

TOWN OF GANDER
AUDITORS' REPORT
FINANCIAL STATEMENTS - DECEMBER 31, 2009

TOWN OF GANDER

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STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Town of Gander and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the Municipality met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

Walters Hoffe as the Municipality's appointed external auditors, have audited the financial statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian generally accepted accounting principles.

Claude Elliott
Mayor

Garry Brown
Clerk

AUDITORS' REPORT

To the Mayor and members of Council of the
Town of Gander

We have audited the statement of financial position of the **Town of Gander** as at December 31, 2009 and the statements of operations, changes in net financial assets (net debt) and statement of cash flow for the year then ended. These financial statements are the responsibility of the Municipality'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 of Gander as at December 31, 2009 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Gander, Newfoundland

July 16, 2010

TOWN OF GANDER
Statement of Financial Position
December 31, 2009

	2009	2008
Financial Assets:		
Cash	\$ 570,376	1,323,961
Receivables (Note 5)	2,621,142	1,977,021
Employee loans and advances	3,592	3,592
Real estate properties held for resale	<u>18,213</u>	<u>25,169</u>
	<u>3,213,323</u>	<u>3,329,743</u>
Liabilities:		
Due to bank on interim financing	\$ 107,149	1,305,863
Payables and accruals (Note 6)	709,244	971,026
Severance payable	519,242	504,796
Deferred revenue	294,293	433,710
Long-term debt (Note 7)	9,036,045	8,549,384
Other liabilities	<u>22,180</u>	<u>66,586</u>
	<u>10,688,153</u>	<u>11,831,365</u>
Net Financial Assets (Net Debt)	<u>(7,474,830)</u>	<u>(8,501,622)</u>
Non-Financial Assets		
Tangible capital assets (Schedule 1)	38,221,674	37,866,961
Capital projects in progress	1,073,246	199,147
Inventories for use	186,695	204,247
Prepaid expenses	<u>8,099</u>	<u>40,216</u>
	<u>39,489,714</u>	<u>38,310,571</u>
Accumulated surplus (deficit)	<u>\$ 32,014,884</u>	<u>29,808,949</u>
Contingent liabilities (Note 8)		

See accompanying notes

Approved: _____ Mayor
 _____ Town Clerk

TOWN OF GANDER

Statement of Operations

Year ended December 31, 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Revenue:			
Taxation	\$ 8,810,000	9,090,333	9,097,140
Sales of goods and services	549,700	1,255,820	994,306
Grants and transfers	1,575,904	2,861,534	4,121,922
Investment income	35,000	16,415	53,593
Other revenue	418,300	803,294	693,562
____ Total revenue (Schedules 2 and 4)	<u>11,388,904</u>	<u>14,027,396</u>	14,960,523
Expenses:			
General government services	1,935,400	2,237,065	3,283,983
Protective services	1,028,300	1,014,057	992,753
Transportation services	1,969,200	3,378,418	3,399,135
Environmental health services	1,701,800	2,709,270	2,584,199
Regional planning and development	560,200	891,130	769,822
Recreation and cultural services	1,229,400	1,591,520	1,876,224
Fiscal services	<u>2,964,604</u>	<u>-</u>	<u>-</u>
Total expenses (Schedules 3 and 4)	<u>11,388,904</u>	<u>11,821,460</u>	12,906,116
Annual Surplus (deficit)	-	2,205,936	2,054,407
Accumulated surplus (deficit), beginning of year	<u>29,808,948</u>	27,754,542	
Accumulated surplus (deficit), end of year	<u>\$ 29,808,948</u>	<u>32,014,884</u>	29,808,949

See accompanying notes

TOWN OF GANDER

Statement of Change in Net Financial Assets (Net Debt)

