

PART ONE

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

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GOVERNMENT OF YUKON  
**Consolidated Financial Statement Discussion and Analysis**  
**for the year ended March 31, 2022**

## Introduction

The Yukon Public Accounts is a key element of the Government of Yukon's ("the Government") commitment to transparency and accountability in financial reporting. The purpose of the Financial Statement Discussion and Analysis is to expand upon and further explain information contained in the Consolidated Financial Statements, which are presented in Part Two of the Yukon Public Accounts. This is intended to assist readers in their analysis of the Yukon's fiscal health. To do this effectively, this report presents a highlights summary, comparative financial information and analysis, and a summary of risks and mitigation. The Yukon Public Accounts, produced annually, provides clarity and transparency for Yukoners by comparing the financial results for the 2021–22 fiscal year against the 2021-22 Main Estimates (Budget) and against the previous year's financial results as published in the 2020-21 Public Accounts. The Government is responsible for the accuracy, objectivity and integrity of this information. Responsibility for the preparation of this discussion and analysis rests with the Office of the Comptroller.

The 2021-22 Main Estimates (Budget) were tabled in the Legislative Assembly in March 2021. Consideration of the Budget was interrupted by a general election which occurred on April 12, 2021. Following the election, the Budget was retabled in the Legislative Assembly with some modifications to the version tabled in March. During the intervening period, special warrants were approved by the Commissioner which provided interim spending authority until the 2021-22 Main Estimates were subsequently passed in the Legislative Assembly in May 2021.

## 2021-22 Highlight Summary

### Financial Results

(thousands of dollars)

|                             | 2022          |                  | 2021             | Change from   |                 |
|-----------------------------|---------------|------------------|------------------|---------------|-----------------|
|                             | Budget        | Actual           | Actual           | Budget        | 2021 Actual     |
| Revenues                    | 1,707,494     | 1,767,827        | 1,653,849        | 60,333        | 113,978         |
| Expenses <sup>1</sup>       | 1,686,250     | 1,712,730        | 1,611,441        | 26,480        | 101,289         |
| <b>Surplus / (Deficit)</b>  | <b>21,244</b> | <b>55,097</b>    | <b>42,408</b>    | <b>33,853</b> | <b>12,689</b>   |
| <b>Accumulated Surplus</b>  |               | <b>1,955,790</b> | <b>1,893,210</b> |               | <b>62,580</b>   |
| <b>Net Financial Assets</b> |               | <b>163,477</b>   | <b>182,745</b>   |               | <b>(19,268)</b> |

<sup>1</sup> Expenses shown net of Recovery of Prior Years' Expenses

The Government is reporting an annual surplus of \$55.1 million on a spending and revenue base of approximately \$1.7 billion.

The \$33.9 million difference between the \$55.1 million surplus and the expected \$21.2 million surplus presented in the 2021-22 budget is due to higher revenues (\$60.3 million, or 3.5%), offset by higher than anticipated expenses (\$26.4 million, or 1.6%).

Revenues were higher than budgeted largely due to higher than expected transfers from the Government of Canada and higher tax revenue; while funding and service level agreements with other parties resulted in less revenue than expected.

Expenses were higher than budgeted, and the functions with the largest increases compared to the 2021-22 budget were general government and natural resources.

The surplus of \$55.1 million is \$12.7 million higher than the \$42.4 million surplus in 2020-21. Total revenues compared to the previous year increased by \$114.0 million (6.9%), while total expenses increased by \$101.3 million (6.3%).

The increases in revenue were driven by a \$84.1 million increase in funding from the Government of Canada while more than half (61.0%) of the year-over-year increase in expenses was in the natural resources function.

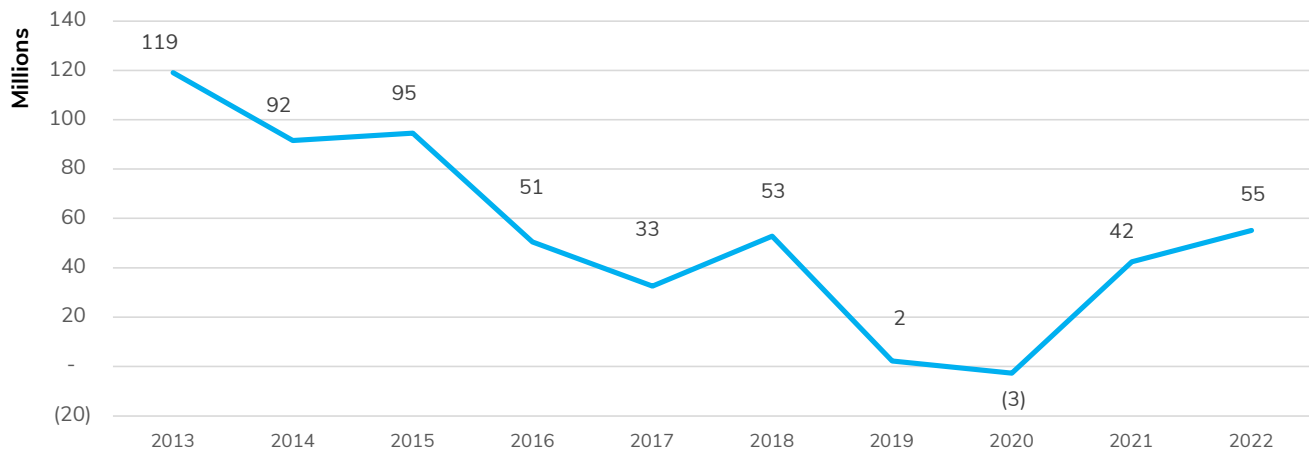
The Government continues to be in a net financial asset position and net financial assets decreased during 2021-22 to a balance of \$163.5 million at March 31, 2022 (\$182.7 million at March 31, 2021).

## Highlights

### Surplus (Deficit)

The surplus (deficit) represents the amount by which revenue exceeds expense (expense exceeds revenue) for the fiscal period.

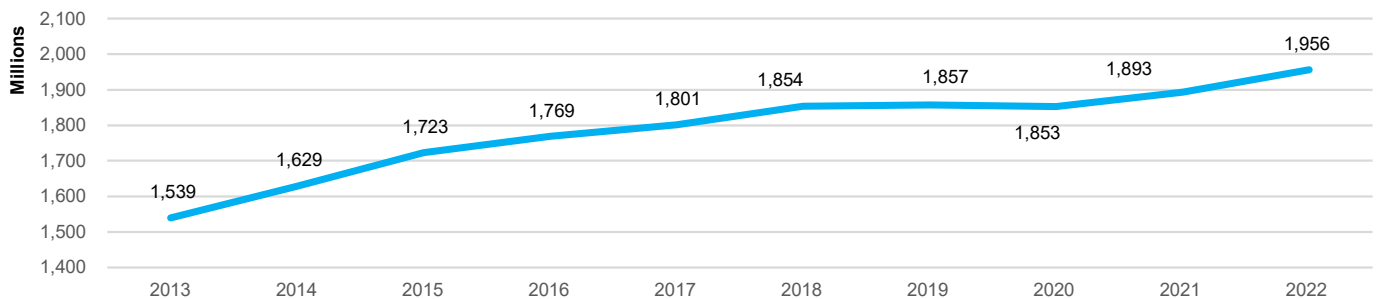
#### Surplus (Deficit)



The surplus of \$55.1 million for the year was \$12.7 million higher than the previous year's surplus of \$42.4 million, and \$33.9 million higher than the budgeted surplus of \$21.2 million. A surplus is driven by two factors - revenues and expenses. Revenue is largely made up of the formula financing grant from the Government of Canada and tends to be stable over time. Expenses are a result of direct government spending and transfers to service territorial needs. Compared to 2020-21, the current year increase in surplus is largely due to increased revenues in the form of transfers from the Government of Canada offset to a degree by increased expenses, particularly in the natural resources function. Much of this expense increase was related to the recording of estimated environmental liabilities.

#### Accumulated Surplus

An accumulated surplus represents the government's reported net economic resources. An accumulated surplus is the net of all past surpluses and deficits and is a measure of economic resources to provide future services.



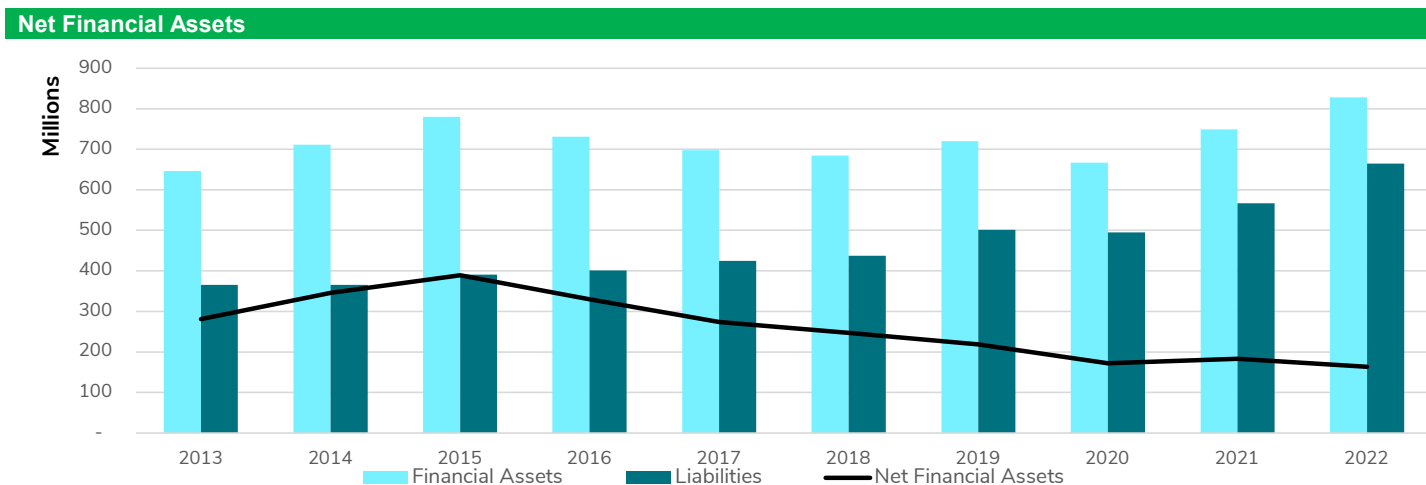
As of March 31, 2022, the Government is reporting an accumulated surplus of \$1.956 billion which is an increase of \$62.6 million from the previous year's accumulated surplus of \$1.893 billion. The increase in accumulated surplus during 2021-22 is due to the current year's annual surplus of \$55.1 million, plus \$7.5 million from other comprehensive gains of government business enterprises.

## Highlights

Accumulated Surplus consists of net financial assets and non-financial assets. Net financial assets are the Government's financial assets less liabilities as per the Statement of Financial Position. Non-financial assets are predominately tangible capital assets.

## Net Financial Assets

Net financial assets represent the amount of financial resources that the Government has to finance future transactions.



The net financial assets of the Government is calculated as:

- The financial assets consisting of cash and cash equivalents, temporary and portfolio investments, due from Government of Canada, accounts receivable, advances to government business enterprises, loans receivable, inventories for resale, retirement benefit assets, and investment in government business enterprises; offset by
- The liabilities consisting of due to Government of Canada, accounts payable and accrued liabilities, environmental liabilities, unearned revenues, post-employment benefits and compensated absences, retirement benefit liabilities, borrowings and liabilities for leased tangible capital assets.

The net financial assets reported as of March 31, 2022 is \$163.5 million. The year-over-year decrease is primarily a result of the increase in accrued liabilities and environmental liabilities outstripping the increase in due from Government of Canada and investment in government business enterprises.

The table below provides more information on the financial assets, liabilities, and the resulting net financial assets for each of the last ten years.

