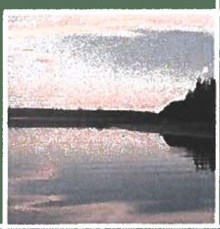
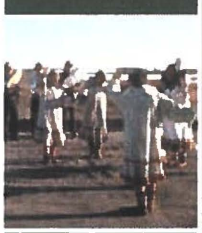


Public Accounts

NORTHWEST TERRITORIES

2006 - 2007



Section I
Consolidated Financial Statements and Government Indicators

Northwest Territories

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2007

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

Honourable Floyd K. Roland

Minister of Finance

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Northwest Territories Financial Management Board

THE HONOURABLE ANTHONY W.J. WHITFORD
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, 2007.

Honourable Floyd K. Roland
Chairman

July 27, 2007

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Public Accounts of the
Government of the Northwest Territories

Table of Contents **Page**

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	7
AUDITOR'S REPORT	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Change in Net Debt	11
Consolidated Statement of Operations and Accumulated Surplus	12
Consolidated Statement of Cash Flow	13
Notes to Consolidated Financial Statements	14
Schedule A - Consolidated Schedule of Tangible Capital Assets	36

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Northwest Territories Financial Management Board

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) for the public sector. 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 financial 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 change in its net debt, the results of its operations and its cash flows 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.

Mark Cleveland
Comptroller General

July 27, 2007

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Auditor General of Canada
Vérificatrice générale du Canada

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, 2007 and the consolidated statements of change in net debt, 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, 2007 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Northwest Territories Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the changes in accounting policies as explained in note 3 to the consolidated financial statements, 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 to the consolidated financial statements 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 to the consolidated financial statements.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
July 27, 2007

Government of the Northwest Territories

Consolidated Statement of Financial Position

as at March 31, 2007 (thousands of dollars)	2007	2006 (Restated - *note 3*)
Financial assets		
Cash and cash equivalents *(note 4)*	$ 292,087	$ 481,861
Portfolio investments *(note 5)*	31,024	30,296
Accounts receivable *(note 6)*	52,412	45,204
Inventories for resale *(note 7)*	15,282	11,734
Loans receivable *(note 8)*	54,390	53,199
Investment in Northwest Territories Power Corporation *(note 9)*	89,935	85,762
	535,130	**708,056**
Liabilities		
Accounts payable and accrued liabilities *(note 10)*	235,594	214,800
Due to Canada *(note 11)*	110,705	384,635
Capital lease obligations *(note 12)*	17,935	19,598
Long-term debt *(note 13)*	113,117	97,982
Pensions *(note 14)*	20,116	16,584
Other employee future benefits *(note 15)*	43,268	41,206
	540,735	**774,805**
Net debt	**$ (5,605)**	**$ (66,749)**
Non-financial assets		
Tangible capital assets (*schedule A)*	1,030,657	983,754
Prepaid expenses	9,302	8,460
	1,039,959	**992,214**
Accumulated surplus	**$ 1,034,354**	**$ 925,465**

Commitments and contingencies (*notes 19 and 20)*

Approved:

Floyd K. Roland
Minister of Finance

Mark Cleveland
Comptroller General

The accompanying notes and schedule A are an integral part of the consolidated financial statements.

Government of the Northwest Territories

Consolidated Statement of Change in Net Debt

for the year ended March 31, 2007 (thousands of dollars)	2007 Budget	2007 Actual	2006 (Restated - *note 3*) Actual
Net debt at beginning of year	**$ (66,749)**	**$ (66,749)**	**$ (95,904)**
Items affecting net debt:			
Annual surplus	51,162	108,889	59,705
Net investment in tangible capital assets *(schedule A)*			
Acquisitions	(129,876)	(127,586)	(105,388)
Disposals/write-downs	-	2,036	11,064
Amortization expense	59,469	58,648	54,947
Increase in deferred capital contributions	5,836	19,999	9,718
Decrease (increase) in prepaid expenses	-	(842)	(891)
Net debt at end of year	**$ (80,158)**	**$ (5,605)**	**$ (66,749)**

The accompanying notes and schedule A are an integral part of the consolidated financial statements.

Government of the Northwest Territories

Consolidated Statement of Operations and Accumulated Surplus

for the year ended March 31, 2007 (thousands of dollars)	2007 Budget	2007 Actual	2006 (Restated - *note 3*) Actual
Revenues			
Government of Canada			
Grant *(note 16)*	$ 751,774	$ 753,388	$ 727,530
Transfer payments	104,565	134,420	157,671
	856,339	**887,808**	**885,201**
Generated revenues			
Corporate and Personal Income Taxes	92,007	131,136	57,988
Other taxes	89,017	98,888	87,622
General	68,793	65,980	54,084
Sales, net of cost of goods sold	28,862	31,627	28,328
Recoveries and amortization of capital contributions	57,633	54,820	64,295
	336,312	**382,451**	**292,317**
Recoveries of prior years' expenses	3,000	7,267	5,318
	1,195,651	**1,277,526**	**1,182,836**
Expenses *(note 21)*			
Grants and contributions	173,393	144,409	162,213
Operations and maintenance	417,674	434,631	416,639
Compensation and benefits	502,153	534,341	489,996
Valuation allowances	-	4,281	6,528
Amortization of tangible capital assets	59,469	58,648	54,947
	1,152,689	**1,176,310**	**1,130,323**
Annual operating surplus	**42,962**	**101,216**	**52,513**
Net income from investment in Northwest Territories Power Corporation *(note 9)*	8,200	7,673	7,192
Projects for Canada, Nunavut and others			
Expenses	(31,159)	(47,654)	(46,645)
Recoveries	31,159	47,654	46,645
Annual surplus	**$ 51,162**	**108,889**	**59,705**
Accumulated surplus, at beginning of year		925,465	865,760
Accumulated surplus, at end of year		**$ 1,034,354**	**$ 925,465**

The accompanying notes and schedule A are an integral part of the consolidated financial statements.

Government of the Northwest Territories

Consolidated Statement of Cash Flow

for the year ended March 31, 2007 (thousands of dollars)	2007	2006 (Restated - *note 3*)
Operating transactions		
Cash received from:		
Canada	$ 902,352	$ 910,172
Taxation	228,413	191,193
Recoveries and general revenue	106,556	93,463
Projects for Canada, Nunavut and others	40,189	63,453
Revolving fund sales	68,916	57,997
	1,346,426	1,316,278
Cash paid for:		
Compensation and benefits	526,854	486,517
Grants and contributions	141,331	118,232
Operations and maintenance	459,522	444,766
Excess income tax repayment	284,658	30,979
Projects for Canada, Nunavut and others	48,666	46,645
	1,461,031	1,127,139
Cash provided by (used for) operating transactions	**(114,605)**	**189,139**
Capital transactions		
Acquisition of tangible capital assets	(127,587)	(105,227)
Capital contributions received and deferred	34,490	23,168
Cash used for capital transactions	**(93,097)**	**(82,059)**
Investing transactions		
Portfolio investments redeemed	2,146	2,182
Dividend from Northwest Territories Power Corporation	3,500	3,500
Loans receivable receipts	5,216	12,128
Loans receivable advanced	(6,407)	(15,900)
Cash provided by investing transactions	**4,455**	**1,910**
Financing transactions		
Repayment of capital lease obligations	(1,662)	(1,735)
Long-term financing proceeds	16,447	28,363
Long-term financing repaid	(1,312)	(1,258)
Cash provided by financing activities	**13,473**	**25,370**
Increase (decrease) in cash and cash equivalents	**(189,774)**	**134,360**
Cash and cash equivalents at beginning of year	481,861	347,501
Cash and cash equivalents at end of year	**$ 292,087**	**$ 481,861**

The accompanying notes and schedule A are an integral part of the consolidated financial statements.

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	*Public Colleges Act*
Divisional Education Councils and District Education Authorities	*Education Act*
Health and Social Services Authorities	*Hospital Insurance and Health and Social Services Administration Act*
Northwest Territories Business Development and Investment Corporation	*Northwest Territories Business Development and Investment Corporation Act*
Northwest Territories Housing Corporation	*Northwest Territories Housing Corporation Act*
Northwest Territories Human Rights Commission	*Human Rights Act*
Northwest Territories Opportunities Fund	*Northwest Territories Societies Act*
Status of Women Council of the Northwest Territories	*Status of Women Council Act*
TliCho Community Services Agency	*TliCho Community Services Agency Act*

Modified Equity:

Northwest Territories Power Corporation	*Northwest Territories Power Corporation Act*

All organizations included in the Government reporting entity have a March 31 fiscal year end with the exception of Aurora College and the Divisional Education Councils and District Education Authorities, which have a fiscal year end of June 30. Transactions of these educational organizations that have occurred during the period to March 31, 2007 and that significantly affect the consolidation have been recorded. Revolving funds are incorporated directly into the Government's accounts while trust assets administered by the Government on behalf of other parties, including the assets of the Workers' Compensation Board (Northwest Territories and Nunavut) *(note 18)*, are excluded from the consolidated Government reporting entity.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(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.

The more significant management estimates relate to employee future benefits, environmental liabilities, 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 Transfer and Canada 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.

(b) 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 date of 90 days or less from the date of acquisition.

(c) Portfolio investments

Portfolio investments are long-term investments in organizations that do not form part of the government reporting entity and are accounted for by the cost method. Such investments are normally in shares and bonds of the investee. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss and is included as a component of investment income. Interest income is recorded on the accrual basis, dividend income is recognized as it is declared, and capital gains and losses are recognized when realized.

(d) Inventories for resale

Inventories for resale consist of bulk fuels, 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 the lower of cost and net realizable value. Other inventories are valued at the lower of cost, determined on a first in, first out basis and net replacement value.

(e) 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 recorded on an accrual basis. Interest revenue is not accrued when the collectibility of either principal or interest is not reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 accounted for in these financial statements using the modified equity method. Under this method the Government only reports its investment in and the net income of the NTPC. In addition, any amounts receivable or payable from the NTPC are reported.

(g) 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.

(h) 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 a straight line basis over their estimated useful 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	15 - 25 years
Mainframe 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	Lesser of useful life or lease term plus renewal option

The estimate of the useful life of tangible capital assets is reviewed on a regular basis and revised where appropriate. The remaining unamortized portion of a tangible capital asset may be extended beyond its original estimated useful life when the appropriateness of a change can be clearly demonstrated.

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 the obligation is incurred. Operating leases are charged to expenses. Works of art, historical treasures and crown lands are not recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Pensions and other employee future benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Government's contributions are charged as an expense on a current year basis and represent the total pension obligations. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Pension 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 on a straight line basis 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.

(j) 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 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.

(k) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates at year-end. Foreign currency transactions are translated into Canadian dollars using rates in effect at the time the transactions were entered into. All exchange gains and losses are included in net income for the year according to the activities to which they relate.

(l) 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 liabilities. Recoveries are accrued when expenses, as allowed under the project contract, exceed advances.

(m) Taxes

Corporate and Personal 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. Canada remits these taxes monthly 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. Income tax determined by Canada combines actual assessments with an estimate that assumes that previous years' income tax levels will be sustained and are subject to revisions in future years. Differences between current estimates and future actual amounts can be significant. Any such differences are recognized when the actual tax assessments are finalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxes (continued)

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.

(n) Transfer payments and other revenues

Government transfers are recognized as revenue in the period in which the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. All other revenues are recognized on an accrual basis.

(o) Expenses

Government grants and contributions are recognized as expenses in the period in which the events giving rise to the grant or contribution occurred, as long as the grant or contribution is authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made. All other expenses are recognized on an accrual basis.

(p) Environmental liabilities

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

(q) 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. CHANGES IN ACCOUNTING POLICIES

The Government adopted a new accounting policy for the recognition of environmental liabilities. Previously, a liability was recognized only if there was a contractual obligation to incur such costs. The impact of this change was to increase the net debt and decrease the accumulated surplus as at April 1, 2005 by $10,395,000, respectively.

Effective April 1, 2006, the Government changed the method of accounting for Divisional Education Councils and District Education Authorities to full consolidation. Previously, under the transitional provisions of the Public Sector Accounting Board standard on government reporting entities, the Government had accounted for Divisional Education Councils and District Education Authorities on the modified equity basis. All other impacts on the prior period, as outlined below, were the result of this restatement.

These accounting changes have been applied retroactively with restatement of prior periods.

3. CHANGES IN ACCOUNTING POLICIES (continued)

	As Previously Reported	Reporting Change (thousands of dollars)	As Restated
Assets	$ 731,139	$ (23,083)	$ 708,056
Liabilities	741,098	33,707	774,805
Net Debt at end of year	**$ (9,959)**	**$ (56,790)**	**$ (66,749)**
Net tangible capital assets	$ 936,748	$ 47,006	$ 983,754
Prepaid expenses	8,321	139	8,460
Non-financial resources at end of year	**$ 945,069**	**$ 47,145**	**$ 992,214**
Revenues	$ 1,162,523	$ 20,313	$ 1,182,836
Expenses	1,118,757	11,566	1,130,323
Annual operating surplus	**43,766**	**8,747**	**52,513**
Net income from investment in Northwest Territories Power Corporation	7,192	-	7,192
Net income from Divisional Education Councils and District Education Authorities	7,997	(7,997)	-
Annual surplus	**58,955**	**750**	**59,705**
Accumulated surplus at beginning of year	876,155	(10,395)	865,760
Accumulated surplus at end of year	**$ 935,110**	**$ (9,645)**	**$ 925,465**

4. CASH AND CASH EQUIVALENTS

	2007	2006 (Restated - *note 3*)
	(thousands of dollars)	
Cash	$ 97,892	$ 168,392
Short-term investments	194,195	313,469
	$ 292,087	**$ 481,861**

Cash and cash equivalents include investments in a diversified portfolio of high grade, short-term income producing assets. The portfolio yield for the year ended March 31, 2007 varied from 1.30% to 4.63% (2006 - 1.25% to 5.20%). 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 10% to 50% of the total portfolio. There is no significant concentration in any one investment. The average term to maturity, as at March 31, 2007, is 31 days (2006 - 31 days).

