
Financial statements of Kawartha Lakes – Haliburton Housing Corporation

December 31, 2022

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of change in net debt	5
Statement of cash flows	6
Notes to the financial statements	7-12

Independent Auditor's Report

To the Directors of
Kawartha Lakes – Haliburton Housing Corporation

Opinion

We have audited the financial statements of Kawartha Lakes – Haliburton Housing Corporation, which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kawartha Lakes – Haliburton Housing Corporation as at December 31, 2022, and the results of its operations, change in net debt and its 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 (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Kawartha Lakes – Haliburton Housing Corporation in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Kawartha Lakes – Haliburton Housing Corporation'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 Kawartha Lakes – Haliburton Housing Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Kawartha Lakes – Haliburton Housing Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Kawartha Lakes – Haliburton Housing Corporation'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 Kawartha Lakes – Haliburton Housing Corporation'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 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 Kawartha Lakes – Haliburton Housing Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent 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.

Deloitte S.E.N.C.R.L./s.r.l.

Chartered Professional Accountants
Licensed Public Accountants
October 10, 2023

Kawartha Lakes – Haliburton Housing Corporation**Statement of financial position**

As at December 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Cash		8,123,956	4,491,111
Due from City of Kawartha Lakes	5	—	3,434,616
Accounts receivable and other assets		399,009	620,514
		8,522,965	8,546,241
Liabilities			
Accounts payable and accrued liabilities		1,693,725	1,061,203
Deferred revenue		672,236	468,626
Due to City of Kawartha Lakes	5	2,256,793	—
Accrued interest		5,165	6,698
Long term debt	4	1,094,230	1,521,786
		5,722,149	3,058,313
Net debt		2,800,816	5,487,928
Contingencies and commitments	10		
Non-financial assets			
Tangible capital assets	3	50,062,027	47,326,415
Inventory and prepaid expenses		335,287	293,216
		50,397,314	47,619,631
Accumulated surplus	9	53,198,130	53,107,559

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

_____, Director

_____, Director

Kawartha Lakes – Haliburton Housing Corporation

Statement of operations

Year ended December 31, 2022

	Notes	Budget \$	2022 Actual \$	2021 Actual \$
Revenue				
Provincial subsidy		—	534,730	111,152
Municipal contributions				
Kawartha Lakes		2,888,934	3,287,196	7,343,361
Haliburton		290,284	15,797	535,010
Rental revenue		4,748,569	4,913,646	4,509,175
Fee revenue		101,949	174,306	167,091
Donations and other revenue		32,925	795,832	260,794
Gain on disposal of tangible capital assets		—	395,634	—
		8,062,661	10,117,141	12,926,583
Expenses				
Social housing	8	7,839,875	10,026,570	8,789,115
Annual (deficit) surplus		222,786	90,571	4,137,468
Accumulated surplus, beginning of year		53,107,559	53,107,559	48,970,091
Accumulated surplus, end of year		53,330,345	53,198,130	53,107,559

The accompanying notes are an integral part of the financial statements.

Kawartha Lakes – Haliburton Housing Corporation**Statement of change in net debt**

Year ended December 31, 2022

	Budget	2022	2021
	\$	Actual	Actual
		\$	\$
Annual surplus	222,786	90,571	4,137,468
Acquisition of tangible capital assets	570,168	(4,578,532)	(3,142,186)
Amortization of tangible capital assets	692,000	1,813,919	1,918,135
Gain on disposal of tangible capital assets	—	(395,634)	—
Proceeds on disposal of tangible capital assets	—	424,635	—
	1,484,954	(2,645,041)	2,913,417
Net change in inventory and prepaid expenses	—	(42,071)	(71,439)
Change in net debt	1,484,954	(2,687,112)	2,841,978
Net debt, beginning of year		5,487,928	2,645,950
Net debt, end of year	1,484,954	2,800,816	5,487,928

The accompanying notes are an integral part of the financial statements.

Kawartha Lakes – Haliburton Housing Corporation**Statement of cash flows**

Year ended December 31, 2022

	2022	2021
	\$	\$
Operating activities		
Annual surplus	90,571	4,137,468
Item not affecting cash		
Amortization of capital assets	1,813,919	1,918,135
Gain on disposal of tangible capital assets	(395,634)	—
	1,508,856	6,055,603
Changes in non-cash working capital items		
Accounts receivable and other assets	221,505	(92,988)
Inventory and prepaid expenses	(42,071)	(71,439)
Accounts payable and accrued liabilities	632,522	(311,819)
Deferred revenue	203,610	468,626
Accrued interest	(1,533)	(1,552)
	2,522,889	6,046,431
Capital activities		
Acquisition of tangible capital assets	(4,578,532)	(3,142,186)
Proceeds on disposal of tangible capital assets	424,635	—
	(4,153,897)	(3,142,186)
Financing activities		
Net change in due to/from		
City of Kawartha Lakes	5,691,409	(3,581,705)
Repayment of long term debt	(427,556)	(526,305)
	5,263,853	(4,108,010)
Increase (decrease) in cash	3,632,845	(1,203,765)
Cash, beginning of year	4,491,111	5,694,876
Cash, end of year	8,123,956	4,491,111

The accompanying notes are an integral part of the financial statements.