Year ended December 31, 2009

	<u>2009 Budget</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Annual surplus (deficit)	<u>\$ -</u>	<u>2,205,936</u>	<u>2,054,407</u>
Acquisition of tangible capital assets	(9,293,675)	(2,939,569)	(10,212,152)
Amortization of tangible capital assets	2,548,285	2,548,285	2,541,341
Loss on sale of tangible capital assets	-	27,816	11,381
Proceeds from sale of tangible capital assets	-	8,754	-
Decrease (increase) in capital projects in progress	-	(874,099)	8,441,570
Decrease (increase) in inventories	-	17,552	(70,402)
Decrease (increase) in prepaids	<u>35,000</u>	<u>32,117</u>	<u>93,239</u>
	<u>(6,710,390)</u>	<u>(1,179,144)</u>	<u>804,977</u>
Change in net financial assets	(6,710,390)	1,026,792	2,859,384
Net financial assets (net debt):			
Beginning of year	<u>(8,501,622)</u>	<u>(8,501,622)</u>	<u>(11,361,006)</u>
End of year	<u>\$(15,212,012)</u>	<u>(7,474,830)</u>	<u>(8,501,622)</u>

See accompanying notes

TOWN OF GANDER

Statement of Cash Flows

Year ended December 31, 2009

2009

2008

Operating transactions:

Annual surplus	\$ 2,205,936	2,054,407
Amortization	2,548,285	2,541,341
Loss on sale of tangible capital assets	<u>27,816</u>	<u>11,381</u>
	4,782,037	4,607,129

Changes in non-cash items:

Receivables	(644,121)	(209,290)
Employee loans and advances	-	541
Real estate properties held for resale	6,956	57,539
Payables and accruals	(261,782)	(27,099)
Severance payable	14,446	124,605
Deferred revenue	(139,417)	(2,545,094)
Other liabilities	(44,406)	(22,628)
Inventories for use	17,552	(70,402)
Prepaid expenses	<u>32,117</u>	<u>93,239</u>

Cash provided by operating transactions 3,763,382 2,008,540

Capital transactions:

Acquisition of tangible capital assets	(2,939,569)	(10,212,152)
Proceeds from sale of tangible capital assets	8,754	-
Decrease (increase) in capital projects in progress	<u>(874,099)</u>	<u>8,441,570</u>

Cash applied for capital transactions (3,804,914) (1,770,582)

Financing transactions:

Due to bank on interim financing	(1,198,714)	(1,280,315)
Proceeds from long-term debt	1,649,385	3,280,659
Principal repayment	<u>(1,162,724)</u>	<u>(929,100)</u>

Cash provided (applied) for capital transactions (712,053) 1,071,244

Increase (decrease) in cash (753,585) 1,309,202

Cash, beginning of year 1,323,961 14,759

Cash, end of year \$ 570,376 1,323,961

See accompanying notes

TOWN OF GANDER

Schedule 1.

Schedule of Tangible Capital Assets

Year ended December 31, 2009

	General Capital Assets				Infrastructure			Totals	
	Land	Land Improvements	Buildings	Vehicles and Equipment	Computer Hardware and Software	Roads and Streets	Water and Sewer	2009	2008
Cost									
Opening costs	\$ 119,715	1,456,305	15,683,473	9,784,442	183,283	28,182,378	19,094,453	74,504,049	64,938,285
Additions during the year	-	692,247	-	577,921	-	1,540,464	128,937	2,939,569	10,212,152
Disposals and write downs	-	-	-	(76,683)	-	(509,407)	(27,347)	(613,437)	(646,388)
Closing costs	<u>119,715</u>	<u>2,148,552</u>	<u>15,683,473</u>	<u>10,285,680</u>	<u>183,283</u>	<u>29,213,435</u>	<u>19,196,043</u>	<u>76,830,181</u>	74,504,049
Accumulated amortization									
Opening accumulated amortization	-	725,399	4,765,990	3,681,226	46,910	16,077,176	11,340,387	36,637,088	34,730,650
Amortization	-	70,577	399,264	721,748	45,122	955,518	356,056	2,548,285	2,541,341
Disposals and write downs	-	-	-	(66,994)	-	(482,525)	(27,347)	(576,866)	(634,903)
Closing accumulated amortization	-	<u>795,976</u>	<u>5,165,254</u>	<u>4,335,980</u>	<u>92,032</u>	<u>16,550,169</u>	<u>11,669,096</u>	<u>38,608,507</u>	36,637,088
Net book value of Tangible Capital Assets	<u>\$ 119,715</u>	<u>1,352,576</u>	<u>10,518,219</u>	<u>5,949,700</u>	<u>91,251</u>	<u>12,663,266</u>	<u>7,526,947</u>	<u>38,221,674</u>	<u>37,866,961</u>

