

# Public Accounts

*2005 - 2006*



**PUBLIC ACCOUNTS**  
**OF THE**  
**GOVERNMENT OF NUNAVUT**  
**FOR THE YEAR ENDED MARCH 31, 2006**

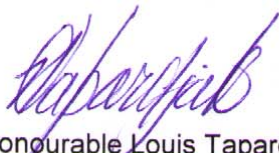
**HONOURABLE LOUIS TAPARDJUK**

**Minister of Finance**

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**THE HONOURABLE ANN M. HANSON  
COMMISSIONER OF NUNAVUT**

I have the honour to present the Public Accounts of Nunavut for the fiscal year ended March 31, 2006. 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 Louis Tapardjuk  
Minister of Finance

Government of Nunavut  
Iqaluit, Nunavut

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**Public Accounts of the  
Government of Nunavut  
March 31, 2006**

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**SECTION I**  
**CONSOLIDATED FINANCIAL STATEMENTS**



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## 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 through the Department of Finance.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). When GAAP 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 statements.

The Government fulfills its accounting and reporting responsibilities, through the Department of Finance, by maintaining systems of financial management and internal control. These systems are continually enhanced and modified to provide 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 Accountability 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, financial 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, in all material respects, the financial position, results of operations, change in net financial assets (debt) and cash flow 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.



Peter Ma  
Deputy Minister of Finance



Gerry M. O'Donnell  
Comptroller General

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## 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, 2006 and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flow 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.

Because the Nunavut Business Credit Corporation (NBCC), an entity fully consolidated in these financial statements, did not maintain proper books of accounts, a denial of opinion was issued on the NBCC March 31, 2006 financial statements. As a result, I am unable to determine whether adjustments with respect to NBCC's recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statements of operations and equity, will have a material effect on these financial statements.

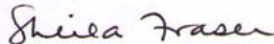
In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to NBCC's assets, liabilities and the components making up the statements of operations and equity of NBCC as described in the above paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2006 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.

Under section 44 of the *Nunavut Act*, the government is required to table its consolidated financial statements in the Legislative Assembly by December 31 each year for the fiscal year ended in March that year. As I have reported in my reports to Nunavut's Legislative Assembly, the Government has never met this requirement. For the first six years of Nunavut's operations, the Government tabled its consolidated financial statements well after the statutory deadline, in some years as late as 14 months after the deadline, and some 23 months after year end. For this seventh year, the Government has again not tabled its consolidated financial statements by the deadline.

The transactions of the Nunavut Business Credit Corporation have not, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* for Nunavut and regulations, the *Nunavut Business Credit Corporation Act* and regulations and the by-laws of the Corporation. Under section 89 of the *Financial Administration Act* for Nunavut, the Corporation is required to establish the form and content of financial records in accordance with accepted accounting principles and practices and establish and maintain systems and procedures to ensure that financial and other assets are properly managed, accounted for and controlled and that all payments are properly authorized. The Corporation did not maintain proper books of account or a system of internal controls over revenues and expenses.

Further, the *Nunavut Business Credit Corporation Act* (the *Act*) and regulations prescribes the interest rates the Corporation may charge on its loans, limits the terms over which principal and interest may be repaid and prescribes the approval process for significant changes to the terms and conditions of loans. We noted the Corporation made changes to the prescribed interest rates, extended repayment terms beyond the limits imposed by the *Act* and changed other terms of the loans without the proper approval.

In my opinion, except for the failure of the Government to meet the deadline for tabling consolidated financial statements and the effect of non compliance with the authorities of the Nunavut Business Credit Corporation as described in the above paragraphs, 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.



Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
October 31, 2007

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## GOVERNMENT OF NUNAVUT

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### Consolidated Statement of Financial Position

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as at March 31, 2006

(thousands of dollars)

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	2006	2005 (Restated Note 3)
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 241,007	\$ 209,513
Employee future benefits (Note 11 (a))	18,015	16,242
Pension liabilities (Note 11 (b))	4,467	4,028
Long term debt (Note 12)	114,431	55,761
Capital lease obligations (Note 15)	126,645	130,789
<b>Total liabilities</b>	<b>504,565</b>	<b>416,333</b>
<b>Financial assets</b>		
Cash and temporary investments (Note 4)	141,817	39,604
Long term investments (Note 5)	8,740	7,363
Due from the Government of Canada (Note 6 (a))	74,922	78,607
Other revenues receivable (Note 6 (b))	57,937	85,481
Inventories for resale (Note 7(a))	55,622	35,934
Loans receivable (Note 8)	21,347	17,568
Investment in Qulliq Energy Corporation (Note 9)	-	41,644
<b>Total financial assets</b>	<b>360,385</b>	<b>306,201</b>
<b>Net financial assets (debt)</b>	<b>(144,180)</b>	<b>(110,132)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule B)	1,143,516	1,002,595
Inventories for use (Note 7(b))	11,765	-
Prepaid expenses	2,511	2,682
<b>Total non-financial assets</b>	<b>1,157,792</b>	<b>1,005,277</b>
<b>Accumulated surplus</b>	<b>\$ 1,013,612</b>	<b>\$ 895,145</b>
Commitments (Note 16)		
Contingencies (Note 17)		

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

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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Operations and Accumulated Surplus****for the year ended March 31, 2006***(thousands of dollars)*

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	<b>2006</b>	<b>2005</b> (Restated Note 3)
<b>Revenues (Schedule A)</b>		
From the Government of Canada	\$ 981,103	\$ 883,106
Revenues generated by the Government of Nunavut	118,558	94,721
<b>Total revenues</b>	<b>1,099,661</b>	<b>977,827</b>
<b>Expenses (Note 13)</b>		
Health and Social Services	223,748	203,828
Community and Government Services	188,777	152,731
Education	182,759	176,269
Nunavut Housing Corporation	154,756	144,572
Justice	56,428	52,005
Economic Development and Transportation	46,772	40,843
Finance	55,947	64,147
Others	72,007	67,622
<b>Total expenses</b>	<b>981,194</b>	<b>902,017</b>
<b>Excess of revenues over expenses</b>	<b>118,467</b>	<b>75,810</b>
<b>Net income - Quilliq Energy Corporation (Note 9)</b>	<b>-</b>	<b>17,543</b>
<b>Projects for the Government of Canada and others (Note 18)</b>		
Revenues	35,759	37,381
Expenses	(35,759)	(37,381)
<b>Surplus for the year</b>	<b>118,467</b>	<b>93,353</b>
<b>Accumulated surplus, beginning of the year</b>	<b>895,145</b>	<b>801,792</b>
<b>Accumulated surplus, end of the year</b>	<b>\$ 1,013,612</b>	<b>\$ 895,145</b>

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

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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Change in Net Financial Assets (Debt)**

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**as at March 31, 2006***(thousands of dollars)*

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	<b>2006</b>	<b>2005</b> (Restated Note 3)
<b>Surplus for the year</b>	\$ 118,467	\$ 93,353
<b>Tangible capital assets (Schedule B)</b>		
Additions	(80,926)	(105,034)
Adjustment for QEC opening balance	(115,530)	-
Amortization	53,182	45,093
Disposals and write-downs	2,353	7,043
	(140,921)	(52,898)
<b>Net use (additions) of inventories for use</b>	(11,765)	-
<b>Net use (additions) of prepaid expenses</b>	171	5,438
	(11,594)	5,438
<b>Change in net financial assets (debt)</b>	(34,048)	45,893
<b>Net financial assets (debt), beginning of the year</b>	(110,132)	(156,025)
<b>Net financial assets (debt), end of the year</b>	\$ (144,180)	\$ (110,132)

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



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**GOVERNMENT OF NUNAVUT**

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**Consolidated Statement of Cash Flow****for the year ended March 31, 2006****(thousands of dollars)**

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	<b>2006</b>	<b>2005</b> <small>(Restated Note 3)</small>
<b>Cash provided by (used for) government operations:</b>		
Transfers from the Government of Canada	\$ 1,032,421	\$ 923,924
Taxes	42,415	38,299
Payment of interest under capital leases	(9,199)	(7,729)
Payment of interest on long term debt	(3,933)	(4,048)
Other government revenues	274,934	132,943
Grants and contributions	(170,921)	(157,500)
Salaries and employee benefits	(356,327)	(292,751)
Goods and services acquired	(604,740)	(525,313)
<hr/>		
Cash provided by (used for) government operations	204,650	107,825
<hr/>		
<b>Cash provided by (used for) capital activities:</b>		
Acquisition of capital assets, net of long term debt assumed	(79,751)	(95,551)
Sale of tangible capital assets	1,232	1,518
<hr/>		
Cash provided by (used for) capital activities	(78,519)	(94,033)
<hr/>		
<b>Cash provided by (used for) investing activities:</b>		
Loans to municipalities, businesses and individuals	(13,325)	(8,098)
Acquisition of long term investments	(1,377)	(3,320)
Loan repayments received by the government	4,550	3,565
Investment in Qulliq Energy Corporation	-	(10,000)
<hr/>		
Cash provided by (used for) investing activities	(10,152)	(17,853)
<hr/>		
<b>Cash provided by (used for) financing activities:</b>		
Principal payments of capital lease financing	(7,563)	(8,827)
Principal payments of long term debt	(18,332)	(1,645)
<hr/>		
Cash provided by (used for) financing activities	(25,895)	(10,472)
<hr/>		
<b>Increase (decrease) in cash and temporary investments</b>	<b>90,084</b>	<b>(14,533)</b>
<hr/>		
<b>Cash and temporary investments, beginning of the year</b>	<b>39,604</b>	<b>54,137</b>
Qulliq Energy Corporation, Cash, beginning of the year (Note 9)	12,129	-
<hr/>		
<b>Adjusted cash and temporary investments, beginning of the year</b>	<b>51,733</b>	<b>54,137</b>
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<b>Cash and temporary investments, end of the year</b>	<b>\$ 141,817</b>	<b>\$ 39,604</b>

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

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2006 (thousands of dollars)

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#### 1 AUTHORITY AND OPERATIONS

##### Authority and government reporting entity

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

These consolidated financial statements are prepared to meet the financial reporting requirements in the *Nunavut Act* and the *Financial Administration Act* (Nunavut). The following organizations comprise the reporting entity represented by these consolidated financial statements. These organizations are accountable to, and are controlled by the Government.

##### Entities fully consolidated in these financial statements

Government of Nunavut, including those departments  
set out in the Government's Main Estimates  
Revolving funds  
Nunavut Housing Corporation  
Nunavut Arctic College  
Nunavut Development Corporation (including subsidiaries)  
Nunavut Business Credit Corporation  
Qulliq Energy Corporation (2005 - modified equity method)

##### Authority for operations

*Financial Administration Act*  
*Revolving Funds Act*  
*Nunavut Housing Corporation Act*  
*Public Colleges Act*  
*Nunavut Development Corporation Act*  
*Nunavut Business Credit Corporation Act*  
*Qulliq Energy Corporation Act*

##### Budget

A comparison of budgeted and actual results is provided in the Government's unaudited, non-consolidated financial statements, which are included in Section II of the Public Accounts.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

- (a) These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) as required by Section 45 of the *Nunavut Act*. Accordingly, the Government has adopted the recommendations of the PSAB as the primary basis of its accounting policies.

##### (b) Principles of consolidation

All entities included in the reporting entity, are fully consolidated except as noted below. Significant transactions and balances between consolidated entities are eliminated. Under the modified equity method, the Government reports only its investment in the entities and their net income (loss), and financial transactions and balances between the entities and others in the reporting entity are not eliminated.

Qulliq Energy Corporation (QEC) was accounted for using the modified equity method in 2005.

