
Policies and Procedures

Subject: Housing Providers Annual Operating Surpluses

Date: January 12, 2022

Replaces: June 10, 2009

Applicable to The policy and procedures contained in this document apply to the following Housing Providers:

- Municipal & Private Non-Profit Federal Subsidies
 Co-operatives Rent Supplement*
 Centralized Waiting List (CWL) *incl. former OCHAP/CSHP

Content This document contains the following:

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Legislation *Housing Services Act, 2011 (HSA), [O. Reg. 367/11, s. 98 \(6-8\)](#).*

Purpose This document outlines the retention of the Housing Provider and Service Manager's share of annual operating surpluses for housing projects within Housing Provider portfolios, which is part of the Region of Peel's Social Housing Asset Management Plan – Capital Reserve Strategy.

Background The HSA provides Service Managers the discretion to allow housing projects to retain a greater share than 50% of their annual operating surpluses. As of September 2008, Regional Council approved Housing Providers funded under the HSA to retain 100 per cent of their annual operating surpluses.

Treatment of Service Manager's share of Annual Operating Surplus It is required that the 50% portion of annual operating surplus that would have otherwise been returned to the Service Manager, be transferred to the housing project's capital reserve. This amount is to be recorded as an additional contribution to the capital reserve in the fiscal year.

Once the amount has been transferred to the capital reserve, it can only be used for eligible capital expenses for the housing project.

Treatment of Housing Provider's share of Annual Operating Surplus The Housing Provider is required to ensure that the remaining 50% of the Provider's share of the annual operating surplus is kept with the housing project that the funds were intended for.

The Housing Provider may contribute this amount to the housing project's capital reserve. The amount is to be recorded as an additional contribution to the capital reserve in the fiscal year. The funds can only be used for eligible capital expenses for the housing project.

For a fiscal year, a housing provider may contribute an amount to the housing provider's capital reserve for a Part VII housing project in addition to the amount required under subsection (3) but only with the approval of the service manager. O. Reg. 367/11, s. 98 (4).

Accounting Requirements and Examples *Housing Provider must keep separate accounting books and records for capital reserve on a housing project basis. O. Reg. 367/11, s. 98 (6-8),*

Example of allocation of housing project's annual operating surpluses in the Housing Provider's accounting ledger at fiscal year end:

50% Service Manager's share => **Housing Project, Capital (Replacement) Reserve**
 50% Housing Project's share => **Housing Project, Accumulated Surplus**

Conditions Which Must Be Met

Financial and accounting transactions are restricted within the housing project itself.

Any transaction, whether financial and/or accounting in nature between two or more housing projects of a Housing Provider is deemed to be non-compliance.

If the Housing Provider is found to be non-compliant, any spent dollars will need to be returned to the housing project where the annual operating surpluses originated.

To retain the annual operating surplus, each housing project must meet the following conditions:

1. A Building Condition Assessment (BCA) prepared by a qualified consultant within the past five years and approved by the Housing Provider's Board.
2. A Reserve Fund Study (RFS) prepared by a qualified consultant and approved by the Housing Provider's Board of Directors.
3. A minimum three-year capital budget approved by the Housing Provider's Board of Directors.
4. The Housing Provider has not been served notice of a Triggering Event under the HSA which remains unresolved.
5. Operating surplus is calculated in accordance with the HSA.
6. The surplus retained is placed in the housing project's respective capital reserve fund and maintained from which it originates.

AIR and Financial Reporting Procedures

If a housing project meets criteria 3 and 4, use the following procedure to determine the annual operating surplus to be transferred to its respective capital reserve fund and how to report its surplus using the Annual Information Return (AIR) form.

Capital Reserve Contribution

The amount of Service Manager Approved Reduction transferred to the capital reserve fund of a housing project is **not** to be combined with the Mandatory Transfer to Capital Reserve Fund recorded on page A4 line 547.

For further information on completing the AIR, refer to the [AIR Guide](#).

Mixed Rental Projects

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- Step 1** Calculate your Surplus Repayable (50% of surplus eligible for sharing) using AIR template page A9.
- Step 2** Take the Surplus Repayable amount calculated on line 760 and enter the equivalent on line 764 as the Service Manager Approved Reduction. This will reduce your Net Surplus Repayment to zero.
- Step 3** Transfer the amount on line 764 to the capital reserve fund.

100% RGI Projects

- Step 1** Calculate your Net Surplus Repayable (50% of surplus eligible for sharing) using AIR template page A10.
- Step 2** Take the Surplus Repayable amount calculated on line 827 and enter the equivalent on line 828 as the Service Manager Approved Reduction. This will reduce your Net Surplus Repayment to zero.
- Step 3** Transfer the amount on line 828 to the capital reserve fund.

The following pages of the AIR must be completed on a housing project basis:

- * A3 Statement of Financial Position (Corporate Balance Sheet) by housing project.
- * A3S Supplemental Information (Corporate Balance Sheet) by housing project.
- * A4 Statement of Operations and Accumulated Surplus (Corporate) by housing project.
- * A5 Non-Shelter Income (Loss) - Part VII HSA by housing project.
- * A6 Capital Reserve Fund (Housing) by housing project.
- * A7 Unit Activity Data Report - Section 78, Rent Supplement by housing project.
- * A8 General Subsidy - Part VII HSA - RGI Rental Schedule by housing project.
- * A9 General Subsidy - Part VII HSA (Section 78; O.Reg. 369/11 Part II) by housing project.
- * C2 Targeting Plans by housing project.

Audited Financial Statements

Each Housing Provider's Audited Financial Statements must comply with the following reporting requirements pertaining to the capital (replacement) reserve fund and Operating Fund on a housing project basis:

* Statement of Financial Position -> Assets -> Restricted Funds -> Capital Reserve Fund by housing project.

* Statement of Financial Position -> Fund Balances -> Operating Fund by housing project.

* Statement of Financial Position -> Fund Balances -> Capital Reserve Fund by housing project.

* Statement of Operating Fund by housing project.

* Statement of Capital Reserve Fund by housing project.

* Statement of Revenues and Expenditures separated by shelter and non-shelter portion by housing project.

* Notes to Financial Statements: Capital Assets & Amortization, Mortgage Payable and Other Loan by housing project.

After Board Approval

After the Board of Directors has approved its three-year capital plan on a housing project basis, the Housing Provider must submit the board resolution detailed by housing project to their Housing Specialist. The Housing Specialist will confirm the Housing Provider does not have any unresolved Triggering Events.

Questions

If you have any questions, please contact your Housing Specialist.
