

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Financial Statements (unaudited)
March 31, 2017

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The Honourable George Qulaut, MLA
Speaker of the Legislative Assembly of Nunavut

I am pleased to present the Interim Financial Report of the Government of Nunavut for the fiscal year ended March 31, 2017. The report is presented in accordance with subsection 51(4) of the Financial Administration Act.

A handwritten signature in blue ink, appearing to read 'Keith Peterson', with a long horizontal flourish extending to the right.

The Honourable Keith Peterson, MLA
Minister of Finance

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The Honourable Keith Peterson, MLA
Minister of Finance

I am pleased to present the Interim Financial Report of the Government of Nunavut for the fiscal year ended March 31, 2017. The report is submitted pursuant to subsection 51(3) of the Financial Administration Act.

The purpose of the report is to provide the preliminary operating results of the Government, on a non-consolidated basis, for the year ended March 31, 2017.

The information in the report is unaudited and subject to change prior to the issue of the final Public Accounts. The non-consolidated financial statements are subject to review before the Auditor General issues the auditor's report on the Government's Consolidated Financial Statements. That review is not complete at this time.

Respectfully submitted,



Peter Tumilty, FCPA, FCGA
Comptroller General

September 29, 2017

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GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Financial Statements (unaudited)
March 31, 2017

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GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Financial Position (unaudited)
as at March 31, 2017
(in thousands of dollars)

	Note	2017	2016 Restated-Note 2
Financial assets			
Cash and cash equivalents	3	600,907	556,274
Due from the Government of Canada	4	49,899	44,549
Accounts receivable	5	114,239	101,924
Inventories for resale	6(a)	112,071	159,485
Loans receivable	7	26,836	26,756
Designated investments	8	15,288	13,442
Total financial assets		919,240	902,430
Liabilities			
Accounts payable and accrued liabilities	9	295,220	317,737
Deferred revenues	10	76,607	64,192
Liability for contaminated sites	11	8,274	8,421
Liabilities for pension and other employee benefits	12	68,614	59,792
Mortgage payable	13	1,758	2,177
Iqaluit International Airport Improvement Project	14	134,292	100,092
Capital lease obligations	15	30,691	38,950
Nunavut Energy Management Program Project	16	6,409	7,554
Total liabilities		621,865	598,915
Net financial assets		297,375	303,515
Non-financial assets			
Tangible capital assets (Schedule C)		1,315,857	1,252,704
Inventories for use	6(b)	3,200	3,080
Prepaid expenses		3,843	4,072
Total non-financial assets		1,322,900	1,259,856
Net assets		1,620,275	1,563,371

Contractual obligations (Note 18)
Contingencies (Note 19)
Subsequent events (Note 24)

The accompanying notes and schedules are an integral part of these non-consolidated financial statements.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Operations and Net Assets (unaudited)
for the year ended March 31, 2017
(in thousands of dollars)

	2017 Budget <small>(Note 22)</small>	2017 Actual	2016 Actual <small>Restated-Note 2</small>
Revenues (Schedule A)			
From the Government of Canada	1,634,248	1,692,321	1,657,880
Tax revenues generated by the Government of Nunavut	108,500	107,546	107,764
Other revenues generated by the Government of Nunavut	82,000	97,334	80,370
Recoveries of prior years expenditures	-	14,822	15,942
Total revenues	1,824,748	1,912,023	1,861,956
Expenses (Schedule B)			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,661,460	1,664,145	1,582,549
<i>Plus:</i> Amortization expenses on tangible capital assets	48,309	61,427	68,960
<i>Plus:</i> Write-down of tangible capital assets	-	7,288	14,680
Total operations and maintenance expenses	1,709,769	1,732,860	1,666,189
Capital expenditures	281,380	254,127	254,400
<i>Less:</i> Transfers to tangible capital assets	156,470	131,868	156,318
Total capital expenses	124,910	122,259	98,082
Total expenses	1,834,679	1,855,119	1,764,271
Surplus (deficit) for year	(9,931)	56,904	97,685
Net assets, beginning of year	1,563,371	1,563,371	1,465,686
Net assets, end of year	1,553,440	1,620,275	1,563,371

The accompanying notes and schedules are an integral part of these non-consolidated financial statements.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Change in Net Financial Assets (unaudited)
for the year ended March 31, 2017
(in thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual <small>Restated-Note 2</small>
Surplus (deficit) for year	(9,931)	56,904	97,685
Tangible capital assets (Schedule C)			
Additions	(156,470)	(131,868)	(156,318)
Write-downs	-	7,288	14,680
Amortization	48,309	61,427	68,960
	(108,161)	(63,153)	(72,678)
Additions to inventories for use	(196)	(5,520)	(5,112)
Consumption of inventories for use	-	5,400	5,087
Net use (additions) of prepaid expenses	(327)	229	(1,233)
	(523)	109	(1,258)
(Decrease) increase in net financial assets	(118,615)	(6,140)	23,749
Net financial assets, beginning of year	303,515	303,515	279,766
Net financial assets, end of year	184,900	297,375	303,515

The accompanying notes and schedules are an integral part of these non-consolidated financial statements.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Cash Flow (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

	2017	2016
Cash provided by (used for) operating activities:		
Cash received from:		
Transfers from the Government of Canada	1,710,778	1,647,040
Cash receipts from taxation	106,720	105,978
Other generated revenues	228,885	263,770
Interest on loans receivable and portfolio investments	991	1,076
Cash paid for:		
Interest payments on capital leases, mortgage and project financing	(2,999)	(3,488)
Cash payments to and on behalf of employees	(530,005)	(511,362)
Grants and contributions	(502,441)	(477,488)
Cash payments to suppliers	(860,379)	(776,101)
	151,550	249,425
Cash provided by (used for) capital activities:		
Purchases of tangible capital assets	(72,050)	(73,131)
	(72,050)	(73,131)
Cash provided by (used for) investing activities:		
Loans issued to municipalities, businesses and individuals	(353)	(249)
Loan repayments by municipalities, businesses and individuals	254	301
Investments in designated investments	(1,846)	(1,925)
	(1,945)	(1,873)
Cash provided by (used for) financing activities:		
Progress payments on Iqaluit International Airport Improvement Project	(23,100)	(31,600)
Principal payments on capital leases	(8,259)	(7,662)
Principal payments on Nunavut Energy Savings Program Project	(1,144)	(1,159)
Principal payments on mortgage payable	(419)	(391)
	(32,922)	(40,812)
Increase (decrease) in cash and cash equivalents	44,633	133,609
Cash and cash equivalents, beginning of year	556,274	422,665
Cash and cash equivalents, end of year (Note 3)	600,907	556,274

The accompanying notes and schedules are an integral part of these non-consolidated financial statements.

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Notes to Non-Consolidated Financial Statements (unaudited)**

March 31, 2017
(in thousands of dollars)

1 AUTHORITY AND OPERATIONS

(a) Government of Nunavut

The Government of Nunavut (the Government) operates under the authority of Canada's *Nunavut Act*. The Government has an elected Legislative Assembly which authorizes disbursements, advances, loans and investments, except those specifically authorized by statute.

(b) Main Estimates

The 2016-2017 Main Estimates were tabled in the Legislative Assembly in February 2016 and represent the Government's fiscal plan for the year (i.e., original budget). Summary information and totals for government's original budget for the year are provided on pages x through xiii of the 2016-2017 Main Estimates. Planned Vote 5 revenues and Vote 4 expenses represent the share of eligible costs to be funded under agreements with the Government of Canada or others, and while not part of the annual Appropriations (Operations and Maintenance) Act approved by the Legislative Assembly in March 2016, they are, along with those of revolving funds, included in the original budget totals disclosed in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These non-consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS), as issued by the Public Sector Accounting Board of Canada, with the exception that they are not consolidated and certain revenues are reported net of expenses (i.e., The petroleum products division and liquor revenues are reported net of their cost of goods sold).

Pursuant to Section 74 of the *Financial Administration Act*, the Government also prepares consolidated financial statements, which provide an accounting of the full nature and extent of the financial affairs and resources for which the Government is responsible. The consolidated reporting entity is defined in those statements.

