

**The Corporation of the  
Town of Hanover  
Consolidated Financial Statements  
For the year ended December 31, 2020**

**The Corporation of the  
Town of Hanover  
Consolidated Financial Statements  
For the year ended December 31, 2020**

**Contents**

---

**The Corporation of the Town of Hanover**

Statement of Responsibility	3
Independent Auditor's Report	4 - 6
Consolidated Statement of Financial Position	7
Consolidated Statement of Operations	8
Consolidated Statement of Changes in Net Financial Assets	9
Consolidated Statement of Cash Flows	10
Summary of Significant Accounting Policies	11 - 14
Notes to Consolidated Financial Statements	15 - 35

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

Independent Auditor's Report	36 - 37
Balance Sheet and Statement of Continuity	38
Notes to Financial Information	39

---

## 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 Municipality'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 Council of the Municipality meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the council'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 Municipality's consolidated financial statements.



Brian Tocheri  
Chief Administrative Officer



Christine Walker  
Director of Corporate Services

August 9, 2021



Tel: 519 364 3790  
Fax: 519 364 5334  
www.bdo.ca

BDO Canada LLP  
485 10th Street  
Hanover ON N4N 1R2  
Canada

---

## Independent Auditor's Report

---

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, 2020, 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, 2020, 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  
August 9, 2021

---

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

December 31	2020	2019
<b>Financial assets</b>		
Cash (Note 1, page 15)	\$ 9,878,876	\$ 8,197,114
Portfolio investments (Note 2, page 15)	2,541,687	2,015,250
Taxes receivable	429,095	258,523
Water and wastewater charges receivable	483,095	588,127
Government transfers receivable	952,475	883,195
Other receivables	841,331	828,923
Inventory for resale	8,423	7,870
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>19,026,807</u>	<u>16,670,827</u>
<b>Liabilities</b>		
Temporary borrowings	23,965	28,864
Accounts payable and accrued liabilities	1,503,952	1,227,766
Deferred revenue (Note 5, page 16)	1,409,222	980,739
Long-term debt (Note 6, page 17)	748,807	899,478
Landfill site closure and post-closure care liability (Note 7, page 18)	650,305	580,888
Retirement benefit liability (Note 9, page 19)	1,282,528	1,266,396
	<u>5,618,779</u>	<u>4,984,131</u>
<b>Net financial assets</b>	<u>13,408,028</u>	<u>11,686,696</u>
<b>Non-financial assets</b>		
Prepaid expenses	26,317	26,967
Inventory of supplies	121,674	122,173
Land held for sale	2,107,515	2,246,318
Tangible capital assets (Note 10, page 21)	71,579,399	70,121,942
	<u>73,834,905</u>	<u>72,517,400</u>
<b>Accumulated surplus</b> (Note 11, page 23)	<u>\$87,242,933</u>	<u>\$ 84,204,096</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	2020 Budget (Note 18)	2020 Actual	2019 Actual
<b>Revenue</b>			
Taxation	\$ 7,111,029	\$ 7,128,615	\$ 6,876,946
Government transfers (Note 14, page 26)	4,673,400	5,098,855	5,907,146
Water and wastewater charges	4,077,000	3,847,753	3,707,021
User fees and service charges	2,213,330	1,988,524	2,159,855
Investment income	226,650	373,702	385,280
Donations	100,100	252,750	160,055
Other income (Note 15, page 28)	513,600	527,336	519,900
	<u>18,915,109</u>	<u>19,217,535</u>	<u>19,716,203</u>
<b>Expenses</b>			
General government	1,384,500	1,698,974	1,337,769
Protection services	4,019,200	3,730,597	3,574,777
Transportation services	1,660,640	1,743,803	1,783,320
Transit	387,200	798,520	942,941
Environmental services	3,393,650	3,834,449	3,574,378
Health and social services	807,600	725,436	816,329
Recreation and cultural services	3,612,100	2,961,652	3,562,451
Planning and development	687,475	685,267	618,156
	<u>15,952,365</u>	<u>16,178,698</u>	<u>16,210,121</u>
<b>Annual surplus</b>	2,962,744	3,038,837	3,506,082
<b>Accumulated surplus, beginning of the year</b>	<u>84,204,096</u>	<u>84,204,096</u>	<u>80,698,014</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 87,166,840</u>	<u>\$ 87,242,933</u>	<u>\$ 84,204,096</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	2020 Budget (Note 18)	2020 Actual	2019 Actual
<b>Annual surplus</b>	\$ 2,962,744	<b>\$ 3,038,837</b>	\$ 3,506,082
Acquisition of tangible capital assets	(5,990,000)	<b>(3,648,740)</b>	(2,894,956)
Proceeds on disposal of tangible capital assets	22,200	<b>19,742</b>	9,809
Amortization expense	2,054,750	<b>2,167,161</b>	2,108,716
Writedown (gain) on disposal of tangible capital assets	-	<b>4,380</b>	97,253
	<b>(3,913,050)</b>	<b>(1,457,457)</b>	<b>(679,178)</b>
Increase in prepaid expenses	-	<b>650</b>	25,243
Increase in inventory of supplies	-	<b>499</b>	(2,444)
Decrease (increase) in assets held for sale	-	<b>138,803</b>	53,932
	-	<b>139,952</b>	76,731
<b>Change in net financial assets</b>	<b>(950,306)</b>	<b>1,721,332</b>	2,903,635
<b>Net financial assets, beginning of year</b>	<b>11,686,696</b>	<b>11,686,696</b>	8,783,061
<b>Net financial assets, end of year</b>	<b>\$ 10,736,390</b>	<b>\$ 13,408,028</b>	\$ 11,686,696

