

**The Corporation of the
Town of Hanover
Consolidated Financial Statements
For the year ended December 31, 2016**

**The Corporation of the
Town of Hanover
Consolidated Financial Statements
For the year ended December 31, 2016**

Contents

The Corporation of the Town of Hanover	
Independent Auditor's Report	3 - 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Debt	7
Consolidated Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 12
Notes to Consolidated Financial Statements	13 - 31
The Corporation of the Town of Hanover Trust Funds	
Independent Auditor's Report	32 - 33
Balance Sheet and Statement of Continuity	34
Notes to Financial Statements	35

Independent Auditor's Report

**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, 2016, 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, 2016 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 Professional Accountants, Licensed Public Accountants

Hanover, Ontario
May 15, 2017

The Corporation of the Town of Hanover Consolidated Statement of Financial Position

December 31	2016	2015
Financial assets		
Cash (Note 1, page 13)	\$ 4,650,576	\$ 3,274,141
Portfolio investments (Note 2, page 13)	2,000,000	1,000,000
Taxes receivable	356,423	326,542
Water and wastewater charges receivable	403,787	410,185
Government transfers receivable	832,953	777,002
Other receivables	1,302,207	1,604,862
Inventory for resale	13,585	15,353
Loans receivable (Note 3, page 13)	1,135,083	1,135,083
Long-term investments (Note 4, page 14)	2,756,742	2,756,742
	<u>13,451,356</u>	<u>11,299,910</u>
Liabilities		
Temporary borrowings	41,970	42,690
Accounts payable and accrued liabilities	1,466,072	1,080,488
Deferred revenue (Note 5, page 14)	1,146,241	765,515
Long-term debt (Note 6, page 15)	1,939,555	2,323,053
Landfill site closure and post-closure care liability (Note 7, page 16)	303,777	322,135
Retirement benefit liability (Note 9, page 17)	1,102,680	1,127,606
	<u>6,000,295</u>	<u>5,661,487</u>
Net financial assets	<u>7,451,061</u>	<u>5,638,423</u>
Non-financial assets		
Prepaid expenses	50,529	72,087
Inventory of supplies	106,005	103,597
Assets held for sale	2,001,414	2,018,744
Tangible capital assets (Note 10, page 19)	66,767,488	66,983,923
	<u>68,925,436</u>	<u>69,178,351</u>
Accumulated surplus (Note 11, page 21)	<u>\$ 76,376,497</u>	<u>\$ 74,816,774</u>

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

The Corporation of the Town of Hanover Consolidated Statement of Operations

For the year ended December 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Taxation	\$ 6,036,331	\$ 6,006,652	\$ 5,631,875
Government transfers (Note 14, page 24)	3,684,610	4,177,487	4,356,740
Water and wastewater charges	3,127,500	3,165,268	3,032,612
User fees and service charges	1,712,114	2,003,839	2,448,223
Investment income	181,500	242,771	229,852
Donations	329,000	231,644	305,374
Other income (Note 15, page 25)	508,900	664,725	482,389
	<u>15,579,955</u>	<u>16,492,386</u>	<u>16,487,065</u>
Expenses			
General government	1,350,200	1,256,743	1,221,493
Protection services	3,744,050	3,800,123	3,706,863
Transportation services	1,300,650	1,452,382	1,989,333
Transit	357,885	680,836	758,282
Environmental services	3,058,750	3,245,731	3,211,209
Health and social services	867,300	749,979	719,942
Recreation and cultural services	3,439,700	3,537,602	3,436,599
Planning and development	382,400	242,011	500,133
	<u>14,500,935</u>	<u>14,965,407</u>	<u>15,543,854</u>
Annual surplus	1,079,020	1,526,979	943,211
Accumulated surplus, beginning of the year	74,816,774	74,816,774	73,873,563
Opening accumulated surplus assumed on consolidation of Community Improvement Partnership of Hanover	-	<u>32,744</u>	-
Accumulated surplus, end of the year	\$ 75,895,794	\$ 76,376,497	\$ 74,816,774