(b) Reporting entity

These financial statements include the assets, liabilities and operating results of the Government's Consolidated Revenue Fund, including departments included in the Main Estimates, as well as the following revolving funds:

- Liquor Revolving Fund
- Petroleum Products Revolving Fund
- Public Stores Revolving Fund
- Student Loan Fund

Revolving funds are established by the Government to provide the required working capital to deliver goods and services to the general public and to Government departments.

The following public agencies are included in these non-consolidated financial statements only to the extent of the Government's contributions to and services received from or provided to them during the year:

- Territorial corporations
 - Nunavut Arctic College (NAC)
 - Nunavut Business Credit Corporation (NBCC)
 - Nunavut Development Corporation (NDC)
 - Nunavut Housing Corporation (NHC)
 - Qulliq Energy Corporation (QEC)

- Other public agencies
 - District Education Authorities
 - Human Rights Tribunal
 - Inuit Uqausinginnik Taiguusiliuqtiit
 - Labour Standards Board
 - Legal Services Board
 - Liquor Commission
 - Nunavut Liquor Licensing Board
 - Office of the Public Trustee
 - Qullit Nunavut Status of Women Council

Nunavut Lottery, which operates as a government business partnership, is recorded in these non-consolidated financial statements based on the contributions received during the year from the net results of lottery sales and activities in Nunavut.

The Workers' Safety and Compensation Commission (WSSC), which is responsible for the administration of related employer insurance premiums and employee benefit programs within Nunavut is not accounted for in these financial statements. Since the Government does not control or have access to the WSSC's assets or responsibility for its obligations, it is excluded from the Government's financial reporting entity.

(c) Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires government management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. The more significant areas where estimates and assumptions have been used to prepare these financial statements include:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax revenues collected by the Government of Canada on the Government's behalf.

(ii) Allowance for doubtful accounts, loan valuation allowances, provision for losses on loan guarantees, amortization of tangible capital assets, liability for contaminated sites, contingencies and other employee benefit liabilities.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of bank account balances, net of outstanding cheques, and short term highly liquid investments that are readily convertible to cash with a maturity term of 3 months or less from the time of their acquisition. Cash equivalents are recorded at cost. Short term investments are recorded at the lower of cost or market value.

(e) Inventories

Inventories for resale include bulk fuel and liquor products. Bulk fuel is valued at the lower of weighted average cost or net realizable value. Liquor products are valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventory for use includes health and medical supplies valued at the lower of cost or replacement cost, with the cost being determined on a first-in, first-out basis.

(f) Loans receivable

Loans receivable are valued at the lower of cost or net recoverable value. Based on the circumstances known at the date the financial statements are prepared, including past events and current conditions, valuation allowances are recorded when collection is considered doubtful or when the value of a loan receivable is impaired. Interest revenue is recorded on an accrual basis when the collectability of both principal and interest are reasonably assured. An uncollectible or impaired loan receivable balance can be written off only upon receipt of required statutory approvals.

(g) Tangible capital and leased assets

Tangible capital assets are non-financial assets whose useful life exceeds one fiscal year and are intended to be used on an ongoing basis for delivering government services. They may include such diverse items as buildings, vehicles, equipment, aircraft and computer hardware and software systems.

Tangible capital assets are recorded at cost or, where actual cost is not available, estimated current replacement cost is used. Gifted or contributed tangible capital assets are recorded at fair market value upon receipt, or a nominal value if fair value is not available.

Leased assets that meet the definition of a tangible capital asset, except that they are held under lease by the Government, are capitalized and reported as such if, in substance, their terms and conditions transfer substantially all of the benefits and risks of ownership to the Government. Legal ownership may not necessarily have been transferred. The lease liability and corresponding asset are recorded based on the present value of payments due over the course of the lease. The present value is based on the lower of the rate implicit in the lease or the Government's incremental borrowing rate at the time the obligation is incurred.

Tangible capital assets, when placed into service, are amortized over their useful lives using the straight line method. When assets are leased, the amortization rate will be based on the lesser of the lease terms or the useful lives of the leased assets. The following amortization rates are being used:

Asset Category	Amortization Period
Buildings	30 years
Leased Buildings	30 years
Infrastructure	30 years
Tank Farms	30 years
Storage Facilities	30 years
Equipment	5-30 years
Land	Not amortized

When conditions indicate that a tangible capital asset no longer contributes to the Government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

In the year a tangible capital asset is acquired or put into service, amortization is taken for the full year. Tangible capital assets under construction or development are recorded as work in progress with no amortization taken until the year the asset is placed into service.

Assets acquired by right, such as Crown lands, water and mineral resources, are not recorded in the financial statements. The cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints and photographs are charged to expense in the year they are acquired.

(h) Pension and other employee benefits

Pension benefits

Substantially all of the employees of the Government of Nunavut are covered by the public service pension plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Government of Nunavut to cover current service costs. Pursuant to legislation currently in place, the Government of Nunavut has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, the Government of Nunavut's contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Government of Nunavut.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Notes to Non-Consolidated Financial Statements (unaudited)

March 31, 2017
(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, the Government provides two different pension benefits to Members of the Legislative Assembly. The costs and obligations of the Government for these pension plan benefits are estimated on an actuarial basis. When actual experience varies from estimates, or when actuarial assumptions change, actuarial gains or losses arise. These gains and losses are not recognized immediately but rather over the estimated average remaining service lives of the contributors. Recognition of actuarial gains and losses commences in the year following the effective date of the related actuarial valuations. In addition, upon a plan amendment, curtailment or settlement, previously unrecognized net actuarial gain or loss balances will require immediate recognition.

Other employee benefits

Under the terms and conditions of employment, Government employees may earn severance and removal benefits based on years of service. These benefits are paid upon resignation, retirement or death of the employee. Further, employees, upon retirement, are entitled to enroll in health and dental benefit programs, the cost of which are cost-shared by government. The estimated liability and related expenses for these benefit programs are recorded as employees earn them. Actuarial valuation estimates of the government's obligations and related costs for each of these benefit programs have been prepared using data provided by management and assumptions based on management's best estimates. Termination benefits are recorded when employees are identified for lay-off.

The Government's employees are entitled to sick leave under their terms of employment. Included in other employee benefits is an amount for employees who are permitted to accumulate unused sick leave. However, such entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is determined by an actuarial valuation and has been recorded in these financial statements.

(i) Revenues

Unless otherwise stated, all revenues are recognized and reported on an accrual basis in the period in which transactions or events give rise to the revenues. Specific revenue accounting policies are as follows:

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability and is recorded as deferred revenue.

Taxes

Tax revenues are recognized in the period in which the taxable event occurs and when they are authorized by legislation or the ability to assess and collect the tax has been provided through legislative convention. Income tax is calculated net of tax deductions and credits allowed under the *Income Tax Act*. If an expense provides a financial benefit other than a relief of taxes, it is classified as a transfer made through the tax system. If an expense provides tax relief to a taxpayer and relates to revenue, this expense is considered a tax concession and is netted against tax revenues. Tax concessions transferred to taxpayers include the Nunavut child tax benefit, the cost of living tax credit and the business training tax credit. Taxes, under the *Income Tax Act*, are collected by the Government of Canada on behalf of the Government of Nunavut under a tax collection agreement and are remitted to the Government. The remittances are based on the Government of Canada's estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are finalized. These income tax adjustments are accounted for in the year known.

Fuel, tobacco, and payroll taxes are levied under the authority of the *Petroleum Products Tax Act*, the *Tobacco Tax Act* and the *Payroll Tax Act*, respectively. Revenues are recognized on an accrual basis based on the statements received from collectors or employers. Adjustments from reassessments are recorded in revenue in the year they are identified. Tobacco tax commission on tobacco tax revenue provides a financial benefit other than relief of taxes and is recorded as an expense.

Property taxes are assessed on a calendar year basis and are recorded on an accrual basis in the fiscal year.

Other taxes are accrued based on information provided by those parties which collect tax on the Government's behalf.

Recoveries of prior years expenditures

Recoveries of prior years expenditures, including reversals of prior years expenditure over-accruals, are reported separately from other revenues on the statement of operations. Pursuant to the subsection 36(9) of the *Financial Administration Act*, these recoveries cannot be used to increase the amount appropriated for current year expenditures.

(j) Expenses

Expenses are recorded on an accrual basis when goods are received or services are rendered.

