

**The Corporation of the  
Town of Hanover  
Consolidated Financial Statements  
For the year ended December 31, 2018**

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## Statement of Administrative Responsibility

### Management's Responsibility for the Consolidated Financial Statements

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, administration has developed and maintained 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 Chief Administrative Officer and Director of Corporate Services review the financial statements before such statements are submitted to Council and published for the residents 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 Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the board's approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



Brian Tocheri  
Chief Administrative Officer



Christine Walker  
Director of Corporate Services

May 21, 2019



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## Independent Auditor's Report

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**To the Members of Council of  
The Corporation of the Town of Hanover**

### **Opinion**

We have audited the consolidated financial statements of The Corporation of the Town of Hanover (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, consolidated changes in net financial assets, and consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario  
May 21, 2019

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

December 31	2018	2017
<b>Financial assets</b>		
Cash (Note 1, page 15)	\$ 4,505,309	\$ 5,799,090
Portfolio investments (Note 2, page 15)	2,750,000	2,017,000
Taxes receivable	183,411	195,073
Water and wastewater charges receivable	480,028	468,237
Government transfers receivable	947,687	976,617
Other receivables	1,664,196	931,194
Inventory for resale	12,271	13,175
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>14,434,727</u>	<u>14,292,211</u>
<b>Liabilities</b>		
Temporary borrowings	29,119	26,821
Accounts payable and accrued liabilities	1,830,816	1,995,844
Deferred revenue (Note 5, page 16)	1,022,890	769,319
Long-term debt (Note 6, page 17)	1,134,344	1,538,395
Landfill site closure and post-closure care liability (Note 7, page 18)	368,867	349,537
Retirement benefit liability (Note 9, page 19)	1,265,630	1,288,963
	<u>5,651,666</u>	<u>5,968,879</u>
<b>Net financial assets</b>	<u>8,783,061</u>	<u>8,323,332</u>
<b>Non-financial assets</b>		
Prepaid expenses	52,210	51,532
Inventory of supplies	119,729	122,351
Land held for sale	2,300,250	1,893,368
Tangible capital assets (Note 10, page 21)	69,442,764	67,624,381
	<u>71,914,953</u>	<u>69,691,632</u>
<b>Accumulated surplus</b> (Note 11, page 23)	<u>\$80,698,014</u>	<u>\$ 78,014,964</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	2018 Budget (Note 19)	2018 Actual	2017 Actual
<b>Revenue</b>			
Taxation	\$ 6,597,578	\$ 6,575,491	\$ 6,213,157
Government transfers (Note 14, page 26)	6,028,000	5,995,756	5,027,498
Water and wastewater charges	3,739,800	3,660,378	3,309,073
User fees and service charges	2,142,205	2,210,846	2,209,459
Investment income	162,350	279,735	245,619
Donations	313,585	241,221	243,333
Other income (Note 15, page 28)	519,000	553,403	541,121
	<u>19,502,518</u>	<u>19,516,830</u>	<u>17,789,260</u>
<b>Expenses</b>			
General government	1,286,900	1,350,486	1,455,033
Protection services	3,932,865	3,429,197	3,707,592
Transportation services	2,465,012	2,552,555	1,587,103
Transit	345,690	1,091,447	968,354
Environmental services	3,210,900	3,255,967	3,232,270
Health and social services	902,384	829,674	852,926
Recreation and cultural services	3,419,100	3,739,697	3,629,233
Planning and development	543,354	565,862	755,790
	<u>16,106,205</u>	<u>16,814,885</u>	<u>16,188,301</u>
<b>Annual surplus</b>	3,396,313	2,701,945	1,600,959
<b>Accumulated surplus, beginning of the year</b>	78,014,964	78,014,964	76,376,497
Opening accumulated surplus assumed on consolidation of Government Organizations	-	(18,895)	37,508
<b>Accumulated surplus, end of the year</b>	<u>\$ 81,411,277</u>	<u>\$ 80,698,014</u>	<u>\$ 78,014,964</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 Financial Assets

