Public Accounts

2018-2019

Nunavut

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF NUNAVUT

FOR THE YEAR ENDED MARCH 31, 2019

HONOURABLE GEORGE HICKES

Minister of Finance

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THE HONOURABLE NELLIE T. KUSUGAK
COMMISSIONER OF NUNAVUT

I have the honour to present the Public Accounts of Nunavut for the fiscal year ended March 31, 2019. I would ask that these accounts be laid before the Legislative Assembly in accordance with the *Financial Administration Act* , R.S.N.W.T. 1988, c.F-4, S. 74 as amended, and duplicated for Nunavut, and the *Nunavut Act* , S.C. 1993, C.28, s.44.

The Honourable George Hickes
Minister of Finance

Government of Nunavut
Iqaluit, Nunavut

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
March 31, 2019

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Introduction to the Public Accounts of Nunavut

March 31, 2019

These consolidated financial statements, presented through the publication of the Public Accounts, are prepared to meet the financial reporting requirements in Canada's *Nunavut Act* and Nunavut's *Financial Administration Act*. The consolidated financial statements present summary information and serve as a means for the Government of Nunavut (the Government) to show its accountability for the resources, obligations and financial affairs for which it is responsible. The Government has an elected Legislative Assembly which authorizes disbursements, advances, loans and investments, except those specifically authorized by statute.

These consolidated financial statements are prepared by the Department of Finance in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board of Canada. Please refer to the Notes to Consolidated Financial Statements for details of the significant accounting policies that have been adopted by the Government.

The reporting entity of the Government of Nunavut includes all departments, agencies, corporations, organizations, and funds, which are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations that meet the definitions in the *Financial Administration Act* for departments, revolving funds, territorial corporations or other public agencies are included in the reporting entity for these consolidated financial statements, except for the Workers' Safety and Compensation Commission (WSCC). All entities included in the reporting entity, except Nunavut Lottery, are fully consolidated on a line-by-line basis. Significant transactions and balances between fully consolidated entities are eliminated. Nunavut Lottery is accounted for as a government business partnership on a modified equity basis.

Canadian public sector accounting standards require a government to present in its consolidated financial statements a comparison of the results of operations and changes in net financial assets (debt) for the period with those originally planned. The Government's annual budget presented to the Legislative Assembly is not prepared on a consolidated basis. As a result, the budget figures included in these consolidated financial statements are based on the summary totals provided on pages x through xiii of the 2018-2019 Main Estimates and the approved annual budgets for the consolidated entities, adjusted to eliminate budgeted inter-entity revenues and expenses as well as significant accounting policy differences.

The Department of Finance publishes the Public Accounts, as well as the Main Estimates and Capital Estimates, for this year and those of past years, in PDF format at the following addresses:

http://www.gov.nu.ca/finance/information/public-accounts

https://www.gov.nu.ca/finance/information/budget-2018-19

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SECTION I

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

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(in thousands of dollars)

Executive Summary

This financial statement discussion and analysis (FSDA) summarizes information related to the Government of Nunavut's fiscal and economic performance, and should be read alongside the consolidated financial statements published in the 2019 Public Accounts. The consolidated financial statements for the fiscal year ending March 31, 2019 are summarized below:

Consolidated Statement of Financial Position	**2019**	**2018**
Total Financial Assets	1,285,383	1,235,311
Less : Total Liabilities	1,046,001	983,896
Net Financial Assets	239,382	251,415
Tangible Capital Assets	2,513,892	2,409,523
Other Non-Financial Assets	49,956	47,368
Total Non-Financial Assets	2,563,848	2,456,891
Net Assets	2,803,230	2,708,306

Consolidated Statement of Operations and Net Assets	**2019**	**2018**
Revenues from the Government of Canada	1,941,635	1,893,776
Revenues generated by the Government of Nunavut	485,087	466,714
Total Revenues	2,426,722	2,360,490
Less : Total Expenses	2,331,798	2,199,691
Surplus (Deficit) for the Year	94,924	160,799

Consolidated Statement of Change in Net Financial Assets	**2019**	**2018**
Net Financial Assets, Beginning of Year	251,415	263,288
Surplus for the Year	94,924	160,799
Change in Tangible Capital Assets	(104,369)	(178,794)
Change in Other Non-Financial Assets	(2,588)	6,122
Total Increase (Decrease) in Net Financial Assets	(12,033)	(11,873)
Net Financial Assets, End of Year	239,382	251,415

Canadian public sector accounting standards (PSAS) require a government to present in its consolidated financial statements a comparison of the results of operations and changes in net financial assets (debt) for the period against the original budget. As a result, the year to year comparisons presented in the Public Accounts do not consider adjustments to the original budget, such as those made through budget transfers or approved supplemental appropriations. This must be considered when analyzing the operational performance of the GN.

The GN’s surplus for the year was $94.9M, a decrease of $65.9M (-41.0%) from the previous year. The surplus was $115.4M higher than the budgeted deficit of $20.5M for 2019. This was a result of better than expected revenues combined with less than expected expenditures during the year.

Total revenues for the year were $2,426.7M, an increase of $66.2M (2.8%) over the previous year and $9.0M (0.4%) higher than the $2,417.7M initially budgeted for 2019. Revenues from Canada continue to account for 80.0% of the GN's total consolidated revenues, emphasizing the importance of federal transfers to Nunavut's operations. The largest increase in revenue was growth in Territorial Formula Financing ($48.9M, 3.2%), a legislated calculation meant to recognize that territorial residents should have access to public services comparable to those of southern Canada. Revenues generated by the Government of Nunavut also grew moderately ($18.4M, 3.9%), driven by higher personal income tax ($14.3M), corporate income tax ($9.5M), sales of liquor and cannabis products ($6.3M), and an increase in other revenues ($14.2M).

Total expenses for the year were $2,331.8M, an increase of $132.1M (6.0%) over the previous year. Actual expenses were $106.4M (0.3%) lower than the budgeted $2,438.2M for 2019. The largest increases in expenditures were goods and services provided by the GN ($109.7M), and compensation and benefits ($29.9M).

Despite a year-to-year decrease in net financial assets of $12.0M (4.8%), the GN maintains a healthy net financial assets balance of $239.4M at the end of 2019 (2018 - $251.4M). Net financial assets decreased during the year primarily due to increases in accounts payable and accrued liabilities and an increase in long-term debt used to finance the acquisition of tangible capital assets.

The net book value of the GN’s tangible capital assets accounts for 98.1% ($2,514M) of the total non-financial assets balance reported for 2019 (2018 - 98.1%, $2,409M). Nunavut faces a significant infrastructure deficit, and the GN continues to invest in tangible capital assets to help address this need. Significant additions to TCA include the construction of a NAC community learning centre in Iqaluit ($9.7M); construction of new schools for Kugaaruk ($16.1M) and Cape Dorset ($7.6M); the construction of a new health centre in Sanikiluaq ($11.8M); the construction of deep sea ports in Iqaluit ($38.7M) and Pond Inlet ($14.2M); the construction of NHC social housing ($55.6M) and staff housing ($10.7M); and the construction of QEC power generating and distribution assets ($35.8M).

Total long-term debt includes the long-term debt of QEC and NHC ($197.0M), the liability for the Iqaluit International Airport ($155.1M), capital lease obligations ($77.2M), and the liability for the Nunavut Energy Management Program ($5.9M). The Qulliq Energy Corporation (QEC) secured additional debt to fund its capital projects in the amount of $21.9M during 2019. Principal payments on capital leases reduced the capital lease liability by $15.7M during the year. Interest expense on long-term debt for the year totalled $19.7M. As of March 31, 2019, the GN has $204.8M of available borrowing capacity under the authorized limit, as set by the Government of Canada.

The strength of the Nunavut economy is tied closely to the Territory's vast mineral potential and changes in global commodity prices. The Conference Board of Canada and Statistics Canada have forecasted a 13.6% growth in real GDP for Nunavut for 2019. The unemployment rate will remain in double digits due to low labour market participation and a shortage of skilled labour. Nunavut will continue to lose the benefit of positive multiplier impacts as the money earned by transient workers is spent outside of the territory. Program spending is expected to increase steadily as populations continue to increase and the demand for services increases proportionately.

Indicators of Financial Condition

Sustainability - Sustainability measures the extent to which the GN’s financial capacity is sufficient to fund its existing programs and services and its obligations to creditors, without having to introduce disruptive revenue and expenditure adjustments such as increased debt or increased tax rates. These indicators provide insight into how a government balances its commitments and debts.

» Despite having a financial assets-to-liabilities ratio of 122.9% in 2019, the GN has a decreasing trend in this ratio since 2016. This means that the GN may have difficulties meeting its obligations and covering its costs of operations if the growth in liabilities continues to outpace the growth in financial assets.

» The GN’s total expenses as a percentage of GDP has decreased from 83.0% in 2016 to 69.5% in 2019, as GDP has grown faster than spending. Continued relative growth in the economy will have a positive impact on the sustainability of GN spending growth and will aid in decreasing its reliance on transfers from Canada.

Flexibility - Flexibility describes the degree to which the GN can increase its financial resources to respond to rising commitments, by expanding its revenue or increasing its debt burden. Increasing debt and taxation reduces flexibility and the GN’s ability to respond to changing circumstances. Assessing flexibility provides insight as to how the GN manages its finances.

» The GN's own-source revenue compared to the size of the Nunavut economy has declined steadily over the last five years, ranging from 18.0% in 2015 to 14.5% in 2019. Without significant growth in own-source income, the GN will remain vulnerable to changes in funding levels from Canada.

- » The ratio of debt service cost-to-revenues ranged from 0.36% to 0.81% in the last 5 years. The ratio of debt service cost-to-revenues had been decreasing from 2015 to 2017 until 2018, when it increased slightly by 0.09%. In 2019, the ratio grew 55% to 0.81%. The sudden spike in interest on long-term debt in 2019 was due to the long-term debt acquired to finance the Iqaluit International Airport. At 0.81% of total consolidated revenue, debt cost is currently not a constraint on the maintenance of government programs.

- » The GN currently has a net book value of tangible capital assets as a percentage of the cost of tangible capital assets ratio of 61.5%, though this has declined gradually since 2015 when it was at 64.3%. The declining ratio suggests that the GN has an aging tangible capital asset base and the assets are aging faster than they are being replaced at the end of their useful lives. Repairs and maintenance is a significant issue for the GN as the need for these expenses will continue to increase in the future, resulting in less flexibility for spending in other program areas.

Vulnerability - Vulnerability indicators measure the amount the GN is dependent on sources of revenue outside its control, as well as exposure to risks which might affect the GN’s ability to meet its commitments. The lower the GN’s own-source revenue, the more it relies on fiscal decisions of others.

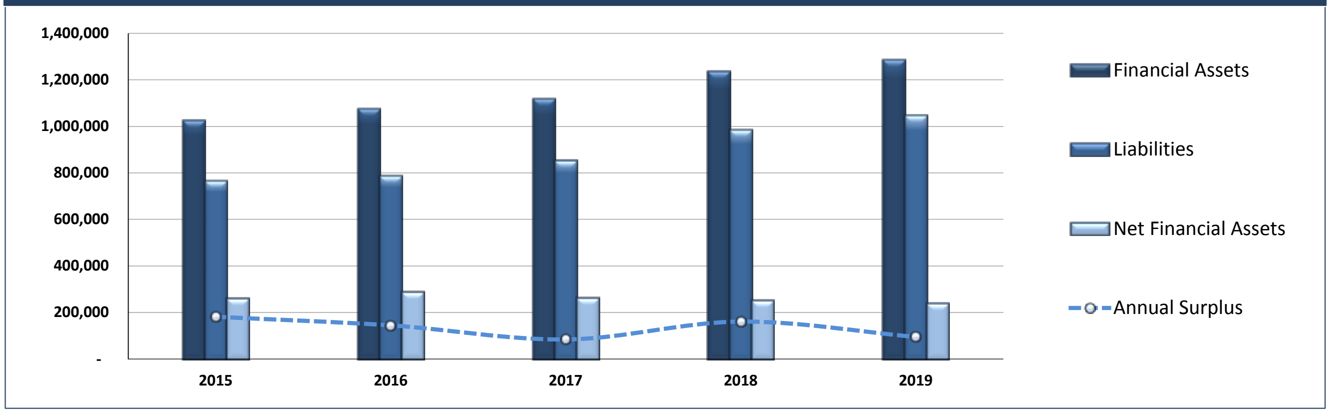
- » Total transfers from Canada as a percentage of the GN's total revenues was 80.0% in 2019. The GN remains highly dependent on federal sources of funding and is vulnerable to changes in the level of funding from Canada. The ratio of transfers from the federal government-to-total revenue remains static, ranging from 79.8% to 80.2% over the last 5 years.

(in thousands of dollars)

Annual Surplus, Net Financial Assets, and Net Assets

The following chart represents the GN's net financial assets position and annual surplus over a 5-year period.

2015 - 2019 Net Financial Assets and Annual Surplus



Consolidated Net Financial Assets	2019	2018	*$ Change*	*% Change*
Total consolidated net financial assets	239,382	251,415	*(12,033)*	*-4.8%*

As of March 31, 2019, the GN is in a net financial asset position, meaning the Government currently has sufficient financial assets to settle its existing liabilities. There is currently no need for the GN to generate future revenues to cover the costs of its past transactions and events. Despite a year-to-year decrease of $12.0M (4.8%), the GN maintains a healthy net financial assets balance of $239.4M at the end of 2019 (2018 - $251.4M). Net financial assets decreased during the year primarily due to increases in accounts payable and accrued liabilities and an increase in long-term debt used to finance the acquisition of tangible capital assets.

The GN’s Consolidated Statement of Change in Net Financial Assets measures whether the revenues received in the year were sufficient to cover its spending, which includes funds spent to obtain new non-financial assets. After a period of growth, consolidated net financial assets have been decreasing slightly since 2017. Changes in net financial assets and changes in annual surplus do not necessarily occur in unison. This reflects changes in other factors such as cash used, or long-term debt acquired, to finance investments in tangible capital assets.

Consolidated Net Assets	2019	2018	*$ Change*	*% Change*
Total consolidated net assets	2,803,230	2,708,306	*94,924*	*3.5%*

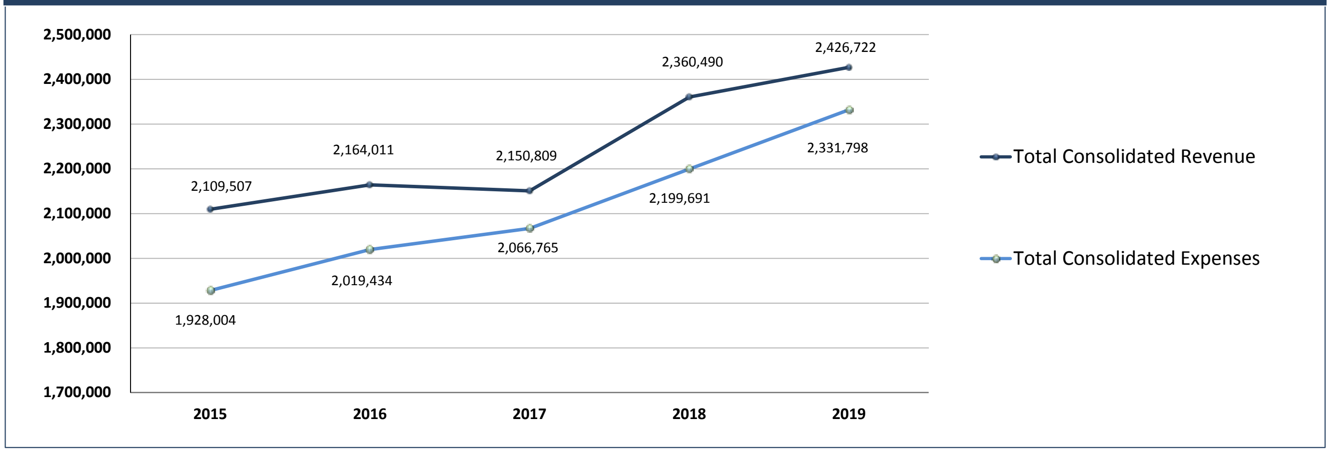
The Government of Nunavut's consolidated net assets (sometimes referred to as accumulated surplus) is the total of its net financial assets and its non-financial assets. This measure represents the net economic resources available to the GN. The GN’s annual surplus for the year was $94.9M, which increased net assets by 3.5% to $2,803.2M. The Consolidated Statement of Operations and Net Assets provides the details of the annual surplus.

Tangible capital assets represent 89.7% (2018 - 89.0%) of the GN's consolidated net assets. The Government's many acquisitions of large tangible capital assets has driven much of the growth in net assets, and will likely continue to drive future changes in net assets.

Revenues and Expenses

The following chart represents the GN's total consolidated revenues and total consolidated expenses over a 5-year period.

2015 - 2019 Revenues and Expenses

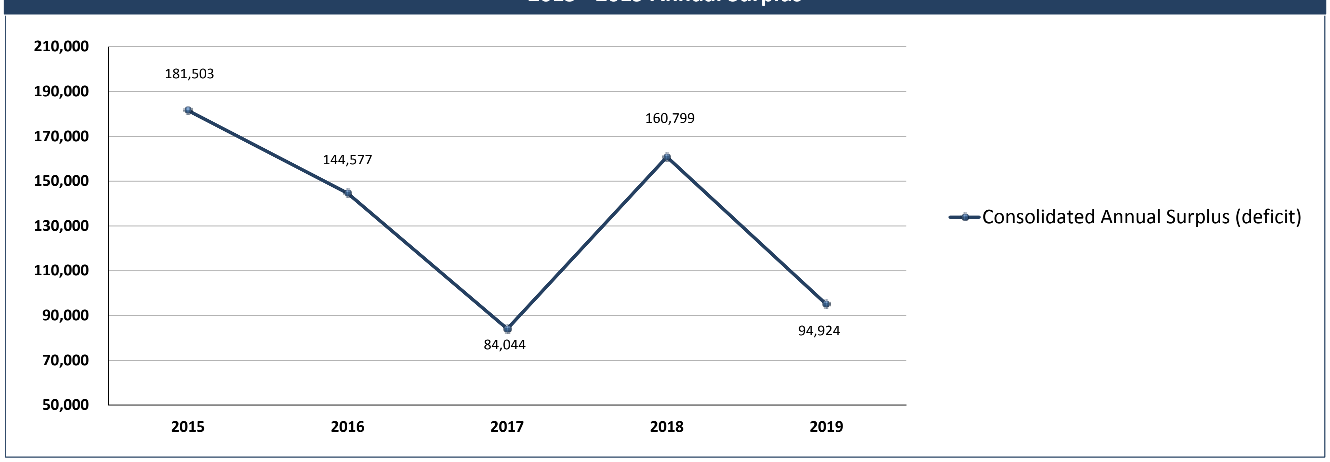


Total consolidated revenues increased by $317.2M (15.0%) over the last five years, driven by growth in Territorial Formula Financing ($169.7, 12.0%), other transfers from Canada ($85.8M, 31.0%), and own-source revenue ($61.8M, 14.6%). Total revenues have increased on average 2.7% each year, with exception to 2017. In 2017, other transfers from Canada declined in growth by 14.7% when the territory saw a decrease of $40.3M of available funds from this source. Other transfers subsequently returned to normal in 2018.

Total consolidated expenses increased by $403.8M (20.9%) over the same period, outpacing revenue growth. The largest contributors to expense growth over the last 5 years are compensation and benefits ($111.9M, 18.3%) and goods and services ($209.8M, 20.5%). Expenses for essential services such as health (23.3%), community and government services (20.6%), housing (12.5%), and education (12.5%) collectively represent 68.8% of all Government spending in 2019 (2018 - 67.8%).

Despite slowing revenue growth relative to expense growth, the GN's total consolidated revenues continue to exceed its total consolidated expenses, resulting in an annual surplus each year. The following chart represents the GN's annual surplus over a 5-year period.

2015 - 2019 Annual Surplus



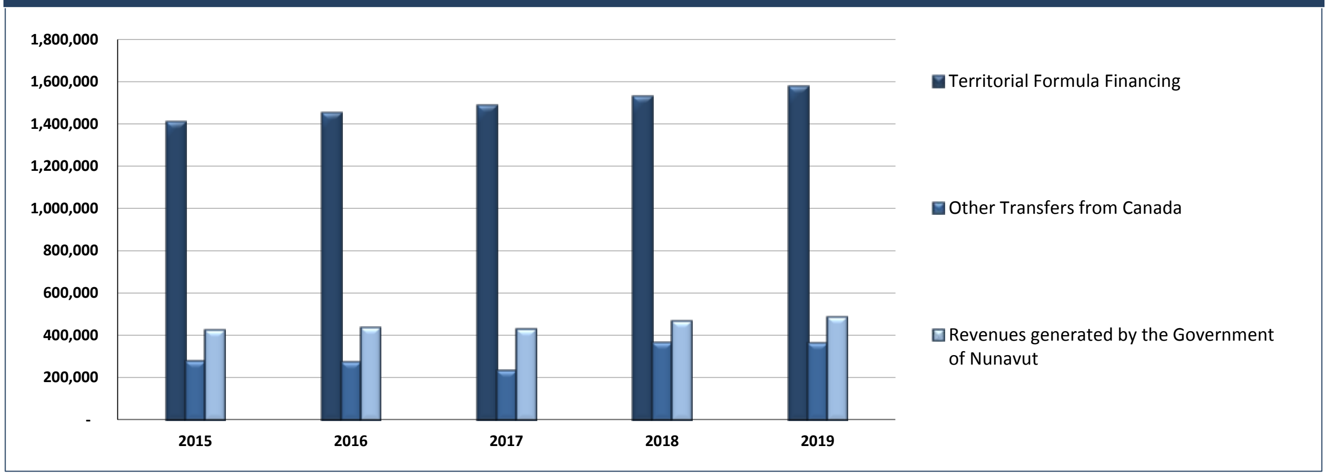
(in thousands of dollars)

Consolidated Revenues

Revenues	2019	2018	*$ Change*	*% Change*
Total Revenues	2,426,722	2,360,490	*66,232*	*2.8%*

Total consolidated revenues grew by $66.2M (2.8%) over the year, driven by a $48.9M (3.2%) increase in Territorial Formula Financing, a $1.0M (-0.3%) decrease in revenues for other transfer payments from the Government of Canada, and an increase of $18.4M in revenues generated by the Government of Nunavut.

2015 - 2019 Revenues by Source



Territorial Formula Financing (TFF) is an annual unconditional transfer from the Government of Canada that is meant to enable the GN to provide Nunavummiut with a range of public services comparable to those offered by provincial governments, at comparable levels of taxation. The TFF calculation (like its provincial counterpart, Equalization) is set out in federal legislation, and depends each year on a number of variables. Generally, TFF acknowledges that Nunavut's economy is too small to generate the taxes the GN would need to offer a basic level of public services, including health care, education, infrastructure development, and social services such as housing and income support.

The GN budgeted an increase of $48.9M (3.2%) in revenues from TFF for a total of $1,579M (2018 - $1,530M) for 2019. Due to the nature of this grant, the amount is known in advance and there is therefore no variance to report for TFF for the year. TFF is by far the largest source of revenue for the GN and accounts for 65.0% of total consolidated revenue for the year (2018 - 64.8%).

Transfers under third-party funding agreements totalled $202.9M in 2019 (2018 - $147.6M) and represent 8.4% of total consolidated revenues (2018 - 6.3%). There was an increase of $55.3M when compared to 2018.

