

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Financial Statements (unaudited)
March 31, 2018

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**The Honourable Joe Enook, MLA
Speaker of the Legislative Assembly of Nunavut**

I am pleased to present the Interim Financial Report of the Government of Nunavut for the fiscal year ended March 31, 2018. The report is presented in accordance with subsection 51(4) of the Financial Administration Act.

A handwritten signature in black ink, appearing to read 'G. Hickes', written in a cursive style.

The Honourable George Hickes, MLA
Minister of Finance

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**The Honourable George Hickes, MLA
Minister of Finance**

I am pleased to present the Interim Financial Report of the Government of Nunavut for the fiscal year ended March 31, 2018. The report is submitted pursuant to subsection 51(3) of the Financial Administration Act.

The purpose of the report is to provide the preliminary operating results of the Government, on a non-consolidated basis, for the year ended March 31, 2018.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Susan Nichols". The signature is written in a cursive, flowing style.

Susan Nichols, CPA, CGA
Acting Comptroller General

September 27, 2018

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GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Financial Statements (unaudited)
March 31, 2018

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GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Financial Position (unaudited)
as at March 31, 2018
(in thousands of dollars)

	Note	2018	2017
Financial assets			
Cash and cash equivalents	3	662,768	600,907
Due from the Government of Canada	4	89,846	49,899
Accounts receivable	5	120,868	114,239
Inventories for resale	6(a)	79,830	112,071
Loans receivable	7	27,095	26,836
Designated investments	8	17,531	15,288
Total financial assets		997,938	919,240
Liabilities			
Accounts payable and accrued liabilities	9	300,051	295,220
Deferred revenues	10	74,831	76,607
Liability for contaminated sites	11	8,390	8,274
Liabilities for pension and other employee benefits	12	67,058	68,614
Mortgage payable	13	1,309	1,758
Iqaluit International Airport	14	156,692	134,292
Capital lease obligations	15	90,340	30,691
Nunavut Energy Management Program Project	16	5,095	6,409
Total liabilities		703,766	621,865
Net financial assets		294,172	297,375
Non-financial assets			
Tangible capital assets (Schedule C)		1,441,353	1,315,857
Inventories for use	6(b)	3,115	3,200
Prepaid expenses		4,216	3,843
Total non-financial assets		1,448,684	1,322,900
Net assets		1,742,856	1,620,275
Contractual obligations (Note 18)			
Contractual rights (Note 19)			
Contingencies (Note 20)			

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

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Operations and Net Assets (unaudited)
for the year ended March 31, 2018
(in thousands of dollars)

	2018 Budget	2018 Actual	2017 Actual
	<small>(Note 23)</small>		
Revenues (Schedule A)			
From the Government of Canada	1,769,626	1,845,176	1,692,321
Tax revenues generated by the Government of Nunavut	112,500	115,202	107,546
Other revenues generated by the Government of Nunavut	85,958	128,572	98,187
Recoveries of prior years expenditures	13,000	10,646	14,822
Total revenues	1,981,084	2,099,596	1,912,876
Expenses (Schedule B)			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,706,499	1,764,519	1,664,998
<i>Plus:</i> Amortization expenses on tangible capital assets	72,593	105,477	61,427
<i>Plus:</i> Write-down of tangible capital assets	-	7,055	7,288
Total operations and maintenance expenses	1,779,092	1,877,051	1,733,713
Capital expenditures	339,451	337,992	254,127
<i>Less:</i> Transfers to tangible capital assets	152,363	238,028	131,868
Total capital expenses	187,088	99,964	122,259
Total expenses	1,966,180	1,977,015	1,855,972
Surplus (deficit) for year	14,904	122,581	56,904
Net assets, beginning of year	1,620,275	1,620,275	1,563,371
Net assets, end of year	1,635,179	1,742,856	1,620,275

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

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Change in Net Financial Assets (unaudited)
for the year ended March 31, 2018
(in thousands of dollars)

	2018 Budget	2018 Actual	2017 Actual
Surplus (deficit) for year	14,904	122,581	56,904
Tangible capital assets (Schedule C)			
Additions	(152,363)	(238,028)	(131,868)
Write-downs	-	7,055	7,288
Amortization	72,593	105,477	61,427
	<u>(79,770)</u>	<u>(125,496)</u>	<u>(63,153)</u>
Additions to inventories for use	(196)	(4,892)	(5,520)
Consumption of inventories for use	-	4,977	5,400
Net use (additions) of prepaid expenses	(327)	(373)	229
	<u>(523)</u>	<u>(288)</u>	<u>109</u>
(Decrease) increase in net financial assets	(65,389)	(3,203)	(6,140)
Net financial assets, beginning of year	297,375	297,375	303,515
Net financial assets, end of year	231,986	294,172	297,375

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

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Statement of Cash Flow (unaudited)
for the year ended March 31, 2018
(in thousands of dollars)

	2018	2017
Cash provided by (used for) operating activities:		
Cash received from:		
Transfers from the Government of Canada	1,804,786	1,710,778
Taxation	130,628	106,720
Insurance proceeds	8,227	-
Other generated revenues	222,038	228,885
Interest on loans receivable and portfolio investments	1,797	991
Cash paid for:		
Interest payments on capital leases, mortgage and project financing	(6,309)	(2,999)
To and on behalf of employees	(617,507)	(530,005)
Recipients	(507,565)	(502,441)
Suppliers	(822,752)	(860,379)
	213,343	151,550
Cash provided by (used for) capital activities:		
Purchases of tangible capital assets	(133,462)	(72,050)
	(133,462)	(72,050)
Cash provided by (used for) investing activities:		
Loans issued to municipalities, businesses and individuals	(751)	(353)
Loan repayments by municipalities, businesses and individuals	482	254
Investments in designated investments	(2,243)	(1,846)
	(2,512)	(1,945)
Cash provided by (used for) financing activities:		
Progress payments on Iqaluit International Airport Improvement Project	-	(23,100)
Principal payments on Iqaluit International Airport	(371)	-
Principal payments on capital leases	(13,373)	(8,259)
Principal payments on Nunavut Energy Savings Program Project	(1,315)	(1,144)
Principal payments on mortgage payable	(449)	(419)
	(15,508)	(32,922)
Increase in cash and cash equivalents	61,861	44,633
Cash and cash equivalents, beginning of year	600,907	556,274
Cash and cash equivalents, end of year (Note 3)	662,768	600,907