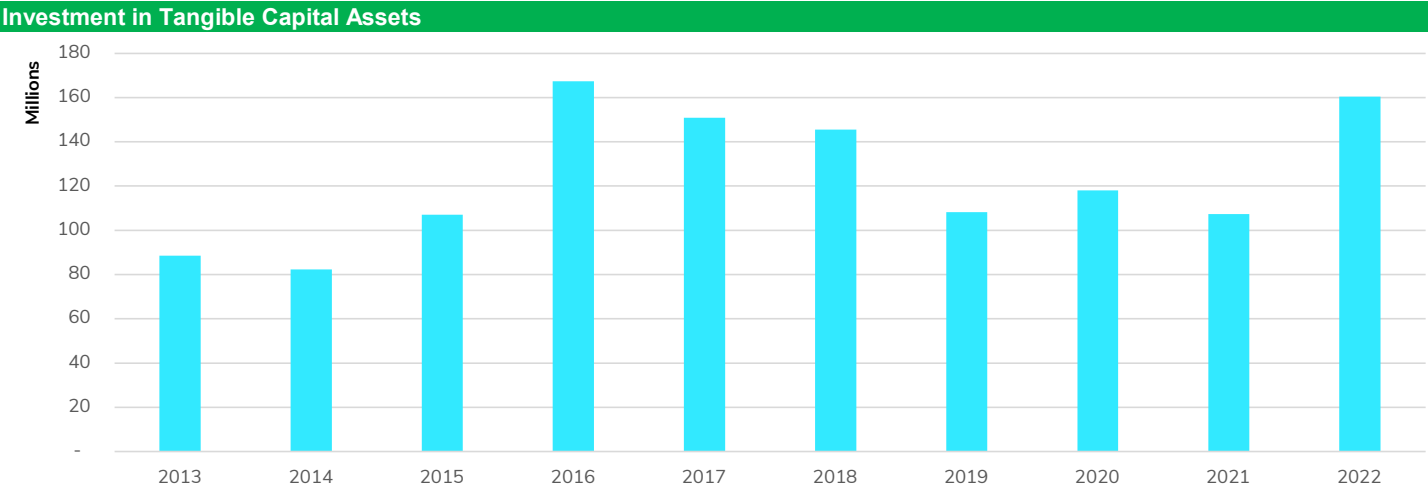
| ( Millions )         | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    | 2022    |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Financial Assets     | 646,624 | 711,245 | 780,119 | 731,248 | 698,324 | 684,562 | 720,000 | 667,475 | 749,698 | 828,914 |
| Liabilities          | 365,512 | 365,556 | 391,031 | 401,239 | 424,272 | 436,931 | 501,550 | 495,587 | 566,953 | 665,437 |
| Net Financial Assets | 281,112 | 345,689 | 389,088 | 330,009 | 274,052 | 247,631 | 218,450 | 171,888 | 182,745 | 163,477 |

Highlights

Investment in Tangible Capital Assets

The Government invests in government owned capital, also known as tangible capital assets.

The Government's total annual capital spending consists of investments in tangible capital assets and the amounts the Government transfers to third parties (i.e. municipalities, First Nations) for capital purposes.



In 2021-22, the Government recorded tangible capital asset additions of \$160.4 million for the acquisition and development of assets such as buildings and transportation infrastructure, IT assets, equipment and vehicles, compared to \$107.3 million in 2020-21.

Expenditures in 2021-22 on multi-year capital projects included: \$16.8 million was expended on the Dempster Fibre project, \$5.7 million on the Old Crow Health Centre, \$4.1 million on the Old Crow 10 Plex, \$5.7 million on the Pelly Crossing Pool Facility, \$9.8 million on the Whitehorse Mixed-Use Housing project, \$5.2 million on Community Housing projects, \$2.8 million on the Whistlebend School and \$2.7 million on modular trailers at Robert Service School. Also in 2021-22, the Government's construction work on various road and highways cost over \$28.9 million, while bridge work on the Alaska, Klondike, and Robert Campbell highways cost in excess of \$15.7 million.

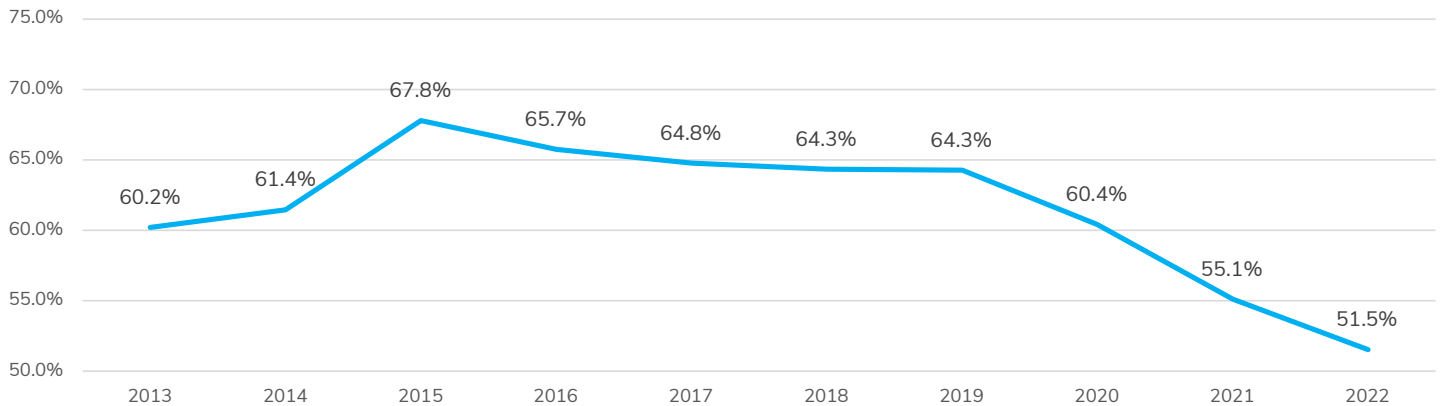
## Assessment of Fiscal Health

### Sustainability

Sustainability is a measure indicating the degree to which the Government can maintain its existing level of spending and meet its existing debt obligations.

#### Accumulated Surplus to the Territory's Nominal GDP

This graph compares the Government's accumulated surplus to the Yukon Territory's GDP as a percentage.



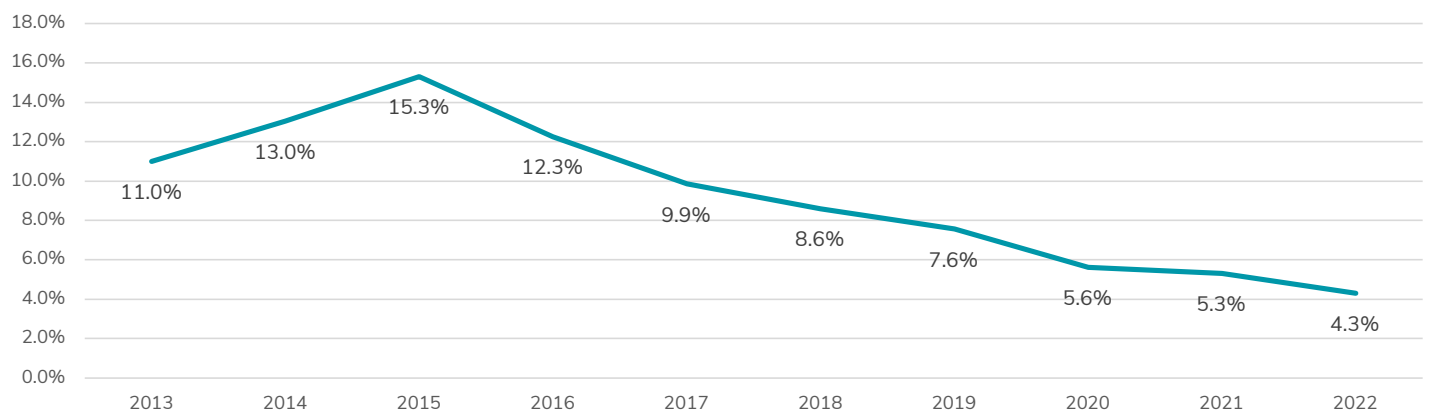
\* Forecasted GDP: Nominal - 2020-\$3,067 million; 2021-\$3,435 million; 2022-\$3,795 million

The accumulated surplus measures the sum of all current and prior years' operating results. Gross Domestic Product (GDP) is a measure of the value of the goods and services produced during a year, indicating the size of the Territory's economy. This indicator provides a measure of whether the accumulated surplus is growing faster or slower than the economy.

This trend highlights that the accumulated surplus, while still growing, is declining in relation to the Territory's GDP.

#### Net Financial Assets to the Territory's Nominal GDP

This graph compares the Government's net financial assets to the Yukon Territory's GDP as a percentage.



\* Forecasted GDP: Nominal - 2020-\$3,067 million; 2021-\$3,435 million; 2022-\$3,795 million

The net financial assets to GDP ratio indicates the financial demands placed on the economy by the Government's policies such as taxation. A low ratio indicates the Government has not placed excessive demands on the economy.

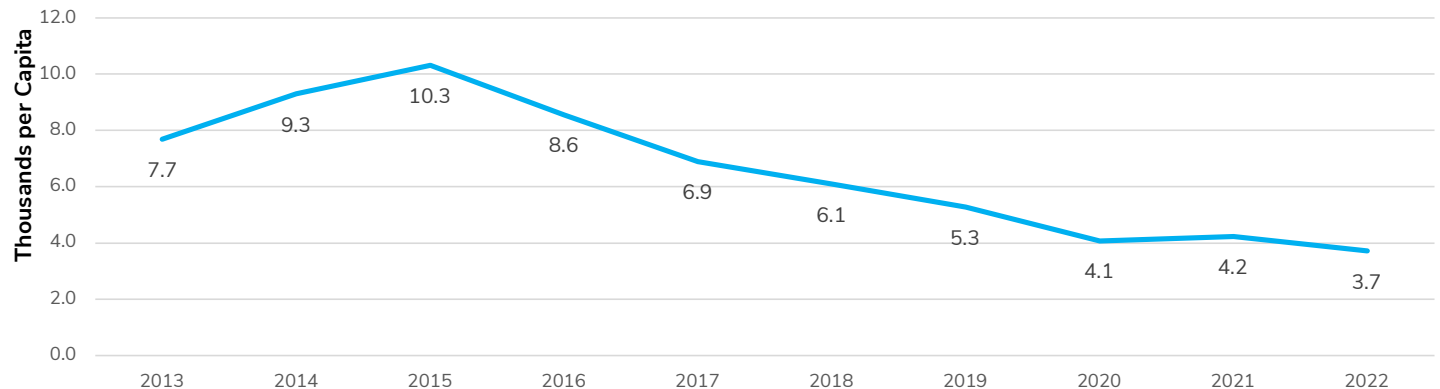
The downward trend implies there is room for the introduction of further revenue sources for the government without causing severe hardship in the economy.

## Assessment of Fiscal Health

### Sustainability (continued)

#### Net Financial Assets per Capita\*

Net financial assets per capita represents the net financial assets applicable to each Yukon resident.

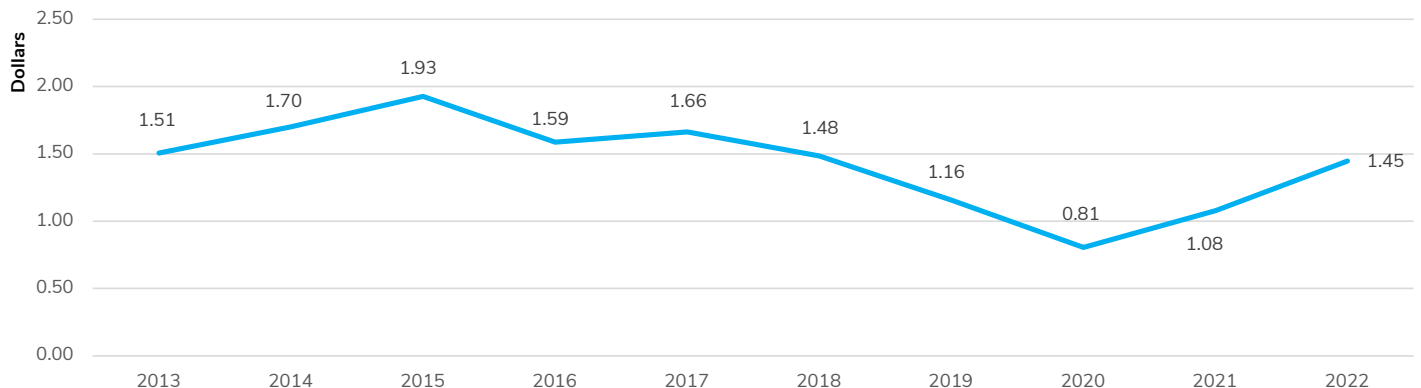


\* Forecast 2022 population

The downward trend of the ratio has re-emerged after last year's slight increase.

