

**PUBLIC ACCOUNTS
OF THE
GOVERNMENT OF NUNAVUT
FOR THE YEAR ENDED MARCH 31, 2002**

HONOURABLE KELVIN NG

Minister of Finance

**THE HONOURABLE PETER IRNIQ
COMMISSIONER OF NUNAVUT**

I have the honour to present the Public Accounts of Nunavut for the fiscal year ended March 31, 2002. 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.

Honourable Kelvin Ng
Minister of Finance

Government of Nunavut
Iqaluit, Nunavut
April 25, 2003

CONSOLIDATED FINANCIAL STATEMENTS

**Public Accounts of the
Government of Nunavut**

Table of Contents **Page**

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING 5

AUDITOR'S REPORT 6

Consolidated Statement of Financial Position 7

Consolidated Statement of Operations 8

Consolidated Statement of Change in Net Debt 9

Consolidated Statement of Cash Flows 10

Notes to Consolidated Financial Statements 11

Schedule A - Consolidated Schedule of Revenues by Source 26

Schedule B - Consolidated Schedule of Tangible Capital Assets 27

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 to the consolidated financial statements and comply with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants wherever applicable. When alternative accounting methods exist, 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 statements.

The Government fulfills its accounting and reporting responsibilities, through the Department of Finance, by maintaining systems of financial management and control. These systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure that all transactions are in accordance with the *Financial Administration Act*.

The Public Accounts are referred to the Standing Committee on Government Operations and Services after they have been tabled in the Legislative Assembly. The recommendations of this committee will be reviewed and acted on, where appropriate, to improve financial management and control as well as reporting practices, and the systems of internal controls.

The Auditor General of Canada conducts an annual audit of the consolidated financial statements in order to express an opinion as to whether the statements present fairly the financial position, results of operations, change in net debt and cash flows for the year. During the course of the audit, she also examines transactions that have come to her 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 included with the consolidated financial statements.

After completion of the audit, the Auditor General provides additional information, comments, and recommendations in her annual report to the Legislative Assembly of Nunavut.

The fundamental purpose of the financial statements is to provide information to the Legislative Assembly and the public as to the full nature and extent of the Government's financial affairs. The Government is complex, and no one measure can capture all aspects of its finances. Together the four main financial statements provide five messages. The consolidated statement of financial position illustrates both net debt and accumulated surplus. Net debt is a measure of past costs which will have to be paid in the future. Accumulated Surplus represents the government's total financial and non-financial resources and obligations. The consolidated statement of operations gives an indication of whether or not the government has maintained its assets during the year. The consolidated statement of net debt reports whether revenues were able to cover the spending. Finally, the consolidated statement of cash flows shows sources and uses of cash during the year.

Honourable Kelvin Ng
Minister of Finance

Robert Vardy
Deputy Minister of Finance
and Comptroller General

AUDITOR'S REPORT

To the Legislative Assembly of Nunavut

I have audited the consolidated statement of financial position of the Government of Nunavut as at March 31, 2002 and the consolidated statements of operations, change in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2002 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments recommended by The Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

Further, in my opinion, the transactions of the Government and of those organizations listed in Note 1 to the consolidated financial statements that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the Government's powers under the *Nunavut Act*, the *Nunavut Financial Administration Act* and regulations and the specific operating authorities disclosed in Note 1.

Additional information and comments on the consolidated financial statements and this opinion will be included in my annual report to the Legislative Assembly of Nunavut.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
April 25, 2003

GOVERNMENT OF NUNAVUT

Consolidated Statement of Financial Position

as at March 31, 2002

(thousands of dollars)

	2002	2001
Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 159,954	\$ 108,295
Employee future benefits (Note 11)	26,593	24,433
Long term debt (Note 12)	54,544	55,733
Capital lease obligations (Note 15)	136,569	135,695
Total liabilities	377,660	324,156
Financial assets		
Cash and temporary investments (Note 5)	139,213	62,572
Due from Canada (Note 6)	56,764	100,372
Revenues receivable (Note 7)	40,652	55,130
Bulk fuels and other inventories for resale	31,714	28,798
Loans receivable (Note 8)	19,349	21,413
Investment in Nunavut Power Corporation (Note 9)	27,530	37,599
Total financial assets	315,222	305,884
Net debt	(62,438)	(18,272)
Non-financial assets (Note 2 i))		
Tangible capital assets (Schedule B)	867,990	824,695
Prepaid assets	1,466	4,867
Total non-financial assets	869,456	829,562
Accumulated surplus	\$ 807,018	\$ 811,290

