



TOWN OF GANDER
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS - DECEMBER 31, 2012

TOWN OF GANDER

Table of Contents

December 31, 2012

	<u>Page</u>
Statement of Responsibility	1
Independent Auditors' Report	2
Financial Statements:	
Financial Position	3
Operations	4
Change in Net Financial Assets (Net Debt)	5
Cash Flows	6
Notes to the Financial Statements	7
Schedules:	
Tangible Capital Assets (Schedule 1)	18
Revenues (Schedule 2)	19
Expenditures (Schedule 3)	20
Operations by Program (Schedule 4)	21
Reconciliation of the Financial Plan to the Budget (Schedule 5)	23


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 public sector accounting standards.



Claude Elliott, Mayor



Garry Brown, Treasurer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Town of Gander** which comprise the statement of financial position as at December 31, 2012, and the statement of operations, statement of changes in net financial assets (net debt) and cash flows statement 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 compliance with legislation in accordance with Canadian accounting standards as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. It is also management's responsibility to ensure appropriate systems of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the purpose of 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, the financial statements present fairly, in all material respects, the financial position of the Town of Gander as at December 31, 2012 and its financial performance and its cash flow for the year then ended in accordance with the standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

November 21, 2013

TOWN OF GANDER

Statement of Financial Position

December 31, 2012

2012

2011

Financial Assets:

Cash	\$ -	2,021,853
Receivables (Note 5)	4,241,181	3,508,725
Employee loans and advances	2,205	3,119
Real estate properties held for resale	16,191	17,768
	<u>4,259,577</u>	<u>5,551,465</u>

Liabilities:

Bank indebtedness (Note 15)	166,494	-
Demand loan	685,000	-
Payables and accruals (Note 6)	1,890,901	2,238,509
Employee future benefits:		
Accrued vacation	101,128	97,668
Accrued severance (Note 12)	815,221	800,987
Accrued sick pay (Note 12)	287,722	263,862
Deferred revenue (Note 7)	567,638	651,734
Long-term debt (Note 8)	8,613,478	9,671,312
Other liabilities	116,089	86,785
	<u>13,243,671</u>	<u>13,810,857</u>

Net Financial Assets (Net Debt)

(8,984,094) (8,259,392)

Non-Financial Assets

Tangible capital assets (Schedule 1)	46,717,721	45,227,821
Capital projects in progress	33,335	454,089
Inventories for use (Note 16)	238,515	186,438
Prepaid expenses	89,229	18,612
	<u>47,078,801</u>	<u>45,886,960</u>


Accumulated surplus

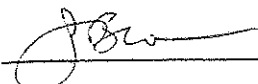
\$ 38,094,706 37,627,568

Contingent liabilities (Note 9)

See accompanying notes

Approved:

 Mayor

 Town Clerk

TOWN OF GANDER

Statement of Operations

Year ended December 31, 2012

	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Revenue:			
Taxation	\$ 10,809,484	11,065,982	10,896,768
Sales of goods and services	803,600	737,423	777,147
Grants and transfers	2,496,425	2,637,400	3,152,412
Investment income	5,000	32,692	39,192
Other revenue	<u>1,500</u>	<u>256,572</u>	<u>1,449,869</u>
Total revenue (Schedules 2 and 4)	<u>14,116,009</u>	<u>14,730,069</u>	<u>16,315,388</u>
Expenses:			
General government services	2,539,088	2,450,018	2,817,130
Protective services	1,426,827	1,466,688	1,181,448
Transportation services	3,792,060	3,670,576	3,675,264
Environmental health services	3,314,184	3,095,177	2,518,917
Regional planning and development	573,580	600,500	577,004
Recreation and cultural services	1,845,632	1,784,190	1,736,926
Fiscal services	<u>468,516</u>	<u>1,195,782</u>	<u>1,225,572</u>
Total expenses (Schedules 3 and 4)	<u>13,959,887</u>	<u>14,262,931</u>	<u>13,732,261</u>
Annual Surplus (Note 2)	156,122	467,138	2,583,127
Accumulated surplus, beginning of year	<u>37,627,568</u>	<u>37,627,568</u>	<u>35,044,441</u>
Accumulated surplus, end of year	<u>\$ 37,783,690</u>	<u>38,094,706</u>	<u>37,627,568</u>

See accompanying notes

TOWN OF GANDER

Statement of Change in Net Financial Assets (Net Debt)

