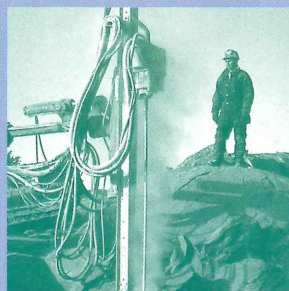
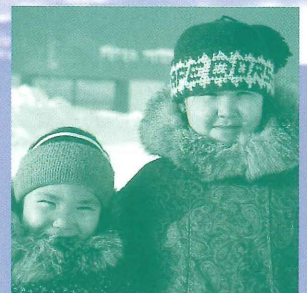
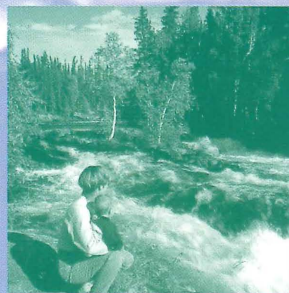


# Public Accounts

Northwest Territories • 2002-2003

Section I Consolidated Financial Statements



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Northwest  
Territories





**PUBLIC ACCOUNTS**  
**OF THE**  
**GOVERNMENT OF THE NORTHWEST TERRITORIES**  
**FOR THE YEAR ENDED MARCH 31, 2003**

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

**HONOURABLE JOSEPH L. HANDLEY**  
**Minister of Finance**

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THE HONOURABLE GLENNA F. HANSEN  
COMMISSIONER OF THE NORTHWEST TERRITORIES

I have the honour to present the Public Accounts of the Northwest Territories in accordance with Sections 27 through 31 of the Northwest Territories Act (Canada), R.S.C. 1985, c. N-22, and Sections 72 through 74 of the Financial Administration Act, S.N.W.T. 1987(1), c. 16, for the fiscal year ended March 31, 2003.

Joseph L. Handley  
Minister of Finance

Financial Management Board Secretariat  
Yellowknife, NT

July 25, 2003

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**Public Accounts of the  
Government of the Northwest Territories**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of the consolidated financial statements of the Government of the Northwest Territories, and related information contained in the Public Accounts, is the responsibility of management through the Office of the Comptroller General.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Where GAAP permits alternative accounting methods, management has chosen those that are most appropriate. Where required, management's best estimates and judgment have been applied in the preparation of these statements.

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

The Public Accounts are referred to the Standing Committee on Accountability and Oversight. The recommendations of this committee are reviewed and acted on to improve the financial systems and controls.

The Auditor General of Canada performs an annual audit on the consolidated financial statements in order to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position of the government, the results of its operations, the changes in its net debt and its cash flow for the year. During the course of the audit, she also examines transactions that have come to her notice, to ensure they are, in all significant respects, within the statutory powers of the Government and those organizations included in the consolidation.

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



Lew Voytilla, FCGA  
Comptroller General  
Government of the Northwest Territories

July 25, 2003

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## AUDITOR'S REPORT

To the Legislative Assembly of the Northwest Territories

I have audited the consolidated statement of financial position of the Government of the Northwest Territories as at March 31, 2003 and the consolidated statements of change in net financial resources, operations and accumulated surplus, 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.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Government as at March 31, 2003 and the results of its operations, the change in its net financial resources, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board. As required by the *Northwest Territories Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Government and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Government and of those organizations listed in note 1 that have come to my notice during my audit of these consolidated financial statements have, in all significant respects, been in accordance with the Government's powers under the *Northwest Territories Act*, the *Financial Administration Act* and regulations, and the specific operating authorities disclosed in note 1.

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

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 25, 2003

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# Government of the Northwest Territories

## Consolidated Statement of Financial Position

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As at March 31, 2003  
(thousands of dollars) 2002

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### Financial resources

Cash	\$	-	\$	107,257
Short-term investments (note 3)		41,155		249,691
Due from Canada (note 4)		36,281		-
Accounts receivable (note 5)		59,512		63,957
Inventories and prepaid expenses (note 6)		12,166		13,292
Designated cash and investments (note 7)		29,746		34,337
Loans receivable (note 8)		47,143		42,079
Investment in Northwest Territories Power Corporation (note 9)		75,884		72,159
		<b>301,887</b>		<b>582,772</b>

### Liabilities

Bank overdraft		2,389		-
Accounts payable and accrued liabilities (note 10)		118,672		133,191
Due to Canada (note 4)		-		175,991
Capital lease obligations (note 11)		24,119		25,375
Long-term debt (note 12)		32,275		32,880
Post employment benefits (note 13)		40,522		38,548
		<b>217,977</b>		<b>405,985</b>

**Net financial resources** **\$ 83,910** **\$ 176,787**

### Non-financial assets

Tangible capital assets (schedule C)		809,839		743,885
--------------------------------------	--	---------	--	---------

**Accumulated surplus** **\$ 893,749** **\$ 920,672**

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Commitments and contingencies (notes 17 and 18)

Approved:

  
Joseph L. Handley  
Minister of Finance

  
Lew Voytilla, FCGA  
Comptroller General

The accompanying notes and schedules A, B and C are an integral part of the consolidated financial statements.

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## Government of the Northwest Territories

### Consolidated Statement of Change in Net Financial Resources

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

		2003	2002
	Budget (unaudited)	Actual	Actual
Net financial resources at beginning of year	\$ 176,787	\$ 176,787	\$ 110,940
Items affecting net financial resources:			
Annual surplus (deficit)	4,944	(26,923)	131,131
Net investment in tangible capital assets (Note 15)	(68,400)	(65,954)	(65,284)
Net financial resources at end of year	\$ 113,331	\$ 83,910	\$ 176,787

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The accompanying notes and schedules A, B and C are an integral part of the consolidated financial statements.