See accompanying notes

TOWN OF GANDER

Schedule 2

Schedule of Revenues

Year ended December 31, 2009

2009

2008

Taxation:

Property tax	\$ 5,085,768	4,969,795
Business tax	1,474,204	1,467,901
Water and sewer tax	1,420,298	1,458,777
Utility tax	631,885	623,355
Grants in lieu of taxes	310,816	360,297
Penalties and interest	167,362	217,015
	<u>9,090,333</u>	<u>9,097,140</u>

Sales of goods and services:

Waste disposal fees	28,138	58,667
Recreation and cultural services	455,601	659,946
Transportation services	39,163	43,830
Protective services	143,474	112,630
Other sales of goods and services	589,444	119,233
	<u>1,255,820</u>	<u>994,306</u>

Grants and transfers:

Government of Canada:		
Capital grant	401,610	2,490,622
Other federal revenue	304,052	340,772
Government of Newfoundland and Labrador:		
Municipal operating grant	371,192	328,071
Municipal capital grant	1,401,250	338,189
Gas tax revenue	378,842	619,268
Other provincial grants and/or subsidies	4,588	5,000
	<u>2,861,534</u>	<u>4,121,922</u>

Investment income:

Interest from investments	16,415	53,593
	<u>16,415</u>	<u>53,593</u>

Other revenue:

Gain (loss) on sale of tangible capital assets	(27,816)	(11,381)
Sale of real estate held for sale	830,399	681,773
Miscellaneous	711	23,170
	<u>803,294</u>	<u>693,562</u>

Total Revenue

\$ 14,027,396 **14,960,523**

See accompanying notes

TOWN OF GANDER

Schedule 3.

Expenditures

Year ended December 31, 2009

	2009	2008
General government services:		
Legislative	\$ 160,899	144,106
Common	566,803	638,301
General administrative	<u>1,261,390</u>	<u>1,457,339</u>
	<u>1,989,092</u>	<u>2,239,746</u>
Protective services:		
Fire	730,022	732,778
Animal and pest control	17,283	28,429
Municipal enforcement	173,094	165,681
Other protective services	<u>89,686</u>	<u>65,867</u>
	<u>1,010,085</u>	<u>992,755</u>
Transportation services:		
Road, street, sidewalk maintenance	1,806,525	1,763,867
Snow removal	621,685	607,928
Street lighting	230,127	227,096
Traffic services	48,672	64,995
Other transportation services	<u>493,638</u>	<u>544,428</u>
	<u>3,200,647</u>	<u>3,208,314</u>
Environmental health services:		
Water supply	1,584,441	1,528,195
Sewage collection and disposal	700,915	699,844
Garbage and waste collection disposal	<u>300,780</u>	<u>251,067</u>
	<u>2,586,136</u>	<u>2,479,106</u>
Regional planning and development:		
Planning and zoning	163,121	34,228
Community improvement and development	568,689	637,778
Tourism and marketing	<u>159,320</u>	<u>96,262</u>
	<u>891,130</u>	<u>768,268</u>
Recreation and cultural services:		
Recreation administration	121,644	124,075
Skating and curling rinks	687,354	631,549
Parks and playgrounds	401,233	397,449
Other recreation and cultural services	<u>282,415</u>	<u>644,127</u>
	<u>1,492,646</u>	<u>1,797,200</u>
Fiscal services:		
Long-term debt interest	406,710	403,736
Interest on temporary bank loans	-	2,543
Provision for uncollectible taxes, fees and charges	216,363	986,960
Other debt charges	<u>28,651</u>	<u>27,488</u>
	<u>651,724</u>	<u>1,420,727</u>
Total Expenses	<u>\$ 11,821,460</u>	<u>12,906,116</u>