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

1 AUTHORITY AND OPERATIONS

(a) Government of Nunavut

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

(b) Main Estimates

The 2017-2018 Main Estimates were tabled in the Legislative Assembly in February 2017 and represent the Government's fiscal plan for the year (i.e., original budget). Summary information and totals for government's original budget for the year are provided on pages x through xiii of the 2017-2018 Main Estimates. Planned Vote 5 revenues and Vote 4 expenses represent the share of eligible costs to be funded under agreements with the Government of Canada or others, and while not part of the annual Appropriations (Operations and Maintenance) Act approved by the Legislative Assembly in March 2017, they are, along with those of revolving funds, included in the original budget totals disclosed in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

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

(b) Reporting entity

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

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

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

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

- Territorial corporations
 - Nunavut Arctic College (NAC)
 - Nunavut Business Credit Corporation (NBCC)
 - Nunavut Development Corporation (NDC)
 - Nunavut Housing Corporation (NHC)
 - Qulliq Energy Corporation (QEC)
- Other public agencies
 - District Education Authorities
 - Human Rights Tribunal
 - Inuit Uqausinginnik Taiguusiliuqtiit
 - Labour Standards Board
 - Legal Services Board
 - Liquor Commission
 - Nunavut Liquor Licensing Board
 - Office of the Public Trustee
 - Qullit Nunavut Status of Women Council

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Use of estimates and measurement uncertainty

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

- (i) Income tax revenues collected by the Government of Canada on the Government's behalf.
- (ii) Allowance for doubtful accounts, loan valuation allowances, provision for losses on loan guarantees, amortization of tangible capital assets, liability for contaminated sites, contingencies and other employee benefit liabilities.

(d) Cash and cash equivalents

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

(e) Inventories

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

(f) Loans receivable

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

(g) Tangible capital and leased assets

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

Tangible capital assets are recorded at cost or, where actual cost is not available, estimated current replacement cost is used. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs and directly attributable interest. Capitalization of interest ceases when a tangible capital asset is ready for use in producing goods or delivering services. Gifted or contributed tangible capital assets are recorded at fair market value upon receipt, or a nominal value if fair value is not available.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Pension and other employee benefits

Pension benefits

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

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

Other employee benefits

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

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

(i) Revenues

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

Transfers from the Government of Canada

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

Taxes

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

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

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

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

Recoveries of prior years expenditures

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

(j) Expenses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Contingencies

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

(l) Contaminated sites

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

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

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

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

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

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

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

(m) Related party transactions

Inter-entity transactions

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

- i) Inter-entity transactions are measured at the exchange amount when undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length, or where cost provided are recovered.
- ii) Goods or services received without charge between commonly controlled entities, when used in the normal course of the Government's operations and would otherwise have been purchased, are recorded as revenues and expenses at their carrying amount.

Other related party transactions

Other related parties are key management personnel, as well as close family members of key management personnel and entities that are controlled or significantly influenced by key management personnel or their close family.

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

(n) Changes in accounting standards

The Public Sector Accounting Board of Canada issued new accounting standards effective for fiscal years beginning on or after April 1, 2017.

As a result, the Government adopted an accounting policy for *Inter-entity transactions (PS 3420)*. This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The adoption of this new standard did not result in any financial impact on the Government's financial statements.

The Government also adopted the new accounting standards: *Related party disclosures (PS2200)*, *Contingent assets (PS 3320)*, and *Contractual rights (PS 3380)*. These new accounting standards only impact note disclosures.

The Government has adopted the above accounting standards on a prospective basis. The adoption of these new accounting standards did not result in any financial impact on the Government's financial statements, other than disclosure.

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Notes to Non-Consolidated Financial Statements (unaudited)
March 31, 2018
(in thousands of dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Future changes in accounting standards

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

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

PS 2601 Foreign Currency Translation (effective April 1, 2021), replaces PS 2600 with revised guidance on the recognition, presentation and disclosure of transactions and balances that are denominated in a foreign currency.

PS 3450 Financial Instruments (effective April 1, 2021), a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

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

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

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

3 CASH AND CASH EQUIVALENTS	2018	2017
Cash	662,768	600,907

During the year, government earned interest of prime less 1.65% on its net bank balances (2017 - prime less 1.65%).

4 DUE FROM THE GOVERNMENT OF CANADA	2018	2017
Grant receivable:		
From the Government of Canada (Schedule A)	1,529,949	1,488,585
Less: Payments received	(1,529,949)	(1,488,585)
	-	-
Balance of grant receivable, beginning of the year	-	-
Balance of grant receivable, end of the year	-	-
Other receivables:		
Other receivables from the Government of Canada	89,846	49,899
	89,846	49,899

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

5 ACCOUNTS RECEIVABLE	2018	2017
Receivable by funds		
Consolidated Revenue Fund	87,378	52,760
Petroleum Products Revolving Fund	62,085	79,871
Public Stores Revolving Fund	83	46
Liquor Revolving Fund	8	1
	149,554	132,678
Less: Allowance for doubtful accounts	(28,686)	(18,439)
	120,868	114,239
Receivable by relation with the creditors		
Nunavut Arctic College	8,523	8,419
District Education Authorities	2,376	2,405
Nunavut Business Credit Corporation	223	862
Nunavut Development Corporation	7	14
Nunavut Housing Corporation	15,893	18,264
Qulliq Energy Corporation	16,257	26,370
Receivable from related parties	43,279	56,334
	106,275	76,344
Other accounts receivable	149,554	132,678
Less: Allowance for doubtful accounts	(28,686)	(18,439)
	120,868	114,239

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Notes to Non-Consolidated Financial Statements (unaudited)

March 31, 2018

(in thousands of dollars)

6 INVENTORIES	2018	2017
(a) For resale		
Bulk fuels	77,373	110,498
Liquor products	2,457	1,573
	<u>79,830</u>	<u>112,071</u>

The recovery for bulk fuels inventory for 2018 was \$173 (2017 - \$169 write-down).

(b) For use		
Health and medical supplies	3,115	3,200

7 LOANS RECEIVABLE	2018	2017
Working Capital advances to the Nunavut Business Credit Corporation. The term is indeterminate with the option to repay any portion of the principal on any interest payment date. Interest is calculated at selected Government of Canada three year benchmark bond yields ranging between 0.75% and 1.96% (2017 - 0.51% and 0.92%) at the end of the month, compounded annually.	25,356	25,174
Student Loan Fund loans, bearing interest between 0% and 12.5% (2017 - 0% and 12.5%), net of doubtful accounts and valuation allowances of \$5,158 (2017 - \$4,984).	1,739	1,662
Other, net of valuation allowances of \$64 (2017 - \$64).	-	-
	<u>27,095</u>	<u>26,836</u>

8 DESIGNATED INVESTMENTS	2018	2017
SRAF designated investments	17,531	15,288

The Supplementary Retiring Allowances Fund of the Legislative Assembly (SRAF) designated investments represent funds set aside within the Consolidated Revenue Fund for use in meeting SRAF benefit obligations. The investments are managed by a third party. The Statement of Investment Policy establishes the eligible classes of securities, categories of issuers, limits and terms. The market value of SRAF investments at March 31, 2018 was \$20,120 (2017 - \$18,385) with a positive return of 4.49% (2017 - positive return of 15.17%).

