



Financial Statements

Town of Gander

December 31, 2016

Contents

	Page
Statement of Responsibility	1
Independent Auditors' Report	2-3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Debt	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-16
Schedule 1 - Tangible Capital Assets	17
Schedule 2 - Revenues	18
Schedule 3 - Expenditures	19
Schedule 4 - Operations by Program	20-21
Schedule 5 - Reconciliation of Financial Plan to the Budget	22

Statement of Responsibility

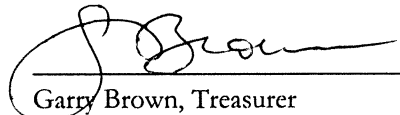
The accompanying financial statements are the responsibility of the management of the Town of Gander (the "Town") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional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

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 Town 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.

Grant Thornton LLP as the Town'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 Town in accordance with Canadian generally accepted accounting principles.


Claude Elliott, Mayor


Garry Brown, Treasurer

Independent auditors' report

Grant Thornton LLP
30 Roe Avenue, PO Box 348
Gander, NL
A1V 1W7
T (709) 651-4100
F (709) 256-2957
www.GrantThornton.ca

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

We have audited the accompanying financial statements for the Town of Gander which are comprised of the statement of financial position as at December 31, 2016, and the statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

It is the responsibility of the management of the Town of Gander to ensure the accompanying financial statements have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. It is also Management's responsibility to ensure appropriate systems of internal and administrative controls are maintained 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.

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 generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from 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.

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, 2016 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Reporting Requirements

In compliance with the requirements of Section 91 of the Municipalities Act, we report as follows on our examination of the accounts of the Town for the year ended December 31, 2016.

Expenses in relation to budget

Actual expenses per the financial statements of \$16,249,020 are within the limits of the adopted budget.

Arrears of revenue

The comparative position with respect to arrears of revenue is presented in Note 4 to the financial statements. Taxes receivable decreased from \$2,228,076 as at December 31, 2015 to \$1,296,747 as at December 31, 2016. Of this amount, taxes totaling \$1,080,403 have been outstanding for one year or longer.

Manner in which the accounts have been kept and the adequacy of the safeguards against fraud. Our firm was engaged only to express an opinion on the financial statements. We have not performed any special audits on fraud or internal controls; however we can report that during the audit of the financial statements no instances of fraud came to our attention.

As required by Section 71 of the Municipalities Act, we report that all employees whose duties include collecting, receiving and depositing cash are adequately bonded.

Gander, Canada

August 16, 2017

Grant Thornton LLP

Chartered Professional Accountants

Town of Gander

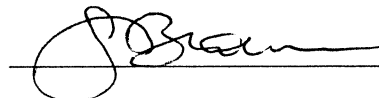
Statement of Financial Position

December 31	2016	2015
Financial Assets		
Cash – gas tax account	\$ 465,249	\$ 1,058,773
Cash – general account	310,264	-
Receivables (Note 4)	3,378,926	4,565,496
Employee loans and advances	1,117	1,190
Real estate properties held for sale	<u>8,324</u>	<u>8,324</u>
	<u>4,163,880</u>	<u>5,633,783</u>
Liabilities		
Bank indebtedness	-	23,707
Demand loan (Note 12)	1,845,000	4,245,000
Payables and accruals (Note 5)	2,419,718	3,556,568
Payable to NLHC (Note 14)	435,095	453,430
Employee future benefits		
Accrued vacation	133,377	125,736
Accrued severance (Note 11)	786,334	804,962
Accrued sick pay (Note 11)	389,623	372,227
Deferred revenue (Note 6)	641,946	1,464,546
Long-term debt (Note 7)	13,417,354	11,246,475
Other liabilities	<u>99,225</u>	<u>84,622</u>
	<u>20,167,672</u>	<u>22,377,273</u>
Net Debt	<u>(16,003,792)</u>	<u>(16,743,490)</u>
Non-Financial Assets		
Tangible capital assets (Schedule 1)	59,602,132	53,212,661
Land held for resale (Note 14)	870,190	906,859
Capital projects in progress	1,863,060	5,879,882
Inventories for use (Note 13)	244,276	235,897
Prepaid expenses	<u>118,810</u>	<u>86,526</u>
	<u>62,698,468</u>	<u>60,321,825</u>
Accumulated Surplus	<u>\$ 46,694,676</u>	<u>\$ 43,578,335</u>