For the year ended December 31	2018 Budget (Note 19)	2018 Actual	2017 Actual
<b>Annual surplus</b>	\$ 3,396,313	<b>\$ 2,701,945</b>	\$ 1,600,959
Acquisition of tangible capital assets	(6,050,538)	<b>(4,010,571)</b>	(3,022,796)
Proceeds on disposal of tangible capital assets	22,000	<b>88,510</b>	6,371
Amortization expense	2,000,194	<b>2,108,111</b>	2,053,191
Writedown (gain) on disposal of tangible capital assets	-	<b>(4,433)</b>	230,149
	<b>(4,028,344)</b>	<b>(1,818,383)</b>	<b>(733,085)</b>
Increase in prepaid expenses	-	<b>(678)</b>	(1,003)
Increase in inventory of supplies	-	<b>2,622</b>	(16,346)
Decrease (increase) in assets held for sale	-	<b>(406,882)</b>	108,046
	-	<b>(404,938)</b>	90,697
<b>Change in net financial assets</b>	<b>(632,031)</b>	<b>478,624</b>	958,571
<b>Net financial assets, beginning of year</b>	8,323,332	<b>8,323,332</b>	7,451,061
Net assets (debt) assumed on consolidation of Government Organizations	-	<b>(18,895)</b>	(86,300)
<b>Net financial assets, end of year</b>	<b>\$ 7,691,301</b>	<b>\$ 8,783,061</b>	<b>\$ 8,323,332</b>

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	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 2,701,945	\$ 1,600,959
Items not involving cash		
Amortization and write down of tangible capital assets	2,103,678	2,283,340
Retirement benefit liability	(23,335)	186,283
Landfill site closure and post-closure care	19,330	45,760
Assets assumed on consolidation of Government Organizations	(18,895)	(86,300)
	<u>4,782,723</u>	4,030,042
Change in balances		
Decrease in taxes receivable	11,662	161,350
Decrease (increase) in accounts receivable	(715,863)	162,899
Decrease in inventory for resale	905	410
Increase (decrease) in accounts payable	(165,028)	529,772
Increase (decrease) in deferred revenue	253,571	(376,922)
Decrease (increase) in non-financial assets	(404,938)	90,697
	<u>3,763,032</u>	4,598,248
<b>Capital activities</b>		
Acquisition of tangible capital assets	(4,010,571)	(3,022,796)
Proceeds on disposal of tangible capital assets	88,510	6,371
	<u>(3,922,061)</u>	(3,016,425)
<b>Investing activities</b>		
Purchase of investments	(733,000)	(17,000)
<b>Financing activities</b>		
Increase (decrease) in temporary borrowings	2,298	(15,149)
Repayment of long-term liabilities	(404,050)	(401,160)
	<u>(401,752)</u>	(416,309)
<b>Net change in cash</b>	<b>(1,293,781)</b>	<b>1,148,514</b>
<b>Cash, beginning of year</b>	<b>5,799,090</b>	<b>4,650,576</b>
<b>Cash, end of year</b>	<b>\$ 4,505,309</b>	<b>\$ 5,799,090</b>

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

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

December 31, 2018

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### Basis of Accounting

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada.

### 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	20.7% (2017- 22.7%)
Hanover / Walkerton Landfill Site	50%
Saugeen Municipal Airport	31.0% (2017- 31.0%)

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

December 31, 2018

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### 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

Revenues are recognized as follows:

- a) 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.
- b) Fines and donations are recognized when collected.
- c) Fees, user charges and other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance and forms part of the respective deferred revenue balances.
- e) 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.

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

December 31, 2018

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**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. Cost is determined on the first-in first-out basis.

**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.

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

December 31, 2018

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### **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 and cash accounts held at financial institutions.

### **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.

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

December 31, 2018

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### 1. Cash

Cash consists of deposits at a financial institution. The deposits earn interest at prime less 1.55%, on all business accounts, payable monthly.

The municipality has a line of credit that bears interest at the lender's prime rate less 0.5%. At December 31, 2018, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$339,210 (2017 - \$318,234), the use of which is externally restricted by legislation or agreement.

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### 2. Portfolio Investments

	<u>2018</u>	<u>2017</u>
Mutual funds and GIC	<u>\$ 2,750,000</u>	<u>\$ 2,017,000</u>
Market value	<u>\$ 2,802,784</u>	<u>\$ 2,358,900</u>

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### 3. Loans Receivable

	<u>2018</u>	<u>2017</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.