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

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

For the year ended December 31	2016 Budget	2016 Actual	2015 Actual
Annual surplus	\$ 1,079,020	\$ 1,526,979	\$ 943,211
Acquisition of tangible capital assets	(1,790,538)	(1,912,787)	(2,792,030)
Proceeds on disposal of tangible capital assets	5,000	49,947	24,851
Amortization expense	1,924,150	1,999,682	1,930,648
Write down of tangible capital assets on disposal	-	79,593	620,397
	<u>138,612</u>	<u>216,435</u>	<u>(216,134)</u>
Increase in prepaid expenses	-	21,558	44,636
Increase in inventory of supplies	-	(2,408)	13,096
Decrease (increase) in assets held for sale	-	17,330	20,923
	<u>-</u>	<u>36,480</u>	<u>78,655</u>
Change in net financial assets	1,217,632	1,779,894	805,732
Net financial assets, beginning of year	5,638,423	5,638,423	4,832,691
Opening net debt assumed on consolidation of Community Improvement Partnership of Hanover	-	32,744	-
Net financial assets, end of year	<u>\$ 6,856,055</u>	<u>\$ 7,451,061</u>	<u>\$ 5,638,423</u>

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

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

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 1,526,979	\$ 943,211
Items not involving cash		
Amortization and write down of tangible capital assets	2,079,275	2,551,046
Retirement benefit liability	(24,926)	9,467
Landfill site closure and post-closure care	(18,358)	(52,083)
Cash assumed on consolidation of Community Improvement Partnership of Hanover	32,744	-
	<u>3,595,714</u>	<u>3,451,641</u>
Change in balances		
Decrease (increase) in taxes receivable	(29,881)	38,852
Decrease (increase) in accounts receivable	253,102	(665,437)
Decrease (increase) in inventory for resale	1,768	(6,902)
Increase (decrease) in accounts payable	385,584	(281,881)
Increase (decrease) in deferred revenue	380,726	54,706
Decrease (increase) in non-financial assets	36,480	78,655
	<u>4,623,493</u>	<u>2,669,634</u>
Capital activities		
Acquisition of tangible capital assets	(1,912,787)	(2,792,030)
Proceeds on disposal of tangible capital assets	49,947	24,851
	<u>(1,862,840)</u>	<u>(2,767,179)</u>
Investing activities		
Purchase of investments	(1,000,000)	-
Decrease in loans receivable	-	46,768
	<u>(1,000,000)</u>	<u>46,768</u>
Financing activities		
Increase (decrease) in temporary borrowings	(720)	6,054
Additions to long-term liabilities	7,854	1,500,000
Repayment of long-term liabilities	(391,352)	(2,591,476)
	<u>(384,218)</u>	<u>(1,085,422)</u>
Net change in cash and cash equivalents	1,376,435	(1,136,199)
Cash and cash equivalents, beginning of year	3,274,141	4,410,340
Cash and cash equivalents, end of year	\$ 4,650,576	\$ 3,274,141

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

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

December 31, 2016

Management Responsibility The management of the The Corporation of the Town of Hanover is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Management reviews and approves the consolidated financial statements before they are submitted to Council.

Basis of Accounting 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 public sector accounting standards established by the Public Sector Accounting Board of CPA Canada 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
Community Improvement Partnership of Hanover
Launch Pad Youth Activity & Technology Centre

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	24.1% (2015- 26.1%)
Hanover / Walkerton Landfill Site	50%
Saugeen Municipal Airport	31.2% (2015- 31.2%)

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

December 31, 2016

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.
Use of Estimates	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.
Revenue Recognition	<p>Taxation revenues are recorded at estimated amounts when they meet the definition of an asset, have been authorized, and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</p> <p>User fees and other revenues are recognized as the goods are delivered or services are rendered, providing the amount is fixed or determinable, and collectability is reasonably assured.</p>
Government Transfers	Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
Temporary Investments	Temporary investments are recorded at the lower of cost and market value.
Loans Receivable	Loans receivable are recorded at cost.

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

December 31, 2016

**Portfolio and
Long-term Investments**

Portfolio and long-term investments are recorded at the lower of cost and market value.

Inventory

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.

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.

Inventory of goods held for consumption are recorded as a non-financial asset at the lower of cost and replacement cost.

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.