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## Government of the Northwest Territories

### Consolidated Statement of Operations and Accumulated Surplus

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for the year ended March 31, (thousands of dollars)		2003	2002
	Budget (unaudited)	Actual	Actual
Revenues (schedule A)	\$ 886,200	\$ 883,260	\$ 993,176
Recoveries of prior years' expenses	3,000	1,971	3,555
	889,200	885,231	996,731
Expenses (schedule B)	891,020	919,879	872,482
<b>Annual operating surplus (deficit)</b>	<b>(1,820)</b>	<b>(34,648)</b>	<b>124,249</b>
Net revenue from investment in Northwest Territories Power Corporation (note 9)	6,764	7,725	6,882
Projects for Canada, Nunavut and others			
Expenses	(45,757)	(53,561)	(47,066)
Recoveries	45,757	53,561	47,066
<b>Annual surplus (deficit)</b>	<b>\$ 4,944</b>	<b>(26,923)</b>	<b>131,131</b>
Accumulated surplus, at beginning of the year		920,672	789,541
<b>Accumulated surplus, at end of the year</b>		<b>\$ 893,749</b>	<b>\$ 920,672</b>

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The accompanying notes and schedules A, B and C are an integral part of the consolidated financial statements.

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## Government of the Northwest Territories

### Consolidated Statement of Cash Flow

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

	2003	2002
<b>Operating transactions</b>		
Cash received from:		
Canada	\$ 194,734	\$ 567,339
Taxation	415,264	565,468
Recoveries and general revenue	37,889	38,806
Projects for Canada, Nunavut and others	52,542	37,268
Recovery of costs incurred for related parties	84,474	71,109
Revolving fund sales	48,201	47,632
	833,104	1,327,622
Cash paid for:		
Compensation and benefits	229,232	190,774
Grants and contributions	400,306	359,170
Operations and maintenance	281,042	261,910
Projects for Canada, Nunavut and others	53,561	47,151
Direct costs incurred for related parties	82,698	71,925
	1,046,839	930,930
<b>Cash provided by (used for) operating transactions</b>	<b>(213,735)</b>	<b>396,692</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets, net of long-term debt assumed	(115,331)	(110,452)
Disposal of tangible capital assets (net)	3,925	4,254
Capital contributions received and deferred	13,057	13,255
<b>Cash provided by (used for) capital transactions</b>	<b>(98,349)</b>	<b>(92,943)</b>
<b>Investing transactions</b>		
Short-term investments sold (purchased)	208,536	(188,510)
Designated cash and investments sold (purchased)	2,215	(3,460)
Loans receivable receipts	9,269	9,758
Loans receivable advanced	(19,721)	(14,793)
Dividend from Northwest Territories Power Corporation	4,000	4,000
<b>Cash provided by (used for) investing transactions</b>	<b>204,299</b>	<b>(193,005)</b>
<b>Financing transactions</b>		
Repayment of capital lease obligations	(1,256)	(1,554)
Repayment of long-term debt	(605)	(493)
<b>Cash provided by (used for) financing transactions</b>	<b>(1,861)</b>	<b>(2,047)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(109,646)</b>	<b>108,697</b>
Cash and cash equivalents at beginning of year	107,257	(1,440)
<b>Cash and cash equivalents at end of year*</b>	<b>\$ (2,389)</b>	<b>\$ 107,257</b>

\* Cash and cash equivalents are represented by bank overdraft.

The accompanying notes and schedules A, B and C are an integral part of the consolidated financial statements.

March 31, 2003

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**1. AUTHORITY AND OPERATIONS**

**(a) Authority and reporting entity**

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

The consolidated financial statements have been prepared in accordance with the *Northwest Territories Act* (Canada) and the *Financial Administration Act* of the Northwest Territories. The consolidated financial statements present summary information and serve as a means for the government to show its accountability for the resources, obligations and financial affairs for which it is responsible.

The following chart lists the organizations comprising the consolidated Government reporting entity, how they are accounted for in the consolidated financial statements and their specific operating authority.

**Fully Consolidated:**

Aurora College	<i>Public Colleges Act</i>
Northwest Territories Housing Corporation	<i>Northwest Territories Housing Corporation Act</i>
Northwest Territories Development Corporation	<i>Northwest Territories Development Corporation Act</i>
Northwest Territories Business Credit Corporation	<i>Northwest Territories Business Credit Corporation Act</i>

**Modified Equity:**

Northwest Territories Power Corporation	<i>Northwest Territories Power Corporation Act</i>
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These organizations have a March 31 fiscal year end except for the college, which has a fiscal year end of June 30. Revolving funds are incorporated directly into the Government's accounts while trust assets administered by the Government on behalf of other parties (note 16) are excluded from the consolidated Government reporting entity.

The following related Government boards and agencies are reflected in these statements only to the extent of the Government's contributions to them:

Divisional Education Councils and District Education Authorities  
Hospitals and Regional Health Boards  
Local Housing Associations and Authorities

**(b) Budget**

The consolidated budget figures are the appropriations approved by the Legislative Assembly, and the approved budgets for the consolidated entities, adjusted to eliminate budgeted inter-entity revenues and expenses. They represent the Government's original consolidated fiscal plan for the year and do not reflect supplementary appropriations. The budget figures shown have not been audited.

March 31, 2003

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Use of estimates

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.

