

Department of Family Services and Housing
Five-Year Expenditure and Staffing Summary by Appropriation
(\$000's)

For the years ended March 31, 2004 - March 31, 2008

Appropriation	Actual/Adjusted Expenditures*									
	2003/04		2004/05		2005/06		2006/07		2007/08	
	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$
09-1 Administration and Finance	113.50	9,777.2	112.50	10,350.1	116.00	10,788.6	116.00	11,427.5	116.00	12,046.8
09-2 Housing	7.00	34,723.3	4.00	36,071.4	4.00	36,238.6	4.00	49,108.0	4.00	53,246.7
09-3 Disability Programs and Employment and Income Assistance	78.22	475,977.0	73.50	515,130.8	72.50	540,848.5	72.50	555,343.7	72.50	582,756.2
09-4 Child and Family Services	100.00	239,391.4	102.00	252,615.2	105.50	275,347.1	105.50	310,958.7	105.50	352,730.4
09-5 Community Service Delivery	2,032.86	105,187.3	2,034.26	108,364.7	2,008.26	114,533.0	2,014.26	120,533.6	1,949.96	127,999.6
09-6 Costs Related to Capital Assets		4,393.0		5,117.4		5,493.0		5,642.7		6,229.2
Total Family Services and Housing	2,331.58	869,449.2	2,326.26	927,649.6	2,306.26	983,248.8	2,312.26	1,053,014.2	2,247.96	1,135,008.9

* Adjusted figures reflect historical data on a comparable basis in those appropriations affected by a reorganization, during the years under review.

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statements. As well, the decrease of \$324,673 (2007 - increase of \$223,807) in the liability and in the recoverable is recorded in the financial statements. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being estimated by a formula provided by the actuary. The most recent valuation was completed at December 31, 2004.

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$5,881,445	\$5,657,638
Experience (gain) loss	(884,505)	(331,663)
Benefits accrued	439,288	427,799
Interest accrued on benefits	387,882	373,655
Benefits paid	<u>(267,338)</u>	<u>(245,984)</u>
Balance at end of year	<u>\$5,556,772</u>	<u>\$5,881,445</u>

The key actuarial assumptions were a rate of return of 6.5% (2001 - 6.75%), 2.5% inflation (2001 - 2.75%), salary rate increases of 3.25% (2001 - 3.5%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2008 using a formula provided by the actuary.

20. Severance

a) Severance pay liability

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Corporation recorded a severance liability as at April 1, 2003 in the amount of \$569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba. The Corporation recorded, effective April 1, 2003, a receivable in the amount of \$569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of \$877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of \$569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the

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corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The carrying value of the receivables approximates its fair value as the interest component described above is comparable to current market rates.

21. Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by the MHRC in respect of land owned or developed by it or by a partnership or joint venture in which the MHRC is or was a participant. Interest earned on the amounts are to be credited to the fund. Profits are transferred from The Manitoba Housing and Renewal Fund Deficit to the Housing Development and Rehabilitation Fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which the Corporation realized profits, including the development of new housing or the rehabilitation of existing housing. The fund has a balance of \$3,678,735.

22. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

The Corporation provided the City of Winnipeg with a letter of credit under a development agreement. At March 31, 2008 the letter of credit amounted to \$1,389,120.

23. Commitments

The Corporation has the following commitments as at March 31, 2008.

- a) Housing project modernization and improvement \$12,839,582
- b) Repair and renovation expenses \$11,740,507
- c) Grants and subsidies:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2008	\$41,256,800
2009	46,660,700
2010	52,998,000
2011	57,875,900
2012	62,763,400

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24. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	<u>2008</u>	<u>2007</u>
Joint Venture Investment Guarantee (note 9)	\$2,400,000	\$2,400,000
Waverley West Letter of Credit	1,389,120	2,050,605
Mobile Home Loan Guarantee Program	163,115	360,684
Affordable Housing Initiative Loan Guarantee Program	<u>2,335,356</u>	<u>2,598,356</u>
Total guarantees	<u>\$6,287,591</u>	<u>\$7,409,645</u>

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2008 are \$163,115 (2007 - \$887,007) and are included in cash (note 4). The trust fund liability is included in accounts payable.

25. Risk Management

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

26. Prior Year Error

During 2008 the corporation discovered an error in the investment in land for future development or sale related to prior years. The comparative figures for 2007 have been restated to correct this error. The impact of the restatement on these financial statements is summarized below.

Decrease in Land for Future Development or Sale	\$878,142
Increase in the MHRC deficit	\$878,142

27. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.