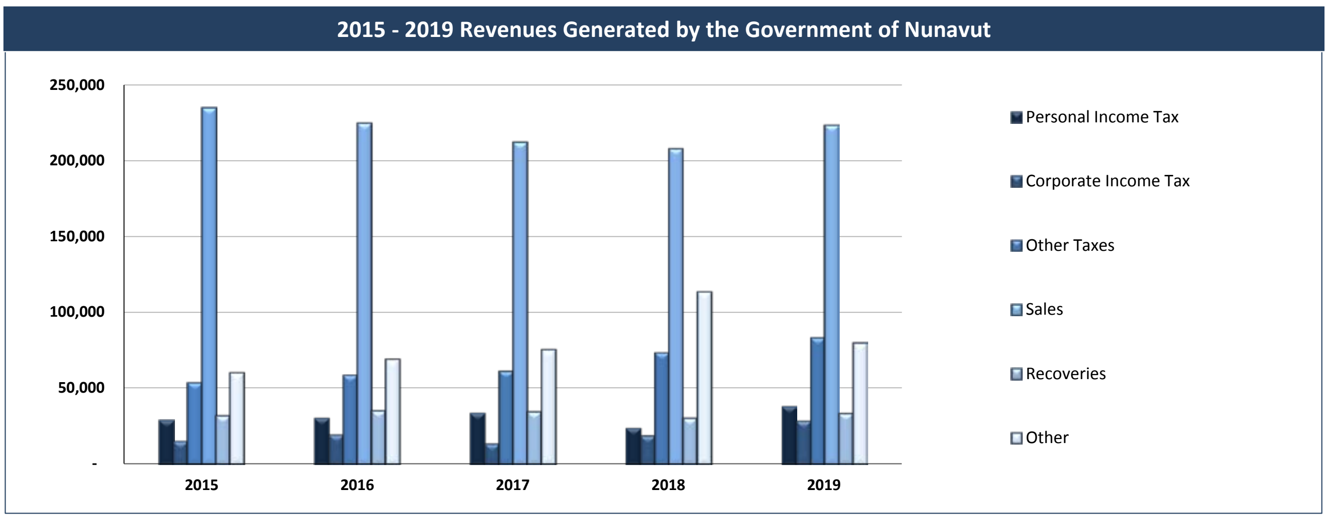
Transfers under third-party funding agreements are revenues from Canada received under formal contribution or other agreements to fund eligible capital infrastructure projects and specific programs. In 2019, the GN budgeted $264.8M in revenues from the Government of Canada under transfers from third-parties. The GN was not able to meet this target as Nunavut actually received only $202.9M from third-party funding for the year. This created an unfavourable budget variance of $61.9M (23.4%) for the year. Notable third-party funding includes $51.3M for Non-Insured Health Benefits (NIHB), $33.3M for various other health related transfers, $39.3M for deep-sea port construction, $18.8M for water treatment infrastructure construction, and $9.6M for the promotion of official languages.

Other transfer payments totalled $159.9M in 2019 (2018 - $216.3M) and represent 6.6% of total consolidated revenues (2018 - 9.2%). There was a decrease of $56.3M when compared to 2018.

Other transfer payments from the Government of Canada include funding from sources other than the TFF or third-party funding. Notable other transfers include the Canada Social Transfer ($39.5M), Canada Health Transfer ($14.2M), Hospital and Physician Services Grant ($24.7M), Territorial Health Investment Funds for medical transportation ($9.2M), and transfers from the Canada Mortgage and Housing Corporation ($62.1M). In 2019, the GN budgeted $150.4M in revenues under these transfers. The GN exceeded this expectation by $9.5M (6.3%) as revenues received from other transfer payments totalled $159.9M during the year.

***Revenues Generated by the Government of Nunavut*,** or own-source revenues, include revenues from taxation, sales, recoveries, and other miscellaneous sources. Own-source revenue increased $18.4M (3.9%) in 2019 and amounted to $485.1M at year-end. Revenues generated by the Government of Nunavut account for only 20.0% of total consolidated revenues over the last 5 years, reinforcing the importance of federal transfers.

The following chart represents the allocation of revenues generated by the Government of Nunavut over a 5-year period.



At $148.8M, taxation revenues accounted for 30.7% of own-source revenue in 2019 (2018 - $115.2M, 24.7%) and were $33.6M (29.2%) higher than in 2018. The GN had only budgeted to receive $119.7M for taxation revenues this year, $29.1M less than actual. The main contributors to this favourable budget variance include personal income tax ($4.4M, 13.1%), corporate income tax ($10.1M, 56.3%), and fuel tax ($9.4M, 108.9%). The GN attributes higher-than-expected income tax growth to an expanding economy, which grew 13.6% in 2019.

Sales revenues accounted for 46.1% ($223.5M) of own-source revenue in 2019 (2018 - 44.6%, $208.1M), an increase of $15.4M (7.4%) over 2018. The GN generates revenues through the sales of petroleum ($133.0M), liquor and cannabis products ($16.1M), sales from NDC subsidiaries ($3.6M), and sales of heat and power provided by the QEC ($70.8M).

Recoveries accounted for 6.8% ($33.0M) of own-source revenue in 2019 (2018 - 6.4%, $30.0M), an increase of $3.0M (9.9%) over 2018. Revenues are generated through staff housing recoveries ($20.4M) and recoveries of prior-year expenditures ($12.6M).

Other revenues accounted for 16.4% ($79.7M) of own-source revenue in 2019 (2018 - 24.3%, $113.4M), a decrease of $33.7M (-29.7%) from 2018 totals. The GN receives other revenues from various sources, including agreements with third-parties other than Canada ($1.5M), insurance proceeds ($0.015M), and other miscellaneous revenues ($78.2M).

The GN estimated $304.0M for sales, recoveries, and other revenues in 2019 but collected $336.3M during the year, a net favourable variance of $32.3M (10.6%). The main contributors to this favourable variance include better-than-expected sales of petroleum products, better-than-expected sales of heat and power, as well as better-than-expected other miscellaneous revenues.

The following table reports each entity's cumulative budget-to-actual revenue results as reported over a 5-year period beginning in 2015 and ending in 2019.

Table 1.1

5 Year Component Totals Reported (In thousands of dollars)	**Budget**	**Actual**	***Revenue Variance ($) Fav(Unfav)***	***Revenue Variance (%) Fav(Unfav)***
Departments of the Government of Nunavut	9,494,196	9,803,683	*309,487*	3.3%
Qulliq Energy Corporation	678,968	679,851	*883*	0.1%
Nunavut Housing Corporation	1,531,060	1,557,739	*26,679*	1.7%
Nunavut Arctic College[1]	246,969	303,530	*56,561*	22.9%
Nunavut Development Corporation	34,788	36,177	*1,389*	4.0%
Nunavut Business Credit Corporation	10,112	10,260	*148*	1.5%
District Education Authorities	67,288	85,441	*18,153*	27.0%
Component totals as reported	**12,063,381**	**12,476,681**	***413,300***	***3.43%***
As reported after consolidation	10,831,800	11,211,539	*379,739*	*3.51%*
Net consolidation adjustments	**(1,231,581)**	**(1,265,142)**		

[1]The Nunavut Arctic College discloses services provided without charge from the GN in its total revenues (an increase to Government contributions) as an offset to the corresponding expenses (Table 2.1). This is the primary source of the reported variance as the College does not disclose a budget for this revenue. Services provided without charge are subsequently eliminated during consolidation.

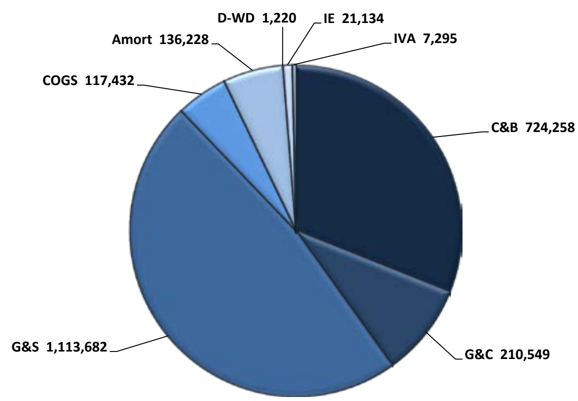
(in thousands of dollars)

Consolidated Expenses

Expenses	2019	2018	$ Change	% Change
Total Expenses	2,331,798	2,199,691	*132,107*	*6.0%*

Total consolidated expenses increased by $132.1M (6.0%) during 2019. Total expenditures by type remained relatively stable year-over-year with exception to interest expense and amortization expense which saw an increase of 32.9% and 39.9% respectively. The chart below represents the allocation of consolidated expenses for 2019.

Expense by Type for the Year Ended March 31, 2019



C&B	Compensation and benefits
G&C	Grants and contributions
G&S	Goods and services
COGS	Cost of goods sold
Amort	Amortization of TCA
D-WD	Loss on disposal/write-down of TCA
IE	Interest expense
IVA	Increase in valuation allowance

Compensation and benefits increased $29.9M (4.3%) to $724.3M in 2019 and represent 31.1% of the GN's total consolidated expenses. Material increases in expenditures relating to compensation and benefit were observed for the Department of Finance ($9.7M), the Department of Education ($5.2M), the Department of Health ($7.1M), and the Nunavut Housing Corporation ($2.5M).

Grants and contributions increased $14.2M (7.2%) to $210.6M in 2019 and represent 9.0% of the GN's total consolidated expenses. Material increases in expenditures relating to grants and contributions were observed for the Department of Health ($4.9M) and the Department of Family Services ($7.7M).

Goods and services increased $95.8M (9.4%) to $1,113.7M in 2019 and represent 47.8% of the GN's total consolidated expenses. Material increases in expenditures relating to goods and services were observed for spending on infrastructure ($36.4M), and for increases in other expenses incurred by GN departments ($42.7M), NHC ($9.0M), QEC ($5.3M), and NAC ($3.1M).

Cost of Goods Sold increased $13.8M (13.3%) to $117.4M in 2019 and represent 5.0% of the GN's total consolidated expenses. Total cost of goods sold include $106.7M in petroleum products (2018 - $96.3M), $7.2M in liquor and cannabis products (2018 - $4.3M), and $3.5M in products of NDC subsidiaries (2018 - $3.1M).

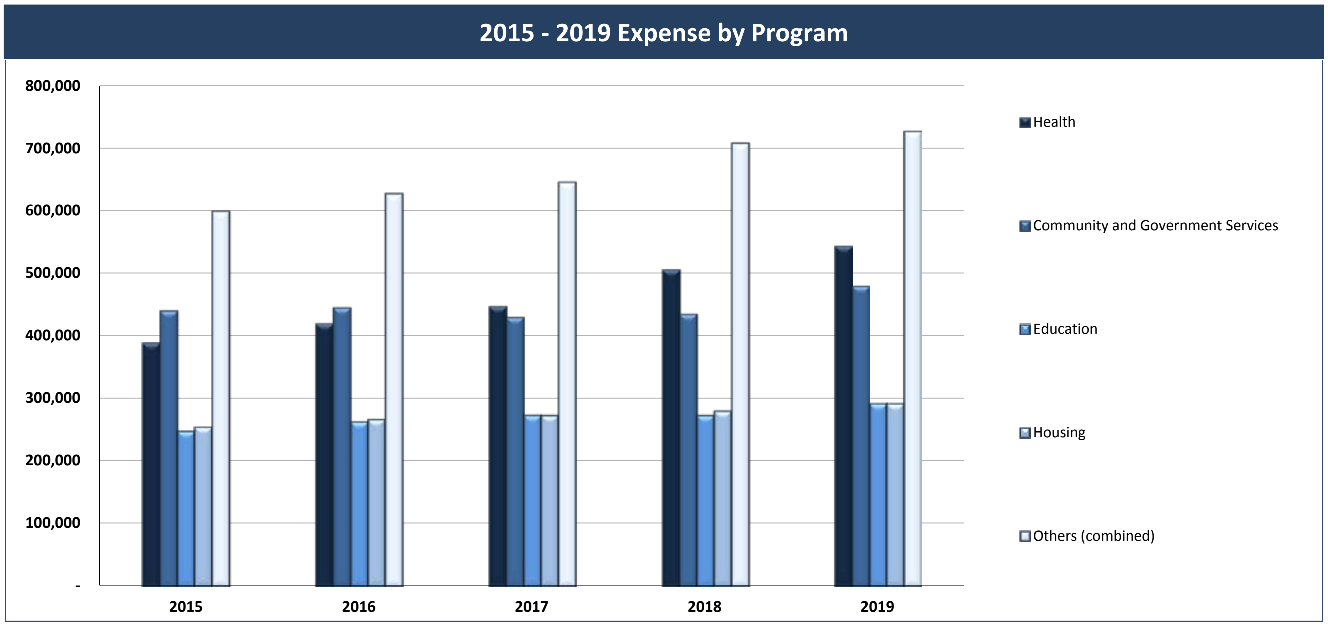
Amortization of TCA decreased $16.5M (-10.8%) to $136.2M in 2019. This was the result of a $31.4M adjustment to the accumulated amortization of the original NCC lease agreements in 2018, which caused a spike in amortization expense for that year. There were no similar adjustments to amortization in 2019. Amortization expense represents 5.8% of total consolidated expenses for the year.

Loss on disposal/write-down of TCA decreased $7.7M (-86.2%) to $1.2M in 2019 and represents 0.1% of the GN's total consolidated expenses.

Interest expense increased $9.5M (81.2%) to $21.1M in 2019 and represents 0.9% of the GN's total consolidated expenses. Material increases in interest expense were observed for long-term debt relating to the Iqaluit International Airport ($8.4M) and long-term debt acquired by QEC to improve its power generating infrastructure ($1.2M).

Increase in valuation allowances decreased $7.0M (-49.0%) to $7.3M in 2019 and represent 0.3% of the GN's total consolidated expenses. The decrease is mostly due to an $8.6M reduction in bad debt expense reported by CGS when compared to 2018. Bad debt expense relating to NHC's tenant receivable ($2.9M) and QEC's sales of power ($1.6M) are the major contributors to the expense.

The following chart represents the allocation of expense by program (department) over a 5-year period.



The *Department of Health (HEA)* was budgeted $483.2M, an increase of $53.1M over 2018, to fund its operations for 2019. Actual department spending totalled $543.2M for the year, resulting in an unfavourable variance of $60.0M from original budget. The major source of the variance can be attributed to overspending on compensation and benefits (casual workers and overtime), travel and transportation (medical travel and emergency medevac charters), and service contracts (physician and residential care contracts).

The *Department of Community and Government Services (CGS)* was budgeted $590.6M, an increase of $126.9M over 2018, to fund its operations for 2019. Actual department spending totalled $479.4M for the year, resulting in a favourable variance of $111.2M from original budget. The major source of the variance can be attributed to less than expected expenditure of third-party transfers intended for infrastructure projects that did not complete during the year. These funds will carry-forward to 2020.

The *Department of Education (EDU)* was budgeted $318.3M, an increase of $6.6M over 2018, to fund its operations for 2019. Actual department spending totalled $291.1M for the year, resulting in a favourable variance of $27.2M from original budget. The department experienced lower than expected expenditures in all areas except for other expenses. The Nunavut Arctic College, which is included in EDU, also performed well during the year. Its only large variance was in the form of services provided without charge as the College does not disclose a budget for these expenses. This accounts for the large variance reported by NAC in Table 2.1 below[2].

The *Nunavut Housing Corporation (NHC)* was budgeted $286.0M, an increase of $2.6M over 2018, to fund its operations for 2019. Actual department spending totalled $291.1M for the year, resulting in an unfavourable variance of $5.1M from original budget. The major source of variance can be attributed to overspending on the NHC's social housing program and expenditures relating to corporate administration.

The *Department of Justice (JUS)* was budgeted $130.5M, an increase of $5.83 over 2018, to fund its operations for 2019. Actual department spending totalled $135.3M for the year, resulting in an unfavourable variance of $4.8M from original budget. The major source of the variance was overspending on other operations and maintenance expenses.

The Department of Finance (FIN) was budgeted $202.9M, an increase of $3.1M over 2018, to fund its operations for 2019. This includes the budget for Qulliq Energy Corporation as well as $20M supplementary funding set aside for extra-ordinary or unforeseen events. Actual spending totalled $191.8M for the year, resulting in a favourable variance of $11.1M from original budget. FIN's original expenditure estimates fell short for operations, maintenance and capital. Consolidated budget adjustments for Qulliq Energy Corporation contributed to an unfavourable variance which was offset by the inclusion of the supplementary funding.

The *Department of Family Services (FS)* was budgeted $164.5M, an increase of $16.5M over 2018, to fund its operations for 2019. Actual department spending totalled $161.7M for the year, resulting in a favourable variance of $2.8M from original budget. The major contributors to this variance was a lower than expected disbursement of grants and contributions for the year and lower than expected capital expenditures.

The *Department of Economic Development and Transportation (EDT)* was budgeted $132.2M, an increase of $28.5M over 2018, to fund its operations for 2019. Actual department spending totalled $121.4M for the year, resulting in a favourable variance of $10.8M from original budget. EDT's original budget underestimated its need for capital funding. During consolidation, EDT's budget was increased $16.0M for its share of the centrally estimated capital carryovers from prior year included in "Capital" on page x of the 2018-19 Main Estimates, and for its net share of NBCC and NDC expenditure budget after consolidating adjustments ($3.3M).

The *Department of Environment (ENV)* was budgeted $30.7M, a decrease of $1.1M compared to 2018, to fund its operations for 2019. Actual department spending totalled $34.2M for the year, resulting in an unfavourable variance of $3.5M from original budget. ENV's budget was more than enough to cover its appropriated operational and capital needs for the year. The unfavourable variance was a result of higher than expected expenditures of funds under third-party funding agreements.

The *Department of Culture and Heritage (CH)* was budgeted $33.5M, an increase of $6.2M over 2018, to fund its operations for 2019. Actual department spending totalled $33.1M for the year, resulting in a favourable variance of $0.4M from original budget.

The *Department of Executive and Intergovernmental Affairs (EIA)* was budgeted $38.4M, a decrease of $1.7M compared to 2018, to fund its operations for 2019. Actual department spending totalled $25.9M for the year, resulting in a favourable variance of $12.5M from original budget. The major source of this variance was a much lower than expected expenditure of funds under third-party funding agreements.

The *Legislative Assembly of Nunavut (LEG)* was budgeted $27.4M, a decrease of $0.3M compared to 2018, to fund its operations for 2019. Actual department spending totalled $23.7M for the year, resulting in a favourable variance of $3.7M from original budget. The main contributors to the variance was lower than expected spending on compensation and benefits and other operation and maintenance expenses.

The following table reports each entity's cumulative budget-to-actual expense results as reported over a 5-year period beginning in 2015 and ending in 2019.

Table 2.1

5 Year Component Totals Reported (In thousands of dollars)	**Budget**	**Actual**	***Expense Variance ($) Fav(Unfav)***	***Expense Variance (%) Fav(Unfav)***
Departments of the Government of Nunavut	9,495,945	9,362,733	*133,212*	1.4%
Qulliq Energy Corporation	665,979	646,763	*19,216*	2.9%
Nunavut Housing Corporation	1,397,173	1,379,491	*17,682*	1.3%
Nunavut Arctic College[2]	246,969	294,110	*(47,141)*	-19.1%
Nunavut Development Corporation	32,835	32,682	*153*	0.5%
Nunavut Business Credit Corporation	10,196	10,550	*(355)*	-3.5%
District Education Authorities	65,887	84,895	*(19,008)*	-28.8%
Component totals as reported	**11,914,984**	**11,811,224**	***103,760***	***0.87%***
As reported after consolidation	10,689,300	10,545,692	*143,608*	*1.34%*
Net consolidation adjustments	**(1,225,684)**	**(1,265,532)**		

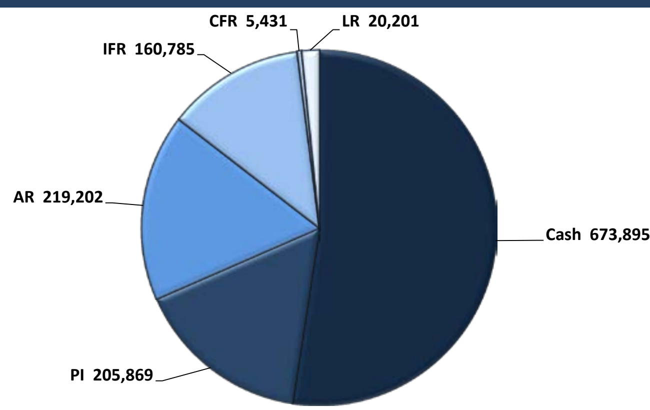
(in thousands of dollars)

Consolidated Financial Assets

Financial Assets	2019	2018	*$ Change*	*% Change*
Total financial assets	1,285,383	1,235,311	*50,072*	*4.1%*

Financial assets are the economic resources available to the GN to settle existing liabilities or to finance future operations. Total consolidated financial assets increased $50.1M (4.1%) over the prior year. Overall, the GN's financial assets position improved slightly, and remains stable.

Financial Assets as at March 31, 2019



Cash	Cash and cash equivalents
PI	Portfolio and other investments
AR	Accounts Receivable
IFR	Inventories for resale
CFR	Condominiums held for resale
LR	Loans Receivable

Cash and cash equivalents , which comprise 52.4% of the GN's financial assets at year-end (2018 – 59.8%), has decreased by $65.1M primarily due to the GN's $50.0M investment in portfolio investments. The cash balance at year-end was $673.9M. However, $132.8M of this balance is cash received under formal contribution or other agreements, mostly from the Government of Canada, to fund eligible capital infrastructure projects and specific programs.

Portfolio and other investments *,* which comprise 16.0% of the GN's financial assets (2018 - 12.0%), increased by $57.1M in 2019. This was primarily due to the GN's $50.0M investment in a guaranteed investment certificate that will mature in 366 days. The NHC saw an increase of $5.0M in its portfolio investments during the year driven by a substantial increase in provincial government notes and bonds that will mature in 2 years.

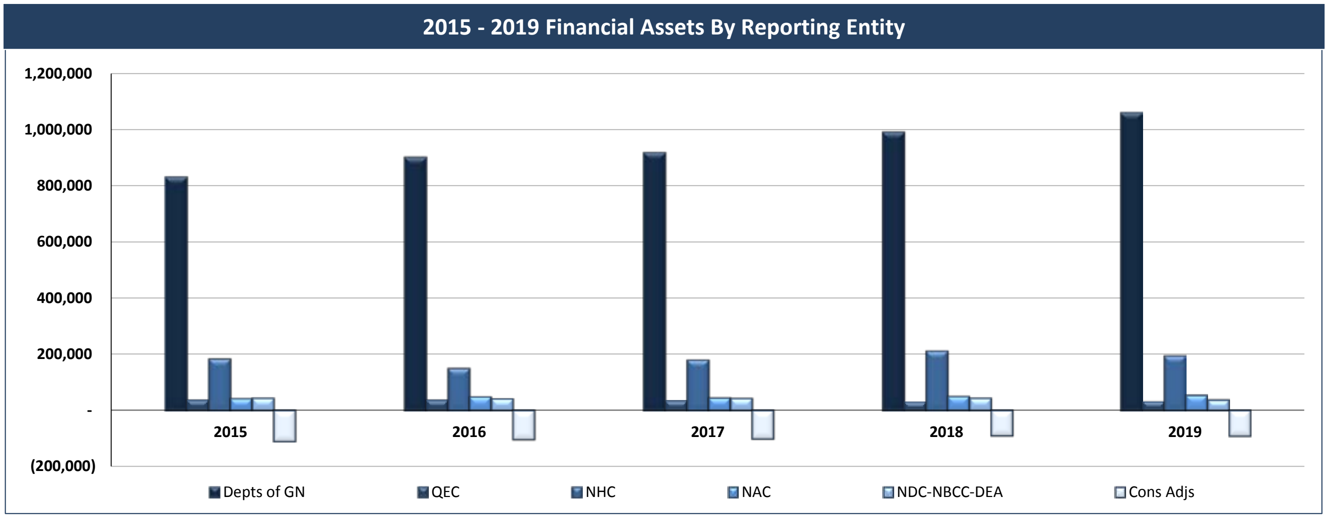
Accounts Receivable , which comprise 17.1% of the GN's financial assets (2018 - 19.2%), decreased by $17.8M in 2019. The decrease of $7.8M in receivables from the Government of Canada was a net result of a $21.8M reduction in the Nunavut Housing Corporation's receivable from the Canada Mortgage and Housing Corporation (CMHC) and increases to the receivables for GST ($5.0M) and other transfer payments ($9.0M). Other accounts receivable decreased by $3.9M. Allowance for doubtful accounts increased by $6.1M to $71.9M during the year, and is now approximately 44.8% of total other receivables (2018 - 40.0%) driven mostly by allowance for doubtful accounts on NHC's tenant receivable ($35.6M) and PPD receivables ($13.9M).