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	2020	2019
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 3,038,837	\$ 3,506,082
Items not involving cash		
Amortization and write down of tangible capital assets	2,171,541	2,205,969
Retirement benefit liability	16,132	766
Landfill site closure and post-closure care	69,418	212,021
	<u>5,295,928</u>	<u>5,924,838</u>
Change in balances		
Increase in taxes receivable	(170,572)	(75,112)
Decrease in accounts receivable	23,344	791,666
Decrease (increase) in inventory for resale	(553)	4,401
Increase (decrease) in accounts payable	276,184	(603,050)
Increase (decrease) in deferred revenue	428,483	(42,151)
Decrease in non-financial assets	139,952	76,731
	<u>5,992,766</u>	<u>6,077,323</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,648,740)	(2,894,956)
Proceeds on disposal of tangible capital assets	19,742	9,809
	<u>(3,628,998)</u>	<u>(2,885,147)</u>
<b>Investing activities</b>		
Purchase of investments	(526,437)	(515,250)
Proceeds on sale of investments	-	1,250,000
	<u>(526,437)</u>	<u>734,750</u>
<b>Financing activities</b>		
Decrease in temporary borrowings	(4,899)	(255)
Repayment of long-term liabilities	(150,670)	(234,866)
	<u>(155,569)</u>	<u>(235,121)</u>
<b>Net change in cash</b>	<b>1,681,762</b>	<b>3,691,805</b>
<b>Cash, beginning of year</b>	<b>8,197,114</b>	<b>4,505,309</b>
<b>Cash, end of year</b>	<b>\$ 9,878,876</b>	<b>\$ 8,197,114</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 Summary of Significant Accounting Policies

December 31, 2020

---

**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	20.0% (2019- 20.7%)
Hanover / Walkerton Landfill Site	50%
Saugeen Municipal Airport	31.0% (2019- 31.0%)

---

# The Corporation of the Town of Hanover

## Summary of Significant Accounting Policies

December 31, 2020

---

### 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.

---

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

December 31, 2020

---

### Portfolio and Long-term Investments

Portfolio and long-term investments are recorded at cost. They are written down where there has been a loss in value that is other than a temporary decline.

### 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.

---

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

December 31, 2020

---

### **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.

---

---

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

December 31, 2020

---

### 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, 2020, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$637,065 (2019 - \$246,186), the use of which is externally restricted by legislation or agreement.

