

Financial statement of

**Kawartha Lakes –  
Haliburton Housing Corporation**

December 31, 2017

# Kawartha Lakes – Haliburton Housing Corporation

as at December 31, 2017

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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, 2017, 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, 2017 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, 2017

	2017	2016
	\$	\$
<b>Assets</b>		
Cash	1,505,532	1,534,499
Investments (Note 6)	4,110,150	3,988,837
Accounts receivable and other assets	310,427	193,822
	<b>5,926,109</b>	<b>5,717,158</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	957,160	736,974
Deferred revenue	37,595	-
Due to City of Kawartha Lakes (Note 5)	2,346,285	2,814,827
Accrued interest	11,995	13,370
Long term debt (Note 4)	3,613,005	4,224,021
	<b>6,966,040</b>	<b>7,789,192</b>
Net debt	<b>(1,039,931)</b>	<b>(2,072,034)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 3)	36,157,643	34,002,058
Inventory and prepaid expenses	148,856	184,036
	<b>36,306,499</b>	<b>34,186,094</b>
<b>Accumulated surplus (Note 10)</b>	<b>35,266,568</b>	<b>32,114,060</b>

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, 2017

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
<b>Revenue</b>			
Federal subsidy	97,505	98,505	213,079
Provincial subsidy	1,230,934	1,409,759	204,359
Municipal contributions			
Kawartha Lakes – KLHHC	3,460,952	3,460,952	3,468,847
Haliburton	107,270	61,055	196,103
Rental revenue	3,415,360	3,369,929	3,186,506
Fee revenue	97,974	98,524	82,767
Property maintenance revenue	-	-	4,891
Donations and other revenue	82,108	66,649	115,475
Gain on disposal of tangible capital assets	-	1,041,255	1,229,237
	<b>8,492,103</b>	<b>9,606,628</b>	8,701,264
<b>Expenses</b>			
Social housing (Note 9)	6,434,488	6,454,120	7,053,549
Annual surplus	2,057,615	3,152,508	1,647,715
Accumulated surplus, beginning of year	32,114,060	32,114,060	30,466,345
<b>Accumulated surplus, end of year</b>	<b>34,171,675</b>	<b>35,266,568</b>	32,114,060

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# Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position  
as at December 31, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
<b>Annual surplus</b>	729,176	<b>3,152,508</b>	1,647,715
Acquisition of tangible capital assets	(839,327)	<b>(3,173,590)</b>	(2,766,721)
Amortization of tangible capital assets	1,450,433	<b>914,259</b>	1,697,291
Gain on sale of tangible capital assets	-	<b>(1,041,254)</b>	(1,226,397)
Proceeds on sale of assets	-	<b>1,145,000</b>	1,314,944
	1,340,282	<b>996,923</b>	666,832
Net change in inventory and prepaid expenses	-	<b>35,180</b>	10,915
Change in net debt	1,340,282	<b>1,032,103</b>	677,747
Net debt, beginning of year	(2,072,034)	<b>(2,072,034)</b>	(2,749,781)
<b>Net debt, end of year</b>	<b>(731,752)</b>	<b>(1,039,931)</b>	<b>(2,072,034)</b>

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# Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position  
as at December 31, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Annual surplus	3,152,508	1,647,715
Item not affecting cash		
Amortization of capital assets	914,259	1,697,291
(Gain) on disposal of capital assets	(1,041,254)	(1,226,397)
	<b>3,025,513</b>	<b>2,118,609</b>
Changes in non-cash working capital items		
Accounts receivable and other assets	(116,605)	(177,205)
Inventory and prepaid expenses	35,180	10,915
Accounts payable and accrued liabilities	220,186	213,612
Deferred revenue	37,595	-
Accrued interest	(1,375)	(3,686)
	<b>3,200,494</b>	<b>2,162,245</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,173,590)	(2,766,721)
Proceeds on sale of assets	1,145,000	1,314,944
	<b>(2,028,590)</b>	<b>(1,451,777)</b>
<b>Investing activity</b>		
Increase in investments	(121,313)	(360,933)
<b>Financing activities</b>		
Increase in amount due to City of Kawartha Lakes	(468,542)	1,657,853
Repayment of long term debt	(611,016)	(584,803)
	<b>(1,079,558)</b>	<b>1,073,050</b>
Increase (decrease) in cash	(28,967)	1,422,585
Cash, beginning of year	1,534,499	111,914
<b>Cash, end of year</b>	<b>1,505,532</b>	<b>1,534,499</b>

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, 2017

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## 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.

Effective January 1, 2016 the structure of the Corporation was revised to combine three different divisions consisting of Local Housing Corporation (“LHC”), Non Profit (“NP”) and Affordable Housing Project (“AHP”) into one overall division with the base year subsidy established by taking the 2015 subsidy level and then year over year applying budget directions set by the City. The surplus and capital reserves have been merged into one surplus reserve to fund projects with the City.

## 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.

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# Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position  
as at December 31, 2017

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## 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	Fair value
Accounts Receivable and other assets	Amortized costs
Investments	Fair value
Accounts payable and accrued liabilities	Amortized costs
Long-term debt	Amortized costs

The fair value of investments is determined by the market value of investments. Transaction costs are expensed as incurred. The carrying value of cash, accounts receivable and other assets, accounts payable and accrued liabilities approximate respective fair values due to their relatively short-term maturity. The carrying value of long-term debt approximate fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions of similar items.

