
Financial statements of
Kawartha Lakes – Haliburton
Housing Corporation

December 31, 2020

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, 2020, 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, 2020, 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 LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

Kawartha Lakes – Haliburton Housing Corporation

Statement of financial position

As at December 31, 2020

	2020	2019
Notes	<u>\$</u>	<u>\$</u>
Assets		
Cash	5,694,876	4,840,862
Due from City of Kawartha Lakes	5 —	2,580,295
Accounts receivable and other assets	527,526	657,362
	<u>6,222,402</u>	<u>8,078,519</u>
Liabilities		
Accounts payable and accrued liabilities	1,373,022	1,326,836
Due to City of Kawartha Lakes	5 147,089	—
Accrued interest	8,250	9,755
Long term debt	4 2,048,091	2,579,638
	<u>3,576,452</u>	<u>3,916,229</u>
Net debt	<u>2,645,950</u>	4,162,290
Contingencies and commitments	10	
Non-financial assets		
Tangible capital assets	3 46,102,364	43,719,075
Inventory and prepaid expenses	221,777	182,260
	<u>46,324,141</u>	<u>43,901,335</u>
Accumulated surplus	9 <u>48,970,091</u>	<u>48,063,625</u>

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, 2020

	Budget	2020 Actual	2019 Actual
	\$	\$	\$
Revenue			
Federal subsidy	—	5,007	96,243
Provincial subsidy	—	828,243	1,506,441
Municipal contributions			
Kawartha Lakes	2,857,941	2,866,050	7,235,181
Haliburton	171,632	160,201	258,500
Rental revenue	4,124,757	4,226,238	4,180,438
Fee revenue	113,682	165,002	121,962
Donations and other revenue	75,381	219,016	335,070
Gain on disposal of tangible capital assets	—	328,851	2,130,194
	7,343,393	8,798,608	15,864,029
Expenses			
Social housing	6,771,062	7,892,142	7,551,150
Annual surplus	572,331	906,466	8,312,879
Accumulated surplus, beginning of year	48,063,625	48,063,625	39,750,746
Accumulated surplus, end of year	48,635,956	48,970,091	48,063,625

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, 2020

	Budget	2020	2019
	\$	Actual	Actual
		\$	\$
Annual surplus	572,331	906,466	8,312,879
Acquisition of tangible capital assets	(1,285,523)	(3,878,554)	(2,718,277)
Amortization of tangible capital assets	705,000	1,464,116	1,532,649
Gain on disposal of tangible capital assets	—	(328,851)	(2,130,194)
Proceeds on disposal of tangible capital assets	—	360,000	2,353,594
	(8,192)	(1,476,823)	7,350,651
Net change in inventory and prepaid expenses	—	(39,517)	(17,426)
Change in net debt	(8,192)	(1,516,340)	7,333,225
Net debt, beginning of year	4,162,290	4,162,290	(3,170,935)
Net debt, end of year	4,154,098	2,645,950	4,162,290

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

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

Year ended December 31, 2020

	2020	2019
	\$	\$
Operating activities		
Annual surplus	906,466	8,312,879
Item not affecting cash		
Amortization of capital assets	1,464,116	1,532,649
Gain on disposal of tangible capital assets	(328,851)	(2,130,194)
	2,041,731	7,715,334
Changes in non-cash working capital items		
Accounts receivable and other assets	129,836	(228,409)
Inventory and prepaid expenses	(39,517)	(17,426)
Accounts payable and accrued liabilities	46,186	(334,653)
Accrued interest	(1,505)	(1,436)
	2,176,731	7,133,410
Capital activities		
Acquisition of tangible capital assets	(3,878,554)	(2,718,277)
Proceeds on disposal of tangible capital assets	360,000	2,353,594
	(3,518,554)	(364,683)
Financing activities		
Increase (decrease) increase in amount due to/from City of Kawartha Lakes	2,727,384	(7,457,633)
Repayment of long term debt	(531,547)	(514,064)
	2,195,837	(7,971,697)
Increase (decrease) increase in cash	854,014	(1,202,970)
Cash, beginning of year	4,840,862	6,043,832
Cash, end of year	5,694,876	4,840,862

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

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2020

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 Canadian public sector accounting standards 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
Investments	Fair value
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

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.

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2020

2. Significant accounting policies (continued)

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 for government not-for-profit organizations, 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	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Land and land improvements	4,132,268	858,708	3,273,560	3,265,048
Buildings	68,270,077	34,903,796	33,366,281	34,446,159
Equipment and vehicles	1,491,239	885,305	605,934	666,451
Work in progress	8,856,589	–	8,856,589	5,341,417
	<u>82,750,173</u>	<u>36,647,809</u>	<u>46,102,364</u>	43,719,075

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2020

4. Long-term debt

	2020	2019
	\$	\$
Non-Profit Housing Provider Stock		
Mortgages		
1.62%, payable \$15,537 monthly (principal and interest), due February 2023	400,907	579,055
0.96%, payable \$12,811 monthly (principal and interest), due October 2021	116,578	255,382
5.83%, payable \$25,793 monthly (principal and interest), due May 2024	<u>1,530,606</u>	<u>1,745,201</u>
Total debt	<u>2,048,091</u>	<u>2,579,638</u>

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:

	\$
2021	480,426
2022	372,860
2023	387,204
2024	110,639
2025	220,000
Thereafter	<u>476,962</u>
	<u>2,048,091</u>

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:

	2020	2019
	\$	\$
Expenses		
Wages and benefits cost allocation for use of employees of the City of Kawartha Lakes	1,362,871	1,193,230
Property taxes to City of Kawartha Lakes	<u>1,159,865</u>	<u>1,144,200</u>

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, 2020

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

	2020	2019
	\$	\$
Administrative salaries	1,033,428	654,736
Amortization	1,464,116	1,532,649
Bad debts	67,428	119,612
Insurance	250,445	182,293
Maintenance		
Labour	329,443	538,494
Building and general	738,009	771,109
Heating, plumbing and electrical	124,237	158,411
Other	108,221	80,445
Fleet charge	69,884	66,303
Mortgage interest	337,741	228,398
Municipal taxes	1,159,865	1,144,200
Lease payments	112,466	49,076
Other	106,223	44,980
Supplies and services	28,779	35,169
Utilities	1,649,272	1,674,081
Minor capital	312,585	271,194
	<u>7,892,142</u>	<u>7,551,150</u>

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2020

9. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Share capital	1	1
Operating surplus	155,787	258,726
Capital surplus	2,179,871	3,133,313
Accrued interest on long term debt	(8,250)	(9,755)
Long term debt	(2,048,091)	(2,579,638)
Reserve and reserve funds	2,588,409	3,541,903
Tangible capital assets	46,102,364	43,719,075
	48,970,091	48,063,625

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, 2016 to June 26, 2021 for a total cost of \$133,553 per year with an annual CPI% increase not to exceed 3%.

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 September 2018 to September 2023 for a total cost of \$19,656 per year with an annual CPI% increase not to exceed 3%.

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.

Kawartha Lakes – Haliburton Housing Corporation

Notes to the financial statements

December 31, 2020

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 is for a three year period from March 2018 to March 2021, with the option of two – one year extensions, for a total cost of \$18,000 per year with an annual CPI% increase not to exceed 3%.

Commitment – capital projects

The Corporation has committed to many capital projects expected to be completed over several years. As at December 31, 2020, the Corporation had awarded contracts in the amount of \$725,865 (\$4,920,153 in 2019) and has recorded \$555,573 (\$1,093,172 in 2019) 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.