The consolidated financial statements do not reflect the financial position of District Education Authorities (DEAs). The financial operations of the DEAs are reflected only to the extent that their operations were financed by or contributed to the Government. Changes to the GAAP definition of the Government Reporting Entity (GRE) for purposes of the consolidated financial statements required that DEAs, and other organizations that were previously not included, become part of the GRE effective April 1, 2005. While the other organizations have been included in these consolidated financial statements, the DEAs will not be included until the March 31, 2007 fiscal year. There was not sufficient information available to allow for the consolidation of the DEAs into these consolidated financial statements in accordance with GAAP. Management considers the impact of the non-consolidation of DEAs to have no material impact on the Government's March 31, 2006 consolidated financial statements.

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2006 (thousands of dollars)

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (c) Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with GAAP requires the Government 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 statements, the Government 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 revenue (collected by the Government of Canada on the Government's behalf) and grant revenue from the Government of Canada in areas such as the Canada Health Transfer and Canada Social Transfer. These revenues and grants are subject to revision by the Government of Canada in future years; and

(ii) Allowance for doubtful accounts, loan valuation allowances, provision for losses on loan guarantees, amortization of tangible capital assets and employee future benefits.

##### (d) Pension and non-pension employee future benefits

###### Non-pension benefits

Under the terms and conditions of employment, government employees may earn non-pension benefits for resignation, severance and removal costs based on years of service. These benefits are paid upon resignation, retirement or death of the employee. The estimated liability and related expenses for these benefits are recorded as employees earn them. Termination benefits are recorded when employees are identified for lay-off. The cost of these benefits has been determined based on management's best estimates using expected compensation levels and employee leave credits.

###### Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2005 - 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represent the total pension obligations. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the plan.

The costs and obligations for the Government's pension benefits to Members of the Legislative Assembly are determined on an actuarial basis. This is done to determine the current value of future entitlements 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.

##### (e) Obligations and commitments

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.

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## GOVERNMENT OF NUNAVUT

### Notes to Consolidated Financial Statements

for the year ended March 31, 2006

(thousands of dollars)

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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 in the year they are incurred.

##### Commitments and contingencies

The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual commitments pertain to block funding agreements with municipalities, operating commercial leases, capital projects, and operational funding commitments. Commitments are not accrued.

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, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed. Contingent liabilities result from potential environmental contingencies or pending litigation and like items.

##### Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimates at the time the contamination occurs or when the Government becomes aware of the contamination and is obligated or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. Environmental liabilities are reported as part of accrued liabilities.

#### **(f) Cash, cash equivalents, designated cash and investments**

Cash and cash equivalents are comprised of bank account balances and short-term highly liquid investments that are readily convertible to cash.

Temporary investments are valued at the lower of cost and market value. Long term investments are valued at cost with premiums and discounts amortized over the period to maturity.

Interest income is recognized on an accrual basis, dividend income is recognized when declared, and capital gains and losses are recognized as incurred. Unrealized losses in designated cash and investments in long-term investment are recognized when it is determined that there is a permanent impairment in the value of the investments and are included as a component of investment income.

#### **(g) Inventories for resale**

Inventories for resale include bulk fuel, liquor products, arts and crafts. Bulk fuel, arts and crafts are valued at the lower of cost and net recoverable value. Liquor inventory is valued at the lower of cost and replacement cost.

#### **(h) 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 recorded on an accrual basis when the collectability of both principal and interest are reasonably assured.

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**GOVERNMENT OF NUNAVUT****Notes to Consolidated Financial Statements**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Non-financial assets**

Non-financial assets, including tangible capital assets, inventories for use and prepaid expenses, are accounted for by the Government only if they are expected to be used to provide government services in future years. These assets would not normally be used to provide financial resources to discharge liabilities of the Government unless they were sold. Non-financial assets are amortized or charged to expenses in future periods as they are used to provide or support the provision of government services.

**(j) Tangible capital 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 roads, buildings, vehicles, equipment, water and other utility systems, aircraft, computer hardware and software, dams, canals, and bridges. Tangible capital assets with a cost of less than fifty thousand dollars are fully expensed in the year of acquisition.

Tangible capital assets are recorded at cost, or where actual cost is not available, estimated current replacement cost converted back to the date of purchase by discounting current year dollars for inflation. Gifted and cost shared tangible capital assets are recorded at fair market value upon receipt, with the gifted or cost shared portion recorded as a deferred capital contribution, and recognized as revenue on the same basis as the related asset is amortized.

Capital leases 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 a specified rate or the Government's borrowing rate at the time the obligation is incurred.

Tangible capital assets, when placed in service, are amortized on a straight line basis over their estimated useful life. The assets are amortized based on the following guidelines:

<b>Asset Category</b>	<b>Amortization Period</b>
Land	Not amortized
Buildings	30 years
Leased Buildings	30 years
Infrastructure	30 years
Tank Farms	30 years
Storage Facilities	30 years
Equipment	5 years
Electric Power Plants	20-40 years
Transmission Distribution Systems	20-40 years
Heavy Equipment	20-40 years

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.

Tangible capital assets acquired by right, such as Crown lands, forests, 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.

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## GOVERNMENT OF NUNAVUT

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### Notes to Consolidated Financial Statements for the year ended March 31, 2006 (thousands of dollars)

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (k) 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:

##### Grant from the Government of Canada

The Government receives transfer payments in the form of a grant from the Government of Canada pursuant to the *Federal-Provincial Fiscal Arrangements Act*.

Entitlements under the Formula Financing Agreement (1999 - 2000 to 2003 - 2004) changed as of March 31, 2004. Under the new fiscal framework, the final amount of the grant for any one fiscal year is determined as a proportion of the aggregate amount for the three territories specified in the legislation.

Should any adjustments arise in the future concerning prior years, they will be accounted for in the year in which federal legislation authorizes the adjustment.

##### Other transfers from the Government of Canada

Other transfers from the Government of Canada are recognized as revenue in the period that the events giving rise to the transfer occurs as long as: (i) the transfer is authorized; (ii) the Government has met any eligibility criteria; and (iii) a reasonable estimate of the amount of the transfer can be made. 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 tax revenue is recognized on an accrual basis. Taxes, under the *Income Tax Act*, are collected by the Government of Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. 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 that year are finalized.

Property taxes 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.

##### (l) Expenses

Expenses are recorded on an accrual basis.

Grants and contributions made by the Government are recorded as expenses when the following criteria are all met: (i) the grant or contribution has the necessary authorization; (ii) the recipient has met any eligibility criteria; and (iii) a reasonable estimate of the amount of the expense can be made. Grants or contributions paid prior to all three conditions being met are accounted for as prepaid expenses until all conditions are met by the recipient.

##### (m) Financial instruments

The fair value of short term financial instruments, including accounts payable and accrued liabilities, cash and temporary investments, due from the Government of Canada and revenues receivable approximate their carrying amounts because of their short term to maturity.

The fair value of the Government's long term financial instruments, including long term debt, capital lease obligations, pension liabilities, long term investments and loans receivable, are detailed in the related notes. Where fair value amounts are not detailed, the carrying amounts approximate their fair value.

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**GOVERNMENT OF NUNAVUT****Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**3 ACCOUNTING CHANGES**

The 2004-05 comparative numbers have been restated with the following impacts to the accumulated surplus.

Accumulated surplus, end of the 2004-05 year, before the accounting changes	\$	960,300
a) Change in accounting policy - Inclusion of local housing organizations		(5,633)
b) Correction of error - Amortization of tangible capital assets		(59,618)
c) Correction of error - Change in Nunavut Housing Corporation's financial statements		96
<hr/>		
Accumulated surplus, end of the 2004-05 year, after the accounting changes	\$	895,145

a) The Nunavut Housing Corporation (NHC) adopted Accounting Guideline 15: Consolidation of Variable Interest Entities which requires entities that do not have sufficient equity at risk to finance their activities without additional support to be consolidated. Local housing organizations are variable interest entities and the guideline requires that they be consolidated with the financial results of the entity deemed to be the primary beneficiary of their expected gains and losses, or both. As the primary beneficiary, NHC has consolidated local housing organizations retroactively to April 1, 2004.

b) For purposes of the government's financial statements, amortization of tangible capital assets by territorial corporations is to be accounted for using the straight line rather than declining balance method. In the past, territorial corporations were consolidated without adjusting the method of amortization causing similar assets to be amortized at different rates. The change was implemented retroactively, resulting in restatement of 2004-05 balances previously reported.

c) The March 31, 2005 Public Accounts for the Government were finalized prior to completion of the Nunavut Housing Corporation's 2004-05 financial statements. Subsequent to publication of the Public Accounts changes were made to NHC's accounts.

d) The Government is the sole shareholder of Qulliq Energy Corporation (QEC), a territorial corporation providing utility services to the Nunavut Territory. In 2006, the operations of QEC are consolidated on a line-by-line basis as part of the government reporting entity on a prospective basis. In 2005 and prior years, QEC was designated as a government business enterprise (GBE) and as such was accounted for using the modified equity method. Under this method, the Government reported only its investment in QEC and the corporation's net income (loss). Financial transactions and balances between QEC and other entities in the reporting entity were not eliminated. However, in 2006, it was determined that QEC no longer met all the criteria of a GBE and, as such, it was fully consolidated as at March 31, 2006. As a result of QEC being accounted for on a full consolidation basis starting in 2005-06, the Government's annual surplus reported for that year is \$2,571 lower than it would have otherwise been.

**4 CASH AND TEMPORARY INVESTMENTS**

	2006 Effective Rate of Return	2006 Term to Maturity	2006 Carrying Value	2005 Carrying Value (Restated Note 3)
Chartered banks			\$ 78,919	\$ 11,747
Northern Strategy Trust Funds			26,667	-
Designated cash and investments			4,858	4,565
Money market funds	1.25% to 6.25%	193 days	31,373	23,292
			<hr/>	
			\$ 141,817	\$ 39,604

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**4 CASH AND TEMPORARY INVESTMENTS (continued)**

Designated cash of \$4,858 includes:

\$3,890 (2005 - \$3,393) invested for the purpose of meeting the obligations of the Supplementary Retiring Allowances Fund of the Legislative Assembly (see Note 11). These amounts cannot be used to discharge other obligations incurred by the Government. The assets in the investment portfolio 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 the investment portfolio at March 31, 2006 was \$4,927 (2005 - \$4,056) with a return of 14.89% (2005 - 7.41%).

\$968 (2005 - \$1,172) which represents funds reserved for further investments or financing for subsidiary business enterprises and venture investments.

**5 LONG TERM INVESTMENTS**

	<b>2006 Effective Rate of Return</b>	<b>2006 Term to Maturity</b>	<b>2006 Carrying Value</b>	<b>2005 Carrying Value</b>
Government of Canada (AAA)	3.26%	1 to 2 years	\$ 1,031	\$ 1,031
Trust Company (AAA)	3.55%	1 to 3 years	1,015	1,015
Alberta Capital Finance Authority (AAA)	4.50%	1 to 9 years	2,067	1,000
Province of Manitoba (A high)	4.63%	1 to 9 years	1,201	2,191
Province of New Brunswick (A high)	4.30%	1 to 9 years	1,300	-
Province of Ontario (AA)	4.50%	1 to 9 years	2,126	2,126
			<b>\$ 8,740</b>	<b>\$ 7,363</b>

The average yield of this portfolio in 2006 was 4.23% (2005 - 4.26%).  
The investment ratings are provided by Dominion Bond Service.

