

**The Corporation of the  
Town of Hanover  
Consolidated Financial Statements  
For the year ended December 31, 2012**

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## Independent Auditor's Report

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**To the Members of Council,  
Inhabitants and Ratepayers of  
The Corporation of the Town of Hanover**

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Hanover, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change 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 Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Hanover as at December 31, 2012 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***"BDO CANADA LLP"***

Chartered Accountants, Licensed Public Accountants

Hanover, Ontario  
June 24, 2013

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# The Corporation of the Town of Hanover

## Consolidated Statement of Financial Position

December 31	2012	2011
<b>Financial assets</b>		
Cash (Note 1)	\$ 6,877,772	\$ 8,253,394
Taxes receivable	286,912	315,234
Water and wastewater charges receivable	404,011	400,461
Grants and subsidies receivable	344,912	622,160
Other receivables	513,935	547,182
Inventory for resale	5,597	18,802
Loans receivable (Note 2)	1,284,159	1,333,851
Long-term investments (Note 3)	2,756,742	2,756,742
	<b>12,474,040</b>	<b>14,247,826</b>
<b>Commitments and Contingencies</b> (Notes 20 & 21)		
<b>Liabilities</b>		
Temporary borrowings	32,082	17,947
Accounts payable and accrued liabilities	1,822,433	1,552,193
Deferred revenue (Note 4)	965,725	1,133,650
Long-term debt (Note 5)	4,199,000	4,587,000
Landfill site closure and post-closure care liability (Note 6)	242,377	330,980
Retirement benefit liability (Note 8)	1,016,106	894,342
	<b>8,277,723</b>	<b>8,516,112</b>
<b>Net financial assets</b>	<b>4,196,317</b>	<b>5,731,714</b>
<b>Non-financial assets</b>		
Prepaid expenses	13,131	163,717
Inventory of supplies	99,059	107,716
Assets held for sale	2,566,899	863,795
Tangible capital assets (Note 9)	65,496,212	65,066,252
	<b>68,175,301</b>	<b>66,201,480</b>
<b>Accumulated surplus</b> (Note 10)	<b>\$ 72,371,618</b>	<b>\$ 71,933,194</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## The Corporation of the Town of Hanover Consolidated Statement of Operations

For the year ended December 31	2012 Budget	2012 Actual	2011 Actual
<b>Revenue</b>			
Taxation	\$ 4,925,121	\$ <b>4,905,114</b>	\$ 4,804,818
Government contributions (Note 13)	3,054,469	<b>3,092,377</b>	4,868,806
Ontario Lottery Corporation grant	1,000,000	<b>1,133,631</b>	1,122,786
Municipal user fees	1,104,588	<b>459,667</b>	424,321
Water and wastewater charges	3,411,000	<b>3,026,047</b>	2,936,502
User fees and service charges	1,530,569	<b>1,681,084</b>	1,685,067
Investment income	186,000	<b>258,452</b>	283,958
Donations	137,000	<b>172,138</b>	200,314
Other income (Note 14)	362,300	<b>364,627</b>	351,724
	<u>15,711,047</u>	<u><b>15,093,137</b></u>	<u>16,678,296</u>
<b>Expenses</b>			
General government	1,109,470	<b>1,294,503</b>	1,020,738
Protection services	3,757,072	<b>4,613,888</b>	3,797,758
Transportation services	1,216,742	<b>1,260,411</b>	1,317,744
Transit	259,269	<b>479,793</b>	466,257
Environmental services	3,424,498	<b>2,706,799</b>	3,256,328
Health and social services	461,108	<b>475,203</b>	518,091
Recreation and cultural services	3,310,063	<b>3,467,426</b>	3,232,286
Planning and development	269,600	<b>356,690</b>	229,886
	<u>13,807,822</u>	<u><b>14,654,713</b></u>	<u>13,839,088</u>
<b>Annual surplus</b>	1,903,225	<b>438,424</b>	2,839,208
<b>Accumulated surplus, beginning of the year</b>	<u>71,933,194</u>	<u><b>71,933,194</b></u>	<u>69,093,986</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 73,836,419</u>	<u><b>\$ 72,371,618</b></u>	<u>\$ 71,933,194</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## The Corporation of the Town of Hanover Consolidated Statement of Change in Net Debt