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

December 31, 2018

### 4. Long-Term Investments

	2018	2017
Westario Power Inc. 1,509 common shares	<b>\$ 2,756,742</b>	<b>\$ 2,756,742</b>

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

	2018	2017
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 395,149	\$ 526,513
Federal Gasoline Tax Funding	<b>337,673</b>	<b>180,793</b>
	<b>732,822</b>	<b>707,306</b>
Deferred revenue	<b>290,068</b>	<b>62,013</b>
	<b>\$ 1,022,890</b>	<b>\$ 769,319</b>

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

	Balance beginning of year	Restricted funds received	Interest earned	Revenue recognized	Balance end of year
Provincial Gasoline Tax Funding	\$ 526,513	\$ 716,572	\$ 7,922	\$ (855,858)	<b>\$ 395,149</b>
Federal Gasoline Tax Funding	180,793	238,564	3,475	(85,159)	<b>337,673</b>
Total	\$ 707,306	\$ 955,136	\$ 11,397	\$ (941,017)	<b>\$ 732,822</b>



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

December 31, 2018

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### 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.

	2018	2017
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	\$ 1,041,433	\$ 1,183,107
Note payable, 9.74%, payable \$166 principal and interest monthly, due November 2021	4,911	6,347
Bankers' Acceptance payable, acceptance fees equivalent to 3.20% repayable in monthly installments of \$20,000 to \$22,000 excluding interest, due April 2019	88,000	347,000
Note payable, 2.35%, payable \$654 principal and interest monthly, due February 2018	-	1,941
	\$ 1,134,344	\$ 1,538,395

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

2019	\$	234,867
2020		150,670
2021		154,373
2022		156,681
2023		160,675
Thereafter		277,078

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# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2018

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### 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 24 years. The total future closure and post-closure care costs are estimated to be \$3,223,557, with the Town of Hanover's share being \$1,611,779.

At December 31, 2018, the Town of Hanover has recognized a liability of \$368,867. 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 12.0% 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 1.50% (2017 - 1.90%) and a discount rate of 3.54% (2017 - 3.35%).

The balance of the town's share of the liability of \$1,242,912 will be accrued as the remaining capacity of 361,510 cubic metres is utilized over the 23 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 2019 for the passage of time, actual use of the landfill site, and costs. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates, and future use of the landfill site.

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

December 31, 2018

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### 8. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 68 (2017 - 73) 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 2018 was \$408,627 (2017 - \$429,079). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 - 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, 2018. At that time, the plan reported an actuarial deficit of \$4.19 billion (2017 - deficit of \$5.4 billion), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 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.

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### 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>2018</u>	<u>2017</u>
Retirement benefit accrued benefit obligation	\$ 1,287,867	\$ 1,321,473
Unamortized actuarial gain (loss)	(14,349)	(23,817)
Recoverable amount	<u>(7,888)</u>	<u>(8,693)</u>
Retirement benefit liability	<u>\$ 1,265,630</u>	<u>\$ 1,288,963</u>

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

**December 31, 2018**

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### 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 2018 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:

	2018	2017
Current service cost	\$ 86,878	\$ 193,869
Interest cost	55,222	52,106
Amortization of actuarial gain/(loss)	9,468	9,493
Total expense for the year	151,568	255,468
Actuarial reduction of accrued benefit obligation	(174,901)	(69,185)
Change in liability for the year	\$ (23,333)	\$ 186,283

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

**December 31, 2018**

**10. Tangible Capital Assets**

For the year ended December 31, 2018

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2018 Total
<b>Cost, beginning of year</b>	\$ 7,332,010	\$ 37,583,110	\$ 7,333,439	\$ 2,504,529	\$ 42,147,733	\$ 96,900,821
Additions	91,205	251,991	314,254	337,704	3,015,417	4,010,571
Disposals	(38,120)	(7,000)	(239,437)	(66,417)	-	(350,974)
Adjustments	50,000	(862,672)	-	-	812,672	-
<b>Cost, end of year</b>	<b>7,435,095</b>	<b>36,965,429</b>	<b>7,408,256</b>	<b>2,775,816</b>	<b>45,975,822</b>	<b>100,560,418</b>
<b>Accumulated amortization, beginning of year</b>	916,745	10,620,837	3,989,319	1,502,089	12,247,450	29,276,440
Amortization	130,120	748,237	386,507	141,718	701,529	2,108,111
Disposals	-	(426)	(208,342)	(58,129)	-	(266,897)
<b>Accumulated amortization, end of year</b>	<b>1,046,865</b>	<b>11,368,648</b>	<b>4,167,484</b>	<b>1,585,678</b>	<b>12,948,979</b>	<b>31,117,654</b>
<b>Net carrying amount, end of year</b>	<b>\$ 6,388,230</b>	<b>\$ 25,596,781</b>	<b>\$ 3,240,772</b>	<b>\$ 1,190,138</b>	<b>\$ 33,026,843</b>	<b>\$ 69,442,764</b>