Year ended December 31, 2012

	2012 Budget	2012 Actual	2011 Actual
Annual surplus (deficit)	<u>\$ 156,122</u>	<u>467,138</u>	<u>2,583,127</u>
Acquisition of tangible capital assets	(4,593,522)	(4,593,522)	(8,980,057)
Amortization of tangible capital assets	3,052,077	3,052,077	2,848,483
Loss on sale of tangible capital assets	-	(1,207)	(110,930)
Proceeds from sale of tangible capital assets	-	52,753	279,280
Decrease (increase) in capital projects in progress	-	420,754	3,476,427
Decrease (increase) in inventories	-	(52,078)	22,660
Decrease (increase) in prepaids	-	(70,617)	706
	<u>(1,541,445)</u>	<u>(1,191,840)</u>	<u>(2,463,431)</u>
Change in net financial assets	(1,385,323)	(724,702)	119,696
Net financial assets (net debt):			
Beginning of year	<u>(8,259,392)</u>	<u>(8,259,392)</u>	<u>(8,379,088)</u>
End of year	<u>\$(9,644,715)</u>	<u>(8,984,094)</u>	<u>(8,259,392)</u>

See accompanying notes

TOWN OF GANDER

Statement of Cash Flows

Year ended December 31, 2012

2012

2011

	2012	2011
Operating transactions:		
Annual surplus	\$ 467,138	2,583,127
Amortization	3,052,077	2,848,483
Loss on sale of tangible capital assets	(1,207)	(110,930)
	<u>3,518,008</u>	<u>5,320,680</u>
 Changes in non-cash items:		
Receivables	(732,456)	1,550,539
Employee loans and advances	914	200
Real estate properties held for resale	1,577	-
Payables and accruals	(347,608)	61,371
Employee future benefits	41,554	447,690
Deferred revenue	(84,096)	214,004
Other liabilities	29,304	35,663
Inventories for use	(52,078)	22,661
Prepaid expenses	(70,617)	706
	<u>2,304,502</u>	<u>7,653,514</u>
Cash provided by operating transactions		
Capital transactions:		
Acquisition of tangible capital assets	(4,593,522)	(8,980,057)
Proceeds from sale of tangible capital assets	52,753	279,280
Decrease in capital projects in progress	420,754	3,476,428
	<u>(4,120,015)</u>	<u>(5,224,349)</u>
Cash applied for capital transactions		
Financing transactions:		
Proceeds from long-term debt	388,691	1,095,353
Principal repayment	(1,446,525)	(1,113,716)
	<u>(1,057,834)</u>	<u>(18,363)</u>
Cash provided (applied) for financing transactions		
Increase (decrease) in cash	(2,873,347)	2,410,802
Cash, beginning of year	2,021,853	(388,949)
Cash, end of year	<u>\$(851,494)</u>	<u>2,021,853</u>
Cash consisting of:		
Cash	\$(166,494)	2,021,853
Demand loan	(685,000)	-
Cash and temporary investments, end of year	<u>\$(851,494)</u>	<u>2,021,853</u>

See accompanying notes

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

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, library, tourism and other general government operations.

1. Significant accounting policies:

The consolidated financial statements have been prepared in accordance with Canadian accounting standards 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, 2012

1. 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 are 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 to 15 years
Maintenance and road construction equipment	10 years
Computer hardware and software	4 years

Infrastructure Assets

Transportation:	
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) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services in transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

1. Significant accounting policies (continued):

(h) Severance and sick pay liability

An accrued liability for severance is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service. An estimate for the provision of employees with less than nine years of service has been determined by actuarial analysis.

An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulate sick days at retirement, long-term inflation rates and discount rates.

Actuarial gains or losses are being amortized to the liability and the related expense straight-line over the expected average remaining service life of the employee group.

(i) Inventories

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

Inventories held for consumption are recorded at cost.

First-in first-out inventory costing method is used.

(j) Revenue recognition

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

(k) Measurement uncertainty

The preparation of the financial statement in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

2. Impact of the change in the basis of accounting:

These consolidated financial statements are the first financial statements for which the Town of Gander has applied Canadian public sector accounting board standards ("PSAB"). The consolidated financial statements for the year ended December 31, 2012 were prepared in accordance with PSAB. Comparative period information presented for the year ended December 31, 2011 was prepared in accordance with PSAB and the provisions set out in Section *PS 2125 First-time adoption by government organizations*. The Town of Gander has elected to take the first-time adoption exemption under *PS 2125* relating to actuarial gains and losses resulting from the initial actuarial valuations of severance and sick benefits liabilities and recognize all cumulative actuarial gains and losses at the date of transition in the accumulated deficit.