Contingencies (Note 17)

Approved:

Honourable Kelvin Ng
Minister of Finance

Robert Vardy
Deputy Minister of Finance
and Comptroller General

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

GOVERNMENT OF NUNAVUT

Consolidated Statement of Operations**for the year ended March 31, 2002***(thousands of dollars)*

	2002	2001
Revenues		
From Canada (Schedule A)	\$ 688,838	\$ 687,158
Revenues generated by Nunavut (Schedule A)	66,240	100,500
Total revenues	755,078	787,658
Expenses (Note 13)		
Education	157,116	163,548
Health and Social Services	155,894	141,782
Finance	146,556	118,108
Public Works, Telecommunications and Technical Services	109,984	93,025
Community Government and Transportation	81,434	67,414
Justice	38,699	37,342
Sustainable Development	32,925	30,643
Other	42,576	57,509
Total expenses	765,184	709,371
Excess of revenues over expenses	(10,106)	78,287
Projects for Canada and others		
Revenues	25,872	21,131
Expenses	(25,872)	(21,131)
Surplus (deficit) for the year	(10,106)	78,287
Accumulated surplus, beginning of the year	811,290	733,003
Adjustment to transfer on division of North West Territories Power Corporation (Note 4)	5,834	-
Accumulated surplus, end of the year	\$ 807,018	\$ 811,290

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

GOVERNMENT OF NUNAVUT

Consolidated Statement of Change in Net Debt**as at March 31, 2002***(thousands of dollars)*

	2002	2001
Surplus (deficit) for the year	\$ (10,106) \$	78,287
Tangible capital assets		
Acquisition	(77,622)	(151,463)
Amortization	31,828	30,070
Disposals and write-downs	2,499	4,033
	(43,295)	(117,360)
Net use (acquisition) of prepaid assets	3,401	(3,742)
Increase in net debt	(50,000)	(42,815)
Net assets (debt), beginning of year	(13,405)	25,668
Change in accounting policy - classification of prepaid expenses (Note 3)	(4,867)	(1,125)
Net assets (debt), beginning of the year (as restated)	(18,272)	24,543
Adjustment to transfer on division of Northwest Territories Power Corporation (Note 4)	5,834	-
Net debt, end of year	\$ (62,438) \$	(18,272)

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

GOVERNMENT OF NUNAVUT**Consolidated Statement of Cash Flows****for the year ended March 31, 2002***(thousands of dollars)*

	2002	2001
Cash provided by (used for)		
government operations:		
Grants from Canada	\$ 761,773	\$ 658,166
Taxes	44,559	34,714
Other government revenues	114,409	90,052
Grants and contributions	(123,762)	(114,866)
Salaries and employee benefits	(220,357)	(204,534)
Goods and services acquired	(414,687)	(419,078)
<hr/>		
Cash provided by government operations	161,935	44,454
<hr/>		
Cash provided by (used for) investing activities:		
Sale of tangible capital assets	381	1,845
Acquisitions of tangible capital assets	(66,865)	(49,205)
Loans to municipalities, businesses, and individuals	(2,213)	(2,932)
Loan repayments to the government	3,856	3,737
<hr/>		
Cash used for investing activities	(64,841)	(46,555)
<hr/>		
Cash used for financing activities:		
Payment of principal and interest under capital leases	(15,312)	(14,153)
Payment of principal and interest on long term debt	(5,141)	(5,335)
Payment of funds owed to GNWT on division of assets	-	(35,313)
<hr/>		
Cash used for financing activities	(20,453)	(54,801)
<hr/>		
Increase (decrease) in cash and temporary investments	76,641	(56,902)
<hr/>		
Cash and temporary investments, beginning of year	62,572	119,474
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Cash and temporary investments, end of year	\$ 139,213	\$ 62,572

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

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

1 AUTHORITY AND OPERATIONS

a) Authority and government reporting entity

The Government of Nunavut (the Government) operates under the authority of the *Nunavut Act (Canada)*. The Government has an elected Legislative Assembly which authorizes all disbursements except those specifically authorized by statute.