4. CASH AND CASH EQUIVALENTS (continued)

Included in cash and cash equivalents are funds designated for use for future student loans as follows:

	2007	2006
	(thousands of dollars)	
Authorized limit	$ 33,000	$ 33,000
Less: Loans receivable	(31,579)	(30,920)
Segregated and designated for new loans	**$ 1,421**	**$ 2,080**

5. PORTFOLIO INVESTMENTS

	2007	2006
	(thousands of dollars)	
Marketable securities (market value $34,418,000; 2006 - $32,893,000)	$ 30,937	$ 29,827
Miscellaneous investments, net of allowance for loss	87	469
	$ 31,024	**$ 30,296**

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. The assets in the investment portfolio are managed by McLean Budden and UBS Global Asset Management. Supplementary Retiring Allowance Regulations restrict the investments McLean Budden and UBS Global Asset Management can make to those as permitted under the *Pension Benefits Standards Act.* The income on investments, including interest, dividends and gains or losses on disposal was $2,859,333 (2006 - $2,874,000).

6. ACCOUNTS RECEIVABLE

	2007	2006 (Restated - *note 3*)
	(thousands of dollars)	
General	$ 45,591	$ 43,980
Government of Nunavut	5,103	6,438
Revolving fund sales	8,490	3,595
Accrued interest	656	1,259
	59,840	**55,272**
Less: allowance for doubtful accounts	11,017	13,633
	48,823	**41,639**
Receivables from related parties:		
Northwest Territories Power Corporation	3,547	3,537
Workers' Compensation Board (Northwest Territories and Nunavut)	42	28
	$ 52,412	**$ 45,204**

7. INVENTORIES FOR RESALE

	2007	2006
	(thousands of dollars)	
Bulk fuels	$ 11,963	$ 7,775
Liquor products	2,222	2,967
Public Stores	138	145
Other	959	847
	$ 15,282	**$ 11,734**

8. LOANS RECEIVABLE

	2007	2006
	(thousands of dollars)	
Northwest Territories Business Development and Investment 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 $10,681,000 (2006 - $9,690,000)	$ 28,917	$ 31,005
Arslanian Cutting Works Inc. promissory note receivable, due in 82 monthly installments, including accrued interest at a rate of 5.06% per annum, balance due in 2013.	5,900	-
Deton'Cho Corporation (DCC) non-interest bearing promissory note, repayable in 20 equal installments, balance due in 2013. In 2008, the promissory note requires a reassessment of the ability of DCC to pay interest on this promissory note. This note arose from the sale of shares held as security on a $2.6 million loan guarantee by the Government for DCC, that was called by the Bank of Montreal. Foregone interest revenue, recorded as a Grant in Kind, is calculated at the Government's long term borrowing rate and amounted to $91,000 in the year (2006 - $105,000)	1,560	1,820
Students Loan Fund loans due in installments to 2017, bearing fixed interest between 1.50% and 11.75%, net of allowance for doubtful accounts and loan remissions of $23,998,000 (2006 - $22,387,000)	7,581	8,535
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 $14,571,000 (2006 - $13,320,000)	1,901	3,806
Northwest Territories Power Corporation $20,000,000 line of credit, secured by a promissory note, bearing interest between 3.78% and 4.30%	8,000	8,000
Other	531	33
	$ 54,390	**$ 53,199**

Interest earned on loans receivable during the year was $2,978,074 (2006 - $4,527,000).

9. INVESTMENT IN NORTHWEST TERRITORIES POWER CORPORATION

The following is summarized draft financial information for the Northwest Territories Power Corporation (NTPC) as at March 31, 2007. These amounts may vary from NTPC's audited financial statements.

	2007	2006
	(thousands of dollars)	
Investment in Northwest Territories Power Corporation		
Shareholder's Equity, including share capital of $43,129,000	**$ 89,935**	**$ 85,762**
Shareholder's Equity is represented by:		
Assets:		
Cash	335	2,360
Accounts receivable	17,130	12,670
Inventories	3,616	6,547
Prepaid expenses	506	628
Other long-term assets	53,785	50,521
Property, plant and equipment	247,786	239,310
Total assets	**323,158**	**312,036**
Liabilities:		
Short-term debt	12,800	8,000
Accounts payable and accrued liabilities	15,615	14,522
Dividends payable	3,500	3,500
Long-term debt	154,544	155,632
Other long-term liabilities	44,069	42,084
Employee future benefits	2,695	2,536
Total liabilities	**233,223**	**226,274**
	$ 89,935	**$ 85,762**

Statement of Operations and Surplus
For the year ended March 31

	2007	2006
Revenue	$ 78,719	$ 71,254
Expenses	(71,046)	(64,062)
Net income	**7,673**	**7,192**
Surplus at beginning of the year	42,633	38,941
Dividend	(3,500)	(3,500)
Surplus at end of the year	**$ 46,806**	**$ 42,633**

Included in the above are revenues from and expenses to entities in the Government's reporting entity of $21,303,000 (2006 - $20,838,000) and $10,064,000 (2006 - $7,685,000) respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006 (Restated - *note 3*)
	(thousands of dollars)	
Trade	$ 133,332	$ 120,806
Other liabilities	9,206	9,951
Employee and payroll-related liabilities	46,322	38,477
Environmental liabilities	32,054	33,145
Provision for equal pay settlement	6,904	7,131
Accrued interest	449	460
Deferred funding for specified purposes	4,884	3,262
	233,151	**213,232**
Payable to related parties:		
Northwest Territories Power Corporation	2,006	1,556
Workers' Compensation Board (Northwest Territories and Nunavut)	437	12
	$ 235,594	**$ 214,800**

11. DUE TO CANADA

	2007	2006
	(thousands of dollars)	
Grant receivable		
Balance of receivable at beginning of year	$ (4,026)	$ (36,917)
Grant per financing agreement	(753,388)	(727,530)
Less payments received	757,414	760,421
	-	**(4,026)**
Other receivables		
Indian and Inuit hospital and medical care	(2,413)	(2,431)
Canada Mortgage and Housing Corporation	(899)	(1,364)
Projects on behalf of Canada	(9,746)	(3,520)
Miscellaneous receivables	(32,332)	(38,675)
	(45,390)	**(45,990)**
Other payables		
Excess income tax advanced	114,325	398,982
Advances for projects on behalf of Canada	6,054	6,839
Miscellaneous payables	24,957	21,762
Deferred revenue	10,759	7,068
	156,095	**434,651**
	$ 110,705	**$ 384,635**

11. DUE TO CANADA (continued)

The amounts due to Canada are non-interest bearing. The excess income tax advanced is repayable over the following years:

		(thousands of dollars)
2008	$	56,450
2009		57,875
	$	**114,325**

12. CAPITAL LEASE OBLIGATIONS

		2007		2006
		(thousands of dollars)		
Buildings	$	**17,935**	$	**19,598**

Interest expense related to capital lease obligations for the year was $2,180,000 (2006 - $2,247,000), at an implied average interest rate of 11.60% (2006 - 10.98%). Capital lease obligations are based upon contractual minimum lease obligations for the leases in effect as of March 31, 2007.

			(thousands of dollars)
	2008	$	4,508
	2009		3,910
	2010		3,484
	2011		3,484
	2012		3,484
	2013 and beyond		13,175
Total minimum lease payments			32,045
Less: imputed interest (11.50%)			14,110
Present value of minimum lease payments		$	**17,935**

13. LONG-TERM DEBT

	2007	2006 (Restated - *note 3*)
	(thousands of dollars)	
Northwest Territories Housing Corporation loans due to Canada Mortgage and Housing Corporation, repayable in annual installments of $2,718,000 to the year 2033, bearing fixed interest at a rate of 6.97% (2005 - 6.97%)	$ 24,709	$ 25,404
Mortgage payable to Canada Mortgage and Housing Corporation, repayable in monthly installments of $8,521 maturing June 2024, bearing interest at 4.49%	1,230	1,277
Immigrant investor loans, 0% interest, each repayable as a single payment 5 years after the date of issue, maturing between October 2008 and March 2012	76,651	60,204
Yellowknife Catholic Schools debentures, repayable in monthly installments of $8,597, including interest at 6.85%, final installment due in 2012	506	572
Yellowknife Catholic Schools debentures, repayable in monthly installments of $68,016, including interest at 5.80%, final installment due in 2018	7,002	7,404
Other	3,019	3,121
	$ 113,117	**$ 97,982**

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

	Principal	Interest	Total
		(thousands of dollars)	
2008	$ 1,392	$ 2,364	$ 3,756
2009	3,502	2,274	5,776
2010	31,183	2,179	33,362
2011	28,547	2,078	30,625
2012	19,941	1,969	21,910

The interest paid on long-term debt during the year was $2,438,000 (2006 - $1,982,000).

13. LONG-TERM DEBT (continued)

Debt Authority

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

	2007	2006
	(thousands of dollars)	
Government of the Northwest Territories, long-term debt	$ 1,230	$ 1,277
NWT Power Corporation, long-term debt	131,033	131,700
NWT Housing Corporation, loans payable	24,709	25,404
NWT Energy Corporation*, debenture series	22,050	22,451
NWT Power Corporation, operational debt	12,800	8,000
Yellowknife Catholic Schools - District Education Authority	7,508	7,976
Other long-term debt	3,019	3,121
	202,349	**199,929**
Authorized borrowing limit	300,000	300,000
Available borrowing capacity	**$ 97,651**	**$ 100,071**

The Immigrant Investor Loans, while disclosed within the Government's long-term debt, are not part of the Government's debt for the purpose of its Authorized borrowing limit.

Effective April 1, 2007, the Government's borrowing limit was increased to $500 million by Order in Council P.C. 2007-378, dated March 22, 2007.

* The NWT Energy Corporation is a subsidiary of the NWT Power Corporation.

14. PENSIONS

a) Pension plans

i) Plans description

The Government administers the following pension plans for Members of the Legislative Assembly (MLAs) and Territorial Court Judges.

Plan recipient	Name of plan	Funded status
MLAs	Legislative Assembly Retiring Allowance Plan (MLAs Regular)	Funded
MLAs	Legislative Assembly Supplemental Retiring Allowance Plan (MLAs Supplemental)	Non Funded
Judges	Judges Registered Plan (Judges Regular)	Funded
Judges	Judges Supplemental Pension Plan (Judges Supplemental)	Non Funded

The Regular Plans for both the MLAs and Judges are contributory defined benefit registered pension plans and are pre-funded. The funds related to these plans are administered by independent trust companies. The Supplemental plans for both the MLAs and Judges are non-contributory defined benefit pension plans and are unfunded; however, the Government has made a voluntary restriction on assets for the purposes of meeting the obligations of the Supplemental plans *(note 5)*.

The Government is liable for all benefits. Benefits provided under all four plans are based on years of service and earnings.

ii) Pension liability

	2007		
	Regular Funded	Supplemental Unfunded (thousands of dollars)	Total
Accrued benefit obligation	$ 17,325	$ 21,161	$ 38,486
Pension fund assets - market related value	(24,001)	-	(24,001)
Unamortized actuarial gains/losses	704	1,975	2,679
Pension liability (asset)	**$ (5,972)**	**$ 23,136**	**$ 17,164**

	2006		
	Regular Funded	Supplemental Unfunded (thousands of dollars)	Total
Accrued benefit obligation	$ 16,278	$ 19,960	$ 36,238
Pension fund assets - market related value	(21,974)	-	(21,974)
Unamortized actuarial gains/losses	26	2,294	2,320
Pension liability (asset)	**$ (5,670)**	**$ 22,254**	**$ 16,584**

14. PENSIONS (continued)

iii) Change in pension liability

	2007 Regular Funded	2007 Supplemental Unfunded	Total
	(thousands of dollars)		
Opening balance	**$ (5,670)**	**$ 22,254**	**$ 16,584**
Change to pension liability from cash items:			
Contributions from plan members	(198)	-	(198)
Contributions from Government	(67)	(104)	(171)
Benefit payment to plan members	(724)	(910)	(1,634)
Drawdown from plan assets	724	-	724
Net change to pension liability from cash items	**(265)**	**(1,014)**	**(1,279)**
Change to pension liability from accrual items:			
Current period benefit cost	608	691	1,299
Amortization of actuarial gains/losses	(276)	(210)	(486)
Interest on average accrued benefit obligation	1,162	1,415	2,577
Return on plan assets	(1,531)	-	(1,531)
Net change to pension liability from accrual items	**(37)**	**1,896**	**1,859**
Ending balance	**$ (5,972)**	**$ 23,136**	**$ 17,164**

14. PENSIONS (continued)

iii) Change in pension liability (continued)

	2006		
	Regular Funded	Supplemental Unfunded	Total
		(thousands of dollars)	
Opening balance	**$ (5,560)**	**$ 21,502**	**$ 15,942**
Change to pension liability from cash items:			
Contributions from plan members	(189)	-	(189)
Contributions from Government	(62)	(101)	(163)
Benefit payment to plan members	(747)	(891)	(1,638)
Drawdown from plan assets	747	-	747
Net change to pension liability from cash items	**(251)**	**(992)**	**(1,243)**
Change to pension liability from accrual items:			
Current period benefit cost	568	645	1,213
Amortization of actuarial gains/losses	(67)	(236)	(303)
Interest on average accrued benefit obligation	1,095	1,335	2,430
Return on plan assets	(1,455)	-	(1,455)
Net change to pension liability from accrual items	**141**	**1,744**	**1,885**
Ending balance	**$ (5,670)**	**$ 22,254**	**$ 16,584**

iv) Pension Expense

The components of pension expense include current period benefit cost, amortization of actuarial gains/losses and interest on average accrued benefit obligation net of the return on plan assets. The total expense as disclosed above is $1,661,000 (2006 - $1,696,000). The interest cost on the accrued benefit obligation was determined by applying the discount rate determined at the beginning of the period to the average value of the accrued benefit obligation for the period. The expected return on plan assets was determined by applying the assumed rate of return on plan assets to the average market-related value of assets for the period. The difference between the expected return on plan assets and the actual return on plan assets was $955,100 (2006 - $102,400).