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

December 31, 2016

**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.

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. Management is not aware of any contaminated sites.

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.

Cash and Cash Equivalents

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.

County and School Board

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.

Trust Funds

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.

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

December 31, 2016

1. Cash

Cash consists of deposits at a financial institution. 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, 2016, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$794,132 (2015 - \$455,885), the use of which is externally restricted by legislation or agreement.

2. Portfolio Investments

	<u>2016</u>	<u>2015</u>
Mutual funds and GIC	<u>\$ 2,000,000</u>	<u>\$ 1,000,000</u>
Market value	<u>\$ 2,219,734</u>	<u>\$ 1,067,050</u>

3. Loans Receivable

	<u>2016</u>	<u>2015</u>
Note receivable, Westario Power Inc., 4.12% interest only payable quarterly	<u>\$ 1,135,083</u>	<u>\$ 1,135,083</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.

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

December 31, 2016

4. Long-Term Investments

	2016	2015
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.

5. Deferred Revenue

	2016	2015
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 493,384	\$ 290,644
Federal Gasoline Tax Funding	598,058	406,466
	1,091,442	697,110
Deferred revenue	54,799	68,405
	\$ 1,146,241	\$ 765,515

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	Balance end of year
Provincial Gasoline Tax Funding	\$ 290,644	\$ 593,885	\$ 3,685	\$ (394,830)	\$ 493,384
Federal Gasoline Tax Funding	406,466	227,720	3,779	(39,907)	598,058
Total	\$ 697,110	\$ 821,605	\$ 7,464	\$ (434,737)	\$1,091,442

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

December 31, 2016

6. Long-Term Debt

A portion of the balance of long-term debt reported on the consolidated statement of financial position is owed to a 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 related portion of long-term debt.

	2016	2015
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	\$ 1,321,259	\$ 1,455,878
Note payable, 9.74%, payable \$166 principal and interest monthly, due November 2021	7,649	-
Bankers' Acceptance payable, acceptance fees equivalent to 3.20% repayable in monthly installments of \$20,000 to \$22,000 excluding interest, due April 2019	601,000	850,000
Note payable, 2.35%, payable \$654 principal and interest monthly, due February 2018	9,647	17,175
	\$ 1,939,555	\$ 2,323,053

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

2017	\$	401,161
2018		404,050
2019		234,867
2020		150,670
2021		154,373
Thereafter		594,434

The Corporation of the Town of Hanover

Notes to Consolidated Financial Statements

December 31, 2016

7. 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 25 years. The total future closure and post-closure care costs are estimated to be \$3,318,125, with the Town of Hanover's share being \$1,659,063.

At December 31, 2016, the Town of Hanover has recognized a liability of \$303,777. This represents the town's 50% share of the present value of the total estimated costs related to the phase of the landfill that was closed in 2014, plus 6.0% of the total estimated costs related to the expansion phase. The liability is based on a total capacity of 917,000 cubic metres, an inflation rate of 2.00% (2015 - 2.40%) and a discount rate of 3.60% (2015 - 3.00%).

The balance of the town's share of the liability of \$1,355,286 will be accrued as the remaining capacity of 386,165 cubic metres is utilized over the 25 years of estimated remaining life of the landfill.

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 January 2017 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.

The Corporation of the Town of Hanover

Notes to Consolidated Financial Statements

December 31, 2016

8. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 67 (2015 - 75) 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. The amount contributed to OMERS by the municipality for 2016 was \$448,505 (2015 - \$464,996). The contribution rate for 2016 was 9.0% to 15.8% depending on age and income level (2015 - 9.0% to 15.8%).