For the year ended December 31	2012 Budget	2012 Actual	2011 Actual
<b>Annual surplus</b>	\$ 1,903,225	\$ <b>438,424</b>	\$ 2,839,208
Acquisition of tangible capital assets	(5,170,493)	<b>(2,513,739)</b>	(5,657,793)
Proceeds on disposal of tangible capital assets	-	<b>12,675</b>	24,930
Amortization expense	1,764,898	<b>1,872,826</b>	1,840,110
Write down of tangible capital assets on disposal	-	<b>198,281</b>	720,562
	<u>(3,405,595)</u>	<u><b>(429,957)</b></u>	<u>(3,072,191)</u>
Increase in prepaid expenses	-	<b>150,586</b>	(153,920)
Increase in inventory of supplies	-	<b>8,654</b>	12,493
Decrease (increase) in assets held for sale	<u>(1,772,925)</u>	<u><b>(1,703,104)</b></u>	<u>41,770</u>
	<u>(1,772,925)</u>	<u><b>(1,543,864)</b></u>	<u>(99,657)</u>
<b>Change in net financial assets</b>	(3,275,295)	<b>(1,535,397)</b>	(332,640)
<b>Net financial assets, beginning of year</b>	<u>5,731,714</u>	<u><b>5,731,714</b></u>	<u>6,064,354</u>
<b>Net financial assets, end of year</b>	<u>\$ 2,456,419</u>	<u><b>\$ 4,196,317</b></u>	<u>\$ 5,731,714</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## The Corporation of the Town of Hanover Consolidated Statement of Cash Flows

For the year ended December 31	2012	2011
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 438,424	\$ 2,839,208
Items not involving cash		
Amortization and write down of tangible capital assets	2,071,107	2,560,672
Retirement benefit liability	121,764	(6,773)
Landfill site closure and post-closure care	(88,603)	20,430
	<u>2,542,692</u>	<u>5,413,537</u>
Change in balances		
Decrease in taxes receivable	28,322	24,365
Decrease in accounts receivable	306,945	3,471,025
Decrease (increase) in inventory for resale	13,205	(10,847)
Increase (decrease) in accounts payable	270,240	(459,764)
Increase (decrease) in deferred revenue	(167,925)	(173,968)
Decrease (increase) in non-financial assets	(1,543,864)	(99,657)
	<u>1,449,615</u>	<u>8,164,691</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(2,513,739)	(5,657,793)
Proceeds on disposal of tangible capital assets	12,675	24,930
	<u>(2,501,064)</u>	<u>(5,632,863)</u>
<b>Investing activities</b>		
Decrease in loans receivable	49,692	61,212
<b>Financing activities</b>		
Increase in temporary borrowings	14,135	1,733
Repayment of long-term liabilities	(388,000)	(386,864)
	<u>(373,865)</u>	<u>(385,131)</u>
<b>Net change in cash and cash equivalents</b>	(1,375,622)	2,207,909
<b>Cash and cash equivalents, beginning of year</b>	<u>8,253,394</u>	<u>6,045,485</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 6,877,772</u>	<u>\$ 8,253,394</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



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# The Corporation of the Town of Hanover

## Summary of Significant Accounting Policies

December 31, 2012

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### Management Responsibility

The consolidated financial statements of The Corporation of the Town of Hanover are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

### Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by council. All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The following boards owned or controlled by council have been consolidated:

Hanover Police Services Board  
Hanover Cemetery Board  
Hanover Public Library Board  
Hanover Downtown Improvement Area

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Saugeen Mobility	
and Regional Transit	43.1% (2011- 45.9%)
Saugeen Municipal Airport	31.2% (2011- 31.2%)
Hanover / Walkerton Landfill Site	50%

### Basis of Accounting

Items recognized in the financial statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

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## **The Corporation of the Town of Hanover Summary of Significant Accounting Policies**

**December 31, 2012**

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<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates 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 actual results could differ from management's best estimates as additional information becomes available in the future.
<b>Revenue Recognition</b>	Tax levies are recognized as revenue when the amounts are authorized and levied on the municipality's ratepayers. User fees and other revenues are recognized as goods are delivered or services are rendered, providing the amount is fixed or determinable, and collectibility is reasonably assured.
<b>Government Transfers</b>	Government transfers are recognized in the financial statements as revenues or expenses in the period that the events giving rise to the transfer occur; providing that the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.
<b>Deferred Revenue</b>	Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.
<b>Temporary Investments</b>	Temporary investments are recorded at the lower of cost and market value.
<b>Loans Receivable</b>	Loans receivable are recorded at cost.
<b>Portfolio and Long-term Investments</b>	Portfolio and long-term investments are recorded at cost.
<b>Inventory</b>	<p>Inventory of goods held for resale are recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Assets held for sale, where it is not anticipated that the sale will be completed within one year, are reported as a non-financial asset.</p> <p>Inventory of goods held for consumption are recorded as a non-financial asset at the lower of cost and replacement cost.</p>

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## The Corporation of the Town of Hanover Summary of Significant Accounting Policies

**December 31, 2012**

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**Non-Financial Assets**

Tangible capital and other non-financial assets are accounted for as assets by the organization because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the organization unless they are sold.