Contingent liabilities (Note 8)

On behalf of the Town

 Mayor

 Town Clerk

See accompanying notes to the financial statements

Town of Gander

Statement of Operations

Year ended December 31	Budget 2016 (Note 10)	Actual 2016	Actual 2015
Revenue			
Taxation	\$ 13,925,000	\$ 13,784,607	\$ 12,706,781
Sales of goods and services	837,400	907,709	923,325
Grants and transfers	4,621,766	4,471,044	2,836,756
Investment income	10,000	28,047	17,181
Other revenue	<u>9,000</u>	<u>173,954</u>	<u>3,108,405</u>
Total revenue (Schedules 2 and 4)	<u>19,403,166</u>	<u>19,365,361</u>	<u>19,592,448</u>
Expenses			
General Government services	3,096,119	2,986,090	2,952,661
Protective services	1,980,113	1,911,564	1,939,542
Transportation services	4,701,745	4,584,820	4,937,055
Environmental health services	3,833,752	3,617,000	3,592,989
Regional planning and development	483,959	415,697	437,147
Recreation and cultural services	2,138,378	2,015,255	2,018,017
Fiscal services	<u>1,441,303</u>	<u>718,594</u>	<u>304,984</u>
Total expenses (Schedules 3 and 4)	<u>17,675,369</u>	<u>16,249,020</u>	<u>16,182,395</u>
Annual Surplus	<u>\$ 1,727,797</u>	<u>\$ 3,116,341</u>	<u>\$ 3,410,053</u>
<hr/>			
Accumulated surplus, beginning of year		\$ 43,578,335	\$ 40,168,282
Annual surplus		<u>3,116,341</u>	<u>3,410,053</u>
Accumulated surplus, end of year		<u>\$ 46,694,676</u>	<u>\$ 43,578,335</u>

See accompanying notes to the financial statements

Town of Gander

Statement of Changes in Net Debt

Year ended December 31	Budget 2016 (Note 10)	Actual 2016	Actual 2015
Annual Surplus	<u>\$ 1,727,797</u>	<u>\$ 3,116,341</u>	<u>\$ 3,410,053</u>
Acquisition of tangible capital assets	(10,272,525)	(10,272,525)	(8,731,411)
Amortization of tangible capital assets	3,830,566	3,830,566	3,616,281
Loss on sale of tangible capital assets	-	46,012	107,881
Loss on sale of land held for resale	-	18,335	104,011
Proceeds from sale of tangible capital assets	-	6,475	-
Proceeds from sale of land held for resale	-	18,335	104,010
Decrease (increase) in capital projects in progress	-	4,016,822	(997,761)
(Increase) decrease in inventories	-	(8,379)	22,561
(Increase) decrease in prepaids	-	(32,284)	59,010
	<u>(6,441,959)</u>	<u>(2,376,643)</u>	<u>(5,715,418)</u>
Change in net debt	(4,741,162)	739,698	(2,305,365)
Net debt			
Beginning of year	<u>(16,743,490)</u>	<u>(16,743,490)</u>	<u>(14,438,125)</u>
End of year	<u>\$ (21,457,652)</u>	<u>\$ (16,003,792)</u>	<u>\$ (16,743,490)</u>