The date of transition to PSAB is January 1, 2011, the adoption of the standards has resulted in a restatement of the Statement of Operations for the year ended December 31, 2011 as well as the accrued sick benefits, severance liability and accumulated surplus as of January 1, 2011 and December 31, 2011.

As of January 1, 2011, the statement of financial position included unamortized deferred capital contributions. The Town of Gander performed an actuarial assessment of accrued sick benefits and severance liabilities that resulted in restatement of these liabilities as required under PSAB. Therefore, as a result of the above adjustments required under the transition to PSAB the following restatement has occurred.

(a) Adjustment to consolidated statement of financial position as at January 1, 2011:

	<u>As previously reported</u>	<u>Adjustment required</u>	<u>As restated</u>
Liabilities:			
Accrued sick benefits	\$ 679,821	121,166	800,987
Accrued severance	-	263,862	263,862
Accumulated surplus	38,012,596	385,028	37,627,568

(b) Reconciliation of previously reported consolidated annual surplus for December 31, 2011 with the annual surplus for December 31, 2011 shown in the financial statements:

	<u>2011</u>
Annual surplus, as previously reported December 31, 2011	\$ 2,968,155
Adjustment related to sick benefits expense	(263,862)
Adjustment related to severance expense	<u>(121,166)</u>
Restated annual surplus, December 31, 2011	<u>\$ 2,583,127</u>

TOWN OF GANDER
Notes to the Financial Statements
December 31, 2012

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>2012</u>	<u>2011</u>
Property tax	\$ 2,032,296	3,559,530
Business tax	220,311	102,337
HST rebate	103,418	132,542
Other	<u>2,876,119</u>	<u>2,722,416</u>
	5,232,144	6,516,825
Less allowance for doubtful receivables	<u>(990,963)</u>	<u>(3,008,100)</u>
	<u>\$ 4,241,181</u>	<u>3,508,725</u>

6. Payables and accruals:

	<u>2012</u>	<u>2011</u>
Trade payable	\$ 1,626,024	1,990,822
Accrued interest	45,361	49,100
Accrued wages - regular	198,305	183,843
- overtime	<u>21,211</u>	<u>14,744</u>
	<u>\$ 1,890,901</u>	<u>2,238,509</u>

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

7. Deferred revenue:

	<u>2012</u>	<u>2011</u>
Trailway relocation	\$ 22,766	22,766
Grading deposits	40,500	48,500
Pledged lot sales in trust	107,409	299,963
Landscaping deposits	37,021	29,891
Street development	92,663	117,125
Environmental assessment grant	-	10,000
Trailway funding	16,592	-
Cooper Boulevard funding	125,938	-
Advertising	2,691	4,900
Youth centre funding	22,053	22,053
Land lease	23,361	19,847
Loan payment from province	62,201	62,201
Freedom Village recreation fee	8,798	8,798
Elizabeth Drive sidewalk	5,375	5,690
	<u>\$ 567,368</u>	<u>651,734</u>

8. Long-term debt:

	<u>2012</u>	<u>2011</u>
Federation of Canadian Municipalities loan: 2.64% unsecured; repayable \$200,000 annually, plus interest semi-annually; maturing February, 2018	\$ 1,200,000	1,400,000
Bank loans:		
6.54% unsecured, repayable \$6,169 monthly, including interest; repaid during the year	-	30,423
3.88% unsecured, repayable \$10,390 monthly, including interest; maturing March, 2013	30,999	151,968
4.60% unsecured, repayable \$5,058 monthly, including interest; maturing April, 2015	133,731	186,955
5.4% unsecured; repayable \$47,109 monthly, including interest; maturing August, 2016	1,838,132	2,290,892
4.87% unsecured; repayable \$1,670 monthly, including interest; maturing June, 2017	80,815	96,501
4.79% unsecured; repayable \$9,989 monthly, including interest; maturing March, 2023	969,411	1,040,838
4.38% unsecured; repayable \$16,999 monthly, including interest; maturing June, 2019	1,151,994	1,301,954
3.8% unsecured; repayable \$4,089 monthly, including interest; maturing July, 2014	<u>75,332</u>	<u>120,575</u>
Subtotal	5,480,414	6,620,106