Grants and contributions are recognized as expenses provided that the transfer is authorized and all eligibility criteria have been met by the recipient. Grants and contributions include transfer payments to individuals, municipalities and other organizations under government funding arrangements. Payments to individuals include payments for children's benefits, income support or income supplement. These payments are based on age, family status, income, and employment criteria. Other grants and contributions are provided to conduct research, to establish new jobs through support for training and to promote educational, health and cultural activities.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Notes to Non-Consolidated Financial Statements (unaudited)

March 31, 2017
(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Contingencies

The contingencies of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur and is quantifiable, an estimated liability is accrued as part of accounts payable and accrued liabilities. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued. Contingent liabilities result from potential environmental contingencies or pending litigation and like items.

(l) Contaminated sites

Contaminated sites are the result of contamination being introduced into air, soil, water or sediment in concentrations that exceeds the maximum acceptable amounts under an environmental standard.

A liability for remediation of a contaminated site is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Government is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability for contaminated sites reflects government management's best estimate of the amount required to remediate sites to the current minimum standard for its use prior to the contamination.

The liability is recognized net of any expected recoveries and includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

The liability is adjusted each year for the passage of time, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of a future event that would confirm the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements.

(m) Future changes in accounting standards

A number of new and amended standards issued by the Public Sector Accounting Board of Canada are not yet effective and have not been applied in preparing these financial statements. The Government plans to adopt these new and amended standards on their effective dates and is currently assessing the impact they will have on its financial statements. The following standards for governments will become effective as follows:

PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard establishing disclosure requirements for related party transactions.

PS 3210 Assets (effective April 1, 2017), a new standard providing guidance for applying the definition of assets set out in *PS 1000 Financial Statement Concepts*.

PS 3320 Contingent Assets (effective April 1, 2017), a new standard establishing disclosure requirements for contingent assets.

PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing disclosure requirements for contractual rights.

PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

PS 3430 Restructuring Transactions (effective April 1, 2018), a new standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

PS 2601 Foreign Currency Translation (effective April 1, 2019), replaces PS 2600 with revised guidance on the recognition, presentation and disclosure of transactions and balances that are denominated in a foreign currency.

PS 3450 Financial Instruments (effective April 1, 2019), a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 1201 Financial Statement Presentation (effective in the period PS 3450 and PS 2601 are adopted), replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure for government financial statements.

PS 3041 Portfolio Investments (effective in the period PS 3450, PS 2601 and PS 1201 are adopted), replaces PS 3040 with revised guidance on accounting for, and presentation and disclosure of, portfolio investments.

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Notes to Non-Consolidated Financial Statements (unaudited)

March 31, 2017

(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Services provided without charge

The Government of Nunavut receives audit services at no charge from the Office of the Auditor General of Canada. That Office's costs for these services have not been recorded in these financial statements.

(o) Restatement of Retirement health benefits liability

All employees are entitled to, upon retirement, enroll in health and dental benefit programs, the cost of which are cost-shared by the government. Due to the nature of these benefits, actuarial valuations are required to estimate the Government's liability with respect to the health and dental benefits of the retirees.

The Government of Nunavut has reviewed its approach for the evaluation, accounting and reporting of retirement health benefits. In the past, the Government of Nunavut recognized health and dental benefits when they were paid, and no liability was recorded in the financial statements as it was not considered significant. In fiscal year 2017, an actuarial valuation was performed to measure the estimated liability. As a result of this valuation, the Government of Nunavut has recorded for the first time a liability in the financial statements for retiree health benefits, with retroactive restatement of comparative years.

As a result of this restatement, the opening balance of liabilities for pension and other employee benefits, net assets, and the beginning balance of net assets of the Government of Nunavut have increased by \$16,952. The 2016 financial statements have been restated as follows:

Liabilities for pension and other employee benefits

Beginning of the year, as previously reported	42,841
Adjustment to opening liability for pension and other employee benefits	15,648
Adjustment of compensation and benefits expense	1,303
	<u>59,792</u>

Net Assets

Beginning of year, as previously reported	1,481,334
Adjustment of opening liabilities for pension and other employee benefits	(15,648)
	<u>1,465,686</u>

Expenses - operations and maintenance

As previously reported	1,164,886
Adjustment of compensation and benefits expense	1,303
	<u>1,166,189</u>

3 CASH AND CASH EQUIVALENTS

	2017	2016
Cash	600,907	556,274

During the year, government earned interest of prime less 1.65% on its net bank balances (2016 - prime less 1.75%).

4 DUE FROM THE GOVERNMENT OF CANADA

	2017	2016
Grant receivable:		
From the Government of Canada (Schedule A)	1,488,585	1,454,193
Less: Payments received	(1,488,585)	(1,454,193)
	-	-
Balance of grant receivable, beginning of the year	-	-
Balance of grant receivable, end of the year	-	-
Other receivables:		
Other receivables from the Government of Canada	49,899	44,549
	<u>49,899</u>	<u>44,549</u>

The amounts due from the Government of Canada are non-interest bearing. The carrying amounts approximate fair market value because of the short term to maturity.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Notes to Non-Consolidated Financial Statements (unaudited)

March 31, 2017
(in thousands of dollars)

5 ACCOUNTS RECEIVABLE	2017	2016
Receivable by funds		
Consolidated Revenue Fund	52,760	48,132
Petroleum Products Revolving Fund	79,871	68,633
Public Stores Revolving Fund	46	66
Liquor Revolving Fund	1	1
	<u>132,678</u>	<u>116,832</u>
Less: Allowance for doubtful accounts	(18,439)	(14,908)
	<u>114,239</u>	<u>101,924</u>
Receivable by relation with the creditors		
Nunavut Arctic College	8,419	13,483
District Education Authorities	2,405	2,231
Nunavut Business Credit Corporation	862	337
Nunavut Development Corporation	14	4
Nunavut Housing Corporation	18,264	10,505
Qulliq Energy Corporation	26,370	31,945
Receivable from related parties	56,334	58,505
	<u>76,344</u>	<u>58,327</u>
Less: Allowance for doubtful accounts	(18,439)	(14,908)
	<u>114,239</u>	<u>101,924</u>
6 INVENTORIES	2017	2016
(a) For resale		
Bulk fuels	110,498	157,961
Liquor products	1,573	1,524
	<u>112,071</u>	<u>159,485</u>
The write-down for bulk fuels inventory for 2017 was \$169 (2016 - \$175).		
(b) For use		
Health and medical supplies	3,200	3,080
7 LOANS RECEIVABLE	2017	2016
Working Capital advances to the Nunavut Business Credit Corporation. The term is indeterminate with the option to repay any portion of the principal on any interest payment date. Interest is calculated at selected Government of Canada three year benchmark bond yields ranging between 0.51% and 0.92% (2016 - 0.38% and 0.69%) at the end of the month, compounded annually.	25,174	25,135
Student Loan Fund loans, bearing interest between 0% and 12.5% (2016 - 0% and 12.5%), net of doubtful accounts and valuation allowances of \$4,984 (2016 - \$4,833).	1,662	1,621
Other, net of valuation allowances of \$64 (2016 - \$64)	-	-
	<u>26,836</u>	<u>26,756</u>
8 DESIGNATED INVESTMENTS	2017	2016
SRAF designated investments	15,288	13,442

The Supplementary Retiring Allowances Fund of the Legislative Assembly (SRAF) designated investments represent funds set aside within the Consolidated Revenue Fund for use in meeting SRAF benefit obligations. The investments are managed by a third party. The Statement of Investment Policy establishes the eligible classes of securities, categories of issuers, limits and terms. The market value of SRAF investments at March 31, 2017 was \$18,385 (2016 - \$14,934) with a positive return of 15.17% (2016 - negative return of 1.83%).

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9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2017	2016
To related parties		
Nunavut Arctic College	2,856	2,151
District Education Authorities	975	848
Nunavut Business Credit Corporation	62	69
Nunavut Development Corporation	54	101
Nunavut Housing Corporation	1,089	759
Qulliq Energy Corporation	7,922	8,030
	<u>12,958</u>	<u>11,958</u>
To others		
Accounts payable	102,519	109,054
Accrued liabilities, payroll deductions, and contractor holdbacks	112,544	143,780
Vacation pay and lieu time	33,550	31,288
Due to the Government of Canada	29,573	18,181
Due to the Government of the Northwest Territories	4,076	3,476
	<u>282,262</u>	<u>305,779</u>
	<u>295,220</u>	<u>317,737</u>

All amounts above are non-interest bearing.