**6 REVENUES RECEIVABLE**

<b>(a) Due from the Government of Canada</b>	<b>2006</b>	<b>2005 (Restated Note 3)</b>
Canada Mortgage and Housing Corporation	\$ 526	\$ 476
Goods and Services Tax	4,974	4,815
Other receivables	69,422	73,316
	<b>\$ 74,922</b>	<b>\$ 78,607</b>

**(b) Other revenues receivable**

From District Education Authorities	\$ 490	\$ -
From Qulliq Energy Corporation	-	8,589
Other accounts receivable of the Petroleum Products Division	18,667	44,660
Other accounts receivable of other departments	16,874	28,706
Other accounts receivable of the Territorial Corporations	30,962	11,312
Less: Allowance for doubtful accounts	(9,056)	(7,786)
	<b>\$ 57,937</b>	<b>\$ 85,481</b>



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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**7 INVENTORIES**

	<b>2006</b>		<b>2005</b> <b>(Restated</b> <b>Note 3)</b>
<b>(a) For resale</b>			
Bulk fuels	\$ 52,479	\$	33,308
Liquor	618		654
Raw materials and work-in-progress	2,333		1,814
Packaging materials and supplies	192		158
	<hr/> \$ 55,622	<hr/> \$	<hr/> 35,934 <hr/>
<b>(b) For use</b>			
Fuel	\$ 7,837	\$	-
Supplies and lubricants	3,409		-
Health and medical supplies	519		-
	<hr/> \$ 11,765	<hr/> \$	<hr/> - <hr/>

**8 LOANS RECEIVABLE**

	<b>2006</b>		<b>2005</b>
Mortgage loans from Nunavut Housing Corporation to individuals with a maximum maturity of 25 years, bearing interest between 6.0% and 14.25%, net of valuation allowance of \$7,364 (2005 - \$6,976).	\$ 2,293	\$	2,944
Loans from Nunavut Business Credit Corporation to businesses with a maximum maturity of 25 years, bearing interest between 4.07% and 11.50%, net of valuation allowance of \$1,390 (2005 - \$637).	16,651		11,394
Loans to municipalities due in instalments to 2009, bearing interest between 0% and 8.0%, net of valuation allowance of \$100 (2005 - \$437).	1,267		1,331
Student Loan Fund loans due in instalments to 2017, bearing interest between 3.0% and 12.5%, net of allowances for valuation and forgiveness of \$3,006 (2005 - \$1,988).	1,033		1,554
Other, Qikiqtaq Co-op Mall Mortgage, net of allowance for impaired loan of \$240 (2005 - nil).	103		345
	<hr/> \$ 21,347	<hr/> \$	<hr/> 17,568 <hr/>

The carrying value, at the lower of cost or net recoverable value, is estimated to be the fair value of these loans receivable due to the valuation allowances provided.

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**GOVERNMENT OF NUNAVUT****Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**9 INVESTMENT IN QULLIQ ENERGY CORPORATION (QEC)**

For the year ended March 31, 2006, QEC has been fully consolidated on a line-by-line basis (see Note 3(d)). In prior years, it had been accounted for as a government business enterprise and reported on a modified equity basis in the Government's consolidated financial statements. Summary financial information of QEC for 2004-05 is presented below.

	<b>2005</b>
Investment in Qulliq Energy Corporation	
Shareholder's Equity, including nominal share capital of a dollar	\$ 41,644
<hr/>	
Shareholder's Equity is represented by:	
Assets:	
Cash	\$ 12,129
Accounts receivable and accrued revenue	17,669
Recovery of increased fuel costs	4,460
Inventories	7,493
Prepaid expenses	611
Property, plant and equipment	118,924
<hr/>	
Total Assets	161,286
<hr/>	
Liabilities:	
Accounts payable and accrued liabilities	10,196
Due to Petroleum Products Division	2,536
Due to Government - fuel tax and others	2,336
Due to Government - loan	5,611
Long-term debt	77,000
Other liabilities	21,963
<hr/>	
Total Liabilities	119,642
<hr/>	
	\$ 41,644
<hr/>	

**Statement of Operations and Surplus**

Revenues (generated)	\$ 57,067
Contribution from Government	22,000
Post-division adjustment	535
Expenses	(62,059)
Net gain	17,543
<hr/>	
Shareholder's Equity, beginning of year	14,101
Contributed Surplus from Government	10,000
<hr/>	
Shareholder's Equity, end of year	\$ 41,644
<hr/>	

Included in the above are 2004-05 revenues from, and expenditures to, entities in the Government's reporting entity of \$20,033 and \$23,514, respectively. In 2004-05, the Government reported net income of \$17,543 from its investment in QEC.

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2006</b>		<b>2005</b> (Restated Note 3)	
<b>Payable to related parties</b>				
Qulliq Energy Corporation	\$	-	\$	6,687
District Education Authorities		1,138		422
		<u>1,138</u>		<u>7,109</u>
<b>Other</b>				
Accounts payable		85,192		77,102
Other liabilities, payroll deductions, and contractor holdbacks		69,198		43,802
Vacation pay and lieu time		14,512		18,030
Due to the Government of Canada		21,222		17,622
Due to the Government of the Northwest Territories		13,997		15,184
Deferred revenue		35,748		30,664
		<u>239,869</u>		<u>202,404</u>
	<u>\$</u>	<u>241,007</u>	<u>\$</u>	<u>209,513</u>

**11 PENSION, RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS****(a) Non-Pension**

	<b>2006</b>		<b>2005</b> (Restated Note 3)	
Severance	\$	8,707	\$	7,889
Removal		9,308		8,353
		<u>\$ 18,015</u>		<u>\$ 16,242</u>

**(b) Pension**

## i) Public Service Pension Plan

Both the Government and its employees make contributions to the Public Service Pension Plan administered by the Government of Canada. In 2006, the Government's contributions were \$23,694 (2005 - \$21,198).

The amount of the Government's contributions is set by the Government of Canada and represents 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.

## ii) Legislative Assembly Retiring Allowances Plans

The Government of Nunavut 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.

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**11 PENSION, RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

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. The plan came into effect during the 2001-02 year, and provides for benefits retroactive to April 1, 1999.

The last actuarial valuation of the plans was on April 1, 2004. 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 best estimates as determined by the Management and Services Board of the Legislative Assembly. These include a rate of return on assets of 7.0 % and inflation of 4.0 % for the LARAF as well as a rate of return on assets of 6.5 % and inflation of 4.0 % for the SRAF.

Retirement benefits are payable to MLAs 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 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 69.

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.

MLA pension liabilities as of March 31 are as follows:

	Pension plan		Pension plan			
	LARAF	SRAF	2006		2005	
Accrued benefit obligation	\$ 2,570	\$ 3,980	\$ 6,550	\$	5,463	
Deduct:						
Pension fund assets	2,421	-	2,421		1,790	
Unamortized actuarial (gain) loss	51	(389)	(338)		(355)	
	2,472	(389)	2,083		1,435	
Pension liability	\$ 98	\$ 4,369	\$ 4,467	\$	4,028	

At March 31, 2006, LARAF pension fund assets had a market value of \$2,598 (2005 - \$1,845). The actual rate of return was 15.03% (2005 - 6.65%). The SRAF has no pension fund assets, however, the pension liability is to be funded all or in part by designated cash and investments (see Note 4).

LARAF and SRAF actuarial gains/losses are amortized over 6.1 and 5.5 years, respectively (2005 - 6.1 and 5.5 years, respectively).

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**11 PENSION, RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

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

	<b>LARAF</b>	<b>SRAF</b>	<b>2006</b>	<b>2005</b>
Current period benefit cost	\$ 443	\$ 890	\$ 1,333	\$ 1,393
Amortization of actuarial (gains) losses	21	(75)	(54)	(38)
MLAs contributions	464	815	1,279	1,355
	(146)	-	(146)	(145)
Pension expense	318	815	1,133	1,210
Interest cost on the average accrued benefit obligation	170	274	444	376
Expected return on average pension plan assets	(147)	-	(147)	(126)
Pension interest expense	23	274	297	250
Total expenses related to pensions	\$ 341	\$ 1,089	\$ 1,430	\$ 1,460

Pension benefits paid for the LARAF and SRAF were \$53 and \$392, respectively (2005 - \$551 and \$317 respectively).

The Government's contributions related to the LARAF and SRAF during the year were \$349 and \$641 respectively (2005 - \$299 and \$658 respectively).

**12 LONG TERM DEBT AND BORROWING AUTHORITY LIMIT**

<b>Loans and mortgages payable</b>	<b>2006</b>	<b>2005</b>
Loans payable to Canada Mortgage and Housing Corporation, repayable in annual instalments to the year 2032, bearing interest at a rate of 6.97%. The discounted cash flows approximate the carrying value.	\$ 48,882	\$ 50,446
Mortgage payable in annual instalments to the year 2020, bearing interest at a rate of 6.803% compounded semi-annually.	5,117	5,315
Redeemable 20 year amortizing debenture, bearing interest at 6.8909% after 2021, due September 27, 2021. Blended semi-annual payments of \$2,848 with a balloon payment of \$17,502 at the end of the term.	59,432	-
Floating rate capital loan facility due April 1, 2006. Interest is at bank prime (2006 - 4.50%).	1,000	-
	\$ 114,431	\$ 55,761

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

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**for the year ended March 31, 2006**

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**(thousands of dollars)**

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**12 LONG TERM DEBT AND BORROWING AUTHORITY LIMIT (continued)**

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

	<b>Principal</b>		<b>Interest</b>		<b>Total</b>
2007	\$ 4,565	\$	7,826	\$	12,391
2008	3,817		7,575		11,392
2009	4,083		7,308		11,391
2010	4,370		7,021		11,391
2011	4,677		6,714		11,391
2012 and beyond	92,919		50,844		143,763
	\$ 114,431	\$	87,288	\$	201,719

Interest expense on long term debt was \$8,322 for the year (2005 - \$4,189). The interest paid on long term debt during the year was \$8,326 (2005 - \$4,194).

**Borrowing Authority**

The Governor in Council, pursuant to subsection 27(2) of the *Nunavut Act*, has approved Government borrowing up to \$200 million.

	<b>2006</b>		<b>2005</b>
Qulliq Energy Corporation, long term debt	\$ 60,432	\$	77,000
Nunavut Housing Corporation, long term debt	48,882		50,446
Qulliq Energy Corporation, bank overdraft liability	6,968		-
Government of Nunavut, bank overdraft liability	-		25,193
Government of Nunavut, mortgage payable	5,117		5,315
Nunavut Development Corporation, subsidiary credit facilities	125		267
Total debt	121,524		158,221
Authorized borrowing limit	200,000		200,000
Available borrowing capacity	\$ 78,476	\$	41,779

The Government of Nunavut guarantees the long term debt of Qulliq Energy Corporation and Nunavut Housing Corporation as well as the bank overdraft 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.

**13 EXPENSES BY TYPE**

	<b>2006</b>		<b>2005</b>
			<b>(Restated Note 3)</b>
Grants and contributions	\$ 170,426	\$	160,708
Salaries and employee benefits	322,596		282,201
Goods and services	488,172		459,108
	\$ 981,194	\$	902,017

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**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.

	<b>2006</b>		<b>2005</b> (Restated Note 3)
District Education Authorities	\$ 8,954	\$	10,958

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

**15 CAPITAL LEASE OBLIGATIONS**

Capital lease obligations are based upon contractual minimum lease payments for leases in effect as of March 31, 2006.

	<b>2006</b>		<b>2005</b>
Total minimum lease payments	\$ 204,229	\$	217,940
Less: imputed interest	(67,224)		(75,548)
Less: executory costs	(10,360)		(11,603)
Present value of minimum lease payments	\$ 126,645	\$	130,789

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

2007	\$ 16,799
2008	16,810
2009	16,814
2010	16,828
2011	16,825
2012 and beyond	120,153
	\$ 204,229

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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 \$9,317 (2005 - \$9,750) at an implied average interest rate of 7.2% (2005 - 7.0%). The capital lease obligations expire between 2013 and 2025.