These consolidated financial statements are prepared in accordance with the *Nunavut Act (Canada)* and the *Nunavut Financial Administration Act*. The following organizations comprise the reporting entity represented by these consolidated financial statements. These organizations are accountable to, and are either owned or controlled by the Government.

All have a March 31 fiscal year end, except for Nunavut Arctic College which has a June 30 year end.

Entities fully consolidated in these financial statements

Government of Nunavut, including those Departments set out in the Government's Main Estimates.
Revolving funds including the Petroleum Products Revolving Fund, and the Liquor Commission Revolving Fund.
Nunavut Housing Corporation.
Nunavut Arctic College.
Nunavut Development Corporation.
Nunavut Business Credit Corporation.

Authority for operations

Financial Administration Act

Revolving Funds Act
Nunavut Housing Corporation Act
Public Colleges Act
*NWT Development Corporation Act**
*NWT Business Credit Corporation Act**

Entities presented in these financial statements using modified equity accounting

Nunavut Power Corporation.

Authority for operations

Nunavut Power Utilities Act

* as duplicated for Nunavut by Section 29 of the *Nunavut Act (Canada)*

- b) A comparison of budgeted and actual operations is provided in the Government's unaudited, unconsolidated financial statements which are included in the Government's Public Accounts.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

2 SIGNIFICANT ACCOUNTING POLICIES

Section 45 of the *Nunavut Act (Canada)* requires that the Government's consolidated financial statements be prepared in accordance with accounting principles recommended by the Canadian Institute of Chartered Accountants.

Accordingly, the Government has adopted the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as the primary basis of its accounting policies. Other authoritative pronouncements are used to supplement the recommendations of the Public Sector Accounting Board, where appropriate.

a) Principles of consolidation

All entities included in the reporting entity other than the Nunavut Power Corporation (NPC) are fully consolidated, and significant transactions and balances between consolidated entities are eliminated.

The NPC is a Government business enterprise, and is accounted for using modified equity accounting. Under this method, the Government only reports its investment in the NPC, and the corporation's net revenues. Financial transactions and balances between the Corporation and other entities in the reporting entity are not eliminated.

b) Measurement uncertainty

Canadian generally accepted accounting principles for governments recommended by the Canadian Institute of Chartered Accountants require the Government to make estimates and assumptions that affect the amounts of certain assets, liabilities, revenues, and expenses reported in these financial statements. Some of the more significant areas where estimates have been used to prepare these financial statements include:

(i) Grant revenue under the Formula Financing Agreement with Canada. The amount recognized as revenue is based in part on estimates from the federal Department of Finance and Statistics Canada. These estimates may change and impact revenue for up to seven years in the future;

(ii) Income taxes collected by Canada on the Government's behalf, and Grant revenue from Canada in areas such as the Canada Health and Social Transfer. These collections and grants are subject to revision by Canada in future years; and

(iii) Allowance for doubtful accounts, loan valuation allowances and employee future benefits.

By their nature, estimates are subject to measurement uncertainty. Estimates contained in these financial statements are the Government's best estimates at the date these statements were prepared. However, changes to these estimates might have a significant effect on future financial statements.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Employee future benefits

Non-Pension

Under the terms and conditions of employment, government employees may earn non-pension benefits for retirement, severance and removal costs based on years of service. The estimated liability and related expenses for annual leave, retirement, severance and removal costs are recorded as employees earn these benefits. The cost of the benefits has been determined based on management's best estimates.

Pension

Government employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2001- 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represents the total pension obligations.

Pension benefits to Members of the Legislative Assembly are determined on an actuarial basis. This is done to determine the current value of future entitlement and uses various estimates. When actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the contributors.

d) Obligations under leases

The Government classifies its leases for buildings and equipment as either capital or operating leases, as appropriate.

Capital leases

Those leases which transfer substantially all the benefits and risks of ownership of property to the Government are accounted for as both a tangible capital asset and a related capital lease obligation. Both are initially recorded at the present value of the minimum lease payments, effective at the beginning of the lease.