---

### 2. Portfolio Investments

	<u>2020</u>	<u>2019</u>
Mutual funds and GIC	<u>\$ 2,541,687</u>	<u>\$ 2,015,250</u>
Market value	<u>\$ 3,141,780</u>	<u>\$ 2,556,480</u>

---

### 3. Loans Receivable

	<u>2020</u>	<u>2019</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, 2020

### 4. Long-Term Investments

	2020	2019
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

	2020	2019
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 795,322	\$ 427,129
Federal Gasoline Tax Funding	303,604	245,759
	1,098,926	672,888
Deferred revenue	310,296	307,851
	<b>\$ 1,409,222</b>	<b>\$ 980,739</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	\$ 427,129	\$ 733,256	\$ 2,034	\$ (367,097)	\$ 795,322
Federal Gasoline Tax Funding	245,759	233,225	4,620	(180,000)	303,604
Total	\$ 672,888	\$ 966,481	\$ 6,654	\$ (547,097)	\$1,098,926



---

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

**December 31, 2020**

---

**6. Long-Term Debt**

	<u>2020</u>	<u>2019</u>
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	\$ 747,220	\$ 896,148
Note payable, 9.74%, payable \$166 principal and interest monthly, due November 2021	<u>1,587</u>	<u>3,330</u>
	<u>\$ 748,807</u>	<u>\$ 899,478</u>

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

2021	\$ 154,373
2022	156,681
2023	160,675
2024	164,753
2025	112,325

---

---

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2020

---

### 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 \$5,085,925, with the Town of Hanover's share being \$2,542,963.

At December 31, 2020, the Town of Hanover has recognized a liability of \$650,305. 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 18.2% of the total estimated costs related to the expansion phase. The liability is based on a total capacity of 917,000 cubic metres, an inflation rate of 2.10% (2019 - 2.10%) and a discount rate of 2.80% (2019 - 2.80%).

The balance of the town's share of the liability of \$1,892,658 will be accrued as the remaining capacity of 336,300 cubic metres is utilized over the 21 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 letter of February 2020. 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, 2020

---

### 8. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 67 (2019 - 68) 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 2020 was \$432,937 (2019 - \$429,121). The contribution rate for 2020 was 9.0% to 15.8% depending on age and income level (2019 - 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, 2020. At that time, the plan reported an actuarial deficit of \$3.2 billion (2019 - deficit of \$3.4 billion), based on actuarial liabilities of \$111.8 billion (2019 - \$106.4 billion) and actuarial assets of \$108.6 billion (2019 - \$103.0 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>2020</u>	<u>2019</u>
Retirement benefit		
accrued benefit obligation	\$ 1,407,003	\$ 1,390,626
Unamortized actuarial gain (loss)	(120,054)	(117,998)
Recoverable amount	<u>(4,421)</u>	<u>(6,232)</u>
Retirement benefit liability	<u>\$ 1,282,528</u>	<u>\$ 1,266,396</u>

---

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

**December 31, 2020**

---

### 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, 2018. The accrued benefit obligation shown for 2020 is based on an extrapolation of that 2018 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups (13 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 3.75%, along with an inflation rate of 1.75% and a compensation increase rate of 1.75% to 2.75%. For extended health care costs, a 6.42% annual rate of increase was assumed for 2020, decreasing to an ultimate annual rate of increase of 3.75% in 2028. For dental costs, a 3.75% annual rate of increase was assumed.

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

	2020	2019
Current service cost	\$ 64,477	\$ 83,942
Interest cost	44,629	45,437
Amortization of actuarial gain/(loss)	(2,053)	(2,053)
Total expense for the year	107,053	127,326
Benefit payments	(90,919)	(126,560)
Change in liability for the year	\$ 16,134	\$ 766