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

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**for the year ended March 31, 2006**

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**(thousands of dollars)**

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**16 COMMITMENTS**

The Government has entered into agreements for, or is contractually committed to, the following payments subsequent to March 31, 2006:

	<b>Year of Expiration</b>		<b>Total</b>
Canada Mortgage and Housing Corporation	2038	\$	320,817
Commitments under operating leases	2023		293,593
Capital commitments	2010		46,676
Policing agreement	2012		134,284
Other commitments	2011		44,258
		\$	839,628

Commitments by fiscal year are as follows:

2007	\$	162,353
2008		84,249
2009		76,791
2010		73,417
2011		64,168
2012 and beyond		378,650
	\$	839,628

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 (NHC). The NHC 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 will expire in 2038.

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$121,585 maturing between 2006 and 2037, plus interest of \$199,232 at interest rates ranging from 4.5% to 19.75%. 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 mortgages, held in trust, are recorded only as a commitment in these financial statements. Additionally, since CMHC retains the annual mortgage-related funding responsibility 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 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.



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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**  
**for the year ended March 31, 2006**  
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**17 CONTINGENCIES (continued)****(b) Environmental restoration costs**

The Government recognizes that there are costs related to the restoration of any contaminated sites situated on lands within the Territory. A liability will be accrued in the financial statements when it has been determined that the Government is liable for a site that is contaminated and where a reasonable estimate of the remediation costs can be made.

As of March 31, 2006, the Government has accrued \$600 (2005 - \$1,500) for soil restoration at Port Burwell, Kiliniq Island and \$500 (2005 - nil) for soil restoration at Cape Warwick, Resolution Island. Any future liabilities for other sites will be recorded when identified and cost estimates of sufficient accuracy are obtained, and if it is determined that the Government is liable.

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. To facilitate this, the Government has established a committee to ensure all existing and potential liabilities are identified and appropriate actions initiated. This is an ongoing process which should show continuous improvement each year as the Government continues to work in a practical manner towards the determination and appropriate recognition of its environmental liabilities within the Territory.

**(c) Litigation**

More individuals have come forward alleging abuse by a former school teacher in the Territory when it was part of the Northwest Territories. Pursuant to agreements negotiated prior to the division of the territories, the Nunavut and Northwest Territories governments will jointly defend the action. The costs of defending the action and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66% respectively. An estimate of the Government's share of the loss that may result from these suits has been accrued; however the final outcome may vary significantly from this estimate.

A number of new 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, in addition to the case disclosed above. The Nunavut and Northwest Territories governments will jointly defend any such proceedings and the cost of defending the actions and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66% respectively. An estimate of any liability that may result from these actions is not determinable at this time; consequently no liability has been accrued.

There are 23 claims and threatened litigation cases outstanding against the Government for which the outcomes are not determinable, including a number where an amount is not specified. The nature of these claims include wrongful dismissal, breach of policy, personal injury, sexual abuse, medical negligence, wrongful arrest and assault. As of March 31, 2006, all of these claims have been assessed as being either without merit or not determinable at this time.

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**GOVERNMENT OF NUNAVUT**

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**Notes to Consolidated Financial Statements**

for the year ended March 31, 2006

*(thousands of dollars)*

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**18 PROJECTS FOR THE GOVERNMENT OF CANADA AND OTHERS**

	<b>2006</b>	<b>2005</b>
Revenues		
From the Government of Canada	\$ 32,617	\$ 33,506
From others	3,142	3,875
<b>Total revenues</b>	<b>\$ 35,759</b>	<b>\$ 37,381</b>
Expenses		
Compensation and benefits	\$ 10,656	\$ 10,146
Grants and contributions	7,637	8,088
Amortization of deferred capital contributions	1,530	948
Other expenses	15,936	18,199
<b>Total expenses</b>	<b>\$ 35,759</b>	<b>\$ 37,381</b>

**19 TRUSTS UNDER ADMINISTRATION**

The Government administers trust accounts on behalf of third parties.

	<b>2006</b>	<b>2005</b>
Public Trustee	\$ 3,153	\$ 2,904
Victim's Assistance Trust	219	301
Natural Resources Conservation Trust	248	242
Millennium Scholarship Fund	13	52
Scholarship Fund	37	36
Territorial Court Trust	36	34
Maintenance Enforcement Trust	16	16
Young Offenders Welfare Trust	6	15
Baffin Correctional Centre Welfare Trust	26	8
Baffin Correctional Centre Inmate Trust	9	4
Young Offenders Trust	2	3
Sheriff's Imprest Account	16	1
Nunavut Labour Standards Board Trust	7	-
HSS - Akausisarvik	10	-
HSS - Ikpigusukniqmut Foundation	35	-
<b>Total</b>	<b>\$ 3,833</b>	<b>\$ 3,616</b>

**20 SUBSEQUENT EVENTS**

In the May 2006 budget of the Government of Canada, a one-time payment of \$200 million was announced for the Territory to be paid into a third-party trust, contingent on sufficient funds from the Federal Government's 2005-06 surplus in excess of \$2 billion. The Northern Housing Trust will support investment to increase the supply of affordable housing in Nunavut.

**21 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, 2006

*(thousands of dollars)*

	2006	2005 (Restated Note 3)
<b>From the Government of Canada</b>		
Territorial formula financing agreement	\$ 809,930	\$ 766,550
Other transfer payments	171,173	116,556
	981,103	883,106
<b>Revenues generated by the Government of Nunavut</b>		
Taxes	43,611	29,803
General	60,360	45,071
Sales		
Liquor Revolving Fund - net of cost of goods sold of \$1,921 (2005 - \$1,290)	2,525	2,767
Petroleum Products Revolving Fund - net of cost of goods sold of \$114,028 (2005 - \$84,585)	12,062	17,080
	118,558	94,721
<b>Total revenues</b>	<b>\$ 1,099,661</b>	<b>\$ 977,827</b>

Consolidated Schedule of Tangible Capital Assets

as at March 31, 2006

(thousands of dollars)

	Buildings	Leased Buildings	Storage	Tank Farms	Equipment	Heavy Equipment	Electric Power Plants	Transmission Distribution Systems	Infrastructure	Land	2006	2005 (Restated Note 3)
<b>Cost of tangible capital assets</b>												
Opening balance	\$766,280	\$152,978	\$40,019	\$107,693	\$24,682	\$ -	\$ -	\$ -	\$ 119,974	\$ 316	\$1,211,942	\$ 1,145,822
Adjustment for QEC opening balance	6,299	-	-	-	4,600	675	122,306	21,881	-	-	155,761	-
Additions	16,071	1,997	-	268	5,149	-	6,374	1,652	395	103	32,009	44,786
Transfer from work in progress	725	-	-	898	47	-	7,492	-	3,912	-	13,074	22,637
Disposals	(2,783)	-	-	-	-	-	-	(65)	-	(19)	(2,867)	(1,303)
Closing balance	786,592	154,975	40,019	108,859	34,478	675	136,172	23,468	124,281	400	1,409,919	1,211,942
<b>Accumulated amortization</b>												
Opening balance	(232,405)	(26,018)	(11,213)	(19,612)	(17,820)	-	-	-	(21,438)	-	(328,506)	(277,673)
Adjustment for QEC opening balance	(3,392)	-	-	-	(3,510)	(493)	(37,464)	(10,210)	-	-	(55,069)	-
Amortization	(28,384)	(5,158)	(1,390)	(4,063)	(4,187)	(22)	(4,729)	(716)	(4,533)	-	(53,182)	(45,093)
Write-downs	-	-	-	-	-	-	-	-	-	-	-	(5,975)
Disposals	514	-	-	-	-	-	-	-	-	-	514	235
Closing balance	(263,667)	(31,176)	(12,603)	(23,675)	(25,517)	(515)	(42,193)	(10,926)	(25,971)	-	(436,243)	(328,506)
<b>Work in progress</b>												
Opening balance	85,463	-	555	11,927	38	-	-	-	21,176	-	119,159	81,548
Adjustment for QEC opening balance	-	-	-	-	-	-	14,838	-	-	-	14,838	-
Additions	32,352	-	222	5,113	1,411	-	-	-	9,819	-	48,917	60,248
Transfer to capital assets	(725)	-	-	(898)	(47)	-	(7,492)	-	(3,912)	-	(13,074)	(22,637)
Closing balance	117,090	-	777	16,142	1,402	-	7,346	-	27,083	-	169,840	119,159
<b>Net book value</b>	<b>\$640,015</b>	<b>\$123,799</b>	<b>\$28,193</b>	<b>\$101,326</b>	<b>\$10,363</b>	<b>\$ 160</b>	<b>\$101,325</b>	<b>\$ 12,542</b>	<b>\$ 125,393</b>	<b>\$ 400</b>	<b>\$1,143,516</b>	<b>\$ 1,002,595</b>
<b>Estimated useful life</b>	<b>30 years</b>	<b>30 years</b>	<b>30 years</b>	<b>30 years</b>	<b>5 years</b>	<b>20-40 years</b>	<b>20-40 years</b>	<b>20-40 years</b>	<b>30 years</b>			

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**SECTION II**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

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**GOVERNMENT OF NUNAVUT**

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**Non-Consolidated Statement of Financial Position (unaudited)**

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**as at March 31, 2006***(thousands of dollars)*

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	<b>2006</b>	<b>2005</b>
<b>Liabilities</b>		
Bank overdraft (Note 3)	\$ -	\$ 4,170
Accounts payable and accrued liabilities (Note 8)	196,069	188,365
Employee future benefits (Note 9)	16,418	15,300
Capital lease obligations (Note 10)	94,866	98,896
Mortgage payable (Note 11)	5,117	5,315
Pension liabilities (Note 12)	4,467	4,028
<b>Total liabilities</b>	<b>316,937</b>	<b>316,074</b>
<b>Financial assets</b>		
Cash and temporary investments (Note 3)	103,496	-
Due from the Government of Canada (Note 4)	74,269	78,009
Revenues receivable (Note 5)	58,831	94,220
Inventories for resale (Note 6 (a))	53,097	33,962
Loans receivable (Note 7)	20,264	15,565
<b>Total financial assets</b>	<b>309,957</b>	<b>221,756</b>
<b>Net financial assets (debt)</b>	<b>(6,980)</b>	<b>(94,318)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule C)	826,232	804,339
Inventories for use (Note 6(b))	519	-
Prepaid expenses	1,885	2,521
<b>Total non-financial assets</b>	<b>828,636</b>	<b>806,860</b>
<b>Accumulated surplus</b>	<b>\$ 821,656</b>	<b>\$ 712,542</b>
Commitments (Note 14)		
Contingencies (Note 15)		

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



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**GOVERNMENT OF NUNAVUT**

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**Non-Consolidated Statement of Operations and Accumulated Surplus (unaudited)**  
**for the year ended March 31, 2006**  
**(thousands of dollars)**

