charges	\$ 1,656,328	\$ 1,841,595	\$ 3,497,923	\$ 3,360,645
Grants-in-lieu	<u>-</u>	<u>14,128</u>	<u>14,128</u>	<u>15,126</u>
Total	\$ <u>1,656,328</u>	<u>1,855,723</u>	\$ <u>3,512,051</u>	\$ <u>3,375,771</u>

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:

	2009		2008	
	Cash	Investments	Cash	Investments
Operating Fund	\$ 5,761,574	\$ -	\$ 4,562,622	\$ -
Restricted Funds	<u>23,127</u>	<u>-</u>	<u>19,093</u>	<u>-</u>
Total	\$ <u>5,784,701</u>	\$ <u>-</u>	\$ <u>4,581,715</u>	\$ <u>-</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

5. Taxes and Interest Receivable	2009	2008
Current year	\$ 413,227	\$ 289,962
Arrears from previous years	<u>147,060</u>	<u>140,622</u>
	560,287	430,584
Less allowance	<u>30,000</u>	<u>30,000</u>
	<u>\$ 530,287</u>	<u>\$ 400,584</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 2009, \$550,000 (2008 - \$600,000) was still outstanding. The outstanding principal balance or any portion thereof may be prepaid at any time.

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.

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

8. Hydro Investments cont'd....

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.

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.

	2009	2008
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>782,124</u>	<u>856,176</u>
	<u>\$ 3,540,201</u>	<u>\$ 3,614,253</u>
Continuity of Investment		
Balance, beginning of year	\$ 3,614,253	\$ 3,520,636
Share of net income for the year	12,585	150,858
Dividends received during the year	<u>86,637</u>	<u>57,241</u>
Net increase(decrease) in equity during the year	<u>(74,052)</u>	<u>93,617</u>
Balance, end of year	<u>\$ 3,540,201</u>	<u>\$ 3,614,253</u>

The promissory note due from Bluewater Power Distribution Corporation is unsecured, subordinated and due twelve months following demand for payment. During 2009, the Town of Petrolia received \$103,741 (2008 - \$103,741) of interest income on the promissory note.

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

Bluewater Power Corporation

	2009	2008
Financial Position		
Assets		
Current assets	\$ 28,746,920	\$ 28,685,969
Property, plant and equipment	44,129,533	43,831,066
Other assets	<u>9,389,672</u>	<u>4,053,148</u>
Total assets	<u>\$ 82,266,125</u>	<u>\$ 76,570,183</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

8. Hydro Investments cont'd....	2009	2008
Liabilities		
Current liabilities	\$ 18,996,901	\$ 14,055,265
Long-term liabilities	<u>34,610,435</u>	<u>32,849,988</u>
	<u>53,607,336</u>	<u>46,905,253</u>
Equity		
Share capital	18,032,105	18,032,105
Retained earnings	<u>10,626,684</u>	<u>11,632,825</u>
	<u>28,658,789</u>	<u>29,664,930</u>
Total liabilities and equity	<u>\$ 82,266,125</u>	<u>\$ 76,570,183</u>
Results of operations		
Revenues	\$ 79,198,846	\$ 92,298,125
Expenditures	74,652,819	89,138,646
Payment in lieu of income taxes	<u>4,375,000</u>	<u>1,109,784</u>
Net income	<u>\$ 171,027</u>	<u>\$ 2,049,695</u>
Town of Petrolia share of net income @ 7.36%	<u>\$ 12,585</u>	<u>\$ 150,858</u>
Dividends	<u>\$ 1,177,168</u>	<u>\$ 777,729</u>
Petrolia Electricity Holdings Inc. share of dividend @ 7.36%	<u>\$ 86,637</u>	<u>\$ 57,241</u>
Change in equity	<u>\$ (74,052)</u>	<u>\$ 93,617</u>
Petrolia Electricity Holdings Inc.	2009	2008
Current assets	\$ 86,637	\$ 57,241
Investment in Bluewater Power Corporation	<u>1,327,163</u>	<u>1,327,163</u>
Total assets	<u>\$ 1,413,800</u>	<u>\$ 1,384,404</u>
Liabilities		
Current liabilities	\$ 86,637	\$ 57,241
Equity	<u>1,327,163</u>	<u>1,327,163</u>
Total liabilities and equity	<u>\$ 1,413,800</u>	<u>\$ 1,384,404</u>
Results of operations		
Revenue	\$ 86,637	\$ 57,241
Expenditures	<u>-</u>	<u>-</u>
Net income	<u>86,637</u>	<u>57,241</u>
Dividends	<u>(86,637)</u>	<u>(57,241)</u>
Change in equity	<u>\$ -</u>	<u>\$ -</u>