During the year, the Government contributed $54,446,048 (2006 - $42,451,184) to the Public Service Superannuation Plan. The employees' contributions to this plan were $23,316,033 (2006 - $17,549,036).

v) Changes to pension plans in the year

There have been no plan amendments, plan settlements and curtailments or temporary deviations from the plan in 2007 (no changes in 2006).

14. PENSIONS (continued)

vi) Valuation methods and assumptions used in valuing pension liability

Valuation date

Actuarial valuations were completed for the Legislative Assembly plans as of April 1, 2004 and for the Judges' plans as of April 1, 2005. As the actuarial valuations were not valued as at the year-end, the Legislative Assembly Plans were extrapolated to January 31, 2007 and the Judges' plans were extrapolated to March 31, 2007. The effective date of the next required actuarial valuation is April 1, 2007 for the Legislative Assembly plans and April 1, 2008 for the Judges' plans.

Liability valuation method

The actuarial valuation was performed using the projected accrued benefit method. The valuations are 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.

Asset valuation method

The assets valuation method, market-related value, for the MLAs' plans is equal to a smoothed market value which spreads the difference between the actual and expected investment income over a four year period and is then adjusted for payments due to, and payable from, the pension plan. The fair market value of the MLA regular plan is $20,283,000 (2006 - $18,438,000). The asset valuation method for the Judges' plan is market value. The market value of the Judges' plan is $3,717,900 (2006 - $3,536,200)

Actuarial gains and losses

Actuarial gains and losses occur when actual experience varies from estimates. The adjustments needed are amortized on a straight line basis over the estimated average remaining service lives of the contributors. The estimated average remaining service lives of the contributors is 7 years.

Actuarial assumptions

	MLA's plans	**Judges' plans**
Expected rate of return on plan assets	7%	7%
Rate of compensation increase	5%	4%
Annual inflation rate	4%	3%
Annual interest rate	7%	7%

Retirement assumptions

- Members of Legislative Assembly at later of age 50, 4 years of service, and end of current session.
- Judges at the earlier of age 60 or when age plus service equals 80.

14. PENSIONS (continued)

b) Pension plans of Public Agencies

The Hay River Health and Social Services Authority has a defined benefit pension plan for its employees. Benefits from this plan are based on length of service and pensionable earnings. Retirement occurs when the aggregate of a member's age plus years of service total 87, but not before age 56 or after age 61. The average age of the 207 plan members is 49 years.

The most recent actuarial valuation for funding purposes was completed as at January 1, 2007. Due to the plan deficit, The Superintendent of Financial Institutions requires that all plans with a solvency ratio less than 100% file an actuarial valuation annually. The actuarial present value of the pension plan deficit, extrapolated to March 31, 2007, is $2,952,450 consisting of plan assets of $14,198,600 and pension obligation of $17,151,050 (2006 - $296,000 pension plan deficit; $12,743,000 plan assets; $13,039,000 pension obligation). The pension plan deficit is required to be amortized over no more than 15 years under the *Pension Benefits Standards Act, 1985*.

Assumptions used in the actuarial valuation

Expected rate of return on plan assets	6.0%
Rate of compensation increase	3.65%
Annual inflation rate	2.4%
Annual interest rate	5.6%

The employer's portion of the current period benefit cost of the plan was $964,000 for the year. The net experience gain over the most recent three years is $127,000. Members' contributed $512,095 in the year (2006 - $443,002). The employer contributed $744,340 (2006 - $654,823) in the year. Investment income earned on plan assets for the year was $202,738 (2006 - $176,360).

c) Presentation of pension liability

	2007	**2006**
	(thousands of dollars)	
Members of the Legislative Assembly and Judges' pension plans	$ 17,164	$ 16,584
Pension plans of public agencies	2,952	-
	$ 20,116	**$ 16,584**

15. OTHER EMPLOYEE FUTURE BENEFITS

In addition to pension benefits, the Government of the Northwest Territories provides termination and removal benefits to its employees. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

	2007	**2006**
		(Restated - *note 3*)
	(thousands of dollars)	
Resignation and retirement	$ 32,868	$ 30,708
Removal	10,400	10,498
	$ 43,268	**$ 41,206**

16. REVENUES FROM CANADA

The Territorial Formula Financing Agreement with Canada expired on March 31, 2004 and has been replaced by the provisions in the *Federal-Provincial Fiscal Arrangements Act.* The Grant entitlement was a fixed amount for the 2006-07 fiscal year with no prior year adjustments.

The Grant and transfer payments from Canada and own source revenues are presently not inter-related; therefore, year-to-year fluctuations in corporate and personal income tax revenue will have no impact on the 2006-07 Grant from Canada. Fluctuations in corporate and personal income tax still influence other transfer payments from Canada, most notably the Canada Social Transfer and the Canada Health Transfer. Under recent amendments to the *Federal-Provincial Fiscal Arrangements Act*, changes to income tax revenues in 2006-07 will affect future Grant revenue in 2008-09 through 2010-11 and will no longer affect the Canada Social Transfer.

The 2007 Federal Budget also provided for a one-time payment of $54.4 million to the Government to compensate for the impact of a large corporate income tax refund. The $54.4 million will be recognized as an adjustment to the Grant entitlement in 2007-08.

17. 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. Deferred capital contributions are reported as a deduction to tangible capital assets (*Schedule A*).

	2007	**2006**
	(thousands of dollars)	
Deferred capital contributions at beginning of year	$ 212,715	$ 202,997
Add: Assets gifted or cost shared during the year	34,490	23,168
Less: Amortization of capital contributions	(14,491)	(13,450)
Deferred capital contributions at end of year	**$ 232,714**	**$ 212,715**

18. 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.

	2007	**2006**
	(thousands of dollars)	
Correctional institutions and other	$ 128	$ 232
Natural Resources - capital	392	248
Public Trustee	3,162	3,282
Territorial and Supreme Courts	954	1,028
Workers' Compensation Board (Northwest Territories and Nunavut)	342,317	294,888
	$ 346,953	**$ 299,678**

18. TRUST ASSETS UNDER ADMINISTRATION (continued)

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.

19. COMMITMENTS

(a) Contractual obligations

The Government has entered into agreements for, or is contractually committed to the following expenses payable subsequent to March 31, 2007:

	Expiry Date	2008	2009-2038	Total
			(thousands of dollars)	
Canada Mortgage and Housing Corporation	2038	$ 4,025	$ 43,251	$ 47,276
Commercial and residential leases	2026	11,036	46,497	57,533
Equipment leases	2011	4,673	10,541	15,214
Operational commitments	2010	61,021	66,547	127,568
RCMP Policing Agreement	2012	26,670	132,740	159,410
Tangible capital asset projects in progress at year end	2010	46,712	9,719	56,431
Western Harvesters' Assistance Program	2008	458	-	458
		$ 154,595	**$ 309,295**	**$ 463,890**

(b) 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 $47,276,000 (2006 - $51,821,000) maturing between 2008 and 2038, at interest rates ranging from 2.78% to 21.50%. 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 disclosed 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 13.

20.CONTINGENCIES

(a) Environmental liabilities

The Government has identified a number of sites as possibly requiring environmental remediation. The Government has recorded a liability of $10,395,000 for those sites where the Government is obligated to incur costs to remediate the sites and the amount is quantifiable. In 2005, the Government also recorded a liability for its share of the above ground remediation of Giant Mine. The balance of the Giant Mine remediation liability at March 31, 2007 is $21,659,241. As at March 31, 2007 total environmental liabilities of $32,054,241 were included as a component of accounts payable and accrued liabilities.

The Government's ongoing efforts to assess the remaining sites may result in additional environmental liabilities. These liabilities will be recorded in the year in which they become known.

(b) Guarantees

The Government has guaranteed an operating line of credit for the Deh Cho Bridge Corporation Ltd. to a maximum of $3,350,000. At March 31, 2007, the balance on this operating line of credit was $3,261,000. In the event of default, the Government has access to the assets of this party which have been pledged as security for this loan guarantee.

The Government has guaranteed residential housing loans to banks totaling $10,293,000 (2006 - $10,701,000) and indemnified Canada Mortgage and Housing for third party loans totaling $35,106,000 (2006 - $36,392,000). In addition, 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 percentage is limited to the Northwest Territories' population to the Canadian population.

The Northwest Territories Business Development and Investment Corporation (BDIC) has two outstanding loans to two northern Community Futures organizations of $950,000 and $500,000. Loans provided by these two organizations from these amounts that later become impaired may be assigned to the BDIC. In addition, the BDIC also has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $405,000 and expire in 2008. Payment by the BDIC is due in the event that the applicant is in default of the underlying debt. The letters of credit are secured by promissory notes and general security agreements.

(c) Claims and litigation

There are a number of claims and pending and threatened litigation cases outstanding against the Government. In certain of these cases, 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 these actions and any damages that may eventually be awarded will be shared by the two Governments 56.66% and 44.34%, respectively. The Government has recorded an allowance for any claim or litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made.

21. EXPENSES BY PROGRAM

	2007	2006 (Restated - *note 3*)
	(thousands of dollars)	
Social Programs	$ 843,879	$ 821,011
Economic Programs	181,254	167,775
Other	151,177	141,537
	$ 1,176,310	**$ 1,130,323**

22. RELATED PARTIES

Significant transactions with related parties and balances at year-end are disclosed separately in the financial statements and notes thereto.

23. FAIR VALUE

The fair value of short-term financial instruments, including cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate the carrying amounts because of the short term to maturity.

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

The fair value, and the methods of calculation and assumptions used, for the Government's other long-term financial instruments are as detailed below:

	2007		2006 (Restated - *note 3*)	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	(thousands of dollars)			
Portfolio investments	$ 31,024	$ 34,505	$ 30,296	$ 33,362
Due to Canada	110,705	104,121	384,635	363,357
Capital lease obligations	17,935	27,259	19,598	25,714
Long-term debt	113,117	106,468	97,982	92,082

The fair value of publicly traded investments is based on quoted market prices.

The estimated fair value for due to Canada, capital lease obligations and long-term debt is calculated by discounting the expected future cash flows at year-end using market interest rates for equivalent terms to maturity.

24. COMPARATIVE FIGURES

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

Government of the Northwest Territories

Schedule A

Consolidated Schedule of Tangible Capital Assets

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

		Land		Buildings *		Other**		Leasehold Improvements		Equipment		Computers		2007		2006 (Restated - *note 3*)
Cost of tangible capital assets, opening	$	3,940	$	949,433	$	680,307	$	24,847	$	78,349	$	36,492	$	1,773,368	$	1,731,492
Acquisitions		651		15,287		49,051		3,608		23,051		4,054		95,702		59,381
Disposals		-		(1,077)		-		(92)		(4,266)		(1,250)		(6,685)		(17,505)
Cost of tangible capital assets, closing	$	4,591	$	963,643	$	729,358	$	28,363	$	97,134	$	39,296	$	1,862,385	$	1,773,368
Accumulated amortization, opening	$	-	$	(368,571)	$	(235,331)	$	(15,976)	$	(46,670)	$	(20,731)	$	(687,279)	$	(638,773)
Amortization expense		-		(27,615)		(17,289)		(1,987)		(8,213)		(3,544)		(58,648)		(54,947)
Disposals and write-downs		-		598		(527)		92		3,401		1,085		4,649		6,441
Accumulated amortization, closing	$	-	$	(395,588)	$	(253,147)	$	(17,871)	$	(51,482)	$	(23,190)	$	(741,278)	$	(687,279)
Net book value	**$**	**4,591**	**$**	**568,055**	**$**	**476,211**	**$**	**10,492**	**$**	**45,652**	**$**	**16,106**		**1,121,107**		**1,086,089**
Work in Progress														142,264		110,380
Deferred capital contributions *(note 17)*														(232,714)		(212,715)
													$	**1,030,657**	**$**	**983,754**

* Included in buildings are assets under capital lease (cost, $40,157,732; accumulated amortization, $13,764,855; carrying value, $26,392,877).

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

GOVERNMENT OF THE NORTHWEST TERRITORIES
GOVERNMENT INDICATORS
FOR THE YEAR ENDED MARCH 31, 2007
(Unaudited)

HONOURABLE FLOYD K. ROLAND
Minister of Finance

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Table of Contents

	Page
INTRODUCTION	5
GROSS DOMESTIC PRODUCT	6
LONG-TERM DEBT BORROWING CAPACITY	8
DEBT PER CAPITA	9
FINANCIAL POSITION	10
TANGIBLE CAPITAL ASSETS	13
ANNUAL SURPLUS (DEFICIT) AND NET FINANCIAL RESOURCES (DEBT)	16
REVENUES AND EXPENSES	18
REVENUES BY SOURCE	19
EXPENSES BY OBJECT	21
EXPENSES BY PROGRAM	22
INTEREST REVENUE AND INTEREST EXPENSE	22
CONCLUSION	24
ADDITIONAL SOURCES OF INFORMATION	25

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INTRODUCTION

The Public Accounts report the financial position and results of operations of the Government for a fiscal year. The Statement of Financial Position discloses the assets, liabilities, accumulated surplus or deficit, as well as the net debt or net financial resource position of a government. The financial position of the Government is measured at a specific point in time (March 31 fiscal year end), whereas information relating to revenues and expenses encompasses the results for a fiscal year as disclosed in the Statement of Operations. It is important to note that the financial position of a government is often quite different from the financial condition of the economy.