Some of the more significant management estimates relate to employee future benefits, contingencies, revenue accruals, housing mortgages and Students Loan Fund allowances for both forgivable and delinquent mortgages and loans, and amortization expense. Other estimates, such as Canada Health and Social Transfer payments and Corporate and Personal Income Tax revenue are based on estimates made by Canada's Department of Finance and are subject to adjustments in future years. Another significant estimate is the Grant from Canada, which incorporates estimates supplied by Statistics Canada and Canada's Department of Finance. Many of the statistical estimates are not finalized until three to seven years after the year end.

### (b) Short-term investments/designated cash and investments

Investments are valued at the lower of cost or market value. Interest income is recorded on the accrual basis, dividend income is recognized as it is received and capital gains and losses are recognized as incurred. Unrealized losses on investment portfolios and marketable securities are recognized when it is determined that there is a permanent impairment in the value of the investments.

Investment in securities denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rate at year end. Foreign currency transactions during the year are translated into Canadian dollars at the exchange rate at the transaction date.

### (c) Inventories and prepaid expenses

Inventories for resale consist of bulk fuel, liquor products, arts, and crafts. Bulk fuels are valued at the lower of weighted average cost and net realizable value. Liquor products are valued at replacement cost. Other inventories are valued at the lower of cost, determined on a first in, first out basis and net replacement value.

Prepaid expenses are advance payments made prior to year end to meet April 1 deadlines.

### (d) Loans receivable

Loans receivable are stated at the lower of cost and net recoverable value.

Valuation allowances, which are recorded to reduce loans receivable, are based on past events, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized when earned. Interest revenue is not accrued when the collectibility of either principal or interest is not reasonably assured.

### (e) Investment in Northwest Territories Power Corporation

The Northwest Territories Power Corporation (NTPC) is accountable to the government, sells goods and services to the public, can contract in its own name and can maintain itself without government support. Consequently, it is consolidated in these financial statements using the modified equity method. Under this method the Government only reports its investment in and the net revenue of the NTPC. In addition, any amounts receivable or payable from the NTPC are reported.

March 31, 2003

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the Government as they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

(g) Tangible capital assets and leases

Tangible capital assets are buildings, roads, equipment, etc. whose life extends beyond the fiscal year, original cost exceeds \$50,000 and are intended to be used on an ongoing basis for delivering services. Individual assets less than \$50,000 are expensed when purchased.

Tangible capital assets are recorded at cost, or where actual cost was 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 from Canada are recorded at their fair market value, upon receipt, with the gifted or cost shared portion shown as a deferred capital contribution. This deferred capital contribution is amortized as revenue on the same basis as the related asset is amortized. Tangible capital assets, when placed in service, are amortized on straight line basis over their economic life based on the following guidelines:

Asset category	Amortization period
Land	Not amortized
Roads and bridges	40 years
Airstrips and aprons	40 years
Buildings	40 years
Ferries	25 years
Water/sewer works	20 - 25 years
Computers and software systems	5 - 10 years
Mobile and heavy equipment	7 - 15 years
Major equipment	5 - 15 years
Medical equipment	5 - 15 years
Leasehold improvements	Lease term plus renewal option

Tangible capital assets under construction or development are recorded as work in progress with no amortization until the asset is placed in service. Capital lease agreements are recorded as a liability and a corresponding asset based on the present value of any payments due. The present value is based on the specified rate or the government's borrowing rate at the time obligation is incurred. Operating leases are charged to expenses. Works of art, historical treasures and crown lands are not recorded.

March 31, 2003

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Post employment benefits

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times (2002 - 2.14 times) the employee's contribution. The Government's contributions are charged as an expense on a current year basis and represents the total pension obligations. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Plan.

Pension benefits to Members of the Legislative Assembly and judges are reported 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.

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. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service. Termination benefits are also recorded when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates using expected compensation levels and employee leave credits.

### (i) Commitments and contingencies

The nature of the Government's activities requires entry into 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 operating, commercial and residential leases, capital projects and operational funding commitments.

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 considered likely to occur or fail to occur and is quantifiable, 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.

### (j) Grant from Canada

The Grant is subject to the terms of the Formula Financing Agreement with Canada. The Grant entitlement is dependent on a number of variables, including population growth, the growth of provincial-local government spending, Government of the Northwest Territories revenues and other federal transfers.

The initial payments of the Grant are based on estimates of these variables, supplied by Statistics Canada, Canada's Department of Finance and the Government. Adjustments are made as final data becomes available which can take between three to seven years. These adjustments can be significant and can affect both current and future years' grant entitlements positively or negatively. Population figures are initially based on Statistics Canada's post-censal estimates, which are adjusted to census data every five years. All known changes to estimates, relating to current year and prior years, are recorded in the current year as revenue adjustments.

### (k) Projects for Canada, Nunavut and others

The Government undertakes projects for Canada, Nunavut and others. Where possible, the Government receives accountable advances and any unexpended balances remaining at year end are recorded as current liabilities. Recoveries are accrued when expenses, as allowed under the project contract, exceed advances.

March 31, 2003

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Taxes

Income tax revenue is recognized on an accrual basis. Taxes, under the *Income Tax Act*, are collected by Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on Canada's Department of Finance's estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are final. Changes to personal and corporate income tax estimates can have a significant impact on the Grant from Canada.

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. Property tax and school levies are assessed on a calendar year basis and are recognized on an accrual basis in the fiscal year in which the calendar year ends.

### (m) Other revenues/deferred revenue

Licenses, fees and permits are recorded on a cash basis. All other revenues are recorded on an accrual basis. Funding received for specified purposes is deferred until the related expenses are incurred.

### (n) Expenses

Expenses are recorded on an accrual basis. The Government records expenses in the year in which the related goods and services are utilized. Government grants and contributions are accrued as expenses when paid or earlier if the recipient has fulfilled the terms of a contractual agreement.