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

9. Municipal Debt

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

	2009	2008
4.55% bank loan, due October 3, 2010	\$ 1,275,205	\$ 1,461,862
4.60% bank loan, due October 3, 2015	1,148,733	1,316,581
4.19% bank loan, due December 9, 2015	3,376,470	3,861,341
3.99% CMHC loan payable, due November 1, 2024	1,238,000	-
3.97% CMHC loan payable, due December 1, 2024	<u>871,000</u>	<u>-</u>
	<u>\$ 7,909,408</u>	<u>\$ 6,639,784</u>

- (b) Principal repayments are as follows:

2010	\$ 2,061,990
2011	820,837
2012	856,365
2013	893,436
2014	932,115
2015 to 2019	1,500,862
2020 to 2024	<u>843,803</u>
	<u>\$ 7,909,408</u>

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

	2010 to 2014	2015 to 2019	2020 to 2024	Total
From water charges	\$ 2,753,286	\$ 623,184	\$ -	\$ 3,376,470
From taxation rates	1,536,252	877,678	843,803	3,257,733
From Oil Heritage District Community Centre Association	<u>1,275,205</u>	<u>-</u>	<u>-</u>	<u>1,275,205</u>
	<u>\$ 5,564,743</u>	<u>\$ 1,500,862</u>	<u>\$ 843,803</u>	<u>\$ 7,909,408</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 \$280,980 (2008 - \$305,574).

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

10. Deferred Revenue

2009

2008

The deferred revenue is comprised of the following:

Recreational land	\$ 22,938	\$ 18,906
Canada Gas Tax Funding	191	187
OMERS Pension Plan Type 3 Excess Funds	<u>378,583</u>	<u>467,865</u>
	<u>\$ 401,712</u>	<u>\$ 486,958</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	\$ 467,865	\$ 187	\$ 18,906
Investment income (loss)	(8,853)	4	32
Lot fees	<u>-</u>	<u>-</u>	<u>4,000</u>
	<u>459,012</u>	<u>191</u>	<u>22,938</u>
Transfer to operating and capital fund	<u>80,429</u>	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ 378,583</u>	<u>\$ 191</u>	<u>\$ 22,938</u>

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 \$80,429 (2008 - \$63,246).

12. Public Sector Salary Disclosure

During 2009, 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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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

13. Tangible Capital Assets

Asset Cost 2009

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 670,513	\$ 744,202	\$ 22,163,479	\$ 5,818,304	\$ 1,522,345	\$ 44,322,213	\$ 552,805	\$ 75,793,861
Additions	211,757	-	43,827	67,546	162,948	567,693	2,229,646	3,283,417
Disposals	-	-	-	-	163,000	187,921	-	350,921
Balance ending	\$ 882,270	\$ 744,202	\$ 22,207,306	\$ 5,885,850	\$ 1,522,293	\$ 44,701,985	\$ 2,782,451	\$ 78,726,357