A research study conducted by the Canadian Institute of Chartered Accountants states:

The financial health of a government is it's financial health as measured by sustainability, vulnerability and flexibility, looked at in the context of the overall economic and financial environment. These terms are defined as follows:

- *Sustainability: the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.*
- *Flexibility: the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues, or increasing its debt burden.*
- *Vulnerability: the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.*

The information provided in the following pages is intended to assist readers of the Public Accounts in their assessment of the Government's financial health. It is important to note that the information contained within the Consolidated Financial Statements (Public Accounts – Section I) has been expanded to include full consolidation of all government controlled organizations on a line-by-line basis, with the exception of one entity, which is accounted for using the modified equity method. The details of which organizations are included in the government reporting entity are contained in Note 1 to the Consolidated Financial Statements.

The expansion of the Government of the Northwest Territories (GNWT) reporting entity is a requirement of the Public Sector Accounting Board (PSAB). PSAB is the governing body that establishes generally accepted accounting principles for governments reporting within Canada and are the standards with which the Government must comply.

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) represents the total unduplicated value of goods and services produced within the geographical boundaries of a country, province or territory, regardless of whether the factors of production involved are resident or non-resident. GDP is typically measured in two ways: as total income earned in current production (income-based); and, as total final demand of current production (expenditure-based). Both methods yield the same estimate of GDP. Estimates of GDP are typically expressed at market prices, which includes the impact of taxes and subsidies in the estimate.

For the Northwest Territories (NWT), Statistics Canada estimates current dollar GDP at market prices at $4,103 million for 2006, which represents a 0.4% decline relative to the 2005 estimate of $4,121 million. A final estimate of 2006 GDP for the NWT, and the other provinces and territories, is scheduled for release in November 2007. Preliminary estimates of 2007 GDP will be released in April 2008.

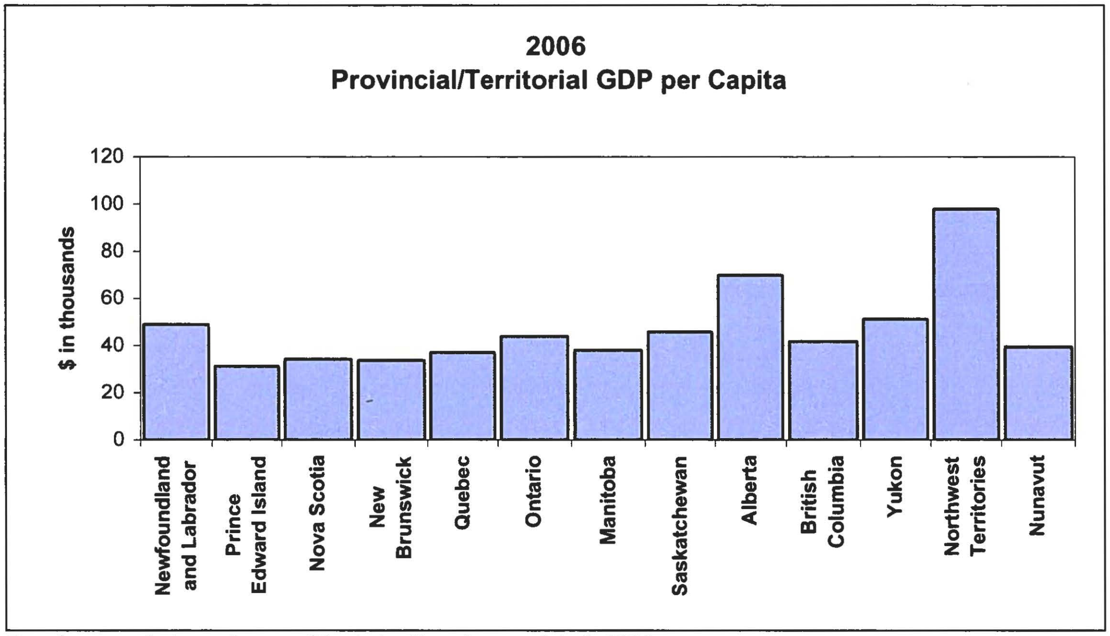
The slight decline in current dollar GDP is largely attributable to a $153 million (6%) decline in exports, coupled with a $153 million (6%) increase in imports (both having a negative impact on GDP), which together offset the growth in investment ($172 million, or 13%), and personal and government expenditures ($102 million, or 4%). The export decline is closely linked to the decline in diamond production in 2006 relative to 2005 - the value of diamond production declined by just over $200 million over this period.

Gross Domestic Product at Market Prices, 2005 and 2006
Canada, Provinces and Territories
Current Dollars (millions)

	2006	2005	Percent Change
Canada	1,439,291	1,371,425	4.9
Northwest Territories	4,103	4,121	-0.4
Nunavut	1,213	1,113	9.0
Yukon	1,596	1,521	4.9
British Columbia	179,701	168,855	6.4
Alberta	235,593	218,433	7.9
Saskatchewan	45,051	42,897	5.0
Manitoba	44,757	41,681	7.4
Ontario	556,282	537,657	3.5
Quebec	284,158	273,588	3.9
New Brunswick	25,221	24,162	4.4
Nova Scotia	31,966	31,344	2.0
Prince Edward Island	4,332	4,169	3.9
Newfoundland and Labrador	24,897	21,486	15.9

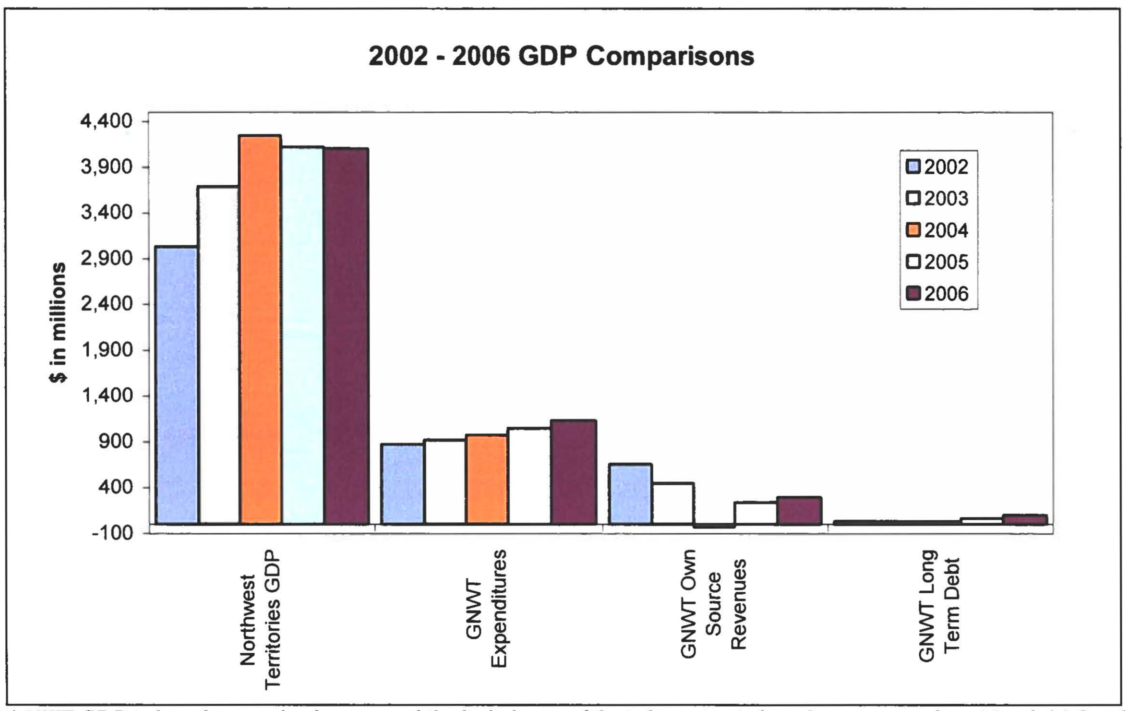
Source: Statistics Canada
Prepared by: NWT Bureau of Statistics

GROSS DOMESTIC PRODUCT (continued)



Based on population estimates of Statistics Canada as at July 1, 2006

Despite the decrease of 0.4% in GDP, the NWT still has the highest GDP per capita in Canada. This is an important indicator to note when considering GDP statistics.

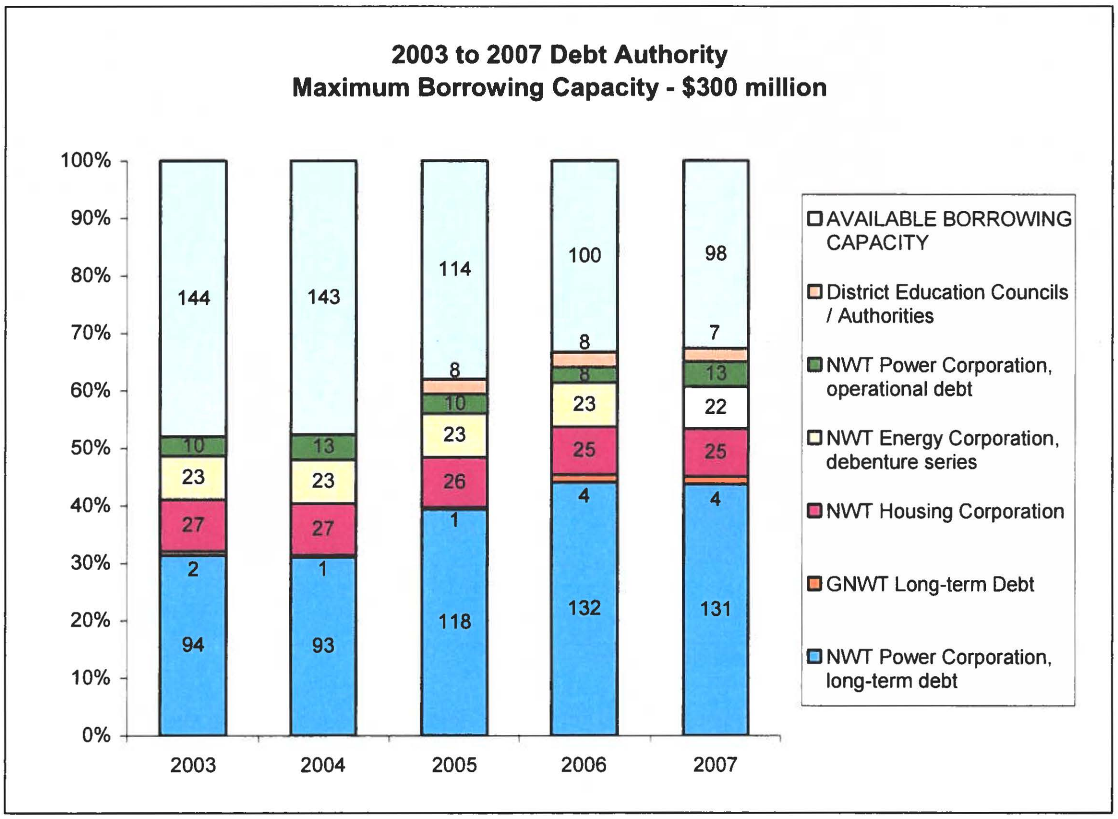


** NWT GDP is based on a calendar year, while the balance of the information is based on amounts from March 31 fiscal year-ends.*

LONG-TERM DEBT BORROWING CAPACITY

Canada, pursuant to subsection 20(2) of the *Northwest Territories Act,* has approved Government borrowing up to $300 million. This includes debt of the various Government entities' that are consolidated. The consolidated debt includes the NWT Housing Corporation, the NWT Power Corporation (NTPC), NWT Energy Corporation and the NWT Opportunities Fund; however, the latter is excluded from calculations related to the Government's borrowing limit.

The borrowings of the NTPC and the NWT Energy Corporation, while included in the calculation, are serviced through revenues generated by the NTPC and NWT Energy Corporation and, as such, do not require the Government to fund the related interest expense or principal repayment.

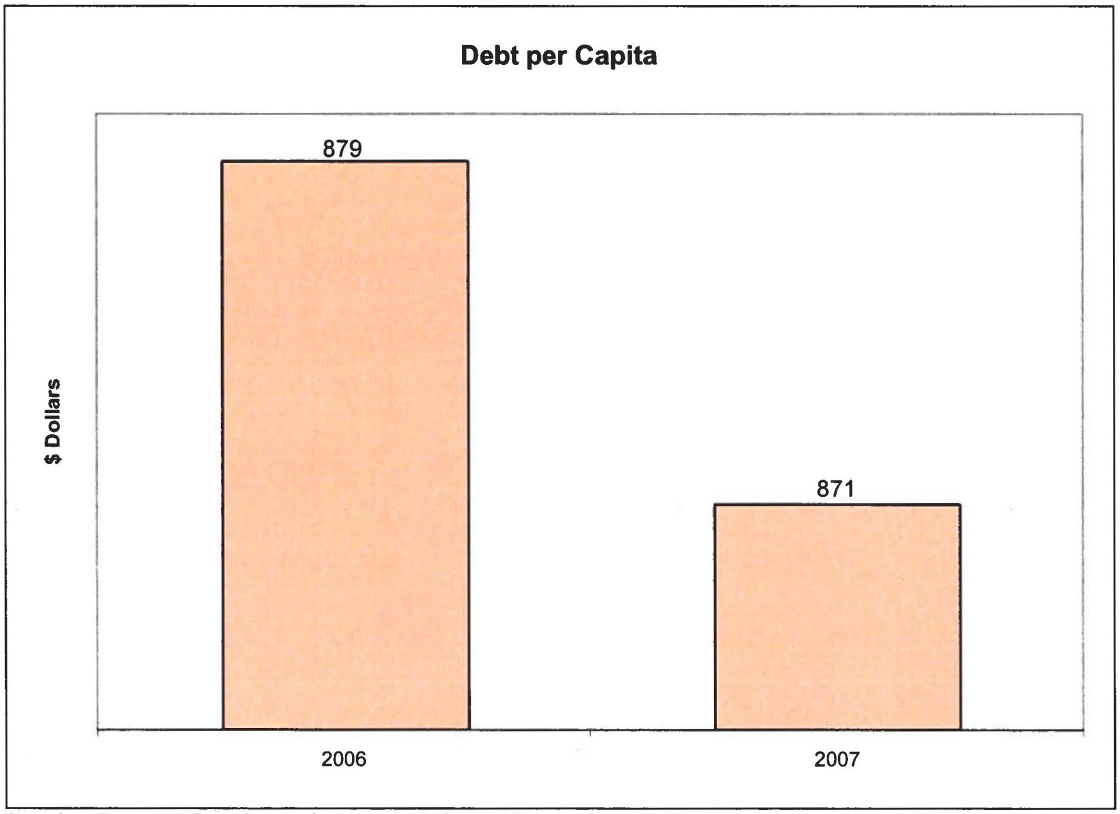


The debt level will likely continue to increase over time given that the Government has implemented a borrowing strategy (see page 15) to allow it to address current infrastructure needs. In anticipation of increasing the Government's debt instruments the Government has obtained a credit rating of Aa3 from Moody's Investors Service.