Inventories for resale *,* which comprise 12.5% of the GN's financial assets (2018 - 6.7%), have increased by $78.3M. The Petroleum Products Division's (PPD) bulk fuel inventory accounts for $77.5M of this increase due to pre-purchasing fuel for the 2019 and 2020 resupply within the same fiscal year. Liquor products held for resale increased by $0.7M.

Condominiums held for resale , which comprise 0.4% of the GN's financial assets (2018 - 0.4%), did not change in 2019. In 2016-17, the Nunavut Housing Corporation acquired 62 residential units in Iqaluit with the intention of selling the units to the Government of Nunavut staff through the Staff Condominium program. Expected sales in 2018-19 were delayed due to obstacles in establishing a condominium corporation.

Loans receivable , which comprise 1.6% of the GN's financial assets (2018 - 1.8%), decreased by $2.4M in 2019. The decrease is mostly attributable to the Nunavut Business Credit Corporation's loan receivable ($2.2M), a net change in loan payments received and loan disbursements made during the year.

The following chart represents the contribution of each reporting entity to the total consolidated financial assets over a 5-year period.



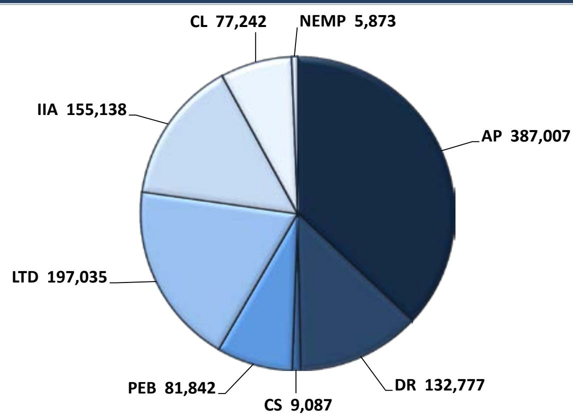
(in thousands of dollars)

Consolidated Financial Liabilities

Liabilities	2019	2018	*$ Change*	*% Change*
Total liabilities	1,046,001	983,896	*62,105*	*6.3%*

Liabilities are financial obligations at year-end, including amounts the GN owes, that have resulted from past activities. Total consolidated liabilities increased by $62.1M (6.3%) from 2018 to 2019, driven by increases in accounts payable and accrued liabilities and additional long-term debt obtained by the GN during 2019.

Financial Liabilities as at March 31, 2019



AP	Accounts payable and accrued liabilities
DR	Deferred revenues
CS	Liability for contaminated sites
PEB	Liability for pension and other employee benefits
LTD	Long-term debt
IIA	Iqaluit International Airport
CL	Capital lease obligations
NEMP	Nunavut Energy Management Program

Accounts payable and accrued liabilities represent 37.0% of total consolidated liabilities (2018 - 35.0%). Accounts payable and accrued liabilities increased $45.0M to $387.0M in 2019. This was mostly due to the Petroleum Products Division's increase in accrued liabilities for the early purchase of fuel for the 2020 resupply ($33.7M) and the Department of Justice's increase in accrued liabilities with the Royal Canadian Mounted Police ($13.8M).

Deferred revenues represent 12.7% of total consolidated liabilities (2018 - 13.1%). Deferred revenues saw a net increase of $4.1M during the year. Major activity included a net increase of deferred revenues provided by the Nunavut Land Claim Agreement ($23.1M), a net increase of deferred revenues provided by the Gas Tax Agreement ($6.6M), and a net decrease of deferred revenues provided by CMHC for NHC's Investments in Affordable Housing program ($19.9M).

Liabilities for contaminated sites represents 0.9% of total consolidated liabilities for 2019 (2018 - 1.0%) with a balance of $9.1M. The Department of Community and Government Services is responsible for 89.7% ($8.2M) of the liability and has recorded liabilities for 6 sites (CGS = 4, PPD = 2) that include fuel spills at 2 storage tank farms and abandoned assets at 4 waste sites. The NHC has recorded a liability for 9 sites in 2019 ($0.5M), all of which relate to oil spills. QEC has recorded a $0.4M liability for 3 spills that occurred within the corporation's power plants.

Liabilities for pension and other post-employee benefits account for 7.8% of total consolidated liabilities (2018 - 7.5%) at $81.8M. The liability increased $7.9M during the year mostly due to a $6.6M increase to retirement health benefits. Pension, sick leave, and severance and removal liabilities all saw marginal increases, which can be expected of a growing workforce.

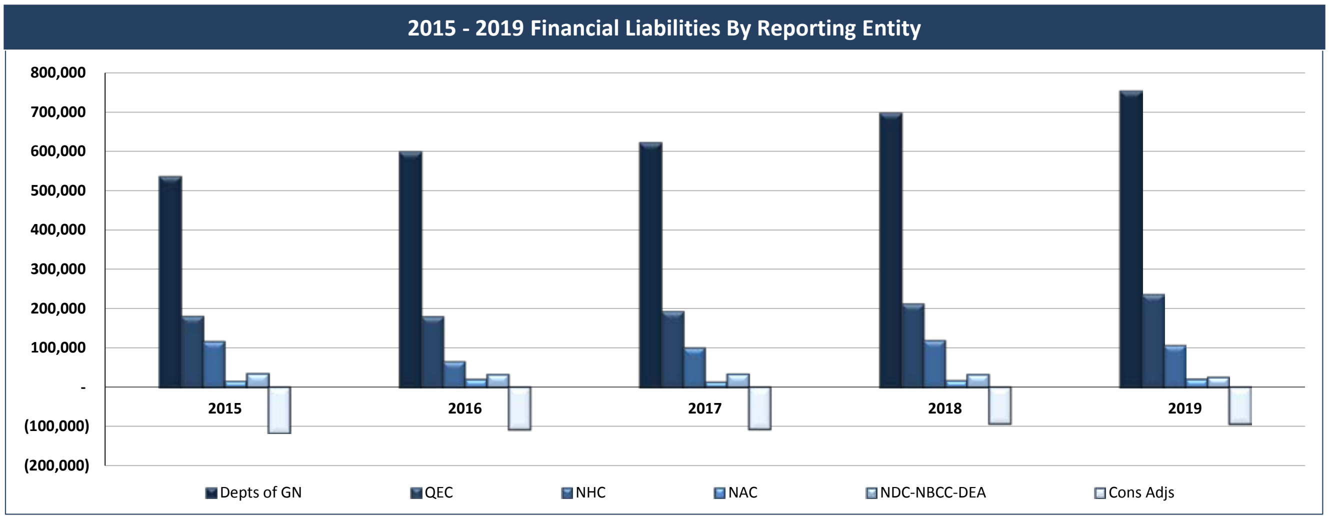
Long-term debt represents the GN's second largest contributor to total consolidated liabilities at 18.8% (2018 - 17.8%). Long-term debt increased by $21.9M to $197.0M during the year. The Qulliq Energy Corporation (QEC) secured additional funding for its capital projects in the amount of $23.2M during 2019. Interest expense on long-term debt for the year was $5.3M. Further discussion is presented under the "Consolidated Long-term Debt" section of this discussion and analysis.

The *Iqaluit International Airport (IIAIP)* was completed on August 9, 2017. Long-term debt relating to the IIAIP represent 14.8% of total consolidated liabilities (2018 - 15.9%) and totalled $155.1M in 2019. The GN signed a public-private partnership (P3) agreement to design, build, finance, operate, and maintain the new and updated infrastructure. The GN financed its portion of the construction costs with a loan payable. During the year, the GN was able to make principal payments totalling $1.6M. Interest expense for the year was $11.3M.

Capital lease obligations comprise 7.4% of total consolidated liabilities (2018 - 9.4%) and totalled $77.2M in 2019. The GN was able to reduce its capital lease obligations by $15.7M during the year by means of principal repayments. The GN extended its capital leases in 2017-18. The new extensions will afford the GN ownership of the assets upon the expiration of the lease agreements. The capital lease obligations expire between 2020 and 2030. Interest expense on capital leases for the year was $2.8M.

The *Nunavut Energy Management Program (NEMP)* accounts for 0.6% of total liabilities (2018 - 0.5%) and had a balance of $5.9M at year-end. During 2019, the GN was able to make principal payments totalling $1.4M on the Baffin program, but also accumulated an additional liability of $2.2M to make progress on the Kivalliq program. Interest expense for NEMP during the year was $0.3M.

The following chart represents the contribution of each reporting entity to the total consolidated liabilities over a 5-year period.



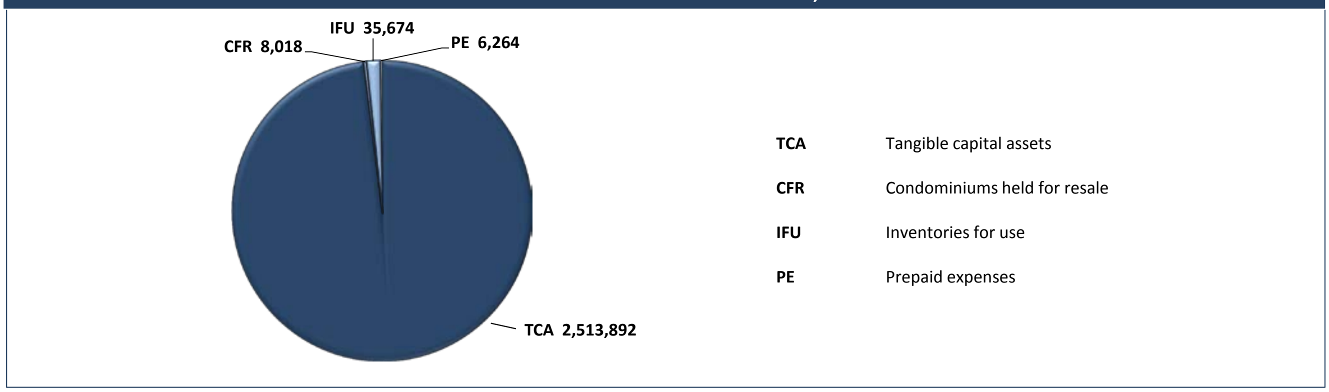
(in thousands of dollars)

Consolidated Non-financial Assets

Non-financial Assets	2019	2018	*$ Change*	*% Change*
Total non-financial assets	2,563,848	2,456,891	*106,957*	*4.4%*

Non-financial assets are normally used to provide services to taxpayers, unless they are sold, and are therefore converted to financial assets. The GN's consolidated non-financial assets consist of tangible capital assets, condominiums held for resale, inventories held for use, and prepaid expenses.

Non-financial Assets as at March 31, 2019



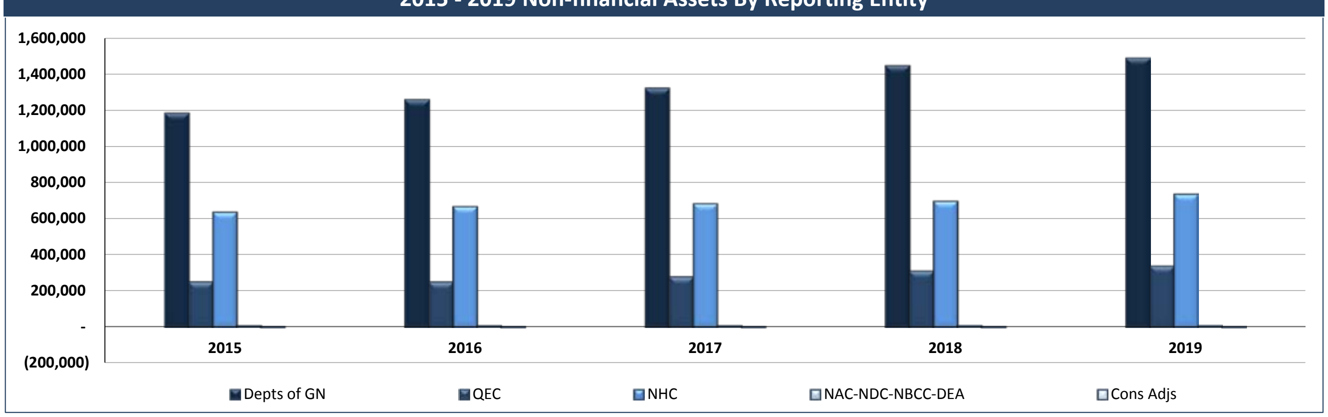
Tangible capital assets experienced a net increase of $104.4M in 2019. The net book value of the GN's tangible capital assets accounts for 98.1% ($2,514M) of the total consolidated non-financial assets balance reported for 2019 (2018 - 98.1%, $2,409M). Significant additions to TCA include the construction of a NAC community learning centre in Iqaluit ($9.7M); construction of new schools for Kugaaruk ($16.1M) and Cape Dorset ($7.6M); the construction of a new health centre in Sanikiluaq ($11.8M); the construction of deep sea ports in Iqaluit ($38.7M) and Pond Inlet ($14.2M); the construction of NHC social housing ($55.6M) and staff housing ($10.7M); and the construction of QEC power generating and distribution assets ($35.8M).

Government-owned or leased buildings comprise 68.1% of total net book value of TCA's at year-end 2019. Many of these buildings have been amortized for 19 years of their 30 year useful life. This means the GN's buildings will likely require more maintenance in the coming years.

Condominiums held for resale, inventories for use, and prepaid expenses account for the remaining 1.9% ($50.0M) of the GN's total consolidated non-financial assets. There were no significant changes in any of these accounts during 2019.

The following chart represents of the contribution of each reporting entity to the total consolidated non-financial assets over a 5-year period.

2015 - 2019 Non-financial Assets By Reporting Entity



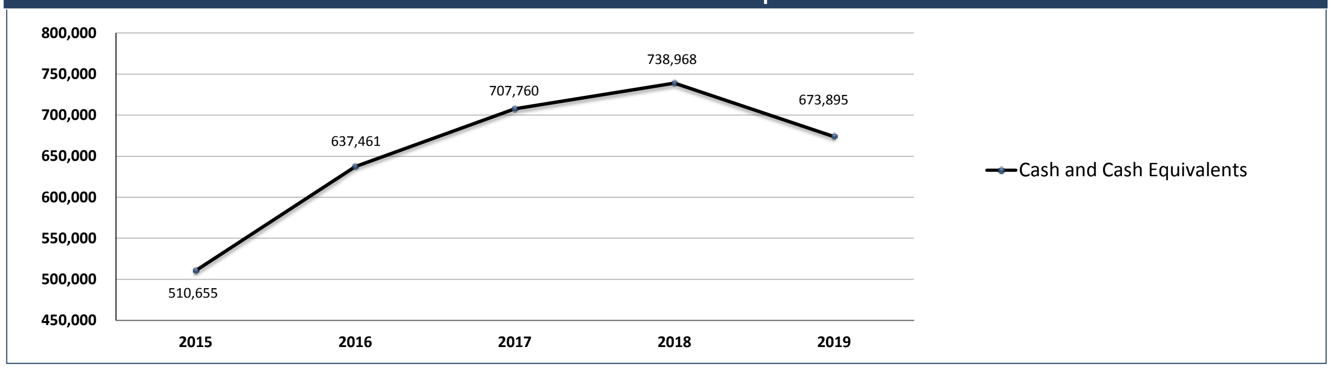
Consolidated Cash Flow

The Consolidated Statement of Cash Flow explains the change in cash and cash equivalents from the prior year. The GN uses the direct method of preparation and separately presents cash flows provided by (used for) operating activities, capital activities, investing activities, and financing activities.

At the end of 2019, the GN had $673.9M in cash and cash equivalents, making up 52.4% (2018 - 59.8%) of the GN's consolidated financial assets. However, $132.8M of this balance is cash received under formal contribution or other agreements, mostly from the Government of Canada, to fund eligible capital infrastructure projects and specific programs.

The GN's cash position decreased by $65.1M (-8.8%) during the year. The main contributor to this decrease was the GN's cash investment of $50.0M in portfolio investments, which will mature in 366 days.

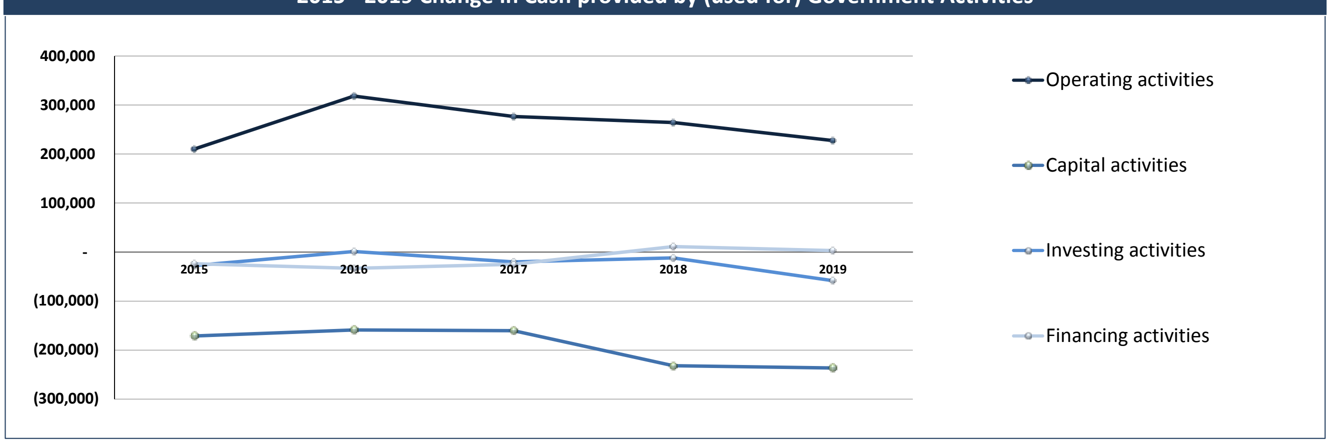
2015 - 2019 Cash and Cash Equivalents



The Quilliq Energy Corporation operates with bank indebtedness. As part of its financing, the QEC has obtained a bank credit facility with a limit of $20M, with interest calculated at prime minus 0.50%. The Government of Nunavut has guaranteed this credit facility. In 2019, the QEC's bank indebtedness totalled $9.9M (2018 - $11.2M).

The following chart represents the change in cash provided by (used for), operations, capital, investing, and financing over a 5-year period.

2015 - 2019 Change in Cash provided by (used for) Government Activities



Due to the nature of operations, the cash provided by (used for) operating activities is subject to the most potential change on an annual basis. Changes in cash provided by transfers from the Government of Canada and changes to cash used for purchases of goods and service and for compensation and benefits are the main causes of fluctuation. However, changes in income tax legislation, public and business need for financial support, and the availability of other third-party transfers can also cause available cash flows to change unexpectedly.

(in thousands of dollars)

Due to the nature of net changes in tangible capital assets, it is unlikely that the GN would ever see cash provided by capital activity. Over the 5-year period, the cash used for capital acquisitions has remained fairly stable, but the GN and QEC have recently made larger than normal acquisitions during 2018 and 2019.

The cash provided by (used for) investing activity is strongly linked to the timing of the purchases and sales of portfolio and other investments. Over the last 5 years, the GN has not seen cash provided by this activity. This is not to be confused with a failure of investments to earn revenue as they are intended. Cash provided by the interest earned on loans receivable and portfolio investments is classified as an operating cash flow.

Cash from financing activities is strongly linked to the timing of issuances and repayments of long-term debt, specifically that of the Qulliq Energy Corporation. A trend that reflects an increase in cash used to repay long-term debt would indicate that present cash balances are sufficient to maintain programs and infrastructure without the need for additional long-term debt.

The table below demonstrates the cumulative changes in cash flow by activity for each entity from 2015 to 2019.

Table 3.1

Component Totals Reported	Operating	Capital	Investing	Financing	Total
Depts of the GN	835,663	(504,089)	(53,542)	(144,480)	133,552
QEC	83,481	(165,093)	-	86,410	4,798
NHC	37,248	35,340	(57,931)	(9,425)	5,232
NAC	13,602	(1,384)	-	(408)	11,810
NDC	4,004	(641)	(526)	(328)	2,510
NBCC	1,746	(135)	1,337	(7,000)	(4,051)
DEAs	(1,011)	-	-	-	(1,011)
Component Totals as Reported	**974,734**	**(636,002)**	**(110,662)**	**(75,231)**	152,840
CFS Totals as Reported	1,296,553	(960,157)	(117,532)	(68,290)	150,574
Net Consolidation Adjustments	**321,819**	**(324,155)**	**(6,870)**	**6,941**	**(2,266)**

(in thousands of dollars)

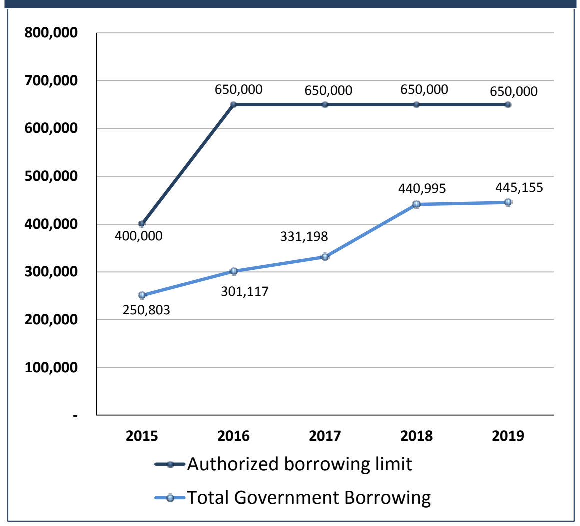
Consolidated Long-term Debt

As of March 31, 2019 the Governor General in Council of Canada, pursuant to subsection 27(4) of the *Nunavut Act* , had authorized the GN to borrow up to $650M. The Government of Canada set this limit in 2016, up from $400M in fiscal 2015 and, previously, $250.0M in 2012. The GN was able to operate within its borrowing limit throughout 2019, though increased total long-term debt by $4.2M to $445.2M (2018 - $441.0). Available borrowing capacity at year-end was $204.8M (2018 - $209.0M).