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	Main Estimates	2006 Actual	2005 Actual
<b>Revenues (Schedule A)</b>			
From the Government of Canada	\$ 890,872	\$ 945,697	\$ 847,725
Tax revenues generated by the Government of Nunavut	51,956	43,611	29,803
Other revenues generated by the Government of Nunavut	42,444	43,749	48,131
Recoveries of prior years expenditures	-	9,547	5,909
<b>Total revenues</b>	<b>985,272</b>	<b>1,042,604</b>	<b>931,568</b>
<b>Expenses (Schedule B)</b>			
Operations and maintenance before amortization	841,418	864,571	808,251
Amortization of tangible capital assets	-	30,499	35,536
<b>Total operations and maintenance</b>	<b>841,418</b>	<b>895,070</b>	<b>843,787</b>
Total capital expenditures in the year	101,903	85,426	118,633
Capital expenditures transferred to tangible capital assets	-	(47,006)	(85,394)
<b>Capital expenditures expensed in the year</b>	<b>101,903</b>	<b>38,420</b>	<b>33,239</b>
<b>Total expenses</b>	<b>943,321</b>	<b>933,490</b>	<b>877,026</b>
<b>Excess of revenues over expenses</b>	<b>41,951</b>	<b>109,114</b>	<b>54,542</b>
<b>Projects for the Government of Canada and others (Note 19)</b>			
Vote 5 revenues	26,664	35,759	37,381
Vote 4 expenses	(26,664)	(35,759)	(37,381)
<b>Surplus for the year</b>	<b>41,951</b>	<b>109,114</b>	<b>54,542</b>
<b>Accumulated surplus, beginning of the year</b>		<b>712,542</b>	<b>658,000</b>
<b>Accumulated surplus, end of the year</b>		<b>\$ 821,656</b>	<b>\$ 712,542</b>

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

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**GOVERNMENT OF NUNAVUT****Non-Consolidated Statement of Change in Net Financial Assets (Debt) (unaudited)**

as at March 31, 2006

*(thousands of dollars)*

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	<b>2006</b>	<b>2005</b>
<b>Surplus for the year</b>	\$ 109,114	\$ 54,542
<b>Tangible capital assets (Schedule C)</b>		
Additions	(53,922)	(90,660)
Disposals and writedowns	-	5,993
Amortization	32,029	30,513
	(21,893)	(54,154)
<b>Net use (additions) of inventories for use</b>	(519)	
<b>Net use (additions) of prepaid expenses</b>	636	5,511
	117	5,511
<b>Change in net financial assets (debt)</b>	87,338	5,899
<b>Net financial assets (debt), beginning of year</b>	(94,318)	(100,217)
<b>Net financial assets (debt), end of year</b>	\$ (6,980)	\$ (94,318)

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

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**GOVERNMENT OF NUNAVUT****Non-Consolidated Statement of Cash Flow (unaudited)****for the year ended March 31, 2006****(thousands of dollars)**

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	<b>2006</b>	<b>2005</b>
<b>Cash provided by (used for) government operations:</b>		
Transfers from the Government of Canada	\$ 997,065	\$ 896,650
Taxes	42,415	38,299
Other government revenues	205,322	124,284
Payment of interest under capital leases	(6,520)	(4,952)
Payment of interest on long term debt	(355)	(368)
Salaries and employee benefits	(293,824)	(288,092)
Grants and contributions	(242,121)	(230,565)
Goods and services acquired	(530,213)	(458,362)
<b>Cash provided by (used for) government operations</b>	<b>171,769</b>	<b>76,894</b>
<b>Cash provided by (used for) capital activities:</b>		
Acquisition of tangible capital assets	(53,922)	(89,691)
<b>Cash provided by (used for) capital activities</b>	<b>(53,922)</b>	<b>(89,691)</b>
<b>Cash provided by (used for) investing activities:</b>		
Loans to municipalities, businesses and individuals	(6,064)	(4,359)
Loan repayments received by the government	111	905
<b>Cash provided by (used for) investing activities</b>	<b>(5,953)</b>	<b>(3,454)</b>
<b>Cash provided by (used for) financing activities:</b>		
Principal payments of capital lease financing	(4,030)	(5,553)
Principal payments of mortgage payable	(198)	(186)
<b>Cash provided by (used for) financing activities</b>	<b>(4,228)</b>	<b>(5,739)</b>
<b>Increase (decrease) in cash and temporary investments</b>	<b>107,666</b>	<b>(21,990)</b>
<b>Cash and temporary investments, beginning of the year</b>	<b>(4,170)</b>	<b>17,820</b>
<b>Cash and temporary investments, end of the year</b>	<b>\$ 103,496</b>	<b>\$ (4,170)</b>

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

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## GOVERNMENT OF NUNAVUT

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### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

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#### 1 AUTHORITY AND OPERATIONS

##### (a) Government of Nunavut

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

##### (b) Main Estimates

The Main Estimates are those tabled before the Legislative Assembly during the February 2005 session and represent the Government's original fiscal plan for the year. The tabled Main Estimates have been modified to reflect the actual expenditures of the revolving funds that have non-lapsing appropriations. The Revised Estimates are these original Main Estimates adjusted to reflect Supplementary Appropriations and/or Transfers.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Financial statements

The Government's accounting policies are guided by the Canadian Institute of Chartered Accountants' (the Institute) Handbook and the recommendations of the Institute's Public Sector Accounting Board (PSAB) where applicable. As such, these non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for governments with the exception that they have not been consolidated.

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 and the following revolving funds:

- Fur Marketing Service Revolving Fund
- Liquor Revolving Fund
- Petroleum Products Revolving Fund
- Student Loan Revolving Fund
- Public Stores Revolving 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 related Government agencies are included in these statements only to the extent of the Government's contributions to them:

- Nunavut Arctic College
- Nunavut Business Credit Corporation
- Nunavut Development Corporation
- Nunavut Housing Corporation
- Qulliq Energy Corporation
- District Education Authorities

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## GOVERNMENT OF NUNAVUT

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### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (c) Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Government 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 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 statements, the Government believes the estimates and assumptions to be reasonable. The more significant areas where estimates have been used to prepare these financial statements include:

(i) Income tax revenue (collected by the Government of Canada on the Government's behalf) and grant revenues from the Government of Canada in areas such as the Canada Health Transfer and Canada Social Transfer. These revenues and grants are subject to revision by the Government of Canada in future years; and

(ii) Allowance for doubtful accounts, loan valuation allowances, provision for losses on loan guarantees, amortization of tangible capital assets and employee future benefits.

##### (d) Cash, cash equivalents, designated cash and investments

Cash and cash equivalents are comprised of bank account balances and short-term highly liquid investments that are readily convertible to cash.

Temporary investments are valued at the lower of cost and market value. Long term investments are valued at cost with premiums and discounts amortized over the period to maturity.

Interest income is recognized on an accrual basis, dividend income is recognized when declared, and capital gains and losses are recognized as incurred. Unrealized losses in designated cash and investments in long-term investment are recognized when it is determined that there is a permanent impairment in the value of the investments and are included as a component of investment income.

##### (e) Inventories for resale

Inventories for resale consist of bulk fuel, liquor and arts and crafts. Bulk fuel and arts and crafts are valued at the lower of cost and net recoverable value. Liquor inventory is valued at the lower of cost and replacement cost.

##### (f) 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 ability to collect of either principal or interest is not reasonably assured.

##### (g) Non-financial assets

Non-financial assets, including tangible capital assets, inventories for use and prepaid expenses, are accounted for by the Government only if they are expected to be used to provide government services in future years. These assets would not normally be used to provide financial resources to discharge liabilities of the Government unless they were sold. Non-financial assets are amortized or charged to expenses in future periods as they are used to provide or support the provision of government services.

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**GOVERNMENT OF NUNAVUT**

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**Notes to Non-Consolidated Financial Statements (unaudited)**  
**for the year ended March 31, 2006**  
**(thousands of dollars)**

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**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Tangible capital 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 roads, buildings, vehicles, equipment, water and other utility systems, aircraft, computer hardware and software, dams, canals, and bridges. Tangible capital assets with a cost of less than fifty thousand dollars are fully expensed in the year of acquisition.

Tangible capital assets are recorded at cost, or where actual cost is not available, estimated current replacement cost converted back to the date of purchase by discounting current year dollars for inflation. Gifted and cost shared tangible capital assets are recorded at fair market value upon receipt, with the gifted or cost shared portion recorded as a deferred capital contribution, and recognized as revenue on the same basis as the related asset is amortized.

Capital leases 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 a specified rate or the Government's borrowing rate at the time the obligation is incurred.

Tangible capital assets, when placed in service, are amortized on a straight line basis over their estimated useful life. The assets are amortized based on the following guidelines:

<b>Asset Category</b>	<b>Amortization Period</b>
Land	Not amortized
Buildings	30 years
Leased Buildings	30 years
Infrastructure	30 years
Tank Farms	30 years
Storage Facilities	30 years
Equipment	5 years

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.

Tangible capital assets acquired by right, such as Crown lands, forests, 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.

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## GOVERNMENT OF NUNAVUT

Notes to Non-Consolidated Financial Statements (unaudited)  
for the year ended March 31, 2006  
(thousands of dollars)

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### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Obligations under leases

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

##### Capital leases

Those leases that 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

Those leases where substantially all the benefits and risks of ownership are not transferred to the Government are accounted for as operating leases. Lease payments under operating leases are expensed in the year they are

#### (j) Employer future benefits

##### Non-Pension

Under the terms and conditions of employment, government employees may earn non-pension benefits for severance and removal costs based on years of service. The estimated liability and related expenses for 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 Pension Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2005 - 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represent the total pension obligations.

The costs and obligations for the 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.

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## GOVERNMENT OF NUNAVUT

Notes to Non-Consolidated Financial Statements (unaudited)  
for the year ended March 31, 2006  
(thousands of dollars)

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### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Revenues

Unless otherwise stated, all revenues are 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:

##### Grant from the Government of Canada

The Government receives transfer payments in the form of a grant from the Government of Canada pursuant to the *Federal-Provincial Fiscal Arrangements Act*.

Entitlements under the Formula Financing Agreement (1999-2000 to 2003-2004) changed as of March 31, 2004. Under the new fiscal framework, the final amount of the grant for any one fiscal year is determined as a proportion of the aggregate amount for the three territories specified in the legislation.

Should any adjustments arise in the future concerning prior years, they will be accounted for in the year in which federal legislation authorizes the adjustment.

##### Other transfers from the Government of Canada

Other transfers from the Government of Canada are recognized as revenue in the period that the events giving rise to the transfer occurs 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. 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 tax revenue is recognized on an accrual basis. Taxes, under the *Income Tax Act*, are collected by the Government of Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on the Government of Canada's Department of Finance estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are finalized.

Property taxes 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.

#### (l) 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 the necessary authorization; (ii) the recipient has met eligibility criteria, if any; and (iii) a reasonable estimate of the transfer can be made.

Grants or contributions paid prior to all three conditions being met are accounted for as prepaid expenses until all conditions are met by the recipient.



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## GOVERNMENT OF NUNAVUT

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### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

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#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (m) Recoveries of prior years expenditures

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

##### (n) Commitments and contingencies

The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual commitments pertain to block funding agreements with municipalities, operating commercial leases, capital projects, and operational funding commitments. Commitments are not accrued.

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, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed. Contingent liabilities result from potential environmental contingencies or pending litigation and like items.

##### (o) Financial instruments

The fair market value of the Government's short term financial instruments, including accounts payable and accrued liabilities, cash and investments, due from the Government of Canada and revenues receivable approximate their carrying values because of their short term to maturity.

The fair value of the Government's financial instruments, including debt, capital lease obligations, designated cash and investments, investments and loans receivable are detailed in the related notes. Where fair value amounts are not detailed, the carrying amounts approximate their fair value.

##### (p) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimates at the time the contamination occurs or when the Government becomes aware of the contamination and is obligated or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements (Note 15 (c)). Accrued environmental liabilities are reported as part of accrued liabilities.

#### 3 CASH AND TEMPORARY INVESTMENTS

The balance of \$103,496 (2005 - overdraft \$4,170) is comprised of designated cash and investments and cash balances.