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2018	2017
To related parties		
Nunavut Arctic College	2,429	2,856
District Education Authorities	737	975
Nunavut Business Credit Corporation	70	62
Nunavut Development Corporation	15	54
Nunavut Housing Corporation	1,010	1,089
Qulliq Energy Corporation	6,124	7,922
	<u>10,385</u>	<u>12,958</u>
To others		
Accounts payable	116,544	102,519
Accrued liabilities, payroll deductions, and contractor holdbacks	106,509	112,544
Vacation pay and lieu time	33,599	33,550
Due to the Government of Canada	30,906	29,573
Due to the Government of the Northwest Territories	2,108	4,076
	<u>289,666</u>	<u>282,262</u>
	<u>300,051</u>	<u>295,220</u>

All amounts above are non-interest bearing.

10 DEFERRED REVENUES	Balance April 1, 2017	Receipts during the year	Interest earned	Transfer to revenue	Balance March 31, 2018
Provincial-Territorial Base Funding (Building Canada Fund)	9,749	353	116	3,824	6,394
Gas Tax Agreement	36,023	15,906	578	11,412	41,095
Nunavut Land Claim	10,000	9,599	-	10,000	9,599
Other deferred revenue	20,835	15,278	-	18,370	17,743
	<u>76,607</u>	<u>41,136</u>	<u>694</u>	<u>43,606</u>	<u>74,831</u>

The deferred revenue balance at March 31 includes mostly funding for eligible capital infrastructure projects and specific programs received from the Government of Canada under formal contribution or other agreements. In 2018-19 and beyond, as the government fulfills its obligations from purpose or other stipulations for the use of these funds the associated revenue will be recognized in its non-consolidated financial statements.

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11 LIABILITY FOR CONTAMINATED SITES	2018	2017
Liabilities for remediation of contaminated sites (undiscounted)	8,390	8,274

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

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which it is responsible. As of March 31, 2018, there were 7 sites (2017 - 7) - 3 storage tank farms (2017 - 2), 4 waste sites - (2017 - 4 sites), and no school site (2017- 1 site), identified as requiring environmental remediation. For those sites where the Government of Nunavut expects to give up future economic benefits due to a legal order or plans to remediate contamination (e.g., due to the risk to human health), and is responsible or has accepted responsibility for remediation, and a reasonable estimate can be determined for remediation costs, a liability has been recorded in these financial statements. Where remediation costs have been estimated and a liability has been recorded the methodology used to estimate the liability is either based on third party analyses or extrapolated from costs previously incurred to remediate, monitor, or manage sites of similar size and contamination.

The Government has identified an additional 73 (2017 - 72) sites on Commissioner's land for which liabilities for contamination may exist for assessment, remediation and monitoring. The activities associated with these sites are classified as follows:

	2018	2017
Storage tank farms	25	26
Power plants	29	27
Town and waste sites	11	11
Garages and other public works	5	5
Airports	2	2
Quarries	1	1
	<u>73</u>	<u>72</u>

The Government acquired ownership of sites and activities associated with airports, tank farms and power plants on creation of the Territory on April 1, 1999. The contamination of certain sites occurred when other parties were responsible for the use of and/or held tenure to the sites. The Government has estimated that remediation of contamination at 14 storage tank farm sites and 29 power plant sites (2017 - 14 and 27) would cost approximately \$9,700 and \$39,000 (2017 - \$9,700 and \$38,400) respectively. In addition, the Government has estimated that remediation at the other sites could cost between \$55,000 - 126,000 (2017 - \$55,000 - 126,000) depending on the approach taken. No liability for remediation of these 73 sites has been recognized in these financial statements as the Government does not expect to give up any future economic benefits (i.e. no legal requirement to remediate). Going forward, a liability for remediation of these or other identified sites will be recognized if future economic benefits will be given up (i.e. public health risk or legal requirement).

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

In addition, the Government has identified 144 (2017 - 143) sites where garages, public works facilities, quarries, sewage disposal/treatment and solid waste sites and activities are generally located and conducted within municipal boundaries and governed by municipal legislation. Contamination at these sites and activities within municipal boundaries and jurisdiction are the responsibility of municipalities to monitor and remediate if necessary.

12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS

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

	2018	2017
Pension Benefits		
Pension plans for MLAs	16,367	14,042
Total Pension benefits	16,367	14,042
Other Employee Benefits		
Severance and removal	23,241	26,630
Retirement health benefits	17,408	18,209
Sick leave	10,042	9,733
Total Other employee benefits	50,691	54,572
Total pension and other employee benefits	67,058	68,614

12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS (continued)

Public Service Pension Plan

Substantially all of the employees of the Government of Nunavut are covered by the public service pension plan (the "Plan"), a defined benefit plan established through legislation and sponsored by the Government of Canada. The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation. Contributions are required by both the employees and the Government of Nunavut. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The contribution rate effective at March 31, 2018 was 1.0 times (2017 - 1.01 times) for members enrolled before January 1, 2013 and 1.0 times (2017 - 1.0 times) for members enrolled beginning January 1, 2013. Total employer contributions of \$32,022 (2017 - \$33,126) were recognized as expense in the current year. Total employee contributions were \$31,868 (2017 - \$29,958).

Legislative Assembly Retiring Allowances Plans

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

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

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

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

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

There have been no plan amendments, plan settlements and curtailments or temporary deviations from these plans in 2018 (no changes in 2017).

Actuarial valuations were completed for these plans as of April 1, 2017. The valuations were performed using the projected unit credit actuarial cost method. The valuations were based on a number of assumptions as approved by the Management and Services Board of the Legislative Assembly and represents the best estimates of expected long-term experience and short-term forecast, as well as the demographic assumptions underlying the most recent actuarial valuations for funding purposes. The main assumptions include inflation rates (2.0%), discounted rates (3.6%), return on assets (4.8%), increases in remuneration (3.0%), and mortality.

The asset valuation method, market-related value, for the LARAF plan is equal to a smoothed market value which spreads the difference between the actual and expected investment income over a four year period. The effective date of the next actuarial valuations for these plans is April 1, 2020.