### (o) Recoveries of prior years' expenses

Recoveries of prior years' expenses and reversal of prior years' expense accruals are reported separately from other revenues on the consolidated statement of operations and accumulated surplus. Pursuant to the *Financial Administration Act*, these recoveries cannot be used to increase the amount appropriated for current year expenses.

## 3. SHORT-TERM INVESTMENTS

Short-term investments represent a diversified portfolio of high grade, short-term income producing assets. The portfolio yield for the year ended March 31, 2003 varied from 1.00% to 6.10% (2002 - 1.50% to 6.10%). The eligible classes of securities, categories of issuers, limits and terms are approved under the Government's investment guidelines. All instruments, depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service. Investments are diversified by limiting them, depending on the type of investment, to a maximum of 5% to 50% of the total portfolio. There is no significant concentration in any one investment. The average term to maturity, as at March 31, 2003, is 44 days (2002 - 30 days).



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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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4. DUE FROM (TO) CANADA

	2003	2002
	(thousands of dollars)	
Grant receivable (repayable)		
Grant per financing agreement	\$ 346,409	\$ 290,347
Less payments received	(110,402)	(535,493)
	236,007	(245,146)
<u>Balance receivable (repayable) at beginning of year</u>	<u>(218,397)</u>	<u>26,749</u>
	17,610	(218,397)
Other receivables		
Indian and Inuit hospital and medical care	25,470	36,986
Canada Mortgage and Housing Corporation	4,535	2,511
Projects on behalf of Canada	16,323	15,787
Miscellaneous receivables	19,395	13,317
	<u>83,333</u>	<u>(149,796)</u>
Other payables		
Excess income tax advanced	(35,004)	(174)
Advances for projects on behalf of Canada	(1,018)	(711)
Miscellaneous payables	(11,030)	(22,459)
Deferred funding for specified purposes	-	(2,851)
	<u>(47,052)</u>	<u>(26,195)</u>
	<u>\$ 36,281</u>	<u>\$ (175,991)</u>

The amounts due from (to) Canada are non-interest bearing.

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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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5. ACCOUNTS RECEIVABLE

	2003	2002
	(thousands of dollars)	
General	\$ 22,375	\$ 25,547
Government of Nunavut	30,590	34,480
Revolving fund sales	3,571	3,632
Accrued interest	382	385
	56,918	64,044
Less: allowance for doubtful accounts	7,091	7,045
	49,827	56,999
Receivables from related parties:		
District Education Authorities and Divisional Education Councils	303	1,389
Hospitals and Regional Health Boards	674	1,364
Local Housing Associations and Authorities	653	203
Northwest Territories Power Corporation	8,055	4,002
	9,685	6,958
	\$ 59,512	\$ 63,957

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6. INVENTORIES AND PREPAID EXPENSES

	2003	2002
	(thousands of dollars)	
<b>Inventories</b>		
Bulk fuels	\$ 4,874	\$ 6,015
Liquor products	2,191	2,707
Arts and crafts	1,570	1,392
Others	92	130
	8,727	10,244
Prepaid operational expenses	3,439	3,048
	\$ 12,166	\$ 13,292

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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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7. DESIGNATED CASH AND INVESTMENTS

	2003	2002
	(thousands of dollars)	
Investment portfolio:		
Marketable securities (market value \$15,665,000; 2002, \$11,616,000)	\$ 17,382	\$ 11,616
Treasury bills (market value approximates cost)	2,050	10,974
Cash and other assets (market value approximates cost)	56	55
	<hr/> <b>19,488</b>	<hr/> <b>22,645</b>
Students Loan Fund:		
Authorized limit	33,000	33,000
Less: Loans receivable	26,256	24,382
	<hr/> <b>6,744</b>	<hr/> <b>8,618</b>
Segregated and designated for new loans	<b>6,744</b>	<b>8,618</b>
Miscellaneous investments, net of allowance for loss	<hr/> <b>3,514</b>	<hr/> <b>3,074</b>
	<hr/> <b>\$ 29,746</b>	<hr/> <b>\$ 34,337</b>

The cash, treasury bills and marketable securities held in the investment portfolio, while forming part of the Consolidated Revenue Fund, are designated for the purpose of meeting the obligations of the Legislative Assembly Supplementary Retiring Allowance Plan I and cannot be used to discharge obligations incurred by the Government. The assets in the investment portfolio are managed by CIBC Mellon Global Securities Company. Supplementary Retiring Allowance Regulations restrict the investments CIBC Mellon Global Securities Company can make to those listed in the *Pension Benefits Standards Act*.

The average market yield on the portfolio is 3.6% (2002 - 3.2%) with maturity dates ranging from April 2003 to March 2033. The loss on investments, including interest, dividends and gains or losses on disposal was \$2,304,000 (2002 gain - \$1,728,000)

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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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8. LOANS RECEIVABLE

	2003	2002
	(thousands of dollars)	
Northwest Territories Business Credit Corporation loans to businesses receivable over a maximum of 25 years, bearing fixed interest between 3.50% and 9.75%, net of allowance for doubtful accounts of \$7,370,000 (2002 - \$6,811,000)	\$ 28,521	\$ 25,673
Northwest Territories Housing Corporation mortgage and interim financing loans to individuals receivable over a maximum of 25 years, bearing fixed interest between 5.95% and 14.25%, net of allowance for doubtful accounts of \$8,005,000 (2002 - \$6,781,000)	3,380	3,779
Students Loan Fund loans due in installments to 2015, bearing fixed interest between 1.5% and 12.5%, net of allowance for doubtful accounts and loan remissions of \$16,799,000 (2002 - \$15,132,000)	9,457	9,251
Loans to municipalities due in installments to 2026, bearing fixed interest between 6.50% and 11.27%	2,713	2,857
Other*	3,072	519
	<b>\$ 47,143</b>	<b>\$ 42,079</b>

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The amounts expected to be received in the upcoming year are \$16,485,000 (2002 - \$13,792,000). Interest earned on loans receivable during the year was \$4,004,000 (2002 - \$3,909,000).