See accompanying notes

TOWN OF GANDER

Statement of Operations by Program

Year ended December 31, 2009

	General Government		Protective Services		Transportation Services		Environmental Health Services	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue:								
Taxation	\$ 9,090,333	9,097,140	-	-	-	-	-	-
Sales of goods and services	589,444	119,233	143,474	112,630	39,163	43,830	28,138	58,667
Grants and transfers	1,401,674	1,035,383	4,589	-	911,293	287,950	17,234	2,452,818
Investment income	16,415	53,593	-	-	-	-	-	-
Other revenue	803,294	693,562	-	-	-	-	-	-
Total revenue	<u>11,901,160</u>	<u>10,998,911</u>	<u>148,063</u>	<u>112,630</u>	<u>950,456</u>	<u>331,780</u>	<u>45,372</u>	<u>2,511,485</u>
Expenses:								
Personnel services	1,061,665	1,246,482	775,310	740,149	1,227,262	1,169,498	766,958	659,683
Contract services	402,920	403,276	4,920	4,195	2,260	-	(2,004)	17,960
Utilities	81,707	80,179	38,573	38,832	243,178	238,472	534,877	518,904
Maintenance, materials and supplies	148,055	227,068	101,928	123,933	494,906	571,460	278,912	258,978
Grants and contributions	3,166	29,629	-	-	-	-	-	-
Amortization	104,534	102,027	60,785	62,154	1,219,182	1,213,836	882,765	900,318
Interest on long-term debt	2,959	-	3,973	-	177,771	190,820	123,134	105,094
Other	432,059	1,195,322	28,568	23,490	13,859	15,049	124,628	123,262
Total expenses	<u>2,237,065</u>	<u>3,283,983</u>	<u>1,014,057</u>	<u>992,753</u>	<u>3,378,418</u>	<u>3,399,135</u>	<u>2,709,270</u>	<u>2,584,199</u>
Surplus (deficit)	<u>\$ 9,664,095</u>	<u>7,714,928</u>	<u>(865,994)</u>	<u>(880,123)</u>	<u>(2,427,962)</u>	<u>(3,067,355)</u>	<u>(2,663,898)</u>	<u>(72,714)</u>

(Continued....)

See accompanying notes

TOWN OF GANDER

Schedule 4 (Continued..)

Statement of Operations by Program

Year ended December 31, 2009

	Regional Planning and Development		Recreation and Cultural Services		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Taxation	\$ -	-	-	-	9,090,333	9,097,140
Sales of goods and services	-	-	455,601	659,946	1,255,820	994,306
Grants and transfers	283,729	305,263	243,015	40,508	2,861,534	4,121,922
Investment income	-	-	-	-	16,415	53,593
Other revenue	-	-	-	-	803,294	693,562
Total revenue	283,729	<u>305,263</u>	698,616	<u>700,454</u>	14,027,396	<u>14,960,523</u>
Expenses:						
Personnel services	311,346	330,123	631,614	563,987	4,774,155	4,709,922
Contract services	144,912	54,686	411	544	553,418	480,661
Utilities	1,759	2,367	105,454	94,149	1,005,548	972,903
Maintenance, materials and supplies	33,602	28,018	358,960	693,923	1,416,364	1,903,380
Grants and contributions	344,006	287,878	54,615	111,432	401,787	428,939
Amortization	-	-	281,018	263,006	2,548,285	2,541,341
Interest on long-term debt	-	1,554	98,874	106,268	406,710	403,736
Other	55,505	<u>65,196</u>	60,575	<u>42,915</u>	715,193	<u>1,465,234</u>
Total expenses	891,130	<u>769,822</u>	1,591,520	<u>1,876,224</u>	11,821,460	<u>12,906,116</u>
Surplus (deficit)	<u>\$(607,401)</u>	<u>(464,559)</u>	<u>(892,904)</u>	<u>(1,175,770)</u>	<u>2,205,936</u>	<u>2,054,407</u>