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

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

	LARAF	SRAF	2018	2017
Accrued benefit obligation	11,160	16,865	28,025	26,752
Deduct:				
Pension fund assets	12,649	-	12,649	11,810
Unamortized actuarial (gains) losses	(447)	(544)	(991)	900
	12,202	(544)	11,658	12,710
Pension (asset) liability	(1,042)	17,409	16,367	14,042

As at March 31, 2018, the LARAF pension fund assets had a market value of \$12,966 (2017 - \$12,433). The actual rate of return was positive 4.71% (2017 - positive 16.13%). The SRAF has no pension fund assets; however, the pension liability is funded all or in part by designated investments (Note 8).

LARAF and SRAF actuarial gains/losses are both amortized over 1.0 year (2017 - 1.0 for both) which is the estimated average remaining service lives for contributors to these plans.

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12 LIABILITIES FOR PENSION AND OTHER EMPLOYEE BENEFITS (continued)

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

	LARAF	SRAF	2018	2017
Current period benefit cost	1,219	1,886	3,105	2,896
Amortization of actuarial (gains) losses	14	886	900	804
	1,233	2,772	4,005	3,700
MLAs contributions	(243)	-	(243)	(232)
Pension expense	990	2,772	3,762	3,468
Interest cost on the average accrued benefit obligation	414	622	1,036	973
Expected return on average pension plan assets	(583)	-	(583)	(518)
Pension interest expense	(169)	622	453	455
Total pension expenses	821	3,394	4,215	3,923

Pension benefits paid for the LARAF and SRAF were \$1,223 and \$949, respectively (2017 - \$466 and \$747, respectively).

The Government's contributions related to the LARAF and SRAF during the year were \$941 and \$1,837, respectively (2017 - \$916 and \$1,840, respectively).

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

	Severance and removal	Sick leave	Retirement health benefits	2018	2017
Benefit of the period	1,679	1,362	1,032	4,073	3,547
Actuarial (gains) losses recognized during the year	(4,755)	106	(1,994)	(6,643)	4,123
Other employee benefits expense	(3,076)	1,468	(962)	(2,570)	7,670
Interest cost on the average accrued benefit	652	273	723	1,648	1,547
Total expense related to other employee benefits	(2,424)	1,741	(239)	(922)	9,217

13 MORTGAGE PAYABLE

	2018	2017	
Mortgage payable in annual instalments to the year 2020, bearing interest at a rate of 6.9% compounded semi-annually.	1,309	1,758	
Future mortgage payments consist of:			
2019	Principal 480	Interest 74	Total 554
2020	829	42	871
	1,309	116	1,425

Interest expense on the mortgage payable was \$103 for the year (2017 - \$133). The interest paid on the mortgage payable during the year was \$106 (2017 - \$135).

14 IQALUIT INTERNATIONAL AIRPORT

In September 2013, the Government signed agreements as part of a public-private partnership (P3) arrangement to design, build, finance, operate and maintain new and updated infrastructure at the Iqaluit International Airport. The airport officially opened and began operations on August 9, 2017. The estimated cost of the project was \$305,376. The actual cost incurred by the P3 proponent is \$298,430. The capital costs of the arrangement was partially funded by PPP Canada Inc. The Government of Nunavut received \$74,160 from PPP Canada Inc. during 2017-18 which is recorded as Government of Canada - Other Transfer Payments.

	2018	2017
Loan payable in monthly instalments of \$1,069,148 to December 2047, bearing interest at a rate of 7.23%.	156,692	134,292

Interest costs of \$7,412 were capitalized (2017 - \$7,349) as part of additions to tangible capital assets.

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

	Principal	Interest	Total
2019	1,554	11,276	12,830
2020	1,670	11,160	12,830
2021	1,795	11,035	12,830
2022	1,929	10,901	12,830
2023	2,074	10,756	12,830
2024 and beyond	147,670	169,868	317,538
	156,692	224,996	381,688

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15 CAPITAL LEASE OBLIGATIONS

Capital lease obligations are based upon contractual minimum lease payments for leases in effect as of March 31. The original capital leases, with terms of 20 years, are due to expire between 2019 and 2020. On July 1, 2017, the Government entered into lease amending and extension agreements with the lessor that extended the original terms by another 10 years. The present value of the minimum lease payments of the new leases is \$73,022.

	2018	2017
Total minimum lease payments	102,530	35,649
Less: Imputed interest	(12,190)	(4,958)
Present value of minimum lease payments	90,340	30,691

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

	Principal	Interest	Total
2019	15,631	2,659	18,290
2020	11,856	1,954	13,810
2021	6,365	1,569	7,934
2022	6,553	1,381	7,934
2023	6,749	1,185	7,934
2024 and beyond	43,186	3,442	46,628
	90,340	12,190	102,530

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

Interest expense related to capital lease obligations for the year was \$3,016 (2017 - \$2,433) at an implied average interest rate of 3.3% (2017 - 7.0%). The capital lease obligations expire between 2020 and 2030.

16 NUNAVUT ENERGY MANAGEMENT PROGRAM PROJECT

	2018	2017
Project financing payable	5,095	6,409

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

Future payments consist of:	Principal	Interest	Total
2019	1,400	266	1,666
2020	1,059	183	1,242
2021	1,018	123	1,141
2022	1,079	62	1,141
2023	402	13	415
2024 and beyond	137	1	138
	5,095	648	5,743

Interest expense on the project for the year was \$351 (2017 - \$432).

17 PETROLEUM PRODUCTS STABILIZATION FUND

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

	2018	2017
Surplus (deficit), beginning of year	7,702	(7,691)
Petroleum Products Revolving Fund net profit (loss) for the year	1,094	15,393
Minimum transfer required from (to) Consolidated Revenue Fund	-	-
Surplus (deficit), end of year	8,796	7,702

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18 CONTRACTUAL OBLIGATIONS

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2018:

	Total
Operating leases (Schedule 5)	48,844
Capital commitments	97,837
Operational commitments	544,339
Policing agreement	561,918
Iqaluit International Airport Improvement commitments	676,662
	1,929,600
Contractual obligations by fiscal year are as follows:	
2019	372,638
2020	192,465
2021	117,137
2022	109,530
2023	95,565
2024 and beyond	1,042,265
	1,929,600

19 CONTRACTUAL RIGHTS

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

	Total
Canada Infrastructure Plan	566,762
Nunavut Land Claims Agreement	43,663
Health Canada Agreements	209,613
New Building Canada Fund	302,372
Others / Third party agreements	99,129
	1,221,539
Contractual rights by fiscal year are as follows:	
2019	189,643
2020	230,766
2021	182,228
2022	150,315
2023	107,251
2024 and beyond	361,336
	1,221,539

20 CONTINGENCIES

(a) Post-division adjustments

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

The period for such adjustments is unlimited; and such adjustments could be made in a variety of specified circumstances such as the settlement of litigation related to events prior to the date of division. In such an event, there is an opportunity for one of the governments to file a claim against the other government to share in costs. Post-division adjustments will be recognized in the year the liability can reasonably be estimated. As at March 31, 2018, no new post-division adjustments were recorded.