**Tangible Capital Assets**

Purchased tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of contribution. Where fair market value cannot be reasonably determined, contributed tangible capital assets are recorded at a nominal amount. Amortization is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives of the assets are based on estimates made by management as follows:

Land improvements	25 to 40 years
Buildings	50 to 100 years
Building components	10 to 80 years
Equipment	5 to 25 years
Vehicles	5 to 30 years
Infrastructure:	
Road surfaces	20 to 80 years
Utility systems	70 to 100 years

**Intangible Assets**

Intangible assets, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in these financial statements.

**Landfill Site Closure  
and Post-Closure Care**

Landfill site closure and post-closure care costs are recognized over the operating life of the landfill, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

**Employee Future Benefits**

The municipality pays post-employment benefits to eligible employees on retirement. The benefits earned are recognized over the service life of the employees using the projected benefit method and management's best estimate of salary escalation, benefit costs, and retirement ages of employees.

Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.

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## **The Corporation of the Town of Hanover Summary of Significant Accounting Policies**

**December 31, 2012**

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<b>Cash and Cash Equivalents</b>	Cash and cash equivalents consist of cash on hand, cash accounts held at financial institutions, and investments in money market instruments with maturities of three months or less.
<b>County and School Board</b>	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Grey are not reflected in these financial statements.
<b>Trust Funds</b>	Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial position and activity of the trust funds are reported separately on the trust fund balance sheet and statement of continuity.

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

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### 1. Cash

Cash consists of deposits at a financial institution. Effective January 1, 2013, the deposits earn interest at prime less 1.55% on all business accounts or prime less 1.45% for consolidated balances in excess of \$5,000,000, payable monthly.

The municipality has a line of credit that bears interest at the lender's prime rate less 0.5%. At December 31, 2012, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$972,745 (2011 - \$1,149,198), the use of which is externally restricted by legislation or agreement.

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### 2. Loans Receivable

	<u>2012</u>	<u>2011</u>
Note receivable, Westario Power Inc., 5.47% interest only payable quarterly	\$ 1,135,083	\$ 1,135,083
Due from Brockton residents, non-interest bearing, repayable in five annual instalments, 2011 to 2015	57,396	76,528
Due from ratepayers, non-interest bearing, repayable in five annual instalments, 2011 to 2015	91,680	122,240
	<u>\$ 1,284,159</u>	<u>\$ 1,333,851</u>

The note receivable from Westario Power Inc. is due on demand in accordance with the terms set out in the shareholders' agreement. The Town of Hanover is a shareholder of the corporation.

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### 3. Long-Term Investments

	<u>2012</u>	<u>2011</u>
Westario Power Inc. 1,509 common shares	\$ 2,756,742	\$ 2,756,742

The municipality owns 15.09% of the outstanding shares of Westario Power Inc., a private company incorporated under the laws of the Province of Ontario. The fair value of these shares is not practicable to determine in the absence of published market quotations.

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

### 4. Deferred Revenue

	<u>2012</u>	<u>2011</u>
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 854,858	\$ 744,164
Federal Gasoline Tax Funding	<u>40,495</u>	<u>337,813</u>
	<b>895,353</b>	1,081,977
Deferred revenue	<u>70,372</u>	<u>51,673</u>
	<b>\$ 965,725</b>	<b>\$ 1,133,650</b>

The net change during the year in the obligatory reserve fund balances is made up of the following:

	Balance beginning of year	Restricted funds received	Interest earned	Revenue recognized	<b>Balance end of year</b>
Provincial Gasoline Tax Funding	\$ 744,164	\$ 329,607	\$ 12,378	\$ (231,291)	<b>\$ 854,858</b>
Federal Gasoline Tax Funding	<u>337,813</u>	<u>219,234</u>	<u>5,538</u>	<u>(522,090)</u>	<b><u>40,495</u></b>
Total	<b>\$ 1,081,977</b>	<b>\$ 548,841</b>	<b>\$ 17,916</b>	<b>\$ (753,381)</b>	<b>\$ 895,353</b>

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

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### 5. Long-Term Debt

The balance of long-term debt reported on the consolidated statement of financial position is owed to a major financial institution and is party to an interest rate swap derivative, which swaps the variable rate inherent in the debt for a fixed rate. The derivative matures simultaneously with the long-term debt.

