

**The Corporation of the
Town of Hanover
Consolidated Financial Statements
For the year ended December 31, 2017**

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Statement of Administrative Responsibility

The management of the Corporation of the Town of Hanover have prepared the accompanying financial statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The CAO/Clerk and Director of Corporate Services/Treasurer review the financial statements before such statements are submitted to Council and published for the residents of the Town of Hanover. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The 2017 Financial Statements have been reported on by The Corporation of the Town of Hanover's external auditors, BDO Canada LLP, the auditors appointed by Council. The auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Christine Walker, CMO
Director of Corporate Services/Treasurer



Brian Tocher
CAO/Clerk



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, 2017, and the consolidated statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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, 2017 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.

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
May 22, 2018

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

December 31	2017	2016
Financial assets		
Cash (Note 1, page 15)	\$ 5,799,090	\$ 4,650,576
Portfolio investments (Note 2, page 15)	2,017,000	2,000,000
Taxes receivable	195,073	356,423
Water and wastewater charges receivable	468,237	403,787
Government transfers receivable	976,617	832,953
Other receivables	931,194	1,302,207
Inventory for resale	13,175	13,585
Loans receivable (Note 3, page 15)	1,135,083	1,135,083
Long-term investments (Note 4, page 16)	2,756,742	2,756,742
	<u>14,292,211</u>	<u>13,451,356</u>
Liabilities		
Temporary borrowings	26,821	41,970
Accounts payable and accrued liabilities	1,995,844	1,466,072
Deferred revenue (Note 5, page 16)	769,319	1,146,241
Long-term debt (Note 6, page 17)	1,538,395	1,939,555
Landfill site closure and post-closure care liability (Note 7, page 18)	349,537	303,777
Retirement benefit liability (Note 9, page 19)	1,288,963	1,102,680
	<u>5,968,879</u>	<u>6,000,295</u>
Net financial assets	<u>8,323,332</u>	<u>7,451,061</u>
Non-financial assets		
Prepaid expenses	51,532	50,529
Inventory of supplies	122,351	106,005
Land held for sale	1,893,368	2,001,414
Tangible capital assets (Note 10, page 21)	67,624,381	66,767,488
	<u>69,691,632</u>	<u>68,925,436</u>
Accumulated surplus (Note 11, page 23)	<u>\$78,014,964</u>	<u>\$ 76,376,497</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	2017 Budget (Note 19)	2017 Actual	2016 Actual
Revenue			
Taxation	\$ 6,132,825	\$ 6,213,157	\$ 6,006,652
Government transfers (Note 14, page 26)	5,348,205	5,027,498	4,177,487
Water and wastewater charges	3,200,000	3,309,073	3,165,268
User fees and service charges	2,003,283	2,209,459	2,003,839
Investment income	167,050	245,619	242,771
Donations	207,400	243,333	231,644
Other income (Note 15, page 27)	518,600	541,121	664,725
	<u>17,577,363</u>	<u>17,789,260</u>	<u>16,492,386</u>
Expenses			
General government	1,312,500	1,455,033	1,256,743
Protection services	3,728,400	3,707,592	3,800,123
Transportation services	1,331,026	1,587,103	1,452,382
Transit	352,260	968,354	680,836
Environmental services	3,166,800	3,232,270	3,245,731
Health and social services	755,800	852,926	749,979
Recreation and cultural services	3,395,500	3,629,233	3,537,602
Planning and development	703,985	755,790	242,011
	<u>14,746,271</u>	<u>16,188,301</u>	<u>14,965,407</u>
Annual surplus	2,831,092	1,600,959	1,526,979
Accumulated surplus , beginning of the year	76,376,497	76,376,497	74,816,774
Opening accumulated surplus assumed on consolidation of Government Organizations	-	37,508	32,744
Accumulated surplus , end of the year	<u>\$ 79,207,589</u>	<u>\$ 78,014,964</u>	<u>\$ 76,376,497</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 Changes in Net Debt