Operating leases

Operating leases are those leases where substantially all the benefits and risks of ownership are not transferred to the Government. Lease payments under operating leases are expensed.

e) Cash and temporary investments

Temporary investments are valued at the lower of cost and market value. Interest income is recorded on an accrual basis.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Inventories for resale

Inventories for resale include bulk fuel, liquor, arts and crafts, and are valued at the lower of cost and net recoverable value.

g) Loans receivable

Loans receivable are valued at the lower of cost and net recoverable value. Valuation allowances recorded to reduce loans receivable are based on all circumstances known at the date these financial statements are prepared, including past events and current conditions. Interest revenue is not accrued when the collectability of either principal or interest is not reasonably assured.

h) Investment in Nunavut Power Corporation

The Government is the sole shareholder of the Nunavut Power Corporation (NPC), a Territorial Crown Corporation providing utility services to Nunavut Territory. The Corporation began its operations on April 1, 2001. The Government's share of the subsequent operations of the Corporation are accounted for in accordance with the modified equity basis of accounting described in Note 2a).

i) Non-financial assets

For Government non-financial assets, the future economic benefit consists of their capacity to render service to further the Government's objectives. Therefore, these assets will not provide resources to discharge the liabilities of the Government.

j) Tangible capital assets

Tangible capital assets include buildings, roads, equipment, etc. whose economic life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services.

Tangible capital assets are recorded at cost, less accumulated amortization. The annual amortization of tangible capital assets is recorded as an expense in the Consolidated Statement of Operations.

k) Revenues

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

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant from Canada

The final amount of the annual grant from Canada pursuant to the Formula Financing Agreement is not known for many years, and is affected by many factors such as population growth, the growth of provincial-local government spending, tax revenues, and federal transfers.

Revenue recorded in the current year represents the Government's best estimate of the 2001/2002 grant from Canada. Future adjustments to the amount of the current year's grant are recorded as adjustments to grant revenue in the year that the need for adjustment is identified.

Other transfers from Canada

Other transfers from Canada are recognized as revenue in the period that the events giving rise to the transfer occurred, as long as: (i) the transfer is authorized; (ii) the Government has met eligibility criteria, if any; and (iii) a reasonable estimate of the amount of the transfer can be made.

Government transfers received before these criteria are met are deferred and included in accounts payable and accrued liabilities until the criteria are met.

Taxes and general revenues

Income taxes are collected on the Government's behalf by Canada, and are recognized as revenue on a cash basis.

Property taxes and school levies are assessed on a calendar year basis, and are recorded on an accrual basis in the fiscal year in which the calendar year ends.

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

Licenses, fees, and permits are recorded on a cash basis.

I) Expenses

Expenses are recorded on an accrual basis.

Grants and contributions are recorded as expenses when the following criteria are all met: (i) the grant or contribution has necessary authorization; (ii) the recipient has met eligibility criteria, if any; and (iii) a reasonable estimate of the amount of the transfer can be made.

Grants or contributions paid prior to all three conditions being met are accounted for as revenues receivable until all conditions are met.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

3 CHANGE IN ACCOUNTING POLICY

The Government has adopted new standards for the preparation of financial statements recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and has applied these changes retroactively in these financial statements. The effect of the new standards on these financial statements compared with previous financial statements are:

The statement of tangible capital assets included in previous years' financial statements has been replaced with a schedule of tangible capital assets, and the total tangible capital assets are now classified as non-financial assets in the government's consolidated statement of financial position.

Prepaid expenses have been reclassified from financial assets to non-financial assets. As a result of applying this change retroactively, reported net debt as of April 1, 2001 has increased by \$4,867,000 and reported net assets as of April 1, 2000 has been decreased by \$1,125,000. The reported change in net debt for 2000-2001 has been decreased by \$ 3,742,000.

4 DIVISION OF FORMER NORTHWEST TERRITORIES POWER CORPORATION (NTPC)

The Government's investment in the Nunavut Power Corporation (NPC) originated from the creation of Nunavut on April 1, 1999 and the subsequent division of the Northwest Territories Power Corporation (NTPC). A preliminary allocation to transfer a portion of the investment to the Government of Nunavut was recorded on April 1, 1999. A two year transition period, governed by two intergovernmental agreements, resulted in a revised allocation of NTPC assets, liabilities and shareholder's equity. Effective April 1, 2001, all corporate operations within the Nunavut Territory were taken over by NPC. The results of the revised allocation, which is still subject to ratification by each government, is to increase the preliminary allocation of Nunavut's share of NTPC's equity by \$5,834,000. The related capital transfer of net financial resources and accumulated surplus took place as follows:

	Investment in NPC (thousands of dollars)
Investment in NPC - preliminary	\$ 37,599
Adjustment	<u>5,834</u>
Balance as restated April 1, 2001	<u>\$ 43,433</u>

Other related impacts of this adjustment are to increase the Accumulated Surplus by \$5,834,000 and decrease Net Debt by the same amount.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

5 CASH AND TEMPORARY INVESTMENTS

Temporary investments are placed in high grade, short-term income producing assets.