TOWN OF GANDER
Notes to the Financial Statements
December 31, 2012

8. Long-term debt (continued):

	<u>2012</u>	<u>2011</u>
Balance forward	\$ 5,480,414	6,620,106
4.2% unsecured; repayable \$13,335 monthly, including interest; maturing April, 2021	1,132,971	1,242,928
3.11% unsecured; repayable \$3,075 monthly, including interest; maturing May, 2022	300,705	-
Central Mortgage and Housing Corporation loans:		
3.98% unsecured, repayable \$4,352 annually, including interest; maturing September, 2024	40,887	43,507
3.98% unsecured, repayable \$15,369 annually, including interest; maturing September, 2024	144,409	153,662
3.98% unsecured, repayable \$18,915 annually, including interest; maturing September, 2024	177,726	189,114
3.98% unsecured, repayable \$2,519 annually, including interest; maturing September, 2024	23,671	25,188
3.98% unsecured, repayable \$4,985 annually, including interest; maturing September, 2024	46,837	49,838
3.98% unsecured, repayable \$134,723 annually, including interest; maturing September, 2024	<u>1,265,858</u>	<u>1,346,969</u>
	<u>\$ 8,613,478</u>	<u>9,671,312</u>

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

2013	\$ 1,316,629
2014	1,317,911
2015	1,301,803
2016	1,097,868
2017	786,942

9. Contingent liabilities:

- (a) The Town is contingently liable as guarantor of bank loans totalling \$68,993, for the Gander Curling Club.
- (b) 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.

(Continued...)

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

9. Contingent liabilities (continued):

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.

10. Financial instruments:

The Municipality, as part of its operations, carries a number of financial instruments. The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The municipalities' financial instruments consist of cash, accounts receivable, payables and accruals and long-term debt. Cash is classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost. Payables and accruals are classified as other financial liabilities and are initially measured at fair value and subsequently at amortized cost. The carrying values of the municipalities' financial instruments approximate the fair values. Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks.

11. 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, 2012

12. Employee future benefits:

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on September 11, 2013. The assumptions are based on future events. The economic assumptions used in the valuation are the Town of Gander's best estimates of expected rates as follows:

	<u>2012</u>	<u>2011</u>
Wages and salary escalation	3.75%	3.75%
Interest	2.99%	3.11%

Based on actuarial valuation of the liability, at December 31, 2012 the results for sick leave are:

	<u>2012</u>	<u>2011</u>
Accrued sick pay obligation December 31	\$ 282,061	244,021
Current period benefit cost	47,833	42,508
Benefit payments	(34,355)	(33,113)
Interest on the accrued benefit obligations	8,982	10,446
Actuarial losses	<u>2,326</u>	<u>18,199</u>
Accrued sick pay obligations at December 31	<u>\$ 306,847</u>	<u>282,061</u>

Based on actuarial valuation of the liability, at December 31, 2012 the results for severance are:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation December 31	\$ 851,534	743,241
Additional employee contract obligation	15,000	15,000
Current period benefit cost	65,471	54,467
Benefit payments	(82,498)	(43,174)
Interest on the accrued benefit obligation	26,218	31,453
Actuarial losses	<u>8,210</u>	<u>65,547</u>
Accrued severance obligation at December 31	<u>\$ 883,935</u>	<u>866,534</u>

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

Sick benefits:

	<u>2012</u>	<u>2011</u>
Accrued benefit liability December 31	\$ 287,722	263,862
Unamortized actuarial losses	<u>19,125</u>	<u>18,199</u>
Accrued benefit obligation	<u>\$ 306,847</u>	<u>282,061</u>

Severance benefits:

	<u>2012</u>	<u>2011</u>
Accrued benefit liability December 31	\$ 815,221	800,987
Unamortized actuarial losses	<u>68,714</u>	<u>65,547</u>
	<u>\$ 883,935</u>	<u>866,534</u>

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

13. 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 \$5,005,080 by NLHC. The conditions of this transfer requires that the Town pay to NLHC 50% of the NLHC valuation of the applicable land sold up to a maximum of \$2,502,540. To date \$1,846,580 has been paid to NLHC.

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.