	<u>2012</u>	<u>2011</u>
Bankers' Acceptance payable, acceptance fees equivalent to 4.63% repayable in monthly instalments of \$13,000 to \$15,000 excluding interest, due August 2015	<b>\$ 2,636,000</b>	\$ 2,796,000
Bankers' Acceptance payable, acceptance fees equivalent to 3.20% repayable in monthly instalments of \$19,000 to \$22,000 excluding interest, due April 2019	<b><u>1,563,000</u></b>	<u>1,791,000</u>
	<b><u>\$ 4,199,000</u></b>	<b><u>\$ 4,587,000</u></b>

Principal payments required on the long-term debt are as follows:

2013	\$ 399,000
2014	410,000
2015	2,540,000
2016	249,000
2017	254,000
Thereafter	347,000

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# **The Corporation of the Town of Hanover**

## **Notes to Consolidated Financial Statements**

**December 31, 2012**

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### **6. Landfill Site Closure and Post-Closure Care Liability**

The Hanover/Walkerton Landfill Site closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. These costs will be incurred when the Hanover/Walkerton Landfill Site stops accepting waste, with the post-closure care expected to continue for an additional 20 years. The total future closure and post-closure care costs are estimated to be \$490,541, with the Town of Hanover's share being \$245,271.

At December 31, 2012, the Town of Hanover has recognized a liability of \$242,377. This represents the town's 50% share of 99% of the present value of the total estimated costs, and is based on a total capacity of 506,000 cubic metres and a discount rate of 4%. The balance of the town's share of the liability of \$2,894 will be accrued as the remaining capacity of 5,982 cubic metres is utilized, which is expected to be over the next year.

Management's estimate for the site closure and post-closure care liability is subject to measurement uncertainty. The estimate is based on assumptions contained in the engineer's closure report dated April 1994, and updated by an engineer's letter of February 2013 for the passage of time, actual use of the landfill site, and costs. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates, and future use of the landfill site.

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### **7. Pension Plan**

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 75 (2011 - 76) members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. Depending on retirement age, the contribution rates for 2012 were 8.3% or 9.4% (2011 - 7.4% or 8.9%) on earnings up to the CPP earnings limit, and 12.8% or 13.9% (2011 - 10.7% or 14.1%) thereafter. The amount contributed to OMERS by the municipality for 2012 was \$433,409 (2011 - \$378,972).

OMERS is a multi-employer plan, therefore, any pension plan surplus or deficit is the joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was as at December 31, 2012. At that time, the plan reported an actuarial deficit of \$9.9 billion (2011 - actuarial deficit of \$7.3 billion), based on an accrued benefit obligation of \$69.1 billion (2011 - \$64.5 billion) and actuarial assets of \$59.2 billion (2011 - \$57.2 billion). To address the funding deficit, contribution rates for employees and employers are to be increased over the next two years, and temporary benefit changes for certain members are planned for 2013.

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 8. Retirement Benefit Liability

The municipality provides retirement benefits other than pensions to substantially all of its full-time employees. The plan provides extended health and life insurance benefits to age 65. Certain employees may take a retirement lump sum payout in lieu of the benefit continuation. The plan is unfunded and requires no contribution from employees.

The retirement benefit liability at December 31 is determined as follows:

	<u>2012</u>	<u>2011</u>
Retirement benefit		
accrued benefit obligation	\$ 1,367,280	\$ 858,112
Unamortized actuarial gain (loss)	(308,484)	84,815
Recoverable amount	<u>(42,690)</u>	<u>(48,585)</u>
Retirement benefit liability	<u>\$ 1,016,106</u>	<u>\$ 894,342</u>

For 2012, the municipality's management has prepared the calculation of the obligation using the projected benefit method prorated on services. Prior to this, an actuarial valuation was prepared as at January 1, 2009 and extrapolated for 2010 and 2011.

The determination of the accrued benefit obligation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical premium inflation rates, and wage increases. The assumptions used reflect the municipality's best estimates, but are subject to measurement uncertainty. Actual results could differ significantly from those estimated because of the uncertainty related to future events and conditions. The calculation used a discount rate of 4.75% at the beginning of the year and 3.75% for the accrued benefit obligation, along with a compensation increase rate of 2-3%, and a 6% annual increase in extended health and dental premium rates.

The total expense related to post-employment benefits other than pensions, and WSIB includes the following components:

	<u>2012</u>	<u>2011</u>
Plan amendment costs	\$ 58,338	\$ -
Current service cost	62,684	43,488
Interest cost	51,410	40,229
Amortization of actuarial loss (gain)	<u>(9,426)</u>	<u>(9,427)</u>
Total expense for the year	<u>\$ 163,006</u>	<u>\$ 74,290</u>