See accompanying notes to the financial statements

Town of Gander

Statement of Cash Flows

December 31	2016	2015
Operating		
Annual surplus	\$ 3,116,341	\$ 3,410,053
Amortization	3,830,566	3,616,281
Loss on sale of land held for sale	18,335	104,011
Loss on sale of tangible capital assets	<u>46,012</u>	<u>107,881</u>
	7,011,254	7,238,226
Changes in		
Receivables	1,186,570	(739,123)
Employee loans and advances	73	394
Payables and accruals	(1,136,850)	(725,801)
Employee future benefits	6,409	61,536
Deferred revenue	(822,600)	545,329
Other liabilities	14,603	(36,455)
Inventories for use	(8,379)	22,561
Prepaid expenses	<u>(32,284)</u>	<u>59,010</u>
Cash provided from operating transactions	<u>6,218,796</u>	<u>6,425,677</u>
Financing		
Demand loan	(2,400,000)	1,920,000
Payable to NLHC	(18,335)	(104,009)
Proceeds from long-term debt	3,872,284	4,132,250
Principal repayment of long-term debt	<u>(1,701,405)</u>	<u>(1,667,685)</u>
Cash provided for financing transactions	<u>(247,456)</u>	<u>4,280,556</u>
Capital transactions		
Acquisition of tangible capital assets	(10,272,525)	(8,731,411)
Proceeds from sale of tangible capital assets	6,475	-
Proceeds from sale of land held for resale	18,335	104,010
Decrease (increase) in capital projects in progress	<u>4,016,822</u>	<u>(997,761)</u>
Cash applied to capital transactions	<u>(6,230,893)</u>	<u>(9,625,162)</u>
(Decrease) increase in cash	(259,553)	1,081,071
Cash		
Beginning	<u>1,035,066</u>	<u>(46,005)</u>
Ending	<u>\$ 775,513</u>	<u>\$ 1,035,066</u>

See accompanying notes to the financial statements

Town of Gander

Notes to the Financial Statements

December 31, 2016

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, library, tourism and other general government operations.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by CPA Canada Public Sector Accounting Board (PSAB) and reflect the following significant accounting policies.

Basis of consolidation

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

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks (net of overdrafts). Bank borrowings are considered to be financing activities.

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.

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 annual deficit, provides the change in net debt for the year.

Town of Gander

Notes to the Financial Statements

December 31, 2016

2. Summary of significant accounting policies (continued)

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 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

Donated and contributed assets

Donated and contributed assets are capitalized at their estimated fair value at the date of acquisition. Works of art for display in municipal property have not been included in capital assets. Certain assets have been disclosed at a nominal value if historical cost is not available and a determination of fair value is not appropriate or possible for the asset.

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.

Impairment of long-lived assets

Long lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired fixed assets are recorded at fair value, determined principally using discounted future cash flow expected from their use and eventual disposition.

Town of Gander

Notes to the Financial Statements

December 31, 2016

2. Summary of significant accounting policies (continued)

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.

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 ten years of continuous service. An estimate for the provision of employees with less than ten 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, accumulated 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.

Inventories

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

Inventories held for consumption are recorded at cost.

Average costing method is used.

Revenue recognition

Revenues are recognized as earned and when collection is reasonably assured. Property tax billings are prepared by the Town based on assessed values of the respective property. Tax rates are approved annually by Council.

Government grants and transfers are recognized as revenue in the financial period in which the events give rise to the transfer occurring, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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 revenues and expenses during the reporting period. Items requiring significant estimates include the useful life of tangible capital assets, rates of amortization, impairment of assets and allowances for doubtful accounts, accrued sick pay and accrued severance.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates. 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, 2016

3. 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.

4. Receivables	<u>2016</u>	<u>2015</u>
Property tax	\$ 888,144	\$ 1,880,969
Business tax	408,603	348,107
HST rebate	321,428	251,620
Other	<u>3,432,881</u>	<u>3,731,806</u>
	5,051,056	6,212,501
Less allowance for doubtful receivables	<u>(1,672,130)</u>	<u>(1,647,006)</u>
	<u>\$ 3,378,926</u>	<u>\$ 4,565,496</u>

5. Payables and accruals	<u>2016</u>	<u>2015</u>
Trade payables	\$ 2,237,125	\$ 3,405,476
Accrued interest	31,831	36,929
Accrued wages		
Regular	126,041	96,158
Overtime	<u>24,721</u>	<u>18,005</u>
	<u>\$ 2,419,718</u>	<u>\$ 3,556,568</u>