---

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

**December 31, 2020**

**10. Tangible Capital Assets**

For the year ended December 31, 2020

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2020 Total
<b>Cost, beginning of year</b>	\$ 7,510,197	\$ 39,444,128	\$ 7,293,850	\$ 3,115,555	\$ 45,268,868	\$ 102,632,598
Additions	515,600	293,029	221,496	469,997	2,148,618	3,648,740
Disposals	-	(5,952)	(393,742)	(69,935)	(119,636)	(589,265)
<b>Cost, end of year</b>	<b>8,025,797</b>	<b>39,731,205</b>	<b>7,121,604</b>	<b>3,515,617</b>	<b>47,297,850</b>	<b>105,692,073</b>
<b>Accumulated amortization, beginning of year</b>	1,172,498	12,119,513	4,223,923	1,480,888	13,513,834	32,510,656
Amortization	131,884	774,707	341,619	186,102	732,849	2,167,161
Disposals	-	(1,505)	(383,350)	(69,801)	(110,487)	(565,143)
<b>Accumulated amortization, end of year</b>	<b>1,304,382</b>	<b>12,892,715</b>	<b>4,182,192</b>	<b>1,597,189</b>	<b>14,136,196</b>	<b>34,112,674</b>
<b>Net carrying amount, end of year</b>	<b>\$ 6,721,415</b>	<b>\$ 26,838,490</b>	<b>\$ 2,939,412</b>	<b>\$ 1,918,428</b>	<b>\$ 33,161,654</b>	<b>\$ 71,579,399</b>

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

**December 31, 2020**

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

For the year ended December 31, 2019

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2019 Total
<b>Cost, beginning of year</b>	\$ 7,435,095	\$ 36,965,429	\$ 7,408,256	\$ 2,775,816	\$ 45,975,822	\$ 100,560,418
Additions	80,301	83,313	183,185	611,233	1,936,924	2,894,956
Disposals	(5,199)	(16,814)	(297,591)	(271,494)	(231,678)	(822,776)
Adjustments		2,412,200	-	-	(2,412,200)	-
<b>Cost, end of year</b>	<b>7,510,197</b>	<b>39,444,128</b>	<b>7,293,850</b>	<b>3,115,555</b>	<b>45,268,868</b>	<b>102,632,598</b>
<b>Accumulated amortization, beginning of year</b>	1,046,865	11,368,648	4,167,484	1,585,678	12,948,979	31,117,654
Amortization	130,832	760,832	342,387	164,256	710,409	2,108,716
Disposals	(5,199)	(14,992)	(285,948)	(269,046)	(140,529)	(715,714)
Adjustments		5,025	-	-	(5,025)	-
<b>Accumulated amortization, end of year</b>	<b>1,172,498</b>	<b>12,119,513</b>	<b>4,223,923</b>	<b>1,480,888</b>	<b>13,513,834</b>	<b>32,510,656</b>
<b>Net carrying amount, end of year</b>	<b>\$ 6,337,699</b>	<b>\$ 27,324,615</b>	<b>\$ 3,069,927</b>	<b>\$ 1,634,667</b>	<b>\$ 31,755,034</b>	<b>\$ 70,121,942</b>

The carrying value of tangible capital assets not being amortized because they were under construction, development, or were removed from service during the year is \$504,610 (2019 - \$nil). These assets were put into service on December 31, 2020.

---

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

**December 31, 2020**

---

### 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 \$504,610 (2019 - \$nil).

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:

	2020	2019
General surplus (deficit)	\$ (52,739)	\$ (158,897)
Reserves and reserve funds		
set aside for specific purpose by council (Note 12)	16,640,521	15,241,215
Amounts to be recovered (Note 13)	(2,763,586)	(2,746,762)
Amount invested in land for resale	1,839,338	1,746,598
Amount invested in tangible capital assets	71,579,399	70,121,942
Accumulated surplus	\$87,242,933	\$ 84,204,096

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

Saugeen Municipal Airport	\$ (52,739)	\$ (52,635)
Launch Pad Youth Activity & Technology Centre	-	(106,262)
	\$ (52,739)	\$ (158,897)