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

December 31, 2012

### 9. Tangible Capital Assets

For the year ended December 31, 2012

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2012 Total
<b>Cost</b> , beginning of year	\$ 5,713,222	\$ 34,492,059	\$ 6,421,585	\$ 2,220,102	\$ 35,689,711	\$ <b>84,536,679</b>
Additions	348,010	118,593	310,269	298,059	1,438,808	<b>2,513,739</b>
Disposals		(56,656)	(215,898)	(53,978)	(189,130)	<b>(515,662)</b>
<b>Cost</b> , end of year	<b>6,061,232</b>	<b>34,553,996</b>	<b>6,515,956</b>	<b>2,464,183</b>	<b>36,939,389</b>	<b>86,534,756</b>
<b>Accumulated amortization</b> , beginning of year	304,216	6,602,990	2,743,555	911,921	8,907,745	<b>19,470,427</b>
Amortization	52,577	677,032	346,042	184,056	613,119	<b>1,872,826</b>
Disposals	-	(24,887)	(154,223)	(42,461)	(83,138)	<b>(304,709)</b>
<b>Accumulated amortization</b> , end of year	<b>356,793</b>	<b>7,255,135</b>	<b>2,935,374</b>	<b>1,053,516</b>	<b>9,437,726</b>	<b>21,038,544</b>
<b>Net carrying amount</b> , end of year	<b>\$ 5,704,439</b>	<b>\$ 27,298,861</b>	<b>\$ 3,580,582</b>	<b>\$ 1,410,667</b>	<b>\$ 27,501,663</b>	<b>\$ 65,496,212</b>

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

### 9. Tangible Capital Assets (continued)

For the year ended December 31, 2011

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2011 Total
<b>Cost</b> , beginning of year	\$ 5,268,202	\$ 33,163,134	\$ 5,847,944	\$ 1,659,901	\$ 34,599,444	\$ 80,538,625
Additions	445,020	1,980,220	1,187,292	818,111	1,227,150	5,657,793
Disposals		(651,295)	(613,651)	(257,910)	(136,883)	(1,659,739)
<b>Cost</b> , end of year	5,713,222	34,492,059	6,421,585	2,220,102	35,689,711	84,536,679
<b>Accumulated amortization</b> , beginning of year	254,865	6,131,875	2,911,111	893,723	8,352,991	18,544,565
Amortization	49,351	651,244	332,294	178,499	628,722	1,840,110
Disposals		(180,129)	(499,850)	(160,301)	(73,968)	(914,248)
<b>Accumulated amortization</b> , end of year	304,216	6,602,990	2,743,555	911,921	8,907,745	19,470,427
<b>Net carrying amount</b> , end of year	\$ 5,409,006	\$ 27,889,069	\$ 3,678,030	\$ 1,308,181	\$ 26,781,966	\$ 65,066,252

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 9. Tangible Capital Assets (continued)

The carrying value of tangible capital assets not being amortized because they are under construction, development, or have been removed from service is \$1,400,771 (2011 - \$923,815).

Certain land assets have been recorded at nominal values. The land is available to be used to provide future services.

### 10. Accumulated Surplus

The accumulated surplus reported on the consolidated statement of financial position is comprised of the following:

	<u>2012</u>	<u>2011</u>
General surplus	\$ 6,678	\$ 1,008,146
Reserves and reserve funds		
set aside for specific purpose by council (Note 11)	10,912,764	11,340,138
Amounts to be recovered (Note 12)	(5,823,921)	(5,481,342)
Amount invested in land for resale	1,779,885	-
Amount invested in tangible capital assets	65,496,212	65,066,252
	<u>\$ 72,371,618</u>	<u>\$ 71,933,194</u>

The general surplus is comprised of the following:

General area taxation	\$ 54,038	\$ 427,117
Waterworks system	(22,585)	252,299
Wastewater system	(3,560)	188,015
Public Library Board	9,071	12,662
Downtown Improvement Area	4,085	4,804
Hanover / Walkerton Landfill Site	(49,607)	115,274
Saugeen Municipal Airport	14,025	6,685
Saugeen Mobility and Regional Transit	1,211	1,290
	<u>\$ 6,678</u>	<u>\$ 1,008,146</u>

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 11. Reserves and Reserve Funds

	2012	2011
<b>Reserves set aside for specific purpose by council:</b>		
Working funds	\$ 480,338	\$ 480,338
Insurance and WSIB	327,473	287,297
Current		
General government	19,582	19,582
Protection services	36,700	85,718
Health services	8,140	8,830
Planning and development	100,000	90,000
Westario Power proceeds, set aside in note for future use	665,520	665,520
Other	11,170	11,170
Capital		
General government	47,600	27,000
Protection services	50,670	55,886
Transportation	258,758	358,264
Wastewater	330,900	265,900
Water	370,814	887,940
Health services	32,866	68,760
Recreation and culture	971,132	963,000
Planning and development	94,548	88,022
Other capital purposes	141,873	118,874
	<b>3,948,084</b>	<b>4,482,101</b>
<b>Reserve funds set aside for specific purpose by council:</b>		
Investing in Hanover	308,582	1,399,130
Water	1,735,711	1,093,293
Wastewater	2,161,791	1,607,046
Planning and development	1,854	1,826
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	<b>6,964,680</b>	<b>6,858,037</b>
<b>Reserves and reserve funds set aside for specific purpose by council</b>	<b>\$ 10,912,764</b>	<b>\$ 11,340,138</b>

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

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### 12. Amounts to be recovered