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, 2016. At that time, the plan reported an actuarial deficit of \$5.72 billion (2015 - deficit of \$7.0 billion), based on actuarial liabilities of \$86.96 billion (2015 - \$81.9 billion) and actuarial assets of \$81.24 billion (2015 - 74.9 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

9. 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>2016</u>	<u>2015</u>
Retirement benefit accrued benefit obligation	\$ 926,818	\$ 1,042,484
Unamortized actuarial gain (loss)	187,331	94,928
Recoverable amount	<u>(11,469)</u>	<u>(9,806)</u>
Retirement benefit liability	<u>\$ 1,102,680</u>	<u>\$ 1,127,606</u>

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

December 31, 2016

9. Retirement Benefit Liability (continued)

The above amounts were determined by actuarial valuation using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared at December 31, 2015. The accrued benefit obligation shown for 2016 is based on an extrapolation of that 2015 valuation. There is a net unamortized actuarial gain to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups (11 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical premium inflation rates, wage increases, employee turnover, and mortality rates. The assumptions used reflect management'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 liability was determined using a discount rate of 4.50%, along with an inflation rate of 2% and a compensation increase rate of 2% to 3%. For extended health care costs, a 5.3333% annual rate of increase was assumed for 2016, decreasing to an ultimate annual rate of increase of 4.0% in 2020. For dental costs, a 4.0% annual rate of increase was assumed.

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

	2016	2015
Current service cost	\$ 41,296	\$ 58,409
Interest cost	40,834	43,011
Amortization of actuarial gain	(22,024)	(11,674)
Total expense for the year	60,106	89,746
Actuarial reduction of accrued benefit obligation	(85,032)	(80,280)
Change in liability for the year	\$ (24,926)	\$ 9,466

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

December 31, 2016

10. Tangible Capital Assets

For the year ended December 31, 2016

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2016 Total
Cost, beginning of year	\$ 7,370,973	\$ 35,715,529	\$ 6,716,365	\$ 2,560,724	\$ 40,408,235	\$ 92,771,826
Additions	1,981	612,912	315,516	-	982,378	1,912,787
Disposals	-	(120,953)	(117,446)	(51,589)	(186,821)	(476,809)
Cost, end of year	<u>7,372,954</u>	<u>36,207,488</u>	<u>6,914,435</u>	<u>2,509,135</u>	<u>41,203,792</u>	<u>94,207,804</u>
Accumulated amortization, beginning of year	665,236	9,285,147	3,477,327	1,280,207	11,079,986	25,787,903
Amortization	132,222	698,229	339,074	155,435	674,719	1,999,679
Disposals	-	(69,085)	(111,444)	(40,485)	(126,252)	(347,266)
Accumulated amortization, end of year	<u>797,458</u>	<u>9,914,291</u>	<u>3,704,957</u>	<u>1,395,157</u>	<u>11,628,453</u>	<u>27,440,316</u>
Net carrying amount, end of year	<u>\$ 6,575,496</u>	<u>\$ 26,293,197</u>	<u>\$ 3,209,478</u>	<u>\$ 1,113,978</u>	<u>\$ 29,575,339</u>	<u>\$ 66,767,488</u>

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

December 31, 2016

10. Tangible Capital Assets (continued)

For the year ended December 31, 2015

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2015 Total
Cost, beginning of year	\$ 7,232,500	\$ 34,793,480	\$ 6,492,291	\$ 2,610,094	\$ 39,974,325	\$ 91,102,690
Additions	138,473	951,822	386,726	96,783	1,218,221	2,792,025
Disposals	-	(29,773)	(162,652)	(146,153)	(784,311)	(1,122,889)
Cost, end of year	<u>7,370,973</u>	<u>35,715,529</u>	<u>6,716,365</u>	<u>2,560,724</u>	<u>40,408,235</u>	<u>92,771,826</u>
Accumulated amortization, beginning of year	536,642	8,615,549	3,292,711	1,202,312	10,687,687	24,334,901
Amortization	128,594	680,118	338,597	137,599	645,741	1,930,649
Disposals	-	(10,520)	(153,981)	(59,704)	(253,442)	(477,647)
Accumulated amortization, end of year	<u>665,236</u>	<u>9,285,147</u>	<u>3,477,327</u>	<u>1,280,207</u>	<u>11,079,986</u>	<u>25,787,903</u>
Net carrying amount, end of year	<u>\$ 6,705,737</u>	<u>\$ 26,430,382</u>	<u>\$ 3,239,038</u>	<u>\$ 1,280,517</u>	<u>\$ 29,328,249</u>	<u>\$ 66,983,923</u>

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

December 31, 2016

10. 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 \$39,275 (2015 - \$46,042).