See accompanying notes

TOWN OF GANDER

Reconciliation of the Financial Plan to the Budget

Year ended December 31, 2009

	<u>Financial Plan</u>	<u>Amortization (TCA)</u>	<u>Interest Expense</u>	<u>Transfers</u>	<u>PSAB Budget</u>
Revenue:					
Taxation	\$ 8,810,000	-	-	-	8,810,000
Sales of goods and services	549,700	-	-	-	549,700
Grants and transfers	1,575,904	-	-	472,174	2,048,078
Investment income	35,000	-	-	-	35,000
Other revenue	418,300	-	-	-	418,300
Total revenue	11,388,904	-	-	472,174	11,861,078
Expenses:					
General government services	1,935,400	104,535	10,005	73,200	2,123,140
Protective services	1,028,300	60,785	1,745	(16,000)	1,074,830
Transportation services	1,969,200	1,219,182	203,737	-	3,392,119
Environmental health services	1,701,800	882,765	165,426	(33,000)	2,716,991
Regional planning and development	560,200	-	-	-	560,200
Recreation and cultural services	1,229,400	281,018	60,787	(65,200)	1,506,005
Fiscal services:					
Capital expenditures	442,704	-	-	(442,704)	-
Debt charges	2,521,900	-	-	(2,521,900)	-
Total expenses	11,388,904	2,548,285	441,700	(3,005,604)	11,373,285
Surplus (deficit)	\$ -	(2,584,285)	(441,700)	3,477,778	487,793

See accompanying notes

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2009

1. Status of the Town of Gander:

The incorporated Town of Gander is a municipal government that was incorporated in 1958 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The Municipality provides or funds municipal services such as fire, public works, parks and recreation, municipal enforcement, development, tourism and other general government operations.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

(a) Consolidation

The Town has no controlled entities or government partnerships and as such the financial statements are not consolidated.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

(c) Real Estate Properties Held for Sale

Real estate properties held for sale are recorded at the lower of cost and net realizable value. Cost includes the amount of acquisition, legal fees and improvements to prepare the properties for sale or servicing.

It is reasonably anticipated that real estate properties held for resale will be sold within one year of the date of the Statement of Financial Position.

(d) 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 expenses, provides the change in net financial assets for the year.

Real estate properties and inventories held for sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2009

2. Significant accounting policies (continued):

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is put into use and one-half of the annual amortization is charged in the year of acquisition and in the year of disposal. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Capital Assets:

Land	Indefinite
Land improvements	10 to 50 years
Buildings	25 to 40 years
Vehicles and equipment:	
Vehicles	5 years
Machinery, equipment and furniture	5 years
Heavy equipment	10 years
Computer hardware and software	4 years

Infrastructure Assets

Roads and streets:	
Land	Indefinite
Road surface	5 to 20 years
Road grade	30 years
Traffic lights and equipment	10 to 15 years
Water and sewer:	
Land	Indefinite
Land improvements	50 years
Buildings	25 to 40 years
Underground networks	15 to 100 years
Machinery and equipment	15 years

(f) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(g) Inventories

Inventories held for sale are recorded at the lower of cost and net realizable value.

Inventories held for consumption are recorded at cost.

TOWN OF GANDER
Notes to the Financial Statements
December 31, 2009

2. Significant accounting policies (continued):

(h) Revenue Recognition

Revenues are recognized as earned and when collection is reasonably assured. Tax rates are approved annually by Council.

(l) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. The manner in which the accounts have been kept and the safeguards against fraud:

The Municipality's position in these respects was considered satisfactory.

4. Sufficiency of Bonds:

Fidelity bond coverage of \$50,000 is carried on all staff having positions of trust and this coverage is considered to be adequate.

5. Receivables:

	<u>2009</u>	<u>2008</u>
Property tax	\$ 2,258,396	2,483,609
Business tax	67,383	85,659
HST rebate	29,399	162,433
Other	<u>2,103,149</u>	<u>1,420,320</u>
	4,458,327	4,152,021
Less allowance for doubtful receivables	<u>(1,837,185)</u>	<u>(2,175,000)</u>
	<u>\$ 2,621,142</u>	<u>1,977,021</u>

6. Payables and accruals:

	<u>2009</u>	<u>2008</u>
Trade payable	\$ 405,978	654,025
Accrued interest	30,900	29,847
Accrued wages - regular	143,545	128,771
- vacation and overtime	<u>128,821</u>	<u>158,383</u>
	<u>\$ 709,244</u>	<u>971,026</u>

