

**CORPORATION OF THE COUNTY OF
NORTHUMBERLAND**

NORTHUMBERLAND COUNTY HOUSING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Draft May 16, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of the Northumberland County Housing Corporation, the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Northumberland

Opinion

We have audited the financial statements of the Northumberland County Housing Corporation of the Corporation of the County of Northumberland (the Corporation), which comprise the statement of financial position as at December 31, 2022, the statements of operations and accumulated surplus, change in net financial assets/(net debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022, and the results of its operations and 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 Financial Statements section of our report. We are independent of the 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 the 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 the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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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 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 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 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 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 the 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 the 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.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
May 24, 2023

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION STATEMENT OF FINANCIAL POSITION At December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Accounts receivable	137,196	108,794
Due from County (note 4)	2,722,324	2,063,976
TOTAL FINANCIAL ASSETS	2,859,520	2,172,770
LIABILITIES		
Accounts payable	42,364	219,321
Deferred revenue	481,333	21,542
TOTAL LIABILITIES	523,697	240,863
NET FINANCIAL ASSETS	2,335,823	1,931,907
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	8,223,299	4,978,600
ACCUMULATED SURPLUS (note 3)	10,559,122	6,910,507

The accompanying notes are an integral part of these financial statements

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
REVENUES			
County contributions (note 4)	2,985,378	2,883,544	2,337,922
Government of Canada	3,269,667	4,483,252	58,927
Province of Ontario	200,000	222,031	367,074
Rent	1,567,000	1,677,902	1,684,307
Recovery of expenses	10,000	77,170	67,068
Other	495,512	73,305	48,658
TOTAL REVENUES	8,527,557	9,417,204	4,563,956
EXPENSES			
Materials and supplies	-	173	-
Insurance	79,718	78,638	72,168
Professional fees	71,500	31,669	34,377
Utilities	765,164	694,410	604,846
Property tax	527,672	529,276	513,951
Repairs and maintenance	772,180	1,045,747	1,177,393
Major repairs	739,375	727,539	468,446
Financial expenses	60,234	16,716	7,938
Internal chargebacks			
Allocated administrative services (note 4)	710,078	712,596	577,307
Allocated maintenance services (note 4)	1,102,984	1,130,741	853,493
Amortization	850,000	801,084	903,747
TOTAL EXPENSES	5,678,905	5,768,589	5,213,666
ANNUAL SURPLUS/(DEFICIT)	<u>2,848,652</u>	3,648,615	(649,710)
ACCUMULATED SURPLUS - beginning of year		6,910,507	7,560,217
ACCUMULATED SURPLUS - end of year		10,559,122	6,910,507

The accompanying notes are an integral part of these financial statements

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(NET DEBT) For the Year Ended December 31, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
ANNUAL SURPLUS/(DEFICIT)	2,848,652	3,648,615	(649,710)
Amortization of tangible capital assets	850,000	801,084	903,747
Acquisition of tangible capital assets	(9,251,720)	(4,045,783)	(579,945)
CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)	(5,553,068)	403,916	(325,908)
NET FINANCIAL ASSETS - beginning of year	1,931,907	1,931,907	2,257,815
NET FINANCIAL ASSETS/(NET DEBT) - end of year	(3,621,161)	2,335,823	1,931,907

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION STATEMENT OF CASH FLOWS For the Year Ended December 31, 2022

	2022	2021
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	3,648,615	(649,710)
Items not involving cash		
Amortization of tangible capital assets	801,084	903,747
Change in non-cash assets and liabilities		
Accounts receivable	(28,402)	(39,839)
Due from County	(658,348)	237,097
Accounts payable	(176,957)	130,378
Deferred revenue	459,791	(1,728)
Net change in cash from operating activities	4,045,783	579,945
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(4,045,783)	(579,945)
NET CHANGE IN CASH	-	-

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The accompanying notes are an integral part of these financial statements

CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Corporation are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of 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.

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Rents are recognized as revenue in the period earned.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	10 years
Buildings	50 years
Equipment	5 to 20 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(c) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(d) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Corporation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Corporation unless they are sold.

(e) Reserves

Certain amounts, as approved by the Corporation, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

**NORTHUMBERLAND COUNTY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Corporation's best information and judgment. Actual results could differ from these estimates.

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Corporation's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Corporation's significant estimates include:

- The amounts recorded for amortization of tangible capital assets are based on estimates of useful life and residual values.
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.
- Allocation of the County's administrative internal chargebacks.

(g) Inter-Entity Transactions

The Northumberland County Housing Corporation is a subsidiary of the County of Northumberland and is consolidated with the County's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the County.

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

NORTHUMBERLAND COUNTY HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2022

2. TANGIBLE CAPITAL ASSETS

The net book value of the Corporation's tangible capital assets are:

	Land and Land Improvements \$	Buildings \$	Equipment \$	Assets Under Construction \$	2022 Totals \$	2021 Totals \$
COST						
Balance, beginning of year	1,396,939	26,891,436	131,377	757,987	29,177,739	28,597,794
Add: additions during the year	-	-	-	4,045,783	4,045,783	579,945
Balance, end of year	1,396,939	26,891,436	131,377	4,803,770	33,223,522	29,177,739
ACCUMULATED AMORTIZATION						
Balance, beginning of year	116,563	24,060,843	21,733	-	24,199,139	23,295,392
Add: additions during the year	20,989	769,985	10,110	-	801,084	903,747
Balance, end of year	137,552	24,830,828	31,843	-	25,000,223	24,199,139
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,259,387	2,060,608	99,534	4,803,770	8,223,299	4,978,600

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2022 \$	2021 \$
Invested In Capital Assets		
Tangible capital assets - net book value	8,223,299	4,978,600
Unfunded capital - Elgin Park	-	(476,463)
Surplus	8,223,299	4,502,137
Reserve		
Operations	2,335,823	2,408,370
	10,559,122	6,910,507

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CORPORATION OF THE COUNTY OF NORTHUMBERLAND

**NORTHUMBERLAND COUNTY HOUSING CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2022**

4. INTER-ENTITY TRANSACTIONS

During the year, the Corporation entered into transactions with the County of Northumberland.

As part of the budgeting process, the County approves a contribution to the Corporation which is identified on the Statement of Operations and Accumulated Surplus.

Details of the inter-entity expense transactions are as follows:

	2022	2021
	\$	\$
Allocated costs:		
Internal chargebacks - allocated administrative service	712,596	577,307
Internal chargebacks - allocated maintenance services	1,130,741	853,493
	1,843,337	1,430,800

All balances with the County of Northumberland have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

5. BUDGET FIGURES

The operating budget, approved by the Corporation, for 2022 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets/(Net Debt). The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year’s actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

6. COMMITMENT

During 2021, the Corporation, entered into an agreement in the amount of \$13,668,623 plus HST, for the redevelopment of Elgin Park. \$3,784,361 plus HST has been incurred to December 31, 2022.

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