

Financial statement of

**Kawartha Lakes –
Haliburton Housing Corporation**

December 31, 2015

Kawartha Lakes – Haliburton Housing Corporation

as at December 31, 2015

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The accompanying note to the financial statements are an integral part of this financial statement

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Independent Auditor's Report

To the Director of
Kawartha Lakes – Haliburton Housing Corporation

We have audited the accompanying financial statements of Kawartha Lakes – Haliburton Housing Corporation, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kawartha Lakes – Haliburton Housing Corporation as at December 31, 2015 and the result of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian Public sector accounting standards.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
July 6, 2016

The accompanying note to the financial statements are an integral part of this financial statement

Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

	2015	2014
	\$	\$
Financial Assets		
Unrestricted		
Cash	111,914	852,382
Investments (Note 6)	2,014,302	1,935,883
Accounts receivable and other assets	16,617	94,061
Restricted		
Investment (Note 6)	1,613,599	1,584,248
	3,756,435	4,466,574
Liabilities		
Accounts payable and accrued liabilities	523,362	282,071
Due to City of Kawartha Lakes (Note 5)	1,156,974	1,142,554
Accrued interest	17,056	18,661
Long term debt (Note 4)	4,808,824	5,371,420
	6,506,216	6,814,706
Net debt	(2,749,781)	(2,348,132)
Non-financial assets		
Tangible capital assets (Note 3)	33,021,175	29,495,303
Inventory and prepaid expenses	194,951	157,985
	33,216,126	29,653,288
Accumulated surplus (Note 10)	30,466,345	27,305,156
On behalf of the Board		
_____	Director	
_____	Director	

The accompanying note to the financial statements are an integral part of this financial statement

Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

as at December 31, 2015

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
Revenue			
Federal subsidy	25,043	31,814	78,803
Provincial subsidy	144,653	259,327	83,443
Municipal contributions			
Kawartha Lakes – KLHHC	1,663,228	3,471,205	1,944,992
Haliburton	1,807,977	216,889	1,426,084
Rental revenue	228,777	3,086,929	152,216
Fee revenue	3,105,886	90,939	3,003,030
Property maintenance revenue	4,891	4,891	4,483
Interest revenue	151,199	57,851	208,525
Gain on disposal of tangible capital assets	-	2,676,854	941,327
	7,131,654	9,931,512	7,842,903
Expenses			
Social housing (Note 9)	5,731,507	6,770,323	6,795,340
Annual surplus	1,400,147	3,161,189	1,047,563
Accumulated surplus, beginning of year	27,305,156	27,305,156	26,257,593
Accumulated surplus, end of year	28,705,303	30,466,345	27,305,156

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

as at December 31, 2015

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
Annual surplus	1,400,147	3,161,189	1,047,563
Acquisition of tangible capital assets	-	(4,809,506)	(1,126,692)
Amortization of tangible capital assets	-	1,161,988	1,125,946
Gain on sale of tangible capital assets	-	(2,676,854)	(941,327)
Proceeds on sale of assets	-	2,798,500	1,092,415
	1,400,147	(364,683)	1,197,905
Net change in inventory and prepaid expenses	-	(36,966)	42,399
Change in net debt	1,400,147	(401,649)	1,240,304
Net debt, beginning of year	(2,348,132)	(2,348,132)	(3,588,436)
Net debt, end of year	(947,985)	(2,749,781)	(2,348,132)

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Annual surplus	3,161,189	1,047,563
Item not affecting cash		
Amortization of capital assets	1,161,988	1,125,946
(Gain) on disposal of capital assets	(2,676,854)	(941,327)
	1,646,323	1,232,182
Changes in non-cash working capital items		
Accounts receivable and other assets	77,444	240,041
Inventory and prepaid expenses	(36,966)	42,399
Accounts payable and accrued liabilities	241,291	140,306
Accrued interest	(1,605)	(1,537)
	-	(21,061)
	280,164	400,148
Capital activities		
Acquisition of tangible capital assets	(4,809,506)	(1,126,692)
Proceeds on sale of assets	2,798,500	1,092,415
	(2,011,006)	(34,277)
Investing activity		
Increase in investments	(107,773)	(119,494)
Financing activities		
Increase in amount due to City of Kawartha Lakes	14,420	(362,305)
Repayment of long term debt	(562,596)	(543,965)
	(548,176)	(906,270)
Increase (decrease) in cash	(740,468)	572,289
Cash, beginning of year	852,382	280,093
Cash, end of year	111,914	852,382

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

1. Nature of Business

On December 15, 2005, Kawartha Lakes – Haliburton Housing Corporation (the “Corporation”) entered into an amalgamation with Non-Profit Housing Corporation (“NPHC”). Under the terms of the agreement, the Corporation and NPHC amalgamated to form a new corporation (also known as Kawartha Lakes – Haliburton Housing Corporation) which commenced operations on January 1, 2006. The corporation is exempt from income taxes under the Income Tax Act. The City (the “City”) is the sole shareholder and this corporation is engaged in the business of providing housing primarily for persons of low or modest income at rentals below the median current rental market in the area of the City and the County of Haliburton.