10 DEFERRED REVENUES	2017	2016
Provincial-Territorial Base Funding (Building Canada Fund)	9,749	13,004
Gas Tax Agreement	36,023	41,339
Other deferred revenue	30,835	9,849
	<u>76,607</u>	<u>64,192</u>

The deferred revenue balance at March 31 includes mostly funding for eligible capital infrastructure projects and specific programs received from the Government of Canada under formal contribution or other agreements. In 2017-18 and beyond, as the government fulfills its obligations from purpose or other stipulations for the use of these funds the associated revenue will be recognized in its non-consolidated financial statements.

11 LIABILITY FOR CONTAMINATED SITES	2017	2016
Liabilities for remediation of contaminated sites	8,274	8,421

The Government's activities are subject to various federal and territorial laws and regulations, such as the Environmental Protection Act of Nunavut and the Environmental Guideline for Contaminated Site Remediation - 2010, governing the protection of the environment or to minimize any adverse impact thereon. The Government conducts its operations so as to protect public health and the environment and believes its operations are in compliance with all applicable laws and regulations.

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which it is responsible. As of March 31, 2017, there were 7 sites - 2 storage tank farms (2016 - 2), 4 waste sites - (2016 - 3 sites), and 1 school site (2016- nil), identified as requiring environmental remediation. For those sites where the Government of Nunavut expects to give up future economic benefits due to a legal order or plans to remediate contamination (e.g., due to the risk to human health), and is responsible or has accepted responsibility for remediation, and a reasonable estimate can be determined for remediation costs, a liability has been recorded in these financial statements.

The Government has identified an additional 71 (2016 - 71) sites on Commissioner's land for which liabilities for contamination may exist for assessment, remediation and monitoring. The activities associated with these sites are classified as follows:

	2017	2016
Storage tank farms	26	26
Power plants	26	25
Town and waste sites	11	11
Garages and other public works	5	6
Airports	2	2
Quarries	1	1
	<u>71</u>	<u>71</u>

The Government acquired ownership of sites and activities associated with airports, tank farms and power plants on creation of the Territory on April 1, 1999. The contamination of certain sites occurred when other parties were responsible for the use of and/or held tenure to the sites. The Government has estimated that remediation of contamination at 14 storage tank farm sites and 25 power plant sites (2016 - 14 and 24) would cost approximately \$9,700 and \$38,400 (2016 - \$9,700 and \$40,600) respectively. In addition, the Government has estimated that remediation at the other sites could cost between \$55,000 - 126,000 (2016 - \$55,000 - 126,000) depending on the approach taken. No liability for remediation of these 71 sites has been recognized in these financial statements as the Government does not expect to give up any future economic benefits (i.e. no legal requirement to remediate). Going forward, a liability for remediation of these or other identified sites will be recognized if future economic benefits will be given up (i.e. public health risk or legal requirement).

Most storage tank farms and power plants are monitored on a regular basis to ensure the containment of the identified contaminants. For the other Government of Nunavut's operations and/or sites, there is no ongoing monitoring program in place, but plans for one are to be developed in the near future.

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11 LIABILITY FOR CONTAMINATED SITES (continued)

In addition, the Government has identified 143 (2016 - 140) sites where garages, public works facilities, quarries, sewage disposal/treatment and solid waste sites and activities are generally located and conducted within municipal boundaries and governed by municipal legislation. Contamination at these sites and activities within municipal boundaries and jurisdiction are the responsibility of municipalities to monitor and remediate if necessary.

12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS

There are separate pension arrangements in place to provide retirement benefits to government employees and to Members of the Legislative Assembly (MLAs). In addition to pension benefits, the government provides severance, removal and sick leave benefits to employees as well as retirement health benefits. These non-pension benefit arrangements are not prefunded and thus have no assets set aside to fund them, resulting in deficiencies for the arrangements equal to the accrued benefit liabilities which are estimated actuarially using information and assumptions approved by management. As of March 31, the liabilities for pensions and other employee benefit arrangements were as follows:

	2017	2016
		Restated - Note 2
Pension plans for MLAs	14,042	11,774
Severance	17,513	13,107
Removal	9,117	8,121
Retirement health benefits	18,209	16,951
Sick leave	9,733	9,839
	68,614	59,792

Public Service Pension Plan

Substantially all of the employees of the Government of Nunavut are covered by the public service pension plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. Contributions are required by both the employees and the Government of Nunavut. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The contribution rate effective at March 31, 2017 was 1.01 times (2016 - 1.15 times) for members enrolled before January 1, 2013 and 1.0 times (2016 - 1.11 times) for members enrolled beginning January 1, 2013. Total employer contributions of \$33,126 (2016 - \$34,830) were recognized as expense in the current year. Total employee contributions were \$29,958 (2016 - \$27,926).

Legislative Assembly Retiring Allowances Plans

The Government sponsors two defined benefit pension plans for Members of the Legislative Assembly (MLAs). Both plans are administered by the Management and Services Board of the Legislative Assembly. The plans provide pensions based on length of service and final average earnings. They provide inflation protection based on increases in the Consumer Price Index.

The first plan is the Legislative Assembly Retiring Allowances Fund (LARAF), a registered and contributory defined benefit pension plan established under the *Legislative Assembly Retiring Allowances Act*. The Office of the Legislative Assembly operates a separate pension fund in trust to administer LARAF contributions and allowances. The fund came into effect on April 1, 1999.

The second plan is the Supplementary Retiring Allowances Fund (SRAF), a voluntary non-registered, non-contributory defined benefit pension plan established under the *Supplementary Retiring Allowances Act* for MLAs who elect to participate. Payments and expenses related to the SRAF are paid from the Government's consolidated revenue fund. This plan came into effect during the 2001-02 fiscal year, and provides for benefits retroactive to April 1, 1999.

Retirement benefits are payable to a MLA based on a percentage of the average best earnings over four consecutive years as a MLA and as a Minister, Speaker or Chairperson (if applicable) multiplied by credited service as a MLA and for each of the three positions (if applicable). A position must be held for at least one year, and the pension for each position is calculated separately. The percentages used to calculate retirement benefits are 2% for the LARAF and 3% for the SRAF.

The normal retirement age under both of these plans is the earliest of: (a) age 60; (b) 30 years of service; or (c) age plus service equals 80. A MLA may retire at any time upon ceasing to be a MLA. Early retirement results in a pension reduction of 0.25% for each month a MLA retires before the normal retirement age. The late retirement age for MLAs is up to age 69.

There have been no plan amendments, plan settlements and curtailments or temporary deviations from these plans in 2017 (no changes in 2016).

Actuarial valuations were completed for these plans as of April 1, 2014. The valuations were based on a number of assumptions about future events including inflation rates (2.0%), interest rates (3.6%), return on assets (4.9%), increases in remuneration (3.0%), and mortality. The assumptions used reflect the best estimates as approved by the Management and Services Board of the Legislative Assembly. The valuations were performed using the projected unit credit actuarial cost method. The asset valuation method, market-related value, for the LARAF plan is equal to a smoothed market value which spreads the difference between the actual and expected investment income over a four year period. The effective date of the next actuarial valuations for these plans is April 1, 2017.

The pension liabilities represent the excess of the actuarial present value of accrued pension benefits over the actuarial value of net assets available for benefits.

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12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS (continued)

Based on information provided for the year by the plans' actuary, the MLA pension liabilities as of March 31 are as follows:

	LARAF	SRAF	2017	2016
Accrued benefit obligation	10,900	15,852	26,752	23,307
Deduct:				
Pension fund assets	11,810	-	11,810	10,184
Unamortized actuarial (gains) losses	14	886	900	1,349
	11,824	886	12,710	11,533
Pension (asset) liability	(924)	14,966	14,042	11,774

As at March 31, 2017, the LARAF pension fund assets had a market value of \$12,433 (2016 - \$10,178). The actual rate of return was positive 16.13% (2016 - negative 1.92%). The SRAF has no pension fund assets; however, the pension liability is funded all or in part by designated investments (Note 8).