(b) Environmental Protection Compliance Orders

During 2016-17, the Petroleum Products Division (PPD) received Environmental Protection Compliance Orders (EPCOs) from Environment Canada related to contraventions of regulations for storage tank systems for petroleum products at selected facilities. The Government has been given until December 2021 to complete the requested corrective measures.

Qulliq Energy Corporation (QEC) received a draft EPCO from Environment Canada related to contraventions of regulations for storage tank systems for petroleum products at the Corporation's facilities in Cambridge Bay. The Corporation completed all requested corrective measures by the deadline of December 2017 and is currently awaiting final closure from Environment and Climate Change Canada.

(c) Litigation

A number of cases of alleged sexual abuse by former employees or contractors in Nunavut when it was part of the Northwest Territories have been filed or are pending. The Nunavut and the Northwest Territories governments will jointly defend any such proceedings and the cost of defending the actions and any damages that may eventually be awarded will be shared by the two governments 44.34% and 55.66%, respectively. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at \$795. No liability has been recorded for these claims as the outcome of these cases is not determinable.

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20 CONTINGENCIES (continued)

(c) Litigation (continued)

There are a number of claims and threatened litigation cases outstanding against the Government for which the outcomes are not determinable, including a number of cases where an amount is not specified. The nature of these claims include wrongful dismissal, breach of policy, personal injury, sexual abuse, negligence, wrongful arrest and assault. Where it is likely that there will be a future payment and a reasonable estimate of the amount can be made, the Government has recorded a liability. For those pending cases, where the outcome is not determinable as at March 31 and a reasonable estimate of the amount can be made, the total amount of those claims is estimated at \$16,018. No liability has been recorded for these claims as the outcome of these cases is not determinable.

(d) Loan guarantees

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

	2018	2017
Bank credit facility, interest at prime minus 0.50%	11,201	8,393
20 year redeemable amortizing debenture due September 2021, interest rate of 6.809%	29,543	33,048
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	1,476	1,906
Fixed rate capital loan facility due May 2021, interest rate of 4.24%	1,890	2,436
Fixed rate capital loan facility due June 2021, interest rate of 4.24%	2,677	3,438
Fixed rate capital loan facility due February 2022, interest rate of 4.24%	3,725	3,919
Fixed rate capital loan facility due July 2021, interest rate of 4.24%	4,946	6,302
Variable rate capital loan facility due November 2022, interest at prime minus 0.50%	14,667	15,667
Variable rate capital loan facility due April 2024, interest at prime minus 0.50%	12,867	13,667
Variable rate capital loan facility due April 2027, interest at prime minus 0.50%	91,472	54,576
Total guarantees provided on balances outstanding	174,464	143,352

The QEC bank credit facility limit is \$20,000 (2017 - \$20,000). The non-revolving committed and bridge loan facilities above each has an option to utilize BAs with stamping fees calculated at 50 bps per annum with terms not less than 7 days and not more than 365 days and issued and reissued in minimum aggregate amounts of Canadian \$1,000 and multiples thereof.

Based on its operational needs, the Nunavut Development Corporation (NDC) may from time to time be in a bank overdraft position. The overdraft is guaranteed by the Government, and interest on the overdraft is charged based on a rate of prime plus 0.50% per annum. Interest is charged only when NDC's operating account is in an overdraft position and the pooled accounts of the Government are also in an overdraft position. As at March 31, 2018, NDC's bank overdraft position was \$nil (2017 - \$nil).

21 RELATED PARTIES

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

	2018	2017
Nunavut Arctic College	3,331	3,342
District Education Authorities	12,999	12,785
Nunavut Development Corporation	3,536	3,522
Nunavut Business Credit Corporation	700	700
	20,566	20,349

Under agreements with related boards and agencies, the Government provides services at cost or for a service fee where direct costs cannot be determined. The fees charged for indirect costs are not necessarily the cost of providing those services. Services provided include personnel, payroll, financial, procurement, accommodation, buildings and works, utilities, legal, and interpretation services. Direct costs of \$46,956 (2017 - \$47,558) were incurred and recovered from related parties. Grants and contributions from the Government of Nunavut to Nunavut Arctic College and Nunavut Housing Corporation are disclosed separately in the Schedule of Expenses Funded under Approved Appropriations (Schedule B.1).

22 TRUSTS UNDER ADMINISTRATION

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

	2018	2017
Public Trustee	5,738	4,805
Territorial Court Trust	503	488
Natural Resources Conservation Trust	824	624
	7,065	5,917

23 BUDGET ADJUSTMENTS

The budgeted surplus of \$14,900 on the Statement of Operations and Net Assets is \$7,800 less than the surplus of \$22,700 indicated on page x of the 2017-18 Main Estimates. This is a result of the total budgeted amortization in each Department summary, of \$72,600, being more than the \$64,800 amortization summarized on page x of the 2017-2018 Main Estimates.

The 2018 total revenue budget of \$1,981,084 includes \$1,837,058 of 'Revenues' and \$89,092 of 'Vote 5 Revenues' on page A-IV-4 of the 2017-2018 Main Estimates, plus \$54,934 of funding under third-party agreements for specific capital projects included in Appendix IV of the 2017-2018 Capital Estimates. The planned expenses to be funded by these additional revenues have been added to the affected budget totals disclosed in these statements.

The budget amount of \$144,026 for the Expenses under third-party funding agreements on page x of the 2017-18 Main Estimates includes \$27,146 for capital projects under the Gas Tax Fund and Infrastructure Base Fund not included in Appendix IV of the 2017-18 Capital Estimates.

24 OVER-EXPENDITURE

The Department of Health exceeded its appropriations. 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 appropriation is based to be exceeded."