---

---

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

December 31, 2020

---

### 12. Reserves and Reserve Funds

	2020	2019
<b>Reserves set aside for specific purpose by council:</b>		
Working funds	\$ 457,434	\$ 457,434
WSIB	119,764	120,700
Current		
General government	96,493	123,986
Health services	9,462	4,920
Planning and development	20,748	41,092
Westario Power proceeds, set aside in note for future use	380,000	380,000
Other	10,197	10,197
Capital		
Protection services	1,074,494	1,079,250
Wastewater	548,150	534,075
Water	839,200	825,128
Waste collection and disposal	242,286	547,324
Health services	39,484	24,859
Hanover Public Library Board	226,312	206,149
Recreation and culture	31,990	29,490
Planning and development	119,886	110,886
Other capital purposes	2,345,477	1,462,255
	<b>6,561,377</b>	<b>5,957,745</b>
<b>Reserve funds set aside for specific purpose by council:</b>		
Infrastructure	278,283	246,717
Investing in Hanover	1,097,223	826,621
Water	3,487,383	3,169,049
Wastewater	2,455,567	2,280,465
Planning and development	3,946	3,876
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	<b>10,079,144</b>	<b>9,283,470</b>
<b>Reserves and reserve funds set aside for specific purpose by council</b>	<b>\$16,640,521</b>	<b>\$ 15,241,215</b>

---



---

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

**December 31, 2020**

---

### 13. Amounts to be recovered

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

	<u>2020</u>	<u>2019</u>
Long-term debt	\$ 748,807	\$ 899,478
Retirement benefit liability	1,282,528	1,266,396
Insurance deductible	81,946	-
Landfill site closure and post-closure care liability	<u>650,305</u>	<u>580,888</u>
	<u>\$ 2,763,586</u>	<u>\$ 2,746,762</u>

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

	<u>2020</u>	<u>2019</u>
Principal payments on long-term debt	\$ (150,671)	\$ (234,865)
Increase in insurance deductible	81,946	-
Increase in retirement benefit liability	16,132	766
Change in landfill site closure and post-closure care liability	<u>69,417</u>	<u>212,021</u>
Increase (decrease) in amounts to be recovered	<u>\$ 16,824</u>	<u>\$ (22,078)</u>

---

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

December 31, 2020

### 14. Government Transfers

Government transfer revenue is comprised of the following:

	2020 Budget	2020 Actual	2019 Actual
<b>Operating</b>			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,951,900	\$ 1,951,900	\$ 1,912,700
Ontario Lottery and Gaming Corporation	1,400,000	397,933	1,406,026
Province of Ontario conditional grants			
General government	56,700	15,668	624,255
Protection services	35,200	136,456	38,822
Safe restart funding	-	1,207,200	-
Transit	120,000	482,710	686,479
Waste collection	65,000	68,551	68,635
Hanover Public Library Board operating grant	14,300	17,971	17,913
Social and Family Services	3,700	36,700	-
Other	81,600	89,836	75,554
	<u>3,728,400</u>	<u>4,404,925</u>	<u>4,830,384</u>
Government of Canada conditional grants			
Hanover Public Library Board	-	6,747	11,906
Other	19,800	122,827	33,581
	<u>19,800</u>	<u>129,574</u>	<u>45,487</u>
Other Municipalities conditional grants			
Protection services	127,300	127,300	124,800
Roadways	28,100	17,108	16,085
	<u>155,400</u>	<u>144,408</u>	<u>140,885</u>
Total operating grants	<u>3,903,600</u>	<u>4,678,907</u>	<u>5,016,756</u>

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

December 31, 2020

### 14. Government Transfers (continued)

#### Tangible Capital Asset Grants

	2020 Budget	2020 Actual	2019 Actual
Province of Ontario conditional grants			
Roadways	232,200	<b>233,348</b>	232,259
Recreation and cultural services	71,600	-	-
Other	-	<b>6,600</b>	-
	<b>303,800</b>	<b>239,948</b>	232,259
Government of Canada conditional grants			
Roadways	380,000	<b>180,000</b>	574,999
Recreation and cultural services	86,000	-	-
	<b>466,000</b>	<b>180,000</b>	574,999
Other Municipalities conditional grants			
Roadways	-	-	83,132
Total tangible capital asset grants	<b>769,800</b>	<b>419,948</b>	890,390
Total government transfer revenue	<b>\$ 4,673,400</b>	<b>\$ 5,098,855</b>	<b>\$ 5,907,146</b>

Included in expenses are government transfers for the following:

	2020 Budget	2020 Actual	2019 Actual
Conservation authority	\$ 113,500	\$ <b>113,511</b>	\$ 112,611
Transit	-	<b>511,388</b>	544,231
Other	109,500	<b>95,215</b>	116,686
	<b>\$ 223,000</b>	<b>\$ 720,114</b>	<b>\$ 773,528</b>

---

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

December 31, 2020

---

### 15. Other Income

	2020 Budget	2020 Actual	2019 Actual
Penalties and interest on taxation	\$ 55,000	\$ 58,883	\$ 46,759
Rents	411,000	411,064	401,507
Other	47,600	57,389	71,634
	\$ 513,600	\$ 527,336	\$ 519,900

---

### 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, 2020

---

### 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, 2020**

### 16. Segmented Information (continued)

For the year ended December 31, 2020

	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	2020 Total
<b>Revenue</b>										
Taxation	\$ 745,233	\$ 2,378,343	\$ 1,592,421	\$ -	\$ 121,691	\$ 86,617	\$ 568,100	\$ 1,085,250	\$ 550,960	\$ 7,128,615
Government transfers										
- OMPF & OLG	332,619	684,150	598,824	-	33,532	23,867	-	537,403	139,438	2,349,833
- other	1,222,868	270,356	1,014,717	-	71,670	56,775	24,718	6,610	81,308	2,749,022
Fees and user charges	155,460	590,237	168,496	3,847,753	538,474	148,550	6,664	224,326	156,317	5,836,277
Investment income	285,199	-	-	77,474	6,432	-	2,898	236	1,463	373,702
Donations and other revenue	259,852	31,665	-	-	-	463,828	16,869	7,872	-	780,086
	<b>3,001,231</b>	<b>3,954,751</b>	<b>3,374,458</b>	<b>3,925,227</b>	<b>771,799</b>	<b>779,637</b>	<b>619,249</b>	<b>1,861,697</b>	<b>929,486</b>	<b>19,217,535</b>
<b>Expenses</b>										
Salaries and benefits	965,643	2,762,015	621,704	752,152	100,788	319,360	386,604	1,186,020	122,919	7,217,205
Interest on debt	-	-	-	-	-	-	-	20,929	-	20,929
Materials and supplies	538,225	558,077	674,655	1,783,562	328,511	283,994	164,095	680,474	557,319	5,568,912
Contracted services	-	152,394	68,113	48,790	205,066	-	-	5,634	-	479,997
Government transfers	95,500	113,511	511,103	-	-	-	-	-	-	720,114
Amortization and Loss on Disposal	99,606	144,600	666,748	521,448	94,132	122,082	42,801	475,095	5,029	2,171,541
<b>Total expenses</b>	<b>1,698,974</b>	<b>3,730,597</b>	<b>2,542,323</b>	<b>3,105,952</b>	<b>728,497</b>	<b>725,436</b>	<b>593,500</b>	<b>2,368,152</b>	<b>685,267</b>	<b>16,178,698</b>
<b>Annual surplus (deficit)</b>	<b>\$ 1,302,257</b>	<b>\$ 224,154</b>	<b>\$ 832,135</b>	<b>\$ 819,275</b>	<b>\$ 43,302</b>	<b>\$ 54,201</b>	<b>\$ 25,749</b>	<b>\$ (506,455)</b>	<b>\$ 244,219</b>	<b>\$ 3,038,837</b>