The Government of Nunavut's current long-term debt is allocated as follows:

	2019	2018	$ change
Departments of the GN			
- Mortgage payable	830	1,309	(479)
- Nunavut Energy Management Program	5,873	5,095	778
- Iqaluit International Airport	155,138	156,692	(1,554)
- Capital lease obligations	74,710	90,340	(15,630)
Qulliq Energy Corporation			
- Long-term debt	186,483	163,263	23,220
- Repayable contribution agreement	1,352	1,352	-
- Bank overdraft liability	9,867	11,201	(1,334)
Nunavut Housing Corporation			
- Long-term debt	8,370	9,167	(797)
- Capital lease obligations	2,010	2,394	(384)
Nunavut Arctic College			
- Capital lease obligations	522	182	340
Total long-term debt	**445,155**	**440,995**	**4,160**
Authorized borrowing limit	650,000	650,000	-
Available borrowing capacity	**204,845**	**209,005**	**(4,160)**

2015 - 2019 GN Borrowing under Debt Cap



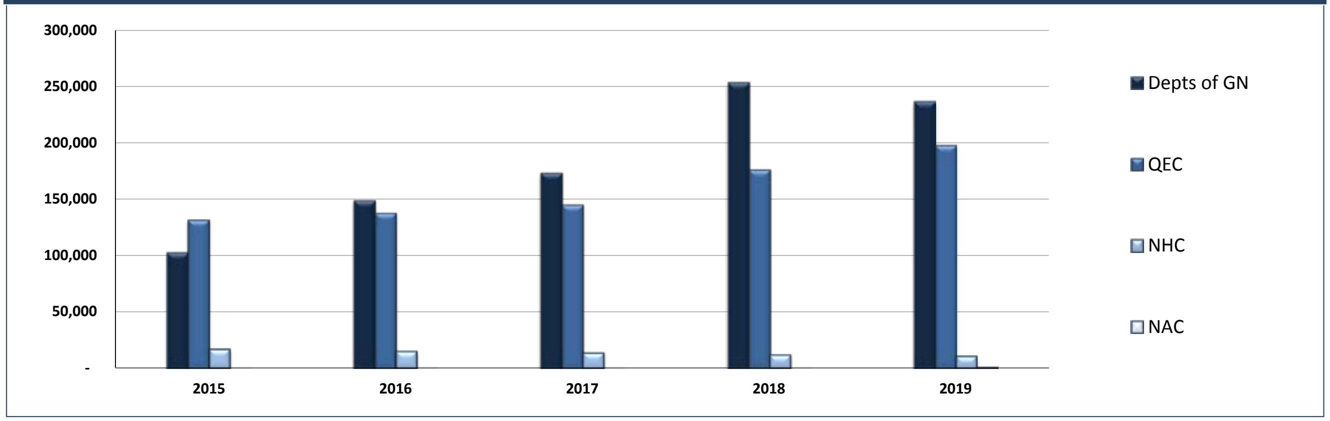
The GN and its reporting entities take on debt to obtain immediate capital for capital-intensive projects. The main drivers of the GN's increasing long-term debt include the Qulliq Energy Corporation and the Nunavut Housing Corporation as they finance capital requirements necessary for operations, debt related to the Iqaluit International Airport, and debt obtained to finance long-term capital leases.

The following chart represents the type of capital projects the GN has financed with long-term debt over a 5-year period.

2015 - 2019 Long-term Debt by Type

The following chart represents the contribution of each reporting entity to the consolidated debt over a 5-year period.

2015 - 2019 Long-term Debt by Reporting Entity



The Departments of GN currently hold 53.1% of total consolidated debt (2018 - 57.5%), though reduced their long-term debt by $16.9M in 2019 (2018 - Increased by $80.3M), largely due to making $15.6M in principal payments to its capital lease obligations. The GN will accumulate additional long-term debt over the short-term as the Nunavut Energy Management Program rolls out in the Kivalliq region. Conversely, the GN's mortgage payable will be paid in full at the end of 2020.

The Qulliq Energy Corporation's long-term debt currently accounts for 44.4% of the consolidated total debt (2018 - 39.9%). The QEC increased its long-term debt by $21.9M (2018 - $28.3M) in 2019 to finance additions to its tangible capital assets, primarily its diesel power plants. QEC's borrowings are currently 1.48 times its accumulated surplus (2018 - 1.37 times), in compliance with Section 25 of the *Qulliq Energy Corporation Act*. The GN guarantees this debt, and increased its guarantee limits during the year from $200M to $250M to help QEC meet its capital expenditure needs.

Interest on long-term debt

Interest expense on long-term debt for the year totalled $19.7M, an increase of $9.1M from 2018 (2018 - $10.6M), mostly due to the Iqaluit International Airport (increase of $8.4M). The GN is accumulating interest expense on long-term debt ($5.3M), the Iqaluit International Airport ($11.3M), capital lease obligations ($2.8M), and the Nunavut Energy Management Program ($0.3M). Cash used to pay interest on long-term debt totalled $20.3M in 2019 (2018-$11.4M). This must be considered in forecasting the GN's future cash flow needs and in decisions to acquire additional long-term debt.

Credit rating

On December 6, 2018 DBRS Limited (DBRS) assigned an Issuer Rating of AA (low) with a Stable trend to the Government of Nunavut. The following is a summary of key points made by DBRS regarding the rating:

» Enshrined in federal legislation, the institutional framework decouples the Government’s finances from a small underlying economy and results in stable government finances and a low debt burden. The Stable trend reflects DBRS’s view that the framework is unlikely to fundamentally change through the medium term. As such, DBRS expects budgetary results to remain strong and the debt burden low.

» Economic growth is expected to remain strong though volatile through the medium term. Strong population growth, increased public infrastructure and continued investment in the resource sector will support steady growth in economic output.

» The Territory has significant infrastructure requirements, as infrastructure is a priority for the government. Over the medium to longer term, DBRS believes these requirements could lead to more borrowing, though the institutional framework will limit overall leverage.

(in thousands of dollars)

Indicators of Financial Condition

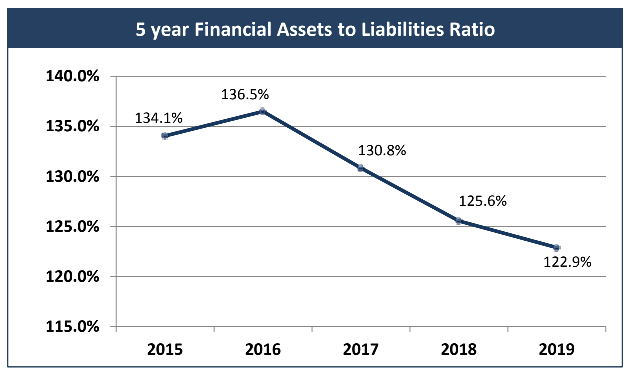
Sustainability, flexibility and vulnerability are each important components of the GN's overall fiscal health, and are discussed below.

Sustainability

Sustainability measures the extent to which the GN's financial capacity is sufficient to fund its existing programs and services, and its obligations to creditors, without having to introduce disruptive revenue and expenditure adjustments such as increased debt or increased tax rates. These indicators provide insight into how a government balances its commitments and debts.

- ***Financial Assets-to-Liabilities Ratio*** . The financial assets-to-liabilities ratio shows the extent to which the GN's future revenues will be required to pay for past transactions or events. The GN has a ratio greater than 100% for 2019 (122.9%) and this indicates financial assets were sufficient to meet current obligations and to finance future operations. A ratio less than 100% would indicate that the GN would need to rely on future revenues or increasing its debt to finance past operations.

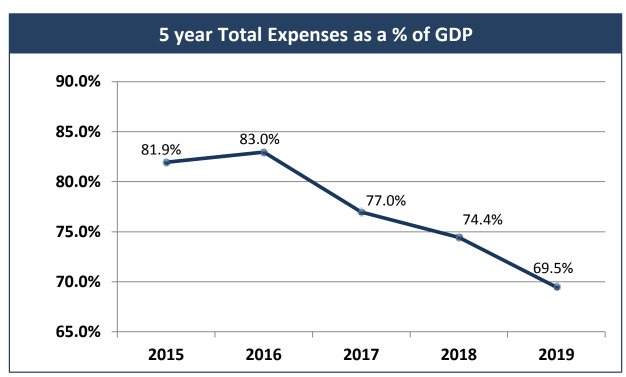
March 31	Financial Assets	Liabilities	Financial assets to liabilities
2015	1,025,279	764,790	134.1%
2016	1,074,100	786,978	136.5%
2017	1,117,245	853,957	130.8%
2018	1,235,311	983,896	125.6%
2019	1,285,383	1,046,001	122.9%
$ change, year-to-year	50,072	62,105	
% change, year-to-year	3.9%	5.9%	
$ change, 5 year trend	260,104	281,211	
% change, 5 year trend	25.4%	36.8%	



Despite having a ratio of 122.9% in 2019, the GN has a decreasing trend in this ratio since 2016. This may not be sustainable as it means that the GN may have difficulties meeting its obligations and covering its costs of operations if the growth in liabilities continues to outpace the growth in financial assets.

- ***Total Expenses as a percentage of GDP*** . Total expenses as a percentage of GDP compares the rate of growth of the GN's spending to the rate of growth of the economy (GDP) in which it operates. The GN's ratio for 2019 is 69.5%, which means that GN spending in 2019 did not exceed real GDP in Nunavut for the year.

March 31	Total Expenses	Nunavut GDP (2012 $ M)*	Total Expenses to GDP
2015	1,928,004	2,353,000	81.9%
2016	2,019,434	2,434,300	83.0%
2017	2,066,765	2,685,300	77.0%
2018	2,199,691	2,955,000	74.4%
2019	2,331,798	3,357,000	69.5%
$ change, year-to-year	132,107	402,000	
% change, year-to-year	6.0%	13.6%	
$ change, 5 year trend	403,794	1,004,000	
% change, 5 year trend	20.9%	42.7%	



Source: Nunavut Bureau of Statistics, May 1, 2019. "Nunavut Real Gross Domestic Product by Industry"
*Forecasted GDP for 2019 was based on the projection of the Conference Board of Canada.

(in thousands of dollars)

The GN's ratio has decreased from 83.0% in 2016 to 69.5% in 2019, as GDP has grown faster than spending. Continued relative growth in the economy will have a positive impact on the sustainability of GN spending growth and will aid in decreasing its reliance on transfers from Canada.

The strength of the Nunavut economy is tied closely to the territory's vast mineral potential and changes in global commodity prices. The Conference Board of Canada and Statistics Canada have forecast a 13.6% growth in real GDP for Nunavut for 2019. This growth is not without challenges. The unemployment rate will remain in double digits due to low labour market participation and a shortage of skilled labour. Nunavut will continue to lose the benefit of positive multiplier impacts as transient workers spend the money they earn in Nunavut outside of the territory. Program spending is expected to increase steadily as populations and their demand for services continue to increase.

Flexibility

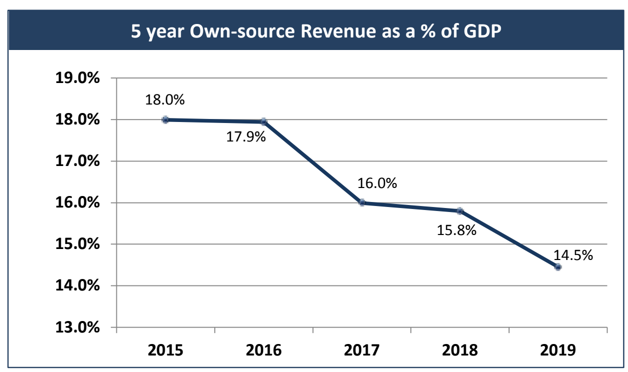
Flexibility describes the degree to which the GN can increase its financial resources to respond to rising commitments by expanding its revenue or increasing its debt burden. Increasing debt and taxation reduces flexibility and the GN's ability to respond to changing circumstances. Assessing flexibility provides insight as to how the GN manages its finances.

- ***Own-source revenue as a Percentage of GDP*.** Own-source revenue as a percentage of GDP is an indicator of the GN's ability to generate revenue from within its own economy compared to the territorial GDP. Nunavut's own-source revenues in 2019 were primarily generated through taxation (30.7%), the sale of petroleum products (27.4%), and sales of electrical utilities by the QEC (14.6%).

  The GN's own-source revenue compared to the size of the Nunavut economy has declined steadily over the last five years, ranging from 18.0% in 2015 to 14.5% in 2019. Without significant growth in own-source income, the GN will remain vulnerable to changes in funding levels from Canada.

March 31	Own-source revenue	Nunavut GDP (2012 $ M)*	Own-source revenue to GDP
2015	423,338	2,353,000	18.0%
2016	436,718	2,434,300	17.9%
2017	429,378	2,685,300	16.0%
2018	466,714	2,955,000	15.8%
2019	485,087	3,357,000	14.5%
$ change, year-to-year	18,373	402,000	
% change, year-to-year	3.9%	13.6%	
$ change, 5 year trend	61,749	1,004,000	
% change, 5 year trend	14.6%	42.7%	

Source: Nunavut Bureau of Statistics, May 1, 2019. "Nunavut Real Gross Domestic Product by Industry"
*Forecasted GDP for 2019 was based on the projection of the Conference Board of Canada.



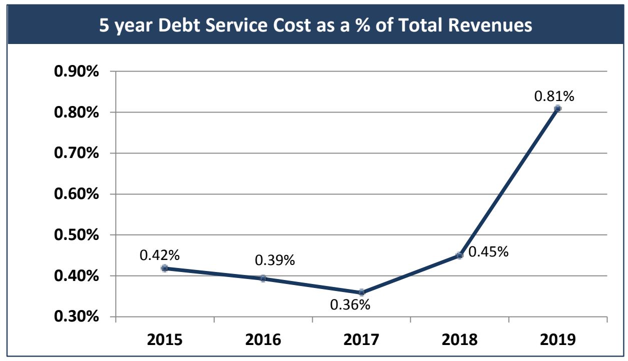
Most Canadian jurisdictions earn their revenues primarily through taxation. In Nunavut, taxation accounted for only 6.1% ($148.8M) of total consolidated revenue in 2019 (2018 - 5.5%, $115M). The GN has the option of increasing own-source revenues by increasing tax rates, though Nunavut's small economy is limited in what rates it can support. The GN's focus has been to increase tax revenues by working to expand the tax base itself. This goal is part of the mission of the Nunavut Business Credit Corporation and the Nunavut Development Corporation.

- ***Debt Service Cost as a Percentage of Total Revenues*.** The ratio of debt servicing costs-to-revenues indicates how much of the GN's current revenues will be needed to finance past borrowing decisions. If current revenues are needed to fund past borrowing, they are not available to fund current and future programs and services to taxpayers.

(in thousands of dollars)

The ratio of debt service cost-to-revenues ranged from 0.36% to 0.81% in the last 5 years. The ratio had been decreasing from 2015 to 2017 until 2018, when it increased slightly by 0.09%. In 2019, the ratio grew to 0.81%.

March 31	Interest on long-term debt	Total Revenue	Debt cost to revenue
2015	8,816	2,109,507	0.42%
2016	8,498	2,164,011	0.39%
2017	7,706	2,150,809	0.36%
2018	10,602	2,360,490	0.45%
2019	19,631	2,426,722	0.81%
$ change, year-to-year	9,029	66,232	
% change, year-to-year	85.2%	2.8%	
$ change, 5 year trend	10,815	317,215	
% change, 5 year trend	122.7%	15.0%	



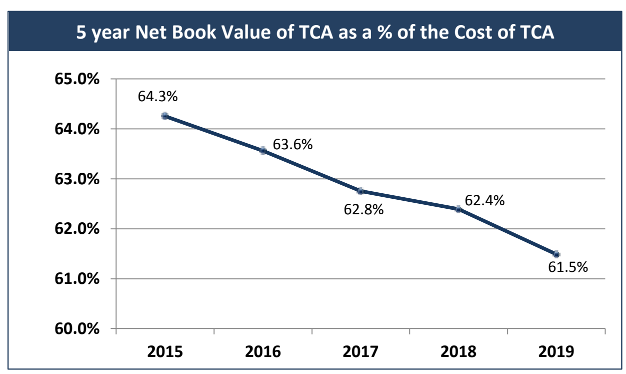
The sudden spike in interest on long-term debt in 2019 was due to the long-term debt acquired to finance the Iqaluit International Airport. At 0.81% of total consolidated revenue, debt cost is currently not a constraint on the maintenance of government programs.

Costs related to servicing debt fluctuate depending on the amount of debt incurred by the GN. The GN's first commitment is to repay the interest accumulated on its debt once the debt is issued. Failure to remain current on interest payments will impact the GN's ability to obtain debt in the future, and will also affect the borrowing rate required by lenders.

- ***Net Book Value of Capital Assets as a Percentage of the Cost of Tangible Capital Assets*.** Net book value of tangible capital assets as a percentage of the cost of tangible capital assets measures the estimated useful life of the GN's tangible capital assets.

  The GN currently has a ratio of 61.5%, though this has declined gradually since 2015 when it was at 64.3%. The declining ratio suggests that the GN has an aging tangible capital asset base and the assets are aging faster than they are being replaced at the end of their useful lives. Repairs and maintenance is a significant issue for the GN as the need for these expenses will continue to increase in the future, resulting in less flexibility for spending in other program areas.

March 31	Total net book value of TCA	Total Cost of TCA	NBV to cost of TCA
2015	2,039,942	3,174,682	64.3%
2016	2,140,087	3,366,792	63.6%
2017	2,230,729	3,554,679	62.8%
2018	2,409,523	3,861,690	62.4%
2019	2,513,892	4,088,170	61.5%
$ change, year-to-year	104,369	226,480	
% change, year-to-year	4.3%	5.9%	
$ change, 5 year trend	473,950	913,488	
% change, 5 year trend	23.2%	28.8%	



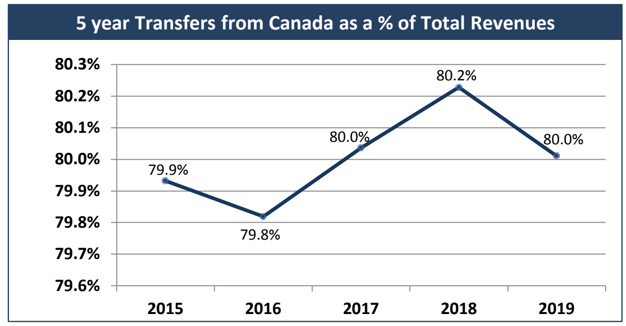
Vulnerability

Vulnerability indicators measure the amount the GN is dependent on sources of revenue outside its control, as well as exposure to risks which might affect the GN's ability to meet its commitments. The lower the GN's own-source revenue, the more it relies on the fiscal decisions of others.

(in thousands of dollars)

- ***Transfers from Canada as a Percentage of Total Revenue*** . Total transfers from Canada as a percentage of the GN's total revenues was 80.0% in 2019. The GN remains highly dependent on federal sources of funding and is vulnerable to changes in the level of funding from Canada. The ratio of transfers from the federal government-to-total revenue remains static, ranging from 79.8% to 80.2% in the last 5 years.

March 31	Total Transfers from Canada	Total GN Revenues	Transfers from Canada to GN revenue
2015	1,686,169	2,109,507	79.9%
2016	1,727,293	2,164,011	79.8%
2017	1,721,431	2,150,809	80.0%
2018	1,893,776	2,360,490	80.2%
2019	1,941,635	2,426,722	80.0%
$ change, year-to-year	47,859	66,232	
% change, year-to-year	2.5%	2.8%	
% Allocation	80.0%	100.0%	



Summary of Financial Risks

The Government of Nunavut believes in the value of effectively managing risk in order to make informed financial decisions, make effective use of available resources, and to enhance strategic and contingency planning. The following risks have been identified for 2019:

- No roads or highways to connect municipalities/hamlets, or to the rest of Canada
- The outcome of contingencies listed in the Notes to Consolidated Financial Statements (Note 20)
- Unknown effects of climate change (ex. infrastructure damage, natural resource development, water shortages, etc.)
- Changes in population demographics (ex. long-term care facilities, loss of expertise, daycare services, education needs)
- Effects of airline merger (ex. change in fares for medical travel, flight schedule changes, route changes, cargo rates)
- Continued housing shortages amid population increases (ex. immediate need for 3,000 additional units)
- Food insecurity (ex. high pricing, availability, and quality of supermarket food. Risks to country food sources)
- Increasing demand for mental health services
- Identification of environmental liabilities and accuracy of remediation cost estimates
- Staffing shortages, turnover
- Changes in amounts transferred to the GN through the Territorial Formula Financing and other third-party funders
- Unknown effects of planned devolution
- Increase in lost infrastructure to arson and associated complications in obtaining insurance for GN assets
- Continued reliance on diesel power plants with no back-up system
- Changes in economic factors (ex. changes in commodity prices, inflation, interest rates, etc.)
- Effects of potential changes in federal or territorial legislation and regulations

The Government of Nunavut is responsible for setting and applying risk management policy and procedures to manage financial risks and is fully accountable for outcomes. The GN will tailor risk management policies and practices to take into account the scope, size, and nature of risk exposures.

Summary of Key Economic Indicators

	2015	2016	2017	2018	2019 (f)
Gross Domestic Product					
Nominal GDP (expenditure-based, $ M)	2,397	2,443	2,855	3,112	*3,431*
Real GDP (basic prices, $ 2007 M)	1,930	1,966	2,228	2,377	*2,571*
Real GDP per person (basic prices, $ 2007)	52,721	52,882	56,831	61,910	*65,500*
Government share of GDP (actual, %)	34.9	34.9	31.5	29.3	*27.7*
Business Investment in Capital ($ 2012)	687	704	1,071	-	-
Population and Labour					
Population, July 1 (# of people)	36,608	37,177	37,996	38,396	*39,259*
Employment (# of people employed)	12,700	13,500	13,400	13,500	-
Unemployment Rate (%)	15.9	14.9	14.6	14.1	-
Employment Rate (% of people aged 15+)	53.2	55.9	54.9	54.0	-
Participation Rate (%)	63.2	65.6	64.3	62.9	-
Average Weekly Earnings ($)	1,256	1,277	1,332	1,381	-
Total Income (taxfiler, $ M)	1,040.1	1,045.5	1,095.4	-	-
Median Total Income (taxfiler, $)	29,450	31,270	-	-	-
Share of Total Income by Top 10% (%)	34.0	33.4	33.2	-	-
Income Assistance Recipients	14,428	14,337	14,952	-	-
High School Gross Graduation Rate (%)	32.8	43.0	48.5	-	-
Monetary Trends					
Bank of Canada Overnight Interest Rate (%)	0.6	0.5	0.7	1.75	-
Consumer Price Index, Iqaluit (2002 = 100)	120.4	123.4	125.4	129.2	-
Nunavut Food Price Basket (24 items)	165.3	172.9	171.0	174.1	-
Average Monthly Rent, Iqaluit (Excl. Social)	2,511	2,542	2,604	-	-
CAD-USD Exchange Rates	0.78	0.75	0.77	0.77	-
Commodities					
Bank of Canada Metals & Minerals Index	535.1	503.9	560.6	592.7	-
Total Mineral Production ($ '000s)	644,165	700,094	844,426	-	-
Gold Price (USD/troy oz; annual avg)	1,160	1,249	1,258	1,269	-
Iron Price (CFR Tianjin port; USD/dry ton; annual avg)	56	59	72	70	-
Uranium Price (USD/pound; annual avg)	37	26	22	25	-
FRED Diamond Export Price Index (Dec 2013 = 100)	106.1	105.0	100.1	101.5	-

Appendix A - Financial Statement Components

The following table provides a summary of the specific components of the GN's consolidated financial statements included in its Public Accounts. The summary descriptions are derived from pronouncements and other material published by PSAB.

TABLE - Financial Statement Components

Statement of Financial Position - Highlights four key figures that describe the financial position of government at the financial statement date (e.g., March 31, 2017). The four key figures are:

- the cash resources are its cash and cash equivalents;
- the net financial asset (debt) position, which is calculated as the difference between financial assets and liabilities;
- the non-financial assets, which are assets that are, by nature, normally for use (i.e.., consumption) in service provision and include tangible capital assets, supplies inventory items, and prepaid expenses; and
- the net assets (debt), which is the sum of its net financial assets (debt) and its non-financial assets. This indicator can also be represented as accumulated surplus (deficit) for other jurisdictions.

Each of the three remaining financial statements below illustrates the change during the fiscal year in one of the above aspects or indicators of the government's reported financial position.

Statement of Operations and Net Assets - Reports the government's annual surplus (deficit) from operations for the fiscal year. For the year, it displays the cost of government services provided, the revenues recognized and the difference between them. It measures, in monetary terms, the extent to which the government has maintained its net assets in the fiscal year. It also provides a comparison of actual results for the year to the original budget totals included in the Main Estimates.

Statement of Change in Net Financial Assets (Debt) - Reports the extent to which the expenditures (i.e., including O&M expenses and capital spending) during the fiscal year are offset by revenues recognized for the year. This measure is displayed by reporting the items that explain the difference between the annual surplus (deficit) from operations and the change in net financial assets (debt) for the year.

Statement of Cash Flow - Reports the change in cash and cash equivalents during the year and how the government financed its activities and met its cash requirements. It reports on the cash flow for government's operating, capital, investing and financing activities during the year.

