

The Corporation of the
Town of Hanover
Consolidated Financial Statements
For the year ended December 31, 2021

The Corporation of the
Town of Hanover
Consolidated Financial Statements
For the year ended December 31, 2021

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

July 11, 2022



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, 2021, 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, 2021, 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
July 11, 2022

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

December 31	2021	2020
Financial assets		
Cash (Note 1, page 15)	\$11,964,208	\$ 9,878,876
Portfolio investments (Note 2, page 15)	1,157,771	2,541,687
Taxes receivable	368,600	429,095
Water and wastewater charges receivable	532,777	483,095
Government transfers receivable	1,751,595	952,475
Other receivables	888,538	841,331
Inventory for resale	29,787	8,423
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>20,585,101</u>	<u>19,026,807</u>
Liabilities		
Temporary borrowings	25,186	23,965
Accounts payable and accrued liabilities	1,705,147	1,503,952
Deferred revenue (Note 5, page 16)	1,531,409	1,409,222
Long-term debt (Note 6, page 17)	594,435	748,807
Landfill site closure and post-closure care liability (Note 7, page 18)	657,108	650,305
Retirement benefit liability (Note 9, page 19)	1,323,677	1,282,528
	<u>5,836,962</u>	<u>5,618,779</u>
Net financial assets	<u>14,748,139</u>	<u>13,408,028</u>
Non-financial assets		
Prepaid expenses	46,174	26,317
Inventory of supplies	136,110	121,674
Land held for sale	1,551,930	2,107,515
Tangible capital assets (Note 10, page 21)	85,220,297	71,579,399
	<u>86,954,511</u>	<u>73,834,905</u>
Accumulated surplus (Note 11, page 23)	<u>\$101,702,650</u>	<u>\$ 87,242,933</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	2021 Budget (Note 18)	2021 Actual	2020 Actual
Revenue			
Taxation	\$ 7,471,914	\$ 7,490,817	\$ 7,128,615
Government transfers (Note 14, page 26)	3,817,800	5,221,930	5,098,855
Water and wastewater charges	3,804,000	3,970,802	3,847,753
User fees and service charges	3,233,338	2,503,426	1,988,524
Investment income	211,800	418,579	373,702
Donations (Note 10, page 21)	78,500	13,060,914	252,750
Other income (Note 15, page 27)	538,100	586,242	527,336
	<u>19,155,452</u>	<u>33,252,710</u>	<u>19,217,535</u>
Expenses			
General government	1,366,500	1,380,052	1,698,974
Protection services	4,069,900	3,980,064	3,730,597
Transportation services	1,728,245	2,721,838	1,743,803
Transit	245,000	885,849	798,520
Environmental services	3,758,950	4,816,271	3,834,449
Health and social services	881,600	925,565	725,436
Recreation and cultural services	3,560,300	3,066,109	2,961,652
Planning and development	531,150	1,017,245	685,267
	<u>16,141,645</u>	<u>18,792,993</u>	<u>16,178,698</u>
Annual surplus	3,013,807	14,459,717	3,038,837
Accumulated surplus, beginning of the year	<u>87,242,933</u>	<u>87,242,933</u>	<u>84,204,096</u>
Accumulated surplus, end of the year	<u>\$ 90,256,740</u>	<u>\$101,702,650</u>	<u>\$ 87,242,933</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	2021 Budget (Note 18)	2021 Actual	2020 Actual
Annual surplus	\$ 3,013,807	\$14,459,717	\$ 3,038,837
Acquisition of tangible capital assets	(5,587,200)	(17,969,093)	(3,648,740)
Proceeds on disposal of tangible capital assets	4,000	278,650	19,742
Amortization expense	2,064,250	2,954,961	2,167,161
Writedown (gain) on disposal of tangible capital assets	-	1,094,584	4,380
	<u>(3,518,950)</u>	<u>(13,640,898)</u>	<u>(1,457,457)</u>
Increase in prepaid expenses	-	(19,857)	650
Increase in inventory of supplies	-	(14,436)	499
Decrease (increase) in assets held for sale	-	555,585	138,803
	<u>-</u>	<u>521,292</u>	<u>139,952</u>
Change in net financial assets	(505,143)	1,340,111	1,721,332
Net financial assets, beginning of year	<u>13,408,028</u>	<u>13,408,028</u>	<u>11,686,696</u>
Net financial assets, end of year	<u>\$ 12,902,885</u>	<u>\$14,748,139</u>	<u>\$ 13,408,028</u>