For the year ended December 31	2017 Budget (Note 19)	2017 Actual	2016 Actual
Annual surplus	\$ 2,831,092	\$ 1,600,959	\$ 1,526,979
Acquisition of tangible capital assets	(4,315,138)	(3,022,796)	(1,912,787)
Proceeds on disposal of tangible capital assets	-	6,371	49,947
Amortization expense	1,929,804	2,053,191	1,999,682
Write down of tangible capital assets on disposal	-	230,149	79,593
	<u>(2,385,334)</u>	<u>(733,085)</u>	<u>216,435</u>
Increase in prepaid expenses	-	(1,003)	21,558
Increase in inventory of supplies	-	(16,346)	(2,408)
Decrease (increase) in assets held for sale	-	108,046	17,330
	<u>-</u>	<u>90,697</u>	<u>36,480</u>
Change in net financial assets	445,758	958,571	1,779,894
Net financial assets, beginning of year	7,451,061	7,451,061	5,638,423
Net assets (debt) assumed on consolidation of Government Organizations	-	(86,300)	32,744
Net financial assets, end of year	<u>\$ 7,896,819</u>	<u>\$ 8,323,332</u>	<u>\$ 7,451,061</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	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 1,600,959	\$ 1,526,979
Items not involving cash		
Amortization and write down of tangible capital assets	2,283,340	2,079,275
Retirement benefit liability	186,283	(24,926)
Landfill site closure and post-closure care	45,760	(18,358)
Assets assumed on consolidation of Government Organizations	(86,300)	32,744
	<u>4,030,042</u>	<u>3,595,714</u>
Change in balances		
Decrease (increase) in taxes receivable	161,350	(29,881)
Decrease in accounts receivable	162,899	253,102
Decrease in inventory for resale	410	1,768
Increase (decrease) in accounts payable	529,772	385,584
Increase (decrease) in deferred revenue	(376,922)	380,726
Decrease (increase) in non-financial assets	90,697	36,480
	<u>4,598,248</u>	<u>4,623,493</u>
Capital activities		
Acquisition of tangible capital assets	(3,022,796)	(1,912,787)
Proceeds on disposal of tangible capital assets	6,371	49,947
	<u>(3,016,425)</u>	<u>(1,862,840)</u>
Investing activities		
Purchase of investments	(17,000)	(1,000,000)
Financing activities		
Decrease in temporary borrowings	(15,149)	(720)
Additions to long-term liabilities	-	7,854
Repayment of long-term liabilities	(401,160)	(391,352)
	<u>(416,309)</u>	<u>(384,218)</u>
Net change in cash and cash equivalents	1,148,514	1,376,435
Cash and cash equivalents, beginning of year	4,650,576	3,274,141
Cash and cash equivalents, end of year	\$ 5,799,090	\$ 4,650,576

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, 2017

Management's 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
- Bluewater Community Radio Inc.

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	22.7% (2016- 24.1%)
Hanover / Walkerton Landfill Site	50%
Saugeen Municipal Airport	31.0% (2016- 31.2%)

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

December 31, 2017

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. Management has made estimates of historical cost, useful lives and amortization of tangible capital assets (Note 10). In addition, estimates have been made of closure and post-closure costs related to landfill sites (Note 7) and employee future benefits costs (Note 9). 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

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. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

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.

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

December 31, 2017

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.
Portfolio and Long-term Investments	Portfolio and long-term investments are recorded at the lower of cost and market value.
Inventory	<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>
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.

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

December 31, 2017

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.

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.

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

December 31, 2017

Employee Future Benefits	<p>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.</p> <p>Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents consist of cash on hand, cash accounts held at financial institutions.</p>
County and School Board	<p>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.</p>
Trust Funds	<p>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.</p>

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

December 31, 2017

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, 2017, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$318,234 (2016 - \$794,132), the use of which is externally restricted by legislation or agreement.

2. Portfolio Investments

	<u>2017</u>	<u>2016</u>
Mutual funds and GIC	<u>\$ 2,017,000</u>	<u>\$ 2,000,000</u>
Market value	<u>\$ 2,358,900</u>	<u>\$ 2,219,734</u>

3. Loans Receivable

	<u>2017</u>	<u>2016</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, 2017

4. Long-Term Investments

	2017	2016
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

	2017	2016
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 526,513	\$ 493,384
Federal Gasoline Tax Funding	180,793	598,058
	707,306	1,091,442
Deferred revenue	62,013	54,799
	\$ 769,319	\$ 1,146,241

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	\$ 493,384	\$ 687,861	\$ 6,563	\$ (661,295)	\$ 526,513
Federal Gasoline Tax Funding	598,058	231,751	6,218	(655,234)	180,793
Total	\$ 1,091,442	\$ 919,612	\$ 12,781	\$(1,316,529)	\$ 707,306

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

December 31, 2017

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.