Accumulated Amortization

Balance, beginning	\$ -	\$ 252,197	\$ 5,201,639	\$ 1,426,222	\$ 1,056,870	\$ 15,878,310	\$ -	\$ 23,815,238
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	\$ 1,659,086	\$ 983,872	\$ 16,699,826	\$ -	\$ 25,264,465

Net Book Value	\$ 882,270	\$ 468,231	\$ 16,561,596	\$ 4,226,764	\$ 538,421	\$ 28,002,159	\$ 2,782,451	\$ 53,461,892
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Asset Cost 2008

	Land	Land Improve- ments	Buildings	Equipment	Vehicles	Infrastructure	Assets Under Construction	Total
Balance, beginning	\$ 670,513	\$ 744,202	\$ 22,163,479	\$ 5,744,922	\$ 1,429,134	\$ 43,687,808	\$ -	\$ 74,440,058
Additions	-	-	-	73,382	93,211	699,518	552,805	1,418,916
Disposals	-	-	-	-	-	65,113	-	65,113
Balance ending	\$ 670,513	\$ 744,202	\$ 22,163,479	\$ 5,818,304	\$ 1,522,345	\$ 44,322,213	\$ 552,805	\$ 75,793,861

Accumulated Amortization

Balance, beginning	\$ -	\$ 228,423	\$ 4,753,578	\$ 1,167,407	\$ 986,743	\$ 14,983,597	\$ -	\$ 22,119,748
Amortization	-	23,774	448,061	258,815	70,127	948,511	-	1,749,288
Disposals	-	-	-	-	-	53,798	-	53,798
Balance ending	\$ -	\$ 252,197	\$ 5,201,639	\$ 1,426,222	\$ 1,056,870	\$ 15,878,310	\$ -	\$ 23,815,238

Net Book Value	\$ 670,513	\$ 492,005	\$ 16,961,840	\$ 4,392,082	\$ 465,475	\$ 28,443,903	\$ 552,805	\$ 51,978,623
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Assets Under Construction

Assets under construction having a value of \$2,782,451 (2008 - \$552,805) 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 (2008 - \$Nil).

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Corporation of the Town Of Petrolia
Notes To Consolidated Financial Statements
December 31, 2009

14. Accumulated Surplus

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

	2009	2008
Surplus		
Invested in tangible capital assets	\$ 53,461,892	\$ 51,978,623
Other	(132,836)	(16,468)
Equity in Bluewater Power Corporation	3,540,201	3,614,253
Long-term liabilities and accrued interest	<u>(7,937,632)</u>	<u>(6,659,284)</u>
	<u>\$ 48,931,625</u>	<u>\$ 48,917,124</u>
Reserves set aside for specific purposes by Council for:		
Working capital	\$ 182,712	\$ 202,282
Insurance and capital projects	579,491	555,197
Fire	58,656	18,656
Recreation facilities	106,978	55,379
Planning and development	623,433	487,632
Capital projects	385,080	1,128,669
Waterworks	1,583,832	1,300,807
Sewage	1,801,623	1,162,866
Cemetery	15,503	32,293
Library	8,368	8,368
Stimulus projects	<u>1,288,448</u>	<u>-</u>
Total Reserves	<u>\$ 6,634,124</u>	<u>\$ 4,952,149</u>
Accumulated Surplus	<u>\$ 55,565,749</u>	<u>\$ 53,869,273</u>

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:

	2009	2008
Salaries, wages and employee benefits	\$ 2,520,412	\$ 2,287,162
Operating materials and supplies	3,094,344	3,209,815
Contracted services	1,628,310	1,555,416
Rents and financial expenses	55,314	46,959
External transfers to others	13,101	12,192
Interest on long-term debt	280,980	305,574
Amortization	<u>1,771,614</u>	<u>1,749,288</u>
Total expenditures by object	<u>\$ 9,364,075</u>	<u>\$ 9,166,406</u>

Continued on page 17....

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, 2009, 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, 2009, the remaining outstanding loan balance is \$1,275,205 and remaining interest costs until the loan is due October 3, 2010 are \$45,604.