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

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

For the year ended December 31	2021	2020
Cash provided by (used in)		
Operating activities		
Annual surplus	\$14,459,717	\$ 3,038,837
Items not involving cash		
Amortization and write down of tangible capital assets	4,049,545	2,171,541
Retirement benefit liability	41,149	16,132
Landfill site closure and post-closure care	6,803	69,418
Tangible capital assets assumed	<u>(12,858,903)</u>	<u>-</u>
	5,698,311	5,295,928
Change in balances		
Decrease (increase) in taxes receivable	60,495	(170,572)
Decrease (increase) in accounts receivable	(896,009)	23,344
Increase in inventory for resale	(21,364)	(553)
Increase (decrease) in accounts payable	201,196	276,184
Increase (decrease) in deferred revenue	122,187	428,483
Decrease in non-financial assets	<u>521,292</u>	<u>139,952</u>
	<u>5,686,108</u>	<u>5,992,766</u>
Capital activities		
Acquisition of tangible capital assets	(5,110,190)	(3,648,740)
Proceeds on disposal of tangible capital assets	<u>278,650</u>	<u>19,742</u>
	<u>(4,831,540)</u>	<u>(3,628,998)</u>
Investing activities		
Purchase of investments	(116,084)	(526,437)
Proceeds on sale of investments	<u>1,500,000</u>	<u>-</u>
	<u>1,383,916</u>	<u>(526,437)</u>
Financing activities		
Increase (decrease) in temporary borrowings	1,221	(4,899)
Repayment of long-term liabilities	<u>(154,373)</u>	<u>(150,670)</u>
	<u>(153,152)</u>	<u>(155,569)</u>
Net change in cash	2,085,332	1,681,762
Cash, beginning of year	<u>9,878,876</u>	<u>8,197,114</u>
Cash, end of year	<u>\$11,964,208</u>	<u>\$ 9,878,876</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 Summary of Significant Accounting Policies

December 31, 2021

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% (2020- 20.0%)
Hanover / Walkerton Landfill Site	50%
Saugeen Municipal Airport	31.0% (2020- 31.0%)

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

December 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021, the municipality had undrawn credit capacity under this facility of \$500,000.

Included in cash is \$776,118 (2020 - \$637,065), the use of which is externally restricted by legislation or agreement.

2. Portfolio Investments

	<u>2021</u>	<u>2020</u>
Mutual funds and GIC	<u>\$ 1,157,771</u>	<u>\$ 2,541,687</u>
Market value	<u>\$ 1,980,295</u>	<u>\$ 3,141,780</u>

3. Loans Receivable

	<u>2021</u>	<u>2020</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, 2021

4. Long-Term Investments

	2021	2020
Westario Power Inc. 1,509 common shares	<u>\$ 2,756,742</u>	<u>\$ 2,756,742</u>

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

	2021	2020
Obligatory Reserve Funds		
Provincial Gasoline Tax Funding	\$ 1,098,830	\$ 795,322
Federal Gasoline Tax Funding	210,300	303,604
	1,309,130	1,098,926
Deferred revenue	222,279	310,296
	<u>\$ 1,531,409</u>	<u>\$ 1,409,222</u>

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	\$ 795,322	\$ 782,008	\$ 5,913	\$ (484,413)	\$1,098,830
Federal Gasoline Tax Funding	303,604	478,223	4,752	(576,279)	210,300
Total	<u>\$ 1,098,926</u>	<u>\$ 1,260,231</u>	<u>\$ 10,665</u>	<u>\$ (1,060,692)</u>	<u>\$1,309,130</u>