25 COMPARATIVE INFORMATION

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

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Schedule A

Non-Consolidated Schedule of Revenues by Source (unaudited)

for the year ended March 31, 2018

(in thousands of dollars)

	2018 Budget	2018 Actual	2017 Actual
From the Government of Canada			
Territorial Formula Financing	1,529,900	1,529,949	1,488,585
Transfers under third-party funding agreements	144,026	146,770	123,879
Other transfer payments (1)	95,700	168,457	79,857
	1,769,626	1,845,176	1,692,321
Revenues generated by the Government of Nunavut			
Taxation revenues			
Personal income tax	32,100	23,480	33,347
Corporate income tax	15,200	18,430	13,126
Payroll tax	27,100	29,418	25,781
Tobacco tax	17,500	21,435	17,832
Fuel tax	12,000	13,957	9,276
Property tax	6,300	6,591	6,257
Insurance tax	2,300	1,891	1,927
	112,500	115,202	107,546
Other revenues			
Petroleum Products Division revenue - net of cost of goods sold of \$154,907 (2017 - \$144,467)	37,332	33,539	49,195
Liquor revenue - net of cost of goods sold of \$4,261 (2017 - \$2,189)	4,626	5,614	3,589
Staff housing recoveries	19,000	19,401	19,308
Transfers under third-party funding agreements	-	1,761	1,915
Insurance proceeds (2)	-	39,635	-
Other	25,000	28,622	24,180
	85,958	128,572	98,187
Recoveries of prior years expenditures (Schedule 1)	13,000	10,646	14,822
Total revenues (Note 23)	1,981,084	2,099,596	1,912,876

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

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

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(in thousands of dollars)

Schedule B

TOTALS	Original Budget	Actual	(Over) Under Original Budget
FUNDED UNDER APPROVED APPROPRIATIONS (Schedule B.1)			
Operations and maintenance expenses before amortization	1,558,475	1,606,609	(48,134)
<i>Plus: Amortization expenses on tangible capital assets</i>	72,593	105,477	(32,884)
<i>Plus: Write-down of tangible capital assets</i>	-	7,055	(7,055)
Total operations and maintenance expenses	1,631,068	1,719,141	(88,073)
Capital expenditures	200,644	301,370	(100,726)
<i>Less: Transfers to tangible capital assets</i>	152,363	220,886	(68,523)
Total capital expenses	48,281	80,484	(32,203)
Total appropriation expenses	1,679,349	1,799,625	(120,276)
FUNDED UNDER THIRD-PARTY AGREEMENTS (Schedule B.2)			
Operations and maintenance expenses before amortization	89,092	112,394	(23,302)
<i>Plus: Amortization expenses on tangible capital assets</i>	-	-	-
Total operations and maintenance expenses	89,092	112,394	(23,302)
Capital expenditures	54,934	36,622	18,312
<i>Less: Transfers to tangible capital assets</i>	-	17,142	(17,142)
Total capital expenses	54,934	19,480	35,454
Total third-party agreement expenses	144,026	131,874	12,152
FUNDED BY REVOLVING FUNDS (Schedule B.3)			
Operations and maintenance expenses before amortization	33,932	45,516	(11,584)
<i>Plus: Amortization expenses on tangible capital assets</i>	-	-	-
Total operations and maintenance expenses	33,932	45,516	(11,584)
Capital expenditures	-	-	-
<i>Less: Transfers to tangible capital assets</i>	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	33,932	45,516	(11,584)
NON-CONSOLIDATED STATEMENTS TOTALS			
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,681,499	1,764,519	
<i>Plus: Centrally estimated 'Supplementary requirements' per page x of 2017-2018 Main Estimates</i>	40,000	-	
<i>Less: Capital portion of the estimated 'Supplementary requirements'</i>	15,000	-	
Total operations and maintenance expenses before amortization and write down of tangible capital assets	1,706,499	1,764,519	(58,020)
<i>Plus: Amortization expenses on tangible capital assets</i>	72,593	105,477	(32,884)
<i>Plus: Write-down of tangible capital assets</i>	-	7,055	(7,055)
Total operations and maintenance expenses	1,779,092	1,877,051	(97,959)
Capital expenditures	255,578	337,992	
<i>Plus: Centrally estimated capital carryovers from prior year included in 'Capital' on page x of 2017-2018 Main Estimates</i>	68,873	-	
<i>Plus: Capital portion of the estimated 'Supplementary requirements'</i>	15,000	-	
Total capital expenditures	339,451	337,992	1,459
<i>Less: Transfers to tangible capital assets</i>	152,363	238,028	(85,665)
Total capital expenses	187,088	99,964	87,124
Total expenses	1,966,180	1,977,015	(10,835)

Total expenses above includes, among other items, interest expense of \$6,348 (2017 - \$3,142) and a net increase in valuation allowances of \$7,569 (2017 - \$4,027).

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.1

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

for the year ended March 31, 2018

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supplementary Appropriations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
LEGISLATIVE ASSEMBLY						
Operations and maintenance						
Compensation and benefits	12,950	-	(25)	12,925	12,526	399
Grants and contributions	-	-	25	25	25	-
Other	13,918	-	-	13,918	13,848	70
	26,868	-	-	26,868	26,399	469
Capital expenditures	765	449	-	1,214	1,231	(17)
Total spending under appropriations	27,633	449	-	28,082	27,630	452
EXECUTIVE AND INTERGOVERNMENTAL AFFAIRS						
Operations and maintenance						
Compensation and benefits	17,740	-	-	17,740	17,129	611
Grants and contributions	340	-	308	648	638	10
Other	9,806	-	(308)	9,498	7,878	1,620
	27,886	-	-	27,886	25,645	2,241
Capital expenditures	100	-	-	100	82	18
Total spending under appropriations	27,986	-	-	27,986	25,727	2,259
FINANCE						
Operations and maintenance						
Compensation and benefits	42,972	-	-	42,972	35,946	7,026
Grants and contributions	12,993	-	-	12,993	12,276	717
Other	38,866	-	-	38,866	41,824	(2,958)
	94,831	-	-	94,831	90,046	4,785
Capital expenditures	10,250	11,399	-	21,649	9,709	11,940
Total spending under appropriations	105,081	11,399	-	116,480	99,755	16,725
FAMILY SERVICES						
Operations and maintenance						
Compensation and benefits	29,705	-	(6,050)	23,655	29,837	(6,182)
Grants and contributions	62,958	-	433	63,391	57,699	5,692
Other	45,599	1,402	5,617	52,618	52,033	585
	138,262	1,402	-	139,664	139,569	95
Capital expenditures	3,170	2,961	-	6,131	2,310	3,821
Total spending under appropriations	141,432	4,363	-	145,795	141,879	3,916
JUSTICE						
Operations and maintenance						
Compensation and benefits	42,964	3,600	-	46,564	48,215	(1,651)
Grants and contributions	14,457	-	-	14,457	13,856	601
Other	56,853	2,600	-	59,453	57,685	1,768
	114,274	6,200	-	120,474	119,756	718
Capital expenditures	1,512	2,763	-	4,275	1,934	2,341
Total spending under appropriations	115,786	8,963	-	124,749	121,690	3,059