2. Significant accounting policies

The financial statements of the Corporation are representations of management prepared in accordance with generally accepted accounting principles for government not-for-profit organizations as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

Accrual basis of presentation

Revenue and expenses are recorded according to the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

The accompanying note to the financial statements are an integral part of this financial statement

Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

2. Significant accounting policies (continued)

Financial instruments

All financial instruments reported on the statement of financial position of the Corporation are measured as follows:

Cash	Amortized costs
Accounts Receivable and other assets	Amortized costs
Investments	Amortized costs
Accounts payable and accrued liabilities	Amortized costs
Long-term debt	Amortized costs

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

	Useful life –Years
Land improvements	20-30
Buildings	50
Vehicles	10-15
Equipment	15-20

Annual amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital assets is in service.

The accompanying note to the financial statements are an integral part of this financial statement

Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

2. Significant accounting policies (continued)

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Amounts requiring significant estimates include tangible capital assets, accounts payable and accrued liabilities.

3. Tangible capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	2,722,985	-	2,722,985	2,512,525
Land Improvements	1,214,926	672,690	542,236	587,675
Buildings	53,636,050	29,275,761	24,360,289	21,052,864
Equipment	851,384	364,607	486,777	541,083
Vehicles	374,971	171,841	203,130	196,505
Work in progress	4,705,758	-	4,705,758	4,604,651
	63,506,074	30,484,899	33,021,175	29,495,303

Summary of net book values		2015	2014
		\$	\$
Local Housing Corporation		18,756,673	14,850,814
Non-Profit Housing Provider		14,264,502	14,644,489
		33,021,175	29,495,303

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

4. Long-term debt

	2015	2014
	\$	\$
Non-Profit housing Providers Stock		
Mortgages		
3.90%, payable \$10,567 monthly (Principal and interest), due March 2018	269,845	391,229
3.90%, payable \$15,537 monthly (principal and interest), due March 2018	1,261,107	1,425,753
4.53%, payable \$12,811 monthly (principal and interest), due October 2021	787,625	903,188
5.83%, payable \$25,793 monthly (principal and interest), due May 2024	2,490,247	2,651,250
Total debt	4,808,824	5,371,420

Long-term debt

Responsibility for the payment of debentures for the Public Stock Debentures was not transferred to the Corporation as part of the devolution of social housing under the Social Housing Reform Act, 2000 (the “Act”). In accordance with the Act, the Province of Ontario (the “Province”) makes all payments on debentures related to properties transferred to the Corporation by the Act and recovers the outlay by reducing federal subsidy payment cash flows. The debentures bear interest ranging from 3.90% to 5.83%.

Principal repayments on long-term debt for the Non-profit Housing Provider stock over the next five years are set out below.

	\$
2016	589,903
2017	601,701
2018	613,735
2019	638,529
2020	667,029
Thereafter	1,697,927

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

as at December 31, 2015

5. Related party transactions and balances

The City is the sole shareholder of the Corporation. The balance owed to the City is disclosed separately on the statement of financial position. The following table summarizes the Corporation's transactions with related parties in the year:

	2015	2014
	\$	\$
Expenses		
Wages and benefits cost allocation for use of employees of the City of Kawartha Lakes	1,320,135	1,334,476
Property taxes to City of Kawartha Lakes	917,467	894,556

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value.

6. Investments

	2015	2014
	\$	\$
Unrestricted	2,014,305	1,935,883
Restricted		
Invested with Social Housing Services Corp Financial Inc. Canadian short-term bond fund series A	1,613,599	1,584,248
	3,627,904	3,520,131

7. Funding

The funding provided to the Corporation is administered by the City. Some funds originate at the Federal level and are flowed through to the City via the Province for programs covered by the social housing agreement. Federal and Provincial funding that has been earmarked for the Corporation specifically has been reported as grant revenue from the original government level.

Any operating expenditures in excess of government funding are funded by the City (91%) and the County of Haliburton (9%). Capital expenditures after application of federal and provincial grants are funded by the municipality in

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
as at December 31, 2015

7. Funding (continued)

which the housing unit is located. Municipal funding is administered by the City as service manager for the area.

8. Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

9. Expenses by object

	2015	2014
	\$	\$
Administrative salaries	584,553	529,804
Landlord Payments	60,833	46,248
Amortization	1,161,988	1,125,946
Bad debts	58,061	35,335
Insurance	229,168	218,163
Maintenance		
Labour	735,852	804,959
Building and general	252,580	288,697
Heating, Plumbing and electrical	128,787	107,631
Other	38,364	32,297
Fleet charge	18,278	53,356
Mortgage interest	235,446	255,122
Municipal taxes	917,467	894,556
Other	450	570
Supplies	53,603	32,508
Utilities	1,796,429	1,733,433
Minor capital	498,734	636,715
	6,770,323	6,795,340

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position
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10. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
Share capital	1	1
Operating surplus	129,239	29,133
Capital surplus	(58,857)	1,105,138
Accrued interest on long term debt	(17,056)	(18,661)
Long term debt	(4,808,824)	(5,371,420)
Reserve and reserve funds	2,200,667	2,065,662
Tangible capital assets	33,021,175	29,495,303
	30,466,345	27,305,156

The Corporation may only issue common shares which are only allowed to be acquired by a related service manager or a related municipality. The Minister of Municipal Affairs and Housing must give written consent for the issuance of shares to any other party. Upon insurance or transfer of the common shares, the service manager (City) must maintain a majority ownership of the issued share.

The Corporation cannot declare or pay dividends on any issued shares.

11. Contingencies and commitments

Various legal actions and claims have been initiated against the Corporation, some of which cannot be quantified. No provision has been made for any uninsured claims. It is management's opinion there will be no material uninsured liability arising from these claims. An expense will be recorded in the fiscal period in which a settlement becomes likely and measurable.

Commitment – water and sewer operating agreements

The Corporation is committed to two agreements with the Ontario Clean Water Agency to operate the water systems for Omemee and Haliburton housing

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Kawartha Lakes – Haliburton Housing Corporation

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as at December 31, 2015

properties. In addition to fixed annual charges adjusted for inflation, the Corporation must pay for capital upgrades and unusual maintenance necessary to meet legislative requirements. Contracts expire in 2016. The contract includes an option to extend for an additional term of one year.

Commitment – elevator agreement

The Corporation is committed to an agreement with ThyssenKrupp Elevator (Canada) Ltd. to provide maintenance and inspection work for all elevator systems. The agreement is for a five-year period from October 1, 2012 to May 31, 2017 for a total cost of \$115,260. The contract includes an option to extend for an additional term of one year.

Commitment – water tank agreement

The Corporation is committed to an agreement with Vista Credit to provide hot water tank replacement and maintenance service for a total cost of \$281,431 for a ten-year term ending in 2026.

Commitment – capital projects

The Corporation has committed to many capital projects expected to be completed over several years. As at December 31, 2015, the Corporation has awarded contracts in the amount of \$493,098 (2014 - \$4,449,440) and has recorded \$453,322 (2014 – \$3,934,205) of those awarded amounts. Therefore, the remaining contractual commitments will be recorded in future years as the projects are completed.

Funding for the completion costs is expected to include the use of capital surplus carried forward, grants, City and County of Haliburton funding and use of funds from reserves.

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Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

as at December 31, 2015

	Budget \$	2015 Actual \$	2014 Actual \$
Revenue			
Provincial subsidy	-	-	4,680
Rent	1,100,854	1,140,483	1,120,993
City of Kawartha Lakes subsidy	1,807,977	1,807,997	1,426,084
Other	60,717	82,777	108,978
	2,969,548	3,031,237	2,660,735
Expenses			
Maintenance			
Building general	86,490	42,507	64,962
Elevators	6,700	5,366	5,271
Electrical systems	18,200	23,623	15,960
Equipment	4,373	10,363	10,538
Grounds	20,330	22,641	36,612
Waste removal	4,134	4,467	3,854
Heating and Plumbing	19,350	18,443	1,471
	159,577	127,410	138,668
Utilities	610,100	641,360	582,822
Municipal taxes	327,743	329,738	318,197
Amortization	562,599	546,455	544,980
Mortgage interest	213,914	212,305	231,006
Insurance	64,888	65,970	63,635
Bad debt	19,625	20,450	13,521
Minor capital	-	171,782	181,705
	1,798,869	1,988,330	1,935,866
Administration			
Association and membership fees	700	450	570
Administration and operation allocation	540,356	458,833	409,715
Supplies and services	25,388	18,238	4,558
	566,444	477,521	414,843
Total expenses	2,524,890	2,593,261	2,489,377
Excess of revenue over expenses	444,658	437,976	171,358

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