

MR. WRAY

TABLING STATEMENT

MR. SPEAKER: I WISH TO TABLE THE FOLLOWING DOCUMENT

REPORT ON THE EXAMINATION OF THE ACCOUNTS
AND FINANCIAL STATEMENTS OF THE NORTHWEST
TERRITORIES HOUSING CORPORATION FOR THE
YEAR ENDED MARCH 31, 1984 BY THE AUDITOR
GENERAL OF CANADA

Report on the examination of the
accounts and financial statements of the
NORTHWEST TERRITORIES HOUSING CORPORATION
for the year ended March 31, 1984



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Commissioner of the Northwest Territories and
The Honourable Gordon Wray, M.L.A.,
Executive Member responsible for the
Northwest Territories Housing Corporation

I have examined the balance sheet of the Northwest Territories Housing Corporation as at March 31, 1984 and the statements of operations, equity and changes in financial position for the year then ended. 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, these financial statements present fairly the financial position of the Corporation as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

A handwritten signature in cursive script, appearing to read "Kenneth M. Dye".

Kenneth M. Dye, F.C.A.
Auditor General of Canada

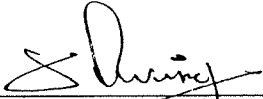
Ottawa, Canada
September 7, 1984

NORTHWEST TERRITORIES HOUSING CORPORATION


Balance Sheet
as at March 31, 1984

<u>ASSETS</u>		<u>LIABILITIES</u>	
	1984 (thousands of dollars)	1983 (thousands of dollars)	
Current			Current
Cash	\$ 4,097	\$ -	Bank indebtedness
Accounts receivable			Accounts payable
Canada Mortgage and Housing Corporation	18,737	13,194	Government of the Northwest Territories
Other	<u>1,883</u>	<u>2,487</u>	Other
			Accrued interest
	<u>24,717</u>	<u>15,681</u>	Due to the Government of the Northwest Territories (Note 5)
Investments in housing projects (Note 3)			Contractors' holdbacks
Land and buildings, including construction in progress \$16,094 (1983 - \$39,168)	146,048	131,767	Current portion of long-term debt
Mortgages	786	649	
Notes receivable and purchase options	<u>328</u>	<u>328</u>	
	<u>147,162</u>	<u>132,744</u>	
Fixed (Note 4)	2,043	1,762	
	<u>\$ 173,922</u>	<u>\$ 150,187</u>	
			<u>EQUITY</u>
			Government of the Northwest Territories
			51,508
			<u>\$ 173,922</u>
			<u>\$ 150,187</u>

Approved by Management:



President



Vice-President, Finance and Administration

Approved by the Board:



Chairman



Member

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NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Operations
for the year ended March 31, 1984

	<u>1984</u>	<u>Fifteen months ended March 31, 1983</u>
(thousands of dollars)		
Expenses		
Program (Note 7)	\$ 13,693	\$ 19,309
Administration (Note 8)	8,168	9,105
Interest on long-term debt	10,344	9,013
Repairs, maintenance, grants and other costs funded by capital grants from the Government of the Northwest Territories (Note 9)	4,103	4,737
Depreciation	1,476	1,423
Disposal of investments in housing projects	-	80
	<u>37,784</u>	<u>43,667</u>
Revenues		
Interest	1,342	1,524
Rentals under bulk lease agreements and staff accommodation	867	1,034
Grants from the Government of Canada for housing projects	222	504
Other	155	127
	<u>2,586</u>	<u>3,189</u>
Cost of operations	35,198	40,478
Contributions and grants from the Government of the Northwest Territories	<u>34,137</u>	<u>39,296</u>
Loss for the period	<u>\$ 1,061</u>	<u>\$ 1,182</u>

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Equity
for the year ended March 31, 1984

	<u>1984</u>	<u>Fifteen months ended March 31, 1983</u>
	(thousands of dollars)	
Balance at beginning of the period	\$ 40,556	\$ 37,775
Grants from the Government of the Northwest Territories used for capital expenditures	12,013	3,963
Loss for the period	<u>(1,061)</u>	<u>(1,182)</u>
Balance at end of the period	<u>\$ 51,508</u>	<u>\$ 40,556</u>