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, 2009

17. Trust Funds

Trust funds administered by the Town amounting to \$359,751 (2008 - \$353,923) are not included in the Statement of Financial Position nor have their operations been included in the Statement of Financial Activities.

18. Subsequent Event

Subsequent to December 31, 2009, the Town, in its 2010 budget, has budgeted \$1,133,825 for the repayment of the bank loan due October 3, 2010. This amount is to be transferred from the Town's reserve accounts.

19. Budget Data

The unaudited budget data presented in these financial statements is based upon the 2009 operating and capital budgets approved by Council. Amortization was not contemplated during the development of the budget and as such has not been included. Below is a reconciliation of the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues	
Operating budget	\$ 9,611,870
Capital budget	<u>465,545</u>
Total revenue	<u>10,077,415</u>
Expenses	
Operating budget	8,598,593
Capital budget	1,462,355
Debt principal payments	(839,376)
Transfers to other funds	<u>(124,433)</u>
Total expenses	<u>9,097,139</u>
Annual surplus	\$ <u>980,276</u>

19. Comparative Figures

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

Auditors' Report

**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, 2009 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, 2009 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.

Sarnia, Ontario
May 4, 2010

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

Corporation Of The Town Of Petrolia
Trust Funds
Statement Of Continuity
For The Year Ended December 31, 2009

	Total \$	Englehart \$	Colvin \$	Fulton \$
Balance, Beginning	<u>353,923</u>	<u>8,882</u>	<u>3,207</u>	<u>4,679</u>
Receipts				
Care and maintenance	5,800	-	-	-
Interest	<u>5,150</u>	<u>15</u>	<u>5</u>	<u>8</u>
	<u>10,950</u>	<u>15</u>	<u>5</u>	<u>8</u>
Expenditures				
Transfer to Town	<u>5,122</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, Ending	<u>359,751</u>	<u>8,897</u>	<u>3,212</u>	<u>4,687</u>

Balance Sheet
December 31, 2009

	Total \$	Englehart \$	Colvin \$	Fulton \$
Assets				
Cash	83,682	8,897	3,212	4,687
Investments (note 2)	<u>276,069</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>359,751</u>	<u>8,897</u>	<u>3,212</u>	<u>4,687</u>
Surplus				
Capital	<u>359,751</u>	<u>8,897</u>	<u>3,212</u>	<u>4,687</u>
	<u>359,751</u>	<u>8,897</u>	<u>3,212</u>	<u>4,687</u>

Corporation Of The Town Of Petrolia
Trust Funds
Statement Of Continuity
For The Year Ended December 31, 2009

	Care And Maintenance Fund Markers \$	Care And Maintenance Fund Cemetery \$
Balance, Beginning	<u>40,094</u>	<u>297,061</u>
Receipts		
Care and maintenance	1,300	4,500
Interest	<u>523</u>	<u>4,599</u>
	<u>1,823</u>	<u>9,099</u>
Expenditures		
Transfer to Town	<u>523</u>	<u>4,599</u>
Balance, Ending	<u>41,394</u>	<u>301,561</u>

Balance Sheet
December 31, 2009

	Care And Maintenance Fund Markers \$	Care And Maintenance Fund Cemetery \$
Assets		
Cash	18,242	48,644
Investments (note 2)	<u>23,152</u>	<u>252,917</u>
	<u>41,394</u>	<u>301,561</u>
Surplus		
Capital	<u>41,394</u>	<u>301,561</u>
	<u>41,394</u>	<u>301,561</u>

Corporation Of The Town Of Petrolia
Trust Funds
Notes To Financial Statements
December 31, 2009

1. Significant Accounting Policy

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.

2. Investments

The total for investments by the trust funds of \$276,069 (2008 - \$269,515) reported on the Balance Sheet at cost, have a market value of \$276,069 (2008 - \$269,515) at the end of the year.