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.1

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

for the year ended March 31, 2018

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supplementary Appropriations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
CULTURE AND HERITAGE						
Operations and maintenance						
Compensation and benefits	11,784	-	(527)	11,257	11,449	(192)
Grants and contributions	7,177	-	-	7,177	6,507	670
Other	6,736	-	527	7,263	5,298	1,965
	25,697	-	-	25,697	23,254	2,443
Capital expenditures	560	-	-	560	374	186
Total spending under appropriations	26,257	-	-	26,257	23,628	2,629
EDUCATION						
Operations and maintenance						
Compensation and benefits	161,209	-	(509)	160,700	157,316	3,384
Grants and contributions	23,915	-	454	24,369	22,932	1,437
Other	21,348	-	55	21,403	19,703	1,700
	206,472	-	-	206,472	199,951	6,521
Capital expenditures	34,990	34,877	-	69,867	56,099	13,768
Total spending under appropriations	241,462	34,877	-	276,339	256,050	20,289
HEALTH						
Operations and maintenance						
Compensation and benefits	136,673	9,000	(2,026)	143,647	143,647	-
Grants and contributions	7,024	-	-	7,024	4,218	2,806
Other	209,690	40,000	2,026	251,716	265,839	(14,123)
	353,387	49,000	-	402,387	413,704	(11,317)
Capital expenditures	4,550	10,619	-	15,169	7,474	7,695
Total spending under appropriations	357,937	59,619	-	417,556	421,178	(3,622)
ENVIRONMENT						
Operations and maintenance						
Compensation and benefits	16,525	-	(785)	15,740	15,340	400
Grants and contributions	1,988	-	38	2,026	1,631	395
Other	9,229	-	747	9,976	7,725	2,251
	27,742	-	-	27,742	24,696	3,046
Capital expenditures	2,000	1,664	-	3,664	1,379	2,285
Total spending under appropriations	29,742	1,664	-	31,406	26,075	5,331
COMMUNITY AND GOVERNMENT SERVICES						
Operations and maintenance						
Compensation and benefits	48,389	-	(2,000)	46,389	49,278	(2,889)
Grants and contributions	70,301	-	1,586	71,887	68,812	3,075
Other	123,924	8,028	414	132,366	123,687	8,679
	242,614	8,028	-	250,642	241,777	8,865
Capital expenditures	41,450	133,956	-	175,406	105,795	69,611
Total spending under appropriations	284,064	141,984	-	426,048	347,572	78,476

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.1

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

for the year ended March 31, 2018

(in thousands of dollars)

APPROPRIATIONS	Original Budget	Supplementary Appropriations	Transfers	Revised Budget	Actual	(Over) Under Revised Budget
ECONOMIC DEVELOPMENT AND TRANSPORTATION						
Operations and maintenance						
Compensation and benefits	18,143	-	(2,395)	15,748	17,580	(1,832)
Grants and contributions	25,766	-	-	25,766	23,035	2,731
Other	27,586	3,208	2,395	33,189	33,146	43
	71,495	3,208	-	74,703	73,761	942
Capital expenditures	61,332	34,190	-	95,522	75,018	20,504
Total spending under appropriations	132,827	37,398	-	170,225	148,779	21,446
NUNAVUT HOUSING CORPORATION						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	199,843	(896)	-	198,947	198,947	-
Other	-	-	-	-	-	-
	199,843	(896)	-	198,947	198,947	-
Capital expenditures	39,965	-	-	39,965	39,965	-
Total spending under appropriations	239,808	(896)	-	238,912	238,912	-
NUNAVUT ARCTIC COLLEGE						
Operations and maintenance						
Compensation and benefits	-	-	-	-	-	-
Grants and contributions	37,619	-	-	37,619	37,619	-
Other	-	-	-	-	-	-
	37,619	-	-	37,619	37,619	-
Capital expenditures	-	-	-	-	-	-
Total spending under appropriations	37,619	-	-	37,619	37,619	-
TOTALS						
Operations and maintenance						
Compensation and benefits	539,054	12,600	(14,317)	537,337	538,263	(926)
Grants and contributions	464,381	(896)	2,844	466,329	448,195	18,134
Other	563,555	55,238	11,473	630,266	628,666	1,600
	1,566,990	66,942	-	1,633,932	1,615,124	18,808
Less: Principal repayments on capital leases included in spending above	7,200	-	-	7,200	7,200	-
Less: Principal repayments on Nunavut Energy Management Program Project included in spending above	1,315	-	-	1,315	1,315	-
Operations and maintenance expenses before amortization and write down of tangible capital assets	1,558,475	66,942	-	1,625,417	1,606,609	18,808
Plus: Amortization expenses on tangible capital assets	72,593	-	-	72,593	105,477	(32,884)
Plus: Write-down of tangible capital assets	-	-	-	-	7,055	(7,055)
Total operations and maintenance expenses	1,631,068	66,942	-	1,698,010	1,719,141	(21,131)
Capital expenditures	200,644	232,878	-	433,522	301,370	132,152
Less: Transfers to tangible capital assets	152,363	-	-	152,363	220,886	(68,523)
Total capital expenses	48,281	232,878	-	281,159	80,484	200,675
Total appropriation expenses	1,679,349	299,820	-	1,979,169	1,799,625	179,544

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.2

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

for the year ended March 31, 2018

(in thousands of dollars)

By Department	Original Budget	Actual	(Over) Under Original Budget
Legislative Assembly	-	-	-
Executive and Intergovernmental Affairs	12,170	1,312	10,858
Finance	800	860	(60)
Family Services	6,230	5,248	982
Justice	5,320	3,397	1,923
Culture and Heritage	2,625	7,321	(4,696)
Education	3,123	3,833	(710)
Health	57,995	76,968	(18,973)
Environment	1,539	6,640	(5,101)
Community and Government Services	43,748	21,259	22,489
Economic Development and Transportation	10,476	5,036	5,440
	144,026	131,874	12,152

By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	-	21,193	(21,193)
Grants and contributions	-	16,832	(16,832)
Other	-	74,369	(74,369)
Operations and maintenance expenses before amortization	89,092	112,394	(23,302)
Plus: Amortization expenses on tangible capital assets	-	-	-
Total operations and maintenance expenses	89,092	112,394	(23,302)
Capital expenditures	54,934	36,622	18,312
Less: Transfers to tangible capital assets	-	17,142	(17,142)
Total capital expenses	54,934	19,480	35,454
Total third-party agreement expenses	144,026	131,874	12,152

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule B.3

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

for the year ended March 31, 2018

(in thousands of dollars)

By Revolving Fund	Original Budget	Actual	(Over) Under Original Budget
Liquor	4,615	6,306	(1,691)
Petroleum Products	28,009	37,671	(9,662)
Public Stores	1,100	1,358	(258)
Student Loan	208	181	27
	33,932	45,516	(11,584)

By Category	Original Budget	Actual	(Over) Under Original Budget
Operations and maintenance			
Compensation and benefits	6,582	7,204	(622)
Grants and contributions	15	-	15
Other expenses	27,335	38,312	(10,977)
Operations and maintenance expenses before amortization	33,932	45,516	(11,584)
Plus: Amortization expenses on tangible capital assets (1)			-
Total operations and maintenance expenses	33,932	45,516	(11,584)
Capital expenditures	-	-	-
Less: Transfers to tangible capital assets	-	-	-
Total capital expenses	-	-	-
Total revolving fund expenses	33,932	45,516	(11,584)

(1) Petroleum Products amortization of \$547 (2017 - \$802) is included in the budget and actuals totals for Department of Community and Government Services on Sch. B.1.