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 significant valuation allowances provided. The carrying value of the loans receivable should not be seen as the realizable value on immediate settlement of these loans due to the uncertainty associated with such a settlement.

\*Other loans receivable includes a loan to Deton'Cho Corporation for \$2.6 million repayable in 20 equal installments over ten years and bearing no interest. This loan results from a guarantee the Government made for Deton'Cho Diamonds Inc. that was subsequently called by the bank. Foregone interest, calculated at the Government's long term borrowing rate is recorded as a Grant in Kind. In 2003, foregone interest was \$95,000.

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**Government of the Northwest Territories****Notes to Consolidated Financial Statements**

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**March 31, 2003**

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**9. INVESTMENT IN NORTHWEST TERRITORIES POWER CORPORATION**

The following is summarized financial information for Northwest Territories Power Corporation as at March 31, 2003:

	2003	2002
	(thousands of dollars)	
Investment in Northwest Territories Power Corporation		
Shareholder's Equity, including share capital of \$43,129	\$ 75,884	\$ 72,159
<hr/>		
Shareholder's Equity is represented by:		
Assets	262,660	256,381
Liabilities	(186,776)	(184,222)
<hr/>		
	\$ 75,884	\$ 72,159
<hr/>		

**Statement of Operations and Surplus**

For the year ended March 31,	2003	2002
Revenue	\$ 67,242	\$ 66,002
Expenses	(59,517)	(59,120)
<hr/>		
Net revenue	7,725	6,882
Surplus at beginning of the year	29,030	26,148
Dividend	(4,000)	(4,000)
<hr/>		
Surplus at end of the year	\$ 32,755	\$ 29,030
<hr/>		

Included in the above are revenues from and expenses to entities in the Government's reporting entity of \$18,322,000 (2002 - \$14,315,000) and \$3,012,000 (2002 - \$2,299,000) respectively.

**Division of Northwest Territories Power Corporation**

The Government's investment in Northwest Territories Power Corporation (NTPC) decreased on April 1, 2001 as a result of the transfer of NTPC's Nunavut operations to the Government of Nunavut. The transfer and the related allocation (estimated) of the Government's investment to Nunavut is subject to arbitration and subsequent ratification by each government. It is not known when the allocation will be finalized. Adjustments to the estimated allocation, if any, will be recorded when known, the same as was done for the original transfer, as a capital transfer of net financial resources and accumulated surplus.

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**Government of the Northwest Territories****Notes to Consolidated Financial Statements**

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**March 31, 2003**

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**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2003	2002
	(thousands of dollars)	
Trade	\$ 55,450	\$ 54,792
Government of Nunavut	8,587	8,125
Other liabilities, payroll liabilities and contractors' holdbacks	13,863	16,693
Employee vacation pay	13,003	11,699
Provision for equal pay settlement	15,071	33,427
Accrued interest	498	494
Deferred funding for specified purposes	272	922
	<b>106,744</b>	<b>126,152</b>
Payable to related parties		
Divisional Education Councils and District Education Authorities	1,201	1,354
Hospitals and Regional Health Boards	8,351	4,725
Local Housing Associations and Authorities	1,388	94
Northwest Territories Power Corporation	988	866
	<b>11,928</b>	<b>7,039</b>
	<b>\$ 118,672</b>	<b>\$ 133,191</b>

**11. CAPITAL LEASE OBLIGATIONS**

	2003	2002
	(thousands of dollars)	
Buildings	\$ 24,119	\$ 25,375

Interest expense related to capital lease obligations for the year was \$2,678,000 (2002 - \$2,849,000), at an implied average interest rate of 10.82% (2002 - 10.89%). Capital lease obligations are based upon contractual minimum lease obligations for the leases in effect as of March 31, 2003.

	(thousands of dollars)	
	2004	\$ 3,890
	2005	3,890
	2006	3,890
	2007	3,890
	2008	3,890
	Beyond 2008	22,912
Total minimum lease payments		42,362
Less: imputed interest (11.5%)		18,243
Present value of minimum lease payments		<b>\$ 24,119</b>



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**Government of the Northwest Territories****Notes to Consolidated Financial Statements**

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**March 31, 2003**

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**12. LONG-TERM DEBT**

	2003	2002
	(thousands of dollars)	
Northwest Territories Housing Corporation loans due to Canada Mortgage and Housing Corporation, repayable in annual installments of \$2,497,000 to the year 2033, bearing fixed interest at a rate of 6.97% (2002 - 6.97%). Fair value is estimated at \$27,721,000 (2002 - \$27,296,000)	\$ 27,225	\$ 27,754
Aurora Fund loan maturing 2004, bearing interest at 7%	1,620	1,620
Other	3,430	3,506
	<b>\$ 32,275</b>	<b>\$ 32,880</b>

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Principal and interest amounts due in each fiscal year for the next five years:

	Principal	Interest	Total
	(thousands of dollars)		
2004	\$ 2,267	\$ 2,217	\$ 4,484
2005	692	2,059	2,751
2006	739	2,012	2,751
2007	789	1,962	2,751
2008	842	1,912	2,754

The interest paid on long-term debt during the year was \$2,470,000 (2002 - \$2,096,000).