	2017	2016
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	\$ 1,183,107	\$ 1,321,259
Note payable, 9.74%, payable \$166 principal and interest monthly, due November 2021	6,347	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	347,000	601,000
Note payable, 2.35%, payable \$654 principal and interest monthly, due February 2018	1,941	9,647
	\$ 1,538,395	\$ 1,939,555

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

2018	\$	404,050
2019		234,867
2020		150,670
2021		154,373
2022		156,681
Thereafter		437,754

The Corporation of the Town of Hanover

Notes to Consolidated Financial Statements

December 31, 2017

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 \$3,729,241, with the Town of Hanover's share being \$1,864,621.

At December 31, 2017, the Town of Hanover has recognized a liability of \$349,537. 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 8.4% 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 1.90% (2016 - 2.00%) and a discount rate of 3.35% (2016 - 3.60%).

The balance of the town's share of the liability of \$1,515,084 will be accrued as the remaining capacity of 376,665 cubic metres is utilized over the 24 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 2018 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, 2017

8. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 73 (2016 - 67) 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 2017 was \$429,079 (2016 - \$448,505). The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 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, 2017. At that time, the plan reported an actuarial deficit of \$5.4 billion (2016 - deficit of \$5.72 billion), based on actuarial liabilities of \$93.61 billion (2016 - \$86.96 billion) and actuarial assets of \$88.21 billion (2016 - \$81.24 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>2017</u>	<u>2016</u>
Retirement benefit		
accrued benefit obligation	\$ 1,321,473	\$ 926,818
Unamortized actuarial gain (loss)	(23,817)	187,331
Recoverable amount	<u>(8,693)</u>	<u>(11,469)</u>
Retirement benefit liability	<u>\$ 1,288,963</u>	<u>\$ 1,102,680</u>

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

December 31, 2017

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 with an amendment at December 31, 2017. The accrued benefit obligation shown for 2017 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) and a net unamortized loss from the December 31, 2017 amendment to be amortized on a straight-line basis over 7 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% annual rate of increase was assumed for 2017, 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:

	2017	2016
Current service cost	\$ 193,869	\$ 41,296
Interest cost	52,106	40,834
Amortization of actuarial gain/(loss)	9,493	(22,024)
Total expense for the year	255,468	60,106
Actuarial reduction of accrued benefit obligation	(69,185)	(85,032)
Change in liability for the year	\$ 186,283	\$ (24,926)

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

December 31, 2017

10. Tangible Capital Assets

For the year ended December 31, 2017

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2017 Total
Cost, beginning of year	\$ 7,372,954	\$ 36,207,488	\$ 6,921,048	\$ 2,509,135	\$ 41,197,179	\$ 94,207,804
Additions		1,394,882	487,358	38,312	1,102,244	3,022,796
Disposals	(40,944)	(190,330)	(127,793)	(42,918)	(151,690)	(553,675)
Adjustments	-	171,070	52,826	-	-	223,896
Cost, end of year	7,332,010	37,583,110	7,333,439	2,504,529	42,147,733	96,900,821
Accumulated amortization, beginning of year	797,458	9,914,291	3,704,957	1,395,157	11,628,453	27,440,316
Amortization	130,181	733,861	362,238	144,039	682,872	2,053,191
Disposals	(10,894)	(78,964)	(126,316)	(37,107)	(63,875)	(317,156)
Adjustments	-	51,649	48,440	-	-	100,089
Accumulated amortization, end of year	916,745	10,620,837	3,989,319	1,502,089	12,247,450	29,276,440
Net carrying amount, end of year	\$ 6,415,265	\$ 26,962,273	\$ 3,344,120	\$ 1,002,440	\$ 29,900,283	\$ 67,624,381

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

December 31, 2017

10. Tangible Capital Assets (continued)

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	322,129	-	975,765	1,912,787
Disposals	-	(120,953)	(117,446)	(51,589)	(186,821)	(476,809)
Cost, end of year	7,372,954	36,207,488	6,921,048	2,509,135	41,197,179	94,207,804
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	797,458	9,914,291	3,704,957	1,395,157	11,628,453	27,440,316
Net carrying amount, end of year	\$ 6,575,496	\$ 26,293,197	\$ 3,216,091	\$ 1,113,978	\$ 29,568,726	\$ 66,767,488

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

December 31, 2017

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 \$865,956 (2016 - \$39,275).