	2006	2005
Royal Bank of Canada	\$ 54,949	\$ (25,193)
Canadian Imperial Bank of Commerce	17,990	17,630
Northern Strategy Trust Fund	26,667	-
Designated cash and investments	3,890	3,393
	<hr/> \$ 103,496	<hr/> \$ (4,170)

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**GOVERNMENT OF NUNAVUT**

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**Notes to Non-Consolidated Financial Statements (unaudited)**  
**for the year ended March 31, 2006**  
**(thousands of dollars)**

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**3 CASH AND TEMPORARY INVESTMENTS (continued)**

The designated cash and investments amount is designated for the purpose of meeting the obligations of the Legislative Assembly Supplementary Retiring Allowances Fund. These amounts cannot be used to discharge other obligations incurred by the Government. The assets in the investment portfolio 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 the investment portfolio at March 31, 2006 was \$4,927 (2005 - \$4,056) with a return of 14.89% (2005 - 7.41%). (Note 12 (b))

<b>4 DUE FROM THE GOVERNMENT OF CANADA</b>	<b>2006</b>	<b>2005</b>
Grant receivable:		
Territorial Formula Financing Agreement (Schedule A)	\$ 809,930	\$ 766,550
Less: Payments received	(826,056)	(760,010)
	(16,126)	6,540
Balance of grant receivable (payable) , beginning of the year	16,122	9,582
Balance of grant receivable (payable), end of the year	(4)	16,122
Other receivables from the Government of Canada	74,273	61,887
	\$ 74,269	\$ 78,009

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 REVENUES RECEIVABLE**

	<b>2006</b>	<b>2005</b>
<b>Receivable by funds</b>		
General Fund (Fund 1)	\$ 38,004	\$ 56,041
Petroleum Products Revolving Fund (Fund 4)	28,438	44,660
Liquor Revolving Fund (Fund 9)	26	1
Public Stores Revolving Fund (Fund 20)	22	28
Fur Marketing Service Revolving Fund (Fund 21)	427	500
	66,917	101,230
Less: Allowance for doubtful accounts	(8,086)	(7,010)
	\$ 58,831	\$ 94,220
<b>Receivable by relation with the creditors</b>		
Nunavut Arctic College	\$ 8,972	\$ 16,332
District Education Authorities	490	-
Nunavut Business Credit Corporation	143	437
Nunavut Development Corporation	29	-
Nunavut Housing Corporation	7,222	2,506
Qulliq Energy Corporation	14,519	8,589
Receivable from related parties	31,375	27,864
Other accounts receivable	35,542	73,366
	66,917	101,230
Less: Allowance for doubtful accounts	(8,086)	(7,010)
	\$ 58,831	\$ 94,220

## GOVERNMENT OF NUNAVUT

### Notes to Non-Consolidated Financial Statements (unaudited)

for the year ended March 31, 2006

(thousands of dollars)

#### 6 INVENTORIES

	2006		2005
<b>(a) For resale</b>			
Bulk fuels	\$ 52,479	\$	33,308
Liquor	618		654
	<u>\$ 53,097</u>	<u>\$</u>	<u>33,962</u>
<b>(b) For use</b>			
Health and medical supplies	\$ 519	\$	-

#### 7 LOANS RECEIVABLE

	2006		2005
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 bond rates at the end of the month, compounded annually.	\$ 17,861	\$	12,335
Student Loan Fund loans due in instalments to 2017 bearing interest between 3.0% and 12.5%, net of the doubtful accounts and valuation allowances of \$3,006 (2005 - \$1,988).	1,033		1,554
Loans to municipalities due in instalments to 2009, bearing interest between 0% and 8.0% net of valuation allowance of \$100 (2005 - \$437)	1,267		1,331
Other, including Qikiqtaq Co-op Mall Mortgage, net of valuation allowance of \$240 (2005 - nil).	103		345
	<u>\$ 20,264</u>	<u>\$</u>	<u>15,565</u>

#### 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006		2005
<b>Accounts payable to related parties</b>			
Nunavut Arctic College	\$ 1,988	\$	1,484
District Education Authorities	1,138		422
Nunavut Business Credit Corporation	45		456
Nunavut Development Corporation	113		209
Nunavut Housing Corporation	305		604
Qulliq Energy Corporation	4,058		6,687
	<u>7,647</u>		<u>9,862</u>
<b>Other</b>			
Accounts payable	61,638		56,229
Due to the Government of Canada	20,347		16,716
Due to the Government of the Northwest Territories	13,997		15,184
Accrued liabilities, payroll deductions, and contractor holdbacks	44,134		43,802
Vacation pay and lieu time	12,902		16,460
Deferred revenue	35,404		30,112
	<u>188,422</u>		<u>178,503</u>
	<u>\$ 196,069</u>	<u>\$</u>	<u>188,365</u>

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**GOVERNMENT OF NUNAVUT**

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**Notes to Non-Consolidated Financial Statements (unaudited)**  
**for the year ended March 31, 2006**  
**(thousands of dollars)**

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**9 EMPLOYEE FUTURE BENEFITS**

	<b>2006</b>	<b>2005</b>
Severance	\$ 7,759	\$ 7,309
Removal	8,659	7,991
	<b>\$ 16,418</b>	<b>\$ 15,300</b>

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**10 CAPITAL LEASE OBLIGATIONS**

Capital lease obligations are based upon contractual minimum lease payments for the leases in effect as of March 31, 2006.

	<b>2006</b>	<b>2005</b>
Total minimum lease payments	\$ 147,357	\$ 158,112
Less: Imputed interest	(52,491)	(59,216)
Present value of minimum lease payments	<b>\$ 94,866</b>	<b>\$ 98,896</b>
Future minimum lease payments consist of:		
	2007	\$ 10,587
	2008	10,598
	2009	10,601
	2010	10,616
	2011	10,613
	2012 and beyond	94,342
		<b>\$ 147,357</b>

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Lease payments are allocated between repayments 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 \$6,639 (2005 - \$6,903) at an implied average interest rate of 6.7% (2005 - 6.7%). The capital lease obligations expire between 2020 and 2023.

**11 MORTGAGE PAYABLE**

	<b>2006</b>	<b>2005</b>
Mortgage payable in annual instalments to the year 2020, bearing interest at a rate of 6.803% compounded semi-annually.	\$ 5,117	\$ 5,315

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Principal and interest amounts due in each fiscal year for the next five years and thereafter are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 212	\$ 342	\$ 554
2008	228	326	554
2009	243	311	554
2010	261	293	554
2011	279	275	554
2012 and beyond	3,894	1,417	5,311
	<b>\$ 5,117</b>	<b>\$ 2,964</b>	<b>\$ 8,081</b>

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Interest expense on the mortgage payable was \$355 for the year (2005 - \$368). The interest paid on the mortgage payable during the year was \$355 (2005 - \$368).

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## GOVERNMENT OF NUNAVUT

### Notes to Non-Consolidated Financial Statements (unaudited)

for the year ended March 31, 2006

(thousands of dollars)

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#### 12 PENSION LIABILITIES

##### (a) Public Service Pension Plan

Both the Government and its employees make contributions to the Public Service Pension Plan (PSPP) administered by the Government of Canada. In 2006, the Government's contributions were \$20,765 (2005 - \$19,481).

The amount of the Government's contributions is set by the Government of Canada and represents 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 Allowances Plans

The Government of Nunavut 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. The plan came into effect during the 2001-02 fiscal year, and provides for benefits retroactive to April 1, 1999.

The last actuarial valuation of the plans was on April 1, 2004. 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 best estimates as determined by the Management and Services Board of the Legislative Assembly. These include a rate of return on assets of 7.0 % and inflation of 4.0 % for the LARAF as well as a rate of return on assets of 6.5 % and inflation of 4.0 % for the SRAF.

Retirement benefits are payable to a MLAs 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 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 69.

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.

## GOVERNMENT OF NUNAVUT

### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

#### 12 PENSION LIABILITIES (Continued)

MLA pension liabilities as of March 31 are as follows:

	Pension plan LARAF		Pension plan SRAF		2006	2005		
Accrued benefit obligation	\$	2,570	\$	3,980	\$	6,550	\$	5,463
Deduct:								
Pension fund net assets		2,421		-		2,421		1,790
Unamortized actuarial (gain) loss		51		(389)		(338)		(355)
		2,472		(389)		2,083		1,435
Pension liability	\$	98	\$	4,369	\$	4,467	\$	4,028

At March 31, 2006, LARAF pension fund assets had a market value of \$2,598 (2005 - \$1,845). The actual rate of return was 15.03% (2005 - 6.65%). The SRAF has no pension fund assets, however, the pension liability is to be funded all or in part by designated cash and investments (Note 3).

LARAF and SRAF actuarial gains/losses are amortized over 6.1 and 5.5 years, respectively (2005 - 6.1 and 5.5 years, respectively).

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

	LARAF		SRAF		2006	2005		
Current period benefit cost	\$	443	\$	890	\$	1,333	\$	1,393
Amortization of actuarial (gains) losses		21		(75)		(54)		(38)
		464		815		1,279		1,355
MLAs contributions		(146)		-		(146)		(145)
Pension expense		318		815		1,133		1,210
Interest cost on the average accrued benefit obligation		170		274		444		376
Expected return on average pension plan assets		(147)		-		(147)		(126)
Pension interest expense		23		274		297		250
Total expenses related to pensions	\$	341	\$	1,089	\$	1,430	\$	1,460

Pension benefits paid for the LARAF and SRAF were \$53 and \$392, respectively (2005 - \$551 and \$317 respectively).

The Government's contributions related to the LARAF and SRAF during the year were \$349 and \$641 respectively (2005 - \$299 and \$658 respectively).

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## GOVERNMENT OF NUNAVUT

### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

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#### 13 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 revenues or expenses of the Petroleum Products Revolving Fund are charged to the Petroleum Products Stabilization Fund. The accumulated surplus or deficit balance in the fund cannot exceed \$5,000.

	2006	2005
Surplus (deficit), beginning of the year	\$ (2,387)	\$ (4,468)
Petroleum Products Revolving Fund, net profit	4,968	2,081
Surplus (deficit), end of the year	\$ 2,581	\$ (2,387)

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#### 14 COMMITMENTS

The Government has entered into agreements for, or is contractually committed to, the following payments payable subsequent to March 31, 2006:

	Year of Expiration	Total
Capital commitments	2010	\$ 46,676
Operational commitments	2011	49,750
Policing agreement	2012	134,284
Operating leases	2023	66,952
		\$ 297,662

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#### 15 CONTINGENCIES

##### (a) Contingent liabilities

	2006	2005
Uninsured losses	\$ 176	\$ 160

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##### b) 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. To date, the Government of Nunavut has not yet received any significant claims from or filed any significant claims against the Government of the Northwest Territories.

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## GOVERNMENT OF NUNAVUT

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### Notes to Non-Consolidated Financial Statements (unaudited) for the year ended March 31, 2006 (thousands of dollars)

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#### 15 CONTINGENCIES (Continued)

##### (c) Environmental restoration costs

The Government recognizes that there are costs related to the restoration of any contaminated sites situated on lands within the Territory. A liability will be accrued in the financial statements when it has been determined that the Government is liable for a site that is contaminated and where a reasonable estimate of the remediation costs can be made.

As of March 31, 2006, the Government has accrued \$600 (2005 - \$1,500) for soil restoration at Port Burwell, Killiniq Island and \$500 (2005 - nil) for soil restoration at Cape Warwick, Resolution Island. Any future liabilities for other sites will be recorded when identified and cost estimates of sufficient accuracy are obtained, and if it is determined that the Government is liable.