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

**December 31, 2018**

**10. Tangible Capital Assets (continued)**

For the year ended December 31, 2017

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2017 Total
<b>Cost, beginning of year</b>	\$ 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
<b>Cost, end of year</b>	<b>7,332,010</b>	<b>37,583,110</b>	<b>7,333,439</b>	<b>2,504,529</b>	<b>42,147,733</b>	<b>96,900,821</b>
<b>Accumulated amortization, beginning of year</b>	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
<b>Accumulated amortization, end of year</b>	<b>916,745</b>	<b>10,620,837</b>	<b>3,989,319</b>	<b>1,502,089</b>	<b>12,247,450</b>	<b>29,276,440</b>
<b>Net carrying amount, end of year</b>	<b>\$ 6,415,265</b>	<b>\$ 26,962,273</b>	<b>\$ 3,344,120</b>	<b>\$ 1,002,440</b>	<b>\$ 29,900,283</b>	<b>\$ 67,624,381</b>

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

**December 31, 2018**

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### 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 \$1,584,478 (2017 - \$865,956).

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

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### 11. Accumulated Surplus

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

	2018	2017
General surplus (deficit)	\$ (52,085)	\$ (13,047)
Reserves and reserve funds		
set aside for specific purpose by council (Note 12)	12,329,577	12,227,727
Amounts to be recovered (Note 13)	(2,768,840)	(3,176,895)
Amount invested in land for resale	1,746,598	1,352,798
Amount invested in tangible capital assets	69,442,764	67,624,381
Accumulated surplus	\$80,698,014	\$ 78,014,964

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

General area taxation	\$ 37,753	\$ 29,773
Waterworks system	-	7
Wastewater system	-	2
Public Library Board	-	5,802
Bluewater Community Radio Inc.	-	56,831
Downtown Improvement Area	-	7,681
Saugeen Municipal Airport	(52,883)	(49,350)
Saugeen Mobility and Regional Transit	582	638
Launch Pad Youth Activity & Technology Centre	(37,537)	(64,431)
	\$ (52,085)	\$ (13,047)

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

December 31, 2018

### 12. Reserves and Reserve Funds

	2018	2017
<b>Reserves set aside for specific purpose by council:</b>		
Working funds	\$ 457,434	\$ 457,434
WSIB	123,765	125,606
Current		
General government	137,178	113,135
Health services	5,960	6,220
Planning and development	54,931	55,459
Westario Power proceeds, set aside in note for future use	380,000	380,000
Other	10,580	14,233
Capital		
Protection services	608,642	146,263
Wastewater	530,352	322,158
Water	1,078,409	981,195
Waste collection and disposal	412,785	307,626
Health services	18,259	27,029
Hanover Public Library Board	147,975	121,791
Recreation and culture	29,489	107,839
Planning and development	108,696	94,240
Other capital purposes	859,254	507,368
	<b>4,963,709</b>	<b>3,767,596</b>
<b>Reserve funds set aside for specific purpose by council:</b>		
Infrastructure	178,975	116,581
Investing in Hanover	117,857	67,201
Water	2,549,916	2,745,381
Wastewater	1,758,555	2,770,454
Planning and development	3,823	3,772
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	<b>7,365,868</b>	<b>8,460,131</b>
<b>Reserves and reserve funds set aside for specific purpose by council</b>	<b>\$12,329,577</b>	<b>\$ 12,227,727</b>



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

**December 31, 2018**

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**13. Amounts to be recovered**

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

	<u>2018</u>	<u>2017</u>
Long-term debt	\$ 1,134,343	\$ 1,538,395
Retirement benefit liability	1,265,630	1,288,963
Landfill site closure and post-closure care liability	<u>368,867</u>	<u>349,537</u>
	<u>\$ 2,768,840</u>	<u>\$ 3,176,895</u>

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

	<u>2018</u>	<u>2017</u>
Principal payments on long-term debt	\$ (404,052)	\$ (401,160)
Increase (decrease) in retirement benefit liability	(23,333)	186,283
Change in landfill site closure and post-closure care liability	<u>19,330</u>	<u>45,760</u>
Decrease in amounts to be recovered during the year	<u>\$ (408,055)</u>	<u>\$ (169,117)</u>