#### Liquidity Ratio - Current Assets to Total Debt

In this graph, current assets consists of cash and cash equivalents, temporary investments, due from Government of Canada and accounts receivable. The total debt is as defined in Note 17 to the Consolidated Financial Statements using the Yukon Borrowing Limits Regulations which includes debt of all entities of the government.



Liquidity ratio is intended to show the Government's ability to meet its financial obligations. A higher ratio is desirable as it shows that the Government has sufficient financial resources to discharge its long term obligations without having to use further financing. The 2021-22 ratio indicates that the Government had \$1.45 in current assets for each \$1.00 of total debt.

On March 31, 2022, as per Note 17 to the Consolidated Financial Statements; the government has total debt of \$216.4 million (2021 - \$235.2 million) which is 27.0% (2021 - 29.4%) of the limit allowed.



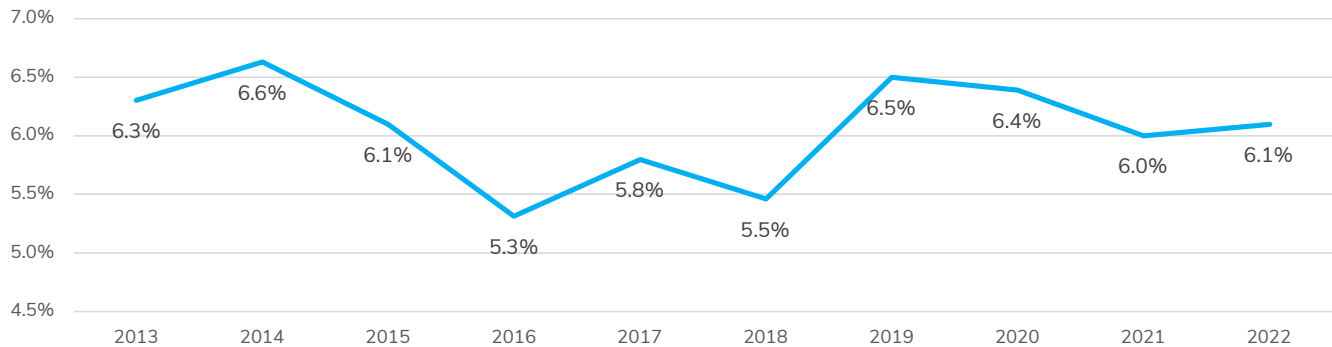
## Assessment of Fiscal Health

### Flexibility

Flexibility is a measure indicating the room that the Government has to maintain its services by increasing its demands on the economy through changes to fees or taxes.

#### Own-Source Revenue to the Territory's Nominal GDP

In this graph, own-source revenue refers to the Government's taxes and general revenue and is compared against the Yukon Territory's GDP.



\* Forecasted GDP: Nominal - 2020-\$3,067 million; 2021-\$3,435 million; 2022-\$3,795 million

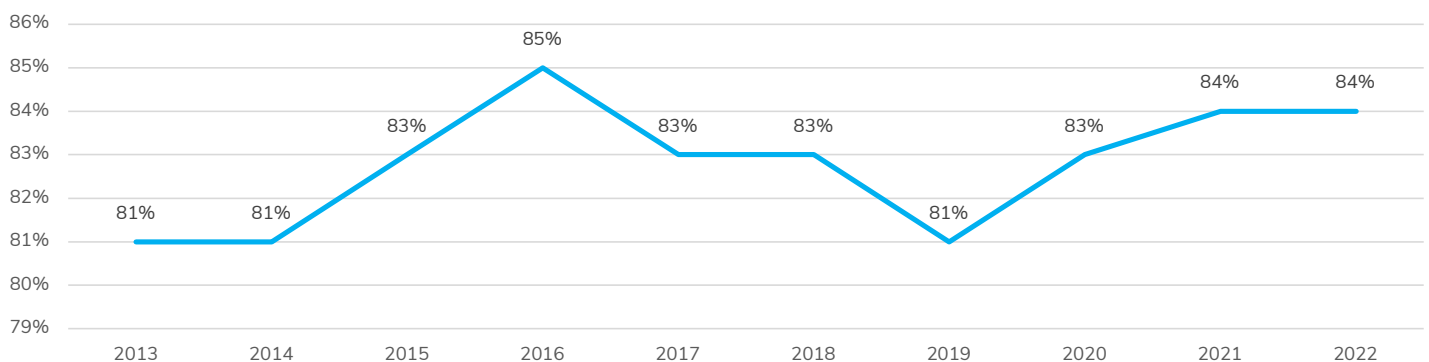
This ratio indicates to what extent the Government is taking economic resources out of the territory's economy through user fees or taxation. This ratio is relatively constant over time indicating that the Government has not changed its demands on the economy. The ratio is also relatively low compared to other Canadian jurisdictions and indicates that the Government has some flexibility in increasing taxes and other fees without causing a severe impact on the economy.

### Vulnerability

Vulnerability is the extent to which the Government is exposed to a risk associated with revenue sources that are outside of its control.

#### Transfers from the Federal Government to Total Revenue

In this graph, transfers from the Government of Canada include the formula financing grant, other grants such as Canada health, Canada social and cannabis transfers and contributions and service agreements with the Government of Canada.



In 2021-22, the Government again received 84% of its revenue from the Government of Canada which was within the range of 81% to 85% that has occurred over the past decade. This ratio is consistently high, indicating a reliance on the federal government to finance the Government's activities. While the Government has little control over these transfers which poses a risk, it also represents a relatively stable source of revenue from the Government of Canada, a senior level of government.

## Indicators of Financial and Economic Conditions

### Credit Ratings -July 2022\*

| Jurisdiction            | Rating Agency<br>Standard & Poor's |
|-------------------------|------------------------------------|
| Yukon                   | AA                                 |
| British Columbia        | AA+                                |
| Alberta                 | A+                                 |
| Saskatchewan            | AA                                 |
| Manitoba                | A+                                 |
| Ontario                 | A+                                 |
| Quebec                  | AA-                                |
| New Brunswick           | A+                                 |
| Nova Scotia             | AA-                                |
| Prince Edward Island    | A                                  |
| Newfoundland & Labrador | A(neg)                             |
| Canada                  | AAA                                |

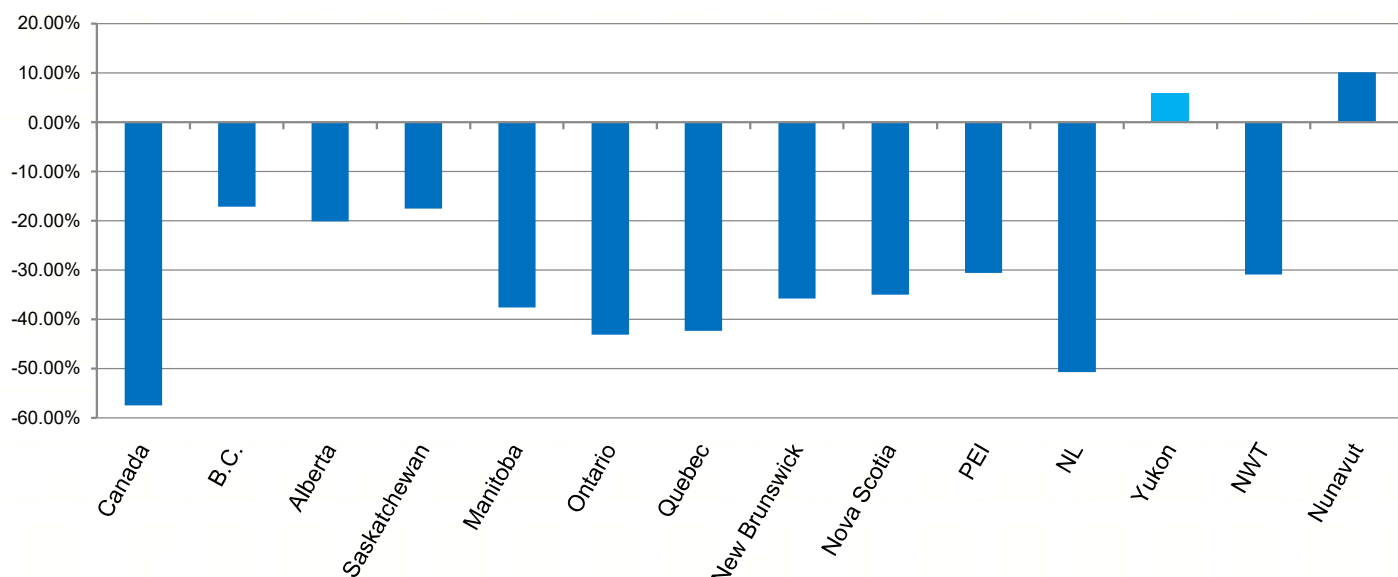
\*Ratings reflect the latest credit ratings as per Government of Nova Scotia Public Accounts 2021-22

On July 13, 2022, Standard & Poor's Rating Services affirmed its 'AA' long-term issuer credit rating of Yukon Territory. In its S&P Global Ratings summary, the rating agency states its expectation that "Steady revenue growth will help to stabilize budgetary performance despite rising capital expenditures" and that in the next two years, "Cash levels could decline as capital spending increases but liquidity should remain sufficient to meet debt service requirements." The rating agency also stated that the Yukon's "extremely predictable and supportive institutional framework supports creditworthiness".

### Canadian Jurisdictional Comparison of Net Financial Assets (Net Debt) to Gross Domestic Product (GDP)

The bar graph below shows a Canadian jurisdictional comparison of net financial assets (net debt) to GDP ratio. Yukon and Nunavut are the only jurisdictions that have a positive ratio. A positive ratio indicates net financial resources available to finance future operations and obligations. A negative ratio indicates that the government must rely on future revenues to discharge existing liabilities.

#### Federal / Provincial / territorial Governments Net Financial Assets (Debt) to GDP Ratio for Calendar Year 2021



Statistics Canada. Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (dollars)

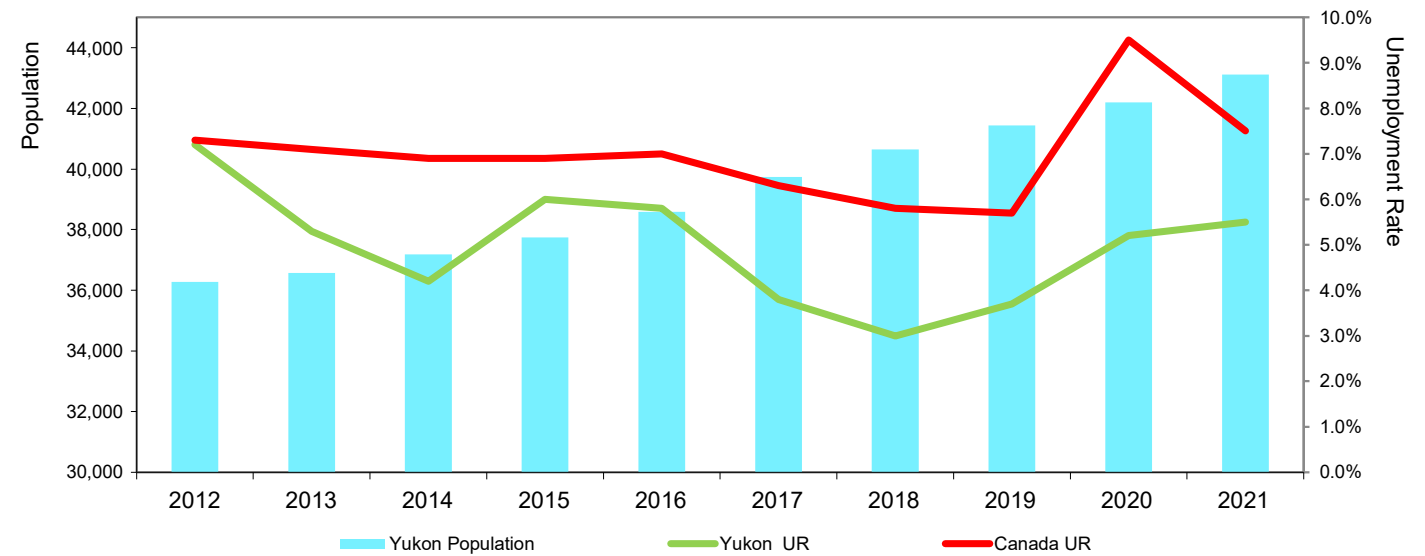
Indicators of Financial and Economic Conditions

Population and Unemployment rate (Calendar Year 2021)

Yukon’s population has posted annual gains averaging 2% over 18 consecutive years. In 2022, total population is forecast to reach 44,000.