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

11. Accumulated Surplus

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

	2016	2015
General surplus (deficit)	\$ (76,589)	\$ 150,851
Reserves and reserve funds		
set aside for specific purpose by council (Note 12)	11,649,050	10,061,074
Amounts to be recovered (Note 13)	(3,346,012)	(3,772,794)
Amount invested in land for resale	1,382,560	1,393,720
Amount invested in tangible capital assets	66,767,488	66,983,923
Accumulated surplus	\$76,376,497	\$ 74,816,774

The general surplus is comprised of the following:

General area taxation	\$ (697)	\$ 65,239
Waterworks system	473	71,146
Wastewater system	4,538	2,602
Public Library Board	21,249	7,565
Downtown Improvement Area	3,506	9,465
Saugeen Municipal Airport	(50,369)	(5,900)
Saugeen Mobility and Regional Transit	678	734
Launch Pad Youth Activity & Technology Centre	(55,967)	-
	\$ (76,589)	\$ 150,851

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

December 31, 2016

12. Reserves and Reserve Funds

	2016	2015
Reserves set aside for specific purpose by council:		
Working funds	\$ 457,434	\$ 480,338
WSIB	127,792	129,271
Current		
General government	146,975	135,920
Health services	6,795	7,165
Westario Power proceeds, set aside in note for future use	380,000	380,000
Other	10,196	6,331
Capital		
General government	38,904	-
Wastewater	317,158	230,511
Water	657,380	351,899
Waste collection and disposal	150,254	58,000
Health services	25,384	14,584
Hanover Public Library Board	100,828	95,921
Recreation and culture	93,339	71,189
Planning and development	89,260	86,314
Other capital purposes	463,097	370,519
	3,064,796	2,417,962
Reserve funds set aside for specific purpose by council:		
Infrastructure	55,625	-
Investing in Hanover	446,986	146,931
Water	2,287,685	1,911,193
Wastewater	3,033,481	2,824,540
Planning and development	3,735	3,706
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	8,584,254	7,643,112
Reserves and reserve funds set aside for specific purpose by council	\$ 11,649,050	\$ 10,061,074

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

December 31, 2016

13. Amounts to be recovered

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

	2016	2015
Long-term debt	\$ 1,939,555	\$ 2,323,053
Retirement benefit liability	1,102,680	1,127,606
Landfill site closure and post-closure care liability	303,777	322,135
	\$ 3,346,012	\$ 3,772,794

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

	2016	2015
New debt issued	\$ 7,854	\$ 1,500,000
Principal payments on long-term debt	(391,352)	(2,591,476)
Termination benefits payable (paid)	-	(53,678)
Increase (decrease) in retirement benefit liability	(24,926)	9,467
Change in landfill site closure and post-closure care liability	(18,358)	(52,083)
Decrease in amounts to be recovered during the year	\$ (426,782)	\$ (1,187,770)

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

December 31, 2016

14. Government Transfers

Government transfer revenue is comprised of the following:

	2016 Budget	2016 Actual	2015 Actual
Operating			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,900,300	\$ 1,900,300	\$ 1,953,000
Ontario Lottery and Gaming Corporation	1,050,000	1,167,403	1,119,115
Province of Ontario conditional grants			
Protection services	42,200	42,900	26,117
Roadways	22,800	22,873	57,873
Transit	98,810	394,830	330,089
Water and wastewater	-	-	14,928
Waste collection	60,000	63,792	62,101
Hanover Public Library Board operating grant	16,800	17,320	20,621
Social and Family Services	155,200	156,881	197,732
Other	68,300	102,441	45,867
	<u>3,414,410</u>	<u>3,868,740</u>	<u>3,827,443</u>
Government of Canada conditional grants			
Hanover Public Library Board	6,200	11,436	12,156
Other	83,700	115,194	8,190
	<u>89,900</u>	<u>126,630</u>	<u>20,346</u>
Other Municipalities conditional grants			
Protection services	119,700	122,954	110,744
Roadways	25,600	19,256	18,299
	<u>145,300</u>	<u>142,210</u>	<u>129,043</u>
Total operating grants	<u>3,649,610</u>	<u>4,137,580</u>	<u>3,976,832</u>
Tangible Capital Asset Grants			
Province of Ontario conditional grants			
Roadways	35,000	39,907	260,327
Transit	-	-	119,581
Total tangible capital asset grants	<u>35,000</u>	<u>39,907</u>	<u>379,908</u>
Total government transfer revenue	<u>\$ 3,684,610</u>	<u>\$ 4,177,487</u>	<u>\$ 4,356,740</u>