LARAF and SRAF actuarial gains/losses are both amortized over 1.0 year (2016 - 1.6 and 1.7 years, respectively) which is the estimated average remaining service lives for contributors to these plans.

The total expenses related to MLA pensions include the following components:

	LARAF	SRAF	2017	2016
Current period benefit cost	1,137	1,759	2,896	2,897
Amortization of actuarial (gains) losses	184	620	804	1,493
	1,321	2,379	3,700	4,390
MLAs contributions	(232)	-	(232)	(218)
Pension expense	1,089	2,379	3,468	4,172
Interest cost on the average accrued benefit obligation	396	577	973	838
Expected return on average pension plan assets	(518)	-	(518)	(462)
Pension interest expense	(122)	577	455	376
Total pension expenses	967	2,956	3,923	4,548

Pension benefits paid for the LARAF and SRAF were \$466 and \$747, respectively (2016 - \$226 and \$647, respectively).

The Government's contributions related to the LARAF and SRAF during the year were \$916 and \$1,840, respectively (2016 - \$874 and \$1,710, respectively).

13 MORTGAGE PAYABLE

	2017	2016
Mortgage payable in annual instalments to the year 2020, bearing interest at a rate of 6.9% compounded semi-annually.	1,758	2,177
Future mortgage payments consist of:		
Principal		
Interest		
Total		
2018	448	106
2019	480	74
2020	830	42
	1,758	222
		1,980

Interest expense on the mortgage payable was \$133 for the year (2016 - \$160). The interest paid on the mortgage payable during the year was \$135 (2016 - \$163).

14 IQALUIT INTERNATIONAL AIRPORT IMPROVEMENT PROJECT

In September 2013, the Government signed agreements as part of a public-private partnership (P3) arrangement to design, build, finance, operate and maintain new and updated infrastructure at the Iqaluit International Airport. The design and construction components are scheduled to be completed by December 2017. The estimated cost of the project is \$305,376. \$277,942 of the estimate represent costs incurred by the P3 proponent. The capital costs of the arrangement will be partially funded up to \$77,300 from PPP Canada Inc.

	2017	2016
Total eligible costs incurred by P3 proponent		
Balance, beginning of year	163,492	85,284
Eligible costs incurred during the year	57,300	78,208
Balance, end of year	220,792	163,492
Total progress payments made by the Government		
Balance, beginning of year	63,400	31,800
Progress payments made during the year	23,100	31,600
Balance, end of year	86,500	63,400
Liability as at March 31	134,292	100,092

Interest costs of \$7,349 was capitalized (2016 - \$6,516) as part of additions to tangible capital assets.

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15 CAPITAL LEASE OBLIGATIONS

Capital lease obligations are based upon contractual minimum lease payments for the leases in effect as of March 31.

	2017	2016
Total minimum lease payments	35,649	46,341
Less: Imputed interest	(4,958)	(7,391)
Present value of minimum lease payments	<u>30,691</u>	<u>38,950</u>

Minimum lease payments, including principal and interest, for each of the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2018	8,847	1,844	10,691
2019	9,477	1,214	10,691
2020	6,677	635	7,312
2021	954	366	1,320
2022	1,022	298	1,320
2023 and beyond	3,714	601	4,315
	<u>30,691</u>	<u>4,958</u>	<u>35,649</u>

Lease payments are allocated between repayment of the liability and interest expense. The total minimum lease payments less the initial liability represents the total interest cost of the lease. The interest expense is calculated using the same discount rate used in computing the present value of the minimum lease payments applied to the outstanding lease liability at the beginning of the lease payment period.

Interest expense related to capital lease obligations for the year was \$2,433 (2016 - \$2,980) at an implied average interest rate of 7.0% (2016 - 7.0%). The capital lease obligations expire between 2020 and 2027.

16 NUNAVUT ENERGY MANAGEMENT PROGRAM PROJECT

	2017	2016
Project financing payable	6,409	7,554

Under the Nunavut Energy Management Program Project, the government has entered into an energy savings contract arrangement that included an ongoing responsibility for making all principal and interest payments associated with the third-party financing of costs of improvements under the project. Payments are due monthly at \$139 to 2019, \$95 to 2022 and \$21 to July 2023 at an average interest rate of 5.13%.

Future payments consist of:	Principal	Interest	Total
2018	1,315	351	1,666
2019	1,400	266	1,666
2020	1,059	183	1,242
2021	1,018	123	1,141
2022	1,079	62	1,141
2023 and beyond	538	14	552
	<u>6,409</u>	<u>999</u>	<u>7,408</u>

Interest expense on the project for the year was \$432 (2016 - \$507)

17 PETROLEUM PRODUCTS STABILIZATION FUND

The Petroleum Products Stabilization Fund was created under the authority of the *Revolving Funds Act*. The purpose of the Fund is to stabilize the prices of petroleum products purchased, sold, and distributed by the Government. The net profit (loss) of the Petroleum Products Revolving Fund is charged to the Petroleum Products Stabilization Fund. The surplus or deficit balance in the fund cannot exceed \$10,000.

	2017	2016
Surplus (deficit), beginning of year	(7,691)	(10,000)
Petroleum Products Revolving Fund net profit (loss) for the year	21,168	2,309
Minimum transfer required from (to) Consolidated Revenue Fund	(3,477)	-
Surplus (deficit), end of year	<u>10,000</u>	<u>(7,691)</u>

18 CONTRACTUAL OBLIGATIONS

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2017:

	Total
Operating leases (Schedule 5)	49,647
Capital commitments	89,235
Operational commitments	455,600
Policing agreement	602,055
Iqaluit International Airport Improvement commitments	1,106,522
	<u>2,303,059</u>

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18 CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations by fiscal year are as follows:

2018	367,759
2019	208,952
2020	132,095
2021	88,123
2022	81,180
2023 and beyond	1,424,950
	<u>2,303,059</u>

19 CONTINGENCIES

(a) Post-division adjustments

The agreement governing the division of assets and liabilities between the Government of Nunavut and the Government of the Northwest Territories as at April 1, 1999 sets out a mechanism which provides for post-division adjustments.

The period for such adjustments is unlimited; and such adjustments could be made in a variety of specified circumstances such as the settlement of litigation related to events prior to the date of division. In such an event, there is an opportunity for one of the governments to file a claim against the other government to share in costs. Post-division adjustments will be recognized in the year the liability can reasonably be estimated. As at March 31, 2017, no new post-division adjustments were recorded.

(b) Environmental Protection Compliance Orders

Petroleum Products Division (PPD) received Environmental Protection Compliance Orders (EPCOs) from Environment Canada related to contraventions of regulations for storage tank systems for petroleum products at selected facilities in Rankin Inlet, Whale Cove, Iqaluit and Sanikiluaq. Those regulations provide for penalties for continued contravention by failure to address EPCOs. The Iqaluit, Rankin Inlet and Sanikiluaq projects were completed in the fall of 2016. Compliance with the regulations at the Government's remaining storage tank farms facilities is expected to be completed over the years 2016 to 2021. Environment Canada has agreed to postpone further enforcement action pending satisfactory completion of the work as scheduled.

Qulliq Energy Corporation (QEC) received a draft Environmental Protection Compliance Order (EPCO) from Environment Canada related to contraventions of regulations for storage tank systems for petroleum products at the Corporation's facilities in Cambridge Bay. The Corporation has been given until December 2017 to complete the requested corrective measures.

(c) Litigation

A number of cases of alleged sexual abuse by former employees or contractors in Nunavut when it was part of the Northwest Territories have been filed or are pending. The Nunavut and the Northwest Territories governments will jointly defend any such proceedings and the cost of defending the actions and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66%, respectively. An estimate of any liability that may result from these actions is not determinable at this time; consequently no liability has been accrued.

There are a number of claims and threatened litigation cases outstanding against the Government for which the outcomes are not determinable, including a number of cases where an amount is not specified. The nature of these claims include wrongful dismissal, breach of policy, personal injury, sexual abuse, negligence, wrongful arrest and assault. As of March 31, 2017, all of these claims have been assessed as being either without merit or not determinable at this time.