Effective April 1, 2007, the Government's borrowing limit was increased from $300 million to $500 million by Order in Council P.C. 2007-378, dated March 22, 2007.

DEBT PER CAPITA

The following chart depicts the debt per capita with respect to the entire debt load that the GNWT is directly responsible for. This debt is comprised of short and long-term borrowing, but excludes the borrowings of the NWT Opportunity Fund. At March 31, 2007 the long-term debt was $36 million, with no short-term borrowings.

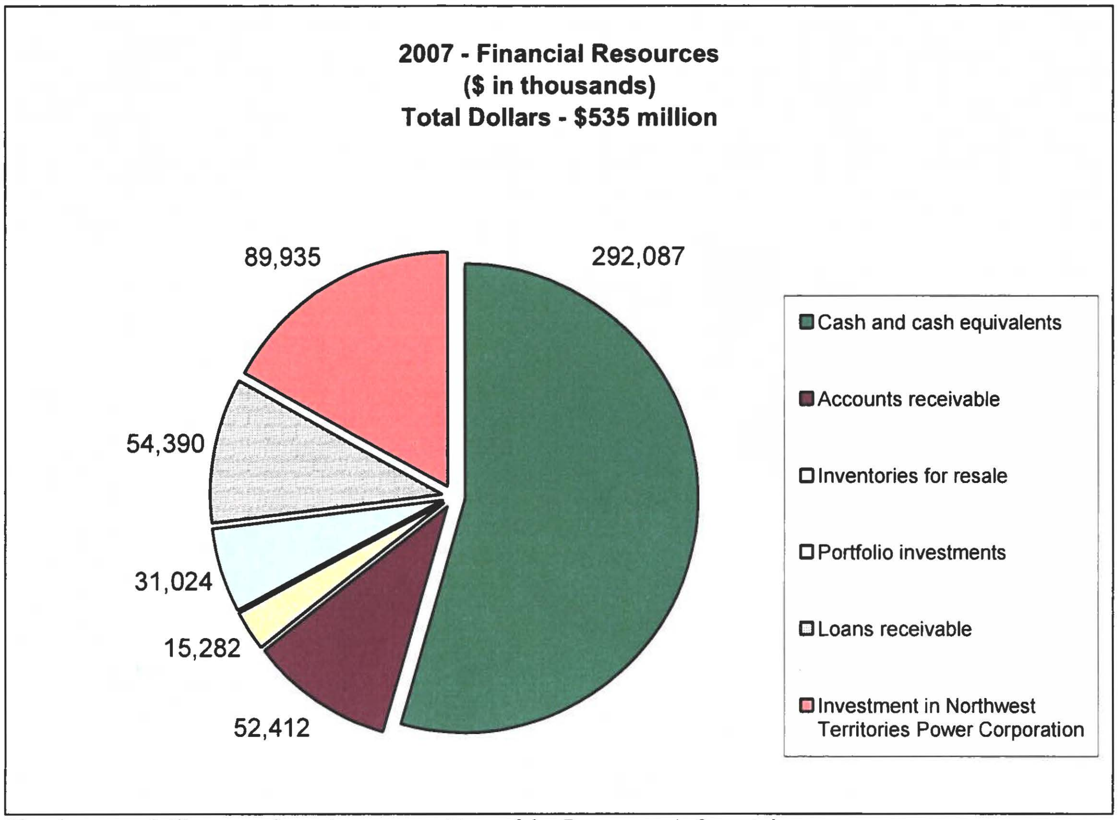


Based on Statistics Canada population as at July 1, 2006

The trend above can best be analyzed by considering the debt levels disclosed on the previous page and taking into consideration that the NWT population normally grows every year.

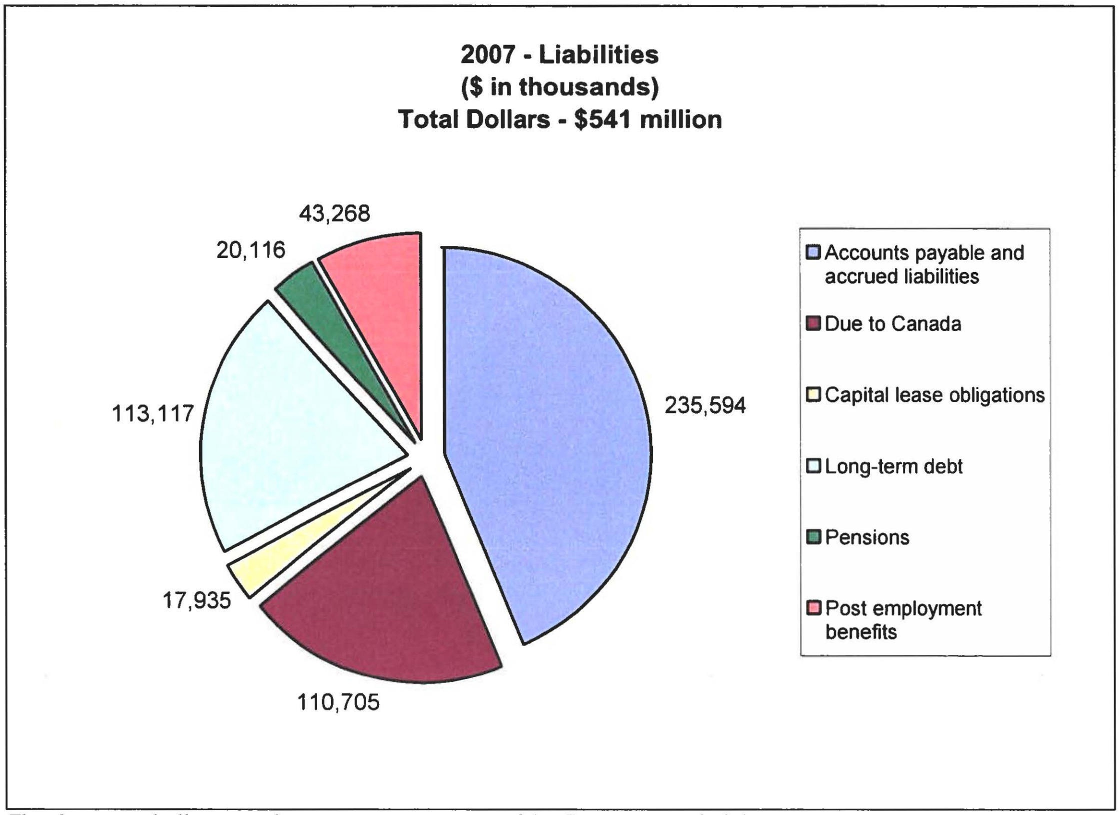
Due to the significant increase in total debt attributable to including the debt of the expanded government reporting entity beginning in the March 31, 2006 fiscal year, the comparative amounts for the 2002-2003, 2003-2004 and 2004-2005 fiscal years have been excluded from the graph shown above. The most significant additions to the government reporting entity after the 2004-2005 fiscal year are the Health and Social Services Authorities, the Divisional Education Councils and the District Education Authorities.

FINANCIAL POSITION



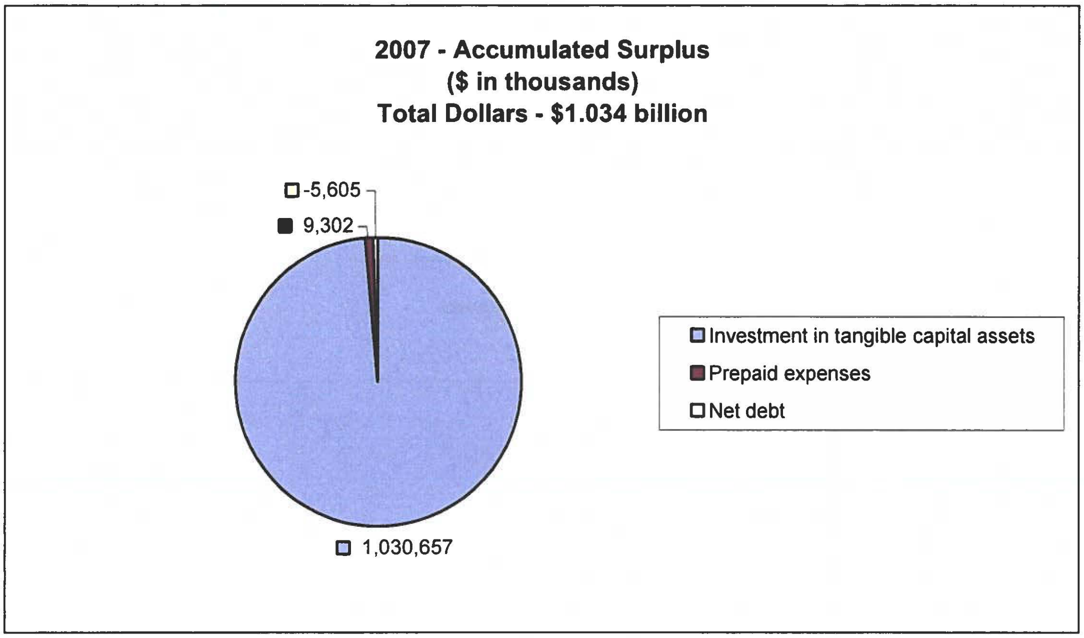
The above graph illustrates the various compositions of the Government's financial resources.

FINANCIAL POSITION (Continued)



The above graph illustrates the various compositions of the Government's liabilities.

FINANCIAL POSITION (continued)

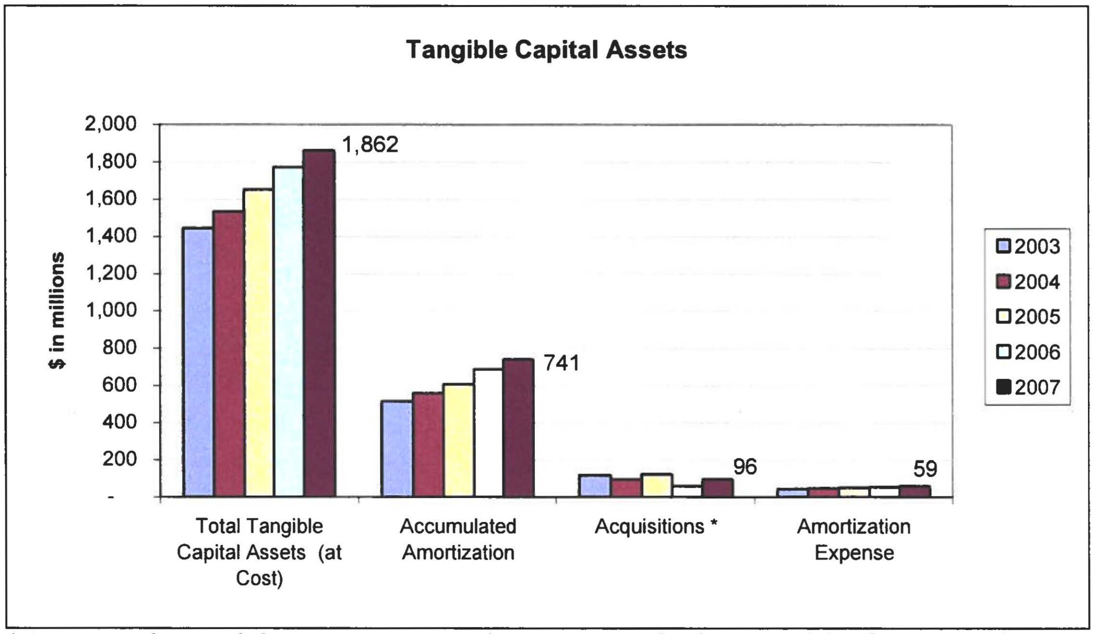


Up until the end of the 2004 fiscal year, the Government was in a net financial resource position; this positive amount was added to the Government's investment in tangible capital assets to produce the accumulated surplus to date; however, since that time the Government has moved to a net debt position where this amount is removed from the Government's investment in tangible capital assets to show the remainder as accumulated surplus to date. The Government would only move to an accumulated deficit if the net debt position of the Government grew over time to the point where it exceeded the total investment in tangible capital assets. An important measure of the flexibility of a government is the existence of surplus financial assets available to meet current and future obligations, as well as to absorb any budgeted annual deficit. A net debt or net financial resource position is not a direct reflection of cash available but more an indication of sources where cash will or will not be available to meet current and future obligations.