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

December 31, 2018

### 14. Government Transfers

Government transfer revenue is comprised of the following:

	2018 Budget	2018 Actual	2017 Actual
<b>Operating</b>			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,881,400	\$ 1,881,400	\$ 1,866,100
Ontario Lottery and Gaming Corporation	1,110,000	1,252,086	1,218,320
Province of Ontario conditional grants			
Protection services	43,200	42,260	47,130
Transit	103,500	855,858	759,500
Water and wastewater	33,000	30,000	-
Waste collection	65,000	65,322	65,069
Hanover Public Library Board operating grant	17,400	17,399	16,855
Social and Family Services	-	3,658	2,979
Other	23,500	48,814	72,437
	<u>3,277,000</u>	<u>4,196,797</u>	<u>4,048,390</u>
Government of Canada conditional grants			
Hanover Public Library Board	-	11,509	18,691
Other	7,100	42,644	92,472
	<u>7,100</u>	<u>54,153</u>	<u>111,163</u>
Other Municipalities conditional grants			
Protection services	123,000	123,000	121,700
Roadways	23,500	19,795	17,379
	<u>146,500</u>	<u>142,795</u>	<u>139,079</u>
<b>Total operating grants</b>	<u>3,430,600</u>	<u>4,393,745</u>	<u>4,298,632</u>

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

December 31, 2018

### 14. Government Transfers (continued)

#### Tangible Capital Asset Grants

	2018 Budget	2018 Actual	2017 Actual
Province of Ontario conditional grants			
Roadways	784,100	171,072	74,789
Water and wastewater	133,900	133,895	-
	<u>918,000</u>	<u>304,967</u>	<u>74,789</u>
Government of Canada conditional grants			
Roadways	340,600	85,159	654,077
Water and wastewater	267,800	267,790	-
	<u>608,400</u>	<u>352,949</u>	<u>654,077</u>
Other Municipalities conditional grants			
Roadways	1,071,000	944,095	-
Total tangible capital asset grants	<u>2,597,400</u>	<u>1,602,011</u>	<u>728,866</u>
Total government transfer revenue	<u>\$ 6,028,000</u>	<u>\$ 5,995,756</u>	<u>\$ 5,027,498</u>

Included in expenses are government transfers for the following:

	2018 Budget	2018 Actual	2017 Actual
Conservation authority	\$ 113,100	\$ 113,132	\$ 112,914
Transit	-	679,206	587,595
Other	134,500	121,742	124,904
	<u>\$ 247,600</u>	<u>\$ 914,080</u>	<u>\$ 825,413</u>

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

**December 31, 2018**

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### 15. Other Income

	2018 Budget	2018 <b>Actual</b>	2017 Actual
Penalties and interest on taxation	\$ 65,700	\$ <b>50,672</b>	\$ 59,683
Rents	406,200	<b>411,658</b>	408,080
Other	47,100	<b>91,073</b>	73,358
	<b>\$ 519,000</b>	<b>\$ 553,403</b>	<b>\$ 541,121</b>

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### 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.

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

December 31, 2018

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## 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, 2018**