Yukon’s unemployment rate (UR) averaged 5.5% in 2021 which was below the national average of 7.5%; both of which reflected a slow recovery from the impact of COVID-19. As noted in the chart below, since 2013, Yukon’s unemployment rate has consistently been below the Canadian average.

Population and Unemployment Rate



## Details

### Surplus / (deficit) for the year

The Government's annual surplus or deficit resulting from its operations is dependent on various factors. Two of the most significant factors are:

- total revenues, of which the formula financing grant from the Government of Canada makes up the largest share; and
- direct Government spending and operating transfers to individuals and other public organizations, such as municipalities.

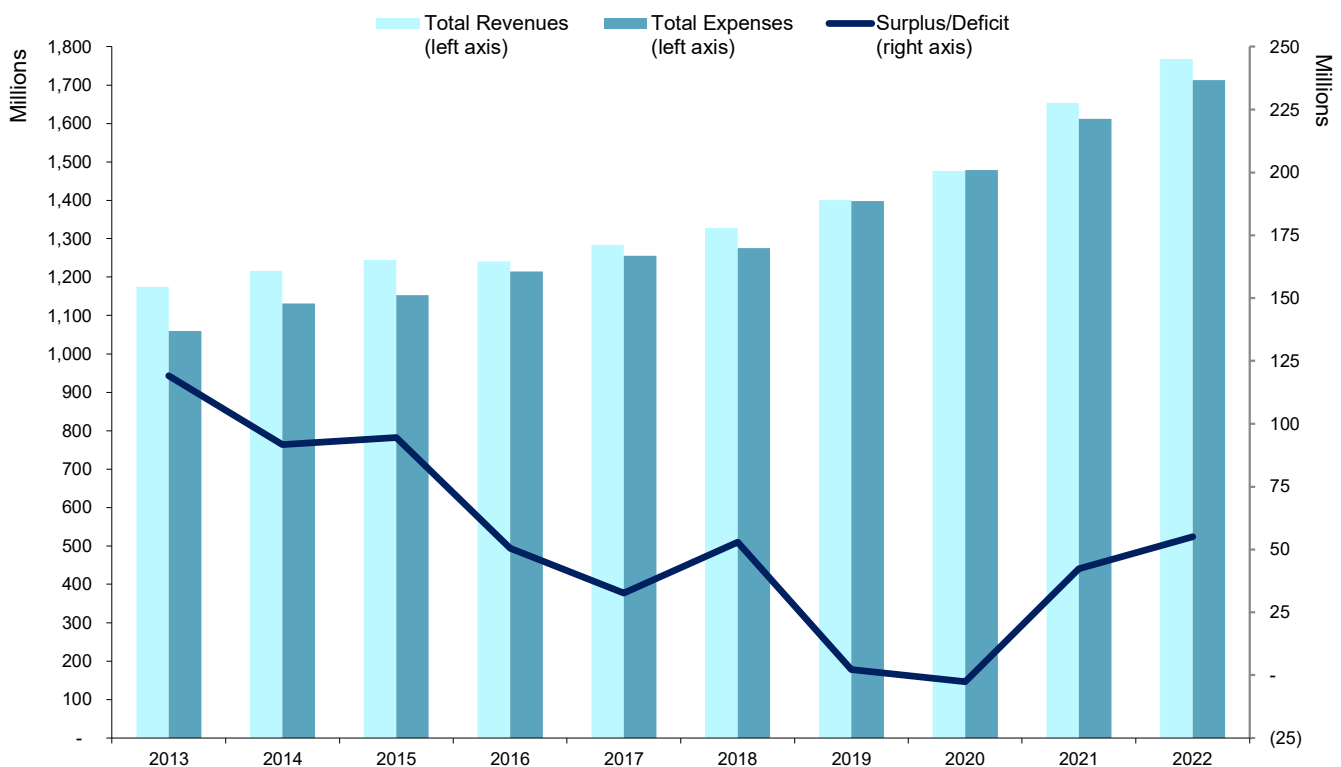
The surplus of \$55.1 million for the year was an increase of \$12.7 million from the previous year's surplus of \$42.4 million and \$33.9 million higher than the budgeted surplus of \$21.2 million. Revenues increased by \$114.0 million from the previous year's actual and were \$60.3 million higher than budgeted. Expenses (net of prior years' expense recoveries) of \$1.713 billion for the year were higher than the initially budgeted amount of \$1.686 billion.

Major revenue variances between the current and prior year include a \$62.7 million (5.9%) increase in the formula financing grant, \$34.8 million (36.4%) increase in income tax revenues and a \$25.6 million (13.3%) increase in contributions and service agreements revenues from the Government of Canada. These were offset somewhat by less revenue in the following areas: sale of land decreased \$27.7 million (77.7%), other grants decreased \$4.2 million (2.8%) and service agreements with other parties decreased by \$1.5 million (4.7%) from the previous year.

Expenses increased year-over-year by \$101.3 million (6.3%) with expenditures for natural resources contributing \$61.5 million (60.8%) of the increase. Health and social services and general government also had significant increases compared to prior year expenditures.

The chart below illustrates the trend between revenues and expenses over the last ten years. The amounts are taken directly from the respective year's Public Accounts, without reflecting restatements or other changes in accounting policies over the years presented.

### Revenues and expenses



## Details

### Carbon Price Rebate Program

The Parliament of Canada passed the *Greenhouse Gas Pollution Pricing Act* (Canada) in 2018. In response to this, the Yukon Legislature passed the *Yukon Government Carbon Price Rebate Act* (Yukon), which outlines how the government will rebate all amounts received from the Government of Canada for greenhouse gas pollution pricing. The intent of this Act is to ensure that all carbon levy funds received are treated as pass-through funding to Yukoners with no funds being retained by the Government and there being no impact on its surplus (deficit).

The *Yukon Government Carbon Price Rebate Act* (Yukon) created a restricted fund. The purposes of the Carbon Price Rebate Revolving Fund are the payment or crediting, on a revenue neutral basis and in accordance with this Act and the *Income Tax Act*, of amounts, on account of certain amounts that the Government receives from the Government of Canada under the federal Act. There are four main eligible groups: businesses, individuals, municipal governments and Yukon First Nation governments. During fiscal 2019-20, the first amounts were received from the Government of Canada and shortly thereafter rebates began to be distributed.

The following is a summary of each year's activity and the status of the revolving fund as of March 31, 2022.

#### Revolving Fund Balance

(thousands of dollars)

|  | <u>Cumulative to<br/>March 31, 2022</u> | <u>2021-22</u> | <u>2020-21</u> | <u>2019-20</u> |
|--|---|----------------|----------------|----------------|
| <b>Opening Liability</b>                                     | -                                       | 6,919          | 2,783          | -              |
| <b>Carbon amounts received from the Government of Canada</b> |   |                |                |                |
| Business Allocation  | 19,900                                  | 11,470         | 6,210          | 2,220          |
| Individuals Allocation                                       | 17,559                                  | 10,121         | 5,479          | 1,959          |
| Municipal Governments Allocation                             | 1,171                                   | 675            | 365            | 131            |
| First Nations Governments Allocation                         | 390                                     | 224            | 122            | 44             |
| Subtotals  | 39,020                                  | 22,490         | 12,176         | 4,354          |
| <b>Rebates distributed to eligible groups</b>                |   |                |                |                |
| Business   | 4,101                                   | 3,003          | 980            | 118            |
| Individuals  | 15,148                                  | 6,932          | 6,807          | 1,409          |
| Municipal Governments  | 496                                     | 365            | 131            | -              |
| First Nations Governments                                    | 390                                     | 224            | 122            | 44             |
| Subtotals  | 20,135                                  | 10,524         | 8,040          | 1,571          |
| <b>Closing Liability</b>                                     | 18,885                                  | 18,885         | 6,919          | 2,783          |
| <b>Liability by eligible group</b>                           |   |                |                |                |
| Business Allocation  | 15,799                                  | 8,467          | 5,230          | 2,102          |
| Individuals Allocation                                       | 2,411                                   | 3,189          | (1,328)        | 550            |
| Municipal Governments Allocation                             | 675                                     | 310            | 234            | 131            |
| First Nations Governments Allocation                         | -                                       | -              | -              | -              |
| Annual Net Activity  |   | 11,966         | 4,136          | 2,783          |
| Total Liability  | 18,885                                  |                |                |                |

## Details

### Impact of COVID-19

The impact of the COVID-19 pandemic was most severe during fiscal 2020-21. While diminished in fiscal 2021-22, it is still significant, as the Government continues to provide several programs aimed at supporting individuals, businesses and the economy in general. Some of these programs are ongoing in 2022-23.

### Revenues

In 2021-22, the Government's total revenues increased compared to the previous year by \$114.0 million (6.9%) to \$1.768 billion (details provided in Schedule A to the Consolidated Financial Statements).

The Government receives the majority of its revenues from the Government of Canada through the formula financing grant, the Canada Health Transfer and the Canada Social Transfer. In 2021-22, the Government received \$1,117.7 million from the formula financing grant, an increase of \$62.7 million (5.9%) from the previous year. The Canada Health Transfer was \$48.5 million and the Canada Social Transfer was \$17.4 million. These transfers increased from the previous year by a total of \$2.0 million (3.2%). The Government received \$31.1 million in COVID-19 funding, \$25.0 million for climate change priorities, as well as \$22.5 million of carbon levies, from the Government of Canada.

In addition, the Government receives funding from the Government of Canada for purposes such as health and social programs and education, as well as funding for infrastructure development. Contributions and service agreements from Canada increased from the previous year by \$25.6 million (13.3%).

Taxes and general revenues include taxes on corporate income, personal income, tobacco, liquor, fuel, insurance premiums and property as well as licenses and fees such as motor vehicle licenses and business/professional fees. Taxes and general revenues increased from the previous year by \$25.4 million (12.3%) to \$231.5 million. This was largely due to a \$34.7 million increase in income taxes and a \$9.2 million increase in resource revenue offset by a \$27.7 million decrease in revenue from the sale of land.

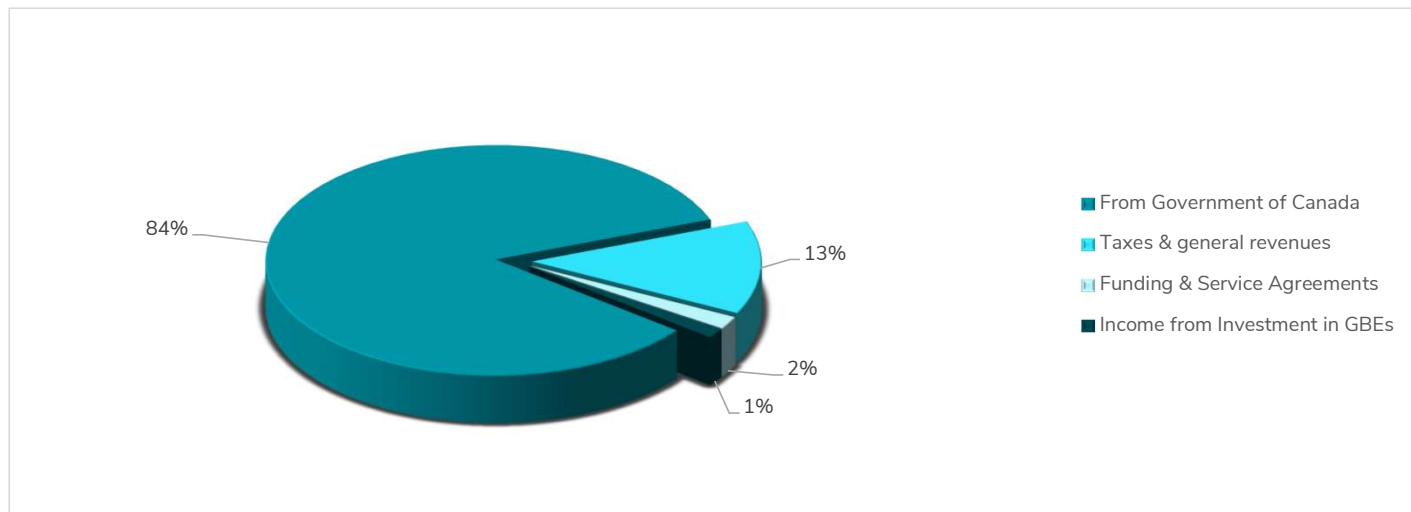
Funding and service agreements with other parties decreased from the previous year by \$1.5 million (4.7%) to \$31.4 million.