Supporting Notes and Schedules - The notes and schedules are an integral part of the financial statements, but not a substitute for proper accounting. They provide additional information on selected balances reported in the statements and other matters to help readers understand the government's financial condition and performance.

Appendix B - Financial Statement Elements

Some terminology used for public sector accounting and financial reporting purposes may be new to some readers of the GN's financial statements, especially if they are familiar with statements of and terminology used by commercial entities.

The following table provides summary descriptions or definitions of selected elements of the GN's financial statements included in its Public Accounts. The summary descriptions and definitions are derived from pronouncements and other material published by PSAB.

TABLE - Financial Statement Elements

Assets - Economic resources controlled by a government as a result of past transaction or events and from which future economic benefits are expected to be obtained.

Financial assets - Assets that could be used to discharge existing liabilities or finance future operations and are not for consumption (i.e., use) in the normal course of operations (e.g., cash and cash equivalents, receivables, inventory for resale, long term portfolio investments).

Liabilities - Present obligations of a government to others arising from past transactions or events the settlement of which is expected to results in the future sacrifice of economic benefits.

Net financial assets (debt) - The difference between financial assets and liabilities. If negative (i.e., net debt position), it is a measure of future revenues required to pay for past transactions or events.

Non-financial assets - Assets that are, by nature, normally for use (i.e., consumption) in service provision and include tangible capital assets, supplies inventory items, and prepaid expenses.

Tangible capital assets - Non-financial assets having physical substance that:

- are held for use in or to support the production or supply of goods and services;
- have useful economic lives extending beyond the fiscal year;
- are to be used on a continuing basis; and
- are not for sale in the ordinary course of operations.

Revenues - Increases, including gains, in economic resources, either by way of increases of assets or decreases of liabilities, resulting from the operations, transactions and events during the fiscal year.

Expenses - Decreases, including losses, in economic resources, either by way of decreases in assets or increases in liabilities, resulting from the operations, transactions and events during the fiscal year.

Annual surplus (deficit) - Represents the net financial results from operations for the year of a government.

Net assets (debt) - Represents the accumulated surplus (deficit) of a government. Available to finance future operations or capital asset acquisitions only to the extent that there are net financial assets available.

SECTION II

CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The Government, through the Department of Finance, is responsible for the preparation of these consolidated financial statements for the Government of Nunavut, and related information contained in the Public Accounts.

The Government, through the Department of Finance, is responsible to prepare the consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS), which represent generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of Canada and to ensure compliance with applicable authorities. Where Canadian PSAS permits alternative accounting methods, management has chosen those it believes are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these consolidated financial statements.

The Government, through the Department of Finance, is responsible for maintaining systems of financial management, while all departments are responsible for implementing and maintaining the internal control. Where necessary, these systems are enhanced and modified to support the provision of accurate information, safeguarding and control of the Government's assets, and ensuring all transactions are in accordance with Nunavut's *Financial Administration Act*.

The Legislative Assembly, through its Standing Committee on Oversight of Government Operations and Public Accounts, is responsible to review the tabled Public Accounts and make recommendations where appropriate, to improve financial management, financial reporting practices and the systems of internal control. Management is responsible to review these recommendations and take action where appropriate.

The Government's independent external auditor, the Auditor General of Canada, is responsible to conduct an annual audit of the consolidated financial statements and to examine transactions that have come to its notice to ensure that they are, in all significant respects, within the statutory powers of the Government and those organizations included in the consolidation. The Auditor General's opinion is accompanying the consolidated financial statements.

Jeff Chown, CPA, CA
Deputy Minister of Finance

Susan Nichols, CPA, CGA
Acting Comptroller General

October 24, 2019

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Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Nunavut

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Government of Nunavut and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of operations and net assets, consolidated statement of change in net financial assets and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and the consolidated results of its operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Public Accounts of the Government of Nunavut, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Government of Nunavut and its controlled entities coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Nunavut Act*, the *Financial Administration Act* of Nunavut and regulations and the specific operating authorities disclosed in Note 1 to the consolidated financial statements.

In our opinion, the transactions of the Government of Nunavut and its controlled entities that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Government of Nunavut and its controlled entities' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Government of Nunavut and its controlled entities to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Sylvain Ricard, CPA, CA
Interim Auditor General of Canada

Ottawa, Canada
24 October 2019

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GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS

Consolidated Statement of Financial Position

as at March 31, 2019

(in thousands of dollars)

	Note	2019	2018
Financial assets			
Cash and cash equivalents	3	673,895	738,968
Portfolio and other investments	4	205,869	148,776
Accounts receivable	5	219,202	236,988
Inventories for resale	6(a)	160,785	82,509
Condominiums held for resale	7	5,431	5,431
Loans receivable	8	20,201	22,639
Total financial assets		1,285,383	1,235,311
Liabilities			
Accounts payable and accrued liabilities	9	387,007	342,027
Deferred revenues	10	132,777	128,667
Liability for contaminated sites	11	9,087	9,422
Liabilities for pension and other employee benefits	12	81,842	73,986
Long term debt	13	197,035	175,091
Liability for Iqaluit International Airport	14	155,138	156,692
Capital lease obligations	15	77,242	92,916
Liability for Nunavut Energy Management Program	16	5,873	5,095
Total liabilities		1,046,001	983,896
Net financial assets		239,382	251,415
Non-financial assets			
Tangible capital assets **(Schedule B)**		2,513,892	2,409,523
Condominiums held for resale	7	8,018	8,018
Inventories for use	6(b)	35,674	33,653
Prepaid expenses		6,264	5,697
Total non-financial assets		2,563,848	2,456,891
Net assets		2,803,230	2,708,306

Contractual obligations **(Note 18)**
Contractual rights **(Note 19)**
Contingencies **(Note 20)**

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Consolidated Statement of Operations and Net Assets
for the year ended March 31, 2019
(in thousands of dollars)

	2019 Budget (Note 22)	2019 Actual	2018 Actual
Revenues (Schedule A)			
From the Government of Canada	1,994,000	1,941,635	1,893,776
Revenues generated by the Government of Nunavut	423,700	485,087	466,714
Total revenues	2,417,700	2,426,722	2,360,490
Expenses (Note 17)			
Health	483,200	543,183	505,426
Community and Government Services	590,600	479,399	434,749
Housing	286,000	291,080	279,185
Education	318,300	291,049	272,281
Finance	202,900	191,793	207,540
Family Services	164,500	161,728	145,905
Justice	130,500	135,316	126,501
Economic Development and Transportation	132,200	121,359	109,596
Environment	30,700	34,232	33,480
Culture and Heritage	33,500	33,083	30,986
Executive and Intergovernmental Affairs	38,400	25,856	27,232
Legislative Assembly	27,400	23,720	26,810
Total expenses	2,438,200	2,331,798	2,199,691
(Deficit) surplus for year	(20,500)	94,924	160,799
Net assets, beginning of year	2,708,306	2,708,306	2,547,507
Net assets, end of year	2,687,806	2,803,230	2,708,306

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Consolidated Statement of Change in Net Financial Assets
for the year ended March 31, 2019
(in thousands of dollars)

	2019 Budget	2019 Actual	2018 Actual
(Deficit) surplus for year	(20,500)	94,924	160,799
Tangible capital assets (Schedule B)			
Additions	(243,400)	(241,817)	(340,351)
Disposals	-	48	29
Write-downs	-	1,172	8,841
Amortization	126,400	136,228	152,687
	(117,000)	(104,369)	(178,794)
Additions to inventories for use	(3,600)	(65,333)	(56,058)
Consumption of inventories for use	5,400	63,312	56,362
Reclassification of condominiums for resale	-	-	6,376
Net additions of prepaid expenses	(300)	(567)	(558)
	1,500	(2,588)	6,122
Decrease in net financial assets	(136,000)	(12,033)	(11,873)
Net financial assets, beginning of year	251,415	251,415	263,288
Net financial assets, end of year	115,415	239,382	251,415

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Consolidated Statement of Cash Flow
for the year ended March 31, 2019
(in thousands of dollars)

	2019	2018
Cash provided by (used for) operating activities:		
Cash received from:		
Transfers from the Government of Canada	1,958,186	1,827,792
Taxation	146,332	106,606
Insurance proceeds	14,774	16,221
Other generated revenues	327,533	293,631
Interest on loans receivable and portfolio investments	3,544	3,052
Cash paid for:		
Interest payments on long term debt	(17,915)	(8,179)
Interest payments on capital leases	(2,802)	(3,191)
To and on behalf of employees	(707,533)	(691,672)
Recipients	(210,549)	(196,339)
Suppliers	(1,284,244)	(1,083,637)
	227,326	264,284
Cash provided by (used for) capital activities:		
Purchases of tangible capital assets	(236,765)	(232,265)
Proceeds from sale of tangible capital assets	7	35
	(236,758)	(232,230)
Cash provided by (used for) investing activities:		
Loans issued to municipalities, businesses and individuals	(2,690)	(2,432)
Loan repayments by municipalities, businesses and individuals	5,457	6,365
Investments in portfolio and other investments	(167,137)	(140,433)
Proceeds from sale of portfolio and other investments	105,839	124,432
	(58,531)	(12,068)
Cash provided by (used for) financing activities:		
Proceeds from long term debt issuance	37,066	39,895
Principal payments on capital leases	(16,100)	(13,913)
Principal payments on long term debt	(18,076)	(14,760)
	2,890	11,222
(Decrease) increase in cash and cash equivalents	(65,073)	31,208
Cash and cash equivalents, beginning of year	738,968	707,760
Cash and cash equivalents, end of year (Note 3)	673,895	738,968

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

(in thousands of dollars)

1 AUTHORITY AND OPERATIONS

(a) Authority

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.

These consolidated financial statements are prepared to meet the financial reporting requirements in Canada's *Nunavut Act* and Nunavut's *Financial Administration Act*. The consolidated financial statements present summary information and serve as a means for the Government to show its accountability for the resources, obligations and financial affairs for which it is responsible.

(b) Reporting entity

The reporting entity of the Government of Nunavut includes all departments, agencies, corporations, organizations and funds, which are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations that meet the definitions in the *Financial Administration Act* for departments, revolving funds, territorial corporations or other public agencies are included in the reporting entity for these consolidated financial statements, except for the Workers' Safety and Compensation Commission (WSCC).

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

The following organizations comprise the reporting entity of the Government for these consolidated financial statements, and unless indicated otherwise, they have March 31 year ends.

	Authority for Operations
Consolidated Revenue Fund, including those departments and public agencies set out in the Government's Main Estimates	*Financial Administration Act*
Revolving Funds	*Revolving Funds Act*
Liquor Revolving Fund	
Petroleum Products Revolving Fund	
Public Stores Revolving Fund	
Student Loan Fund	
Territorial Corporations	
Nunavut Arctic College (NAC) *(June 30)*	*Nunavut Arctic College Act*
Nunavut Business Credit Corporation (NBCC)	*Nunavut Business Credit Corporation Act*
Nunavut Development Corporation (including subsidiaries) (NDC)	*Nunavut Development Corporation Act*
Nunavut Housing Corporation (including subsidiaries) (NHC)	*Nunavut Housing Corporation Act*
Nunavut Lottery	*Partnership agreement*
Qulliq Energy Corporation (QEC)	*Qulliq Energy Corporation Act*
District Education Authorities *(June 30)*	*Education Act*

All entities included in the reporting entity, except Nunavut Lottery, are fully consolidated on a line-by-line basis. Significant transactions and balances between fully consolidated entities are eliminated. Nunavut Lottery is accounted for as a government business partnership on a modified equity basis.

For segmented disclosure reporting purposes (disclosed in Schedule C), summary information has been provided based on the accountability and control relationships between the Government and the various organizations within the reporting entity using categorization or groupings of organizations noted above.

(c) Budget

Canadian public sector accounting standards require a government to present in its consolidated financial statements a comparison of the results of operations and changes in net financial assets (debt) for the period with those originally planned.

The Government's annual budget presented to the Legislative Assembly is not prepared on a consolidated basis. As a result, the budget figures included in these consolidated financial statements are based on the summary totals provided on pages x through xiii of the 2018-2019 Main Estimates and the approved annual budgets for the consolidated entities, adjusted to eliminate budgeted inter-entity revenues and expenses as well as significant accounting policy differences. Where necessary, assumptions were used to estimate the inter-entity eliminations and accounting policy adjustments required. There was a $30,000 provision for centrally estimated 'Supplementary requirements' included in the 2018-2019 Main Estimates, $20,000 of which was designated for 'extraordinary/unforeseen events'. For purposes of consolidated budget disclosure in these consolidated financial statements that part of the provision has been included in the Finance expense budget. The other $10,000 of the provision has been allocated to department budget totals based on total supplementary appropriations for the year.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board of Canada.

(b) Use of estimates and measurement uncertainty

The preparation of consolidated 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 consolidated financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable.

The more significant management estimates relate to other employee benefit liabilities, liability for contaminated sites, contingencies, revenue accruals, useful life of tangible capital assets, valuation of portfolio and other investments, valuation of inventories for resale and use as well as valuation allowances on loans and other receivables.

(c) 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.

(d) Portfolio and other investments

Portfolio and other investments are long term investments in organizations that do not form part of the government reporting entity and are accounted for at cost. Where there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss, which is included as a component of investment income, which is part of other revenues within revenues generated by the Government of Nunavut. Interest income is recorded on an accrual basis, dividend income is recognized as it is declared, and capital gains and losses are recognized when realized.

(e) Inventories

Inventories for resale include bulk fuels, liquor products, finished goods and packaging materials and supplies. Bulk fuels, finished goods and packaging materials and supplies are 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.

Inventories for use include fuel, supplies and lubricants, health and medical supplies, and raw materials and work in progress. Fuel inventory is valued at the lower of cost or replacement cost, with the cost being determined on a weighted average basis. Supplies and lubricants, health and medical supplies, as well as raw materials and work in progress inventory items are valued at the lower of cost or replacement costs, with the cost being determined on a first-in, first-out basis.

(f) Condominiums held for resale

Condominiums held for resale are recognized as a financial asset when all of the following criteria are met: (i) prior to the date of the financial statements the Government commits to selling the asset; (ii) the asset is publicly seen to be for sale; (iii) there is an active market for the asset; (iv) there is a plan in place for selling the asset; and (v) the Government reasonably anticipates sale of the asset to an external purchaser within one year of the financial statement date.

When condominiums intended for resale are being developed for sale they are classified as a non-financial asset. Condominiums held for resale are valued at cost less any valuation allowance to reflect its net recoverable value and not amortized. Cost includes amounts for improvements to prepare the condominiums for sale.

(g) Loans receivable

Loans receivable are valued at the lower of cost or net recoverable value. Based on the circumstances known at the date the consolidated 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 uncollectable or impaired loan receivable balance can be written off only upon receipt of required statutory approvals.

(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs and directly attributable interest. Capitalization of interest ceases when a tangible capital asset is ready for use in producing goods or delivering services. 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 buildings 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	20-35 years
Leased Buildings	20-30 years
Storage Facilities	20-30 years
Tank Farms	30 years
Equipment	5-30 years
Warehouse and Equipment (QEC)	1-45 years
Electric Power Plants	20-40 years
Transmission Distribution Systems	15-45 years
Infrastructure	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 consolidated 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.

(i) Pension and other employee benefits

<u>Pension benefits</u>

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated financial statements.

(j) 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 benefit, the cost of living tax credit and the business training tax credit. Taxes, under the *Income Tax Act*, are administered 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 commissions on tobacco tax revenue provides a financial benefit other than a 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 through the Consolidated Revenue Fund, including reversals of prior years expenditure over-accruals, are reported as revenues in the consolidated financial statements. Pursuant to the *Financial Administration Act*, these recoveries cannot be used to increase the amount appropriated for current year expenditures through the Consolidated Revenue Fund.

(k) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 consolidated financial statements and no liability is accrued. Contingent liabilities result from potential environmental contingencies or pending litigation and like items.

(m) 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 the 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 consolidated financial statements.

(n) Related party transactions

Related parties include key management personnel having authority and responsibility for planning, directing and controlling the activities of the Government, as well as close family members of key management personnel, defined as Members of the Legislative Assembly, Board Members, Ministers and Deputy Ministers, and entities that are controlled or significantly influenced by key management personnel or their close family.

Related party transactions are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

(o) 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 consolidated financial statements.

(p) Changes in accounting standards

The Public Sector Accounting Board of Canada issued a new accounting standard effective for fiscal years beginning on or after April 1, 2018.

The Government adopted the new accounting standard *PS3430 Restructuring Transactions*, a new standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The Government has adopted the accounting standard for any restructuring transactions occuring subsequent to the date of adoption. There was no financial impact on the consolidated financial statements since the Government had no restructuring transactions in the current year.

(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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 consolidated 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 consolidated financial statements. The following standards for governments will become effective as follows:

PS 2601 Foreign Currency Translation (effective April 1, 2021) , 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, 2021) , a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 1201 Financial Statement Presentation (effective April 1, 2021) , 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.

PS 3280 Asset Retirement Obligations (effective April 1, 2021) , replaces PS 3270, with revised guidance on accounting for, and presentation and disclosure of, asset retirement obligations.

PS 3400 Revenue (effective April 1, 2022) , a new section establishing standards on how to account for and report on revenue, differentiating between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3 CASH AND CASH EQUIVALENTS

	2019	**2018**
Cash	669,552	735,199
Designated cash	4,343	3,769
	673,895	738,968

Designated cash represents funds reserved for further investments or financing for subsidiary business enterprises and venture investments.

The cash and cash equivalents yield for the year ended March 31, 2019 varied from 1.25% to 2.30% (2018 - 0.50% to 1.80%).

4 PORTFOLIO AND OTHER INVESTMENTS

	2019	**2019**	**2019**	**2018**
Portfolio investments	**Effective Rate of Return**	**Term to Maturity**	**Carrying Value**	**Carrying Value**
Provincial Governments	2.10 - 2.38%	82 days - 2 years	11,377	6,148
Various Bankers' Acceptance	0.20 - 2.90%	30 days - 2 years	173,238	123,445
			184,615	129,593
Other investments				
SRAF designated investments			19,677	17,531
Venture investments			1,577	1,652
			205,869	148,776

The market value of the portfolio investments at March 31, 2019 was $184,088 (2018 - $128,469).

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, 2019 was $21,719 (2018 - $20,120) with a positive return of 4.52% (2018 - positive 4.49%).

(in thousands of dollars)

5 ACCOUNTS RECEIVABLE

	2019	2018
Due from Government of Canada	130,657	138,433
Other revenues receivable:		
- Of the Territorial Corporations	68,505	60,418
- Of the Petroleum Products Division	38,724	36,284
- Of the Departments of Government	53,174	67,646
	160,403	164,348
Less: Allowance for doubtful accounts:		
- Territorial Corporations	(41,523)	(37,107)
- Petroleum Products Division	(13,923)	(13,880)
- Departments of the Government	(16,412)	(14,806)
	88,545	98,555
	219,202	236,988

6 INVENTORIES

	2019	2018
(a) For resale		
Bulk fuels	154,895	77,373
Liquor products	3,149	2,457
Finished goods	2,643	2,549
Packaging materials and supplies	98	130
	160,785	82,509
(b) For use		
Fuel	7,998	7,300
Supplies and lubricants	23,318	22,286
Health and medical supplies	3,503	3,115
Raw materials and work in progress	855	952
	35,674	33,653

7 CONDOMINIUMS HELD FOR RESALE

In 2016-17, the Nunavut Housing Corporation acquired 62 residential units in Iqaluit with the intention of selling the units to the Government of Nunavut staff through the Staff Condominium program. In 2017-18 two of the units were added to the Staff Housing portfolio and work was undertaken to make the remaining 60 units available for sale as condominiums. The Nunavut Housing Corporation advertised its intent to sell the condominiums to Government of Nunavut staff, held an information session and sought applications from prospective buyers. Expected sales in 2018-19 were delayed due to obstacles in establishing a condominium corporation. Prior to the end of the year, 13 of the units were occupied by prospective purchasers with sales pending. Sufficient acceptable applications were received to conclude that 24 of the units available for resale can reasonably be expected to be sold during the 2019-20 fiscal year and the related value is classified as a financial asset. The remaining 36 units have been classified as non-financial assets as their sale may not be completed prior to the end of 2020-21.

8 LOANS RECEIVABLE

	2019	2018
Mortgage loans from Nunavut Housing Corporation to individuals with a maximum maturity of 25 years, bearing interest between 2.0% and 11.25% (2018 - 2.0% and 11.25%), net of valuation allowance of $3,263 (2018 - $3,331) and subsidy to mortgage holders of $4,373 (2018 - $4,558).	2,241	2,470
Loans from Nunavut Business Credit Corporation to businesses with a maximum maturity of 25 years, bearing interest between 5.32% and 8.50% (2018 - 5.32% and 8.50%), net of valuation allowance of $4,056 (2018 - $3,761). The principal collaterals held as security and other credit enhancements for loans include: (i) various securities on assets; and (ii) corporate and personal guarantees.	15,961	18,180
Student Loan Fund loans, bearing interest between 0.0% and 12.5% (2018 - 0.0% and 12.5%), net of doubtful accounts and valuation allowances of $5,319 (2018 - $5,158).	1,773	1,739
Other, net of valuation allowance of $64 (2018 - $64).	226	250
	20,201	22,639

(in thousands of dollars)

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Due to the Government of Canada	32,984	34,549
Trade and other account payables:		
- Of the Territorial Corporations	49,906	45,266
- Of the Petroleum Products Division	5,582	1,422
- Of the Departments of Government	124,045	114,883
	179,533	161,571
Accrued liabilities, payroll deductions and contractor holdbacks		
- Of the Petroleum Products Division	35,165	1,424
- Of the Departments of Government	98,097	105,085
	133,262	106,509
Vacation pay and lieu time		
- Of the Territorial Corporations	6,445	5,799
- Of the Petroleum Products Division	130	284
- Of the Departments of Government	34,653	33,315
	41,228	39,398
	387,007	342,027

All amounts above are non-interest bearing.

10 DEFERRED REVENUES

	Balance April 1, 2018	Receipts during the year	Interest earned	Transfer to revenue	Balance March 31, 2019
Provincial-Territorial Base Funding (Building Canada Fund)	6,394	-	103	(2,285)	4,212
Gas Tax Agreement	41,095	16,500	952	(10,837)	47,710
Canada Mortgage and Housing Corporation (CMHC)	54,929	25,329	-	(45,195)	35,063
Nunavut Land Claim Agreement	9,645	28,694	-	(5,583)	32,756
Other deferred revenue	16,604	20,454	-	(24,022)	13,036
	128,667	90,977	1,055	(87,922)	132,777

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 2018-19 and beyond, as the Government fulfills its obligations for purpose or other stipulations on the use of these funds the associated revenue will be recognized in its consolidated financial statements.

(in thousands of dollars)

11 LIABILITY FOR CONTAMINATED SITES

	2019	2018
Liabilities for remediation of contaminated sites (undiscounted)	9,087	9,422
	9,087	9,422

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 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, 2019, there were 6 sites (2018 - 7), 2 storage tank farms (2018 - 3) and 4 waste sites (2018 - 4) identified as requiring environmental remediation. In addition to the number of sites disclosed above, Nunavut Housing Corporation has also recognized costs related to the remediation of 9 sites (2018 - 8 sites) contaminated as a result of oil spills. Qulliq Energy Corporation has recognized costs related to 3 sites (2018 - 3) resulting from oil spills at the Corporation's power plants. 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 consolidated financial statements. Where remediation costs have been estimated and a liability has been recorded the methodology used to estimate the liability is either based on third party analyses or extrapolated from costs previously incurred to remediate, monitor, or manage sites of similar size and contamination.