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

December 31, 2021

6. Long-Term Debt

	<u>2021</u>	<u>2020</u>
Term loan payable, 2.52%, payable \$14,155 principal and interest monthly, due August 2025	\$ 594,435	\$ 747,220
Note payable, 9.74%, payable \$166 principal and interest monthly, repaid during the year	<u>-</u>	<u>1,587</u>
	<u>\$ 594,435</u>	<u>\$ 748,807</u>

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

2022	\$ 156,681
2023	160,675
2024	164,753
2025	112,326

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

December 31, 2021

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 \$4,840,392, with the Town of Hanover's share being \$2,420,196.

At December 31, 2021, the Town of Hanover has recognized a liability of \$657,108. 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 20.9% 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 2.50% (2020 - 2.10%) and a discount rate of 3.37% (2020 - 2.80%).

The balance of the town's share of the liability of \$1,763,088 will be accrued as the remaining capacity of 325,300 cubic metres is utilized over the 30 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 March 2022. 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, 2021

8. Pension Plan

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 76 (2020 - 67) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The employer amount contributed to OMERS for 2021 was \$444,962 (2020 - \$432,937). The contribution rate for 2021 was 9.0% to 15.8% depending on age and income level (2020 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits 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, 2021. At that time, the plan reported an actuarial deficit of \$3.1 billion (2020 - deficit of \$3.2 billion), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines 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>2021</u>	<u>2020</u>
Retirement benefit accrued benefit obligation	\$ 1,448,234	\$ 1,407,003
Unamortized actuarial gain (loss)	(122,107)	(120,054)
Recoverable amount	<u>(2,450)</u>	<u>(4,421)</u>
Retirement benefit liability	<u>\$ 1,323,677</u>	<u>\$ 1,282,528</u>

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

December 31, 2021

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 2021 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 6.08% annual rate of increase was assumed for 2021, 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:

	2021	2020
Current service cost	\$ 62,565	\$ 64,477
Interest cost	45,210	44,629
Amortization of actuarial gain/(loss)	(2,053)	(2,053)
Total expense for the year	105,722	107,053
Benefit payments	(64,572)	(90,919)
Change in liability for the year	\$ 41,150	\$ 16,134

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

December 31, 2021

10. Tangible Capital Assets

For the year ended December 31, 2021

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2021 Total
Cost, beginning of year	\$ 8,025,797	\$ 39,731,205	\$ 7,121,604	\$ 3,515,617	\$ 47,297,850	\$105,692,073
Additions	994,990	2,774,482	183,759	267,412	13,748,450	17,969,093
Disposals	(65,652)	(142,922)	(178,010)	(279,117)	(2,091,186)	(2,756,887)
Adjustments	-	574,332	-	-	(574,332)	-
Cost, end of year	8,955,135	42,937,097	7,127,353	3,503,912	58,380,782	120,904,279
Accumulated amortization, beginning of year	1,304,382	12,892,715	4,182,192	1,597,189	14,136,196	34,112,674
Amortization	139,027	785,007	332,511	244,345	1,454,071	2,954,961
Disposals	-	(68,197)	(167,618)	(274,544)	(873,294)	(1,383,653)
Accumulated amortization, end of year	1,443,409	13,609,525	4,347,085	1,566,990	14,716,973	35,683,982
Net carrying amount, end of year	\$ 7,511,726	\$ 29,327,572	\$ 2,780,268	\$ 1,936,922	\$ 43,663,809	\$ 85,220,297

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

December 31, 2021

10. Tangible Capital Assets (continued)

For the year ended December 31, 2020

	Land and Land Improvements	Buildings	Equipment	Vehicles	Infrastructure	2020 Total
Cost, beginning of year	\$ 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)
Cost, end of year	<u>8,025,797</u>	<u>39,731,205</u>	<u>7,121,604</u>	<u>3,515,617</u>	<u>47,297,850</u>	<u>105,692,073</u>
Accumulated amortization, beginning of year	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)
Accumulated amortization, end of year	<u>1,304,382</u>	<u>12,892,715</u>	<u>4,182,192</u>	<u>1,597,189</u>	<u>14,136,196</u>	<u>34,112,674</u>
Net carrying amount, end of year	<u>\$ 6,721,415</u>	<u>\$ 26,838,490</u>	<u>\$ 2,939,412</u>	<u>\$ 1,918,428</u>	<u>\$ 33,161,654</u>	<u>\$ 71,579,399</u>

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 \$1,435,980 (2020 - \$504,610).