The income from investment in government business enterprises reported as revenue in the financial statements represents the surpluses of government corporations that are categorized as government business enterprises ("GBE"). GBEs include the Yukon Liquor Corporation ("YLC") and the Yukon Development Corporation ("YDC"), which includes the Yukon Energy Corporation in its results. Income from YLC was \$8.3 million while the income from YDC was \$16.0 million.

Revenues were higher than budgeted by \$60.3 million. This was primarily due to higher revenues from the Government of Canada, taxes and general revenues and income from investment in GBEs, offset by lower revenues from funding and service agreements with other parties.

In 2021-22, the composition between different types of revenue remained consistent with previous years.

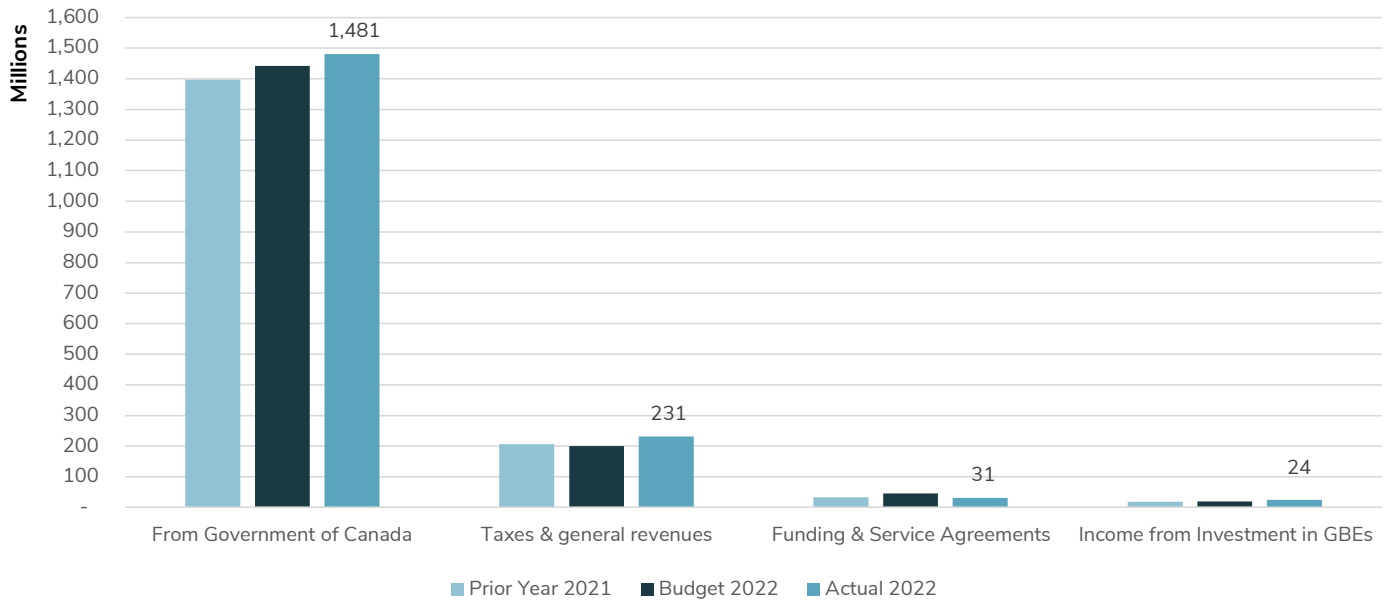
### Revenue by source percentages



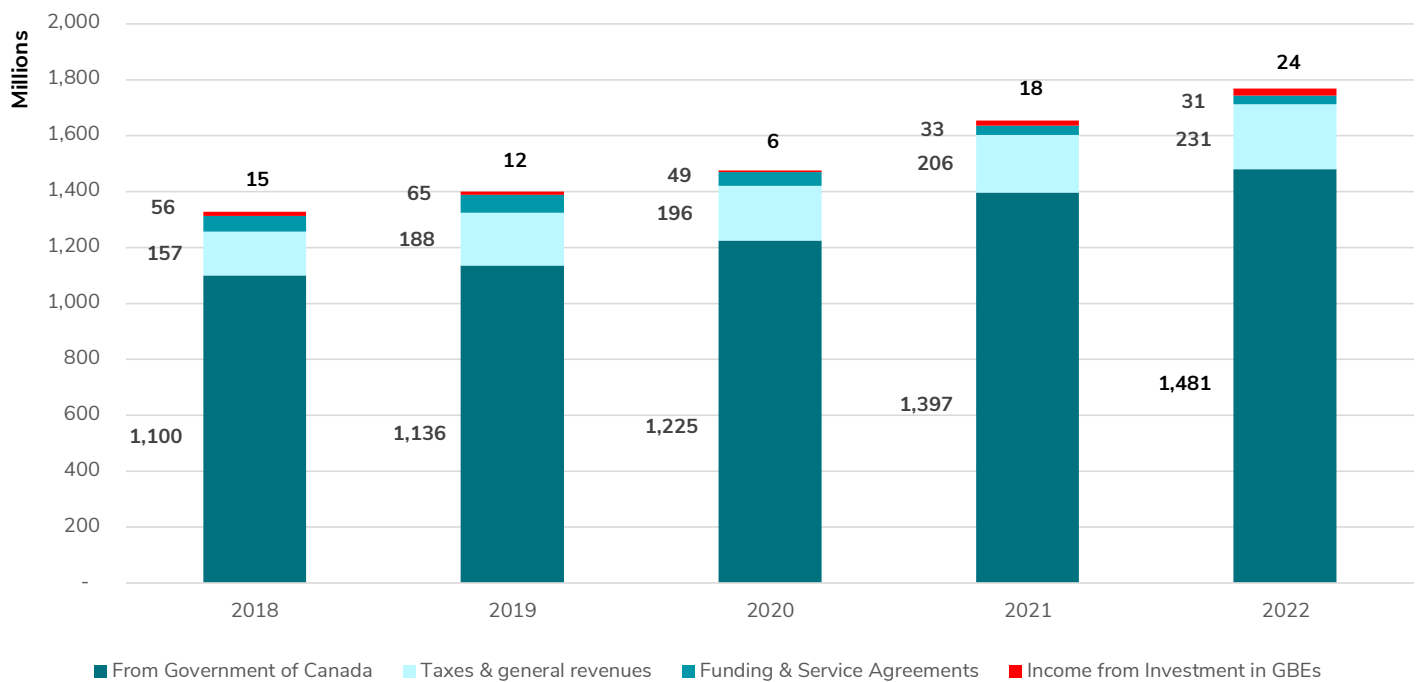
## Details

### Revenues continued

#### Revenue by source - comparison to budget and prior year



#### Revenue by source five year trend comparison

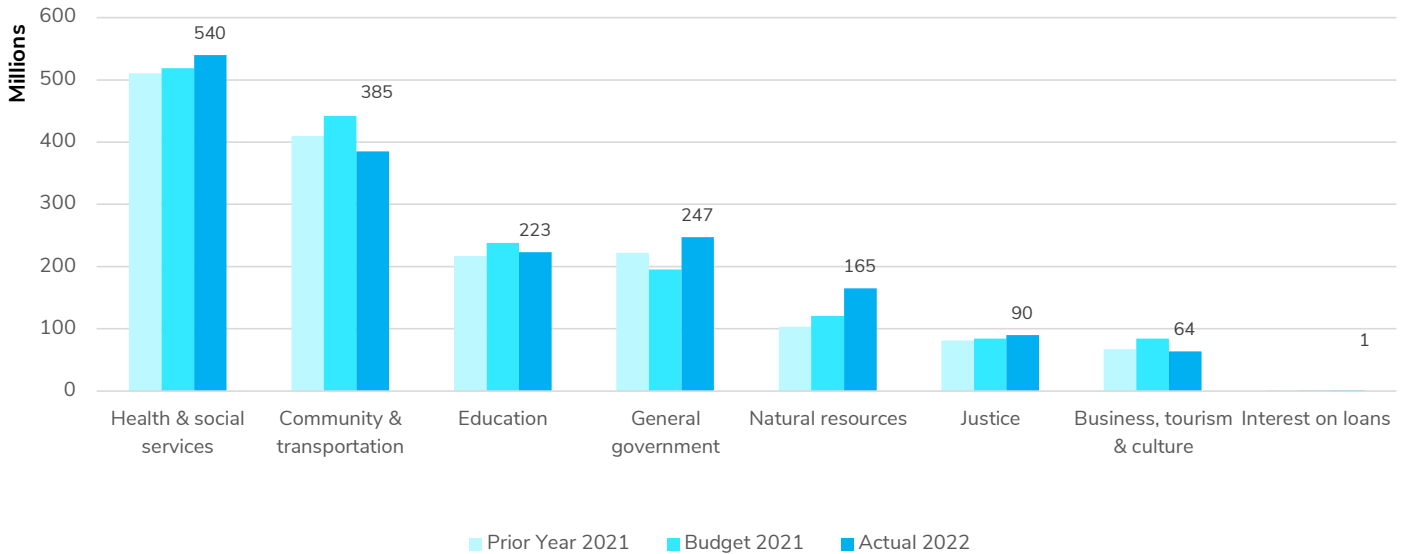


## Details

## Expenses

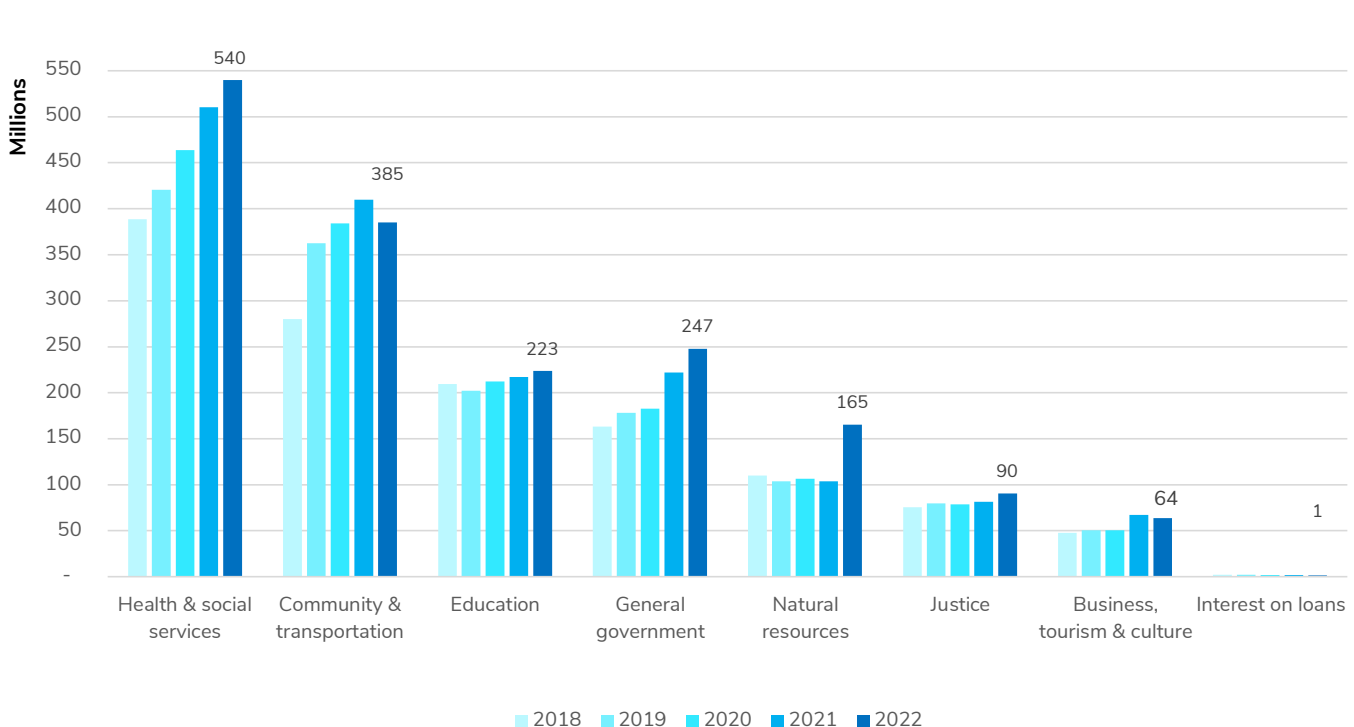
In 2021-22, the Government's expenses increased compared to the previous year by \$103.9 million (6.4%) to \$1.716 billion.