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:

	2017	2016
General surplus (deficit)	\$ (13,047)	\$ (76,589)
Reserves and reserve funds		
set aside for specific purpose by council (Note 12)	12,227,727	11,649,050
Amounts to be recovered (Note 13)	(3,176,895)	(3,346,012)
Amount invested in land for resale	1,352,798	1,382,560
Amount invested in tangible capital assets	67,624,381	66,767,488
Accumulated surplus	\$78,014,964	\$ 76,376,497

The general surplus (deficit) is comprised of the following:

General area taxation	\$ 29,773	\$ (697)
Waterworks system	7	473
Wastewater system	2	4,538
Public Library Board	5,802	21,249
Bluewater Community Radio Inc.	56,831	-
Downtown Improvement Area	7,681	3,506
Saugeen Municipal Airport	(49,350)	(50,369)
Saugeen Mobility and Regional Transit	638	678
Launch Pad Youth Activity & Technology Centre	(64,431)	(55,967)
	\$ (13,047)	\$ (76,589)

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

December 31, 2017

12. Reserves and Reserve Funds

	2017	2016
Reserves set aside for specific purpose by council:		
Working funds	\$ 457,434	\$ 457,434
WSIB	125,606	127,792
Current		
General government	113,135	146,975
Health services	6,220	6,795
Planning and development	55,459	38,904
Westario Power proceeds, set aside in note for future use	380,000	380,000
Other	14,233	10,196
Capital		
Protection services	146,263	-
Wastewater	322,158	317,158
Water	981,195	657,380
Waste collection and disposal	307,626	150,254
Health services	27,029	25,384
Hanover Public Library Board	121,791	100,828
Recreation and culture	107,839	93,339
Planning and development	94,240	89,260
Other capital purposes	507,368	463,097
	3,767,596	3,064,796
Reserve funds set aside for specific purpose by council:		
Infrastructure	116,581	55,625
Investing in Hanover	67,201	446,986
Water	2,745,381	2,287,685
Wastewater	2,770,454	3,033,481
Planning and development	3,772	3,735
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	8,460,131	8,584,254
Reserves and reserve funds set aside for specific purpose by council	\$12,227,727	\$ 11,649,050

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

December 31, 2017

13. Amounts to be recovered

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

	2017	2016
Long-term debt	\$ 1,538,395	\$ 1,939,555
Retirement benefit liability	1,288,963	1,102,680
Landfill site closure and post-closure care liability	349,537	303,777
	\$ 3,176,895	\$ 3,346,012

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

	2017	2016
New debt issued	\$ -	\$ 7,854
Principal payments on long-term debt	(401,160)	(391,352)
Increase (decrease) in retirement benefit liability	186,283	(24,926)
Change in landfill site closure and post-closure care liability	45,760	(18,358)
Decrease in amounts to be recovered during the year	\$ (169,117)	\$ (426,782)

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

December 31, 2017

14. Government Transfers

Government transfer revenue is comprised of the following:

	2017 Budget	2017 Actual	2016 Actual
Operating			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,866,100	\$ 1,866,100	\$ 1,900,300
Ontario Lottery and Gaming Corporation	1,060,000	1,218,320	1,167,403
Province of Ontario conditional grants			
Protection services	13,200	47,130	42,900
Roadways	-	-	22,873
Transit	94,205	759,500	394,830
Water and wastewater	235,500	-	-
Waste collection	60,000	65,069	63,792
Hanover Public Library Board operating grant	16,800	16,855	17,320
Social and Family Services	74,000	2,979	156,881
Other	88,600	72,437	102,441
	3,508,405	4,048,390	3,868,740
Government of Canada conditional grants			
Hanover Public Library Board	10,000	18,691	11,436
Other	106,100	92,472	115,194
	116,100	111,163	126,630
Other Municipalities conditional grants			
Protection services	120,900	121,700	122,954
Roadways	26,600	17,379	19,256
	147,500	139,079	142,210
Total operating grants	3,772,005	4,298,632	4,137,580

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

December 31, 2017

14. Government Transfers (continued)

Tangible Capital Asset Grants

	2017 Budget	2017 Actual	2016 Actual
Province of Ontario conditional grants			
Roadways	967,300	728,866	39,907
Water and wastewater	341,100	-	-
	1,308,400	728,866	39,907
Government of Canada conditional grants			
Water and wastewater	267,800	-	-
	267,800	-	-
Total tangible capital asset grants	1,576,200	728,866	39,907
Total government transfer revenue	\$ 5,348,205	\$ 5,027,498	\$ 4,177,487

Included in expenses are government transfers for the following:

	2017 Budget	2017 Actual	2016 Actual
Conservation authority	\$ 112,900	\$ 112,914	\$ 112,366
Transit	410	587,595	299,695
Other	124,200	124,904	130,446
	\$ 237,510	\$ 825,413	\$ 542,507

15. Other Income

	2017 Budget	2017 Actual	2016 Actual
Penalties and interest on taxation	\$ 65,700	\$ 59,683	\$ 66,440
Rents	406,800	408,080	396,583
Other	46,100	73,358	201,702
	\$ 518,600	\$ 541,121	\$ 664,725

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

December 31, 2017

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.