The Government has identified an additional 71 (2018 - 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:

	2019	2018
Storage tank farms	25	25
Power plants	27	27
Town and waste sites	11	11
Garages and other public works	5	5
Airports	2	2
Quarries	1	1
	71	**71**

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 27 power plant sites (2018 - 14 and 27) would cost approximately $9,700 and $40,000 (2018 - $9,700 and $39,000), respectively. In addition, the Government has estimated that remediation at the other sites could cost between $65,000 - $136,000 (2018 - $55,000 - $126,000) depending on the approach taken. No liability for remediation of these 71 sites (2018 - 71) has been recognized in these consolidated 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 future.

In addition, the Government has identified 144 (2018 - 144) 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.

(in thousands of dollars)

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:

	2019	**2018**
Pension Benefits		
Pension plans for MLAs	16,687	16,367
Total pension benefits	16,687	16,367
Other Employee Benefits		
Severance and removal	26,386	26,086
Retirement health benefits	26,007	19,402
Sick leave	12,762	12,131
Total other employee benefits	65,155	57,619
Total pension and other employee benefits	81,842	73,986

Public Service Pension Plan

Substantially all of the employees of the Government 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, 2019 was 1.01 times (2018 - 1.01 times) for members enrolled before January 1, 2013, and 1.0 times (2018 - 1.0 times) for members enrolled beginning January 1, 2013. Total employer contributions of $38,741 (2018 - $37,105) were recognized as expense in the current year. Total employee contributions were $38,577 (2018 - $36,742).

Legislative Assembly Retiring Allowances Plans

The Government sponsors two defined benefit pension plans for 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 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 a 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 2019 (no changes in 2018).

(in thousands of dollars)

12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS (continued)

Actuarial valuations were completed for these plans as of April 1, 2018. The valuations were performed using the projected unit credit actuarial cost method. The valuations were based on a number of assumptions as approved by the Management and Services Board of the Legislative Assembly and represents the best estimates of expected long-term experience and short-term forecast, as well as the demographic assumptions underlying the most recent actuarial valuations for funding purposes. The main assumptions include inflation rate of 2.0% (2018 - 2.0%), expected discount rate of 3.3% (2018 - 3.5%), return on assets of 4.8% (2018 - 4.8%), increases in remuneration of 3% (2018 - 3.0%), and mortality.

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, 2020.

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.

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

	LARAF	SRAF	2019	2018
Accrued benefit obligation	12,403	17,994	30,397	28,025
Deduct:				
Pension fund assets	14,332	-	14,332	12,649
Unamortized actuarial gain	(241)	(381)	(622)	(991)
	14,091	(381)	13,710	11,658
Pension (asset) liability	(1,688)	18,375	16,687	16,367

As at March 31, 2019, LARAF pension fund assets had a market value of $16,227 (2018 - $12,966). The actual rate of return was positive 5.19% (2018 - positive 4.71%). The SRAF has no pension fund assets; however, the pension liability is funded all or in part by designated investments (Note 4).

LARAF and SRAF actuarial gains/losses are both amortized over 6.0 years (2018 - 1.0 year) 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	2019	2018
Current period benefit cost	1,231	1,936	3,167	3,105
Amortization of actuarial (gains) losses	(447)	(544)	(991)	900
	784	1,392	2,176	4,005
MLAs contributions	(248)	-	(248)	(243)
Pension expense	536	1,392	1,928	3,762
Interest cost on the average accrued benefit obligation	428	639	1,067	1,036
Expected return on the average pension plan assets	(646)	-	(646)	(583)
Pension interest expense	(218)	639	421	453
Total expenses related to pensions	318	2,031	2,349	4,215

Pension benefits paid for the LARAF and SRAF were $329 and $1,065, respectively (2018 - $1,223 and $949, respectively).

The Government's contributions related to the LARAF and SRAF during the year were $924 and $1,739, respectively (2018 - $941 and $1,837, respectively).

(in thousands of dollars)

12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS (continued)

Other Employee Benefits

The principal actuarial assumptions used in measuring the accrued benefit obligation of other employee benefit as at March 31, 2019, based on management's best estimate included increases in remuneration of 3.0% (2018 - 3.0%) and an average discount rate of 2.9% (2018 - 3.2%).

The changes in the other employee benefits liabilities during the year were as follows:

	Severance and removal	**Sick leave**	**Retirement health benefits**	**2019**	**2018**
Accrued benefit obligations at beginning of the year	28,080	12,131	37,689	77,900	61,838
Benefits earned	1,776	2,275	1,639	5,690	5,284
Interest cost on the average accrued benefit	775	385	1,361	2,521	1,797
Benefits paid	(3,922)	(1,175)	(648)	(5,745)	(4,209)
Actuarial (gain) loss	(323)	(854)	1,726	549	13,190
Accrued benefit obligations at end of year	26,386	12,762	41,767	80,915	77,900
Unamortized net actuarial gain	-	-	(15,760)	(15,760)	(20,281)
Other employee benefits liabilities, end of the year	26,386	12,762	26,007	65,155	57,619
Benefit Expenses[1]					
Benefit earned for the period	1,776	2,275	1,639	5,690	5,284
Amortization of net actuarial (losses)/gains recognized during the year	(323)	(854)	4,252	3,075	(7,091)
Other employee benefits expense	1,453	1,421	5,891	8,765	(1,807)
Interest cost on the average accrued benefit	775	385	1,361	2,521	1,797
Total expense related to other employee benefits	2,228	1,806	7,252	11,286	(10)

[1]The components are other employee benefits expenses included in the compensation and employee benefits category in Note 17.

(in thousands of dollars)

13 LONG TERM DEBT AND BORROWING AUTHORITY LIMIT

Loans and mortgages payable	2019	2018
Loans payable to Canada Mortgage and Housing Corporation (CMHC), repayable in annual installments until the year 2032, bearing interest at a rate of 6.97% (2018 - 6.97%).	8,164	8,913
Loans payable to CMHC, assumed from Inuit Non-Profit Housing Corporation in 2017, repayable in monthly installments, maturing from 2019 to 2028 at interest rates from 2.04% to 10.375% (2018 - 2.04% - 10.375%).	206	254
Mortgage payable in annual installments of $554 to the year 2020, bearing interest at a rate of 6.9% (2018 - 6.9%) compounded semi-annually. The mortgage is secured by a building. The carrying value of the security is $4,221 (2018 - $4,533).	830	1,309
Redeemable 20 year amortizing debenture, bearing interest at a rate of 6.809% (2018 - 6.809%) due September 27, 2021. Repayable in blended semi-annual payments of $2,848 with a balloon payment of $17,502 at the end of the term.	25,795	29,543
Non-revolving fixed rate term loan facility with payments of $42 due monthly with the final payment due on May 1, 2021. Interest at 4.24%.	1,029	1,476
Non-revolving fixed rate term loan facility with payments of $53 due monthly with the final payment due on May 1, 2021. Interest at 4.24%.	1,320	1,890
Non-revolving fixed rate term loan facility with payments of $74 due monthly with the final payment due on June 1, 2021. Interest at 4.24%.	1,882	2,677
Non-revolving fixed rate term loan facility with payments of $30 due monthly with the final payment due on February 1, 2022. Interest at 4.24%.	3,523	3,725
Non-revolving fixed rate term loan facility with payments of $133 due monthly with the final payment due on July 1, 2021. Interest at 4.24%.	3,531	4,946
Non-revolving committed loan facility, payments on the first tranche of $100 plus interest due monthly, beginning April 1, 2015 with the final payment due April 1, 2025; on the second tranche of $58 beginning April 1, 2016, due April 1, 2026; on the third tranche of $82 beginning April 1, 2017, due April 1, 2027; on the fourth tranche of $166 beginning April 30, 2018, due April 30, 2028; and on the fifth tranche of $160 beginning April 30, 2019, with the final payment due April 30, 2029. Interest at prime minus 0.5%.	123,670	91,472
Non-revolving committed loan facility, payments of $83 plus interest due monthly, beginning on December 1, 2012 with the final payment due November 30, 2022. Interest at prime minus 0.5%.	13,666	14,667
Non-revolving committed loan facility, payments of $67 plus interest due monthly, beginning on May 1, 2014 with the final payment due April 30, 2024. Interest at prime minus 0.5%.	12,067	12,867
Project financing payable, ecoENERGY Innovation Initiative program, interest free payments due annually with final payment due March 31, 2021. The payments are based on annual net profit arising from the project. Annual net profit arising from the project in 2019 was $nil (2018 - $nil). No repayments have been made to date.	1,352	1,352
	197,035	175,091

(in thousands of dollars)

13 LONG TERM DEBT AND BORROWING AUTHORITY LIMIT (continued)

The QEC bank credit facility limit is $20,000 (2018 - $20,000). This bank credit facility and the non-revolving committed facilities above each has an option to utilize Bankers' Acceptances with stamping fees calculated at 50 basis points 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.

Principal and interest amounts due in each of the next five fiscal years and thereafter on the loans and mortgages payable are as follows:

	Principal	Interest	Total
2020	17,739	6,334	24,073
2021	18,573	5,592	24,165
2022	30,711	4,387	35,098
2023	18,951	3,346	22,297
2024	8,339	2,913	11,252
2025 and beyond	102,722	8,034	110,756
	197,035	30,606	227,641

Interest expense on long term debt was $5,288 for the year (2018 - $4,223). During the year, interest costs of $627 (2018 - $8,160) were capitalized as part of additions to tangible capital assets. The interest paid on long term debt during the year was $5,924 (2018 - $4,992).

Borrowing Authority

As of March 31, 2019, the Governor General in Council of Canada, pursuant to subsection 27(4) of the *Nunavut Act*, had approved the Government of Nunavut borrowing up to $650 million (i.e., authorized borrowing limit).

	2019	2018
Qulliq Energy Corporation, long term debt	186,483	163,263
Nunavut Housing Corporation, long term debt	8,370	9,167
Consolidated Revenue Fund, mortgage payable	830	1,309
Qulliq Energy Corporation, repayable contribution agreement	1,352	1,352
	197,035	175,091
Consolidated Revenue Fund, Iqaluit International Airport (Note 14)	155,138	156,692
Capital lease obligations (Note 15)	77,242	92,916
Consolidated Revenue Fund, Liability for Nunavut Energy Management Project (Note 16)	5,873	5,095
	435,288	429,794
Qulliq Energy Corporation, bank overdraft liability	9,867	11,201
Total debt	445,155	440,995
Authorized borrowing limit	650,000	650,000
Available borrowing capacity	204,845	209,005

The Government of Nunavut guarantees the long term debt of Qulliq Energy Corporation and Nunavut Housing Corporation as well as any ourstanding bank overdrafts of Qulliq Energy Corporation and Nunavut Development Corporation. As part of their financing, Nunavut Development Corporation subsidiaries have arranged various credit facilities at different terms and interest rates. Nunavut Development Corporation has provided a guarantee for these credit facilities.

Under the terms of the 1999 Social Housing Agreement (SHA), the Government of Canada originally provided funding to the Nunavut Housing Corporation (NHC) to build social housing assets in the form of long-term mortgages payable to CMHC (referred to as section 79 debt under the SHA) and loans payable to CMHC (referred to as section 82 debt under the SHA). Under the SHA, the funding provided to NHC was used to reduce 100% of the section 79 debt and reduce by 5/9th of the section 82 debt, and to fund the related interest payments that NHC would make each year to CMHC. This funding receivable from CMHC and the related payments due by NHC each year on the long term debt payable to CMHC are offset, resulting in no exchange of cash between NHC and CMHC. The funding receivable from CMHC is recorded as a reduction of the corresponding long-term debt payable. As the funding from CMHC and the corresponding repayments of long term debt are non-cash transactions, they have not been recorded in the consolidated statement of cash flow.

(in thousands of dollars)

14 LIABILITY FOR IQALUIT INTERNATIONAL AIRPORT

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 airport officially opened and began operations on August 9, 2017. The estimated cost of the project was $305,376. The actual cost incurred by the private partnership was $298,430. The capital costs of the arrangement was partially funded by the Government of Canada. The Government of Nunavut received $74,160 from the Government of Canada during 2017-18.

	2019	**2018**
Loan payable in monthly instalments of $1,069 to December 2047, bearing interest at a rate of 7.23%.	155,138	156,692

Interest expense on long term debt relating to the Iqaluit International Airport was $11,275 for the year (2018 - $2,836). Interest paid during the year was $11,275 (2018 - $10,248). Interest costs of $nil were capitalized (2018 - $7,412) as part of additions to tangible capital assets.

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

	Principal	**Interest**	**Total**
2020	1,670	11,160	12,830
2021	1,795	11,035	12,830
2022	1,929	10,901	12,830
2023	2,074	10,756	12,830
2024	2,229	10,601	12,830
2025 and beyond	145,441	159,267	304,708
	155,138	213,720	368,858

15 CAPITAL LEASE OBLIGATIONS

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

	2019	**2018**
Total minimum lease payments	87,118	105,616
Less: imputed interest	(9,827)	(12,639)
Less: executory costs	(49)	(61)
Present value of minimum lease payments	77,242	92,916

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

	Principal	**Interest**	**Executory**	**Total**
2020	12,416	2,063	12	14,491
2021	6,950	1,653	12	8,615
2022	7,165	1,438	12	8,615
2023	7,201	1,212	12	8,425
2024	6,550	1,010	1	7,561
2025 and beyond	36,960	2,451	-	39,411
	77,242	9,827	49	87,118

Lease payments are allocated between repayments of the liability, interest expense and any related executory costs. The total minimum lease payments less the initial liability and executory costs 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 $2,802 (2018 - $3,192) at an implied average interest rate of 3.6% (2018 - 3.4%). The capital lease obligations expire between 2020 and 2030.

(in thousands of dollars)

16 LIABILITY FOR NUNAVUT ENERGY MANAGEMENT PROGRAM

	2019	2018
Project financing payable - Baffin	3,695	5,095
Project financing payable - Kivalliq	2,178	-
	5,873	5,095

Under the Nunavut Energy Management Program Project - Baffin region, 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%. Interest expense on the project for the year was $266 (2018 - $351). Interest paid during the year was $266 (2018 - $351).

Future payments for the Nunavut Energy Management Program Baffin Project, for each of the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2020	1,059	183	1,242
2021	1,018	123	1,141
2022	1,080	62	1,142
2023	402	13	415
2024	95	1	96
2025 and beyond	41	-	41
	3,695	382	4,077

The Nunavut Energy Management Program Project - Kivalliq region, is in the implementation phase and therefore, the future payments schedule is not determinable at this time. The Government has entered into a contract for $24,258 that includes all principal and interest payments associated with the third-party financing of costs of improvements under the project. The project is expected to be completed by October 2020, at which time estimated monthly payments of $124 will commence, at an average interest rate of 9.4%. Interest expense on the project for the year was $36 (2018 - $nil). Interest paid during the year was $nil (2018 - $nil).

17 EXPENSES BY TYPE

	2019	2018
Compensation and employee benefits	724,258	694,359
Grants and contributions	210,549	196,339
Goods and services	1,231,114	1,121,455
Amortization of tangible capital assets	136,228	152,687
Loss on disposal / write-down of tangible capital assets	1,220	8,870
Interest expense	21,134	11,664
Increase in valuation allowances	7,295	14,317
	2,331,798	2,199,691

(in thousands of dollars)

18 CONTRACTUAL OBLIGATIONS

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2019:

	Total
Commitments under operating leases	147,729
Capital commitments	129,467
Policing agreement	481,644
Iqaluit International Airport commitments	665,129
Other commitments	507,963
	1,931,932

Contractual obligations by fiscal year are as follows:

2020	422,819
2021	202,512
2022	148,113
2023	127,386
2024	89,119
2025 and beyond	941,983
	1,931,932

In addition to the Capital commitments disclosed above, the Government is also contractually obligated for the Nunavut Energy Management Program - Kivalliq (Note 16). At March 31, 2019, $2,178 is recorded as a liability of the total estimated contract costs of $24,258. Payments will commence when the project is completed, estimated by October 2020.

19 CONTRACTUAL RIGHTS

The Government enters into agreements to provide goods and services with various businesses and government agencies. These agreements will result in revenue and assets in the future. The following table summarizes the contractual rights of the Government when the terms of those agreements are met.

	Total
Canada Infrastructure Plan	510,085
New Building Canada Fund	264,350
Canada Mortgage and Housing Corporation	178,791
Health Canada Agreements	224,983
Others / Third party agreements	109,410
	1,287,619

Contractual rights by fiscal year are as follows:

2020	259,012
2021	218,899
2022	196,080
2023	122,069
2024	102,369
2025 and beyond	389,190
	1,287,619

(in thousands of dollars)

20 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 be reasonably estimated. As at March 31, 2019, no new post-division adjustments were recorded.

(b) 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. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at $1,545 (2018 - $2,095). No liability has been recorded for these claims as the outcome of these cases is not determinable.

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, discrimination, breach of policy, personal injury, sexual abuse, negligence, wrongful arrest and assault. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at $17,168 (2018 - $16,705). No liability has been recorded for these claims as the outcome of these cases is not determinable.

(c) Other

Under the terms of the Social Housing Agreement with Canadian Mortgage and Housing Corporation (CMHC), Nunavut Housing Corporation (NHC) is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that NHC shall indemnify and reimburse CMHC for, and save it harmless from, all losses, costs and expenses related to these loans. The carrying value of these third party loans is approximately $572 as at March 31, 2019 (2018 - $ 808).

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.

	2019	**2018**
Public Trustee	5,366	5,738
Natural Resources Conservation Trust	1,055	824
Territorial Court Trust	737	503
	7,158	7,065

(in thousands of dollars)

22 CONSOLIDATED BUDGET

The schedule below reconciles the Government's budget presented to the Legislative Assembly to the consolidated budget totals for 2018-19 reported in the Consolidated Statement of Operations and Net Assets.

	Budget Per Main Estimates (1)	Budgets of Territorial Corporations (2)	Budgeted Consolidation Adjustments (3)	Consolidated Budget
Revenues				
From the Government of Canada	1,935,600	58,400	-	1,994,000
From the Government of Nunavut	-	299,400	(299,400)	-
Revenues generated by the Government of Nunavut	390,000	175,800	(142,100)	423,700
Total revenues	**2,325,600**	**533,600**	**(441,500)**	**2,417,700**
Expenses				
Health	483,800	-	(600)	483,200
Community and Government Services	655,700	-	(65,100)	590,600
Education	302,600	69,700	(54,000)	318,300
Housing	241,400	287,900	(243,300)	286,000
Finance	139,400	134,100	(70,600)	202,900
Family Services	165,700	-	(1,200)	164,500
Justice	130,500	-	-	130,500
Economic Development and Transportation	128,900	8,300	(5,000)	132,200
Environment	30,700	-	-	30,700
Culture and Heritage	35,400	-	(1,900)	33,500
Executive and Intergovernmental Affairs	38,400	-	-	38,400
Legislative Assembly	27,400	-	-	27,400
Total expenses	**2,379,900**	**500,000**	**(441,700)**	**2,438,200**
(Deficit) surplus for year	**(54,300)**	**33,600**	**200**	**(20,500)**

(1) Budgeted revenues generated by the Government of Nunavut shown on a net basis in the Main Estimates have been increased by $160,196 to reclassify cost of goods sold (COGS) of revolving funds to expenses. Budgeted expenses of Finance and Community and Government Services have been increased by $5,505 and $154,691 respectively to reflect the COGS of the revolving funds. Third party funded Infrastructure Projects under the New Building Canada Fund are included in Community and Government Services.

(2) The budgets of the territorial corporations have been allocated to the government's expense lines based on their ministerial and/or economic reporting relationship.

(3) The budgeted consolidation adjustments are based on amounts budgeted by the territorial corporations and government departments or where necessary estimated based on historical experience.

23 COMPARATIVE INFORMATION

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

Consolidated Schedule of Revenues by Source

for the year ended March 31, 2019

(in thousands of dollars)

	2019 Actual	2018 Actual
From the Government of Canada		
Territorial Formula Financing	1,578,812	1,529,949
Transfers under third-party funding agreements	202,933	147,601
Other transfer payments	159,890	216,226
	1,941,635	1,893,776
Revenues generated by the Government of Nunavut		
Personal income tax	37,773	23,480
Corporate income tax	27,978	18,430
Payroll tax	32,314	29,418
Tobacco tax	22,599	21,435
Fuel tax	17,964	13,957
Property tax	7,768	6,591
Insurance tax	2,422	1,891
Sales		
Petroleum Products Revolving Fund - before cost of goods sold of $106,718 (2018 - $96,285)	133,026	129,824
Liquor Revolving Fund - before cost of goods sold of $7,175 (2018 - $4,261)	16,146	9,875
Nunavut Development Corporation - before cost of goods sold of $3,539 (2018 - $3,070)	3,593	3,382
Qulliq Energy Corporation - power sales	70,766	65,019
Staff housing recoveries	20,427	19,401
Transfers under third-party funding agreements	1,544	1,761
Recoveries of prior years expenditures	12,606	10,646
Insurance proceeds	15	47,629
Other revenues	78,146	63,975
	485,087	466,714
Total revenues	2,426,722	2,360,490

Included in Government of Canada - Other transfer payments are $nil (2018 - $74,160) funded by PPP Canada Inc. (Note 14).

Included in insurance proceeds, are amounts relating to the costs of cleanup, contents and construction for significant assets destroyed by fire: the Kugaardjuq elementary and high school in Kugaaruk $nil (2018 - $39,635) and Qulliq Energy Corporation's electrical generation plant in Pangnirtung $nil (2018 - $6,096).

GOVERNMENT OF NUNAVUT **SCHEDULE B**

PUBLIC ACCOUNTS

Consolidated Schedule of Tangible Capital Assets

for the year ended March 31, 2019

(in thousands of dollars)

	Buildings	Leased Buildings	Storage Facilities	Tank Farms	Equip-ment	Warehouse / Equipment (QEC)	Electric Power Plants	Transmission Distribution Systems	Infra-structure	Land	2019	2018
Cost of tangible capital assets												
Opening balance	2,351,887	194,077	40,855	201,062	126,781	52,606	283,634	73,108	347,487	327	3,671,824	3,205,361
Additions	25,115	-	507	-	7,862	-	-	-	2,793	-	36,277	155,622
Transferred from work in progress	130,445	-	960	5,928	7,109	3,755	45,931	3,763	8,685	-	206,576	344,181
Reclassification	(102)	-	102	-	-	-	-	-	-	-	-	-
Disposals	(5,449)	-	(691)	-	(1,955)	-	(2,983)	(271)	(1,154)	-	(12,503)	(7,123)
Write-downs	(2,870)	-	-	-	-	-	-	-	-	-	(2,870)	(26,217)
Closing balance	2,499,026	194,077	41,733	206,990	139,797	56,361	326,582	76,600	357,811	327	3,899,304	3,671,824
Accumulated amortization												
Opening balance	(903,488)	(106,727)	(22,309)	(85,585)	(107,422)	(22,090)	(106,743)	(23,182)	(74,621)	-	(1,452,167)	(1,323,950)
Amortization	(81,656)	(10,481)	(1,687)	(6,968)	(9,192)	(1,917)	(10,054)	(1,490)	(12,783)	-	(136,228)	(152,687)
Reclassification	65	-	(65)	-	-	-	-	-	-	-	-	-
Disposals	5,401	-	691	-	1,955	-	2,983	271	1,154	-	12,455	7,094
Write-downs	1,698	-	-	-	-	-	-	-	-	-	1,698	17,376
Closing balance	(977,980)	(117,208)	(23,370)	(92,553)	(114,659)	(24,007)	(113,814)	(24,401)	(86,250)	-	(1,574,242)	(1,452,167)
Work in progress												
Opening balance	115,027	-	4,429	6,355	7,676	1,515	22,135	3,769	28,960	-	189,866	349,318
Additions	103,765	-	4,265	3,415	2,150	2,698	33,490	2,293	53,464	-	205,540	184,729
Transferred to cost of tangible capital assets	(130,445)	-	(960)	(5,928)	(7,109)	(3,755)	(45,931)	(3,763)	(8,685)	-	(206,576)	(344,181)
Write-downs	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	88,347	-	7,734	3,842	2,717	458	9,694	2,299	73,739	-	188,830	189,866
Net book value	1,609,393	76,869	26,097	118,279	27,855	32,812	222,462	54,498	345,300	327	2,513,892	2,409,523
Estimated useful life	**20-35 years**	**20-30 years**	**20-30 years**	**30 years**	**5-30 years**	**1-45 years**	**20-40 years**	**15-45 years**	**30 years**			

During the year, interest of $627 was capitalized (2018 - $8,160) as part of the cost of additions.