### Expenses by function comparison



Five functions had 2021-22 expenses that exceeded the previous year's expenses while three had decreases. The largest increase was in the natural resources function, with an increase of \$61.5 million (59.5%), followed by a \$29.5 million (5.8%) increase in health and social services, a \$25.6 million (11.5%) increase in general government, a \$9.1 million (11.2%) increase in justice and a \$6.3 million (2.9%) increase in education. Community and transportation decreased by \$24.5 million (6.0%) while business, tourism and culture decreased \$3.5 million (5.3%) and interest on loans decreased \$0.2 million (9.7%).

### Expenses by function five year trend comparison

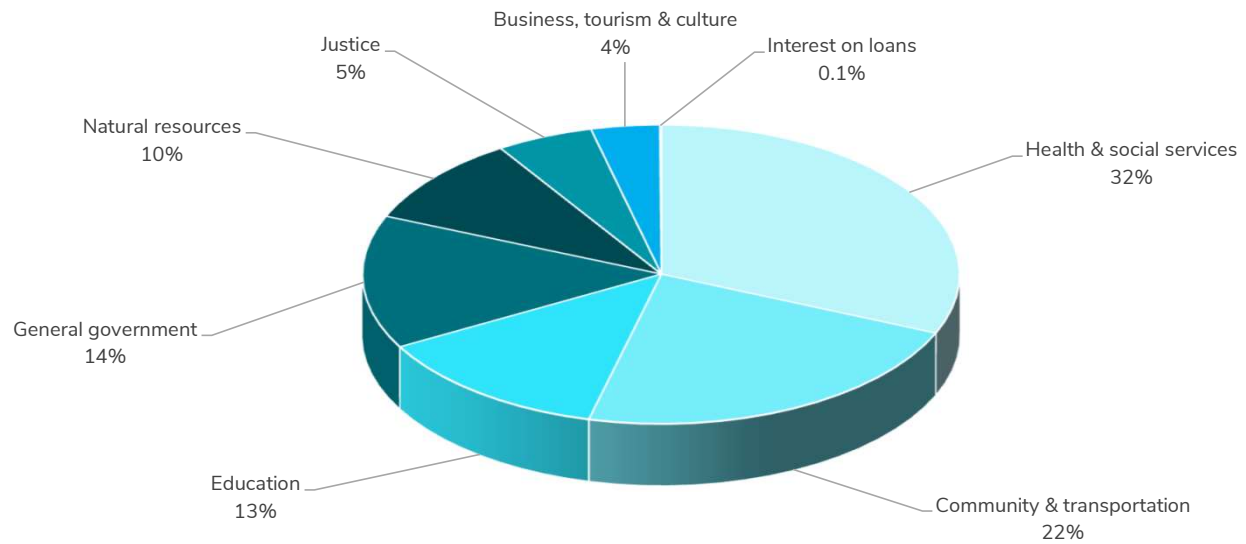




## Details

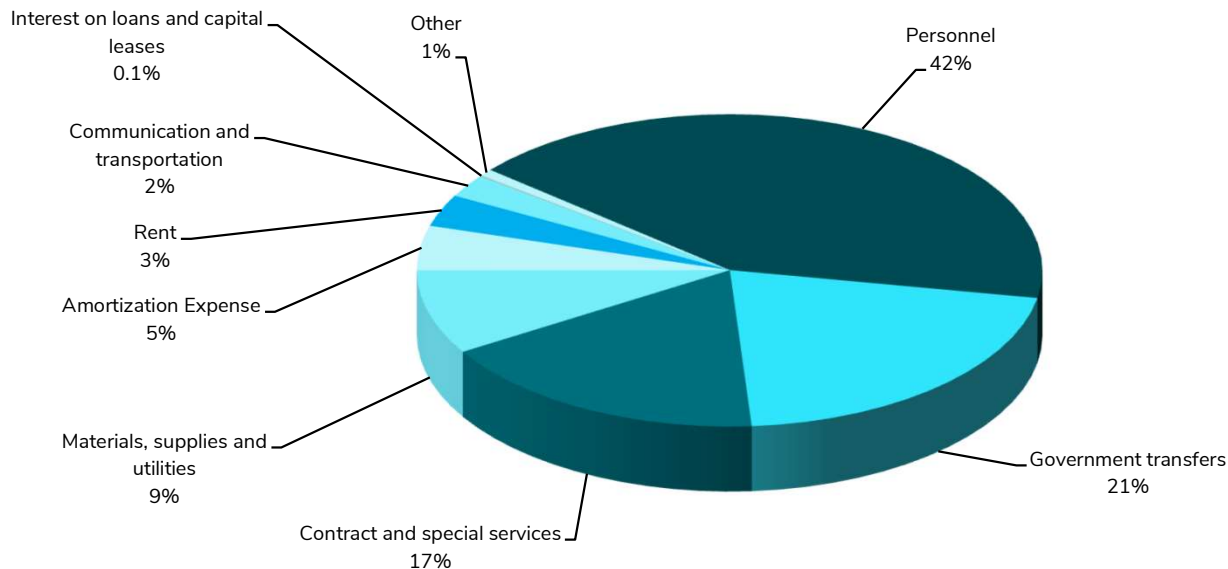
### Expenses continued

#### Expense by function percentages



In 2021-22, the composition of expenses by function remained similar with the previous year, with health and social services and community and transportation representing the largest areas of spending and general government and education representing the next highest level of spending while natural resources has moved higher than justice and business, tourism and culture in the lower areas of expenses. Interest on loans remains at a nominal value.

#### Expenses by object percentages



As for the type of expenses (as detailed in Note 21 to the Consolidated Financial Statements), the highest increase was \$48.3 million (19.3%) for contract and special services, followed by \$24.4 million (3.5%) for personnel costs, \$10.6 million (3.0%) for government transfer payments, \$9.4 million (19.7%) for rent expenses, \$5.9 million (4.1%) for materials, supplies and utilities, \$5.2 million (14.6%) for communication and transportation, and \$1.2 million (10.5%) for other expenses. Amortization expense and loan and capital lease interest had nominal decreases.

## Details

### Net Financial Assets and Accumulated Surplus

At March 31, 2022, the Government's financial assets exceeded its liabilities, resulting in net financial assets of \$163.5 million (\$182.7 million at March 31, 2021). This important indicator shows that the Government has financial assets on hand to finance future operations.

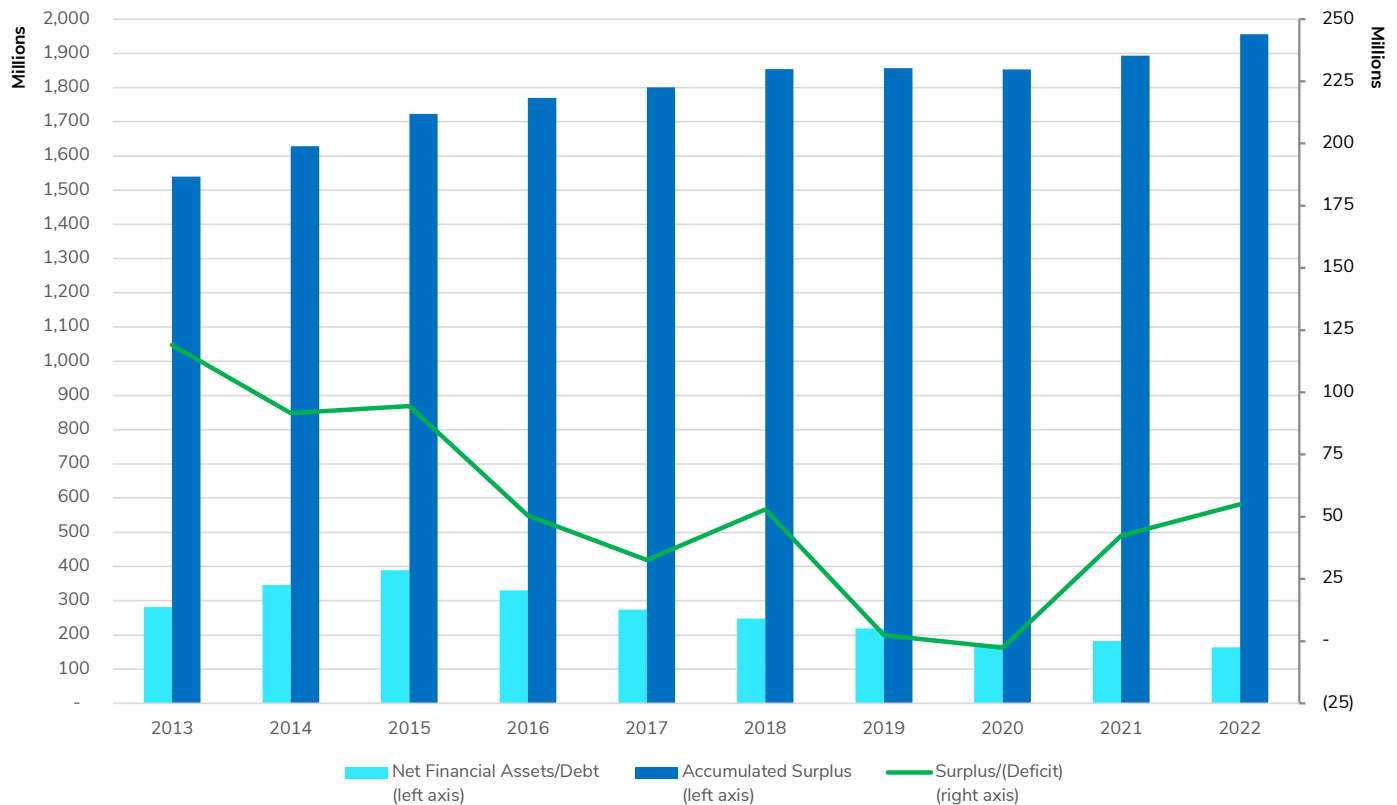
The Government's net financial assets decreased by \$19.3 million in 2021-22. This decrease was due to the increase of \$79.2 million in financial assets offset by the increase in liabilities of \$98.5 million.

The largest changes in financial assets were increases in due from Government of Canada of \$41.3 million, investment in government business enterprises of \$22.9 million and accounts receivable of \$13.1 million with an offsetting decrease of \$13.1 million in loans receivable.

The Government's liabilities increase was largely due to the increase of \$51.4 million in environmental liabilities, \$35.5 million in accounts payable and accrued liabilities and \$10.4 million in retirement benefit liabilities.

Accumulated surplus consists of net financial assets and non-financial assets such as tangible capital assets. The accumulated surplus of the Government at March 31, 2022 was \$1.956 billion (\$1.893 billion at March 31, 2021). The \$19.3 million decrease in net financial assets and the \$81.8 million increase in non-financial assets result in the \$62.5 million increase in accumulated surplus.