The portfolio yield for the year ended March 31, 2002 varied from 1.80% to 6.10% (2001 - 4.25% to 5.58%). As at March 31, 2002 the Government held temporary investments in the amount of \$19,180,000 (2001 - \$15,735,000). The average term to maturity is 80 days (2001 - 34 days).

6 DUE FROM CANADA

	2002		2001	
	(thousands of dollars)			
Grant receivable				
Formula Financing Agreement grant (Schedule A)	\$	598,680	\$	596,154
Less: payments received		<u>(676,956)</u>		<u>(538,448)</u>
		(78,276)		57,706
Balance receivable (payable) at beginning of the year		<u>56,206</u>		<u>(1,500)</u>
		(22,070)		56,206
Other receivables		<u>78,834</u>		<u>44,166</u>
	\$	<u>56,764</u>	\$	<u>100,372</u>

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

7 REVENUES RECEIVABLE

	2002		2001	
	(thousands of dollars)			
Local Housing Associations and Authorities	\$	547	\$	762
Other accounts receivable		41,442		45,668
Due from Government of Northwest Territories		7,543		18,364
Less: allowance for doubtful accounts		<u>(8,880)</u>		<u>(9,664)</u>
	\$	<u>40,652</u>	\$	<u>55,130</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

8 LOANS RECEIVABLE

	2002		2001
	(thousands of dollars)		
Mortgage loans from Nunavut Housing Corporation to individuals with a maximum maturity of 25 years bearing interest between 6.00% and 14.25%, net of valuation allowance of \$7,097,000 (2001 -\$5,789,000)	\$	6,608	\$ 7,925
Loans from Nunavut Business Credit Corporation to businesses with a maximum maturity of 25 years, bearing interest between 5.75% and 11.50%, net of valuation allowance of \$ 740,000 (2001 - \$1,032,147)		7,088	6,950
Loans to municipalities due in instalments to 2017 bearing interest between 0.00% and 9.50%, net of valuation allowance of \$ 435,760 (2001 - \$435,760)		4,158	5,120
Student Loan Fund loans due in instalments to 2011, bearing interest between 3.34% and 11.75%, net of valuation allowance and allowance for forgiveness of \$1,509,708 (2001 - \$1,420,498)		1,180	1,111
Other		315	307
	\$	<u>19,349</u>	\$ <u>21,413</u>

9 INVESTMENT IN NUNAVUT POWER CORPORATION

The Governments of the Northwest Territories and Nunavut agreed to divide the net assets of the Northwest Territories Power Corporation (NTPC) on April 1, 2001 as if the corporation had been divided on April 1, 1999. All corporate operations within the Nunavut Territory were taken over by Nunavut Power Corporation (NPC) on this date. The allocation of the NTPC assets, liabilities and shareholder's equity between its Nunavut operations to NPC and its Northwest Territories operations to the NTPC was governed by two agreements: The Transition Agreement between the Governments of the Northwest Territories (GNWT) and the Interim Commissioner of Nunavut and the Transfer of Interest Agreements between the GNWT, Government of Nunavut (GN), NTPC and NPC.

Summary financial information of the Nunavut Power Corporation is presented below.