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

December 31, 2016

14. Government Transfers (continued)

Included in expenses are government transfers for the following:

	2016 Budget	2016 Actual	2015 Actual
Conservation authority	\$ 112,400	\$ 112,366	\$ 111,534
Transit	-	299,695	334,737
Other	127,000	130,446	183,726
	\$ 239,400	\$ 542,507	\$ 629,997

15. Other Income

	2016 Budget	2016 Actual	2015 Actual
Penalties and interest on taxation	\$ 64,000	\$ 66,440	\$ 70,629
Rents	403,700	396,583	366,671
Other	41,200	201,702	45,089
	\$ 508,900	\$ 664,725	\$ 482,389

16. 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.

The Corporation of the Town of Hanover

Notes to Consolidated Financial Statements

December 31, 2016

16. Segmented Information (continued)

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.

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, cemetery and the Launch Pad Youth Activity and Technology Centre.

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, 2016

16. Segmented Information (continued)

For the year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health and Social Services	Hanover Public Library Board	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue										
Taxation	\$ 495,490	\$ 2,991,466	\$ 728,360	\$ -	\$ 113,982	\$ 165,856	\$ 516,700	\$ 794,540	\$ 200,258	\$ 6,006,652
Government transfers										
- OMPF & OLG	607,488	203,895	963,234	-	78,691	154,471	-	920,274	139,650	3,067,703
- other	69,249	165,854	476,866	-	67,657	219,391	28,755	67,130	14,882	1,109,784
Fees and user charges	97,726	392,966	131,181	3,165,268	354,066	89,916	32,424	822,531	83,029	5,169,107
Investment income	187,941	-	-	51,138	1,143	-	1,348	-	1,201	242,771
Donations and other revenue	247,989	2,525	-	-	-	357,134	13,436	275,285	-	896,369
	<u>1,705,883</u>	<u>3,756,706</u>	<u>2,299,641</u>	<u>3,216,406</u>	<u>615,539</u>	<u>986,768</u>	<u>592,663</u>	<u>2,879,760</u>	<u>439,020</u>	<u>16,492,386</u>
Expenses										
Salaries and benefits	765,630	2,829,709	637,823	669,268	44,159	332,851	361,679	1,454,358	69,614	7,165,091
Interest on debt	-	-	-	-	-	22,854	-	35,238	-	58,092
Materials and supplies	245,884	621,859	567,672	1,402,981	203,477	274,800	165,207	955,261	205,407	4,642,548
Contracted services	-	115,786	59,048	37,739	236,355	5,319	-	23,647	-	477,894
Government transfers	126,404	112,366	299,695	-	-	4,042	-	-	-	542,507
Amortization and Loss on Disposal	118,832	120,395	568,980	559,326	92,427	110,113	40,654	501,559	(33,011)	2,079,275
Total expenses	<u>1,256,750</u>	<u>3,800,115</u>	<u>2,133,218</u>	<u>2,669,314</u>	<u>576,418</u>	<u>749,979</u>	<u>567,540</u>	<u>2,970,063</u>	<u>242,010</u>	<u>14,965,407</u>
Annual surplus (deficit)	\$ 449,133	\$ (43,409)	\$ 166,423	\$ 547,092	\$ 39,121	\$ 236,789	\$ 25,123	\$ (90,303)	\$ 197,010	\$ 1,526,979