### Net Financial Assets, Accumulated Surplus and Surplus (Deficit)

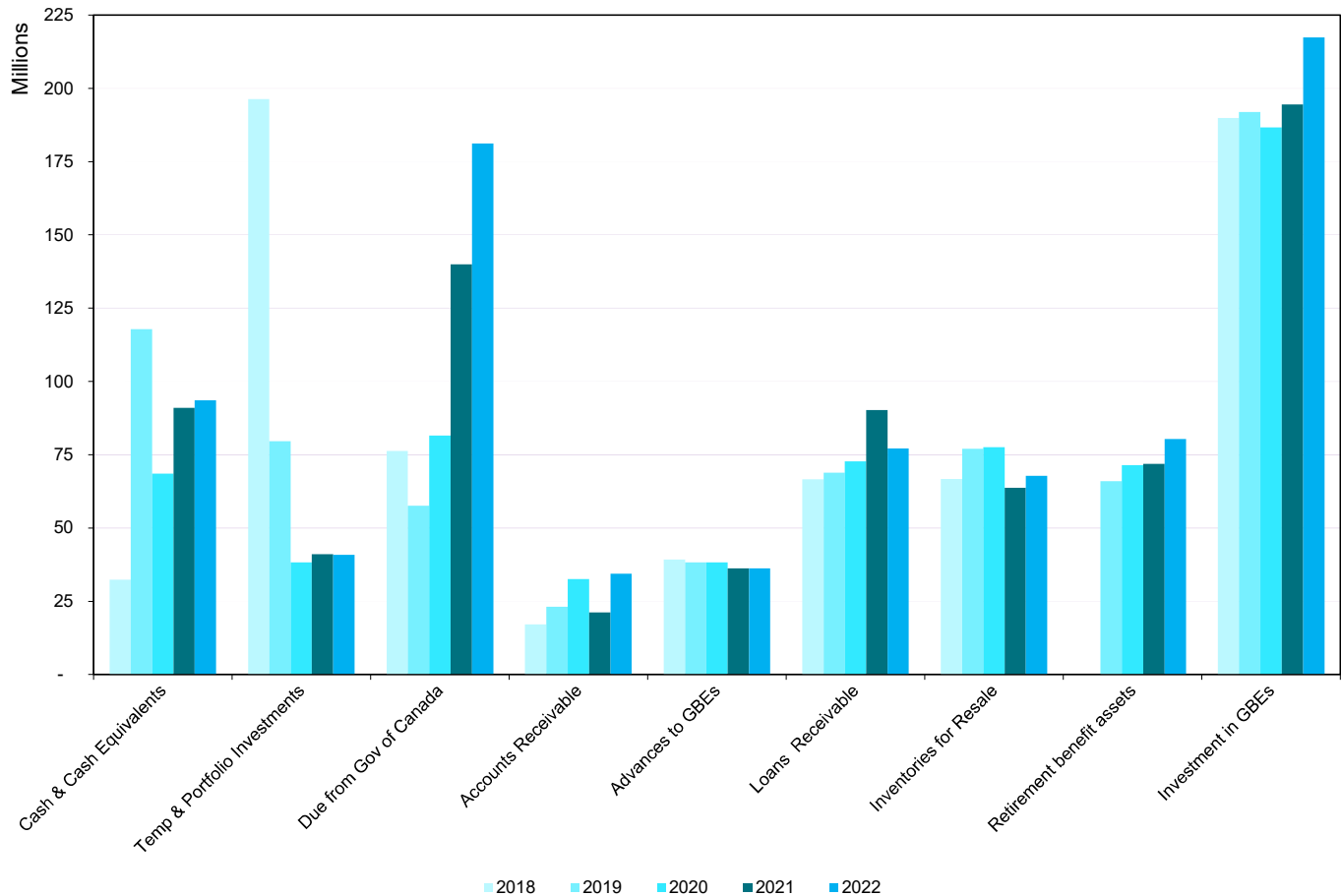


## Details

### Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to fund future activities. At March 31, 2022, the value of total financial assets was \$828.9 million, which is an increase of \$79.2 million from the previous year. Within financial assets, due from the Government of Canada increased by \$41.3 million from the previous year while investments in government business enterprises increased by \$22.9 million, accounts receivable increased by \$13.1 million and loans receivable decreased by \$13.1 million. In 2021-22, cash and cash equivalents and temporary investments accounted for \$97.6 million, or 11.8% of the total financial assets compared with 2020-21 when they accounted for \$92.6 million or 12.4%.

#### Financial Assets by type



(Note: In 2018-19 the Government reclassified its retirement benefit plans to present Retirement benefit assets and Retirement benefit liabilities separately).

## Details

### Financial Assets (continued)

Major categories of the Government's financial assets are described below.

#### Cash and cash equivalents

Cash and cash equivalents are bank balances, short-term investments that mature less than 90 days from the date of purchase and cash on hand.

At March 31, 2022, the Government held \$93.5 million in cash and cash equivalents, which is an increase of \$2.5 million from the previous year.

#### Temporary investments

Temporary investments may include GICs, term deposits, and funds that include short-term debt securities of Canadian governments and corporate issuers with terms to maturity of 90 days or more but one year or less from the date of acquisition.

At March 31, 2022, the Government held \$4.1 million in temporary investments compared to \$1.6 million the previous year.

#### Due from Government of Canada

At March 31, 2022, the Government had receivables from the Government of Canada in the amount of \$181.2 million, most of which were outstanding claims on cost-sharing agreements and projects delivered on behalf of the federal government. This was an increase of \$41.3 million from the prior year.

#### Accounts receivable

Accounts receivable increased to \$34.3 million at March 31, 2022 from \$21.2 million at March 31, 2021.

#### Portfolio investments

Portfolio investments are investments that are expected to be realized or have terms to maturity of greater than one year from the date of acquisition. Portfolio investments include floating rate notes and funds that include bonds and equities.

As at March 31, 2022, the Government held \$36.7 million in portfolio investments compared to \$39.4 million in the previous year.

As of March 31, 2022, \$30.6 million of the portfolio investments were specifically designated (\$34.6 million at March 31, 2021) in order to meet obligations under Part 3 (Supplemental Plan) of the *Legislative Assembly Retirement Allowances Act* (Yukon) as well as the "Severance allowance" section of the *Legislative Assembly Act* (Yukon).

#### Advances to government business enterprises

As of March 31, 2022, the Government has an outstanding balance of \$36.2 million (\$36.2 million at March 31, 2021) on advances made to the government business enterprises.

#### Loans receivable

The Government has loans receivable of \$77.2 million, of which \$31.8 million, or 41.2%, were Yukon Housing Corporation mortgages receivable, followed by \$25.2 million, or 32.7%, in land sale related loans receivable that are also administered by the Yukon Housing Corporation.

#### Inventories for resale

Inventories for resale totaled \$67.8 million as of March 31, 2022. This was an increase of \$4.1 million (6.4%) from the previous year. The inventories largely consist of lots that were developed by the Government for sale to the public.

#### Retirement benefit assets

Retirement benefit assets totaling \$80.4 million at March 31, 2022 (\$71.9 million at March 31, 2021) are held in relation to the Government's obligations for future pension benefits for employees of Yukon University and Yukon Hospital Corporation and represent the market value of the investments less the liability of the benefits based on an actuarial valuation.

## Details

### Financial Assets (continued)

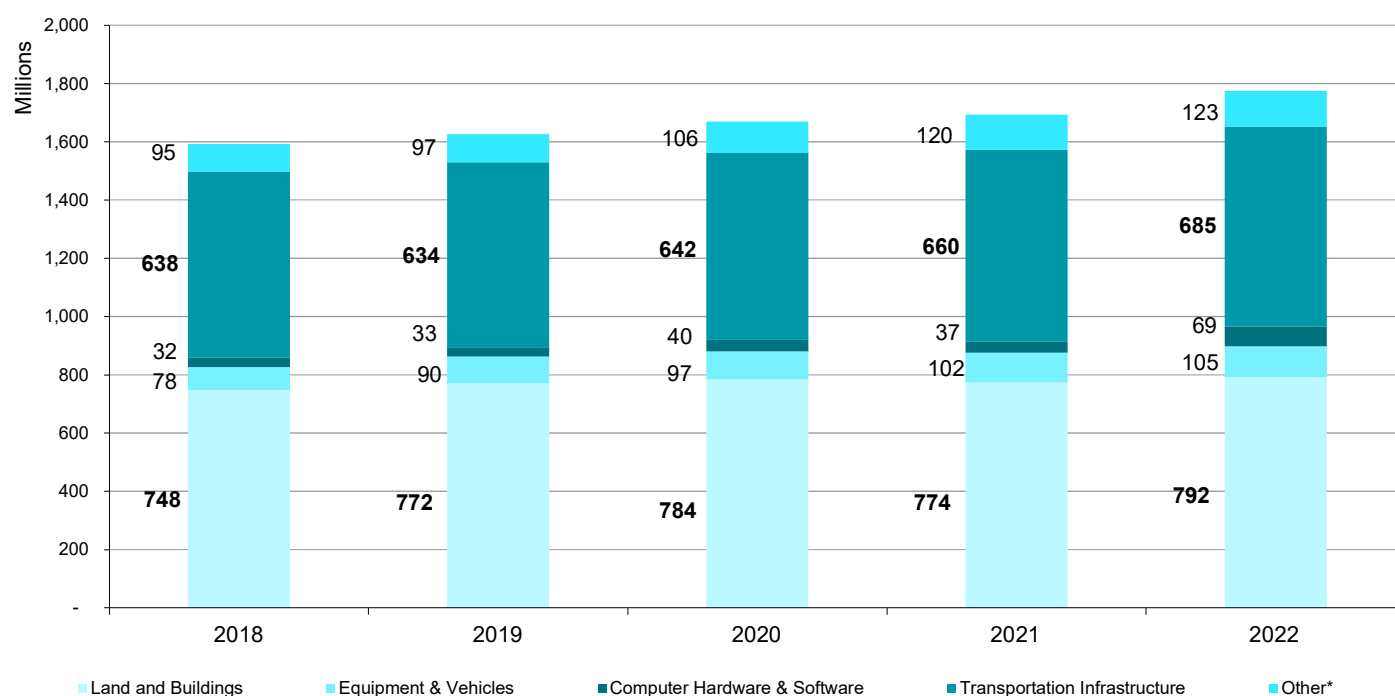
#### Investment in government business enterprises

Investment in government business enterprises, which are self-sustainable government corporations, represent 100% of the equity of the Yukon Development Corporation ("YDC") and the Yukon Liquor Corporation ("YLC"). YDC had equity of \$215.2 million at March 31, 2022 (2021 - \$191.9 million), and YLC had equity of \$2.2 million at March 31, 2022 (2021 - \$2.6 million). The Yukon Energy Corporation, which supplies and sells power in the Yukon, is the wholly-owned subsidiary of YDC.

### Non-financial Assets

Non-financial assets are assets that do not normally provide resources to discharge existing liabilities, but instead are normally used to deliver future government services or may be consumed in the normal course of operations. Non-financial assets include tangible capital assets, inventories of supplies, and prepaid expenses. Tangible capital assets are the largest category of non-financial assets.

#### Net Book Value of Tangible Capital Assets



\*For additional detail see schedule C to the Consolidated Financial Statements

In 2021-22, the Government made the following investment in tangible capital assets:

|  |    |       |         |
|--|----|-------|---------|
| Opening balance at April 1, 2021         | \$ | 1,693 | million |
| Additions during the year                |    | 160   | million |
| Less: Amortization and other adjustments |    | (79)  | million |
| Balance at March 31, 2022                | \$ | 1,774 | million |

The Government's \$160.4 million investment was largely spent on buildings, transportation infrastructure, computer hardware and software and equipment and vehicles.