The purchases of tangible capital assets presented in the Consolidated Statement of Cash Flow excludes an amount of $4,977 (2018 - $107,065) in relation to acquisition and construction of assets that remain unpaid as of March 31, 2019 as well as an amount of $77 (2018 - $1,021) for non-monetary transactions incurred during the year.

Included in tangible capital asset additions are $2,949 (2018 - $3,709) of corporate overhead costs of the Qulliq Energy Corporation.

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS

SCHEDULE C

Consolidated Schedule of Segmented Information

for the year ended March 31, 2019

(in thousands of dollars)

	Consolidated Revenue Fund	Revolving Funds	Territorial Corporations	Total for All Segments	Consolidation Adjustments (1)	2019	2018
Revenues							
From the Government of Canada							
Territorial Formula Financing Agreement	1,578,812	-	-	1,578,812	-	1,578,812	1,529,949
Transfers under third-party funding agreements	202,080	-	853	202,933	-	202,933	147,601
Other transfer payments	97,621	-	62,269	159,890	-	159,890	216,226
	1,878,513	-	63,122	1,941,635	-	1,941,635	1,893,776
Generated by the Government of Nunavut							
Corporate and personal income taxes	65,751	-	-	65,751	-	65,751	41,910
Other taxes	83,067	-	-	83,067	-	83,067	73,292
Sales	-	222,243	131,975	354,218	(130,687)	223,531	208,100
Transfers under third-party funding agreements	1,544	-	-	1,544	-	1,544	1,761
General	57,201	-	363,157	420,358	(321,770)	98,588	131,005
	207,563	222,243	495,132	924,938	(452,457)	472,481	456,068
Recoveries of prior years expenditures	12,606	-	-	12,606	-	12,606	10,646
Total revenues	2,098,682	222,243	558,254	2,879,179	(452,457)	2,426,722	2,360,490
Expenses							
Compensation and employee benefits	584,955	7,713	125,753	718,421	5,837	724,258	694,359
Grants and contributions	481,266	-	-	481,266	(270,717)	210,549	196,339
Goods and services	876,268	211,702	329,878	1,417,848	(186,734)	1,231,114	1,121,455
Amortization of tangible capital assets	87,180	-	49,468	136,648	(420)	136,228	152,687
Interest expense	14,291	32	7,203	21,526	(392)	21,134	11,664
Write down of tangible capital assets	170	-	1,002	1,172	48	1,220	8,870
Increase in valuation allowances	2,418	43	4,072	6,533	762	7,295	14,317
Total expenses	2,046,548	219,490	517,376	2,783,414	(451,616)	2,331,798	2,199,691
Surplus for year	52,134	2,753	40,878	95,765	(841)	94,924	160,799

(1) - Includes adjustments to eliminate inter-entity balances to comply with Canadian public sector accounting standards. For example, contributions by departments to revolving funds, territorial corporations and other agencies (i.e., consolidated entities) are shown in grants and contributions expense under the "Consolidated Revenue Fund" column, while the amounts received by the applicable consolidated entity group are shown as revenues in their respective columns. These amounts are eliminated upon consolidation to avoid double-counting and results in significant amounts shown in the 'Consolidation Adjustments' column.

SECTION III

NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Non-Consolidated Statement of Financial Position (unaudited)
as at March 31, 2019
(in thousands of dollars)

	Note	2019	2018
Financial assets			
Cash and cash equivalents	3	609,575	662,768
Due from the Government of Canada	4	98,582	86,351
Accounts receivable	5	105,065	118,523
Inventories for resale	6(a)	158,044	79,830
Loans receivable	7	20,165	27,095
Portfolio and other investments	8	69,677	17,531
Total financial assets		1,061,108	992,098
Liabilities			
Accounts payable and accrued liabilities	9	338,878	297,706
Deferred revenues	10	95,053	71,336
Liability for contaminated sites	11	8,154	8,390
Liabilities for pension and other employee benefits	12	74,682	67,058
Mortgage payable	13	830	1,309
Liability for Iqaluit International Airport	14	155,138	156,692
Capital lease obligations	15	74,710	90,340
Liability for Nunavut Energy Management Program	16	5,873	5,095
Total liabilities		753,318	697,926
Net financial assets		307,790	294,172
Non-financial assets			
Tangible capital assets **(Schedule C)**		1,481,997	1,441,353
Inventories for use	6(b)	3,503	3,115
Prepaid expenses		4,453	4,216
Total non-financial assets		1,489,953	1,448,684
Net assets		1,797,743	1,742,856

Contractual obligations **(Note 18)**
Contractual rights **(Note 19)**
Contingencies **(Note 20)**

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Non-Consolidated Statement of Operations and Net Assets (unaudited)

for the year ended March 31, 2019

(in thousands of dollars)

	2019 Budget (Note 23)	2019 Actual	2018 Actual
Revenues (Schedule A)			
From the Government of Canada	1,935,665	1,878,513	1,845,176
Tax revenues generated by the Government of Nunavut	119,700	148,818	115,202
Other revenues generated by the Government of Nunavut	95,083	94,024	128,572
Recoveries of prior years expenditures	15,000	12,606	10,646
Total revenues	2,165,448	2,133,961	2,099,596
Expenses (Schedule B)			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,824,032	1,855,003	1,764,519
Plus: Amortization expenses on tangible capital assets	73,457	87,180	105,477
Plus: Write-down of tangible capital assets	-	170	7,055
Total operations and maintenance expenses	1,897,489	1,942,353	1,877,051
Capital expenditures	461,324	264,716	337,992
Less: Transfers to tangible capital assets	139,056	127,995	238,028
Total capital expenses	322,268	136,721	99,964
Total expenses	2,219,757	2,079,074	1,977,015
Deficit (surplus) for year	(54,309)	54,887	122,581
Net assets, beginning of year	1,742,856	1,742,856	1,620,275
Net assets, end of year	1,688,547	1,797,743	1,742,856

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Non-Consolidated Statement of Change in Net Financial Assets (unaudited)
for the year ended March 31, 2019
(in thousands of dollars)

	2019 Budget	2019 Actual	2018 Actual
(Deficit) surplus for year	(54,309)	54,887	122,581
Tangible capital assets (Schedule C)			
Additions	(139,056)	(127,995)	(238,028)
Disposals	-	48	-
Additions in Kind	-	(47)	-
Write-downs	-	170	7,055
Amortization	73,457	87,180	105,477
	(65,599)	(40,644)	(125,496)
Additions to inventories for use	(196)	(5,765)	(4,892)
Consumption of inventories for use	-	5,377	4,977
Net additions of prepaid expenses	(327)	(237)	(373)
	(523)	(625)	(288)
(Decrease) increase in net financial assets	(120,431)	13,618	(3,203)
Net financial assets, beginning of year	294,172	294,172	297,375
Net financial assets, end of year	173,741	307,790	294,172

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

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS
Non-Consolidated Statement of Cash Flow (unaudited)
for the year ended March 31, 2019
(in thousands of dollars)

	2019	2018
Cash provided by (used for) operating activities:		
Cash received from:		
Transfers from the Government of Canada	1,891,319	1,804,786
Taxation	146,332	106,606
Insurance proceeds	14,759	8,227
Other generated revenues	288,157	275,245
Interest on loans receivable and portfolio investments	1,986	1,797
Cash paid for:		
Interest payments on capital leases, mortgage and project financing	(14,724)	(6,309)
To and on behalf of employees	(584,099)	(571,632)
Recipients	(521,568)	(507,565)
Suppliers	(1,082,197)	(897,812)
	139,965	213,343
Cash provided by (used for) capital activities:		
Purchases of tangible capital assets	(128,892)	(133,462)
	(128,892)	(133,462)
Cash provided by (used for) investing activities:		
Loans issued to municipalities, businesses and individuals	(742)	(751)
Loan repayments by municipalities, businesses and individuals	7,685	482
Investments in portfolio and other investments	(52,146)	(2,243)
	(45,203)	(2,512)
Cash provided by (used for) financing activities:		
Principal payments on Iqaluit International Airport	(1,554)	(371)
Principal payments on capital leases	(15,630)	(13,373)
Principal payments on Nunavut Energy Savings Program Project	(1,400)	(1,315)
Principal payments on mortgage payable	(479)	(449)
	(19,063)	(15,508)
(Decrease) increase in cash and cash equivalents	(53,193)	61,861
Cash and cash equivalents, beginning of year	662,768	600,907
Cash and cash equivalents, end of year (Note 3)	609,575	662,768

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

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 2018-2019 Main Estimates were tabled in the Legislative Assembly in May 2018 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 2018-2019 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 May 2018, 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
- Qulliit 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 (WSCC), 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 WSCC's assets or responsibility for its obligations, it is excluded from the Government's financial reporting entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

(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, valuation of inventories for resale and use, valuation of portfolio and other investments, useful life 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.

(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. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs and directly attributable interest. Capitalization of interest ceases when a tangible capital asset is ready for use in producing goods or delivering services. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 benefit, the cost of living tax credit and the business training tax credit. Taxes, under the *Income Tax Act*, are administered 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.

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) Related party transactions

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except the following:

i) Inter-entity transactions are measured at the exchange amount when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where cost provided are recovered.

ii) Goods or services received without charge between commonly controlled entities, when used in the normal course of the Government's operations and would otherwise have been purchased, are recorded as revenues and expenses at their carrying amount.

Related party transactions

Related parties include key management personnel having authority and responsibility for planning, directing and controlling the activities of the Government, as well as close family members of key management personnel, defined as Members of the Legislative Assembly, Board Members, Ministers and Deputy Ministers, and entities that are controlled or significantly influenced by key management personnel or their close family.

Related party transactions are recorded at the exchange amount and are in the normal course of business completed under normal trade terms.

(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 consolidated financial statements.

(o) Changes in accounting standards

The Public Sector Accounting Board of Canada issued a new accounting standard effective for fiscal years beginning on or after April 1, 2018.

The Government adopted the new accounting standard *PS3430 Restructuring Transactions* , a new standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The Government has adopted the accounting standard for any restructuring transactions occurring subsequent to the date of adoption. There was no financial impact on the consolidated financial statements since the Government had no restructuring transactions in the current year.

(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 2601 Foreign Currency Translation (effective April 1, 2021) , 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, 2021) , 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.

PS 3280 Asset Retirement Obligations (effective April 1, 2021), replaces *PS 3270,* with revised guidance on accounting for, and presentation and disclosure of, asset retirement obligations.

PS 3400 Revenue (effective April 1, 2022), a new section establishing standards on how to account for and report on revenue, differentiating between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3 CASH AND CASH EQUIVALENTS

	2019	2018
Cash	609,575	662,768

During the year, government earned interest of prime less 1.65% on its net bank balances (2018 - prime less 1.65%).

4 DUE FROM THE GOVERNMENT OF CANADA

	2019	2018
Grant receivable:		
From the Government of Canada (Schedule A)	1,578,812	1,529,949
Less: Payments received	(1,578,812)	(1,529,949)
	-	-
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	98,582	86,351
	98,582	86,351

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.

5 ACCOUNTS RECEIVABLE

	2019	2018
Receivable by funds		
Consolidated Revenue Fund	66,456	87,378
Petroleum Products Revolving Fund	68,861	59,740
Public Stores Revolving Fund	61	83
Liquor Revolving Fund	22	8
	135,400	147,209
Less: Allowance for doubtful accounts	(30,335)	(28,686)
	105,065	118,523

	2019	2018
Receivable by relation with the creditors		
Nunavut Arctic College	5,742	8,523
District Education Authorities	2,365	2,376
Nunavut Business Credit Corporation	163	223
Nunavut Development Corporation	9	7
Nunavut Housing Corporation	18,907	15,893
Qulliq Energy Corporation	16,316	16,257
Receivable from related parties	43,502	43,279
Other accounts receivable	91,898	103,930
	135,400	147,209
Less: Allowance for doubtful accounts	(30,335)	(28,686)
	105,065	118,523

(in thousands of dollars)

6 INVENTORIES

	2019	2018
(a) For resale		
Bulk fuels	154,895	77,373
Liquor products	3,149	2,457
	158,044	79,830

The write-down for bulk fuels inventory for 2019 was $699 (2018 - $173 recovery).

	2019	2018
(b) For use		
Health and medical supplies	3,503	3,115

7 LOANS RECEIVABLE

	2019	2018
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 1.54% and 2.34% (2018 - 0.75% and 1.96%) at the end of the month, compounded annually.	18,392	25,356
Student Loan Fund loans, bearing interest between 0.0% and 12.5% (2018 - 0.0% and 12.5%), net of doubtful accounts and valuation allowances of $5,319 (2018 - $5,158).	1,773	1,739
Other, net of valuation allowances of $64 (2018 - $64).	-	-
	20,165	27,095

8 PORTFOLIO AND OTHER INVESTMENTS

	Effective Rate of Return	Term to Maturity	2019 Carrying Value	2018 Carrying Value
Portfolio investments				
Guaranteed Investment Certificate	2.59%	366 days	50,000	-
			50,000	-
Other investments				
SRAF designated investments			19,677	17,531
			69,677	17,531

The market value of the portfolio investments at March 31, 2019 was $50,000.

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, 2019 was $21,719 (2018 - $20,120) with a positive return of 4.52% (2018 - positive return of 4.49%).

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
To related parties		
Nunavut Arctic College	1,266	2,429
District Education Authorities	903	737
Nunavut Business Credit Corporation	63	70
Nunavut Development Corporation	44	15
Nunavut Housing Corporation	422	1,010
Qulliq Energy Corporation	6,282	6,124
	8,980	10,385
To others		
Accounts payable	125,032	114,199
Accrued liabilities, payroll deductions, and contractor holdbacks	133,260	106,509
Vacation pay and lieu time	34,783	33,599
Due to the Government of Canada	32,226	30,906
Due to the Government of the Northwest Territories	4,597	2,108
	329,898	287,321
	338,878	297,706

All amounts above are non-interest bearing.

(in thousands of dollars)

10 DEFERRED REVENUES

	Balance April 1, 2018	Receipts during the year	Interest earned	Transfer to revenue	Balance March 31, 2019
Provincial-Territorial Base Funding (Building Canada Fund)	6,394	-	103	(2,285)	4,212
Gas Tax Agreement	41,095	16,500	952	(10,837)	47,710
Nunavut Land Claim	9,645	28,694	-	(5,583)	32,756
Other deferred revenue	14,202	18,817	-	(22,644)	10,375
	71,336	64,011	1,055	(41,349)	95,053

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 2018-19 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

	2019	2018
Liabilities for remediation of contaminated sites (undiscounted)	8,154	8,390

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, 2019, there were 6 sites (2018 - 7) - 2 storage tank farms (2018 - 3) and 4 waste sites - (2018 - 4), 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. Where remediation costs have been estimated and a liability has been recorded the methodology used to estimate the liability is either based on third party analyses or extrapolated from costs previously incurred to remediate, monitor, or manage sites of similar size and contamination.

The Government has identified an additional 71 (2018 - 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:

	2019	2018
Storage tank farms	25	25
Power plants	27	27
Town and waste sites	11	11
Garages and other public works	5	5
Airports	2	2
Quarries	1	1
	71	**71**

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 27 power plant sites (2018 - 14 and 27) would cost approximately $9,700 and $40,000 (2018 - $9,700 and $39,000), respectively. In addition, the Government has estimated that remediation at the other sites could cost between $65,000 - $136,000 (2018 - $55,000 - $126,000) depending on the approach taken. No liability for remediation of these 71 (2018 - 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 future.

In addition, the Government has identified 144 (2018 - 144) 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.

(in thousands of dollars)

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:

	2019	**2018**
Pension Benefits		
Pension plans for MLAs	16,687	16,367
Total pension benefits	16,687	16,367
Other Employee Benefits		
Severance and removal	21,350	21,247
Retirement health benefits	26,007	19,402
Sick leave	10,638	10,042
Total other employee benefits	57,995	50,691
Total pension and other employee benefits	74,682	67,058

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, 2019 was 1.01 times (2018 - 1.01 times) for members enrolled before January 1, 2013, and 1.0 times (2018 - 1.0 times) for members enrolled beginning January 1, 2013. Total employer contributions of $33,770 (2018 - $32,022) were recognized as expense in the current year. Total employee contributions were $33,649 (2018 - $$31,868).

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 2019 (no changes in 2018).

Actuarial valuations were completed for these plans as of April 1, 2017. The valuations were performed using the projected unit credit actuarial cost method. The valuations were based on a number of assumptions as approved by the Management and Services Board of the Legislative Assembly and represents the best estimates of expected long-term experience and short-term forecast, as well as the demographic assumptions underlying the most recent actuarial valuations for funding purposes. The main assumptions include inflation rate of 2.0% (2018 - 2.0%), discount rate of 3.3% (2018 - 3.5%), return on assets of 4.8% (2018 - 4.8%), increases in remuneration of 3% (2018 - 3.0%), and mortality.

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, 2020.

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.

(in thousands of dollars)

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	2019	2018
Accrued benefit obligation	12,403	17,994	30,397	28,025
Deduct:				
Pension fund assets	14,332	-	14,332	12,649
Unamortized actuarial gains	(241)	(381)	(622)	(991)
	14,091	(381)	13,710	11,658
Pension (asset) liability	(1,688)	18,375	16,687	16,367

As at March 31, 2019, the LARAF pension fund assets had a market value of $16,227 (2018 - $12,966). The actual rate of return was positive 5.19% (2018 - positive 4.71%). 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 6.0 years (2018 - 1.0 for both) 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	2019	2018
Current period benefit cost	1,231	1,936	3,167	3,105
Amortization of actuarial gains	(447)	(544)	(991)	900
	784	1,392	2,176	4,005
MLAs contributions	(248)	-	(248)	(243)
Pension expense	536	1,392	1,928	3,762
Interest cost on the average accrued benefit obligation	428	639	1,067	1,036
Expected return on average pension plan assets	(646)	-	(646)	(583)
Pension interest expense	(218)	639	421	453
Total pension expenses	318	2,031	2,349	4,215

Pension benefits paid for the LARAF and SRAF were $329 and $1,065, respectively (2018 - $1,223 and $949, respectively).

The Government's contributions related to the LARAF and SRAF during the year were $924 and $1,739, respectively (2018 - $941 and $1,837, respectively).

The total expenses related to other employee benefits include the following components:

	Severance and removal	Sick leave	Retirement health benefits	2019	2018
Benefit earned for the period	1,671	2,038	1,639	5,348	4,073
Actuarial (gains) losses on benefit obligation	-	-	1,726	1,726	-
Amortization of net actuarial gains/(losses) recognized during the year	(405)	(788)	2,527	1,334	(6,643)
Other employee benefits expense	1,266	1,250	5,892	8,408	(2,570)
Interest cost on the average accrued benefit	652	328	1,361	2,341	1,648
Total expense related to other employee benefits	1,918	1,578	7,253	10,749	(922)

13 MORTGAGE PAYABLE

	2019	2018
Mortgage payable in annual instalments to the year 2020, bearing interest at a rate of 6.9% compounded semi-annually.	830	1,309

Future mortgage payments consist of:	Principal	Interest	Total
2020	830	42	872

Interest expense on the mortgage payable was $79 for the year (2018 - $103). The interest paid on the mortgage payable during the year was $74 (2018 - $106).

(in thousands of dollars)

14 LIABILITY FOR IQALUIT INTERNATIONAL AIRPORT

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 airport officially opened and began operations on August 9, 2017. The estimated cost of the project was $305,376. The actual cost incurred by the private partnership was $298,430. The capital costs of the arrangement was partially funded by the Government of Canada. The Government of Nunavut received $74,160 from the Government of Canada during 2017-18.

	2019	**2018**
Loan payable in monthly instalments of $1,069 to December 2047, bearing interest at a rate of 7.23%.	155,138	156,692

Interest expense on long term debt relating to the Iqaluit International Airport was $11,275 for the year (2018 - $2,836). The interest paid during the year was $11,275 (2018 - $10,248). Interest costs of $nil were capitalized (2018 - $7,412) as part of additions to tangible capital assets.

Principal and interest amounts due in each of the next five fiscal years and thereafter on the liability are as follows:

	Principal	**Interest**	**Total**
2020	1,670	11,160	12,830
2021	1,795	11,035	12,830
2022	1,929	10,901	12,830
2023	2,074	10,756	12,830
2024	2,229	10,601	12,830
2025 and beyond	145,441	159,267	304,708
	155,138	213,720	368,858

15 CAPITAL LEASE OBLIGATIONS

Capital lease obligations are based upon contractual minimum lease payments for leases in effect as of March 31. The original capital leases, with terms of 20 years, are due to expire between 2019 and 2020. On July 1, 2017, the Government entered into lease amending and extension agreements with the lessor that extended the original terms by another 10 years.

	2019	**2018**
Total minimum lease payments	84,241	102,530
Less: Imputed interest	(9,531)	(12,190)
Present value of minimum lease payments	74,710	90,340

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

	Principal	**Interest**	**Total**
2020	11,856	1,954	13,810
2021	6,365	1,569	7,934
2022	6,553	1,381	7,934
2023	6,749	1,185	7,934
2024	6,395	998	7,393
2025 and beyond	36,792	2,444	39,236
	74,710	9,531	84,241

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 $2,659 (2018 - $3,016) at an implied average interest rate of 3.0% (2018 - 3.3%). Interest paid for the year was $2,659 (2018 - $3,016). The capital lease obligations expire between 2020 and 2030.

(in thousands of dollars)

16 LIABILITY FOR NUNAVUT ENERGY MANAGEMENT PROGRAM PROJECT

	2019	2018
Project financing payable - Baffin	3,695	5,095
Project financing payable - Kivalliq	2,178	-
	5,873	5,095

Under the Nunavut Energy Management Program Project - Baffin region, 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%. Interest expense on the project for the year was $266 (2018 - $351). Interest paid during the year was $266 (2018 - $351).

Future payments for the Nunavut Energy Management Program Baffin Project, for each of the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2020	1,059	183	1,242
2021	1,018	123	1,141
2022	1,080	62	1,142
2023	402	13	415
2024	95	1	96
2025 and beyond	41	-	41
	3,695	382	4,077

The Nunavut Energy Management Program Project - Kivalliq region, is in the implementation phase and therefore, the future payments schedule is not determinable at this time. The Government has entered into a contract for $24,258 that includes all principal and interest payments associated with the third-party financing of costs of improvements under the project. The project is expected to be completed by October 2020, at which time estimated monthly payments of $124 will commence, at an average interest rate of 9.4%. Interest expense on the project for the year was $36 (2018 - $nil). Interest paid during the year was $nil (2018 - $nil).

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.

	2019	2018
Surplus (deficit), beginning of year	8,796	7,702
Petroleum Products Revolving Fund net profit (loss) for the year	(2,223)	1,094
Minimum transfer required from (to) Consolidated Revenue Fund		-
Surplus (deficit), end of year	6,573	8,796

18 CONTRACTUAL OBLIGATIONS

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2019:

	Total
Operating leases (Schedule 5)	58,613
Capital commitments	106,460
Operational commitments	490,114
Policing agreement	481,644
Iqaluit International Airport Improvement commitments	665,129
	1,801,960

Contractual obligations by fiscal year are as follows:

2020	354,975
2021	178,298
2022	137,172
2023	121,583
2024	86,281
2025 and beyond	923,651
	1,801,960

In addition to the Capital commitments disclosed above, the Government is also contractually obligated for the Nunavut Energy Management Program - Kivalliq (Note 16). At March 31, 2019, $2,178 is recorded as a liability of the total estimated contract costs of $24,258. Payments will commence when the project is completed, estimated by October 2020.