	2002		April 1, 2001
	(thousands of dollars)		
Assets	\$	139,097	\$ 122,295
Liabilities		<u>(111,567)</u>	<u>(84,696)</u>
Investment in Nunavut Power Corporation	\$	<u>27,530</u>	\$ <u>37,599</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

9 INVESTMENT IN NUNAVUT POWER CORPORATION (continued)

Statement of Operations and Surplus For the year ended March 31, 2002

	NPC Results of Operations	2001 Government's Share of NTPC Operations
	(thousands of dollars)	
Revenues	\$ 54,815	\$ 37,199
Expenses	(70,718)	(33,938)
Net revenue	<u>(15,903)</u>	<u>3,261</u>
Surplus, beginning of year	23,170	22,398
Nunavut's share of former NTPC capital stock converted to surplus upon division	14,429	-
Change in Accounting Policy	-	(189)
Adjustment to transfer on division of NTPC	5,834	
Dividend	<u>-</u>	<u>(2,300)</u>
Surplus, end of year	<u>\$ 27,530</u>	<u>\$ 23,170</u>

Included in the above are revenues from and expenditures to entities in the Government's reporting entity of \$23,785,000 (2001 - \$14,488,000) and \$10,708,000 (2001 - \$8,508,000) respectively.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
	(thousands of dollars)	
Payable to related parties		
Nunavut Power Corporation	\$ 5,843	\$ -
Northwest Territories Power Corporation	-	1,876
Local Housing Associations and Authorities	<u>3,937</u>	<u>3,029</u>
	<u>9,780</u>	<u>4,905</u>
Other		
Accounts Payable	75,116	54,294
Other Liabilities, Payroll Deductions, and Contractor's Holdbacks	30,708	23,580
Due to Government of Northwest Territories	30,909	15,430
Deferred revenue	<u>13,441</u>	<u>10,086</u>
	<u>150,174</u>	<u>103,390</u>
	<u>\$ 159,954</u>	<u>\$ 108,295</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

11 EMPLOYEE FUTURE BENEFITS

Non-Pension

	2002		2001	
	(thousands of dollars)			
Vacation pay	\$	11,292	\$	10,378
Removal		7,339		7,439
Retirement and Severance		7,962		6,616
	\$	<u>26,593</u>	\$	<u>24,433</u>

Pension

a) Public Service Superannuation Plan

Both the Government and its employees make contributions to the Public Service Superannuation Plan administered by Canada. In 2002, the Government's contributions were \$ 17,132,553 (2001 - \$11,571,544).

The amount of the Government's contributions are set by Canada, and represent the Government's sole obligation under this Plan. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

b) Legislative Assembly Retiring Allowance Plans

The Government of Nunavut sponsors two defined benefit pension plans for Members of the Legislative Assembly. Both plans are administrated by the Management and Services Board of the Legislative Assembly.

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

The second plan is a voluntary non-registered, non-contributory defined benefit pension plan established under the *Supplementary Retiring Allowances Act* (SRAA) for Members who elect to participate. Payments and expenses related to the SRAA are paid from the Government's consolidated revenue fund. The plan came into effect during the 2001-2002 fiscal year, and provides for benefits retroactive to April 1, 1999.

The last actuarial valuation of the plans was on April 1, 2002. The valuation is based on a number of assumptions about future events including inflation rates, interest rates, increases in remuneration, and mortality. Assumptions used reflect the Government's best estimates, including a rate of return on assets of 7.0 % and inflation of 4.0 %.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

11 EMPLOYEE FUTURE BENEFITS (continued)

Pension liabilities as of March 31 are as follows:

	Pension plan established by LARAA		Pension plan established by the SRAA		2002	2001
					(thousands of dollars)	
Accrued benefit obligation	\$ 1,154	\$ 1,801	\$ 2,955	\$ 780		
Pension fund net assets	(1,099)	-	(1,099)	(674)		
Pension liability	<u>\$ 55</u>	<u>\$ 1,801</u>	<u>\$ 1,856</u>	<u>\$ 106</u>		

Net pension liabilities are included as part of accounts payable and accrued liabilities in the consolidated statement of financial position. The Government's pension expense related to the LARAA and SRAA during the year are \$250,100 and \$1,801,700 respectively (2000-2001: \$250,000 and \$ nil). Expenses related to the SRAA include costs of past service between April 1, 1999 and the date of the Plan's inception. MLA contributions under the LARAA were \$95,484 (2001 - \$92,167).