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. To facilitate this, the Government has established a committee to ensure all existing and potential liabilities are identified and appropriate actions initiated. This is an ongoing process, which should show continuous improvement as the Government continues to work towards the determination and appropriate recognition of all environmental liabilities within Nunavut.

##### (d) Litigation

More individuals have come forward alleging abuse by a former school teacher in the Territory when it was part of the Northwest Territories. Pursuant to agreements negotiated prior to the division of the territories, the Nunavut and Northwest Territories governments will jointly defend the action. The costs of defending the action and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66% respectively. An estimate of the Government's share of the loss that may result from these suits has been accrued; however the final outcome may vary significantly from this estimate.

A number of new 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, in addition to the case disclosed above. The Nunavut and Northwest Territories governments will jointly defend any such proceedings and the cost of defending the actions and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66% respectively. An estimate of any liability that may result from these actions is not determinable at this time; consequently no liability has been accrued.

##### (e) Loan Guarantees

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

	2006	2005
Bank credit facility, interest at prime	\$ 6,968	\$ -
20 year redeemable amortizing debenture due 2021, interest rate of 6.809%	59,431	61,000
Floating rate capital loan facility due April 1, 2006, interest at prime	1,000	16,000
<b>Total guarantees provided on balances outstanding</b>	<b>\$ 67,399</b>	<b>\$ 77,000</b>

The bank credit facility limit is \$12,000. The floating rate capital loan facility limit is \$16,000.



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## GOVERNMENT OF NUNAVUT

### Notes to Non-Consolidated Financial Statements (unaudited)

for the year ended March 31, 2006

(thousands of dollars)

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#### 15 CONTINGENCIES (Continued)

##### (f) Pending and Threatened Litigation

There are 23 claims and threatened litigation cases outstanding against the Government for which the outcomes are not determinable, including a number where an amount is not specified. The nature of these claims include wrongful dismissal, breach of policy, personal injury, sexual abuse, medical negligence, wrongful arrest and assault. As of March 31, 2006, all of these claims have been assessed as being either without merit or not determinable at this time.

#### 16 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:

	<b>2006</b>		<b>2005</b>
Nunavut Arctic College	\$ 21,475	\$	20,002
District Education Authorities	8,954		10,958
Nunavut Development Corporation	3,734		3,299
Nunavut Business Credit Corporation	450		450
Qulliq Energy Corporation	-		32,500
	<b>\$ 34,613</b>	<b>\$</b>	<b>67,209</b>

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

Under agreements with related boards and agencies, the Government provides services at cost or for a service fee where direct costs cannot be determined. Services provided included personnel, payroll, financial, procurement, accommodation, buildings and works, utilities, legal, and interpretation services. Direct costs of \$22,952 (2005 - \$21,982) were incurred and recovered from related parties.

#### 17 TRUSTS UNDER ADMINISTRATION

The Government administers trust accounts on behalf of third parties.

	<b>2006</b>		<b>2005</b>
Public Trustee	\$ 3,153	\$	2,904
Victim's Assistance Trust	219		301
Natural Resources Conservation Trust	248		242
Millennium Scholarship Fund	13		52
Scholarship Fund	37		36
Territorial Court Trust	36		34
Maintenance Enforcement Trust	16		16
Young Offenders Welfare Trust	6		15
Baffin Correctional Centre Welfare Trust	26		8
Baffin Correctional Centre Inmate Trust	9		4
Young Offenders Trust	2		3
Sherriff's Imprest Account	16		1
Nunavut Labour Standards Board Trust	7		-
HSS - Akausisarvik	10		-
HSS - Ikpigusukniqmut Foundation	35		-
	<b>\$ 3,833</b>	<b>\$</b>	<b>3,616</b>

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**GOVERNMENT OF NUNAVUT****Notes to Non-Consolidated Financial Statements (unaudited)****for the year ended March 31, 2006***(thousands of dollars)*

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**18 OVER-EXPENDITURES**

The department of Health and Social Services exceeded its appropriations by \$3,260 (2005 - nil). This contravenes Section 32 of the Financial administration Act which states "...no person shall incur an expenditure that causes the amount of the item set out in the Estimates on which the appropriations is based to be exceeded".

**19 PROJECTS FOR THE GOVERNMENT OF CANADA AND OTHERS**

	<b>Main Estimates</b>	<b>2006 Actual</b>	<b>2005 Actual</b>
Revenues			
From the Government of Canada	\$ 23,015	\$ 32,617	\$ 33,506
From others	3,649	3,142	3,875
<b>Total revenues</b>	<b>\$ 26,664</b>	<b>\$ 35,759</b>	<b>\$ 37,381</b>
Expenses			
Compensation and benefits	\$ 7,946	\$ 10,656	\$ 10,146
Grants and contributions	5,695	7,637	8,088
Other expenses	13,023	17,466	19,147
<b>Total expenses</b>	<b>\$ 26,664</b>	<b>\$ 35,759</b>	<b>\$ 37,381</b>

**20 COMPARATIVE INFORMATION**

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

## Non-Consolidated Schedule of Revenues by Source (unaudited)

for the year ended March 31, 2006

*(thousands of dollars)*

	Main Estimates	2006 Actual	2005 Actual
<b>From the Government of Canada</b>			
Territorial Formula Financing Agreement	\$ 805,608	\$ 809,930	\$ 766,550
Other transfer payments	85,264	135,767	81,175
	890,872	945,697	847,725
<b>Revenues generated by the Government of Nunavut</b>			
Taxation revenues			
Personal income tax	23,992	16,414	5,936
Corporate income tax	7,274	6,837	3,968
Fuel tax	3,425	3,116	3,555
Property tax	2,404	1,473	1,258
Tobacco tax	8,505	8,257	8,335
Payroll tax	6,023	6,881	6,188
Insurance tax	333	633	563
	51,956	43,611	29,803
Petroleum Products Division - net of Cost of Goods Sold \$114,028 (2005 - \$84,585)	12,860	12,062	17,080
Liquor Revolving Fund - net of Cost of Goods Sold \$1,921 (2005 - \$1,290)	2,279	2,525	2,767
Recoveries			
Staff housing recoveries	10,816	12,704	12,706
	77,911	70,902	62,356
Other revenues	16,489	16,458	15,578
	94,400	87,360	77,934
Recoveries of prior years expenditures (Schedule 1)	-	9,547	5,909
	94,400	96,907	83,843
	<b>\$ 985,272</b>	<b>\$ 1,042,604</b>	<b>\$ 931,568</b>

**Non-Consolidated Schedule of Expenses (unaudited)**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

	Main Estimates	Supple- mentary Appro- priations	Transfers	Revised Estimates	Actual Expenses	(Over) Under Appro- priation
<b>LEGISLATIVE ASSEMBLY</b>						
Operations and maintenance						
Compensation and benefits	\$ 6,280	\$ 200	\$ -	\$ 6,480	\$ 6,500	\$ (20)
Grants and contributions	-	-	-	-	-	-
Other expenses	6,862	-	-	6,862	6,488	374
Total operations and maintenance	13,142	200	-	13,342	12,988	354
Capital expenditures	120	-	-	120	117	3
Total expenses	\$ 13,262	\$ 200	\$ -	\$ 13,462	\$ 13,105	\$ 357

**EXECUTIVE AND INTERGOVERNMENTAL AFFAIRS**

Operations and maintenance						
Compensation and benefits	\$ 7,310	\$ 281	\$ -	\$ 7,591	\$ 7,413	\$ 178
Grants and contributions	90	-	-	90	75	15
Other expenses	2,669	380	-	3,049	3,127	(78)
Total operations and maintenance	10,069	661	-	10,730	10,615	115
Capital expenditures	-	-	-	-	-	-
Total expenses	\$ 10,069	\$ 661	\$ -	\$ 10,730	\$ 10,615	\$ 115

**FINANCE**

Operations and maintenance						
Compensation and benefits	\$ 21,070	\$ -	\$ -	\$ 21,070	\$ 18,321	\$ 2,749
Grants and contributions	5,050	733	-	5,783	6,707	(924)
Other expenses	24,364	103	-	24,467	20,936	3,531
Total operations and maintenance	50,484	836	-	51,320	45,964	5,356
Capital expenditures	-	-	-	-	-	-
Total expenses	\$ 50,484	\$ 836	\$ -	\$ 51,320	\$ 45,964	\$ 5,356

**HUMAN RESOURCES**

Operations and maintenance						
Compensation and benefits	\$ 13,914	\$ (1,500)	\$ 390	\$ 12,804	\$ 11,695	\$ 1,109
Grants and contributions	175	-	-	175	146	29
Other expenses	5,307	5	(390)	4,922	4,264	658
Total operations and maintenance	19,396	(1,495)	-	17,901	16,105	1,796
Capital expenditures	-	32	-	32	32	-
Total expenses	\$ 19,396	\$ (1,463)	\$ -	\$ 17,933	\$ 16,137	\$ 1,796

**Non-Consolidated Schedule of Expenses (unaudited) - Continued**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

	Main Estimates	Supple- mentary Appro- priations	Transfers	Revised Estimates	Actual Expenses	(Over) Under Appro- priation
<b>JUSTICE</b>						
Operations and maintenance						
Compensation and benefits	\$ 20,976	\$ (125)	\$ (425)	\$ 20,426	\$ 21,488	\$ (1,062)
Grants and contributions	2,157	-	(100)	2,057	1,943	114
Other expenses	31,465	1,585	525	33,575	32,619	956
Total operations and maintenance	54,598	1,460	-	56,058	56,050	8
Capital expenditures	8,842	3,675	-	12,517	11,042	1,475
Total expenses	\$ 63,440	\$ 5,135	\$ -	\$ 68,575	\$ 67,092	\$ 1,483

**CULTURE, LANGUAGE, ELDER'S AND YOUTH**

Operations and maintenance						
Compensation and benefits	\$ 6,872	\$ -	\$ (560)	\$ 6,312	\$ 6,100	\$ 212
Grants and contributions	5,455	620	596	6,671	5,864	807
Other expenses	3,309	-	(36)	3,273	2,331	942
Total operations and maintenance	15,636	620	-	16,256	14,295	1,961
Capital expenditures	1,360	422	-	1,782	1,056	726
Total expenses	\$ 16,996	\$ 1,042	\$ -	\$ 18,038	\$ 15,351	\$ 2,687

**EDUCATION**

Operations and maintenance						
Compensation and benefits	\$ 96,135	\$ 1,336	\$ (263)	\$ 97,208	\$ 95,817	\$ 1,391
Grants and contributions	40,152	1,383	32	41,567	39,070	2,497
Other expenses	37,937	77	231	38,245	40,130	(1,885)
Total operations and maintenance	174,224	2,796	-	177,020	175,017	2,003
Capital expenditures	19,093	1,558	-	20,651	14,936	5,715
Total expenses	\$ 193,317	\$ 4,354	\$ -	\$ 197,671	\$ 189,953	\$ 7,718

**HEALTH AND SOCIAL SERVICES**

Operations and maintenance						
Compensation and benefits	\$ 72,419	\$ 331	\$ 991	\$ 73,741	\$ 63,431	\$ 10,310
Grants and contributions	6,273	(1,068)	(1,294)	3,911	4,000	(89)
Other expenses	136,527	1,432	303	138,262	151,743	(13,481)
Total operations and maintenance	215,219	695	-	215,914	219,174	(3,260)
Capital expenditures	25,392	29,506	-	54,898	7,178	47,720
Total expenses	\$ 240,611	\$ 30,201	\$ -	\$ 270,812	\$ 226,352	\$ 44,460