The balance of the amounts to be recovered is comprised of the following:

	<u>2012</u>	<u>2011</u>
Termination benefits payable	\$ 608,815	\$ -
Long-term debt	4,199,000	4,587,000
Retirement benefit liability	<u>1,016,106</u>	<u>894,342</u>
	<u>\$ 5,823,921</u>	<u>\$ 5,481,342</u>

The net change during the year in the amounts to be recovered is made up of the following:

	<u>2012</u>	<u>2011</u>
Principal payments on long-term debt	\$ (388,000)	\$ (386,864)
Termination benefits payable	608,815	-
Increase (decrease) in retirement benefit liability	<u>121,764</u>	<u>(6,773)</u>
Increase (decrease) in amounts to be recovered during the year	<u>\$ 342,579</u>	<u>\$ (393,637)</u>

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2012

### 13. Grant Revenue

	2012 Budget	2012 Actual	2011 Actual
<b>Operating Grants</b>			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 2,116,000	\$ 2,116,000	\$ 2,159,400
Province of Ontario conditional grants			
Protection services	110,500	113,375	118,150
Transit	151,169	231,291	247,053
Other	121,900	93,696	92,905
	2,499,569	2,554,362	2,617,508
Government of Canada conditional grants			
Other	9,900	15,925	11,562
Total operating grants	2,509,469	2,570,287	2,629,070
<b>Tangible Capital Asset Grants</b>			
Province of Ontario conditional grants			
Roadways	545,000	522,090	252,352
Water and wastewater	-	-	934,530
Recreation and cultural services	-	-	59,162
	545,000	522,090	1,246,044
Government of Canada conditional grants			
Water and wastewater	-	-	934,530
Recreation and cultural services	-	-	59,162
	-	-	993,692
Total tangible capital asset grants	545,000	522,090	2,239,736
Total grant revenue	\$ 3,054,469	\$ 3,092,377	\$ 4,868,806

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

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### **14. Other Income**

	<u>2012</u>	<u>2011</u>
Penalties and interest on taxation	\$ 49,953	\$ 53,410
Rents	255,890	252,539
Other	58,784	45,775
	<u>\$ 364,627</u>	<u>\$ 351,724</u>

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### **15. Segmented Information**

The Corporation of the Town of Hanover is a diversified municipal government organization that provides a wide range of services to its citizens such as police, fire, roadways, water, and recreation and cultural services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities that they encompass are as follows:

#### **General Government**

This segment relates to the revenues and expenses that relate to the operations of the municipality itself and unallocated items that cannot be directly attributed to any specific segment. General administration, council activities and maintenance of municipal buildings are included in the functions of general government.

#### **Protection Services**

Protection is comprised of police services, fire protection, emergency plan, building inspections, and animal control.

#### **Transportation Services**

Transportation is comprised of the municipality's roadways, storm sewers, sidewalks, street lighting, and winter control. It also includes the municipality's proportionate share of the operations of specialty transportation services and an airport, both services that are shared with surrounding municipalities.

#### **Water and Wastewater Services**

This segment treats and distributes the municipality's drinking water and ensures that it meets all provincial standards. It also includes the collection and treatment of wastewater.



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# **The Corporation of the Town of Hanover**

## **Notes to Consolidated Financial Statements**

**December 31, 2012**

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### **15. Segmented Information (continued)**

#### **Environmental Services**

Environmental services consist of providing waste and recycling collection and the town's share of the operation of the Hanover / Walkerton joint landfill site.

#### **Health Services**

Health services are comprised of support to the medical clinic operations and cemetery.

#### **Recreation and Cultural Services**

This segment maintains parks and facilities and provides programs meant to improve the health and development of the municipality's citizens. Recreation programs such as skating and swimming lessons are provided at the arena and aquatic centre. The municipality also provides library services to assist with its citizens' informational needs, and a theatre to provide cultural programs.

#### **Planning and Development**

This segment provides services including residential and commercial planning, review of property development plans, and economic development services for the municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of exchange amount. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation	- allocated to those segments that are funded through taxation based on their net expenditure for the year
Unconditional grants from OMPF & OLG	- allocated to those segments that are funded through unallocated revenues based on their net expenditure for the year