12 LONG TERM DEBT

Long term debt is comprised of Nunavut Housing Corporation loans payable to Canada Mortgage and Housing Corporation, repayable in annual instalments to the year 2033, bearing interest at a rate of 6.97%. Principal and interest amounts due in each of the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
	(thousands of dollars)		
2003	1,274	3,868	5,142
2004	1,364	3,778	5,142
2005	1,461	3,681	5,142
2006	1,564	3,578	5,142
2007	1,675	3,466	5,141
2008 and beyond	47,206	37,348	84,554
	<u>\$ 54,544</u>	<u>\$ 55,719</u>	<u>\$ 110,263</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

13 EXPENSES BY TYPE (OBJECT)

	2002		2001	
	(thousands of dollars)			
Grants and contributions	\$	116,187	\$	107,118
Salaries and employee benefits		235,071		213,524
Payments for goods and services		413,926		388,729
	\$	<u>765,184</u>	\$	<u>709,371</u>

14 RELATED PARTY TRANSACTIONS

Contributions to 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 contributions and grants to the following related parties which are outside of the reporting entity described in Note 1 a):

	2002		2001	
	(thousands of dollars)			
Local Housing Associations and Authorities	\$	57,148	\$	54,868

The Government provides funding to many communities, boards, and agencies that offer services to the public, and which operate independently of normal Government operations.

15 CAPITAL LEASE OBLIGATIONS

The Government of Nunavut leases certain office facilities and housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs. Capital lease obligations are based upon contractual minimum lease payments for the lease in effect as of March 31, 2002.

	2002		2001	
	(thousands of dollars)			
Total minimum lease payments	\$	250,526	\$	258,119
Less: imputed interest and executory costs		<u>113,957</u>		<u>122,424</u>
Present value of minimum lease payments	\$	<u>136,569</u>	\$	<u>135,695</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

15 CAPITAL LEASE OBLIGATIONS (continued)

Future minimum lease payments for each of the next 5 years and thereafter are:

2003	15,418
2004	15,462
2005	15,506
2006	15,551
2007	15,597
After 2008	<u>172,992</u>
	<u>\$ 250,526</u>

16 COMMITMENTS

The Government has entered into agreements for, or is contractually committed to, the following payments subsequent to March 31, 2002:

	Expiry Date	Total
		(thousands of dollars)
Canada Mortgage and Housing Corporation	2038	\$ 419,872
Commitments under operating leases	2022	348,484
Capital commitments	2005	23,639
Policing agreements	2013	183,147
Other commitments	2008	<u>10,046</u>
		<u>\$ 985,188</u>

Commitments by fiscal year are as follows:

2003	95,689
2004	82,885
2005	71,588
2006	66,029
2007	63,409
2008 and beyond	<u>605,588</u>
	<u>\$ 985,188</u>

In accordance with a Declaration of Trust Agreement, the Canada Mortgage and Housing Corporation (CMHC) transferred its ownership interest in territorial rental and loan portfolios to the Northwest Territories Housing Corporation as Trustee. The Northwest Territories Housing Corporation in turn transferred this interest to the Nunavut Housing Corporation (the Corporation). The Corporation assumed full responsibility and liability for the social housing programs related to the portfolio and receives annual funding from CMHC to manage these programs. The agreement and funding expire in 2038.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

16 COMMITMENTS (continued)

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$148,608,000 maturing between 2003 and 2038, plus interest of \$271,265,000 at interest rates ranging from 4.5% to 21.5%. As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains on the disposal of any portfolio assets.

The portfolio assets and mortgages, held in trust, are recorded only as a commitment in these financial statements. Additionally, since CMHC retains the annual mortgage-related funding to make the mortgage payments, neither the funding nor the mortgage payments are recorded by the Government.

17 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 would 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. Significant claims are described in Note 18.

b) Environmental restoration costs

As circumstances and funding have permitted, the Government has been addressing the problem of environmental liabilities. This process has consisted, in a number of departments, of identifying sites of potential liability, if necessary, for each site and, on an ongoing basis, remediating the site. Costs of remediating the sites are charged to operations as incurred.

Sites in, or in close proximity to, communities have been identified where environmental liabilities may exist. Assessments are being done on an ongoing basis and remediation plans are in place for those sites where environmental hazards have been identified. In addition, fuel caches outside communities have been identified and a program of ongoing site inspection, and where necessary drum removal and remediation is in place. There are however, a significant number of existing sites where, due to remoteness or the small number of drums involved (with the potential for only limited local contamination), formal site inspections have yet to be made.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2002

17 CONTINGENCIES (continued)

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. While estimates of the costs attributable to the Government are not yet available, the Government will continue to work in a practical manner towards the determination and recognition of environmental liabilities.