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule C

Non-Consolidated Schedule of Tangible Capital Assets (unaudited)

for the year ended March 31, 2018

(in thousands of dollars)

	Buildings	Leased Buildings	Infra-structure	Tank Farms	Storage Facilities	Equipment	2018	2017
Cost of tangible capital assets								
Opening balance	1,075,105	115,216	186,311	192,591	17,285	114,048	1,700,556	1,573,654
Additions	69,917	73,022	-	3,168	2,029	5,970	154,106	38,658
Transferred from work in progress	247,334	-	1,009	5,797	147	37	254,324	105,413
Reclassification	(179,824)	-	179,824	-	-	-	-	-
Disposals	(2,262)	-	-	-	-	(312)	(2,574)	(3,537)
Write-downs	(1,908)	-	(19,657)	(494)	(286)	-	(22,345)	(13,632)
Closing balance	1,208,362	188,238	347,487	201,062	19,175	119,743	2,084,067	1,700,556
Accumulated amortization								
Opening balance	(362,305)	(64,093)	(76,856)	(79,080)	(10,617)	(95,696)	(688,647)	(637,101)
Amortization	(41,706)	(38,333)	(11,629)	(6,801)	(695)	(6,313)	(105,477)	(61,427)
Disposals	2,262	-	-	-	-	312	2,574	3,537
Write-downs	959	-	13,864	296	171	-	15,290	6,344
Closing balance	(400,790)	(102,426)	(74,621)	(85,585)	(11,141)	(101,697)	(776,260)	(688,647)
Work in progress								
Opening balance	272,870	-	18,488	11,799	147	644	303,948	316,151
Additions	64,736	-	11,481	352	284	7,069	83,922	93,210
Transferred to cost of tangible capital assets	(247,334)	-	(1,009)	(5,797)	(147)	(37)	(254,324)	(105,413)
Closing balance	90,272	-	28,960	6,354	284	7,676	133,546	303,948
Net book value	897,844	85,812	301,826	121,831	8,318	25,722	1,441,353	1,315,857
Estimated useful life	30 Years	30 Years	30 Years	30 Years	30 Years	5-30 Years		

During the year, interest of \$7,412 was capitalized (2017 - \$7,349) as part of the cost of additions.

During 2018, the Government wrote-down the value of specifically identified assets. Included in the write-downs are assets with a net book value of \$4,777, the result of major improvements under the Iqaluit International Airport project in which existing infrastructure (taxiways, lighting) was demolished and replaced.

The tangible capital asset acquisitions presented in the Non-Consolidated Statement of Cash Flow excludes an amount of \$104,566 (2017 - \$31,682) in relation to acquisition and construction costs unpaid as of March 31, 2018.

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT****Schedule 1****Non-Consolidated Schedule of Recoveries of Prior Years Expenditures (unaudited)**

for the year ended March 31, 2018*(in thousands of dollars)*

Department	Over Accruals	Other Recoveries	Total
Legislative Assembly	70	18	88
Executive and Intergovernmental Affairs	41	48	89
Finance	60	782	842
Family Services	451	578	1,029
Justice	-	193	193
Culture and Heritage	28	270	298
Education	101	1,148	1,249
Health	1,852	1,094	2,946
Environment	803	150	953
Community and Government Services	377	861	1,238
Economic Development and Transportation	1,061	660	1,721
	<hr/>	<hr/>	<hr/>
	4,844	5,802	10,646

GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT
Non-Consolidated Schedule of Special Warrants (unaudited)
for the year ended March 31, 2018
(in thousands of dollars)

Schedule 2

	Date of FMB Approval	Amount Authorized
OPERATIONS AND MAINTENANCE		

There were no Special Warrants during the year.

Total operations and maintenance		-
-----------------------------------------	--	---

	Date of FMB Approval	Amount Authorized
CAPITAL		

There were no Special Warrants during the year.

Total capital		-
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INTERIM FINANCIAL REPORT

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

for the year ended March 31, 2018

(in thousands of dollars)

	<u>Transfers to (from)</u>
OPERATIONS AND MAINTENANCE	
Executive and Intergovernmental Affairs	
Public Service Training	(225)
Strategic Planning	(350)
Sivumuaqatigiit	575
Health	
Health Care Service Delivery	(407)
Directorate	407
Community and Government Services	
Local Government Services	(700)
Infrastructure	(1,200)
Information Management / Information Technology	1,900
Infrastructure	(1,054)
Information Management / Information Technology	1,054
Infrastructure	(1,935)
Information Management / Information Technology	1,935
Local Government Services	(452)
Infrastructure	452
Local Government Services	(140)
Infrastructure	(1,565)
Information Management / Information Technology	1,705
Family Services	
Corporate Management	(300)
Children and Family Services	625
Income Assistance	(325)
Corporate Management	250
Career Development	(250)
CAPITAL	
Community and Government Services	
Capital	(600)
Petroleum Products Division	600

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT**

Schedule 4

**Non-Consolidated Schedule of Write-offs and Student Loan Remissions (unaudited)
for the year ended March 31, 2018**

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

WRITE-OFFS

No amounts were written off during the year.

STUDENT LOAN REMISSIONS

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

Ali, Sarah	3,165
Atienza, Azalea Clara	3,200
Boyer, Josee Rees Stasila	679
	<hr/>
	7,044

**GOVERNMENT OF NUNAVUT
INTERIM FINANCIAL REPORT****Schedule 5****Non-Consolidated Schedule of Contractual Obligations under Operating Leases (unaudited)**

for the year ended March 31, 2018*(in thousands of dollars)*

	2019	2020	2021	2022	2023	>2023	Total
Headquarters	6,812	5,026	3,890	3,440	1,875	975	22,018
Qikiqtaaluk	2,175	1,611	631	455	408	1,699	6,979
Kivalliq	3,480	2,952	1,491	536	261	45	8,765
Kitikmeot	2,032	1,780	1,650	1,630	1,630	2,360	11,082
	14,499	11,369	7,662	6,061	4,174	5,079	48,844