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

December 31, 2016

16. Segmented Information (continued)

For the year ended December 31, 2015

	General Government	Protection Services	Transportation Services	Water and Wastewater	Environmental Services	Health and Social Services	Hanover Public Library Board	Recreation and Cultural Services	Planning and Development	2015 Total
Revenue										
Taxation	\$ 405,194	\$ 2,232,578	\$ 922,951	\$ -	\$ 150,268	\$ 194,733	\$ 513,600	\$ 948,593	\$ 263,958	\$ 5,631,875
Government transfers										
- OMPF & OLG	291,492	1,000,085	726,239	-	52,480	94,295	-	654,436	253,088	3,072,115
- other	20,400	136,861	786,170	14,928	67,830	197,732	35,774	13,203	11,727	1,284,625
Fees and user charges	189,786	270,216	510,304	3,032,612	318,608	174,646	27,898	791,970	164,795	5,480,835
Investment income	180,498	-	-	44,414	2,157	-	1,608	-	1,175	229,852
Donations and other revenue	178,721	2,550	10,016	-	-	336,957	12,241	247,278	-	787,763
	<u>1,266,091</u>	<u>3,642,290</u>	<u>2,955,680</u>	<u>3,091,954</u>	<u>591,343</u>	<u>998,363</u>	<u>591,121</u>	<u>2,655,480</u>	<u>694,743</u>	<u>16,487,065</u>
Expenses										
Salaries and benefits	777,638	2,771,081	580,001	664,803	42,981	292,056	354,093	1,482,143	75,980	7,040,776
Interest on debt	-	-	-	-	-	30,895	-	73,248	-	104,143
Materials and supplies	191,618	572,882	725,054	1,350,214	252,079	272,622	187,349	819,955	410,633	4,782,406
Contracted services	-	113,709	17,914	41,668	237,131	3,725	-	21,339	-	435,486
Government transfers	119,980	111,534	374,604	-	-	11,225	-	-	12,654	629,997
Amortization and Loss on Disposal	132,255	137,659	1,050,042	540,734	81,599	109,419	39,796	458,676	866	2,551,046
Total expenses	<u>1,221,491</u>	<u>3,706,865</u>	<u>2,747,615</u>	<u>2,597,419</u>	<u>613,790</u>	<u>719,942</u>	<u>581,238</u>	<u>2,855,361</u>	<u>500,133</u>	<u>15,543,854</u>
Annual surplus (deficit)	\$ 44,600	\$ (64,575)	\$ 208,065	\$ 494,535	\$ (22,447)	\$ 278,421	\$ 9,883	\$ (199,881)	\$ 194,610	\$ 943,211

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

December 31, 2016

17. 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:

	Saugeen Municipal Airport	Saugeen Mobility and Regional Transit	Hanover / Walkerton Landfill Site
Financial Assets			
Cash and temporary investments	\$ 88,847	\$ 7,971	\$ 359,598
Accounts receivable	10,278	259,304	22,874
	<u>99,125</u>	<u>267,275</u>	<u>382,472</u>
Liabilities			
Temporary borrowings	-	174,149	-
Accounts payable	23,592	120,313	81,964
Other liabilities	221,789	-	616,542
	<u>245,381</u>	<u>294,462</u>	<u>698,506</u>
Net financial assets (net debt)	(146,256)	(27,187)	(316,034)
Non-financial assets	<u>893,473</u>	<u>427,623</u>	<u>4,536,528</u>
Accumulated Surplus	<u>\$ 747,217</u>	<u>\$ 400,436</u>	<u>\$ 4,220,494</u>
Accumulated Surplus			
General surplus	\$ 60,305	\$ 2,812	\$ -
Reserves and reserve funds	32,693	-	300,508
Amounts to be recovered in future years	-	-	(616,542)
Invested in tangible capital assets	654,219	397,624	4,536,528
	<u>\$ 747,217</u>	<u>\$ 400,436</u>	<u>\$ 4,220,494</u>
Revenues			
Contributions from Town of Hanover	\$ 40,665	\$ 139,799	\$ 180,000
Other government contributions	89,713	835,031	187,729
Other	82,379	393,143	408,204
Expenses	<u>(237,557)</u>	<u>(1,534,436)</u>	<u>(707,153)</u>
Annual surplus (deficit)	<u>\$ (24,800)</u>	<u>\$ (166,463)</u>	<u>\$ 68,780</u>

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

December 31, 2016

17. 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 the Hanover / Walkerton Landfill Site operates a landfill site.