**Non-Consolidated Schedule of Expenses (unaudited) - Continued**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

	Main Estimates	Supple- mentary Appro- priations	Transfers	Revised Estimates	Actual Expenses	(Over) Under Appro- priation
<b>ENVIRONMENT</b>						
Operations and maintenance						
Compensation and benefits	\$ 10,294	\$ -	\$ (300)	\$ 9,994	\$ 9,516	\$ 478
Grants and contributions	1,916	60	27	2,003	1,759	244
Other expenses	3,918	840	273	5,031	4,460	571
Total operations and maintenance	16,128	900	-	17,028	15,735	1,293
Capital expenditures	1,856	1,955	-	3,811	1,440	2,371
Total expenses	\$ 17,984	\$ 2,855	\$ -	\$ 20,839	\$ 17,175	\$ 3,664

**COMMUNITY AND GOVERNMENT SERVICES**

Operations and maintenance						
Compensation and benefits	\$ 31,688	\$ (1,005)	\$ (1,559)	\$ 29,124	\$ 29,054	\$ 70
Grants and contributions	43,517	17,391	908	61,816	61,295	521
Other expenses	63,013	5,432	651	69,096	69,029	67
Total operations and maintenance	138,218	21,818	-	160,036	159,378	658
Capital expenditures	21,173	20,224	-	41,397	25,386	16,011
Total expenses	\$ 159,391	\$ 42,042	\$ -	\$ 201,433	\$ 184,764	\$ 16,669

**ECONOMIC DEVELOPMENT AND TRANSPORTATION**

Operations and maintenance						
Compensation and benefits	\$ 12,013	\$ -	\$ (90)	\$ 11,923	\$ 11,832	\$ 91
Grants and contributions	18,472	-	(175)	18,297	17,532	765
Other expenses	14,179	711	265	15,155	16,008	(853)
Total operations and maintenance	44,664	711	-	45,375	45,372	3
Capital expenditures	2,874	3,242	-	6,116	2,046	4,070
Total expenses	\$ 47,538	\$ 3,953	\$ -	\$ 51,491	\$ 47,418	\$ 4,073

**NUNAVUT HOUSING CORPORATION**

Operations and maintenance						
Compensation and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contributions	89,640	4,238	-	93,878	93,878	-
Other expenses	-	-	-	-	-	-
Total operations and maintenance	89,640	4,238	-	93,878	93,878	-
Capital expenditures	21,193	1,000	-	22,193	22,193	-
Total expenses	\$ 110,833	\$ 5,238	\$ -	\$ 116,071	\$ 116,071	\$ -

**Non-Consolidated Schedule of Expenses (unaudited) - Continued**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

	Main Estimates	Supple- mentary Appro- priations	Transfers	Revised Estimates	Actual Expenses	(Over) Under Appro- priation
<b>GOVERNMENT OF NUNAVUT</b>						
Operations and maintenance						
Compensation and benefits	\$ 298,971	\$ (482)	\$ (1,816)	\$ 296,673	\$ 281,167	\$ 15,506
Grants and contributions	212,897	23,357	(6)	236,248	232,269	3,979
Other expenses	329,550	10,565	1,822	341,937	351,135	(9,198)
	841,418	33,440	-	874,858	864,571	10,287
Amortization of tangible capital assets	-	-	-	-	30,499	(30,499)
<b>Total operations and maintenance</b>	<b>841,418</b>	<b>33,440</b>	<b>-</b>	<b>874,858</b>	<b>895,070</b>	<b>(20,212)</b>
Capital expenditures	101,903	61,614	-	163,517	85,426	78,091
Transfer to tangible capital assets	-	-	-	-	(47,006)	47,006
<b>Total capital expenses</b>	<b>101,903</b>	<b>61,614</b>	<b>-</b>	<b>163,517</b>	<b>38,420</b>	<b>125,097</b>
<b>Total expenses</b>	<b>\$ 943,321</b>	<b>\$ 95,054</b>	<b>\$ -</b>	<b>\$ 1,038,375</b>	<b>\$ 933,490</b>	<b>\$ 104,885</b>

**Non-Consolidated Schedule of Tangible Capital Assets (unaudited)**

as at March 31, 2006

(thousands of dollars)

	Buildings	Tank Farms	Infra-structure	Leased Buildings	Storage Facilities	Equipment	2006	2005
<b>Cost of tangible capital assets</b>								
Opening balance	\$ 455,471	\$ 107,693	\$ 119,974	\$ 112,611	\$ 30,484	\$ 20,429	\$ 846,662	\$ 793,549
Additions	4,356	268	395	(86)	-	4,742	9,675	30,497
Transfers from work in progress	725	898	3,912	-	-	47	5,582	22,637
Disposals	-	-	-	-	-	-	-	(21)
Closing balance	460,552	108,859	124,281	112,525	30,484	25,218	861,919	846,662
<b>Accumulated amortization</b>								
Opening balance	(78,050)	(19,612)	(21,438)	(19,801)	(6,122)	(13,867)	(158,890)	(122,405)
Amortization expense	(15,178)	(4,062)	(4,534)	(3,743)	(1,096)	(3,416)	(32,029)	(30,513)
Write-downs	-	-	-	-	-	-	-	(5,976)
Disposals	-	-	-	-	-	-	-	4
Closing balance	(93,228)	(23,674)	(25,972)	(23,544)	(7,218)	(17,283)	(190,919)	(158,890)
<b>Work In progress</b>								
Opening balance	82,871	11,927	21,177	-	555	37	116,567	79,041
Additions	27,682	5,113	9,819	-	222	1,411	44,247	60,163
Transferred to tangible capital assets	(725)	(898)	(3,912)	-	-	(47)	(5,582)	(22,637)
Closing balance	109,828	16,142	27,084	-	777	1,401	155,232	116,567
<b>Net book value</b>	<b>\$ 477,152</b>	<b>\$ 101,327</b>	<b>\$ 125,393</b>	<b>\$ 88,981</b>	<b>\$ 24,043</b>	<b>\$ 9,336</b>	<b>\$ 826,232</b>	<b>\$ 804,339</b>
<b>Estimated useful life</b>	<b>30 Years</b>	<b>30 Years</b>	<b>30 Years</b>	<b>30 Years</b>	<b>30 Years</b>	<b>5 Years</b>		



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

**for the year ended March 31, 2006**

*(thousands of dollars)*

<b>Department</b>	<b>Over Accruals</b>	<b>Other Recoveries</b>	<b>Total</b>
Legislative Assembly	\$ -	\$ 12	\$ 12
Executive and Intergovernmental Affairs	-	15	15
Finance	165	1,473	1,638
Human Resources	9	7	16
Justice	1,147	1,606	2,753
Culture, Language, Elders and Youth	218	22	240
Education	289	326	615
Health and Social Services	484	1,387	1,871
Environment	72	92	164
Community and Government Services	216	580	796
Economic Development and Transportation	807	620	1,427
	\$ 3,407	\$ 6,140	\$ 9,547

**Non-Consolidated Schedule of Special Warrants (unaudited)**

for the year ended March 31, 2006

*(thousands of dollars)*

<b>CAPITAL</b>	<b>Date Approved</b>	<b>Amount Authorized</b>
<b>Human Resources</b>		
To provide funding for the carryover of the department's capital project for tenant improvements to the Trigram Building in Iqaluit.	June 23, 2005	\$ 32
<b>Justice</b>		
To provide funding for the carryover of the Brown Building and Sivummut Building leasehold changes.	June 23, 2005	143
To provide funding for the carryover of the funding for the Nunavut Justice Center.	June 23, 2005	945
To provide funding for the carryover of various departmental capital projects	June 23, 2005	377
<b>Culture, Language, Elders and Youth</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	422
<b>Education</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	1,558
<b>Health and Social Services</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	30,626
<b>Environment</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	1,955
<b>Community and Government Services</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	13,064
To provide funding for the carryover of various departmental capital projects	June 23, 2005	2,484
<b>Economic Development and Transportation</b>		
To provide funding for the carryover of various departmental capital projects	June 23, 2005	2,742
<b>Total capital</b>		<b>\$ 54,348</b>

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

for the year ended March 31, 2006

*(thousands of dollars)***OPERATIONS AND MAINTENANCE****Justice**

Directorate	\$ (280)	Transfer funds
Law Enforcement	285	
Legal Registries	(5)	

**Culture, Language, Elders and Youths**

Culture and Heritage	(70)	Transfer funds
Recreation and Leisure	(230)	
Sport Nunavut	300	

**Health and Social Services**

Healthy Children, Families & Communities	(1,294)	Transfer funds
Treatment	1,294	

**Community and Government Services**

Directorate	(472)	Transfer positions
Safety and Protective Services	472	
Directorate	(500)	Transfer funds
Community Support	455	
Government Services	942	
Capital Planning and Technical Services	(897)	
Directorate	390	Reallocation of compensation and benefits
Community Support	(75)	
Government Services	(405)	
Safety and Protective Services	90	

**Economic Development Transportation**

Corporate Management	(587)	To correct budget coding
Transportation	587	

**CAPITAL****Community and Government Services (CGS)**

CGS- Capital	250	Capital budget adjustments
Petroleum Products Division (PPD)	(250)	
CGS- Capital	275	Adjustment - should have been PPD not capital
Petroleum Products Division (PPD)	(275)	
CGS- Capital	(368)	Capital budget adjustments
Petroleum Products Division (PPD)	368	
CGS- Capital	347	Capital budget adjustments
Petroleum Products Division (PPD)	(347)	

**Non-Consolidated Schedule of Debenture Loans Receivable from Municipalities (unaudited)**  
**for the year ended March 31, 2006**  
*(thousands of dollars)*

	<b>Original Amount</b>	<b>Balance March 31, 2005</b>	<b>Accrued Interest</b>	<b>Valuation Adjustment</b>	<b>Principal Payments</b>	<b>Balance March 31, 2006</b>
City of Iqaluit	\$ 8,766	\$ 1,644	\$ 112	\$ -	\$ (488)	\$ 1,268
Municipality of Clyde River	200	124	-	-	(25)	99
	8,966	1,768	112	-	(513)	1,367
Less: valuation allowance	-	(437)	-	337	-	(100)
	<b>\$ 8,966</b>	<b>\$ 1,331</b>	<b>\$ 112</b>	<b>\$ 337</b>	<b>\$ (513)</b>	<b>\$ 1,267</b>

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**Non-Consolidated Schedule of Student Loan Remissions (unaudited)**

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**for the year ended March 31, 2006**

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**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. The *Financial Administration Act* states that any such write-off, if over \$500, must be disclosed in Public Accounts.

Main, John	\$	5,401
Hamburg, Jessica		2,819
Rigby, Geoffrey		2,762
MacDonald, Lucy		1,940
Clay, Shannon		986

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\$ 13,908

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## Non-Consolidated Schedule of Commitments under Operating Leases (unaudited)

for the year ended March 31, 2006

*(thousands of dollars)*

	2007	2008	2009	2010	2011	>2011	Total
Headquarters	\$ 4,247	\$ 4,028	\$ 3,701	\$ 3,285	\$ 2,967	\$ 11,094	\$ 29,322
Qikiqtaaluk	1,417	1,217	1,058	592	546	2,672	7,502
Kivalliq	3,163	2,907	2,527	2,185	2,051	12,805	25,638
Kitikmeot	2,207	708	298	202	183	892	4,490
<b>Total</b>	<b>\$ 11,034</b>	<b>\$ 8,860</b>	<b>\$ 7,584</b>	<b>\$ 6,264</b>	<b>\$ 5,747</b>	<b>\$ 27,463</b>	<b>\$ 66,952</b>

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