

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
9TH ASSEMBLY, 2ND SESSION**

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Report to the Council of the
Northwest Territories
on the examination of the
accounts and financial statements
of the
GOVERNMENT OF THE NORTHWEST TERRITORIES
for the year ended March 31, 1979



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

The Council of the Northwest Territories,
Yellowknife, N.W.T.

I have examined the accounts and financial transactions of the Government of the Northwest Territories for the year ended March 31, 1979. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the accompanying statements of assets and liabilities and net debt give a true and fair view of the affairs of the Territories at March 31, 1979 and the statement of revenue and expenditure gives a true and fair view of revenue and expenditure for the year then ended in accordance with the accounting policies referred to in Note 1, applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Territories, the financial statements are in agreement therewith and the transactions that have come under my notice have been within the statutory powers of the Territories except for the over-expenditure of appropriations by the Department of Finance of \$609,000 for operation and maintenance expenditure and \$42,000 for the Fort Smith Stores revolving fund by \$42,000, the Department of Public Works of \$92,000 for operation and maintenance expenditure, and the Department of Economic Development of \$9,000 for the Rae Lakes Grocery Store revolving fund.

Senior Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
July 25, 1979

GOVERNMENT OF THE NORTHWEST TERRITORIES
(Continued under the authority of the Northwest Territories Act, R.S.C. c.N. - 22 (as amended))

Statement of Assets and Liabilities
as at March 31, 1979

<u>ASSETS</u>	1979 (Thousands of dollars)	1978 (Thousands of dollars)	<u>LIABILITIES</u>	1979 (Thousands of dollars)	1978 (Thousands of dollars)
Current			Current		
Cash and short-term investments	\$ 6,660	\$ 19,361	Accounts payable (Note 12)	\$ 16,964	\$ 14,279
Accounts receivable (Notes 2 & 3)	11,433	12,537	Other liabilities	4,759	5,629
Inventories at cost	11,883	8,976	Current portion of long-term debt (Note 11)	912	604
Short-term loans to Northwest Territories Housing Corporation	4,842	2,000	Unapplied balances of advances from Canada and others	<u>562</u>	<u>316</u>
Current portion of long-term receivables (Note 8)	<u>1,377</u>	<u>998</u>		<u>23,197</u>	<u>20,828</u>
	<u>36,195</u>	<u>43,872</u>			
 Small Business Loans and Guarantees Fund (Note 4)	 2,685	 2,428			
 Long-term receivables			 Long-term debt		
Loans to municipalities and school districts (Note 5)	14,547	14,403	Loans from Canada (Note 9)	119,809	119,752
Due from Canada (Note 6)	4,448	-	Loans from Canada Mortgage and Housing Corporation (Note 10)	<u>1,539</u>	<u>1,677</u>
Credit Union Mutual Aid Depository Fund (Note 7)	570	750		<u>121,388</u>	<u>121,429</u>
Other loans	<u>179</u>	<u>184</u>			
	<u>19,744</u>	<u>15,337</u>			
 Fixed assets (nominal value of one dollar)	 -	 -			
 Trust assets	 1,320	 1,234	 Trust liabilities	 1,320	 1,234
 Net debt	 <u>85,941</u>	 <u>80,620</u>			
	<u>\$145,885</u>	<u>\$143,491</u>		<u>\$145,885</u>	<u>\$143,491</u>

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

Approved by:

John H. Parker
Commissioner

Eric Nielsen
Senior Financial Officer

W. J. ...
Territorial Treasurer

GOVERNMENT OF THE NORTHWEST TERRITORIES

Statement of Revenue and Expenditure
for the year ended March 31, 1979

<u>REVENUE</u>		<u>EXPENDITURE</u>		
	<u>1979</u>	<u>1978</u>		
	(thousands of dollars)		<u>1979</u>	
			(thousands of dollars)	
Operations and maintenance			Operations and Maintenance	
Revenue and recoveries				
Income taxes	\$ 19,850	\$ 1,608	Education	\$ 39,686 \$ 36,372
Taxes - fuel and other	6,579	6,021	Public Works	38,831 34,576
Liquor Control System (net profit)	3,426	4,419	Health	21,040 19,629
Housing rental recoveries	4,380	3,453	Executive	19,371 15,907
Economic Development projects	2,970	2,454	Local Government	18,384 14,055
Interest - investments	2,443	2,350	Social Services	17,474 15,104
Licences and fees	1,455	1,255	Economic Development and Tourism	13,026 13,832
Sundry	1,178	1,612	Finance	12,385 10,613
Interest - loans to municipalities and school districts	1,159	951	Public Services	9,787 8,115
Recovery of prior years' expenditures	1,122	652	Highways	6,731 6,320
Heating, fuel, water and power	697	1,218	Natural and Cultural Affairs	6,687 5,271
Rental of buildings and equipment	659	474	Personnel	6,115 5,605
Board, lodging and sale of food	459	475	Information	1,593 1,436
Interest - small business loans	238	104	Interest on loans from Canada	1,443 1,570
Sale of land	<u>119</u>	<u>318</u>	Program Planning and Evaluation	<u>1,125</u> <u>1,070</u>
	<u>48,734</u>	<u>27,564</u>		<u>213,878</u> <u>189,475</u>
Recoveries under agreements with Canada				
Health	12,875	9,394		
Social Services	6,701	7,617		
Public Works	3,162	3,559		
Education	4,039	3,250		
Public Services	458	253		
Economic Development	258	250		
Local Government	69	-		
Executive	<u>22</u>	<u>23</u>		
	<u>29,584</u>	<u>26,346</u>		
Grants from Canada				
Operating	131,132	107,569		
Small Business Loans and Guarantees Fund	750	567		
In lieu of taxes	<u>-</u>	<u>27,517</u>		
	<u>131,882</u>	<u>135,653</u>		
Capital			Capital	
Grants from Canada	52,378	49,092	Grants and acquisitions of capital assets	54,182 48,136
Recovered from Canada and others	14,268	8,983	Expenditures on behalf of Canada and others	14,107 8,522
	<u>66,646</u>	<u>58,075</u>		68,289 56,658
Excess of expenditure over revenue (revenue over expenditure)	<u>5,321</u>	<u>(1,505)</u>		<u>282,167</u> <u>246,133</u>
	<u>\$282,167</u>	<u>\$246,133</u>		

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

Approved by:

Jean H. Parker
Commissioner

Eric Nielsen
Senior Financial Officer

W. S. Kelly
Territorial Treasurer

GOVERNMENT OF THE NORTHWEST TERRITORIES

Statement of Net Debt
for the year ended March 31, 1979

	<u>1979</u> (thousands of dollars)	<u>1978</u> (thousands of dollars)
Balance at beginning of the year	\$ 80,620	\$ 84,267
Excess of expenditure over revenue (revenue over expenditure)	5,321	(1,505)
Transfer of Small Business Loans and Guarantees Fund from Canada	-	(2,142)
Balance at end of the year	<u>\$ 85,941</u>	<u>\$ 80,620</u>

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

GOVERNMENT OF THE NORTHWEST TERRITORIES

Notes to Financial Statements
March 31, 1979

1. Significant accounting policies

The statements are prepared in accordance with section 23 of the Northwest Territories Act and section 33 of the Financial Administration Ordinance, and include the accounts of the Northwest Territories and the Northwest Territories Liquor Control System. The accounts of the Northwest Territories Housing Corporation and the Workers' Compensation Board are not included and are reported separately.

The Territorial Accounts are maintained on a modified cash basis. Except as noted below, revenues and expenditures reflect cash received and disbursements made during the fiscal year.

The following relate to the structure of the Territorial Accounts:

Accounts receivable

Accounts receivable includes amounts receivable from the Federal Government and non-consolidated agencies of the Government of the Northwest Territories, under terms of specific agreements, and from the operations of revolving funds, and accountable advances to third parties.

Inventories

Inventories consist primarily of bulk fuel products, liquor and finished arts and crafts products. Other materials and supplies are charged to operations at the time of acquisition. Bulk fuel inventories reflect transactions for the twelve months ended February 28.

Fixed assets

Fixed assets, consisting of roads, bridges, ferries, buildings, public works, land, equipment, and vehicles are treated as budgetary expenditures at the time of acquisition and construction. These assets are shown on the statement of assets and liabilities at a nominal value of \$1.

Accounts payable

Accounts payable represent expenditures for goods received or services rendered prior to March 31, for which payment was made during the month of April.

Other liabilities

Other liabilities include amounts held for third parties as a result of contractual or statutory obligations. Specific examples include payroll deductions, contractors' holdbacks and agents' commissions payable.

2. Accounts receivable

(a) Accounts receivable consist of:

	<u>March 31, 1979</u>	<u>March 31, 1978</u>
Due from Canada	\$ 3,738,000	\$ 6,794,000
Revolving fund receivables	4,972,000	4,306,000
Due from the Northwest Territories Housing Corporation	1,223,000	92,000
Other	<u>1,500,000</u>	<u>1,345,000</u>
	<u>\$11,433,000</u>	<u>\$12,537,000</u>

(b) Doubtful accounts receivable

Included in accounts receivable are amounts totalling approximately \$344,000 for which collection is considered doubtful. Approval of the Commissioner or Commissioner in Council is required to effect deletion from the accounts.