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

**December 31, 2020**

### 16. Segmented Information (continued)

For the year ended December 31, 2019

	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	2019 Total
<b>Revenue</b>										
Taxation	\$ 808,230	\$ 2,432,546	\$ 1,101,257	\$ -	\$ 150,565	\$ 199,526	\$ 555,400	\$ 1,282,047	\$ 347,375	\$ 6,876,946
Government transfers										
- OMPF & OLG	392,578	1,181,550	534,909	-	73,133	96,915	-	892,495	147,146	3,318,726
- other	624,255	163,622	1,592,955	-	84,732	4,271	29,819	33,035	55,731	2,588,420
Fees and user charges	42,300	199,726	275,949	3,707,021	451,129	162,200	20,787	783,336	224,428	5,866,876
Investment income	281,135	-	-	84,232	11,718	-	4,743	673	2,779	385,280
Donations and other revenue	255,602	9,454	-	-	-	353,842	55,956	5,101	-	679,955
	<u>2,404,100</u>	<u>3,986,898</u>	<u>3,505,070</u>	<u>3,791,253</u>	<u>771,277</u>	<u>816,754</u>	<u>666,705</u>	<u>2,996,687</u>	<u>777,459</u>	<u>19,716,203</u>
<b>Expenses</b>										
Salaries and benefits	880,526	2,616,171	692,404	704,045	91,306	372,163	395,493	1,581,712	162,873	7,496,693
Interest on debt	-	-	-	-	-	342	-	24,571	-	24,913
Materials and supplies	253,906	566,736	767,141	1,375,952	480,561	320,242	170,207	858,606	451,229	5,244,580
Contracted services	-	142,578	49,751	38,722	217,434	-	-	15,953	-	464,438
Government transfers	116,950	112,611	543,967	-	-	-	-	-	-	773,528
Amortization and Loss on Disposal	86,387	136,681	672,998	570,731	95,627	123,582	43,093	472,816	4,054	2,205,969
<b>Total expenses</b>	<u>1,337,769</u>	<u>3,574,777</u>	<u>2,726,261</u>	<u>2,689,450</u>	<u>884,928</u>	<u>816,329</u>	<u>608,793</u>	<u>2,953,658</u>	<u>618,156</u>	<u>16,210,121</u>
<b>Annual surplus (deficit)</b>	\$ 1,066,331	\$ 412,121	\$ 778,809	\$ 1,101,803	\$ (113,651)	\$ 425	\$ 57,912	\$ 43,029	\$ 159,303	\$ 3,506,082

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

December 31, 2020

### 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	\$ -	\$ 20,688	\$ 555,068
Accounts receivable	26,099	145,618	40,931
Other financial assets	8,826	-	-
	<u>34,925</u>	<u>166,306</u>	<u>595,999</u>
<b>Liabilities</b>			
Temporary borrowings	500	119,827	-
Accounts payable	24,245	99,574	111,427
Other liabilities	146,576	-	1,312,661
	<u>171,321</u>	<u>219,401</u>	<u>1,424,088</u>
Net financial assets (net debt)	(136,396)	(53,095)	(828,089)
Non-financial assets	<u>778,416</u>	<u>523,352</u>	<u>4,854,342</u>
Accumulated Surplus	<u>\$ 642,020</u>	<u>\$ 470,257</u>	<u>\$ 4,026,253</u>
<b>Accumulated Surplus</b>			
General surplus (deficit)	\$ (22,513)	\$ -	\$ -
Reserves and reserve funds	32,693	-	484,572
Amounts to be recovered in future years	(146,576)	-	(1,312,661)
Invested in tangible capital assets	778,416	470,257	4,854,342
	<u>\$ 642,020</u>	<u>\$ 470,257</u>	<u>\$ 4,026,253</u>
<b>Revenues</b>			
Contributions from Town of Hanover	\$ 46,500	\$ 150,546	\$ -
Other government contributions	103,500	1,152,720	346,239
Other	175,839	229,595	711,649
Expenses	<u>(347,079)</u>	<u>(1,422,393)</u>	<u>(986,217)</u>
Annual surplus (deficit)	<u>\$ (21,240)</u>	<u>\$ 110,468</u>	<u>\$ 71,671</u>



---

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

December 31, 2020

---

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

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

---

### 18. Budget Amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net 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:

	2020 Budget	2020 Actual	2019 Actual
Annual surplus	\$ 2,962,744	\$ 3,038,837	\$ 3,506,082
Acquisition of tangible capital assets	(5,990,000)	(3,648,740)	(2,894,956)
Proceeds on disposal of tangible capital assets	22,200	19,742	9,809
Amortization and write downs	2,054,750	2,171,541	2,205,969
Acquisition of assets held for sale and other	-	(92,741)	-
Debt principal repayments	(150,900)	(150,670)	(234,866)
	(1,101,206)	1,337,969	2,592,038
Transfers from (to) reserves	1,101,206	(1,266,157)	(2,817,380)
Change in unfunded liabilities	-	167,495	212,788
	-	239,307	(12,554)
Reserve funds annual surplus	-	(133,149)	(94,258)
General surplus (deficit), beginning of year	(158,897)	(158,897)	(52,085)
General surplus (deficit), end of year	\$ (158,897)	\$ (52,739)	\$ (158,897)