\$12,858,903 (2020 - \$nil) in contributed tangible capital assets were recognized in the financial statements during the year and included in tangible capital asset additions and donation revenue.

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

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

December 31, 2021

11. Accumulated Surplus

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

	2021	2020
General surplus (deficit)	\$ (87,198)	\$ (52,739)
Reserves and reserve funds set aside for specific purpose by council (Note 12)	17,642,021	16,640,521
Amounts to be recovered (Note 13)	(2,595,337)	(2,763,586)
Amount invested in land for resale	1,522,867	1,839,338
Amount invested in tangible capital assets	85,220,297	71,579,399
Accumulated surplus	\$101,702,650	\$ 87,242,933

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

Saugeen Municipal Airport	\$ (46,080)	\$ (52,739)
Launch Pad Youth Activity & Technology Centre	(41,118)	-
	\$ (87,198)	\$ (52,739)

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

December 31, 2021

12. Reserves and Reserve Funds

	2021	2020
Reserves set aside for specific purpose by council:		
Working funds	\$ 457,434	\$ 457,434
WSIB	118,107	119,764
Current		
General government	82,267	96,493
Health services	12,634	9,462
Planning and development	-	20,748
Westario Power proceeds, set aside in note for future use	380,000	380,000
Other	7,639	10,197
Capital		
Protection services	1,104,573	1,074,494
Wastewater	945,891	548,150
Water	1,278,308	839,200
Waste collection and disposal	318,384	242,286
Health services	27,127	39,484
Hanover Public Library Board	248,345	226,312
Recreation and culture	51,031	31,990
Planning and development	136,428	119,886
Other capital purposes	2,470,984	2,345,477
	<u>7,639,152</u>	<u>6,561,377</u>
Reserve funds set aside for specific purpose by council:		
Infrastructure	462,028	278,283
Investing in Hanover	1,637,266	1,097,223
Water	3,624,309	3,487,383
Wastewater	1,518,475	2,455,567
Planning and development	4,049	3,946
Westario Power proceeds, set aside in shares for future use	2,756,742	2,756,742
	<u>10,002,869</u>	<u>10,079,144</u>
Reserves and reserve funds set aside for specific purpose by council	<u>\$17,642,021</u>	<u>\$ 16,640,521</u>

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

December 31, 2021

13. Amounts to be recovered

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

	<u>2021</u>	<u>2020</u>
Long-term debt	\$ 594,435	\$ 748,807
Retirement benefit liability	1,323,677	1,282,528
Insurance deductible	20,117	81,946
Landfill site closure and post-closure care liability	<u>657,108</u>	<u>650,305</u>
	<u>\$ 2,595,337</u>	<u>\$ 2,763,586</u>

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

	<u>2021</u>	<u>2020</u>
Principal payments on long-term debt	\$ (154,372)	\$ (150,671)
Increase (decrease) in insurance deductible	(61,829)	81,946
Increase in retirement benefit liability	41,149	16,132
Change in landfill site closure and post-closure care liability	<u>6,803</u>	<u>69,417</u>
Increase (decrease) in amounts to be recovered	<u>\$ (168,249)</u>	<u>\$ 16,824</u>

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

December 31, 2021

14. Government Transfers

Government transfer revenue is comprised of the following:

	2021 Budget	2021 Actual	2020 Actual
Operating			
Province of Ontario Municipal Partnership Fund (OMPF)	\$ 1,985,300	\$ 1,985,300	\$ 1,951,900
Ontario Lottery and Gaming Corporation	375,000	677,592	397,933
Province of Ontario conditional grants			
General government	138,000	15,567	15,668
Protection services	35,200	59,984	136,456
Safe restart funding	45,000	116,875	1,207,200
Transit	87,500	578,887	482,710
Waste collection	70,000	71,709	68,551
Hanover Public Library Board operating grant	15,000	15,689	17,971
Social and Family Services	65,000	66,436	36,700
Other	50,300	64,081	89,836
	<u>2,866,300</u>	<u>3,652,120</u>	<u>4,404,925</u>
Government of Canada conditional grants			
Roadways	-	5,987	-
Hanover Public Library Board	2,800	11,709	6,747
Other	26,800	130,252	21,275
	<u>29,600</u>	<u>147,948</u>	<u>28,022</u>
Other Municipalities conditional grants			
Protection services	128,000	128,000	127,300
Roadways	27,300	14,186	17,108
	<u>155,300</u>	<u>142,186</u>	<u>144,408</u>
Total operating grants	<u>3,051,200</u>	<u>3,942,254</u>	<u>4,577,355</u>

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

December 31, 2021

14. Government Transfers (continued)

Tangible Capital Asset Grants

	2021 Budget	2021 Actual	2020 Actual
Province of Ontario conditional grants			
Roadways	233,300	223,872	233,348
Recreation and cultural services	69,700	268,669	-
Other	3,000	-	6,600
	<u>306,000</u>	<u>492,541</u>	<u>239,948</u>
Government of Canada conditional grants			
Roadways	377,000	341,879	180,000
Recreation and cultural services	83,600	332,875	-
Other	-	112,381	101,551
	<u>460,600</u>	<u>787,135</u>	<u>281,551</u>
Total tangible capital asset grants	<u>766,600</u>	<u>1,279,676</u>	<u>521,499</u>
Total government transfer revenue	<u>\$ 3,817,800</u>	<u>\$ 5,221,930</u>	<u>\$ 5,098,854</u>

Included in expenses are government transfers for the following:

	2021 Budget	2021 Actual	2020 Actual
Conservation authority	\$ 113,600	\$ 113,545	\$ 113,511
Transit	-	609,454	511,388
Other	97,000	93,712	95,215
	<u>\$ 210,600</u>	<u>\$ 816,711</u>	<u>\$ 720,114</u>

15. Other Income

	2021 Budget	2021 Actual	2020 Actual
Penalties and interest on taxation	\$ 55,000	\$ 69,697	\$ 58,883
Rents	431,800	454,311	411,064
Other	51,300	62,234	57,389
	<u>\$ 538,100</u>	<u>\$ 586,242</u>	<u>\$ 527,336</u>

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

December 31, 2021

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, 2021

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.

Hanover Public Library Board

This segment provides library services to assist with its citizens' informational needs.

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 has 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, 2021