14. Cash and temporary investments:

Cash and temporary investments are comprised of the following:

	<u>2012</u>	<u>2011</u>
Cash	\$(166,494)	2,021,853
Temporary investments	<u>-</u>	<u>-</u>
	<u>\$(166,494)</u>	<u>2,021,853</u>

Temporary investments are comprised mainly of guaranteed investment certificates and term deposits and have a market value approximating cost.

15. Bank indebtedness:

Bank indebtedness includes an operating loan amounting to \$2,340,000 bearing interest at prime minus .45%.

16. Inventories for use:

	<u>2012</u>	<u>2011</u>
Salt	\$ 131,648	110,699
Machinery parts	20,143	23,019
Cylinders	19,118	15,554
Fuel	12,928	9,808
Gravel	11,811	5,472
Soda Ash	8,861	2,176
Curb Stop	6,853	4,240
Chlorine	6,850	2,612
Sand	4,489	-
Office and cleaning supplies	3,620	4,282
Oils and fluids	3,571	1,611
Paint	3,218	411
Calcium and lime	2,892	2,267
Stand pipe and rods	<u>2,513</u>	<u>4,287</u>
	<u>\$ 238,515</u>	<u>186,438</u>

TOWN OF GANDER

Notes to the Financial Statements

December 31, 2012

17. Subsequent event:

Claims have been initiated against the Town by taxpayers regarding a recent flooding in the Gander area which resulted in major damages to a number of homeowners. The outcome of this matter is not reasonably determinable at this time. Should any loss result from the resolution of these claims, any losses will be charged to operations in the period of the resolution.

18. Comparative figures:

Certain of the comparative figures have been restated to conform to the financial statement presentation used in the current year.

TOWN OF GANDER

Schedule of Tangible Capital Assets

Year ended December 31, 2012

Schedule 1

	General Capital Assets						Infrastructure		Totals
	Land	Land Improvements	Buildings	Vehicles and Equipment	Computer Hardware and Software	Roads and Streets	Water and Sewer	2012	2011
Cost									
Opening costs	\$ 370,805	2,762,191	20,805,106	11,988,500	302,989	30,589,745	20,828,473	87,647,809	79,493,355
Additions during the year	178,865	669,202	130,999	843,368	77,890	1,666,020	1,027,178	4,593,522	8,980,058
Disposals and write downs	-	-	-	(551,231)	-	(475,957)	(31,485)	(1,058,673)	(825,602)
Closing costs	<u>549,670</u>	<u>3,431,393</u>	<u>20,936,105</u>	<u>12,280,637</u>	<u>380,879</u>	<u>31,779,808</u>	<u>21,824,166</u>	<u>91,182,658</u>	<u>87,647,811</u>
Accumulated amortization									
Opening accumulated amortization	-	1,024,494	5,927,437	5,664,111	192,482	17,276,695	12,334,769	42,419,988	40,228,760
Amortization	-	145,418	512,463	875,039	23,073	1,090,140	405,943	3,052,076	2,848,484
Disposals and write downs	-	-	-	(525,992)	-	(449,649)	(31,485)	(1,007,127)	(657,254)
Closing accumulated amortization	<u>-</u>	<u>1,169,912</u>	<u>6,439,900</u>	<u>6,013,158</u>	<u>215,555</u>	<u>17,917,186</u>	<u>12,709,227</u>	<u>44,464,937</u>	<u>42,419,990</u>
Net book value of Tangible Capital Assets	<u>\$ 549,670</u>	<u>2,261,481</u>	<u>14,496,205</u>	<u>6,267,479</u>	<u>165,324</u>	<u>13,862,622</u>	<u>9,114,940</u>	<u>46,717,721</u>	<u>45,227,821</u>
See accompanying notes									

TOWN OF GANDER

Schedule 2

Schedule of Revenues

Year ended December 31, 2012

2012

2011

Taxation:

Property tax	\$ 6,554,776	6,112,100
Business tax	1,670,791	1,696,111
Water and sewer tax	1,554,644	1,631,881
Utility tax	689,557	647,253
Grants in lieu of taxes	363,876	365,388
Penalties and interest	232,338	444,035
	<u>11,065,982</u>	<u>10,896,768</u>

Sales of goods and services:

Waste disposal fees	3,020	39,655
Recreation and cultural services	388,589	380,831
Transportation services	31,007	41,174
Protective services	169,712	158,006
Other sales of goods and services	145,095	157,481
	<u>737,423</u>	<u>777,147</u>

Grants and transfers:

Government of Canada:		
Capital grant	924,181	741,017
Other federal revenue	85,756	72,043
Government of Newfoundland and Labrador:		
Municipal operating grant	360,877	360,877
Municipal capital grant	1,266,586	1,333,706
Gas tax revenue	-	644,769
Other provincial grants and/or subsidies	-	-
	<u>2,637,400</u>	<u>3,152,412</u>

Investment income:

Interest from investments	<u>32,692</u>	<u>39,192</u>
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Other revenue:

Gain on sale of tangible capital assets	2,100	112,380
Sale of real estate held for sale	243,262	150,150
Miscellaneous	11,210	1,187,339
	<u>256,572</u>	<u>1,449,869</u>

Total Revenue

	<u>\$ 14,730,069</u>	<u>16,315,388</u>
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See accompanying notes

TOWN OF GANDER

Schedule 3

Expenditures

Year ended December 31, 2012

2012

2011

	2012	2011
General government services:		
Legislative	\$ 158,491	158,756
Common	738,829	682,445
General administrative	1,552,698	1,975,929
	<u>2,450,018</u>	<u>2,817,130</u>
Protective services:		
Fire	1,145,689	898,901
Animal and pest control	20,825	20,559
Municipal enforcement	201,159	168,305
Other protective services	99,015	93,683
	<u>1,466,688</u>	<u>1,181,448</u>
Transportation services:		
Road, street, sidewalk maintenance	2,087,110	2,093,437
Snow removal	711,424	703,114
Street lighting	260,575	254,115
Traffic services	45,089	49,068
Other transportation services	566,378	575,530
	<u>3,670,576</u>	<u>3,675,264</u>
Environmental health services:		
Water supply	1,715,263	1,583,357
Sewage collection and disposal	731,840	680,774
Garbage and waste collection disposal	648,074	254,786
	<u>3,095,177</u>	<u>2,518,917</u>
Regional planning and development:		
Planning and zoning	70,170	62,484
Community improvement and development	392,055	377,623
Tourism and marketing	138,275	136,897
	<u>600,500</u>	<u>577,004</u>
Recreation and cultural services:		
Recreation administration	126,041	129,207
Skating and curling rinks	830,635	832,578
Parks and playgrounds	402,837	337,035
Other recreation and cultural services	424,677	438,106
	<u>1,784,190</u>	<u>1,736,926</u>
Fiscal services:		
Long-term debt interest	392,887	428,050
Interest on temporary bank loans	922	2,694
Provision for uncollectible taxes, fees and charges	785,153	757,656
Other debt charges	16,820	37,172
	<u>1,195,782</u>	<u>1,225,572</u>
Total Expenses	<u>\$ 14,262,931</u>	<u>13,732,261</u>

See accompanying notes

TOWN OF GANDER

Schedule 4

Statement of Operations by Program

Year ended December 31, 2012

	General Government		Protective Services		Transportation Services		Environmental Health Services	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue:								
Taxation	\$ 11,065,982	10,896,768	-	-	-	-	-	-
Sales of goods and services	144,007	157,480	169,712	158,006	31,007	41,174	3,020	39,655
Grants and transfers	439,697	2,058,907	39,014	529,059	1,439,813	240,970	333	79,375
Investment income	32,692	39,192	-	-	-	-	-	-
Other revenue	<u>256,572</u>	<u>265,278</u>	-	-	-	<u>615,633</u>	-	<u>568,958</u>
Total revenue	<u>11,938,950</u>	<u>13,417,625</u>	<u>208,726</u>	<u>687,065</u>	<u>1,470,820</u>	<u>897,777</u>	<u>3,353</u>	<u>687,988</u>
Expenses:								
Personnel services	1,516,695	1,477,230	946,599	853,781	1,356,797	1,359,970	710,511	713,527
Contract services	432,435	431,782	4,960	3,401	-	600	-	-
Utilities	92,454	88,443	75,026	55,370	268,963	262,410	615,547	571,436
Maintenance, materials and supplies	106,609	130,138	100,706	118,839	632,823	674,941	212,474	200,363
Grants and contributions	5,032	2,021	-	-	-	-	-	-
Amortization	56,288	115,592	290,727	127,828	1,398,660	1,366,801	978,084	917,534
Accrued sick pay (inc)	23,860	263,862	-	-	-	-	-	-
Accrued severance pay (inc)	14,235	121,166	-	-	-	-	-	-
Other	<u>202,410</u>	<u>186,896</u>	<u>48,670</u>	<u>22,229</u>	<u>13,333</u>	<u>10,542</u>	<u>578,561</u>	<u>116,057</u>
Total expenses	<u>2,450,018</u>	<u>2,817,130</u>	<u>1,466,688</u>	<u>1,181,448</u>	<u>3,670,576</u>	<u>3,675,264</u>	<u>3,095,177</u>	<u>2,518,917</u>
Surplus (deficit)	<u>\$ 9,488,932</u>	<u>10,600,495</u>	<u>(1,257,962)</u>	<u>(494,383)</u>	<u>(2,199,756)</u>	<u>(2,777,487)</u>	<u>(3,091,824)</u>	<u>(1,830,929)</u>