TANGIBLE CAPITAL ASSETS

Tangible capital assets include assets purchased directly by the Government and assets that were fully or partially contributed to the GNWT by Canada or other parties.

The GNWT records tangible capital assets as non-financial assets on its Statement of Financial Position within the Public Accounts. Under this policy, existing assets are capitalized and then expensed as amortization in the financial statements of the Government based on their average useful life.

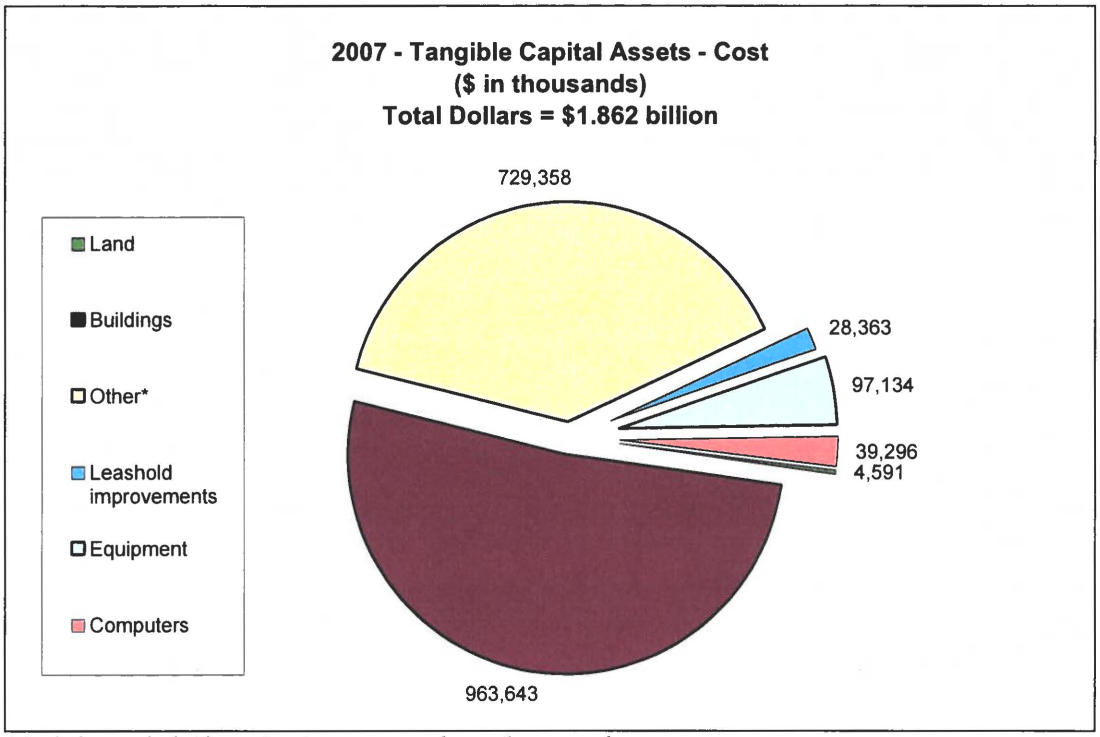


** Acquisitions do not include investments in assets that were not completed as at March 31 of any year. Such assets are recognized when completed and placed into service.*

The Government must plan its capital expenditures to ensure that the existing assets are replaced and/or expanded in a timely manner and in conjunction with the Government's direction and priorities.

The Government should continue to invest in the replacement of tangible capital assets at a rate that, over time, approximates the rate at which assets are being consumed, in a manner that considers the requirements of both an increasing population and economic growth. In short, tangible capital asset investments must be planned to address two essential points: maintaining existing assets and providing for growth.

TANGIBLE CAPITAL ASSETS (continued)



** Includes roads, bridges, airstrips, aprons and water/sewer works*

The GNWT is currently investing in tangible capital assets at a level that represents between 50% and 60% of the estimated investment needed for replacement and growth. In the 2006-2007 fiscal year, the Government spent $128 million to acquire or construct tangible capital assets. For the 2007-2008 fiscal year, $121 million is budgeted to be spent on tangible capital assets.

The NWT requires a significant investment in infrastructure. To ensure on-going fiscal sustainability, but still allow for necessary investments required to address high priority infrastructure needs, the Government introduced the *Fiscal Responsibility Policy* effective April 1, 2005. This Policy establishes an ongoing approach to finance the Government's infrastructure investments and requires that at least 50% of the Government's annual infrastructure investment be financed by cash generated from operations. A maximum of 50% of the annual infrastructure investment may be financed by debt. This requires the Government to plan for, budget, and realize sufficient operating surpluses on an ongoing basis to finance 50% of capital investments as well as meet debt servicing payments on the amounts borrowed.

The Policy makes the Government accountable for its level of borrowing with the establishment of performance criteria for debt management that ensure the total debt of the Government does not exceed the capacity of the Government to repay the debt as it becomes due.

TANGIBLE CAPITAL ASSETS (continued)

The debt management criteria include the following:

i) Ratio: Government Debt to Revenue

This ratio is an indicator of the increase in debt in proportion to the increase in revenue, where *decreasing* ratios are a positive indicator that the rate of increase in revenue is greater than the rate of increase in debt.

From year to year, the ratio of total Government debt, excluding guaranteed debt, compared to non-consolidated revenue, in relation to provinces *shall be in the lowest 4.*

ii) Ratio: Debt per Capita

This ratio is a measure of the debt burden, on a per person basis, where a *decreasing* ratio is a positive indicator of a decreasing debt burden.

From year to year, the total debt per capita ratio, compared to provinces *shall be in the lowest 5.*

iii) Debt Servicing Costs (interest), as a % of Revenue

This ratio is a measure of the extent that Government revenues are being applied to debt charges, rather than to programs and services, or tax reduction.

From year to year, debt servicing costs on Government debt, excluding amounts paid by Public Agencies, as a % of non-consolidated revenue, compared to other provinces and territories *shall be in the lowest 4.*

iv) Debt Servicing Payments, as a % of Revenue

This is a measure of the extent that Government revenues are being applied to debt charges and debt repayment, rather than on programs and services or to reducing taxes.

From year to year, payments on Government debt, excluding Public Agency debt service payments, as a % of non-consolidated revenue *shall not exceed 5% of revenue.*

v) Debt Servicing Payments as a % of 3-year moving GDP average

This ratio is a measure of debt growth in relation to economic growth, where ideally economic growth exceeds the growth rate of public debt. A *decreasing* ratio reflects a consistent improvement in financial position.

Given the volatility of GDP in the NWT, a 3-year moving average GDP shall be used.

From year to year, debt-servicing payments, excluding Public Agency debt, as a % of the 3-year moving GDP average, compared to debt servicing payments of provinces *shall be in the lowest 4.*

vi) Net Debt per Capita

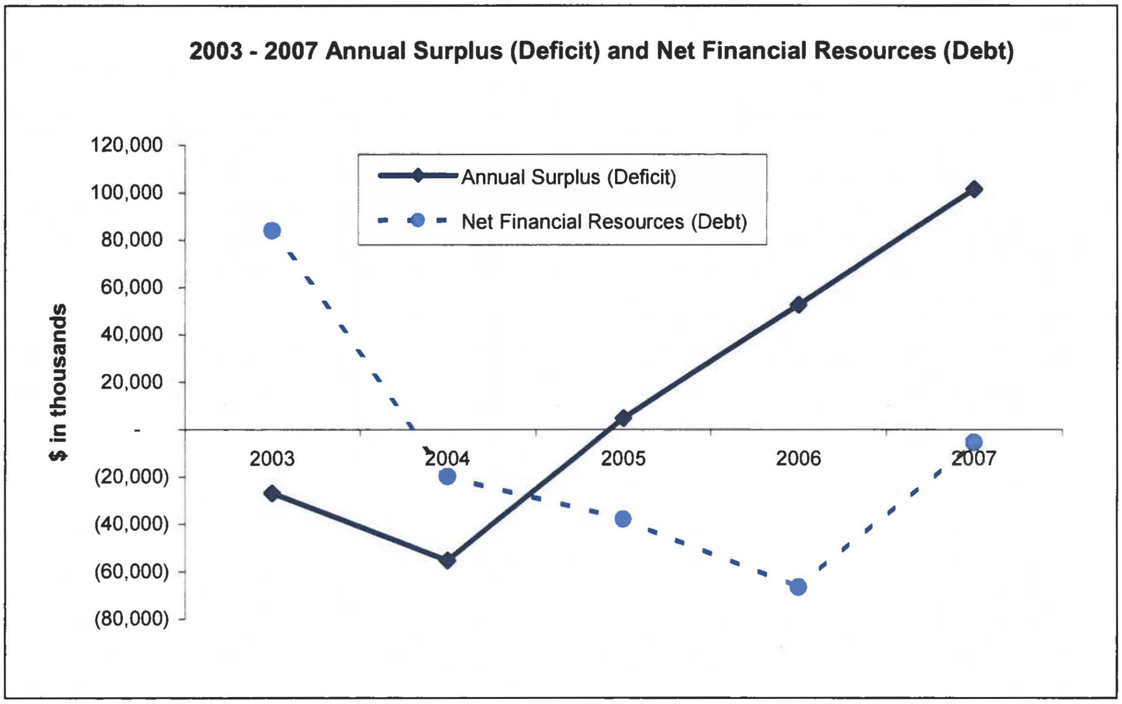
Net debt is the excess of liabilities over financial assets.

From year to year, non-consolidated net debt per capita, compared to provinces *shall be in the lowest 5.*

The GNWT policy on borrowing and performance measurement criteria, for management of debt, will be reviewed and updated annually. Annual reports shall be tabled in the Legislative Assembly.

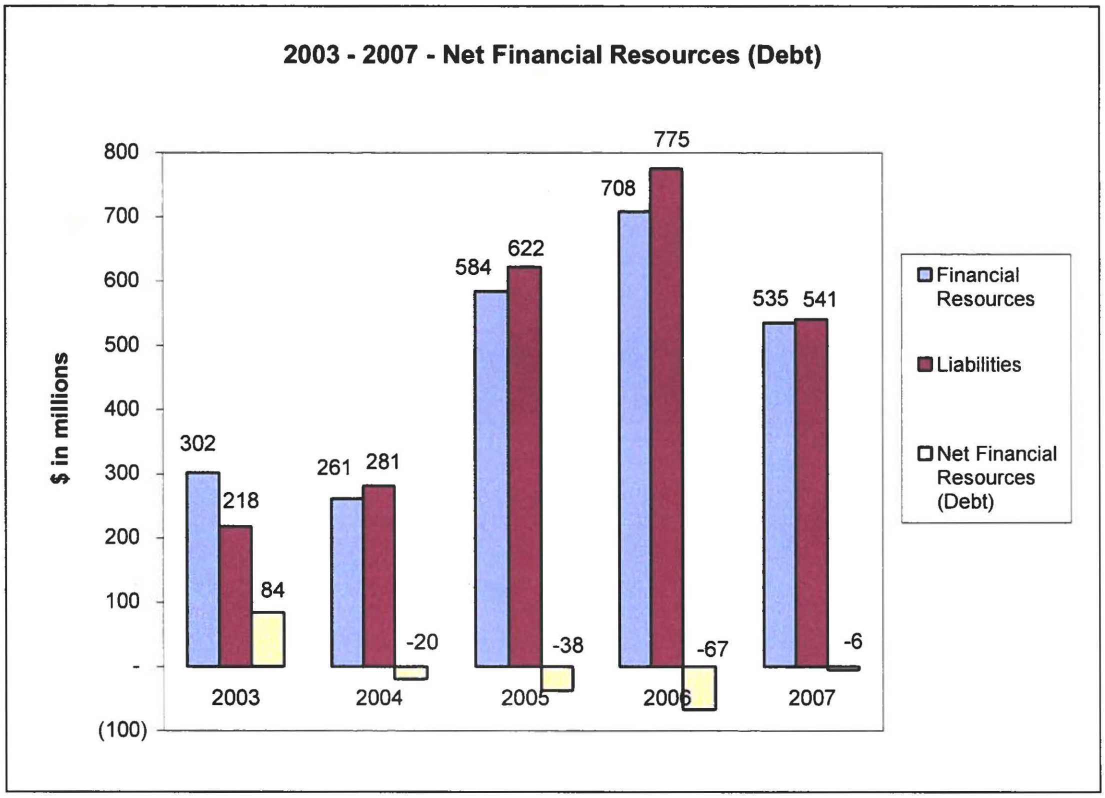
ANNUAL SURPLUS (DEFICIT) AND NET FINANCIAL RESOURCES (DEBT)

Net financial resources are the financial resources remaining after being reduced by all liabilities of the government. Net debt results when there is an excess of liabilities over financial assets. The Government is in a net debt position; liabilities exceeded assets at the fiscal year end. Over the past four years, the Government's net financial resources have been drawn down from a high of $84 million to a net debt position of $6 million, a decline of approximately $90 million. This is graphically depicted below.