(d) Loan guarantees

As part of its financing, the Qulliq Energy Corporation (QEC) has arranged various credit facilities at different terms and interest rates. The Government has guaranteed the following QEC credit facilities:

	2017	2016
Bank credit facility, interest at prime minus 0.50%	8,393	10,901
20 year redeemable amortizing debenture due September 2021, interest rate of 6.809%	33,048	36,326
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	1,906	2,318
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	2,436	2,960
Fixed rate capital loan facility due June 2021, interest rate of 4.24%	3,438	4,168
Fixed rate capital loan facility due February 2022, interest rate of 4.24%	3,919	4,104
Fixed rate capital loan facility due July 2021, interest rate of 4.24%	6,302	7,602
Variable rate capital loan facility due November 2022, interest at prime minus 0.50%	15,667	16,667
Variable rate capital loan facility due April 2024, interest at prime minus 0.50%	13,667	14,466
Variable rate capital loan facility due April 2027, interest at prime minus 0.50%	54,576	36,753
<u>Total guarantees provided on balances outstanding</u>	<u>143,352</u>	<u>136,265</u>

The QEC bank credit facility limit is \$20,000 (2016 - \$20,000). The non-revolving committed and bridge loan facilities above each has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof.

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19 CONTINGENCIES (continued)

Based on its operational needs, the Nunavut Development Corporation (NDC) may from time to time be in a bank overdraft position. The overdraft is guaranteed by the Government, and interest on the overdraft is charged based on a rate of prime plus 0.50% per annum. Interest is charged only when NDC's operating account is in an overdraft position and the pooled accounts of the Government are also in an overdraft position. As at March 31, 2017, NDC's bank overdraft position was \$nil (2016 - \$nil).

20 RELATED PARTIES

Transactions with related parties and balances at year-end, not disclosed elsewhere in the financial statements, are disclosed in this note. During the year, the Government made grants and contributions to or funded other costs for the following related parties:

	2017	2016
Nunavut Arctic College	3,342	2,628
District Education Authorities	12,785	12,676
Nunavut Development Corporation	3,522	3,549
Nunavut Business Credit Corporation	700	629
	<u>20,349</u>	<u>19,482</u>

Under agreements with related boards and agencies, the Government provides services at cost or for a service fee where direct costs cannot be determined. The fees charged for indirect costs are not necessarily the cost of providing those services. Services provided include personnel, payroll, financial, procurement, accommodation, buildings and works, utilities, legal, and interpretation services. Direct costs of \$47,558 (2016 - \$44,934) were incurred and recovered from related parties. Grants and contributions from the Government of Nunavut to Nunavut Arctic College and Nunavut Housing Corporation are disclosed separately in the Schedule of Expenses Funded under Approved Appropriations (Schedule B.1).

21 TRUSTS UNDER ADMINISTRATION

The Government administers trust accounts on behalf of third parties, which are not included in the reported Government assets and liabilities.

	2017	2016
Public Trustee	4,805	4,825
Territorial Court Trust	488	363
Natural Resources Conservation Trust	624	402
	<u>5,917</u>	<u>5,590</u>

22 BUDGET ADJUSTMENTS

The budgeted deficit of \$9,931 on the Statement of Operations and Net Assets is \$1,144 less than the deficit of \$11,075 indicated on page x of the 2016-17 Main Estimates. This represents the principal repayments on Nunavut Energy Management Program project made during the year, and do not represent expenses under Canadian public sector accounting standards.

The 2017 total revenue budget of \$1,824,748 includes \$1,738,000 of 'Revenues' and \$80,821 of 'Vote 5 Revenues' on page A-IV-4 of the 2016-2017 Main Estimates, plus \$5,927 of funding under third-party agreements for specific capital projects included in Appendix IV of the 2016-2017 Capital Estimates. The planned expenses to be funded by these additional revenues have been added to the affected budget totals disclosed in these statements.

The 2017 budget total for capital expenditures on Schedule B.2 of \$5,927 excludes the \$4,290 of CMHC capital projects budgeted for Nunavut Housing Corporation presented in Appendix IV (page A-IV-5) of the 2016-2017 Capital Estimates. As a result, the budget totals for 'Vote 4 Expenses' and 'Vote 5 Revenues' (i.e., Transfers under third-party funding agreements) included in these statements is \$86,748 versus \$91,038 on page x of the 2016-2017 Main Estimates.

23 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.

24 SUBSEQUENT EVENTS

On June 30, 2017, the Government signed amending and extension agreements on various leased buildings accounted for in the capital lease obligations balance in these financial statements. Under the new agreements, the term of the leases are being extended for 10 years at which time the government will assume ownership, the rent payments required are being modified and the government is assuming responsibility of the ongoing maintenance of the properties. The government's revised capital lease obligations under these new agreements was estimated at \$68.5 million and will be accounted for in the March 31, 2018 fiscal year.

INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Revenues by Source (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual
From the Government of Canada			
Territorial Formula Financing	1,462,500	1,488,585	1,454,193
Transfers under third-party funding agreements	86,748	123,879	120,363
Other transfer payments	85,000	79,857	83,324
	1,634,248	1,692,321	1,657,880
Revenues generated by the Government of Nunavut			
Taxation revenues			
Personal income tax	31,800	33,347	30,099
Corporate income tax	17,900	13,126	19,049
Payroll tax	26,800	25,781	25,497
Tobacco tax	17,100	17,832	16,782
Fuel tax	6,800	9,276	8,992
Property tax	6,300	6,257	5,547
Insurance tax	1,800	1,927	1,798
	108,500	107,546	107,764
Other revenues			
Petroleum Products Division revenue - net of cost of goods sold of \$145,320 (2016 - \$180,184)	34,355	48,342	29,318
Liquor revenue - net of cost of goods sold of \$2,189 (2016 - \$2,205)	4,845	3,589	3,807
Staff housing recoveries	20,400	19,308	18,937
Transfers under third-party funding agreements	-	1,915	1,841
Other	22,400	24,180	26,467
	82,000	97,334	80,370
Recoveries of prior years expenditures (Schedule 1)	-	14,822	15,942
Total revenues (Note 22)	1,824,748	1,912,023	1,861,956

INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Expenses (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

TOTALS	Original Budget	Actual	(Over) Under Original Budget
FUNDED UNDER APPROVED APPROPRIATIONS (Schedule B.1)			
Operations and maintenance expenses before amortization	1,529,657	1,539,596	(9,939)
<i>Plus: Amortization expenses on tangible capital assets</i>	48,309	61,427	(13,118)
Total operations and maintenance expenses	1,577,966	1,601,023	(23,057)
Capital expenditures	196,580	221,543	(24,963)
<i>Less: Transfers to tangible capital assets</i>	156,470	126,513	29,957
Total capital expenses	40,110	95,030	(54,920)
Total appropriation expenses	1,618,076	1,696,053	(77,977)
FUNDED UNDER THIRD-PARTY AGREEMENTS (Schedule B.2)			
Operations and maintenance expenses before amortization	80,821	92,743	(11,922)
<i>Plus: Amortization expenses on tangible capital assets</i>	-	-	-
Total operations and maintenance expenses	80,821	92,743	(11,922)
Capital expenditures	5,927	32,584	(26,657)
<i>Less: Transfers to tangible capital assets</i>	-	5,355	(5,355)
Total capital expenses	5,927	27,229	(21,302)
Total third-party agreement expenses	86,748	119,972	(33,224)
FUNDED BY REVOLVING FUNDS (Schedule B.3)			
Operations and maintenance expenses before amortization	30,982	31,806	(824)
<i>Plus: Amortization expenses on tangible capital assets</i>	-	-	-
Total operations and maintenance expenses	30,982	31,806	(824)
Capital expenditures	-	-	-
<i>Less: Transfers to tangible capital assets</i>	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	30,982	31,806	(824)
NON-CONSOLIDATED STATEMENTS TOTALS			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,641,460	1,664,145	
<i>Plus: Centrally estimated 'Supplementary requirements' per page x of 2016-2017 Main Estimates</i>	30,000	-	
<i>Less: Capital portion of the estimated 'Supplementary requirements'</i>	10,000	-	
Total operations and maintenance expenses before amortization and write down of tangible capital assets	1,661,460	1,664,145	(2,685)
<i>Plus: Amortization expenses on tangible capital assets</i>	48,309	61,427	(13,118)
<i>Plus: Write down of tangible capital assets</i>	-	7,288	(7,288)
Total operations and maintenance expenses	1,709,769	1,732,860	(23,091)
Capital expenditures	202,507	254,127	
<i>Plus: Centrally estimated capital carryovers from prior year included in 'Capital' on page x of 2016-2017 Main Estimates</i>	68,873	-	
<i>Plus: Capital portion of the estimated 'Supplementary requirements'</i>	10,000	-	
Total capital expenditures	281,380	254,127	27,253
<i>Less: Transfers to tangible capital assets</i>	156,470	131,868	24,602
Total capital expenses	124,910	122,259	2,651
Total expenses	1,834,679	1,855,119	(20,440)

Total expenses above includes, among other items, interest expense of \$3,118 (2016 - \$3,721) and a net increase in valuation allowances of \$4,027 (2016 - \$2,613).