16. Segmented Information (continued)

For the year ended December 31, 2021

	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	2021 Total
Revenue										
Taxation	\$ 1,114,247	\$ 2,708,674	\$ 1,348,573	\$ -	\$ 160,415	\$ 38,754	\$ 422,493	\$ 1,320,460	\$ 377,201	\$ 7,490,817
Government transfers										
- OMPF & OLG	537,112	722,263	797,185	-	42,774	10,333	112,657	352,098	88,470	2,662,892
- other	132,443	187,984	1,331,150	-	80,197	106,924	27,398	655,442	37,500	2,559,038
Fees and user charges	38,701	306,732	190,280	3,970,802	568,297	196,314	7,759	287,018	908,325	6,474,228
Investment income	356,618	-	-	55,730	2,744	-	2,216	45	1,226	418,579
Donations and other revenue	314,826	5,607	7,302,487	5,556,416	-	435,527	32,293	-	-	13,647,156
	<u>2,493,947</u>	<u>3,931,260</u>	<u>10,969,675</u>	<u>9,582,948</u>	<u>854,427</u>	<u>787,852</u>	<u>604,816</u>	<u>2,615,063</u>	<u>1,412,722</u>	<u>33,252,710</u>
Expenses										
Salaries and benefits	1,004,119	3,016,446	605,951	855,638	106,747	452,160	408,109	1,218,573	104,731	7,772,474
Interest on debt	-	-	-	-	-	-	-	17,071	-	17,071
Materials and supplies	273,279	560,106	687,828	1,604,368	296,554	346,960	173,584	717,062	906,864	5,566,605
Contracted services	-	147,697	81,512	28,479	288,367	-	-	24,532	-	570,587
Government transfers	93,000	113,545	610,166	-	-	-	-	-	-	816,711
Amortization and Loss on Disposal	9,654	142,270	1,622,230	1,537,900	98,218	126,445	42,338	464,840	5,650	4,049,545
Total expenses	<u>1,380,052</u>	<u>3,980,064</u>	<u>3,607,687</u>	<u>4,026,385</u>	<u>789,886</u>	<u>925,565</u>	<u>624,031</u>	<u>2,442,078</u>	<u>1,017,245</u>	<u>18,792,993</u>
Annual surplus (deficit)	\$ 1,113,895	\$ (48,804)	\$ 7,361,988	\$ 5,556,563	\$ 64,541	\$ (137,713)	\$ (19,215)	\$ 172,985	\$ 395,477	\$ 14,459,717

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

December 31, 2021

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
Revenue										
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
	<u>3,001,231</u>	<u>3,954,751</u>	<u>3,374,458</u>	<u>3,925,227</u>	<u>771,799</u>	<u>779,637</u>	<u>619,249</u>	<u>1,861,697</u>	<u>929,486</u>	<u>19,217,535</u>
Expenses										
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
Total expenses	<u>1,698,974</u>	<u>3,730,597</u>	<u>2,542,323</u>	<u>3,105,952</u>	<u>728,497</u>	<u>725,436</u>	<u>593,500</u>	<u>2,368,152</u>	<u>685,267</u>	<u>16,178,698</u>
Annual surplus (deficit)	\$ 1,302,257	\$ 224,154	\$ 832,135	\$ 819,275	\$ 43,302	\$ 54,201	\$ 25,749	\$ (506,455)	\$ 244,219	\$ 3,038,837

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

December 31, 2021

17. Government Partnerships

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

	Saugeen Municipal Airport	Saugeen Mobility and Regional Transit	Hanover / Walkerton Landfill Site
Financial Assets			
Cash and temporary investments	\$ -	\$ 30,785	\$ 711,965
Accounts receivable	28,495	131,203	38,168
Other financial assets	18,190	-	-
	<u>46,685</u>	<u>161,988</u>	<u>750,133</u>
Liabilities			
Temporary borrowings	6,341	143,922	-
Accounts payable	36,417	91,427	113,366
Other liabilities	127,175	-	1,326,651
	<u>169,933</u>	<u>235,349</u>	<u>1,440,017</u>
Net financial assets (net debt)	(123,248)	(73,361)	(689,884)
Non-financial assets	<u>745,638</u>	<u>637,341</u>	<u>4,806,241</u>
Accumulated Surplus	<u>\$ 622,390</u>	<u>\$ 563,980</u>	<u>\$ 4,116,357</u>
Accumulated Surplus			
General surplus (deficit)	\$ (20,565)	\$ -	\$ -
Reserves and reserve funds	24,493	-	636,767
Amounts to be recovered in future years	(127,176)	-	(1,326,651)
Invested in tangible capital assets	745,638	563,980	4,806,241
	<u>\$ 622,390</u>	<u>\$ 563,980</u>	<u>\$ 4,116,357</u>
Revenues			
Contributions from Town of Hanover	\$ 46,965	\$ 114,083	\$ 170,000
Other government contributions	104,535	1,206,601	186,976
Other	221,091	295,244	668,569
Expenses	<u>(392,221)</u>	<u>(1,522,205)</u>	<u>(935,439)</u>
Annual surplus (deficit)	<u>\$ (19,630)</u>	<u>\$ 93,723</u>	<u>\$ 90,106</u>