(in thousands of dollars)

19 CONTRACTUAL RIGHTS

The Government enters into various agreements to provide goods and services with various businesses and government agencies. These agreements will result in revenue and assets in the future. The following table summarizes the contractual rights of the Government where the terms of those agreements are met.

	Total
Canada Infrastructure Plan	510,085
Health Canada Agreements	224,983
New Building Canada Fund	264,350
Others / Third party agreements	100,425
	1,099,843

Contractual rights by fiscal year are as follows:

2020	234,947
2021	202,142
2022	180,502
2023	107,202
2024	87,769
2025 and beyond	287,281
	1,099,843

20 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, 2019, no new post-division adjustments were recorded.

(b) 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. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at $1,545 (2018 - $2,095). No liability has been recorded for these claims as the outcome of these cases is not determinable.

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. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at $17,168 (2018 - $16,705). No liability has been recorded for these claims as the outcome of these cases is not determinable.

(c) 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:

	2019	**2018**
Bank credit facility, interest at prime minus 0.50%	9,867	11,201
20 year redeemable amortizing debenture due September 2021, interest rate of 6.809%	25,795	29,543
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	1,029	1,476
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	1,320	1,890
Fixed rate capital loan facility due June 2021, interest rate of 4.24%	1,882	2,677
Fixed rate capital loan facility due February 2022, interest rate of 4.24%	3,523	3,725
Fixed rate capital loan facility due July 2021, interest rate of 4.24%	3,531	4,946
Variable rate capital loan facility due November 2022, interest at prime minus 0.50%	13,666	14,667
Variable rate capital loan facility due April 2024, interest at prime minus 0.50%	12,067	12,867
Variable rate capital loan facility due April 2027, interest at prime minus 0.50%	123,670	91,472
Total guarantees provided on balances outstanding	196,350	174,464

The QEC bank credit facility limit is $20,000 (2018 - $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.

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, 2019, NDC's bank overdraft position was $nil (2018 - $nil).

(in thousands of dollars)

21 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:

	2019	2018
Nunavut Arctic College	2,730	3,331
District Education Authorities	13,179	12,999
Nunavut Development Corporation	3,504	3,536
Nunavut Business Credit Corporation	700	700
	20,113	20,566

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 $47,018 (2018 - $46,956) 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).

22 TRUSTS UNDER ADMINISTRATION

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

	2019	2018
Public Trustee	5,366	5,738
Natural Resources Conservation Trust	1,055	824
Territorial Court Trust	737	503
	7,158	7,065

23 BUDGET ADJUSTMENTS

The 2019 total revenue budget of $2,165,448 includes $1,900,683 of 'Revenues' and $109,304 of 'Vote 5 Revenues' on page A-IV-4 of the 2018-2019 Main Estimates, plus $155,461 of funding under third-party agreements for specific capital projects included in Appendix IV of the 2018-2019 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 2019 budget total for capital expenditures on Schedule B.2 of $155,461 excludes the $4,290 of CMHC capital projects and the $1,455 of Social Infrastructure Fund Investment in Affordable Housing project budgeted for Nunavut Housing Corporation, as well as the $5,372 of Strategic Investment Fund budgeted for Nunavut Arctic College, less the unknown difference of $104 included in the 2018-2019 Capital Estimates. As a result, the budget totals for expenses and transfers under third-party funding agreements included in these statements is $264,765 versus $275,778 on page x of the 2018-2019 Main Estimates. The third party funded Infrastructure Projects under the New Building Canada Fund are included in Community and Government Services. For the purpose of this statement, the budget for the third party funded capital projects refers to Part 2 of the 2018-2019 Capital Estimates .

24 COMPARATIVE INFORMATION

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

GOVERNMENT OF NUNAVUT

Schedule A

PUBLIC ACCOUNTS

Non-Consolidated Schedule of Revenues by Source (unaudited)

for the year ended March 31, 2019

(in thousands of dollars)

	2019 Budget	2019 Actual	2018 Actual
From the Government of Canada			
Territorial Formula Financing	1,578,800	1,578,812	1,529,949
Transfers under third-party funding agreements	264,765	202,080	146,770
Other transfer payments	92,100	97,621	168,457
	1,935,665	1,878,513	1,845,176
Revenues generated by the Government of Nunavut			
Taxation revenues			
Personal income tax	33,400	37,773	23,480
Corporate income tax	17,900	27,978	18,430
Payroll tax	29,800	32,314	29,418
Tobacco tax	21,000	22,599	21,435
Fuel tax	8,600	17,964	13,957
Property tax	6,900	7,768	6,591
Insurance tax	2,100	2,422	1,891
	119,700	148,818	115,202
Other revenues			
Petroleum Products Division revenue - net of cost of goods sold of $170,693 (2018 - $154,907)	28,095	26,308	33,539
Liquor revenue - net of cost of goods sold of $7,175 (2018 - $4,261)	6,888	8,971	5,614
Staff housing recoveries	19,600	20,427	19,401
Transfers under third-party funding agreements	-	1,544	1,761
Insurance proceeds	-	-	39,635
Other	40,500	36,774	28,622
	95,083	94,024	128,572
Recoveries of prior years expenditures **(Schedule 1)**	15,000	12,606	10,646
Total revenues (Note 23)	**2,165,448**	**2,133,961**	**2,099,596**

Included in Government of Canada - Other transfer payments are $nil (2018 - $74,160) funded by PPP Canada Inc. (Note 14).

On February 28, 2017 the Kugaardjuq elementary and high school in Kugaaruk was written off, the result of a major fire incident. The costs of cleanup, contents and construction of the new school have been assessed by insurance and proceeds reported above.

GOVERNMENT OF NUNAVUT **Schedule B**

PUBLIC ACCOUNTS

Non-Consolidated Schedule of Expenses (unaudited)

for the year ended March 31, 2019

(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	1,659,470	1,694,337	(34,867)
Plus: Amortization expenses on tangible capital assets	73,457	87,180	(13,723)
Plus: Write-down of tangible capital assets	-	170	(170)
Total operations and maintenance expenses	1,732,927	1,781,687	(48,760)
Capital expenditures	197,091	191,669	5,422
Less: Transfers to tangible capital assets	139,056	85,889	53,167
Total capital expenses	58,035	105,780	(47,745)
Total appropriation expenses	1,790,962	1,887,467	(96,505)
FUNDED UNDER THIRD-PARTY AGREEMENTS (Schedule B.2)			
Operations and maintenance expenses before amortization	109,304	126,603	(17,299)
Plus: Amortization expenses on tangible capital assets	-	-	-
Total operations and maintenance expenses	109,304	126,603	(17,299)
Capital expenditures	155,461	73,047	82,414
Less: Transfers to tangible capital assets	-	42,106	(42,106)
Total capital expenses	155,461	30,941	124,520
Total third-party agreement expenses	264,765	157,544	107,221
FUNDED BY REVOLVING FUNDS (Schedule B.3)			
Operations and maintenance expenses before amortization	35,258	34,063	1,195
Plus: Amortization expenses on tangible capital assets	-	-	-
Total operations and maintenance expenses	35,258	34,063	1,195
Capital expenditures	-	-	-
Less: Transfers to tangible capital assets	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	35,258	34,063	1,195
NON-CONSOLIDATED STATEMENTS TOTALS			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,804,032	1,855,003	
Plus: Centrally estimated 'Supplementary requirements' per page x of 2018-2019 Main Estimates	30,000	-	
Less: Capital portion of the estimated 'Supplementary requirements'	10,000	-	
Total operations and maintenance expenses before amortization and write down of tangible capital assets	1,824,032	1,855,003	(30,971)
Plus: Amortization expenses on tangible capital assets	73,457	87,180	(13,723)
Plus: Write-down of tangible capital assets	-	170	(170)
Total operations and maintenance expenses	1,897,489	1,942,353	(44,864)
Capital expenditures	352,552	264,716	
Plus: Centrally estimated capital carryovers from prior year included in 'Capital' on page x of 2018-2019 Main Estimates	98,772	-	
Plus: Capital portion of the estimated 'Supplementary requirements'	10,000	-	
Total capital expenditures	461,324	264,716	196,608
Less: Transfers to tangible capital assets	139,056	127,995	11,061
Total capital expenses	322,268	136,721	185,547
Total expenses	**2,219,757**	**2,079,074**	**140,683**

Total expenses above includes, among other items, interest expense of $14,323 (2018 - $6,348) and a net increase in valuation allowances of $2,461 (2018 - $10,748).

 Schedule B.1

Non-Consolidated Schedule of Expenses Funded under Approved Appropriations (unaudited)
for the year ended March 31, 2019
(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supple-mentary Appro-priations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
LEGISLATIVE ASSEMBLY						
Operations and maintenance						
Compensation and benefits	12,825	-	-	12,825	11,698	1,127
Grants and contributions	25	-	25	50	-	50
Other	14,245	-	(25)	14,220	11,516	2,704
	27,095	-	-	27,095	23,214	3,881
Capital expenditures	155	-	-	155	145	10
Total spending under appropriations	27,250	-	-	27,250	23,359	3,891
EXECUTIVE AND INTERGOVERNMENTAL AFFAIRS						
Operations and maintenance						
Compensation and benefits	17,956	-	-	17,956	16,703	1,253
Grants and contributions	365	-	308	673	643	30
Other	9,565	-	(308)	9,257	7,271	1,986
	27,886	-	-	27,886	24,617	3,269
Capital expenditures	250	-	-	250	-	250
Total spending under appropriations	28,136	-	-	28,136	24,617	3,519
FINANCE						
Operations and maintenance						
Compensation and benefits	42,975	5,512	-	48,487	45,534	2,953
Grants and contributions	12,993	-	-	12,993	12,126	867
Other	44,290	-	-	44,290	48,110	(3,820)
	100,258	5,512	-	105,770	105,770	-
Capital expenditures	8,900	11,727	-	20,627	14,718	5,909
Total spending under appropriations	109,158	17,239	-	126,397	120,488	5,909
FAMILY SERVICES						
Operations and maintenance						
Compensation and benefits	30,393	-	(60)	30,333	31,163	(830)
Grants and contributions	69,133	-	(405)	68,728	64,025	4,703
Other	53,687	1,165	465	55,317	56,434	(1,117)
	153,213	1,165	-	154,378	151,622	2,756
Capital expenditures	3,440	2,770	-	6,210	2,677	3,533
Total spending under appropriations	156,653	3,935	-	160,588	154,299	6,289
JUSTICE						
Operations and maintenance						
Compensation and benefits	47,768	400	(100)	48,068	49,490	(1,422)
Grants and contributions	14,149	-	-	14,149	13,809	340
Other	59,773	5,100	100	64,973	63,667	1,306
	121,690	5,500	-	127,190	126,966	224
Capital expenditures	6,788	2,674	-	9,462	1,928	7,534
Total spending under appropriations	128,478	8,174	-	136,652	128,894	7,758

GOVERNMENT OF NUNAVUT

Schedule B.1

PUBLIC ACCOUNTS

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

for the year ended March 31, 2019

(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	12,023	-	(735)	11,288	11,082	206
Grants and contributions	7,197	-	15	7,212	6,202	1,010
Other	6,477	-	720	7,197	6,854	343
	25,697	-	-	25,697	24,138	1,559
Capital expenditures	630	55	-	685	662	23
Total spending under appropriations	26,327	55	-	26,382	24,800	1,582
EDUCATION						
Operations and maintenance						
Compensation and benefits	165,511	-	(109)	165,402	162,462	2,940
Grants and contributions	25,023	-	175	25,198	23,118	2,080
Other	22,484	-	(66)	22,418	23,623	(1,205)
	213,018	-	-	213,018	209,203	3,815
Capital expenditures	40,521	11,409	-	51,930	34,192	17,738
Total spending under appropriations	253,539	11,409	-	264,948	243,395	21,553
HEALTH						
Operations and maintenance						
Compensation and benefits	141,841	8,809	-	150,650	150,650	-
Grants and contributions	7,482	-	-	7,482	5,783	1,699
Other	243,336	40,597	-	283,933	285,632	(1,699)
	392,659	49,406	-	442,065	442,065	-
Capital expenditures	21,500	6,889	-	28,389	20,695	7,694
Total spending under appropriations	414,159	56,295	-	470,454	462,760	7,694
ENVIRONMENT						
Operations and maintenance						
Compensation and benefits	16,525	-	(695)	15,830	14,678	1,152
Grants and contributions	2,078	-	15	2,093	1,848	245
Other	9,139	-	680	9,819	7,558	2,261
	27,742	-	-	27,742	24,084	3,658
Capital expenditures	2,250	1,710	-	3,960	1,735	2,225
Total spending under appropriations	29,992	1,710	-	31,702	25,819	5,883
COMMUNITY AND GOVERNMENT SERVICES						
Operations and maintenance						
Compensation and benefits	51,951	-	(1,330)	50,621	50,786	(165)
Grants and contributions	71,122	-	224	71,346	70,658	688
Other	129,927	2,847	1,106	133,880	134,403	(523)
	253,000	2,847	-	255,847	255,847	-
Capital expenditures	50,637	69,751	-	120,388	46,633	73,755
Total spending under appropriations	303,637	72,598	-	376,235	302,480	73,755

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS

Schedule B.1

Non-Consolidated Schedule of Expenses Funded under Approved Appropriations (unaudited)
for the year ended March 31, 2019
(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	18,405	-	(1,772)	16,633	17,956	(1,323)
Grants and contributions	23,941	-	-	23,941	21,688	2,253
Other	44,236	-	1,772	46,008	46,521	(513)
	86,582	-	-	86,582	86,165	417
Capital expenditures	21,718	19,362	-	41,080	27,982	13,098
Total spending under appropriations	108,300	19,362	-	127,662	114,147	13,515
NUNAVUT HOUSING CORPORATION						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	201,096	-	-	201,096	201,096	-
Other	-	-	-	-	-	-
	201,096	-	-	201,096	201,096	-
Capital expenditures	40,302	-	-	40,302	40,302	-
Total spending under appropriations	241,398	-	-	241,398	241,398	-
NUNAVUT ARCTIC COLLEGE						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	38,134	-	-	38,134	38,134	-
Other	-	-	-	-	-	-
	38,134	-	-	38,134	38,134	-
Capital expenditures	-	-	-	-	-	-
Total spending under appropriations	38,134	-	-	38,134	38,134	-
TOTALS						
Operations and maintenance						
Compensation and benefits	558,173	14,721	(4,801)	568,093	562,202	5,891
Grants and contributions	472,738	-	357	473,095	459,130	13,965
Other	637,159	49,709	4,444	691,312	691,589	(277)
	1,668,070	64,430	-	1,732,500	1,712,921	19,579
Less: Principal repayments on capital leases included in spending above	7,200	-	-	7,200	15,630	(8,430)
Less: Principal repayments on Nunavut Energy Management Program Project included in spending above	1,400	-	-	1,400	1,400	-
Less: Principal repayments on the Iqaluit International Airport included in spending above	-			-	1,554	(1,554)
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,659,470	64,430	-	1,723,900	1,694,337	29,563
Plus: Amortization expenses on tangible capital assets	73,457			73,457	87,180	(13,723)
Plus: Write-down of tangible capital assets	-	-	-	-	170	(170)
Total operations and maintenance expenses	1,732,927	64,430	-	1,797,357	1,781,687	15,670
Capital expenditures	197,091	126,347	-	323,438	191,669	131,769
Less: Transfers to tangible capital assets	139,056			139,056	85,889	53,167
Total capital expenses	58,035	126,347	-	184,382	105,780	78,602
Total appropriation expenses	**1,790,962**	**190,777**	**-**	**1,981,739**	**1,887,467**	**94,272**

GOVERNMENT OF NUNAVUT
PUBLIC ACCOUNTS

Schedule B.2

Non-Consolidated Schedule of Expenses Funded under Third-Party Agreements (unaudited)
for the year ended March 31, 2019
(in thousands of dollars)

By Department	Original Budget	Actual	(Over) Under Original Budget
Legislative Assembly	-	-	-
Executive and Intergovernmental Affairs	10,236	1,045	9,191
Finance	-	951	(951)
Family Services	6,770	8,570	(1,800)
Justice	2,690	4,078	(1,388)
Culture and Heritage	9,285	8,278	1,007
Education	5,750	4,584	1,166
Health	69,426	84,558	(15,132)
Environment	525	6,915	(6,390)
Community and Government Services	155,461	33,448	122,013
Economic Development and Transportation	4,622	5,117	(495)
	264,765	157,544	107,221

By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	17,463	22,754	(5,291)
Grants and contributions	18,061	22,136	(4,075)
Other	73,780	81,713	(7,933)
Operations and maintenance expenses before amortization	109,304	126,603	(17,299)
Plus: Amortization expenses on tangible capital assets	-	-	-
Total operations and maintenance expenses	109,304	126,603	(17,299)
Capital expenditures	155,461	73,047	82,414
Less: Transfers to tangible capital assets	-	42,106	(42,106)
Total capital expenses	155,461	30,941	124,520
Total third-party agreement expenses	264,765	157,544	107,221

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

for the year ended March 31, 2019

(in thousands of dollars)

By Revolving Fund	Original Budget	Actual	(Over) Under Original Budget
Liquor	5,923	4,834	1,089
Petroleum Products	28,009	27,692	317
Public Stores	1,100	1,366	(266)
Student Loan	226	171	55
	35,258	34,063	1,195

By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	7,280	7,712	(432)
Grants and contributions	15	-	15
Other expenses	27,963	26,351	1,612
Operations and maintenance expenses before amortization	35,258	34,063	1,195
Plus: Amortization expenses on tangible capital assets (1)	-		-
Total operations and maintenance expenses	35,258	34,063	1,195
Capital expenditures	-	-	-
Less: Transfers to tangible capital assets	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	35,258	34,063	1,195

(1) Petroleum Products amortization of $831 (2018 - $547) is included in the budget and actuals totals for Department of Community and Government Services on Sch. B.1.

GOVERNMENT OF NUNAVUT

Schedule C

PUBLIC ACCOUNTS

Non-Consolidated Schedule of Tangible Capital Assets (unaudited)

for the year ended March 31, 2019

(in thousands of dollars)

	Buildings	Leased Buildings	Infra-structure	Tank Farms	Storage Facilities	Equipment	2019	2018
Cost of tangible capital assets								
Opening balance	1,208,362	188,238	347,487	201,062	19,175	119,743	2,084,067	1,700,556
Additions	24,683	-	2,793	-	507	7,773	35,756	154,106
Additions In Kind	47	-	-	-	-	-	47	-
Transferred from work in progress	76,341	-	8,685	5,928	253	7,109	98,316	254,324
Reclassification	(102)	-	-	-	102	-	-	-
Disposals	(5,449)	-	(1,154)	-	(691)	(1,955)	(9,249)	(2,574)
Write-downs	(464)	-	-	-	-	-	(464)	(22,345)
Closing balance	1,303,418	188,238	357,811	206,990	19,346	132,670	2,208,473	2,084,067
Accumulated amortization								
Opening balance	(400,790)	(102,426)	(74,621)	(85,585)	(11,141)	(101,697)	(776,260)	(688,647)
Amortization	(47,155)	(10,180)	(12,783)	(6,968)	(1,126)	(8,968)	(87,180)	(105,477)
Reclassification	65	-	-	-	(65)	-	-	-
Disposals	5,401	-	1,154	-	691	1,955	9,201	2,574
Write-downs	294	-	-	-	-	-	294	15,290
Closing balance	(442,185)	(112,606)	(86,250)	(92,553)	(11,641)	(108,710)	(853,945)	(776,260)
Work in progress								
Opening balance	90,272	-	28,960	6,354	284	7,676	133,546	303,948
Additions	33,317	-	53,464	3,415	530	1,513	92,239	83,922
Transferred to cost of tangible capital assets	(76,341)	-	(8,685)	(5,928)	(253)	(7,109)	(98,316)	(254,324)
Closing balance	47,248	-	73,739	3,841	561	2,080	127,469	133,546
Net book value	908,481	75,632	345,300	118,278	8,266	26,040	1,481,997	1,441,353
Estimated useful life	**30 Years**	**30 Years**	**30 Years**	**30 Years**	**30 Years**	**5-30 Years**		

During the year, interest of $nil was capitalized (2018 - $7,412) as part of the cost of additions.

During 2019, the Government wrote-down the value of specifically identified assets. Included in the significant write-downs is an office building that was destroyed by fire ($77), and the Taloyoak Air Terminal Building, which was demolished and replaced with a new building ($93).

The tangible capital asset acquisitions presented in the Non-Consolidated Statement of Cash Flow includes an amount of $898 (2018 - excludes an amount of $104,566) in relation to the net change in accounts payable for the acquisition and construction of tangible capital assets that remain unpaid as of March 31, 2019 as well as an amount of $47 ($0 in 2018) for non-monetary transactions incurred during the year.

GOVERNMENT OF NUNAVUT

Schedule 1

PUBLIC ACCOUNTS

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

for the year ended March 31, 2019

(in thousands of dollars)

Department	Over Accruals	Other Recoveries	Total
Legislative Assembly	-	3	3
Executive and Intergovernmental Affairs	8	13	21
Finance	13	553	566
Family Services	45	517	562
Justice	1	510	511
Culture and Heritage	65	203	268
Education	108	1,148	1,256
Health	2,068	1,326	3,394
Environment	412	138	550
Community and Government Services	171	1,666	1,837
Economic Development and Transportation	1,688	1,950	3,638
	4,579	8,027	12,606

GOVERNMENT OF NUNAVUT

Schedule 2

PUBLIC ACCOUNTS

Non-Consolidated Schedule of Special Warrants (unaudited)

for the year ended March 31, 2019

(in thousands of dollars)

	Date of FMB Approval	Amount Authorized
OPERATIONS AND MAINTENANCE		
There were no Special Warrants during the year.		
Total operations and maintenance		-

	Date of FMB Approval	Amount Authorized
CAPITAL		
There were no Special Warrants during the year.		
Total capital		-

GOVERNMENT OF NUNAVUT

Schedule 3

PUBLIC ACCOUNTS

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

for the year ended March 31, 2019

(in thousands of dollars)

	Transfers to (from)
OPERATIONS AND MAINTENANCE	
Health	
Health Care Service Delivery	(258)
Directorate	258
Health Care Service Delivery	(330)
Directorate	330
Community and Government Services	
Directorate	(125)
Local Government Services	(250)
Infrastructure	(1,125)
Information Management / Information Technology	1,500
Infrastructure	(2,850)
Information Management / Information Technology	2,850
Directorate	(80)
Local Government Services	214
Infrastructure	1,600
Information Management / Information Technology	(1,734)
Economic Development and Transportation	
Corporate Management	(366)
Economic Development	(1,014)
Transportation	1,380
Corporate Management	80
Transportation	370
Economic Development	(450)
Family Services	
Corporate Management	515
Children and Family Services	(75)
Income Assistance	(440)
CAPITAL	
Community and Government Services	
Capital	(650)
Petroleum Products Division	650

Non-Consolidated Schedule of Write-offs and Student Loan Remissions (unaudited)

for the year ended March 31, 2019

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.

Ali, Sarah	4,299
Bishop, Jeannie	3,420
Rana, Zoha	1,480
	9,199

GOVERNMENT OF NUNAVUT

Schedule 5

PUBLIC ACCOUNTS

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

for the year ended March 31, 2019

(in thousands of dollars)

	2020	2021	2022	2023	2024	>2024	Total
Headquarters	8,729	5,926	5,509	4,106	897	144	25,311
Qikiqtaaluk	2,004	1,298	1,039	834	624	1,359	7,158
Kivalliq	4,995	3,170	2,151	1,811	798	599	13,524
Kitikmeot	2,582	2,377	2,128	2,115	2,049	1,369	12,620
	18,310	12,771	10,827	8,866	4,368	3,471	58,613