### 16. Segmented Information (continued)

For the year ended December 31, 2018

	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	2018 Total
<b>Revenue</b>										
Taxation	\$ 764,657	\$ 2,296,229	\$ 1,116,333	\$ -	\$ 154,874	\$ 195,431	\$ 544,500	\$ 1,240,909	\$ 262,558	\$ 6,575,491
Government transfers										
- OMPF & OLG	799,915	823,942	789,866	-	48,588	61,312	-	538,158	71,704	3,133,485
- other	8,900	165,260	2,075,980	431,685	68,519	41,442	28,908	24,077	17,500	2,862,271
Fees and user charges	38,865	431,394	119,840	3,660,378	433,182	176,511	33,156	773,781	204,117	5,871,224
Investment income	185,510	-	-	79,616	8,249	-	3,777	-	2,583	279,735
Donations and other revenue	275,978	46,911	-	-	-	361,643	15,047	95,045	-	794,624
	<u>2,073,825</u>	<u>3,763,736</u>	<u>4,102,019</u>	<u>4,171,679</u>	<u>713,412</u>	<u>836,339</u>	<u>625,388</u>	<u>2,671,970</u>	<u>558,462</u>	<u>19,516,830</u>
<b>Expenses</b>										
Salaries and benefits	835,609	2,568,241	669,259	701,306	58,127	328,836	395,776	1,612,660	156,715	7,326,529
Interest on debt	-	-	-	-	-	6,605	-	28,183	-	34,788
Materials and supplies	269,812	486,239	1,582,797	1,375,453	270,620	403,988	165,192	946,418	405,149	5,905,668
Contracted services	-	140,826	73,787	45,498	245,583	-	-	24,448	-	530,142
Government transfers	122,000	113,132	678,948	-	-	-	-	-	-	914,080
Amortization and Loss on Disposal	123,064	120,760	639,211	465,994	93,385	90,245	41,954	525,066	3,999	2,103,678
<b>Total expenses</b>	<u>1,350,485</u>	<u>3,429,198</u>	<u>3,644,002</u>	<u>2,588,251</u>	<u>667,715</u>	<u>829,674</u>	<u>602,922</u>	<u>3,136,775</u>	<u>565,863</u>	<u>16,814,885</u>
<b>Annual surplus (deficit)</b>	<b>\$ 723,340</b>	<b>\$ 334,538</b>	<b>\$ 458,017</b>	<b>\$ 1,583,428</b>	<b>\$ 45,697</b>	<b>\$ 6,665</b>	<b>\$ 22,466</b>	<b>\$ (464,805)</b>	<b>\$ (7,401)</b>	<b>\$ 2,701,945</b>

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

**December 31, 2018**

### 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
<b>Revenue</b>										
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>
<b>Expenses</b>										
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
<b>Total expenses</b>	<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>
<b>Annual surplus (deficit)</b>	\$ 226,544	\$ 343,072	\$ 491,438	\$ 780,758	\$ 29,083	\$ 103,156	\$ 7,526	\$ (237,536)	\$ (143,082)	\$ 1,600,959

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

December 31, 2018

### 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
<b>Financial Assets</b>			
Cash and temporary investments	\$ 46,369	\$ 12,736	\$ 367,376
Accounts receivable	19,018	240,887	86,523
Other financial assets	14,559	-	500,000
	<u>79,946</u>	<u>253,623</u>	<u>953,899</u>
<b>Liabilities</b>			
Temporary borrowings	-	140,670	-
Accounts payable	30,895	159,953	99,850
Other liabilities	184,682	-	777,530
	<u>215,577</u>	<u>300,623</u>	<u>877,380</u>
Net financial assets (net debt)	(135,631)	(47,000)	76,519
Non-financial assets	<u>830,758</u>	<u>540,385</u>	<u>4,222,810</u>
Accumulated Surplus	<u>\$ 695,127</u>	<u>\$ 493,385</u>	<u>\$ 4,299,329</u>
<b>Accumulated Surplus</b>			
General surplus	\$ 15,130	\$ 2,812	\$ -
Reserves and reserve funds	33,921	-	825,569
Amounts to be recovered in future years	-	-	(749,050)
Invested in tangible capital assets	646,076	490,573	4,222,810
	<u>\$ 695,127</u>	<u>\$ 493,385</u>	<u>\$ 4,299,329</u>
<b>Revenues</b>			
Contributions from Town of Hanover	\$ 42,055	\$ 130,921	\$ -
Other government contributions	93,606	1,354,838	366,393
Other	64,036	443,851	552,381
Expenses	<u>(256,682)</u>	<u>(1,942,578)</u>	<u>(875,612)</u>
Annual surplus (deficit)	<u>\$ (56,985)</u>	<u>\$ (12,968)</u>	<u>\$ 43,162</u>



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

December 31, 2018

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### 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.

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### 18. Consolidation

On August 30, 2018 the municipality's appointed members on the board of directors of the Bluewater Community Radio Inc. resigned. The previously consolidated assets of the Bluewater Community Radio are no longer included in the municipality's consolidation financial statements at December 31, 2018. The operations of the Bluewater Community Radio have been consolidated in these financial statements up to the date that the municipality appointed members resigned.

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

December 31, 2018

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### 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 financial assets 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 financial assets.