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.1

Non-Consolidated Schedule of Expenses Funded under Approved Appropriations (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supplementary Appropriations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
LEGISLATIVE ASSEMBLY						
Operations and maintenance						
Compensation and benefits	12,590	-	-	12,590	11,415	1,175
Grants and contributions	-	-	-	-	-	-
Other	13,307	-	-	13,307	12,040	1,267
	25,897	-	-	25,897	23,455	2,442
Capital expenditures	830	131	-	961	509	452
Total spending under appropriations	26,727	131	-	26,858	23,964	2,894
EXECUTIVE AND INTERGOVERNMENTAL AFFAIRS						
Operations and maintenance						
Compensation and benefits	17,524	-	-	17,524	18,077	(553)
Grants and contributions	190	-	508	698	684	14
Other	10,172	-	(508)	9,664	8,609	1,055
	27,886	-	-	27,886	27,370	516
Capital expenditures	-	-	-	-	-	-
Total spending under appropriations	27,886	-	-	27,886	27,370	516
FINANCE						
Operations and maintenance						
Compensation and benefits	42,785	-	-	42,785	38,136	4,649
Grants and contributions	12,777	-	-	12,777	12,500	277
Other	38,732	-	-	38,732	39,276	(544)
	94,294	-	-	94,294	89,912	4,382
Capital expenditures	5,923	8,754	-	14,677	2,874	11,803
Total spending under appropriations	100,217	8,754	-	108,971	92,786	16,185
FAMILY SERVICES						
Operations and maintenance						
Compensation and benefits	27,465	139	-	27,604	28,171	(567)
Grants and contributions	65,032	50	(3,325)	61,757	60,235	1,522
Other	48,409	230	3,325	51,964	49,463	2,501
	140,906	419	-	141,325	137,869	3,456
Capital expenditures	600	4,652	-	5,252	1,917	3,335
Total spending under appropriations	141,506	5,071	-	146,577	139,786	6,791
JUSTICE						
Operations and maintenance						
Compensation and benefits	41,492	5,800	120	47,412	47,981	(569)
Grants and contributions	14,933	-	-	14,933	14,129	804
Other	57,430	1,100	(120)	58,410	56,623	1,787
	113,855	6,900	-	120,755	118,733	2,022
Capital expenditures	4,450	754	-	5,204	2,020	3,184
Total spending under appropriations	118,305	7,654	-	125,959	120,753	5,206

GOVERNMENT OF NUNAVUT

Schedule B.1

PUBLIC ACCOUNTS
Non-Consolidated Schedule of Expenses Funded under Approved Appropriations (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supple- mentary Appro- priations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
CULTURE AND HERITAGE						
Operations and maintenance						
Compensation and benefits	11,784	-	(1,399)	10,385	10,135	250
Grants and contributions	7,162	-	-	7,162	6,968	194
Other	6,751	-	1,399	8,150	7,482	668
	25,697	-	-	25,697	24,585	1,112
Capital expenditures	560	500	-	1,060	1,042	18
Total spending under appropriations	26,257	500	-	26,757	25,627	1,130
EDUCATION						
Operations and maintenance						
Compensation and benefits	160,615	-	(812)	159,803	161,000	(1,197)
Grants and contributions	24,981	-	-	24,981	22,256	2,725
Other	19,869	200	812	20,881	17,437	3,444
	205,465	200	-	205,665	200,693	4,972
Capital expenditures	26,280	24,944	-	51,224	38,970	12,254
Total spending under appropriations	231,745	25,144	-	256,889	239,663	17,226
HEALTH						
Operations and maintenance						
Compensation and benefits	132,708	1,093	(7,000)	126,801	126,980	(179)
Grants and contributions	2,801	1,226	10	4,037	3,257	780
Other	202,708	30,619	6,990	240,317	236,687	3,630
	338,217	32,938	-	371,155	366,924	4,231
Capital expenditures	16,500	11,491	-	27,991	14,405	13,586
Total spending under appropriations	354,717	44,429	-	399,146	381,329	17,817
ENVIRONMENT						
Operations and maintenance						
Compensation and benefits	16,010	515	(1,290)	15,235	15,657	(422)
Grants and contributions	1,988	-	48	2,036	1,682	354
Other	9,047	182	1,242	10,471	8,168	2,303
	27,045	697	-	27,742	25,507	2,235
Capital expenditures	3,200	2,087	-	5,287	2,161	3,126
Total spending under appropriations	30,245	2,784	-	33,029	27,668	5,361
COMMUNITY AND GOVERNMENT SERVICES						
Operations and maintenance						
Compensation and benefits	47,326	-	(3,272)	44,054	47,276	(3,222)
Grants and contributions	70,037	-	529	70,566	68,972	1,594
Other	121,780	-	2,743	124,523	116,404	8,119
	239,143	-	-	239,143	232,652	6,491
Capital expenditures	31,852	54,516	-	86,368	49,156	37,212
Total spending under appropriations	270,995	54,516	-	325,511	281,808	43,703

GOVERNMENT OF NUNAVUT

Schedule B.1

PUBLIC ACCOUNTS

Non-Consolidated Schedule of Expenses Funded under Approved Appropriations (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supple- mentary Appro- priations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
ECONOMIC DEVELOPMENT AND TRANSPORTATION						
Operations and maintenance						
Compensation and benefits	17,753	(365)	(1,440)	15,948	16,606	(658)
Grants and contributions	25,751	-	(1,460)	24,291	23,666	625
Other	25,533	(332)	2,900	28,101	27,152	949
	69,037	(697)	-	68,340	67,424	916
Capital expenditures	68,325	35,160	-	103,485	70,429	33,056
Total spending under appropriations	137,362	34,463	-	171,825	137,853	33,972
NUNAVUT HOUSING CORPORATION						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	196,177	2,257	-	198,434	198,434	-
Other	-	-	-	-	-	-
	196,177	2,257	-	198,434	198,434	-
Capital expenditures	38,060	-	-	38,060	38,060	-
Total spending under appropriations	234,237	2,257	-	236,494	236,494	-
NUNAVUT ARCTIC COLLEGE						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	34,382	-	-	34,382	34,382	-
Other	-	-	-	-	-	-
	34,382	-	-	34,382	34,382	-
Capital expenditures	-	-	-	-	-	-
Total spending under appropriations	34,382	-	-	34,382	34,382	-
TOTALS						
Operations and maintenance						
Compensation and benefits	528,052	7,182	(15,093)	520,141	521,434	(1,293)
Grants and contributions	456,211	3,533	(3,690)	456,054	447,165	8,889
Other	553,738	31,999	18,783	604,520	579,341	25,179
	1,538,001	42,714	-	1,580,715	1,547,940	32,775
Less: Principal repayments on capital leases included in spending above	7,200	-	-	7,200	7,200	-
Less: Principal repayments on Nunavut Energy Management Program Project included in spending above	1,144	-	-	1,144	1,144	-
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,529,657	42,714	-	1,572,371	1,539,596	32,775
Plus: Amortization expenses on tangible capital assets	48,309	-	-	48,309	61,427	(13,118)
Plus: Write down of tangible capital assets	-	-	-	-	7,288	(7,288)
Total operations and maintenance expenses	1,577,966	42,714	-	1,620,680	1,608,311	12,369
Capital expenditures	196,580	142,989	-	339,569	221,543	118,026
Less: Transfers to tangible capital assets	156,470	-	-	156,470	126,513	29,957
Total capital expenses	40,110	142,989	-	183,099	95,030	88,069
Total appropriation expenses	1,618,076	185,703	-	1,803,779	1,703,341	100,438