6. Deferred revenue	<u>2016</u>	<u>2015</u>
Trailway relocation	\$ 22,766	\$ 22,766
Grading deposits	53,000	32,500
Pledged lot sales in trust	-	17,176
Landscaping deposits	64,376	70,766
Subdivision development fee deposits	22,500	28,179
Gas tax	377,172	1,064,896
Cooper Boulevard funding	-	125,938
Land lease	26,835	26,063
Loan payment from province	62,201	62,201
Freedom Village recreation fee	8,798	8,798
Elizabeth Drive sidewalk	<u>4,298</u>	<u>5,263</u>
	<u>\$ 641,946</u>	<u>\$ 1,464,546</u>

Town of Gander

Notes to the Financial Statements

December 31, 2016

7. Long-term debt	<u>2016</u>	<u>2015</u>
Federation of Canadian Municipalities loan		
2.64% unsecured; repayable \$200,000 annually, plus interest, semi-annually, maturing February, 2018	\$ 400,000	\$ 600,000
Bank loans		
5.40% unsecured, repaid during the year	-	323,710
4.87% unsecured; repayable \$1,670 monthly including interest, maturing June, 2017	9,860	28,912
4.79% unsecured, repayable \$9,989 monthly including interest, maturing March 2023	646,476	733,208
4.38% unsecured; repayable \$16,999 monthly including interest, maturing June, 2019	482,074	660,692
4.20% unsecured; repayable \$13,335 monthly including interest, maturing April, 2021	643,962	773,974
3.11% unsecured; repayable \$3,075 monthly including interest, maturing May, 2022	183,494	214,149
2.99% unsecured; repayable \$4,335 monthly including interest, maturing, May, 2023	303,383	345,658
3.08% unsecured; repayable \$4,991 monthly including interest, maturing May, 2023	336,061	384,726
3.45% unsecured; repayable \$20,567 monthly including interest, maturing May, 2024	1,613,282	1,800,901
2.10% unsecured; repayable \$26,785 monthly, including interest, maturing July 2020	3,795,606	4,034,592
2.58% unsecured; repayable \$25,967 monthly, including interest, maturing July 2026	3,784,491	-
Central Mortgage and Housing Corporation loans		
3.98% unsecured, repayable \$4,352 annually, including interest, maturing September, 2024	29,321	32,383
3.98% unsecured; repayable \$15,369 annually, including interest; maturing September, 2024	103,558	114,375
3.98% unsecured; repayable \$18,915 annually, including interest, maturing September, 2024	127,451	140,763
3.98% unsecured; repayable \$2,519 annually, including interest, maturing September, 2024	16,975	18,748
3.98% unsecured; repayable \$4,985 annually, including interest, maturing September, 2024	33,587	37,096
3.98% unsecured; repayable \$134,723 annually, including interest, maturing September, 2024	907,773	1,002,588
Newfoundland and Labrador Municipal Financing Corporation loans		
7.25% unsecured, repaid during the year	-	1,378
7.25% unsecured, repaid during the year	-	2,726
6.75% unsecured; repayable \$2,349 annually, including interest, maturing March, 2018	6,597	10,644
	<u>13,423,951</u>	<u>11,261,223</u>
Recoverable portion	<u>(6,597)</u>	<u>(14,748)</u>
	<u>\$ 13,417,354</u>	<u>\$ 11,246,475</u>

Town of Gander

Notes to the Financial Statements

December 31, 2016

7. Long-term debt (continued)

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

2017	\$ 1,555,449
2018	1,590,414
2019	1,333,709
2020	1,272,354
2021	1,218,429
Thereafter	6,446,999

8. Contingent liabilities

The Town is contingently liable as guarantor of bank loans totalling \$7,657, for the Gander Curling Club.

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, ground water 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.

Claims have been initiated against the Town by taxpayers regarding counter claims for annual local improvement assessments and/or service levies levied against their real property. The outcome of this matter is not reasonably determinable at this time. Should any loss result from the resolution of these claims, the losses will be charged to operations in the period of the resolution.

The Town has received notices of claims or intent to claim with unspecified damages. No provision has been made for these claims either because the Town is not expected to incur any significant liability, or because an estimate of loss, if any, is not determinable at this time.