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.

The Corporation of the Town of Hanover

Notes to Consolidated Financial Statements

December 31, 2017

16. 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, 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, 2017

16. Segmented Information (continued)

For the year ended December 31, 2017

	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	2017 Total
Revenue										
Taxation	\$ 481,764	\$ 3,097,633	\$ 668,541	\$ -	\$ 117,599	\$ 143,372	\$ 524,400	\$ 944,369	\$ 235,479	\$ 6,213,157
Government transfers										
- OMPF & OLG	650,045	381,094	700,179	-	76,534	221,643	-	915,114	139,811	3,084,420
- other	50,528	168,830	1,505,745	-	68,876	21,805	35,546	91,748	-	1,943,078
Fees and user charges	56,708	399,657	172,430	3,309,073	400,448	169,394	24,653	750,197	235,972	5,518,532
Investment income	172,243	-	-	66,310	3,271	-	1,838	512	1,445	245,619
Donations and other revenue	270,290	3,450	-	-	-	399,868	16,541	94,305	-	784,454
	<u>1,681,578</u>	<u>4,050,664</u>	<u>3,046,895</u>	<u>3,375,383</u>	<u>666,728</u>	<u>956,082</u>	<u>602,978</u>	<u>2,796,245</u>	<u>612,707</u>	<u>17,789,260</u>
Expenses										
Salaries and benefits	870,158	2,842,596	651,251	710,521	51,101	316,101	392,779	1,530,707	129,483	7,494,697
Interest on debt	-	-	-	-	-	14,778	-	31,704	-	46,482
Materials and supplies	340,339	504,504	572,544	1,360,979	247,921	382,534	161,860	858,345	622,520	5,051,546
Contracted services	-	121,711	60,595	28,164	245,404	2,890	-	28,060	-	486,824
Government transfers	125,200	112,914	587,299	-	-	-	-	-	-	825,413
Amortization and Loss on Disposal	119,337	125,867	683,768	494,961	93,219	136,623	40,813	584,965	3,786	2,283,339
Total expenses	<u>1,455,034</u>	<u>3,707,592</u>	<u>2,555,457</u>	<u>2,594,625</u>	<u>637,645</u>	<u>852,926</u>	<u>595,452</u>	<u>3,033,781</u>	<u>755,789</u>	<u>16,188,301</u>
Annual surplus (deficit)	<u>\$ 226,544</u>	<u>\$ 343,072</u>	<u>\$ 491,438</u>	<u>\$ 780,758</u>	<u>\$ 29,083</u>	<u>\$ 103,156</u>	<u>\$ 7,526</u>	<u>\$ (237,536)</u>	<u>\$ (143,082)</u>	<u>\$ 1,600,959</u>

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

December 31, 2017

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, 2017

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	\$ 82,692	\$ 3,084	\$ 588,445
Accounts receivable	17,056	225,404	84,439
Other financial assets	16,313	-	-
	<u>116,061</u>	<u>228,488</u>	<u>672,884</u>
Liabilities			
Temporary borrowings	-	118,156	-
Accounts payable	25,273	150,855	57,632
Other liabilities	203,369	-	709,172
	<u>228,642</u>	<u>269,011</u>	<u>766,804</u>
Net financial assets (net debt)	(112,581)	(40,523)	(93,920)
Non-financial assets	<u>864,694</u>	<u>546,876</u>	<u>4,350,087</u>
Accumulated Surplus	<u>\$ 752,113</u>	<u>\$ 506,353</u>	<u>\$ 4,256,167</u>
Accumulated Surplus			
General surplus	\$ 45,152	\$ 2,812	\$ -
Reserves and reserve funds	45,636	-	615,251
Amounts to be recovered in future years	-	-	(709,172)
Invested in tangible capital assets	661,325	503,541	4,350,088
	<u>\$ 752,113</u>	<u>\$ 506,353</u>	<u>\$ 4,256,167</u>
Revenues			
Contributions from Town of Hanover	\$ 51,230	\$ 138,905	\$ 180,000
Other government contributions	113,970	1,230,299	187,615
Other	93,925	389,373	493,621
Expenses	<u>(254,229)</u>	<u>(1,652,660)</u>	<u>(825,563)</u>
Annual surplus (deficit)	<u>\$ 4,896</u>	<u>\$ 105,917</u>	<u>\$ 35,673</u>

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

December 31, 2017

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. Acquisition

On October 2, 2017 the municipality acquired the net assets of Bluewater Community Radio Inc. Bluewater Community Radio Inc. operates a not for profit community-oriented radio station in the Town of Hanover. This acquisition has been recorded by the purchase method and the results of operations have been included in these financial statements from the date of acquisition.