18. 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:

	2016 Budget	2016 Actual	2015 Actual
Annual surplus	\$ 1,079,020	\$ 1,526,979	\$ 943,211
Acquisition of tangible capital assets	(1,790,538)	(1,912,787)	(2,792,030)
Proceeds on disposal of tangible capital assets	5,000	49,947	24,851
Amortization and write downs	1,924,150	2,079,275	2,551,045
Acquisition of assets held for sale	-	11,161	18,394
Proceeds from issue of long-term debt	-	7,855	1,500,000
Debt principal repayments	(391,200)	(391,352)	(2,591,476)
	826,432	1,371,078	(346,005)
Transfers from (to) reserves	(976,684)	(1,534,869)	528,448
Change in unfunded liabilities	-	(43,286)	34,326
Surplus assumed on consolidation of CIP	-	32,744	-
	(150,252)	(174,333)	216,769
Reserve funds annual surplus	-	(53,107)	(45,833)
General surplus (deficit), beginning of year	156,152	150,851	(20,085)
General surplus (deficit), end of year	\$ 5,900	\$ (76,589)	\$ 150,851

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

December 31, 2016

19. 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>2016</u>	<u>2015</u>
School boards	\$ 2,672,514	\$ 2,675,847
County of Grey	<u>2,667,618</u>	<u>2,635,023</u>
	<u>\$ 5,340,132</u>	<u>\$ 5,310,870</u>

20. Trust Funds

The trust funds administered by the municipality amounting to \$600,252 (2015 - \$588,526) 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, 2016, the trust fund balances are as follows:

	<u>2016</u>	<u>2015</u>
Cemetery Pre-need Assurance Fund	\$ 173,892	\$ 172,840
Cemetery Care and Maintenance Funds	<u>426,360</u>	<u>415,686</u>
	<u>\$ 600,252</u>	<u>\$ 588,526</u>

Independent Auditor's Report

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

We have audited the accompanying financial information of the Trust Funds of The Corporation of the Town of Hanover, which comprise the balance sheet as at December 31, 2016, and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Information

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 information presents fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Town of Hanover as at December 31, 2016 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
May 15, 2017

**The Corporation of the Town of Hanover
Trust Funds
Balance Sheet**

December 31			2016	2015
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total
Assets				
Cash	\$ 22,260	\$ 76,218	\$ 98,478	\$ 137,232
Portfolio investments (Note 2)	150,000	350,000	500,000	450,000
Accounts receivable	922	-	922	759
Due from general account	710	167	877	535
	\$ 173,892	\$ 426,385	\$ 600,277	\$ 588,526
Liabilities and Fund Balances				
Accounts payable	\$ -	\$ 25	\$ 25	\$ -
Fund balance	173,892	426,360	600,252	588,526
	\$ 173,892	\$ 426,385	\$ 600,277	\$ 588,526

Statement of Continuity

For the year ended December 31			2016	2015
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total
Fund balance, beginning of the year	\$ 172,840	\$ 415,686	\$ 588,526	\$ 574,930
Receipts				
Interest earned	2,456	796	3,252	5,281
Gain on disposal of investments	-	-	-	101,749
Perpetual care	-	10,674	10,674	11,176
Prepaid needs	7,605	-	7,605	10,510
	10,061	11,470	21,531	128,716
Expenses				
Transfers to municipality	9,009	796	9,805	115,120
Fund balance, end of the year	\$ 173,892	\$ 426,360	\$ 600,252	\$ 588,526

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the Town of Hanover Trust Funds Notes to Financial Statements

December 31, 2016

1. Accounting Policies

Basis of Accounting

The financial statements of The Corporation of the Town of Hanover Trust Funds are the representation of management prepared in accordance with Canadian public sector accounting standards.

The preparation of financial information 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. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation

These trust funds have not been consolidated with the financial statements of the Town of Hanover.

Portfolio Investments

Portfolio investments are recorded at the lower of cost and market value.

2. Portfolio Investments

Portfolio investments are made up of the following:

	2016	2015
Investment certificates, effective interest rate of 1.50%, matures in 2017	\$ 150,000	\$ 100,000
Mutual funds	350,000	350,000
	\$ 500,000	\$ 450,000
Market value	\$ 540,007	\$ 441,186