**Debt Authority**Canada, pursuant to subsection 20(2) of the *Northwest Territories Act*, has approved the Government borrowing up to \$300 million.

	2003	2002
	(thousands of dollars)	
Bank overdraft	\$ 2,389	\$ -
Debt of the consolidated entities		
NWT Power Corporation, long-term debt	93,700	73,700
NWT Housing Corporation, loans payable	27,225	27,754
NWT Energy Corporation, debenture series	23,447	23,721
NWT Power Corporation, operational debt	10,003	28,056
	<b>154,375</b>	<b>153,231</b>
Total debt	<b>156,764</b>	<b>153,231</b>
Authorized borrowing limit	300,000	300,000
<b>Available borrowing capacity</b>	<b>\$ 143,236</b>	<b>\$ 146,769</b>

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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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13. POST EMPLOYMENT BENEFITS

	2003	2002
	(thousands of dollars)	
<b>Employee Future Benefits</b>		
Resignation	\$ 13,236	\$ 13,313
Removal	5,417	5,717
Retirement	2,252	2,206
	<b>20,905</b>	<b>21,236</b>
<b>Pension Liabilities</b>		
Legislative Assembly Supplementary Retiring Allowance Plans	17,714	15,713
Judges' Supplemental Pension Plan	1,903	1,599
	<b>19,617</b>	<b>17,312</b>
<b>Total</b>	<b>\$ 40,522</b>	<b>\$ 38,548</b>

The expected payments due for employee future benefits in the current year are \$2,085,000 (2002 - \$1,935,000).

The Government maintains the Legislative Assembly Retiring Allowances Fund and the Territorial Court Judges' Registered Pension Plan. Both plans are contributory defined benefit registered pension plans. These two pension plans are fully funded, consequently the Government has no net liabilities as at March 31, 2003 (2002 - nil). The funds related to these plans are administered by independent trust companies. As well there are three supplementary plans known as the Legislative Assembly Supplementary Retiring Allowance Plan I, the Legislative Assembly Supplementary Retiring Allowance Plan II, and the Judges' Supplemental Pension Plan. The Legislative Assembly Supplementary Retiring Allowance Plan II came into force April 2002. These three plans are non-contributory defined benefit pension plans. The Government is liable for all benefits. Benefits provided under all five plans are based on service and/or earnings.

Actuarial valuations were completed for the Legislative Assembly and Judges' plans as of March 31, 2000 and April 1, 2001 respectively, using the projected benefit method prorated on service. Actuarial valuations have not been completed for the Legislative Assembly Supplementary Retiring Allowance Plan II. The valuation is based on a number of actuarial assumptions about matters such as mortality, service, withdrawal, earnings and interest rates. The assumptions are based on the Government's best estimates of expected long-term rates and short-term forecasts. The actuarial valuations were extrapolated to March 31, 2003, if they were not valued at the balance sheet date.

**Pension Expense**

Pension expense for the Legislative Assembly Retiring Allowance Fund, the Territorial Court Judges' Registered Pension Plan, the Legislative Assembly Supplementary Retiring Allowance, Plans I and II, and Judges' Supplemental Pension Plan for the year totalled \$2,964,000 (2002 - \$997,000). The Government's contributions to the Public Service Superannuation Plan were \$22,016,000 (2002 - \$18,002,000). The employees' contributions to the Public Service Superannuation Plan were \$10,288,000 (2002 - \$8,412,000).

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Government of the Northwest Territories

Notes to Consolidated Financial Statements

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March 31, 2003

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**14. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions relate to the portion of a tangible capital asset that was gifted from or cost shared with Canada. The most significant of these assets are roads and airports. The capital contributions are deferred and amortized to revenue over the same life as the related asset.

	2003	2002
	(thousands of dollars)	
Deferred capital contributions at beginning of year	\$ 214,550	\$ 213,881
Add: Assets gifted or cost shared during the year	13,057	13,255
Less: Amortization of capital contributions	(12,524)	(12,586)
<b>Deferred capital contributions at end of year</b>	<b>\$ 215,083</b>	<b>\$ 214,550</b>

**15. NET INVESTMENT IN TANGIBLE CAPITAL ASSETS**

Net investment in tangible capital assets represents the total of tangible capital assets acquired, disposed of, and contributed during the year; net of the annual related amortization charged to operations.

**16. TRUST ASSETS UNDER ADMINISTRATION**

The Government administers trust assets on behalf of third parties, which are not included in the reported Government assets and liabilities. These consist of cash, term deposits, investments, real estate, and other sundry assets.

	2003	2002
	(thousands of dollars)	
Workers' Compensation Board (Northwest Territories and Nunavut)	\$ 263,585	\$ 266,646
Public Trustee	2,695	2,497
Natural Resources - capital	188	336
Territorial and Supreme Courts	420	423
Correctional institutions and other	233	442
	<b>\$ 267,121</b>	<b>\$ 270,344</b>

The Workers' Compensation Board (Northwest Territories and Nunavut) has a fiscal year end of December 31. Its most recent financial statements and those of the Public Trustee are reproduced in Section III of the Public Accounts of the Government.