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

December 31, 2021

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:

	2021 Budget	2021 Actual	2020 Actual
Annual surplus	\$ 3,013,807	\$14,459,717	\$ 3,038,837
Acquisition of tangible capital assets	(5,587,200)	(17,969,093)	(3,648,740)
Proceeds on disposal of tangible capital assets	4,000	278,650	19,742
Amortization and write downs	2,064,250	4,049,545	2,171,541
Acquisition of assets held for sale and other	-	316,471	(92,741)
Debt principal repayments	(154,500)	(154,373)	(150,670)
	(659,643)	980,917	1,337,969
Transfers from (to) reserves	659,643	(814,375)	(1,266,157)
Change in unfunded liabilities	-	(13,876)	167,495
	-	152,666	239,307
Reserve funds annual surplus	-	(187,125)	(133,149)
General surplus (deficit), beginning of year	(52,739)	(52,739)	(158,897)
General surplus (deficit), end of year	\$ (52,739)	\$ (87,198)	\$ (52,739)

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

December 31, 2021

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>2021</u>	<u>2020</u>
School boards	\$ 2,108,652	\$ 2,469,683
County of Grey	3,079,678	2,959,301
	<u>\$ 5,188,330</u>	<u>\$ 5,428,984</u>

20. Trust Funds

The trust funds administered by the municipality amounting to \$681,111 (2020 - \$655,974) 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, 2021, the trust fund balances are as follows:

	<u>2021</u>	<u>2020</u>
Cemetery Pre-need Assurance Fund	\$ 194,560	\$ 183,471
Cemetery Care and Maintenance Funds	486,551	472,503
	<u>\$ 681,111</u>	<u>\$ 655,974</u>

21. Contractual Obligations

The municipality has commitments with respect to capital projects at December 31, 2021 in the amount of \$985,000 (2020 - \$1,636,000).

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

December 31, 2021

22. Uncertainty due to COVID-19

COVID-19 continues to impact Canada and the global economy. 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. Given the dynamic nature of these circumstances and the duration of disruption, 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, 2021 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, 2021, 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
July 11, 2022

The Corporation of the Town of Hanover
Trust Funds
Balance Sheet

December 31			2021			2020
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total			Total
Assets						
Cash	\$ 194,210	\$ 135,486	\$ 329,696	\$		305,570
Portfolio investments (Note 2)	-	400,447	400,447			363,331
Accounts receivable	-	-	-			-
Due from general account	350	-	350			-
	<u>\$ 194,560</u>	<u>\$ 535,933</u>	<u>\$ 730,493</u>	<u>\$</u>		<u>\$ 668,901</u>
Liabilities and Fund Balances						
Accounts payable	\$ -	\$ 49,382	\$ 49,382	\$		12,927
Fund balance	194,560	486,551	681,111			655,974
	<u>\$ 194,560</u>	<u>\$ 535,933</u>	<u>\$ 730,493</u>	<u>\$</u>		<u>\$ 668,901</u>

Statement of Continuity

For the year ended December 31			2021			2020
	Cemetery Pre-Need Assurance Fund	Cemetery Care and Maintenance Fund	Total			Total
Fund balance, beginning of the year	\$ 183,471	\$ 472,503	\$ 655,974	\$		\$ 640,162
Receipts						
Interest earned	1,671	1,110	2,781			5,158
Gain on disposal of investments	-	37,117	37,117			13,331
Perpetual care	-	14,050	14,050			14,353
Prepaid needs	16,880	-	16,880			15,080
	<u>18,551</u>	<u>52,277</u>	<u>70,828</u>			<u>47,922</u>
Expenses						
Transfers to municipality	7,462	38,229	45,691			32,110
Fund balance, end of the year	<u>\$ 194,560</u>	<u>\$ 486,551</u>	<u>\$ 681,111</u>	<u>\$</u>		<u>\$ 655,974</u>

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

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

December 31, 2021

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:

	2021	2020
Mutual funds	\$ 400,447	\$ 363,331
Market value	\$ 633,194	\$ 524,955