Net Financial Resources (Debt)

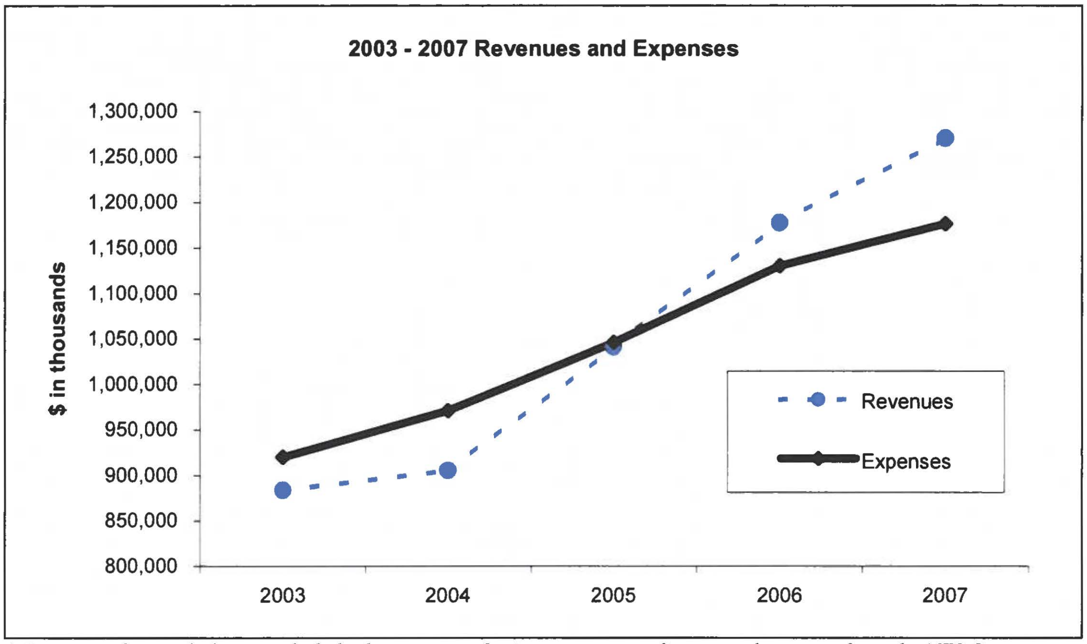
The graph below illustrates the Government's net financial resources (debt) position at the end of each of the last five fiscal years.



Net financial resources (debt) are a good indicator of a government's ability to meet its existing financial obligations. A significant shift in the level of net financial resources versus liabilities occurred over the past four years resulting in the Government moving to a net debt position. The fluctuation is exaggerated by unusual events that occurred in 2002, which increased our net resources beyond their average boundaries. The increase was the result of a significant increase to cash on hand due to a prepayment of the Grant by Canada and an overpayment of corporate income tax revenue, which Canada collects for us. While our 2002 liabilities were also increased by the requirement to repay funds advanced on the Grant, the net effect temporarily inflated our net financial resources. In 2003, we saw the opposite effect, as these windfall items did not reoccur. In 2004, we continued to see this effect as Canada calculated the corporate income taxes revenue due to us to take into account the effect of the tax windfall from 2002 and the subsequent refunds of income tax revenue occurring in 2005 and 2006.

Ongoing discussions with Canada regarding revenue sharing may result in additional financial resources in the medium to long term; however, in the interim, the Government may have to fund tangible capital assets with debt and this will impact our net financial position as discussed previously. With so many variables in the calculation of our net financial position, a prediction of an increase in our net debt cannot be made without in-depth analysis. Net financial resources (debt) are always affected by dramatic changes in revenues or expenses. Long-term and net debt will increase if revenues do not keep pace with, or exceed, the cost of government operations.

REVENUES AND EXPENSES

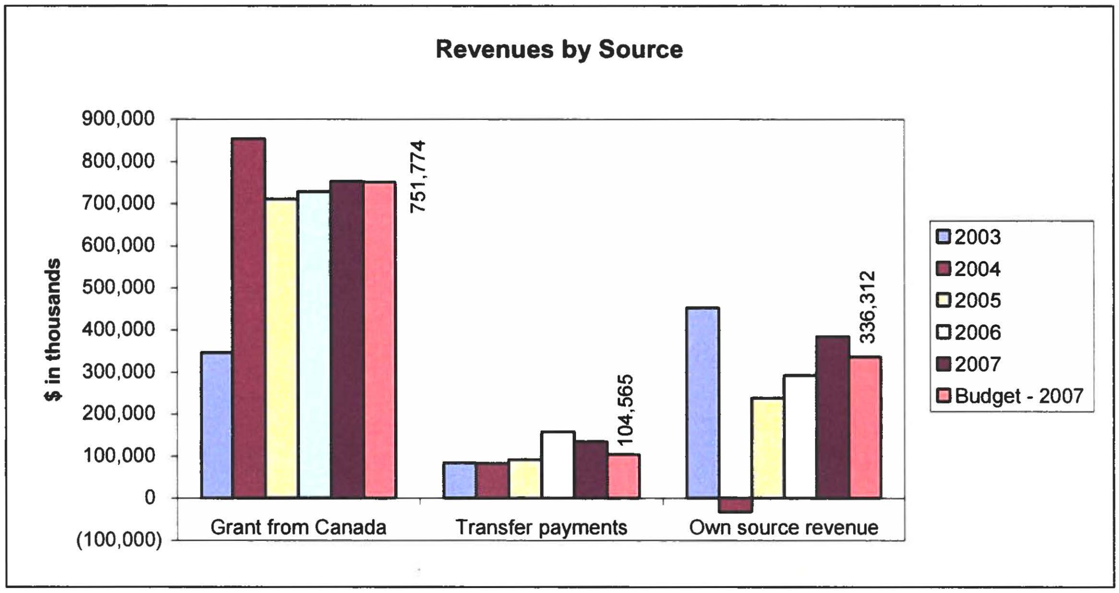


* *Revenues depicted above exclude both recovery of prior years expenditures and revenue from the NTPC.*

While an increase (or decrease) in revenues or expenses may be significant, it is important to also look at the rate of change in other components. Examples of things to watch are: (1) expenses increasing at a rate greater than revenues; (2) an increase in net debt to maintain or improve services; and (3) a fluctuation related to a one-time event. Assessing the likelihood of any change in the level of revenues or expenses continuing into the future is also an important factor to consider. This information can only be reviewed on a meaningful level when consideration is given to the driving factors; such as, inflation, or new initiatives. These criteria are important when assessing the long-term sustainability of the present level of services.

The trend over the last few years shows a steady increase in expenses of approximately 6.4% while revenues have fluctuated up and down with no discernable trend. While the trend is subject to an increased margin of error given the change in the government reporting entity as noted on page 5, the fact remains that most of the expenses incurred by the newly consolidated organizations are funded by the Government and have simply been reallocated within the current year statements. The most significant factor that contributes to revenues being more unpredictable than expenses in any given year is the volatility in corporate income tax. To further complicate the situation, up until March 2004, the Grant from Canada was adjusted for fluctuations in our own source revenues, this adjustment would then occur in the following fiscal year.

REVENUES BY SOURCE



In a normal year (after 2004), the GNWT receives between 60 to 70% of its revenues from the Formula Financing Grant from Canada. Major own-source revenues, such as corporate and personal income tax, tobacco tax, fuel taxes, and payroll tax are approximately 23 to 30% of total revenues. Other transfers are approximately 10% of total revenues. Although the NWT has a vast reserve of non-renewable resources, it does not currently share in the revenue produced by those resources (royalties, etc). The intended result of ongoing tri-party negotiations between Canada, the GNWT and NWT Aboriginal Governments is the sharing of those resource revenues.

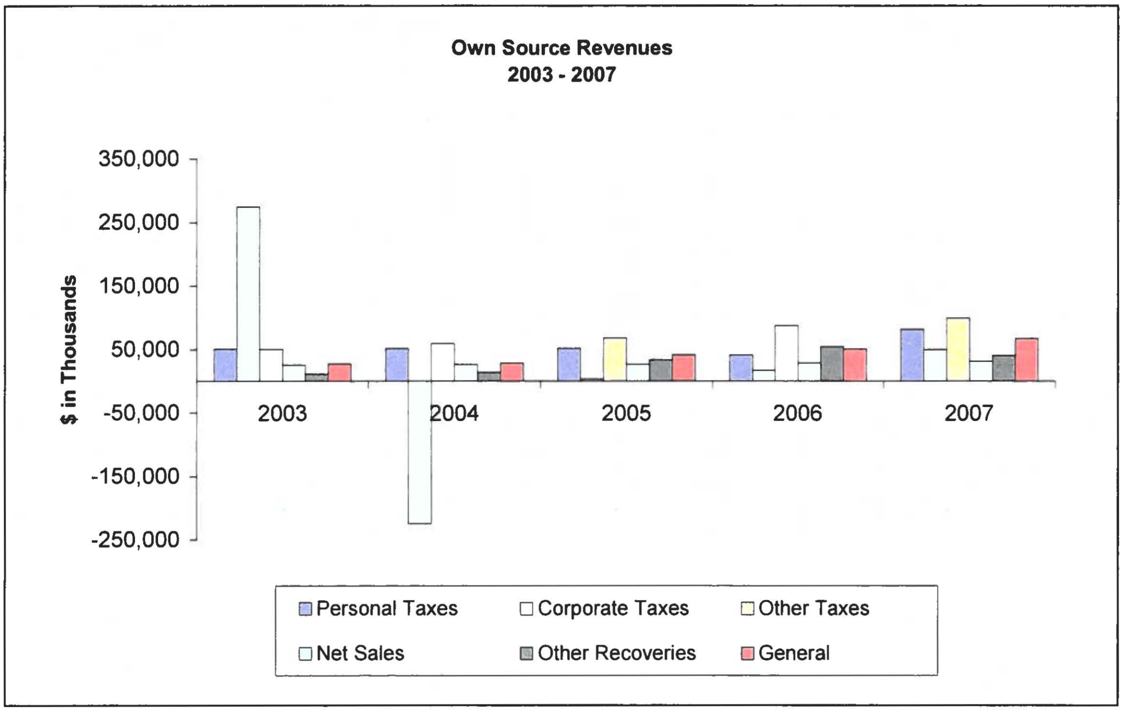
In October 2004, the federal government introduced a New Framework for Territorial Formula Financing (TFF), which resulted in the TFF Grants for 2004-2005 and 2005-2006 being set in federal legislation at a fixed amount, subsequently extended to 2006-2007. As the Grant and transfer payments from Canada and own source revenues are presently not inter-related, year-to-year fluctuations in corporate and personal income tax revenue have no impact on the 2006-2007 Grant from Canada.

Under recent amendments to the *Federal-Provincial Fiscal Arrangements Act*, changes to income tax revenues in 2006-2007 will affect future Grant revenue and the Canada Health Transfer for 2007-2008 through 2010-2011 but will no longer effect the Canada Social Transfer. The effect of changes in own source revenue levels will not change the Grant by a corresponding amount, rather there is an incentive to raise own source revenues.

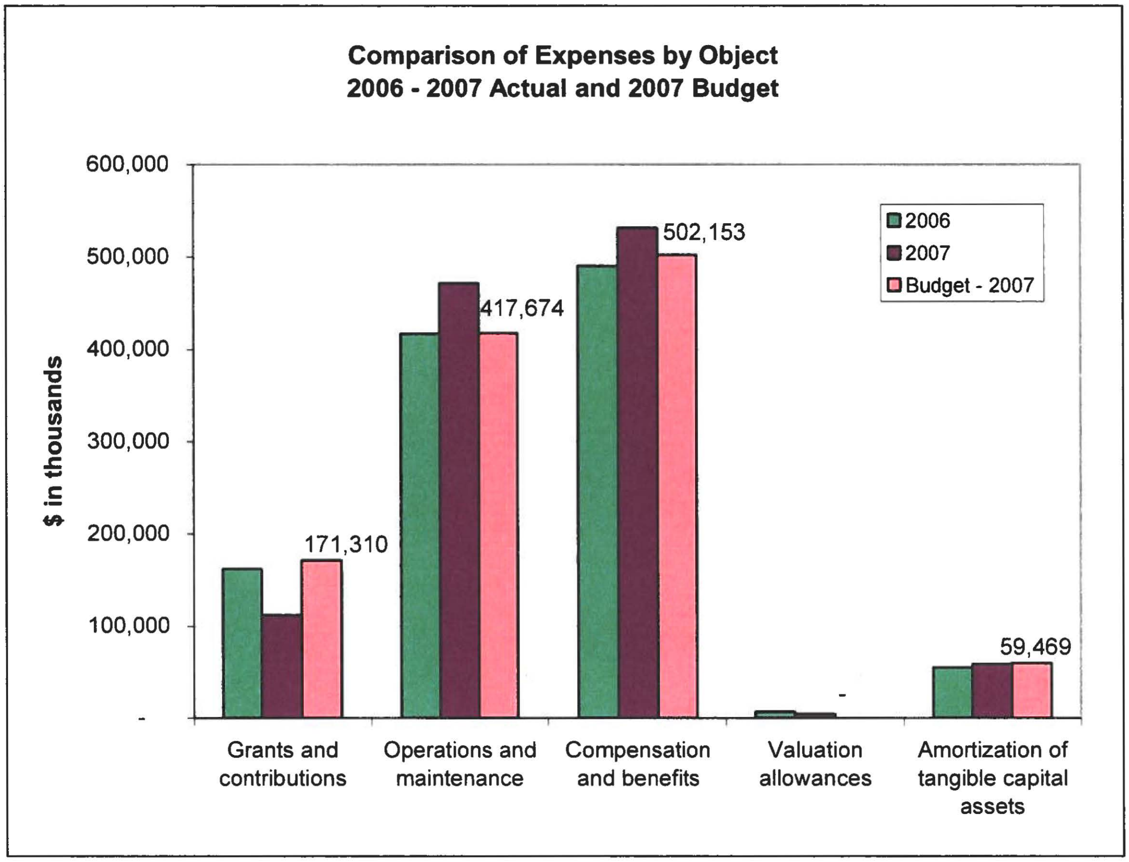
With the exception of Corporate Income Tax, other own source revenues have proven to be fairly consistent over the fiscal years. Corporate Income Tax revenue is dependent upon a small base of significant taxpayers that account for the volatile nature of this tax revenue. So volatile that in 2003-2004 Corporate Income Tax revenue was a negative amount as a result of an overpayment of 2002 Corporate Income Tax to the GNWT by the federal government. The federal government bases estimates of Corporate Income Tax on the latest actual prior year tax revenue information available (for example, 2002 estimates were based on 2000 actual collections).

