

# St. Thomas – Elgin Ontario Works - Social Housing -

423 Talbot St., St. Thomas, Ontario N5P 1C1  
126

(519) 631-9350 ext.

**Bulletin:** #04-04

gnisuoH cilbuP í ✓ Federal section 26 & 27

**Subject:** Exceptions to GAAP

tnemelppuS tneR í ✓ Provincial Reformed

**Date:** Oct. 13, 2004

✓ Federal section 95 ✓ Municipal Non-Profit

## **Exceptions to Generally Accepted Accounting Principles (GAAP) reporting for audited financial statements**

### **Background**

Housing providers are required to submit audited financial statements with the Annual Information Return (A.I.R.) to the City of St. Thomas within five months of the end of the fiscal year or within four months in the case of federal housing projects.

Auditors are required to apply Generally Accepted Accounting Principles (GAAP) when preparing financial statements. However, the Ministry of Municipal Affairs and Housing and Canada Mortgage and Housing Corporation (CMHC) have historically required social housing providers to deviate from GAAP when reporting capital assets, depreciation, and capital reserves.

Housing providers are required to continue using these deviations from GAAP.

Under the authority of Section 113(6) & (7) of the *Social Housing Reform Act*, the City of St. Thomas requires Housing Providers to instruct their auditors to adopt the following deviations from GAAP for audited financial statements submitted to the City.

### **Procedures**

#### **1. Capital Assets**

Land, buildings, and equipment in the Corporation's portfolio shall include only the costs outlined in the approved Final Capital Cost (FCC). The total amount recorded as an asset must not exceed the amount of the related mortgage loans and contributed capital. Any subsequent eligible capital purchases should not be recorded on the balance sheet as additions to capital assets.

**2. Depreciation**

The annual depreciation of the capital cost of land, buildings, and equipment will equal the principal repaid on the related mortgage loans during the year, excluding any mortgage loan principal repaid using funds from a mortgage escrow account.

In determining principal repaid, an accrual must be made for the amount of principal to be repaid on the first day following the Corporation's fiscal year-end.

The net book value of the land, buildings, and equipment at year-end should equal the principal balance of the related mortgage loan and contributed capital, except while there is an active mortgage escrow account.

**2. Capital/Replacement Reserve Funds**

Annual allocations to provide for future asset replacements are made to the capital/replacement reserve funds in amounts prescribed by the City of St. Thomas. Allocations to the capital/replacement reserve funds are shown as expenses on the Income Statement.

Eligible capital expenditures made after the initial construction costs are funded from and charged against capital/replacement reserve funds on the balance sheet. Reference should be made to the guidelines for capital expenditures provided by the City to determine eligible capital costs.

No amortization or depreciation is charged on eligible capital expenditures made after the initial construction costs.

Allocations to the capital or replacement reserve fund, detailed expenses charged to the fund, and interest earned on the fund accrue to the fund and must be reported in the Annual Information Return.

Federal housing providers must obtain written authorization from the Housing Administrator for the City of St. Thomas to use Replacement Reserve funds.

Housing providers may use Capital Reserve funds to replace or repair original assets or building components only. Capital enhancements may be funded out of operating surpluses at the discretion of Boards of Directors.