3. Memorandum accounts receivable

In addition to the amounts shown on the financial statements, \$3,409,000 (1978 - \$3,290,000) of receivables are maintained on a memorandum basis and will be recognized as revenue when collected. Included in these memorandum receivables are amounts totalling approximately \$570,000 for which collection is considered doubtful. Approval of the Commissioner or the Commissioner in Council is required to effect deletion of these accounts.

4. Small Business Loans and Guarantees Fund

The Northwest Territories small business loans program is operated under the authority of the Small Business Loans and Guarantees Ordinance which established a ceiling for loan fund operations at \$5,000,000.

The principal portion of loans outstanding at March 31, 1979 was \$2,685,000 of which \$251,000 is considered to be of doubtful collectibility. Commissioner or Commissioner in Council approval is required to effect deletion of this amount from the accounts.

5. Loans to Municipalities and School Districts

The balance of loans outstanding are receivable in varying annual amounts to the year 2005 and bear interest at rates between 5 1/8% and 10 1/8%.

6. Due from Canada

The amount of \$4,448,000, due on or before July 1, 1980, represents an additional operating grant from the Government of Canada. The receivable arose as a result of a shortfall in income tax collections for the 1978 taxation year and is calculated in accordance with a formula provided under terms of the Financial Agreement between the Government of the Northwest Territories and the Government of Canada.

7. Credit Union Mutual Aid Depository Fund

The Government of the Northwest territories established the Credit Union Mutual Aid Depository Fund during the 1976/1977 fiscal year by advancing a \$750,000 non-interest bearing demand loan. During the 1978/1979 fiscal year all credit unions in the Northwest Territories ceased operations. Repayments of \$180,000 were received during that year and a further \$54,000 was received subsequent to the year-end. The balance of \$516,000 is deemed to be uncollectable and will require Commissioner in Council approval for deletion from the accounts.

8. Current portion of long-term receivables

Principal loan repayments receivable during 1979/1980 include:

Loans to municipalities and school districts	\$1,362,000
Other loans	<u>15,000</u>
	<u>\$1,377,000</u>

9. Loans from Canada

- (a) Payment of principal and interest on loans from Canada to finance the acquisition of capital assets in prior years has been deferred in accordance with Orders in Council P.C. 1974-2878, P.C. 1975-1188 and P.C. 1979-1107. These loans, amounting to \$105,155,000 have accumulated interest of \$30,420,000, \$6,896,000 of which is in respect of the current year. This interest is not recorded in the financial statements.

- (b) The remaining portion of the loans amounting to \$15,478,000 represent borrowings, the proceeds from which were loaned to municipalities, school districts and other third parties for capital purposes. The loans are repayable in varying annual amounts to the year 2002 and carry interest rates which vary from 5 9/16% to 10 1/8%.

10. Loans from Canada Mortgage and Housing Corporation

Borrowings from Canada Mortgage and Housing Corporation were used to assist in the financing of townsite development at Nanisivik. The loans are repayable in varying annual amounts to the year 1990 and bear interest at rates between 9 5/8% and 9 3/4%.

11. Current portion of long-term debt

Principal loan repayments payable during 1979/1980 include:

Loans from Canada	\$824,000
Loans from Canada Mortgage and Housing Corporation	<u>88,000</u>
	<u>\$912,000</u>

12. Expenditures carried-over

Expenditures of approximately \$6,315,000 were incurred by the Government of the Northwest Territories during the current fiscal year but were not paid by the April closing date and are not reflected in the financial statements. In the previous fiscal year, the carry-over amounted to \$2,445,000.

13. Commitments

The Government of the Northwest Territories leases office space and staff accommodation under the terms of long-term contracts. Rental payments for which the Government is committed over the next five years are as follows:

1979/1980	\$ 7,892,000
1980/1981	7,676,000
1981/1982	7,136,000
1982/1983	6,220,000
1983/1984	<u>6,042,000</u>
	<u>\$34,966,000</u>

14. Contingent liabilities

The Government of the Northwest Territories has guaranteed the following:

Loans payable by the Northwest Territories Housing Corporation	\$42,759,000
Loans by chartered banks to commercial fishermen	240,000
Loans by chartered banks to commercial businesses	<u>90,000</u>
	<u>\$43,089,000</u>

15. Comparative figures

Comparative figures for the 1977/1978 fiscal year have been restated to conform to the current year's presentation of accounts.