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2022

1. Nature of business

On December 15, 2005, Kawartha Lakes – Haliburton Housing Corporation (the "Corporation") entered into an amalgamation agreement with Lindsay Non-Profit Housing Corporation ("LNPHC"). Under the terms of the agreement the Corporation and LNPHC 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 of Kawartha Lakes (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 (the "County").

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.

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.

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 cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

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.

Deferred revenue

Deferred revenue represents contributions, rental revenue and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

2. Significant accounting policies (continued)

Revenue recognition

Revenues are recorded on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the City has to meet in order to receive the contributions including authorization by the transferring entity.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

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:

	<u>Useful life – years</u>
Land improvements	20–30
Buildings	50
Vehicles	10–15
Equipment	<u>15–20</u>

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 asset is in service.

Use of estimates

In preparing financial statements in accordance with Canadian Public Sector Accounting Standards, 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

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Land and land improvements	4,185,843	906,200	3,279,643	3,236,403
Buildings	78,022,819	38,302,832	39,719,987	36,720,197
Equipment and vehicles	1,713,921	1,083,735	630,186	592,836
Work in progress	6,432,211	—	6,432,211	6,776,979
	<u>90,354,794</u>	<u>40,292,767</u>	<u>50,062,027</u>	<u>47,326,415</u>

4. Long-term debt

	2022 \$	2021 \$
Non-Profit Housing Provider Stock		
Mortgages		
1.62%, payable \$15,832 monthly (principal and interest), due February 2023	31,643	218,467
5.83%, payable \$25,793 monthly (principal and interest), due May 2024	1,062,587	1,303,319
Total debt	<u>1,094,230</u>	<u>1,521,786</u>

Responsibility for the payment of the principal and interest 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 1.62% 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:

	\$
2023	286,615
2024	237,724
2025	227,101
2026	239,315
2027	103,475
Thereafter	—
	<u>1,094,230</u>

5. Related party transactions and balances

The City is the sole shareholder of the Corporation. The balance owed to (receivable from in 2021) 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:

	2022 \$	2021 \$
Expenses		
Wages and benefits cost allocation for use of employees of the City of Kawartha Lakes	1,464,049	1,379,544
Property taxes to City of Kawartha Lakes	1,249,464	1,111,979

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.

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2022

6. 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 government level that flows funding through the City.

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

7. 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.

8. Expenses by object

	2022 \$	2021 \$
Administrative salaries	802,023	756,726
Amortization	1,813,919	1,918,135
Bad debts	124,997	143,696
Insurance	336,899	255,243
Maintenance		
Labour	662,026	622,818
Building and general	1,178,162	863,396
Heating, plumbing and electrical	125,492	145,602
Other	94,638	144,048
Fleet charge	56,280	38,885
Security	277,435	114,386
Mortgage interest	394,281	311,462
Municipal taxes	1,249,464	1,111,979
Lease payments	45,171	124,059
Other	122,816	77,894
Supplies and services	27,006	42,016
Utilities	1,855,561	1,741,770
Minor capital	860,400	377,000
	10,026,570	8,789,115

9. Accumulated surplus

Accumulated surplus consists of the following:

	2022 \$	2021 \$
Share capital	1	1
Operating surplus	—	65,652
Capital surplus	1,796,043	4,606,861
Accrued interest on long term debt	(5,165)	(6,698)
Long term debt	(1,094,230)	(1,521,786)
Reserve and reserve funds	2,439,454	2,637,114
Tangible capital assets	50,062,027	47,326,415
	53,198,130	53,107,559

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 Housing must give written consent for the issuance of shares to any other party. Upon issuance or transfer of the common shares, the service manager (City) must maintain a majority ownership of the issued shares.

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

10. 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 three agreements with the Ontario Clean Water Agency to operate the water systems for Omemee, one housing property, and Haliburton, two housing 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, 2021 to June 26, 2026 for a total cost of \$142,973 per year with an annual CPI adjustment with the option to renew for an additional five year term.

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 six year period from September 2018 to September 2023 for a total cost of \$24,276 per year with an annual CPI% increase not to exceed 3% with the option to renew for an additional five year term.

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 \$282,974 for a ten year term ending in 2026.

10. Contingencies and commitments (continued)

Commitment – fire alarm inspection

The Corporation is committed to an agreement with Dyson Alarm Tech Systems Limited to provide fire alarm life safety inspections to all housing properties. The agreement was for a three year period from March 2018 to March 2021, with the option taken of two – one year extensions to March 2023, for a total cost of \$18,000 per year with an annual CPI% increase not to exceed 3%. This contract will go to tender in 2023.

Commitment – capital projects

The Corporation has committed to many capital projects expected to be completed over several years. As at December 31, 2022, the Corporation had awarded contracts in the amount of \$13,575,660 (\$1,782,163 in 2021) and has recorded \$13,450,523 (\$1,237,485 in 2021) 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 and City debentures.