REVENUES BY SOURCE (continued)

An overpayment of Corporate Income Tax was the main reason for an increase in the 2003-2004 Formula Financing Grant entitlement in comparison with the 2002-2003 amount. The downward revision of Corporate Income Tax revenues caused an increase in the 2002-2003 Grant. This increase was recorded in 2003-2004 as an adjustment to the Grant revenue.



EXPENSES BY OBJECT

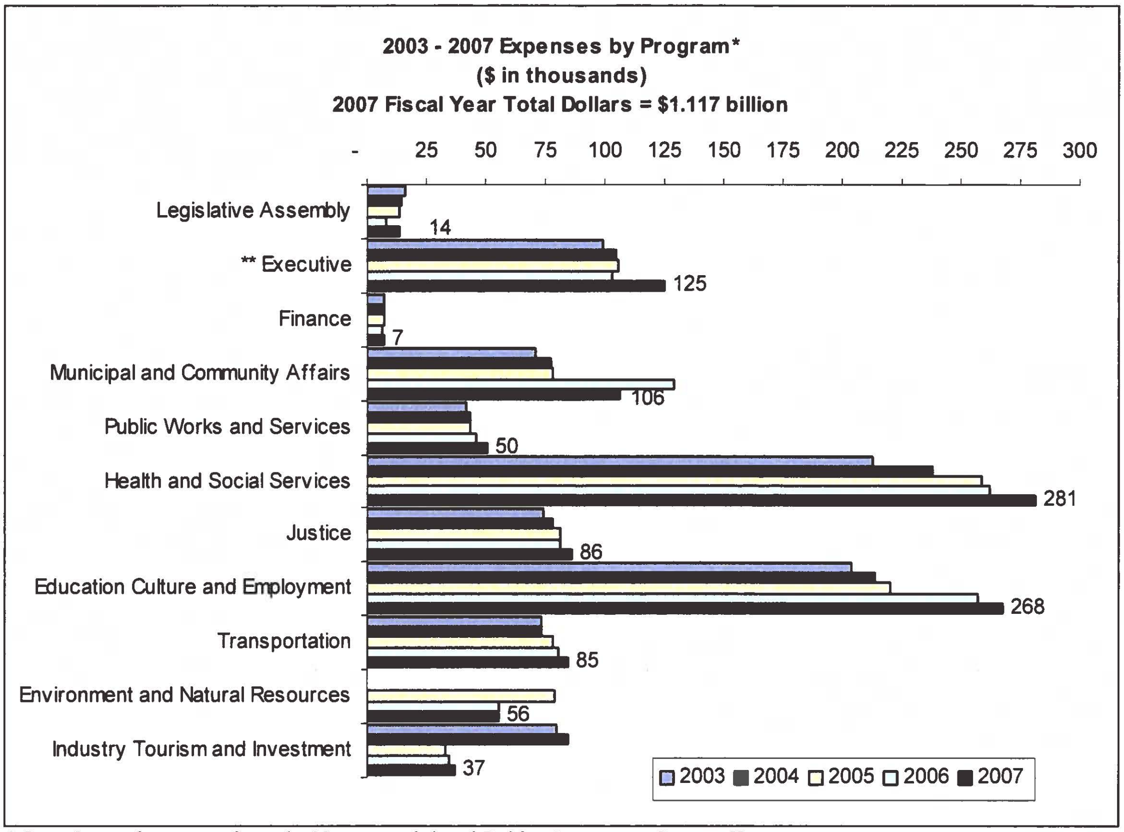


Fiscal years 2003 to 2005 have been omitted for comparability due to the significant change in the government reporting entity after the 2005 fiscal year, as mentioned previously in the Debt per Capita section. Amounts that were previously shown under *grants and contributions* are now reported under the *operations and maintenance* and *compensation and benefits* categories. This reallocation does not change the way these government organizations are funded as many of our social and educational programs are funded by contributions. Many components of these funding agreements with boards and agencies are really fixed costs and as the major (or sole) provider of funds, the Government cannot vary the funding without affecting the level of output by these boards and agencies. In Section II of the Public Accounts, one can see that approximately 50% of the Government's total expenses flow as Grants and Contributions to third parties.

Additional types of fixed costs are long-term; such as, lease and other commitments which are disclosed in the notes to the consolidated financial statements (Public Accounts – Section I).

The Government is also vulnerable to inflation as it is an important factor when negotiating compensation and benefits. Not only are the direct wages of the Government vulnerable to this, but wages also make up a significant portion of the grants and contributions given to third parties, whether they have been consolidated within the Public Accounts or not.

EXPENSES BY PROGRAM



** Based on information from the Non-consolidated Public Accounts – Section II*
*** Includes contributions to the NWT Housing Corporation*

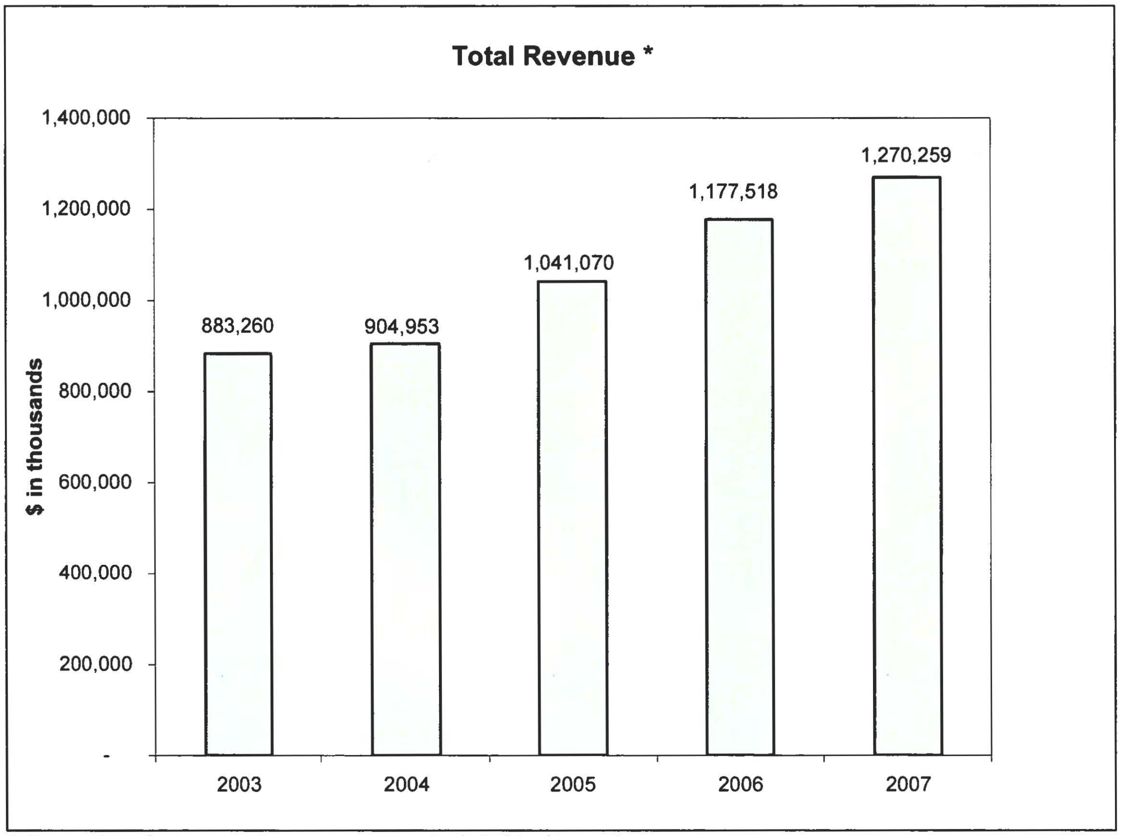
The Government spends the vast majority of its budget on social programs (education, health, support to community governments, justice and housing), with the remaining budget allocated to infrastructure, natural resources and economic development. Any additional resources to improve a service often have to be made at the expense of other important needs. Balancing a budget entails not only controlling expenses but also finding the most effective and efficient mix of programs.

INTEREST REVENUE AND INTEREST EXPENSE

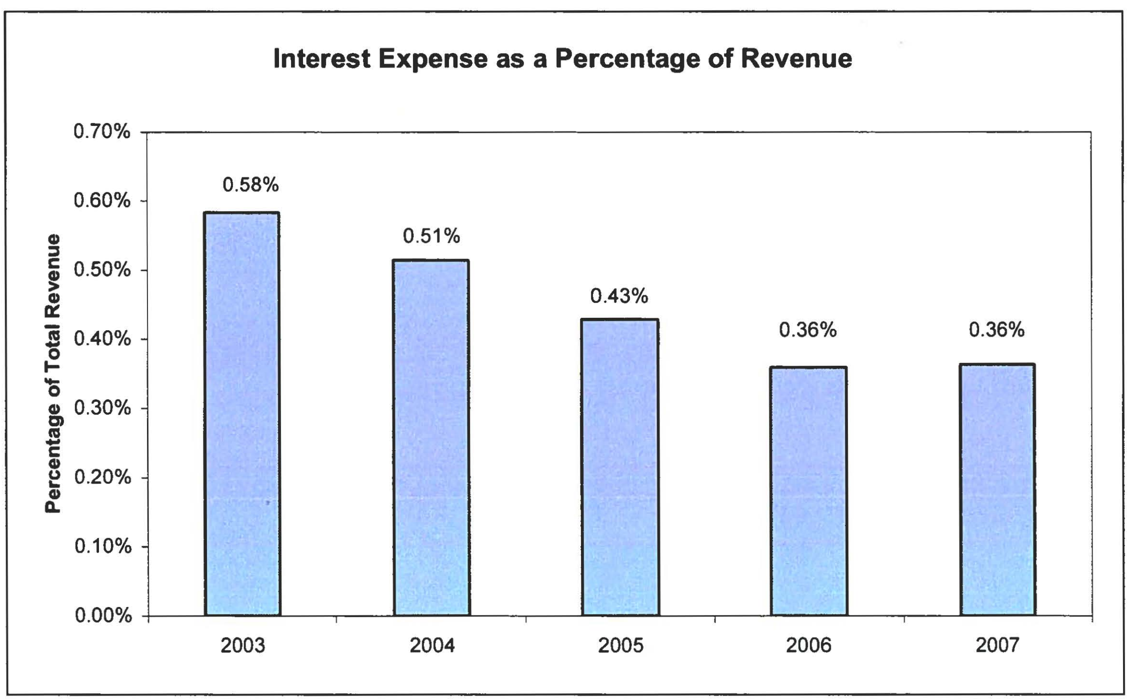
As shown in the graphs on the next page, the GNWT is in the enviable position of having to expend less than 1% of its total revenues to service its debt load.

The new initiative related to purchasing of tangible capital assets through the use of debt has the ratio above as one of the parameters that will be reported on to ensure that any new debt we assume does not affect our long-term sustainability.

INTEREST REVENUE AND INTEREST EXPENSE (continued)



** Recoveries of prior years' expenses are not included in this total.*



CONCLUSION

As described in the Introduction, the Canadian Institute of Chartered Accountants has suggested that a government's financial health should be measured in terms of sustainability, flexibility and vulnerability. The preceding measures have attempted to illustrate how the GNWT's fiscal health measures up from this standpoint. This suggests the following conclusions:

Sustainability – at the end of the 2006-2007 fiscal year the GNWT had decreased its liabilities in excess of financial assets by $61 million. This improved net debt position means that approximately 5.2% of the year's expenses, or 2.7 weeks of operations were used to repay debt using our existing financial assets. At March 31, 2007, the Government's long-term debt was $36 million (excluding the debt of the NWT Opportunity Fund) or 2.8% of the Government revenues for the year and less than 1% of the NWT GDP. These measures suggest that the GNWT may not be able to maintain current programs without increasing the debt burden on the economy to some degree but that an increased debt load is sustainable.

Flexibility – this pertains to the Government's ability to increase its financial resources. The GNWT's own source revenues were negative in the 2003-2004 fiscal year as the result of a corporate income tax claw back by the federal government. Any trend analysis will need to consider this anomaly. The increase in revenues, excluding personal and corporate income tax revenues, in the current year is 7.2%. The majority of revenues came largely through the Grant (Formula Financing Agreement with the federal government). The Government does not have access to resource royalty revenues as the federal government continues to control all NWT subsurface resources. The GNWT has a federally imposed limit on its borrowing of $300 million, and although it is currently under its limit, $300 million represents only 25.5% of 2006-2007 expenses or 13 weeks of operations. The GNWT's flexibility was severely constrained by these factors; however, some flexibility has been gained with the recent increase in the debt limit to $500 million.

Vulnerability – this is a measure of how dependent a government is on sources of funding outside its control or influence. To assess the GNWT's vulnerability it is not necessary to look further than the Government's limited own source revenues and the volatility related to corporate income tax. The Grant from Canada was a fixed amount for 2006-2007; however, beyond that, the level of funding is not known with any certainty at this time.

In summary, the GNWT is financially stable at this point in time, but it has limited flexibility to raise new revenues and it continues to be very vulnerable to federal changes to its future revenues.

ADDITIONAL SOURCES OF INFORMATION

The GNWTs produces several other documents and web sites that may be referenced for additional information, including the following:

Government of the Northwest Territories Web Site at www.gov.nt.ca

Government of the Northwest Territories Public Accounts

Section II – Non-Consolidated Financial Statements

Section III – Supplementary Financial Statements
(Entities included in the Government Reporting Entity)

Government of the Northwest Territories Main Estimates

Business Plans

Geographic Tracking Report

Results Report