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

	2018 Budget	2018 Actual	2017 Actual
Annual surplus	\$ 3,396,313	\$ 2,701,945	\$ 1,600,959
Acquisition of tangible capital assets	(6,050,538)	(4,010,571)	(3,022,796)
Proceeds on disposal of tangible capital assets	22,000	88,510	6,371
Amortization and write downs	2,000,194	2,103,678	2,283,340
Acquisition of assets held for sale and other	-	(393,800)	(9,613)
Debt principal repayments	(404,700)	(404,050)	(401,160)
	(1,036,731)	85,712	457,101
Transfers from (to) reserves	1,104,365	(19,276)	(467,201)
Change in unfunded liabilities	-	(4,005)	232,043
Net assets assumed on consolidation	-	(18,895)	(86,300)
	67,634	43,536	135,643
Reserve funds annual surplus	-	(82,574)	(72,101)
General surplus (deficit), beginning of year	(13,047)	(13,047)	(76,589)
General surplus (deficit), end of year	\$ 54,587	\$ (52,085)	\$ (13,047)

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

**December 31, 2018**

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### 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>2018</u>	<u>2017</u>
School boards	\$ 2,507,951	\$ 2,552,178
County of Grey	<u>2,798,506</u>	<u>2,772,861</u>
	<u>\$ 5,306,457</u>	<u>\$ 5,325,039</u>

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### 21. Trust Funds

The trust funds administered by the municipality amounting to \$626,919 (2017 - \$611,531) 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, 2018, the trust fund balances are as follows:

	<u>2018</u>	<u>2017</u>
Cemetery Pre-need Assurance Fund	\$ 179,728	\$ 175,328
Cemetery Care and Maintenance Funds	<u>447,191</u>	<u>436,203</u>
	<u>\$ 626,919</u>	<u>\$ 611,531</u>

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### 22. Contractual Obligations

The municipality has commitments with respect to capital projects at December 31, 2018 in the amount of \$1,020,000 (2017 - \$1,437,000).

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## Independent Auditor's Report

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To the Members of Council of The Corporation of the Town of Hanover

### Opinion

We have audited the accompanying financial information of The Corporation of the Town of Hanover Trust Funds (the Trust Funds), which comprise the balance sheet as at December 31, 2018 and the statement of continuity for the year then ended, and notes to the financial information including a summary of significant accounting policies.

In our opinion, the accompanying financial information present fairly, in all material respects, the balance sheet of the Trust Funds as at December 31, 2018, and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Information* section of our report. We are independent of the Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance 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 are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Trust Funds ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a



whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust Funds internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Funds ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario  
May 21, 2019

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

December 31	2018			2017	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
<b>Assets</b>					
Cash	\$ 28,359	\$ 96,740	\$ 125,099	\$	103,333
Portfolio investments (Note 2)	150,000	350,000	500,000		510,000
Accounts receivable	1,642	-	1,642		1,216
Due from general account	-	507	507		-
	<b>\$ 180,001</b>	<b>\$ 447,247</b>	<b>\$ 627,248</b>	<b>\$</b>	<b>614,549</b>
<b>Liabilities and Fund Balances</b>					
Accounts payable	\$ 273	\$ 56	\$ 329	\$	3,018
Fund balance	179,728	447,191	626,919		611,531
	<b>\$ 180,001</b>	<b>\$ 447,247</b>	<b>\$ 627,248</b>	<b>\$</b>	<b>614,549</b>

**Statement of Continuity**

For the year ended December 31	2018			2017	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
<b>Fund balance,</b> beginning of the year	\$ 175,328	\$ 436,203	\$ 611,531	\$	600,252
<b>Receipts</b>					
Interest earned	3,957	1,820	5,777		3,855
Perpetual care	-	10,988	10,988		9,843
Prepaid needs	13,375	-	13,375		11,755
	<b>17,332</b>	<b>12,808</b>	<b>30,140</b>		<b>25,453</b>
<b>Expenses</b>					
Transfers to municipality	12,932	1,820	14,752		14,174
<b>Fund balance, end of the year</b>	<b>\$ 179,728</b>	<b>\$ 447,191</b>	<b>\$ 626,919</b>	<b>\$</b>	<b>611,531</b>

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

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# The Corporation of the Town of Hanover Trust Funds Notes to Financial Information

December 31, 2018

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## 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.

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## 2. Portfolio Investments

Portfolio investments are made up of the following:

	2018	2017
Investment certificates, effective interest rate of 3.05%, matures in August 2020	\$ 150,000	\$ 160,000
Mutual funds	350,000	350,000
	\$ 500,000	\$ 510,000
Market value	\$ 566,561	\$ 589,069

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