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.2

Non-Consolidated Schedule of Expenses Funded under Third-Party Agreements (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

By Department	Original Budget	Actual	(Over) Under Original Budget
Legislative Assembly	-	-	-
Executive and Intergovernmental Affairs	5,433	943	4,490
Finance	800	636	164
Family Services	5,711	4,914	797
Justice	2,787	3,361	(574)
Culture and Heritage	2,625	3,486	(861)
Education	3,821	2,478	1,343
Health	56,046	65,653	(9,607)
Environment	1,870	5,239	(3,369)
Community and Government Services	6,279	31,342	(25,063)
Economic Development and Transportation	1,376	1,920	(544)
	86,748	119,972	(33,224)

By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	-	17,104	(17,104)
Grants and contributions	-	18,215	(18,215)
Other	-	57,424	(57,424)
Operations and maintenance expenses before amortization	80,821	92,743	(11,922)
<i>Plus: Amortization expenses on tangible capital assets</i>	-	-	-
Total operations and maintenance expenses	80,821	92,743	(11,922)
Capital expenditures	5,927	32,584	(26,657)
<i>Less: Transfers to tangible capital assets</i>	-	5,355	(5,355)
Total capital expenses	5,927	27,229	(21,302)
Total third-party agreement expenses	86,748	119,972	(33,224)

INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Expenses Funded by Revolving Funds (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

By Revolving Fund	Original Budget	Actual	(Over) Under Original Budget
Liquor	3,507	4,115	(608)
Petroleum Products	26,222	26,372	(150)
Public Stores	1,100	1,148	(48)
Student Loan	153	171	(18)
	30,982	31,806	(824)
By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	5,453	6,812	(1,359)
Grants and contributions	-	-	-
Other expenses	25,529	24,994	535
Operations and maintenance expenses before amortization	30,982	31,806	(824)
<i>Plus: Amortization expenses on tangible capital assets (1)</i>			-
Total operations and maintenance expenses	30,982	31,806	(824)
Capital expenditures	-	-	-
<i>Less: Transfers to tangible capital assets</i>	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	30,982	31,806	(824)

(1) Petroleum Products amortization of \$802 (2016 - \$1,023) is included in the budget and actuals totals for Department of Community and Government Services on Sch. B.1.

INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Tangible Capital Assets (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

	Buildings	Leased Buildings	Infra- structure	Tank Farms	Storage Facilities	Equipment	2017	2016
Cost of tangible capital assets								
Opening balance	955,691	115,216	186,487	189,623	19,083	107,554	1,573,654	1,519,011
Additions	29,110	-	-	2,874	-	6,674	38,658	21,433
Transferred from work in progress	104,872	-	-	94	-	447	105,413	66,402
Disposals	(936)	-	(176)	-	(1,798)	(627)	(3,537)	(15,511)
Write-downs	(13,632)	-	-	-	-	-	(13,632)	(17,681)
Closing balance	1,075,105	115,216	186,311	192,591	17,285	114,048	1,700,556	1,573,654
Accumulated amortization								
Opening balance	(332,468)	(60,252)	(71,115)	(72,592)	(11,112)	(89,562)	(637,101)	(586,653)
Amortization	(37,120)	(3,841)	(5,965)	(6,488)	(1,303)	(6,710)	(61,427)	(68,960)
Disposals	939	-	224	-	1,798	576	3,537	15,511
Write-downs	6,344	-	-	-	-	-	6,344	3,001
Closing balance	(362,305)	(64,093)	(76,856)	(79,080)	(10,617)	(95,696)	(688,647)	(637,101)
Work in progress								
Opening balance	292,488	-	14,967	8,220	-	476	316,151	247,668
Additions	85,254	-	3,521	3,673	147	615	93,210	134,885
Transferred to cost of tangible capital assets	(104,872)	-	-	(94)	-	(447)	(105,413)	(66,402)
Closing balance	272,870	-	18,488	11,799	147	644	303,948	316,151
Net book value	985,670	51,123	127,943	125,310	6,815	18,996	1,315,857	1,252,704
Estimated useful life	30 Years	30 Years	30 Years	30 Years	30 Years	5-30 Years		

During the year, interest of \$7,349 was capitalized (2016 - \$6,516) as part of the cost of additions.

During 2017, the Government wrote down the value of specifically identified assets. The significant write downs include Kugaardjuq elementary and high school in Kugaaruk, the result of a major fire incident, with a net book value of \$6,024 and the John Arnalujak middle school construction in Arviat, the result of a cancelled project, with a net book value of \$1,264.

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule 1

Non-Consolidated Schedule of Recoveries of Prior Years Expenditures (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

Department	Over Accruals	Other Recoveries	Total
Legislative Assembly	-	2	2
Executive and Intergovernmental Affairs	79	17	96
Finance	231	231	462
Family Services	215	139	354
Justice	70	164	234
Culture and Heritage	161	140	301
Education	561	886	1,447
Health	5,568	510	6,078
Environment	840	24	864
Community and Government Services	1,378	999	2,377
Economic Development and Transportation	2,212	395	2,607
	<hr/>	<hr/>	<hr/>
	11,315	3,507	14,822

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule 2

Non-Consolidated Schedule of Special Warrants (unaudited)

for the year ended March 31, 2017*(in thousands of dollars)*

	Date of FMB Approval	Amount Authorized
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OPERATIONS AND MAINTENANCE

There were no Special Warrants during the year.

Total operations and maintenance		-
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	Date of FMB Approval	Amount Authorized
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CAPITAL

There were no Special Warrants during the year.

Total capital		-
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INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Inter-Activity Transfers Over \$250,000 (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

	<u>Transfers to (from)</u>
OPERATIONS AND MAINTENANCE	
Community and Government Services	
Directorate	(145)
Infrastructure	(486)
Local Government Services	631
Directorate	(350)
Local Government Services	(350)
Infrastructure	(1,600)
Informatics Planning Services	2,300
Directorate	(932)
Local Government Services	(713)
Infrastructure	(300)
Informatics Planning Services	1,945
Directorate	(286)
Local Government Services	286
Infrastructure	(670)
Informatics Planning Services	670
Family Services	
Career Development	(165)
Children and Family Services	(476)
Income Assistance	(84)
Corporate Management	725
Children and Family Services	2,900
Career Development	(800)
Income Assistance	(2,100)
Children and Family Services	400
Career Development	(500)
Income Assistance	100
CAPITAL	
Community and Government Services	
CGS - capital	1,000
Petroleum Products Division	(1,000)
CGS - capital	(416)
Petroleum Products Division	416
CGS - capital	(450)
Petroleum Products Division	450

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT****Schedule 4****Non-Consolidated Schedule of Write-offs and Student Loan Remissions (unaudited)
for the year ended March 31, 2017**

Under subsection 26(1) of the *Financial Administration Act* any remissions or write-offs over \$500 must be disclosed in the Public Accounts.

WRITE-OFFS

No amounts were written off during the year.

STUDENT LOAN REMISSIONS

Under the *Student Financial Assistance Regulations*, the Government may forego collection of students' loans, provided certain criteria are met. The students listed below, having met the academic and the employment or residency criteria, have qualified and been granted remission of their loans.

Andrews, Anthony	1,554
Healey, Coleen	6,633
Mallory, Conor	3,007
Solski, Lauren	5,397
Stubbing, Melanie	3,348
	<hr/>
	19,939

INTERIM FINANCIAL REPORT

Non-Consolidated Schedule of Contractual Obligations under Operating Leases (unaudited)

for the year ended March 31, 2017

(in thousands of dollars)

	2018	2019	2020	2021	2022	>2022	Total
Headquarters	8,886	5,281	3,489	2,556	2,267	2,408	24,887
Qikiqtaaluk	1,361	772	554	191	33	-	2,911
Kivalliq	4,076	2,780	2,457	1,184	335	227	11,059
Kitikmeot	1,707	1,492	1,387	1,299	1,275	3,630	10,790
	16,030	10,325	7,887	5,230	3,910	6,265	49,647