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

### 15. Segmented Information (continued)

For the year ended December 31, 2012

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2012 Total
<b>Revenue</b>									
Taxation	\$ 438,174	\$ 1,903,671	\$ 805,218	\$ -	\$ 57,420	\$ 210,783	\$ 1,301,767	\$ 188,081	\$ 4,905,114
Government contributions									
- OMPF & OLG	292,475	1,270,671	537,470	-	38,327	140,695	868,909	101,084	3,249,631
- other	-	514,678	758,271	-	115,551	-	47,544	-	1,436,044
Fees and user charges	59,290	134,960	163,868	3,026,047	266,229	65,662	902,580	88,495	4,707,131
Investment income	208,620	-	-	42,006	5,143	-	1,249	1,434	258,452
Donations and other revenue	147,080	-	-	-	-	217,853	171,660	172	536,765
	<u>1,145,639</u>	<u>3,823,980</u>	<u>2,264,827</u>	<u>3,068,053</u>	<u>482,670</u>	<u>634,993</u>	<u>3,293,709</u>	<u>379,266</u>	<u>15,093,137</u>
<b>Expenses</b>									
Salaries and benefits	877,811	3,808,514	479,190	612,144	39,852	165,867	1,793,097	6,307	7,782,782
Interest on debt	-	-	-	-	-	53,332	125,464	-	178,796
Materials and supplies	196,782	487,689	508,339	1,126,926	67,211	129,431	946,073	350,383	3,812,834
Contracted services	-	38,284	34,255	27,750	232,405	3,570	50,335	-	386,599
Contributions to others	125,026	110,537	132,680	-	53,475	-	878	-	422,596
Amortization expense	94,884	168,864	585,740	546,475	561	123,003	551,579	-	2,071,106
<b>Total expenses</b>	<u>1,294,503</u>	<u>4,613,888</u>	<u>1,740,204</u>	<u>2,313,295</u>	<u>393,504</u>	<u>475,203</u>	<u>3,467,426</u>	<u>356,690</u>	<u>14,654,713</u>
<b>Annual surplus (deficit)</b>	<b>\$ (148,864)</b>	<b>\$ (789,908)</b>	<b>\$ 524,623</b>	<b>\$ 754,758</b>	<b>\$ 89,166</b>	<b>\$ 159,790</b>	<b>\$ (173,717)</b>	<b>\$ 22,576</b>	<b>\$ 438,424</b>

## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

### 15. Segmented Information (continued)

For the year ended December 31, 2011

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2011 Total
<b>Revenue</b>									
Taxation	\$ 503,333	\$ 1,725,077	\$ 1,006,939	\$ -	\$ 73,008	\$ 195,747	\$ 1,193,506	\$ 107,208	\$ 4,804,818
Government contributions									
- OMPF & OLG	346,365	1,187,100	692,918	-	50,240	134,702	821,303	49,558	3,282,186
- other	-	513,228	511,054	1,869,060	86,490	-	153,894	-	3,133,726
Fees and user charges	4,217	238,753	104,533	2,971,651	219,188	99,388	892,784	91,056	4,621,570
Investment income	-	235,208	-	37,876	8,968	-	562	1,344	283,958
Donations and other revenue	143,291	-	-	-	-	209,234	199,309	204	552,038
	<u>997,206</u>	<u>3,899,366</u>	<u>2,315,444</u>	<u>4,878,587</u>	<u>437,894</u>	<u>639,071</u>	<u>3,261,358</u>	<u>249,370</u>	<u>16,678,296</u>
<b>Expenses</b>									
Salaries and benefits	659,264	2,979,783	475,295	652,256	40,850	194,461	1,734,716	3,626	6,740,251
Interest on debt	-	-	-	-	-	60,385	132,337	-	192,722
Materials and supplies	225,843	438,633	571,964	1,054,192	176,872	124,866	783,398	226,109	3,601,877
Contracted services	-	32,827	41,664	39,319	236,744	5,938	51,473	-	407,965
Contributions to others	35,499	99,499	159,603	-	20,000	21,000	-	-	335,601
Amortization expense	100,132	247,016	535,475	1,035,534	561	111,441	530,362	151	2,560,672
<b>Total expenses</b>	<u>1,020,738</u>	<u>3,797,758</u>	<u>1,784,001</u>	<u>2,781,301</u>	<u>475,027</u>	<u>518,091</u>	<u>3,232,286</u>	<u>229,886</u>	<u>13,839,088</u>
<b>Annual surplus (deficit)</b>	\$ (23,532)	\$ 101,608	\$ 531,443	\$ 2,097,286	\$ (37,133)	\$ 120,980	\$ 29,072	\$ 19,484	\$ 2,839,208

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 16. Government Partnerships

The following summarizes the financial position and operations of the municipal joint boards. The Town of Hanover's pro-rata share of these amounts have been reported in the financial statements using the proportionate consolidation method:

	<b>Saugeen Mobility and Regional Transit</b>	<b>Saugeen Municipal Airport</b>	<b>Hanover / Walkerton Landfill Site</b>
<b>Financial Assets</b>			
Cash and temporary investments	\$ -	\$ 71,415	\$ 343,590
Accounts receivable	110,687	26,195	134,146
	<u>110,687</u>	<u>97,610</u>	<u>477,736</u>
<b>Liabilities</b>			
Temporary borrowings	74,492	-	-
Accounts payable	63,871	14,694	92,196
Other liabilities	-	18,556	486,113
	<u>138,363</u>	<u>33,250</u>	<u>578,309</u>
Net financial assets (net debt)	(27,676)	64,360	(100,573)
Non-financial assets	<u>339,236</u>	<u>817,829</u>	<u>2,708,746</u>
Accumulated Surplus	<u>\$ 311,560</u>	<u>\$ 882,189</u>	<u>\$ 2,608,173</u>
<b>Accumulated Surplus</b>			
General surplus	\$ 2,812	\$ 44,970	\$ (100,574)
Invested in tangible capital assets	308,748	801,406	2,708,747
Reserves and reserve funds	-	35,813	-
	<u>\$ 311,560</u>	<u>\$ 882,189</u>	<u>\$ 2,608,173</u>
<b>Revenues</b>			
Contributions from Town of Hanover	\$ 141,263	\$ 37,568	\$ 106,950
Other government contributions	417,328	82,882	115,678
Other	219,708	57,621	341,291
Expenses	(784,795)	(204,816)	(460,718)
Change in site closure and post-closure care liability	-	-	175,295
Annual surplus (deficit)	<u>\$ (6,496)</u>	<u>\$ (26,745)</u>	<u>\$ 278,496</u>

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 16. Government Partnerships (cont'd)

Saugeen Mobility and Regional Transit (S.M.A.R.T.) operates a specialty transit service; Saugeen Municipal Airport operates a municipal airport; and Hanover / Walkerton Landfill Site operates a landfill site.

### 17. Budget Amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net debt for comparative purposes. The budget amounts for The Corporation of the Town of Hanover are as approved by council and have been restated to conform to the basis of presentation of the revenues and expenses on the consolidated statements of operations and change in net debt.

The following is a reconciliation of the budget approved by council:

	2012 Budget	<b>2012 Actual</b>	2011 Actual
Annual surplus	\$ 1,903,225	<b>\$ 438,424</b>	\$ 2,839,208
Acquisition of tangible capital assets	(5,170,493)	<b>(2,513,739)</b>	(5,657,793)
Proceeds on disposal of tangible capital assets	-	<b>12,675</b>	24,930
Amortization and write downs	1,764,898	<b>2,071,107</b>	2,560,672
Acquisition of assets held for sale	(1,772,925)	<b>(1,779,888)</b>	-
Proceeds from issue of long-term debt	1,500,000	-	-
Debt principal repayments	(388,000)	<b>(388,000)</b>	(386,864)
	(2,163,295)	<b>(2,159,421)</b>	(619,847)
Transfers from (to) reserves	1,224,154	<b>483,977</b>	238,477
Change in unfunded liabilities	-	<b>730,579</b>	(6,773)
	(939,141)	<b>(944,865)</b>	(388,143)
Reserve funds annual surplus	-	<b>(56,603)</b>	(56,409)
Capital projects not financed (financed) during the year	-	-	8,004
General surplus, beginning of year	939,141	<b>1,008,146</b>	1,444,694
	<b>\$ -</b>	<b>\$ 6,678</b>	\$ 1,008,146

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## The Corporation of the Town of Hanover Notes to Consolidated Financial Statements

**December 31, 2012**

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### 18. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	<u>2012</u>	<u>2011</u>
School boards	<b>\$ 2,702,955</b>	\$ 2,746,546
County of Grey	<b>2,677,180</b>	2,593,867
	<b><u>\$ 5,380,135</u></b>	<b><u>\$ 5,340,413</u></b>

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### 19. Trust Funds

The trust funds administered by the municipality amounting to \$544,241 (2011 - \$533,340) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. At December 31, 2012, the trust fund balances are as follows:

	<u>2012</u>	<u>2011</u>
Cemetery Pre-need Assurance Fund	<b>\$ 161,848</b>	\$ 160,401
Cemetery Care and Maintenance Funds	<b>382,393</b>	372,939
	<b><u>\$ 544,241</u></b>	<b><u>\$ 533,340</u></b>

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### 20. Contractual Commitments

The Corporation of the Town of Hanover and the Municipality of Brockton have obtained approval from the Ministry of Environment to expand the Hanover/Walkerton landfill site. Construction of the first phase of the expanded site began in 2012 and expenses incurred to date for the construction and supervision totaled \$173,196. The remaining costs of the construction of the first phase are estimated to total \$1,583,275. No provision for the future costs have been recorded in the financial statements at December 31, 2012.

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## **The Corporation of the Town of Hanover Notes to Consolidated Financial Statements**

**December 31, 2012**

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### **21. Contingencies**

The Town of Hanover owns property that has undergone a preliminary site review. The site review identified potential environmental issues which may require future remediation. The cost of this clean up has not been accrued in these financial statements as the amount, if any, cannot be estimated at this time.

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