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**Government of the Northwest Territories****Notes to Consolidated Financial Statements**

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**March 31, 2003**

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**17. COMMITMENTS**

The Government has entered into agreements for, or is contractually committed to, the following expenses payable subsequent to March 31, 2003:

	<b>Expiry Date</b>	<b>2004</b>	<b>2005- 2039</b>	<b>Total</b>
		<b>(thousands of dollars)</b>		
Tangible Capital Asset Acquisition Commitments - projects in progress at March 31, 2003	2005	\$ 49,097	\$ 10,547	\$ 59,644
Operational Commitments	2016	26,218	31,769	57,987
Western Harvesters' Assistance Program	2005	177	71	248
Equipment Leases	2008	942	1,287	2,229
RCMP Policing Agreement	2012	20,108	160,864	180,972
Commercial and Residential Leases	2030	16,536	69,246	85,782
Canada Mortgage and Housing Corporation	2038	3,456	59,907	63,363
		<b>\$ 116,534</b>	<b>\$ 333,691</b>	<b>\$ 450,225</b>

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**(a) Canada Mortgage and Housing Corporation (CMHC)**

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 (the Corporation), as Trustee. The Corporation assumed full responsibility and liability for the social housing programs related to the portfolios and receives annual funding from CMHC to manage these programs. The Agreement and funding expire in 2038.

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$63,363,000 (2002 - \$66,472,000) maturing between 2004 and 2038, at interest rates ranging from 4.5% to 21.5%. As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains on the disposal of any portfolio assets.

The portfolio assets and mortgages, held in trust, are recorded only as a commitment in these financial statements. CMHC retains the annual mortgage-related funding to make the mortgage payments, and accordingly neither the funding nor the mortgage payments are recorded by the Government. The mortgages, held in trust, are not included as borrowings for the purposes of the debt authority limits described in note 12.

**(b) Charge back of services**

The Government has 8 (2002 - 14) cost recovery service agreements with the Government of Nunavut for the provision of various corporate and program delivery services. The expenses on and costs recovered from these projects on behalf of Nunavut are estimated at \$10,698,000 (2002 - \$11,500,000) for the fiscal year 2003-2004.

March 31, 2003

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## 18. CONTINGENCIES

### (a) Environmental restoration costs

As circumstances and funding have permitted, the Government has been addressing the problem of environmental liabilities. In a number of departments, this process has consisted of identifying sites of potential liability and remediating the sites as necessary.

The Government has identified 351 sites where environmental liabilities may exist. Of these, 187 sites have been assessed. To date 88 of the 187 sites have been remediated or it has been determined no liability exists. Other assessed sites either have remediation plans in place or, are undergoing further study.

Of the total sites identified, 126 are active fuel caches managed by the Department of Resources, Wildlife and Economic Development that are located a distance from communities. Many of these caches, because of their remoteness and the small number of drums involved (with the potential for only limited local contamination), have not yet been formally assessed. As these sites are re-supplied, each is assessed for liabilities. In addition, the Department currently has 75 inactive fuel caches where there are no drums stored.

In the case of the Petroleum Products Stabilization Fund, 22 tank farm comprehensive site assessments have been completed and it has been confirmed that hydrocarbon contamination is present in varying levels at all sites. Accurate cost estimates will not be possible until the level of contamination and scope of work are more clearly established.

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. In those cases where the cost of remediating sites is quantifiable, an estimated liability is accrued. As at March 31, 2003 cost estimates of sufficient accuracy are not yet available to predict future costs, if any, of restoration, consequently no liabilities have been accrued.

### (b) Guarantees

The Government has guaranteed operating lines of credit for Sirius Diamonds NWT Ltd. to a maximum of \$10,000,000 and Arslanian Cutting Works (NWT) Ltd. to a maximum of \$9,200,000 subject to terms of the guarantee agreements which may require specific approval for future advances. The current balances of the operating lines of credit are \$7,960,000 and \$9,050,000 respectively. In addition, the Government has guaranteed residential housing loans to banks totalling \$7,201,000 and indemnified Canada Mortgage and Housing for third party loans totalling \$40,233,000.

The Government has provided a guarantee to the Canadian Blood Agency and Canadian Blood Services to cover a share of potential claims made by users of the national blood supply. The Government's share is limited to the percentage the Northwest Territories' population is of the Canadian population.

As at March 31, 2003 no claims have been made on these guarantees.

### (c) Litigation

More individuals have come forward alleging abuse by a former schoolteacher in Nunavut, formerly part of the Northwest Territories. Pursuant to agreements negotiated prior to the division of the territories, the Governments of the Northwest Territories and Nunavut will jointly defend the suits. The cost of defending this action and any damages that may eventually be awarded will be shared by the two Governments 56.66% and 44.34% respectively. An estimate of the loss arising from these suits, if any, cannot be determined at this time.

A claim related to the construction of the hydro system on the Taltson River has been filed against the Government, the Northwest Territories Power Corporation and the Government of Canada. It is anticipated that no significant loss will result from this claim.

March 31, 2003

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**18. CONTINGENCIES (continued)**

**(d) Grant, transfer payments and taxes**

Grant, transfer payments and taxes are inter-related. As detailed in note 2(j) and note 2(l), year-to-year fluctuations in corporate and personal tax revenue can have a significant impact on the grant and transfer payments from Canada.

Furthermore, income tax determined by Canada combines actual assessments with an estimate that assumes previous years' income tax levels will be sustained. If tax revenue is not sustained, then future tax revenue will decrease and the grant and transfer payments will increase, albeit at a somewhat smaller amount. It is not known, with any certainty, if the current higher levels of income tax revenue will be sustained.

To calculate the grant from Canada, as detailed in note 2(a), the government uses various component estimates supplied by Statistics Canada. As shown in note 2(j), one significant component is population. This estimate is based on Statistics Canada post-censal estimates which are adjusted to actual census data every five years.