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

December 31, 2017

19. 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 changes in net debt.

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

	2017 Budget	2017 Actual	2016 Actual
Annual surplus	\$ 2,831,092	\$ 1,600,959	\$ 1,526,979
Acquisition of tangible capital assets	(4,315,138)	(3,022,796)	(1,912,787)
Proceeds on disposal of tangible capital assets	-	6,371	49,947
Amortization and write downs	1,929,804	2,283,340	2,079,275
Acquisition of assets held for sale and other	-	(9,613)	11,161
Proceeds from issue of long-term debt	-	-	7,855
Debt principal repayments	(401,900)	(401,160)	(391,352)
	43,858	457,101	1,371,078
Transfers from (to) reserves	28,038	(467,201)	(1,534,869)
Change in unfunded liabilities	-	232,043	(43,286)
Net assets assumed on consolidation	-	(86,300)	32,744
	71,896	135,643	(174,333)
Reserve funds annual surplus	-	(72,101)	(53,107)
General surplus (deficit), beginning of year	(76,590)	(76,589)	150,851
General surplus (deficit), end of year	\$ (4,694)	\$ (13,047)	\$ (76,589)

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

December 31, 2017

20. 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>2017</u>	<u>2016</u>
School boards	\$ 2,552,178	\$ 2,672,514
County of Grey	<u>2,772,861</u>	<u>2,667,618</u>
	<u>\$ 5,325,039</u>	<u>\$ 5,340,132</u>

21. Trust Funds

The trust funds administered by the municipality amounting to \$611,531 (2016 - \$600,252) 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, 2017, the trust fund balances are as follows:

	<u>2017</u>	<u>2016</u>
Cemetery Pre-need Assurance Fund	\$ 175,328	\$ 173,892
Cemetery Care and Maintenance Funds	<u>436,203</u>	<u>426,360</u>
	<u>\$ 611,531</u>	<u>\$ 600,252</u>

22. Contractual Obligations

The municipality has commitments with respect to an outstanding construction contract relating to a sludge storage building at December 31, 2017 in the amount of \$1,437,000.



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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, 2017, 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, 2017 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
May 22, 2018

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

December 31	2017			2016	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
Assets					
Cash	\$ 17,010	\$ 86,323	\$ 103,333	\$	98,478
Portfolio investments (Note 2)	160,000	350,000	510,000		500,000
Accounts receivable	1,216	-	1,216		922
Due from general account	-	-	-		877
	<u>\$ 178,226</u>	<u>\$ 436,323</u>	<u>\$ 614,549</u>	<u>\$</u>	<u>600,277</u>
Liabilities and Fund Balances					
Accounts payable	\$ 2,898	\$ 120	\$ 3,018	\$	25
Fund balance	175,328	436,203	611,531		600,252
	<u>\$ 178,226</u>	<u>\$ 436,323</u>	<u>\$ 614,549</u>	<u>\$</u>	<u>600,277</u>

Statement of Continuity

For the year ended December 31	2017			2016	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
Fund balance, beginning of the year	\$ 173,892	\$ 426,360	\$ 600,252	\$	588,526
Receipts					
Interest earned	2,796	1,059	3,855		3,252
Perpetual care	-	9,843	9,843		10,674
Prepaid needs	11,755	-	11,755		7,605
	<u>14,551</u>	<u>10,902</u>	<u>25,453</u>		<u>21,531</u>
Expenses					
Transfers to municipality	13,115	1,059	14,174		9,805
Fund balance, end of the year	<u>\$ 175,328</u>	<u>\$ 436,203</u>	<u>\$ 611,531</u>	<u>\$</u>	<u>600,252</u>

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, 2017

1. Accounting Policies

Basis of Accounting

The financial information 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 information, 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:

	2017	2016
Investment certificates, effective interest rate of 1.85%, matures in 2018	\$ 160,000	\$ 150,000
Mutual funds	350,000	350,000
	\$ 510,000	\$ 500,000
Market value	\$ 589,069	\$ 540,007