In those cases where the cost of remediating sites is quantifiable, an estimate of the liability is accrued. As of March 31, 2002, no costs have yet been quantified so no liability has been accrued.

18 SUBSEQUENT EVENTS

a) Equal Pay Settlement

In March 1989, the Public Service Alliance of Canada filed an equal pay complaint against the Government of the Northwest Territories (GNWT).

The complaint was settled by order of the Canadian Human Rights Tribunal in 2002. In accordance with s. 4.13 of the Agreement on Assets and Liabilities entered into between the GNWT and the Interim Commissioner of Nunavut on Division, the Government of Nunavut's share of the settlement is estimated to be \$12,800,000. This amount has been included as an expense in the Statement of Operations and as an amount due to the GNWT in the Statement of Financial Position.

b) Litigation related to alleged actions of former schoolteacher

In January 2001, the Governments of Nunavut and the Northwest Territories were named as defendants in a class action suit filed on behalf of approximately 85 plaintiffs. The suit relates to alleged abuse by a former school teacher in a number of Communities in the Northwest Territories prior to Division. Counsel for the GNWT assumed the defence of the action and the GNWT will pay 55.66 % of any settlement in accordance with the Agreement on Assets and Liabilities. The GN remains liable for the balance of 44.34% of any settlement. During the year, the parties agreed to attempt to settle the litigation through a judicial Alternative Dispute Resolution (ADR) process as provided in the Supreme Court Rules. During the fiscal year ended March 31, 2002, an advance payment of \$1,000,000 was paid (GN portion \$443,000).

Subsequent to year end, a provisional settlement in the amount of \$21,500,000 was reached. The Government of Nunavut's share of \$9,200,000 is included as an expense and a liability in these financial statements. It is possible that a portion of Nunavut's estimated cost will be recovered from insurers. However, the amount of recovery, if any, is not known at this time. Any recoveries from insurers will be included in revenue when received.

19 COMPARATIVE INFORMATION

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, 2002

(thousands of dollars)

	2002	2001
From Canada		
Formula Financing Agreement (Note 6)	\$ 598,680	\$ 596,154
Transfer payments	90,158	91,004
	<u>688,838</u>	<u>687,158</u>
Revenues generated by Nunavut		
Taxes	37,662	43,650
General	30,366	38,796
Sales		
Liquor Commission Revolving Fund (net of cost of goods sold of \$1,461)	2,702	2,048
Petroleum Products Revolving Fund (net of cost of goods sold of \$66,947)	11,413	12,934
Net revenues Nunavut Power Corporation (Note 9)	(15,903)	-
Net revenues Northwest Territories Power Corporation (Note 9)	-	3,072
	<u>66,240</u>	<u>100,500</u>
Total revenues	<u>\$ 755,078</u>	<u>\$ 787,658</u>

Consolidated Schedule of Tangible Capital Assets

as at March 31, 2002
(thousands of dollars)

	Buildings	Capital Lease Buildings	Storage	Tank Farms	Equipment	Infrastructure	Land	2002	2001
Cost of Tangible Assets									
Opening balance	\$ 575,442	\$ 140,696	\$ 39,012	\$ 93,497	\$ 11,905	\$ 86,659	\$ 260	\$ 947,471	\$ 800,041
Additions	51,093	4,820	679	5,491	2,908	12,631	-	77,622	151,463
Disposals	(2,454)	-	-	-	(45)	-	-	(2,499)	(4,033)
Closing balance	624,081	145,516	39,691	98,988	14,768	99,290	260	1,022,594	947,471
Accumulated Amortization									
Opening Balance	(94,471)	(6,168)	(4,714)	(6,001)	(5,815)	(5,607)	-	(122,776)	(92,706)
Amortization for the year	(17,461)	(4,808)	(1,232)	(3,205)	(2,355)	(2,988)	-	(32,049)	(30,170)
Disposals	200	-	-	-	21	-	-	221	100
Closing balance	(111,732)	(10,976)	(5,946)	(9,206)	(8,149)	(8,595)	-	(154,604)	(122,776)
Net Book Value	\$ 512,349	\$ 134,540	\$ 33,745	\$ 89,782	\$ 6,619	\$ 90,695	\$ 260	\$ 867,990	\$ 824,695
Estimated Useful Life	30 Years	30 Years	30 Years	30 Years	5 Years	30 Years			