Town of Gander

Notes to the Financial Statements

December 31, 2016

9. 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, payable to NLHC and long-term debt. Cash and receivables 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 currency or credit risks. The Municipality is exposed to interest rate risk. The following analysis provides a measure of the Municipality's risk exposure and concentrations at December 31, 2016.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its interest-bearing liabilities including long-term debt.

The Municipality reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable during the year. In the opinion of management, the interest rate risk exposure to the Town is low and not material. There was no significant change in exposure from the prior year.

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 PSAS. 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 PSAS 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, 2016

11. Employee future benefits

2016

2015

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed at December 31, 2015 and extrapolated to December 31, 2016. 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:

Wages and salary escalation	3.75%	3.75%
Interest	2.58%	3.25%

Based on actuarial valuation of the liability, at December 31, 2016 the results for sick leave are:

Accrued sick pay obligation, beginning of the year	\$ 382,180	\$ 354,121
Impact of Plan Amendment	23,241	31,986
Current period benefit cost	55,251	41,064
Benefit payments	(53,840)	(48,240)
Interest on the accrued benefit obligations	13,199	10,902
Actuarial losses	<u>15,515</u>	<u>(7,653)</u>
Accrued sick pay obligation, end of the year	<u>\$ 435,546</u>	<u>\$ 382,180</u>

Based on actuarial valuation of the liability, at December 31, 2016 the results for severance are:

Accrued benefit obligation, beginning of the year	\$ 835,503	\$ 837,044
Additional employee contract obligation	125,640	-
Current period benefit cost	86,462	75,823
Benefit payments	(148,363)	(69,119)
Interest on the accrued benefit obligation	30,232	23,951
Actuarial losses	<u>61,411</u>	<u>(32,196)</u>
Accrued severance obligation, end of the year	<u>\$ 990,885</u>	<u>\$ 835,503</u>

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

Sick benefits		
Accrued benefit obligation	\$ 435,546	\$ 382,180
Unamortized actuarial losses	<u>(45,923)</u>	<u>(9,953)</u>
Accrued benefit liability December 31	<u>\$ 389,623</u>	<u>\$ 372,227</u>
Severance benefits		
Accrued benefit obligation	\$ 990,885	\$ 835,503
Unamortized actuarial losses	<u>(204,551)</u>	<u>(30,541)</u>
Accrued benefit liability December 31	<u>\$ 786,334</u>	<u>\$ 804,962</u>

Town of Gander

Notes to the Financial Statements

December 31, 2016

12. Demand loan

The Town has a demand loan available with its bank. At December 31, 2016, there was \$1,845,000 (2015 - \$4,245,000) outstanding. The interest rate on this demand loan is prime minus 0.6%.

13. Inventories for use	<u>2016</u>	<u>2015</u>
Calcium and lime	\$ 2,693	\$ 1,306
Chlorine	3,155	9,191
Curb stop	3,889	4,107
Cylinders	35,773	26,677
Fuel	7,466	7,889
Gravel	18,153	5,445
Hydrants	2,928	3,125
Machinery parts	61,530	58,648
Office and cleaning services	9,423	11,033
Oils and fluids	3,543	4,324
Paint	606	1,164
Salt	85,419	91,402
Sand	4,262	3,968
Soda ash	4,357	7,098
Stand pipe and rods	<u>1,079</u>	<u>520</u>
	<u>\$ 244,276</u>	<u>\$ 235,897</u>

14. Land held for sale	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 906,859	\$ 1,114,878
Land sold during the year	<u>(36,669)</u>	<u>(208,019)</u>
Balance, end of year	<u>\$ 870,190</u>	<u>\$ 906,859</u>

During 2000, Newfoundland and Labrador Housing Corporation (NLHC) transferred 154.85 hectares of land to the Town at no cost. At the time of transfer this land was valued by NLHC at \$5,005,080. The conditions of this transfer requires the Town to pay to NLHC 50% of the NLHC valuation of the applicable land sold up to a maximum of \$2,502,540. As at December 31, 2016, the balance payable to NLHC is \$435,095 (2015 - \$453,430).