### *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, 2017

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## 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

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land and land improvement	4,157,957	752,075	<b>3,405,882</b>	2,732,585
Buildings	60,734,713	31,400,038	<b>29,334,675</b>	28,649,222
Equipment and vehicles	1,333,988	649,144	<b>684,844</b>	633,305
Work in progress	2,732,242	-	<b>2,732,242</b>	1,986,946
	<b>68,958,900</b>	<b>32,801,257</b>	<b>36,157,643</b>	34,002,058

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# Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position  
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## 4. Long-term debt

	2017	2016
	\$	\$
Non-Profit housing Providers Stock		
Mortgages		
1.62%, payable \$10,567 monthly (Principal and interest), due March 2018	21,123	146,489
1.62%, payable \$15,537 monthly (principal and interest), due March 2018	937,810	1,107,861
0.96%, payable \$12,811 monthly (principal and interest), due October 2021	514,964	649,950
5.83%, payable \$25,793 monthly (principal and interest), due May 2024	2,139,108	2,319,721
<b>Total debt</b>	<b>3,613,005</b>	<b>4,224,021</b>

## 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 .096% 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.

	\$
2018	613,735
2019	638,529
2020	667,029
2021	698,624
2022	732,000
Thereafter	263,088
	<b>3,613,005</b>

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# Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

as at December 31, 2017

## 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:

	2017	2016
	\$	\$
Expenses		
Wages and benefits cost allocation for use of employees of the City of Kawartha Lakes	1,300,984	1,262,056
Property taxes to City of Kawartha Lakes	999,841	944,691

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

	2017	2016
	\$	\$
Unrestricted	4,110,150	3,988,837

## 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 (71%) and the County of Haliburton (29%). 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  
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## 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

	2017	2016
	\$	\$
Administrative salaries	842,184	652,057
Amortization	914,259	1,697,291
Bad debts	45,910	18,728
Insurance	159,446	212,500
Maintenance		
Labour	458,800	609,999
Building and general	419,043	266,935
Heating, Plumbing and electrical	160,500	141,185
Other	67,671	29,471
Fleet charge	21,557	47,944
Mortgage interest	172,219	206,974
Municipal taxes	999,841	944,691
Other	14,940	9,255
Supplies	32,814	52,760
Utilities	1,734,662	1,859,804
Minor capital	410,274	303,955
	<b>6,454,120</b>	<b>7,053,549</b>

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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:

	<b>2017</b>	2016
Share capital	<b>1</b>	1
Operating surplus	<b>427,360</b>	528,504
Capital surplus	<b>(485,016)</b>	(292,504)
Accrued interest on long term debt	<b>(11,995)</b>	(13,370)
Long term debt	<b>(3,613,005)</b>	(4,224,021)
Reserve and reserve funds	<b>2,791,580</b>	2,112,910
Tangible capital assets	<b>36,157,643</b>	32,356,593
	<b>35,266,568</b>	30,468,595

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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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. The agreement is for a five year period from June 27, 2016 to June 26, 2021

## 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 and has been extended to May 31, 2018.

## 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, 2017, the Corporation has awarded contracts in the amount of \$6,588,319 (2016 - \$2,458,223) and has recorded \$2,139,148 (2016 – \$1,577,807) 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, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
<b>Revenue</b>			
Federal subsidy	97,505	98,505	213,079
Provincial subsidy	1,230,934	1,409,759	204,359
Municipal contributions			
Kawartha Lakes – general subsidy	3,460,952	3,460,952	3,468,847
Haliburton	107,270	61,055	196,103
Rental revenue	3,415,360	3,369,929	3,186,506
Fee revenue	97,974	98,524	82,767
Property management revenue	-	-	4,891
Donations and other	82,108	66,649	115,475
Gain (loss) on disposal of tangible capital assets	-	1,041,255	1,229,237
	<b>8,492,103</b>	<b>9,606,628</b>	<b>8,701,264</b>
<b>Expenses</b>			
Operating			
Administrative salaries	664,751	842,184	652,057
Amortization	839,327	914,259	1,697,291
Audit fees	10,300	10,504	10,481
Bad debts	40,000	45,910	18,728
Legal fees	1,500	-	2,855
Insurance	225,500	159,446	212,500
Maintenance			
Labour	690,725	458,800	609,999
Building and general	235,442	419,043	266,935
Heating, plumbing and electrical	122,730	160,500	141,185
Other	10,869	13,401	12,064
Grounds maintenance	56,508	54,270	17,407
Fleet charge	25,000	21,557	47,944
Municipal taxes	1,011,610	999,841	944,691
Mortgage interest	247,102	172,219	206,974
Other	2,200	2,043	2,106
Staff and board expenses	6,200	12,897	7,149
Supplies and services	20,000	22,310	39,424
Utilities	2,244,724	1,734,662	1,859,804
Minor capital	-	410,274	303,955
	<b>6,434,488</b>	<b>6,454,120</b>	<b>7,053,549</b>
Excess of revenue over expenses	<b>2,057,615</b>	<b>3,152,508</b>	<b>1,647,715</b>

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