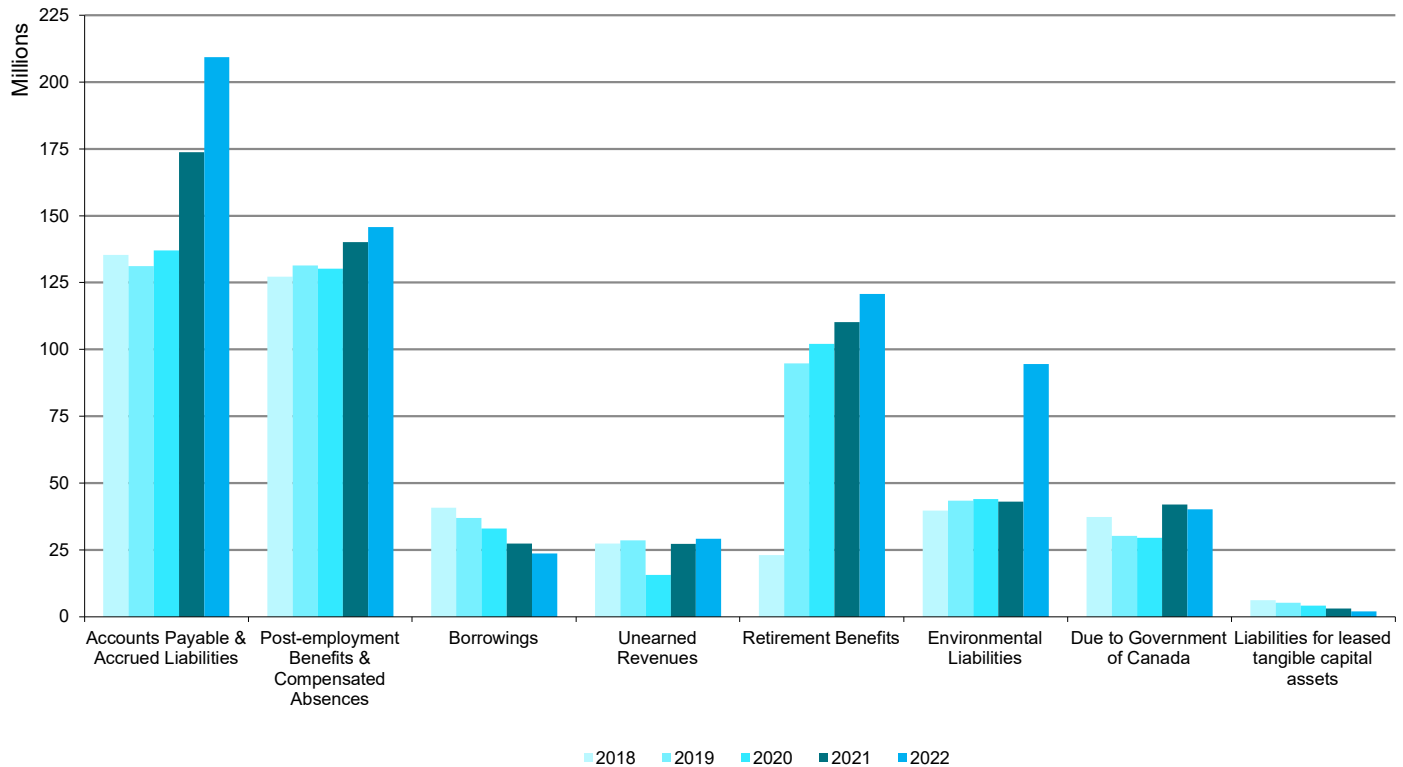
In accordance with the recommendations of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the value of transferred Crown land is not reported as a tangible capital asset.

## Details

### Liabilities

At March 31, 2022, the liabilities of the Government totaled \$665.4 million (\$566.9 million at March 31, 2021), which is equivalent to 80.3% of the financial assets of the Government. A five-year comparison of the Government's liabilities by category is illustrated below:

### Liabilities



(Note: Prior year amounts are shown as reported in the respective year's Public Accounts. In 2018-19 the Government reclassified its retirement benefit plans to present Retirement benefit assets and Retirement benefit liabilities separately).

Major categories of the Government's liabilities are described as follows:

#### Due to Government of Canada

Amounts due to the Government of Canada at March 31, 2022 were \$40.2 million (\$42.0 million at March 31, 2021). These amounts consist primarily of funds due under various agreements for Income Taxes and Public Service Pension Plan contributions payable for the month of March 2022.

#### Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are amounts that are generally paid within a year. The balance of \$209.3 million at March 31, 2022 is an increase of 20.4% from the previous year's balance of \$173.8 million.

Included in this total is the outstanding balance of the Carbon Price Rebate liability of \$18.9 million (2021 - \$6.9 million).

## Details

### Liabilities (continued)

#### Environmental liabilities

At March 31, 2022, the Government has recorded \$94.6 million (\$43.1 million at March 31, 2021) as a liability for the estimated costs related to the remediation of environmental contamination for which the Government is responsible and can reasonably estimate the value. Of the liabilities, \$39.0 million (41.3%) is related to the Wolverine mine site, \$15.5 million (16.4%) is for the Wellgreen site, \$11.3 million (12.0%) is for highway maintenance camps and airports and \$12.3 million (13.0%) is for landfills that the Government is responsible for maintaining.

#### Unearned revenues

Unearned revenues of \$29.2 million reported as of March 31, 2022 (\$27.2 million at March 31, 2021) are mostly comprised of funding received from the Government of Canada that has not yet been expended in accordance with funding agreements.

#### Post-employment benefits and compensated absences

The Government's second largest liability, after accounts payable and accrued liabilities, is post-employment benefits and compensated absences. Post-employment benefits are provided to employees after employment but before retirement. These benefits consist of severance pay and a portion of sick leave and vacation leave that are paid out to employees at termination of employment. Compensated absences are benefits such as sick leave and vacation leave that are paid to employees during their employment. The Government uses actuaries to estimate its post-employment benefits and compensated absences liabilities.

The post-employment benefits and compensated absences liabilities at March 31, 2022 were \$145.8 million (\$140.1 million at March 31, 2021).

#### Retirement benefits liabilities

Retirement benefits liabilities totaled \$120.7 million at March 31, 2022 (\$110.3 million at March 31, 2021) and represent the Government's various pension plan liabilities and extended health benefit obligations, which are provided to retired employees. Pension plan liabilities are those for the Members of the Yukon Legislative Assembly, and Territorial Court judges.

#### Borrowings

The largest portion of the \$23.7 million reported as borrowings relates to the Yukon Hospital Corporation's demand term installment loans totaling \$22.6 million (\$26.3 million at March 31, 2021). The Yukon Hospital Corporation used the loans to finance the costs of the new staff residence/medical service building in Whitehorse, renovations to an extended care facility in Whitehorse, and new hospitals in Watson Lake and Dawson City. During 2021-22 the Yukon Hospital Corporation paid down these loans by \$3.7 million.

Mortgages and loans payable by the Yukon Housing Corporation (Housing) represent a further \$1.3 million (\$1.7 million at March 31, 2021) of the Government's long term debt. These debts are with the Canada Mortgage and Housing Corporation (CMHC) so are included as due to the Government of Canada amounts in the Consolidated Statement of Financial Position.

In Note 17 to the Consolidated Financial Statements, the Government's 'total debt' as defined in the *Yukon Act* (Canada) includes the Housing debt owed to CMHC along with the borrowings of the consolidated government business enterprises of YDC and YLC as well as capital lease obligations. When all relevant items are taken into account the total debt is \$216.4 million at March 31, 2022 (\$235.2 million at March 31, 2021).

The Government of Canada on September 20, 2020 issued OIC P.C. 2020-0663 setting Yukon's borrowing limit at \$800 million pursuant to subsection 23(2) of the *Yukon Act* (Canada).

## Risks and Mitigations

### Government of Yukon's Operating Environment

The Government's financial results are subject to risks and uncertainties that arise from variables over which the Government has no direct control, or limited control. These risks and uncertainties include:

- The lingering effects of COVID-19 on the Yukon's revenues, expenses and overall fiscal position;
- Economic factors, including economic growth or decline, commodity prices, private sector investment decisions, inflation, interest rates, population/demographics, and personal income;
- Revenue changes, especially taxation revenues, or changes in transfers expected from the federal government, causing the total actual revenue results to deviate from the budget estimates;
- Level of utilization of government services, particularly related to health care and social services;
- Unexpected health events, such as sudden and/or extreme outbreaks of disease;
- Natural disasters, such as floods, wildfires, extreme weather events, or other events that may impede the safe delivery of goods and services;
- Geopolitical events causing repercussions on economic or fiscal parameters;
- Malicious behaviour (i.e. Cybersecurity attacks) that could interrupt services, lead to loss of information or breach of privacy, and/or damage to equipment or facilities;
- Outcomes of litigation, legal settlements, arbitration and negotiations with third parties;
- Identification of environmental liabilities;
- Changes in pension liability due to external factors such as interest rates or asset market values; and
- Changes in accounting standards.

While Yukon's revenues are mainly stable due to the level of federal transfers, the Government's fiscal health nevertheless relies on revenue from economic activity. As this activity can be volatile in an economy that is significantly tied to mining and exploration activities, the Government takes a cautious and prudent approach to revenue forecasting and fiscal planning. Commodity prices and mining exploration and development plans are closely monitored on a regular basis in order to estimate the impact on fiscal projections. With respect to federal transfers, the Government works closely with the federal government to ensure timeliness of information and fairness in funding levels, including with respect to infrastructure programs that affect the Government's capital planning.

On the expense side, the Department of Finance's Management Board Secretariat closely monitors the spending of Departments and the effect on the fiscal plan so that supplementary estimates can be tabled in the Legislature to address unanticipated spending or savings.

Changes to Canadian accounting standards issued by the Public Sector Accounting Board can have an impact on the Government's budgets, estimates and actual results. The Office of the Comptroller reviews proposed changes and provides input towards the goal of having processes that reflect sound policy decision-making, transparency and accountability.



## Risks and Mitigations

### Emerging Issues

#### **New Accounting Standards**

The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA) is the body responsible for maintaining the Public Sector Accounting Standards (PSAS) that all public sector organizations are required to follow. For further clarity, the Government of Yukon is legislated to follow these reporting standards as per *Yukon Act* (Canada) s33 and *Taxpayer Protection Act* (Yukon) s4(2).

As business practices evolve and modernize, so must accounting practices, hence PSAB is continuously reviewing and updating the PSAS. Below are a number of new or amended PSAS that the Government is required to adopt on their effective date.

#### **PSAS 3280 - Asset Retirement Obligations (ARO) (effective April 1, 2022)**

PSAS 3280 applies to all tangible capital assets owned or controlled by the Government; it requires that where there is a legal obligation to perform retirement activities for a tangible capital asset these retirement costs must be recognized at the time of acquiring the asset, or as soon as the costs can be estimated. Work is on-going to revise relevant policies, establish estimation and recording procedures, and to quantify the impact on financial position. Beginning in 2022-23 there will be a new non-cash expense that will record the annual change in the existing ARO liabilities. The magnitude of these costs are unknown as the costing model of the underlying obligations has not been completed, approved and audited.

#### **PSAS 3450 - Financial Instruments (effective April 1, 2022)**

This PSAS establishes new guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

The Government expects negligible impact on its financial position resulting from the adoption of this new standard beyond the changes in presentation.

#### **PSAS 3041 - Portfolio Investments (effective April 1, 2022)**

PSAS 3041 replaces existing PSAS 3040 with revised guidance on the accounting for, and presentation and disclosure of, portfolio investments.

Due to the nature of its portfolio investments, the Government expects nominal impact resulting from the adoption of this new standard.

#### **PSAS 2601 - Foreign Currency Translation (effective April 1, 2022)**

PSAS 2601 replaces existing PSAS 2600 with revised guidance on the recognition, presentation and disclosure of transactions that are denominated in a foreign currency.

Due to the low volume of foreign currency transactions, the Government expects negligible impact resulting from the adoption of this new standard.

#### **PSAS 1201 - Financial Statement Presentation (effective April 1, 2022)**

PSAS 1201 replaces existing PSAS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements. These changes are required to incorporate the changes stemming from the new PSAS 3450, PSAS 3041 and PSAS 2601.

The Government expects negligible impact resulting from the adoption of this new standard.

#### **PSAS 3400 - Revenue (effective April 1, 2023)**

This new PSAS establishes new guidance on the recognition, measurement, presentation and disclosure of revenue.

The Government is assessing the impact resulting from the adoption of this new standard.

#### **PSAS 3160 - Public Private Partnerships (effective April 1, 2023)**

This new PSAS establishes new guidance on the recognition, measurement and disclosure of public private partnership arrangements.

The Government currently does not have any public private partnership arrangements that fall under this new PSAS so is expecting no impact from its implementation. If public private partnership arrangements are entered into, the Government will evaluate and report them in accordance with this standard.