Statistics Canada post-censal estimates, normally used to estimate the grant appear to be too high. Consequently, the Government has chosen to use the preliminary 2001 census estimate in calculating its grant revenue for the 2003 year. The 2001 census result is not final and has not been verified by Statistics Canada but is, in management's judgment, the best estimate of population. Using this estimate results in calculated grant revenue for 2003 some \$34 million lower than using the post-censal estimates provided by Statistics Canada. However, management believes its calculation to be significantly closer to the likely final amount.

Differences between current estimates and future actual amounts, if any, can be significant. Any such differences will be recognized when the actual tax assessments and census results are finalized over the next one to four years.

**19. 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>2003</b>	<b>2002</b>
	(thousands of dollars)	
Hospitals and Regional Health Boards	\$ 153,702	\$ 140,601
Divisional Education Councils and District Education Authorities	102,421	94,613
Local Housing Associations and Authorities	32,866	30,792
	<b>\$ 288,989</b>	<b>\$ 266,006</b>

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The Government funds communities, boards, agencies and other organizations offering services to the public. These organizations operate independently of normal Government operations. The Government may be held responsible for any liabilities or deficits on behalf of these boards and agencies. An estimate of this potential liability, if any, cannot be readily determined.

Under agreements with related boards and agencies, the Government provides services either 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 \$82,698,000 (2002 - \$71,925,000) were incurred and recovered from related parties.



March 31, 2003

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**20. FINANCIAL INSTRUMENTS**

The fair value of short-term financial instruments, including cash/bank overdraft, short-term investments, due (to) from Canada, accounts receivable, and accounts payable and accrued liabilities approximate the carrying amounts because of the short-term to maturity.

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

**21. OVEREXPENDITURE**

The Department of Transportation and the Department of Justice exceeded the amounts appropriated to them for operations and maintenance activities by \$299,000 and \$490,000, respectively. This contravenes the *Financial Administration Act, (FAA)* section 32, which states "No person shall incur an expense that causes the amount of the item set out in the Estimates on which the appropriation is based to be exceeded".

**22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

**Consolidated Schedule of Revenues by Source**

for the year ended March 31, (thousands of dollars)	2003		2002
	Budget (unaudited)	Actual	Actual
<b>From Canada</b>			
Grant*	\$ 386,579	\$ 346,409	\$ 290,347
Transfer payments*	79,445	84,558	47,620
	466,024	430,967	337,967
<b>Generated revenues</b>			
Taxes*	353,561	375,590	576,715
General	22,618	27,362	29,307
Sales:			
Liquor Commission (net of cost of goods sold of \$13,678 (2002 - \$12,671))	20,637	22,282	21,909
Petroleum Products (net of cost of goods sold of \$8,822 (2002 - \$9,548))	4,100	3,358	3,214
Recoveries	7,281	11,177	11,478
Amortization of capital contributions (note 14)	11,979	12,524	12,586
	420,176	452,293	655,209
<b>Total revenues</b>	<b>\$ 886,200</b>	<b>\$ 883,260</b>	<b>\$ 993,176</b>

\* The Grant from Canada, Transfer payments and Corporate and Personal Income Tax Revenue are interrelated. An increase in income tax revenue received in the year will result in the Grant from Canada being reduced, as occurred in the year ending March 31, 2002.

**Consolidated Schedule of Expenses**

for the year ended March 31, (thousands of dollars)	2003		2002
	Budget (unaudited)	Actual	Actual
<b>Operations and maintenance</b>			
Grants and contributions	\$ 386,031	\$ 399,856	\$ 360,161
Operations and maintenance	268,544	257,099	254,302
Compensation and benefits	189,637	214,224	210,383
Valuation allowances	-	3,781	4,671
Amortization of tangible capital assets	46,808	44,919	42,965
<b>Total</b>	<b>\$ 891,020</b>	<b>\$ 919,879</b>	<b>\$ 872,482</b>

Government of the Northwest Territories

Schedule C

Consolidated Schedule of Tangible Capital Assets

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

		Land	Buildings	Other*	Leasehold Improvements	Equipment	Computers	2003	2002
Cost of tangible capital assets, opening	\$	2,289	\$ 675,529	\$ 566,159	\$ 17,409	\$ 48,824	\$ 19,409	\$ 1,329,619	\$ 1,266,779
Acquisitions		15	61,519	46,498	3,282	6,084	1,595	118,993	68,011
Disposals		(364)	(3,621)	-	-	(106)	(22)	(4,113)	(5,171)
Cost of tangible capital assets, closing	\$	1,940	\$ 733,427	\$ 612,657	\$ 20,691	\$ 54,802	\$ 20,982	\$ 1,444,499	\$ 1,329,619
Accumulated amortization, opening	\$	-	\$ (254,193)	\$ (169,306)	\$ (10,516)	\$ (25,490)	\$ (9,281)	\$ (468,786)	\$ (426,729)
Amortization expense		-	(21,692)	(16,774)	(1,153)	(2,864)	(2,436)	(44,919)	(42,965)
Write-downs		-	-	-	-	(1,139)	17	(1,122)	(120)
Disposals		-	1,275	-	-	29	6	1,310	1,028
Accumulated amortization, closing	\$	-	\$ (274,610)	\$ (186,080)	\$ (11,669)	\$ (29,464)	\$ (11,694)	\$ (513,517)	\$ (468,786)
Net book value	\$	1,940	\$ 458,817	\$ 426,577	\$ 9,022	\$ 25,338	\$ 9,288	930,982	860,833
Work in Progress								93,940	97,602
Deferred capital contributions (note 14)								(215,083)	(214,550)
								\$ 809,839	\$ 743,885

\*includes roads, bridges, airstrips, aprons, and water/sewer works