See accompanying notes (Continued...)

TOWN OF GANDER

Schedule 4 (Continued..)

Statement of Operations by Program

Year ended December 31, 2012

	Regional Planning and Development		Recreation and Cultural Services		Fiscal Services		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue:								
Taxation	\$ -	-	-	-	-	-	-	-
Sales of goods and services	1,088	-	388,589	380,831	-	-	737,423	777,146
Grants and transfers	104,880	170,454	613,663	73,648	-	-	2,637,400	3,152,413
Investment income	-	-	-	-	-	-	32,692	39,192
Other revenue	-	-	-	-	-	-	-	1,449,869
Total revenue	105,968	170,454	1,002,252	454,479	-	-	14,730,069	16,315,388
Expenses:								
Personnel services	349,994	352,536	701,704	663,150	-	-	5,582,300	5,420,194
Contract services	29,262	54,973	9,144	394	-	-	475,801	491,150
Utilities	563	1,278	113,161	98,394	-	-	1,165,714	1,077,331
Maintenance, materials and supplies	64,501	27,183	362,212	432,508	-	-	1,479,325	1,583,972
Grants and contributions	126,108	99,036	240,783	190,994	-	-	371,923	292,051
Amortization	4,680	-	323,932	320,727	-	-	3,052,371	2,848,482
Accrued sick pay (inc)	-	-	-	-	-	-	23,860	263,862
Accrued severance pay (inc)	-	-	-	-	-	-	14,235	121,166
Interest on long-term debt	-	-	-	-	392,887	428,051	392,887	428,051
Other	25,392	41,998	33,254	30,759	802,895	797,521	1,704,515	1,206,002
Total expenses	600,500	577,004	1,784,190	1,736,926	1,195,782	1,225,572	14,262,931	13,732,261
Surplus (deficit)	\$(494,532)	(406,550)	(781,938)	(1,282,447)	(1,195,782)	(1,225,572)	467,138	2,583,127

See accompanying notes

TOWN OF GANDER
Reconciliation of the Financial Plan to the Budget
Year ended December 31, 2012

	<u>Financial Plan</u>	<u>Amortization (TCA)</u>	<u>Interest Expense</u>	<u>Transfers</u>	<u>PSAB Budget</u>
Revenue:					
Taxation	\$ 10,809,484	-	-	-	10,809,484
Sales of goods and services	803,600	-	-	-	803,600
Grants and transfers	1,098,279	-	-	1,398,146	2,496,425
Investment income	5,000	-	-	-	5,000
Other revenue	1,500	-	-	-	1,500
Total revenue	<u>12,717,863</u>	<u>-</u>	<u>-</u>	<u>1,398,146</u>	<u>14,116,009</u>
Expenses:					
General government services	2,482,800	56,288	-	-	2,539,088
Protective services	1,136,100	290,727	-	-	1,426,827
Transportation services	2,393,400	1,398,660	-	-	3,792,060
Environmental health services	2,336,100	978,084	-	-	3,314,184
Regional planning and development	568,900	4,680	-	-	573,580
Recreation and cultural services	1,521,700	323,932	-	-	1,845,632
Fiscal services:					
Capital expenditures	987,779	-	-	(987,779)	-
Debt charges	2,187,772	-	-	(1,719,256)	468,516
Total expenses	<u>13,614,551</u>	<u>3,052,371</u>	<u>-</u>	<u>(2,707,035)</u>	<u>13,959,887</u>
Surplus (deficit)	<u>\$(896,688)</u>	<u>(3,052,371)</u>	<u>-</u>	<u>4,105,181</u>	<u>156,122</u>

See accompanying notes