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2009

7. Long-term debt:

	<u>2009</u>	<u>2008</u>
Federation of Canadian Municipalities loan:		
2.64% unsecured; repayable \$200,000 annually, plus interest semi-annually; maturing February, 2018	\$ 1,800,000	2,000,000
Bank loans:		
5.66% unsecured, repayable \$6,710 monthly, including interest; matured March, 2009	-	20,338
6.54% unsecured, repayable \$6,169 monthly, including interest; maturing April, 2012	165,133	226,177
3.88% unsecured, repayable \$10,390 monthly, including interest; maturing March, 2013	380,126	487,779
4.67% unsecured, repayable \$4,176 monthly, plus interest; refinanced during year	-	239,470
4.60% unsecured, repayable \$5,058 monthly, including interest; maturing April, 2015	286,348	332,726
7.09% unsecured; repayable \$5,092 monthly, including interest; maturing November, 2010	49,370	104,818
6.5% unsecured; repayable \$10,383 monthly, including interest; maturing February, 2011	139,452	251,013
5.4% unsecured; repayable \$47,109 monthly, including interest; maturing August, 2016	3,126,506	3,511,725
4.87% unsecured; repayable \$1,670 monthly, including interest; maturing June, 2017	125,676	139,234
4.79% unsecured; repayable \$9,989 monthly, including interest; maturing March, 2023	1,174,408	1,236,104
4.38% unsecured; repayable \$16,999 monthly, including interest; maturing June, 2019	1,582,903	-
3.8% unsecured; repayable \$4,089 monthly, including interest; maturing July, 2014	206,123	-
	<u>\$ 9,036,045</u>	<u>8,549,384</u>

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

2010	\$ 1,259,375
2011	1,156,663
2012	1,140,048
2013	1,060,021
2014	1,050,839

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2009

8. Contingent liabilities:

- (a) The Town is contingently liable as guarantor of bank loans totalling \$114,995, for the Gander Curling Club.
- (b) A residential developer, the Plaintiff, has made a claim against the Town and the Town Manager, whereby the Plaintiff challenged the procedure that the Town followed when processing and issuing permits to the Plaintiff. The Plaintiff has alleged that it suffered damages, contending that the Town linked the issue of building permits to a contractual dispute between both parties.

At this time the amount of damages, which might be awarded to the Plaintiff, if successful, has not been established, along with any insurance proceeds which might be received.

- (c) The Town is currently operating a Class B landfill site. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

To date the Town has not been able to estimate these costs of remediation of its landfill site and consequently no liability is reflected in the financial statements.

It is the Town's understanding that the provincial government will provide the required funding for the remediation, which also has not been reflected in these financial statements.

9. Financial instruments:

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

10. Budget:

In accordance with the Province of Newfoundland and Labrador's Municipalities Act, every council must adopt a financial plan for each fiscal period in a form approved by the minister. The financial plan is prepared on a revenue and expenditure basis that does not meet the recommendations of PSAB. For comparative purposes, the Town has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by Council.

The reconciliation between the Municipality's cash based financial plan and the PSAB accrual based budget figures used in these statements is disclosed in Schedule 5 - Reconciliation of the Financial Plan to the Budget.

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2009

11. Other items:

During 2000, Newfoundland and Labrador Housing Corporation transferred 154.85 hectares of land to the Town at no cost. At the time of transfer this land was valued at \$4,934,080 by NLHC. The conditions of this transfer require that the Town pay to NLHC 50% of the NLHC valuation of the applicable land sold. To date \$3,147,376 sales have taken place.

No value for this land or liability to NLHC has been reflected in these financial statements. As any of this land is sold net proceeds will be reflected in the Town's records in the year of sale.

12. Changes in Accounting Policies:

The Municipality has restated its financial statements to comply with the adoption of generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB).

Section PS3150 requires governments to record and amortize their tangible capital assets on their financial statement. In addition, leases, which substantially transfer all of the risks and benefits of ownership to the government, should be treated as capital leases.

	<u>2009</u>	<u>2008</u>
Opening balances:		
General operating fund surplus	\$ 739,465	454,693
Investment in property, plant and equipment	<u>50,161,455</u>	<u>45,585,807</u>
Opening accumulated surplus as previously reported	50,900,920	46,040,500
Adjustments to tangible capital assets	<u>(21,091,972)</u>	<u>(18,285,958)</u>
Opening accumulated surplus, as restated	29,808,948	27,754,542
Annual surplus	<u>2,205,936</u>	<u>2,054,407</u>
Accumulated surplus, end of year	<u>\$ 32,014,884</u>	<u>29,808,949</u>