NORTHWEST TERRITORIES HOUSING CORPORATION

Statement of Changes in Financial Position
for the year ended March 31, 1984

	<u>1984</u>	<u>Fifteen months ended March 31, 1983</u>
(thousands of dollars)		
Source of funds		
Proceeds from long-term debt	\$ 13,098	\$ 15,093
Grants from the Government of the Northwest Territories used for capital expenditures	<u>12,013</u>	<u>3,963</u>
	<u>25,111</u>	<u>19,056</u>
Application of funds		
Operations		
Loss for the period	1,061	1,182
Items not affecting funds	<u>(1,061)</u>	<u>(1,182)</u>
	-	-
Investments in housing projects	15,344	24,237
Acquisition of fixed assets	433	249
Repayment of long-term debt	<u>1,449</u>	<u>924</u>
	<u>17,226</u>	<u>25,410</u>
Increase (decrease) in working capital	7,885	(6,354)
Working capital (deficiency) at beginning of the period	<u>(3,515)</u>	<u>2,839</u>
Working capital (deficiency) at end of the period	<u>\$ 4,370</u>	<u>\$ (3,515)</u>

NORTHWEST TERRITORIES HOUSING CORPORATION

Notes to Financial Statements
March 31, 1984

1. Authority and objectives

The Corporation was established in 1974 by the Northwest Territories Housing Corporation Ordinance to develop, maintain and manage public housing programs in the Northwest Territories. The Corporation is dependent on the Government of the Northwest Territories, either directly or indirectly through guarantees, for the funds required to finance its operations.

Under Section 19 of the Ordinance, the Government finances the operating, maintenance and capital costs of the Corporation from funds appropriated for that purpose. Section 19 further provides for a grant to be made to the Corporation, from the funds appropriated, equivalent to the operating deficit, if any, at the end of the Corporation's fiscal year.

2. Accounting policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and applied on a basis consistent with that of the preceding year. A summary of the significant accounting policies of the Corporation follows:

Investments in housing projects - land and buildings

Land and buildings constructed by the Corporation are recorded at cost and are financed by loans from Canada Mortgage and Housing Corporation, funds from Canada under Federal-Territorial agreements, to the extent of approved project costs, and by capital grants from the Government of the Northwest Territories. The cost of land and buildings under Federal-Territorial agreements represents the Corporation's share of the cost of projects constructed in partnership with Canada Mortgage and Housing Corporation. Northern rental housing, which has been transferred from the Government of the Northwest Territories to the Corporation, is recorded at the transferred amount. Interest on advances during construction is added to the cost of the project. Imputed interest, at prevailing rates, on funds used during construction of the projects under Federal-Territorial agreements is capitalized and credited to revenue.

In accordance with the terms of agreements under the National Housing Act, public housing projects including land assembly costs are depreciated by the sinking fund method based on the principal repayment of the applicable long-term debt. Projects including land assembly costs under Federal-Territorial agreements are depreciated in a similar manner. Other housing including northern rental is depreciated on the straight-line method at 5% annually.

Fixed assets

Fixed assets are recorded at cost and depreciated over their estimated useful lives using the following bases and annual rates:

Buildings	Straight line	5%
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight line	Over the term of the lease

Government contributions and grants

Contributions and grants from the Government of the Northwest Territories are recorded on the accrual basis. All contributions and grants are credited to operations, except for that portion of capital grants used for capital expenditures which is credited to equity.

Contributions to housing authorities and associations

Houses owned by the Corporation are operated by local housing authorities and associations. The Corporation's contributions towards the annual operating requirements of these housing authorities and associations are recorded as program expenses and are reduced by the amounts recoverable from Canada Mortgage and Housing Corporation.

Pension contributions

The Corporation and its employees, who are deemed to be employees of the Government of the Northwest Territories, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