---

---

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

**December 31, 2020**

---

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

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

	<u>2020</u>	<u>2019</u>
School boards	\$ 2,469,683	\$ 2,480,823
County of Grey	<u>2,959,301</u>	<u>2,885,071</u>
	<u>\$ 5,428,984</u>	<u>\$ 5,365,894</u>

---

### 20. Trust Funds

The trust funds administered by the municipality amounting to \$655,974 (2019 - \$640,162) 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, 2020, the trust fund balances are as follows:

	<u>2020</u>	<u>2019</u>
Cemetery Pre-need Assurance Fund	\$ 183,471	\$ 182,013
Cemetery Care and Maintenance Funds	<u>472,503</u>	<u>458,149</u>
	<u>\$ 655,974</u>	<u>\$ 640,162</u>

---

### 21. Contractual Obligations

The municipality has commitments with respect to capital projects at December 31, 2020 in the amount of \$1,636,000 (2019 - \$223,010).

---

---

# The Corporation of the Town of Hanover

## Notes to Consolidated Financial Statements

December 31, 2020

---

### 22. Uncertainty due to COVID-19

The impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the municipality, its residents, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the municipality's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the municipality is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The municipality's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The municipality will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its residents.

---



Tel: 519 364 3790  
Fax: 519 364 5334  
www.bdo.ca

BDO Canada LLP  
485 10th Street  
Hanover ON N4N 1R2  
Canada

---

## Independent Auditor's Report

---

**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, 2020 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, 2020, 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  
August 9, 2021

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

December 31	2020			2019	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
<b>Assets</b>					
Cash	\$ 184,145	\$ 121,425	\$ 305,570	\$	130,714
Portfolio investments (Note 2)	-	363,331	363,331	-	504,575
Accounts receivable	-	-	-	-	1,692
Due from general account	-	-	-	-	3,189
	<b>\$ 184,145</b>	<b>\$ 484,756</b>	<b>\$ 668,901</b>	<b>\$</b>	<b>640,170</b>
<b>Liabilities and Fund Balances</b>					
Accounts payable	\$ 674	\$ 12,253	\$ 12,927	\$	8
Fund balance	183,471	472,503	655,974	-	640,162
	<b>\$ 184,145</b>	<b>\$ 484,756</b>	<b>\$ 668,901</b>	<b>\$</b>	<b>640,170</b>

**Statement of Continuity**

For the year ended December 31	2020			2019	
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total	Total	
<b>Fund balance,</b> beginning of the year	\$ 182,013	\$ 458,149	\$ 640,162	\$	626,919
<b>Receipts</b>					
Interest earned	3,843	1,315	5,158	-	7,647
Gain on disposal of investments	-	13,331	13,331	-	-
Perpetual care	-	14,353	14,353	-	10,958
Prepaid needs	15,080	-	15,080	-	6,940
	<b>18,923</b>	<b>28,999</b>	<b>47,922</b>	<b>-</b>	<b>25,545</b>
<b>Expenses</b>					
Transfers to municipality	17,465	14,645	32,110	-	12,302
<b>Fund balance, end of the year</b>	<b>\$ 183,471</b>	<b>\$ 472,503</b>	<b>\$ 655,974</b>	<b>\$</b>	<b>640,162</b>

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

---

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

December 31, 2020

---

## 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 cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

---

## 2. Portfolio Investments

Portfolio investments are made up of the following:

	2020	2019
Investment certificates, effective interest rate of 3.05%, matured in August 2020	\$ -	\$ 154,575
Mutual funds	363,331	350,000
	\$ 363,331	\$ 504,575
Market value	\$ 524,955	\$ 647,379

---

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

December 31, 2020

---

---