3. Investments in housing projects

(a) Land and buildings, including construction in progress

	1984					1983	
	<u>Public housing</u>	<u>Northern rental housing</u>	<u>Land assembly</u>	<u>Senior citizens housing</u>	<u>Rural and remote housing</u>	<u>Total</u>	<u>Total</u>
	(thousands of dollars)						
Completed	\$ 103,667	\$ 9,810	\$ 8,160			\$ 121,637	\$ 89,748
In progress	<u>13,110</u>	<u>-</u>	<u>943</u>			<u>14,053</u>	<u>36,737</u>
	116,777	9,810	9,103			135,690	126,485
Less accumulated depreciation	<u>3,718</u>	<u>5,405</u>	<u>45</u>			<u>9,168</u>	<u>7,999</u>
	<u>113,059</u>	<u>4,405</u>	<u>9,058</u>			<u>126,522</u>	<u>118,486</u>
Under Federal-Territorial agreements							
Completed	15,885			\$ 1,459	\$ 320	17,664	10,901
In progress	<u>1,751</u>			<u>33</u>	<u>257</u>	<u>2,041</u>	<u>2,431</u>
	17,636			1,492	577	19,705	13,332
Less accumulated depreciation	<u>164</u>			<u>15</u>	<u>-</u>	<u>179</u>	<u>51</u>
	<u>17,472</u>			<u>1,477</u>	<u>577</u>	<u>19,526</u>	<u>13,281</u>
	<u>\$ 130,531</u>	<u>\$ 4,405</u>	<u>\$ 9,058</u>	<u>\$ 1,477</u>	<u>\$ 577</u>	<u>\$ 146,048</u>	<u>\$131,767</u>

In addition to charging interest of \$1,731,000 (1983 - \$2,335,000) on advances for capital projects, a further \$433,000 (1983 - \$488,000) of interest was charged to projects under Federal-Territorial agreements and credited to revenue of the year.

(b) Mortgages

	<u>1984</u>	<u>1983</u>
	(thousands of dollars)	
First mortgages, rural and remote housing bearing interest at rates varying between 9 1/2% and 21% per annum, repayable over a maximum period of 25 years	\$ 527	\$ 390
Other first mortgages, bearing interest at rates varying between 6% and 17 1/2% per annum, repayable over a maximum period of 25 years	237	234
Second mortgages, administered by Canada Mortgage and Housing Corporation, bearing interest at rates varying between 7 1/4% and 9 1/4% per annum, repayable over a maximum period of 25 years	13	15
Other second mortgages bearing interest at rates varying from 0% to 21%, repayable over a maximum period of 10 years	<u>9</u>	<u>10</u>
	<u>\$ 786</u>	<u>\$ 649</u>

(c) Notes receivable and purchase options

	<u>1984</u>	<u>1983</u>
	(thousands of dollars)	
Notes receivable without interest	\$ 241	\$ 241
Purchase options at cost	<u>87</u>	<u>87</u>
	<u>\$ 328</u>	<u>\$ 328</u>

In 1976, the Corporation purchased two separate exclusive options to acquire, on or before September 1, 1991, low income housing projects from a third party who obtained loans of \$3,224,000 from Canada Mortgage and Housing Corporation repayable in monthly instalments to September 1, 2026 and secured by first mortgages. The cost of the purchase options was \$87,000. In addition, the Corporation advanced \$241,000 to the third party, secured by non-interest bearing notes receivable, repayable September 1, 1991. If the options are exercised the purchase prices will be the aggregate of the option costs, the notes receivable, then due, and the balances owing under the first mortgages at September 1, 1991.

Should the Corporation not exercise its options within the allowed period, the option considerations of \$87,000 will be forfeited to the third party and the notes receivable which the Corporation holds from the third party in the amount of \$241,000 will be forgiven as compensation for damages.

4. Fixed assets

	<u>1984</u>	<u>1983</u>
	(thousands of dollars)	
Cost		
Warehouses	\$ 1,273	\$ 916
Office furniture and equipment	403	332
Staff houses	371	371
Prefabrication plant	315	315
Leasehold improvements	261	257
District offices	<u>161</u>	<u>161</u>
	2,784	2,352
Less accumulated depreciation	<u>741</u>	<u>590</u>
	<u>\$ 2,043</u>	<u>\$ 1,762</u>

5. Due to the Government of the Northwest Territories

	<u>1984</u>	<u>1983</u>
	(thousands of dollars)	
Contributions for operations	\$29,978	\$34,367
Contribution recoverable by the Government	6,000	-
Capital grants funding for repairs, maintenance, grants and other costs	4,103	4,610
Grants for prior period deficits	<u>-</u>	<u>1,263</u>
	40,081	40,240
Less cost of operations for the year excluding items not affecting funds	<u>34,137</u>	<u>39,296</u>
Amount provided in excess of requirements Due to the Government of the Northwest Territories:	5,944	944
At beginning of the period	<u>1,410</u>	<u>466</u>
At the end of the period	<u>\$ 7,354</u>	<u>\$ 1,410</u>

The contribution recoverable by the Government is part of a special payment of \$8,860,000 received in March 1984 to finance operations and capital projects pending determination of Canada Mortgage and Housing Corporation (CMHC) sharing in the funding of project cost overruns. The balance of the special payment has been credited to equity. The project cost overruns are estimated at \$8,795,000 of which \$6,000,000 will probably be funded by CMHC. As the amounts are agreed to and paid by CMHC, they will be recovered by the Government from its contributions in 1984-85.

6. Long-term debt

	<u>1984</u>	<u>1983</u>
	(thousands of dollars)	
Advances from Canada Mortgage and Housing Corporation, providing interim financing for construction of housing projects, bearing interest at an average weighted rate of 12.1% (1983 - 16.7%), becoming loans payable on the applicable interest adjustment date	\$ 15,579	\$ 17,646
Loans from Canada Mortgage and Housing Corporation, repayable in annual amounts until the year 2033, bearing interest at an average weighted rate of 13.0% (1983 - 12.1%)	86,261	72,504
Loans from Canada, repayable in annual amounts through 1996, bearing interest at an average weighted rate of 7.5% (1983 - 7.5%)	<u>467</u>	<u>525</u>
	102,307	90,675
Less current portion	<u>240</u>	<u>240</u>
	<u>\$102,067</u>	<u>\$ 90,435</u>

Principal repayments and interest requirements over the next five years on outstanding loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(thousands of dollars)		
1985	\$ 240	\$11,534	\$11,774
1986	262	11,510	11,772
1987	280	11,484	11,764
1988	289	11,455	11,744
1989	319	11,425	11,744

The repayment of long-term debt is guaranteed by the Government of the Northwest Territories.

7. Program expenses

	Year ended March 31, <u>1984</u>	Fifteen months ended March 31, <u>1983</u>
	(thousands of dollars)	
Contributions to housing authorities and associations	\$ 26,502	\$ 31,222
Less amounts recovered from Canada Mortgage and Housing Corporation	<u>14,433</u>	<u>14,388</u>
	12,069	16,834
Operating expenses - two apartment buildings	676	879
Workshops and studies	449	360
Contributions to Young Women's Christian Association of the Northwest Territories	393	417
Special programs and subsidies	<u>106</u>	<u>819</u>
	<u>\$ 13,693</u>	<u>\$ 19,309</u>

The Corporation leases two apartment buildings to provide housing in the City of Yellowknife. Rents received from these apartments amounting to \$612,000 (1983 - \$716,000) are included in rentals under bulk lease agreements and staff accommodation.

8. Administration expenses

	Year ended March 31, <u>1984</u>	Fifteen months ended March 31, <u>1983</u>
	(thousands of dollars)	
Salaries and benefits	\$ 5,247	\$ 5,891
Travel and relocation	1,214	1,554
Buildings and equipment rentals	576	590
Professional and special services	384	319
Communications	227	252
Interest	164	296
Materials and supplies	146	206
Bad debts (recoveries)	99	(136)
Directors' fees and expenses	66	121
Miscellaneous	<u>45</u>	<u>12</u>
	<u>\$ 8,168</u>	<u>\$ 9,105</u>

9. Repairs, maintenance, grants and other costs funded by capital grants

	Year ended March 31, <u>1984</u>	Fifteen months ended March 31, <u>1983</u>
	(thousands of dollars)	
Extraordinary maintenance	\$ 1,021	\$ 706
Enriched emergency repairs program	357	387
Emergency repair program	<u>211</u>	<u>215</u>
	1,589	1,308
Less amounts recovered from Canada Mortgage and Housing Corporation	<u>566</u>	<u>535</u>
	1,023	773
Homeownership assistance program grants	2,002	1,167
Repairs to fire damaged units	323	502
Major deficiencies program	226	296
Housing association equipment grants	178	204
Other	<u>351</u>	<u>1,795</u>
	<u>\$ 4,103</u>	<u>\$ 4,737</u>

10. Commitments

(a) The Corporation leases office space and apartment buildings under long-term lease agreements and is committed to basic rental payments as follows:

(thousands of dollars)

1985	\$ 714
1986	688
1987	687
1988	436
1989	409
1990-1991	<u>527</u>
	<u>\$ 3,461</u>

The leases contain escalation clauses for operating costs and property taxes which may cause the payments to exceed the basic rental.

(b) At March 31, 1984 the estimated cost to complete housing and land assembly projects in process was \$2,600,000 of which Canada Mortgage and Housing Corporation will share in the approved cost to the extent of \$693,000 and will provide loans for a further \$237,000.