

GOVERNMENT OF YUKON
Consolidated Financial Statement Discussion and Analysis
for the year ended March 31, 2024

Introduction

The Yukon Public Accounts, produced annually, provides clarity and transparency for Yukoners by comparing the financial results for the 2023–24 fiscal year against the 2023-24 Main Estimates (Budget) and against the previous year's financial results. The Government is responsible for the accuracy, objectivity and integrity of this information.

The Financial Statement Discussion and Analysis expands upon and further explains 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 and Government's financial performance with the resources it has been entrusted. To do this effectively, this report presents a highlights summary, assessment of fiscal health, indicators of financial and economic conditions, details section and a summary of risks and mitigation.

2023-24 Highlights Summary

Financial Results					
(thousands of dollars)	2024		2023	Change from	
	Budget	Actual	Actual	Budget	2023 Actual
Revenues	1,945,184	2,003,410	1,910,077	58,226	93,333
Expenses ¹	1,865,216	2,006,641	1,787,214	141,425	219,427
Surplus / (Deficit)	79,968	(3,231)	122,863	(83,199)	(126,094)
Accumulated Surplus		2,027,812	2,029,392		(1,580)
Net Financial Assets (Debt)		(196,055)	10,743		(206,798)

¹ Expenses shown net of Recovery of Prior Years' Expenses

The Government is reporting an annual deficit of \$3.2 million on a revenue base of approximately \$2.0 billion.

The \$83.2 million difference between the \$3.2 million deficit and the expected \$80.0 million surplus presented in the 2023-24 budget is due to higher revenues (\$58.2 million, or 3.0%), offset by higher than anticipated expenses (\$141.4 million, or 7.6%).

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

Expenses were higher than budgeted, and the functions with the largest increases compared to the 2023-24 budget were health and social services, natural resources and justice.

The \$3.2 million deficit is \$126.1 million less than the \$122.9 million surplus in 2022-23. Total revenues compared to the previous year increased by \$93.3 million (4.9%), while total expenses increased by \$219.4 million (12.3%).

The increases in revenue were driven by a \$70.5 million increase in funding from the Government of Canada and \$30.9 million from funding and service agreements. While the year-over-year increase in expenses of \$219.4 million was mostly from natural resources, health and social services and education.

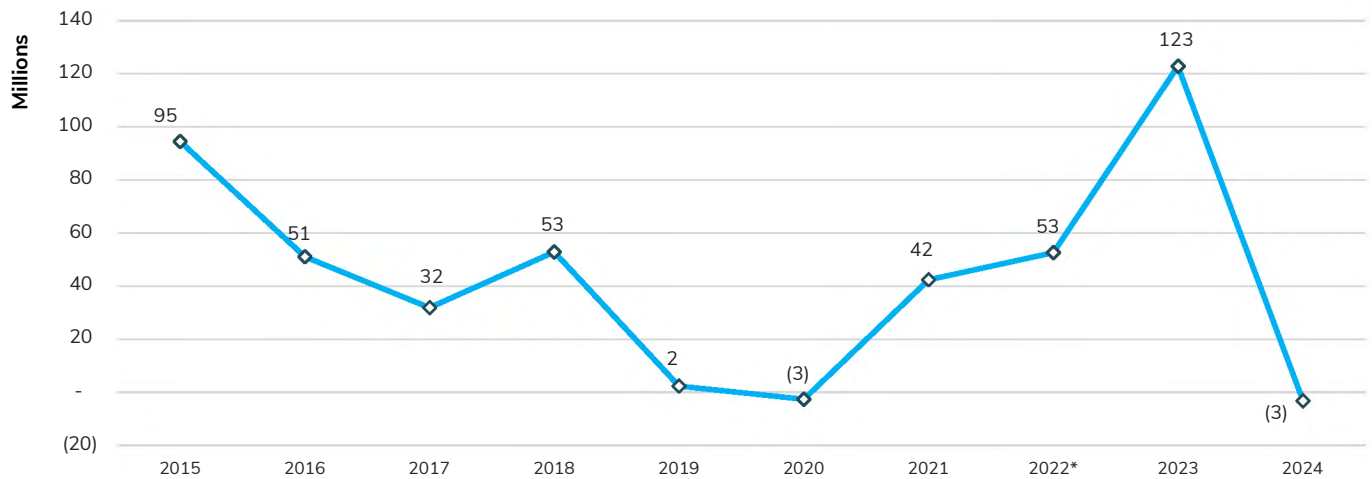
In 2023-24 the Government had net financial debt of \$196.1 million compared to 2022-23 in which it had net financial assets of \$10.7 million.

Highlights

Surplus (Deficit)

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

Surplus (Deficit)

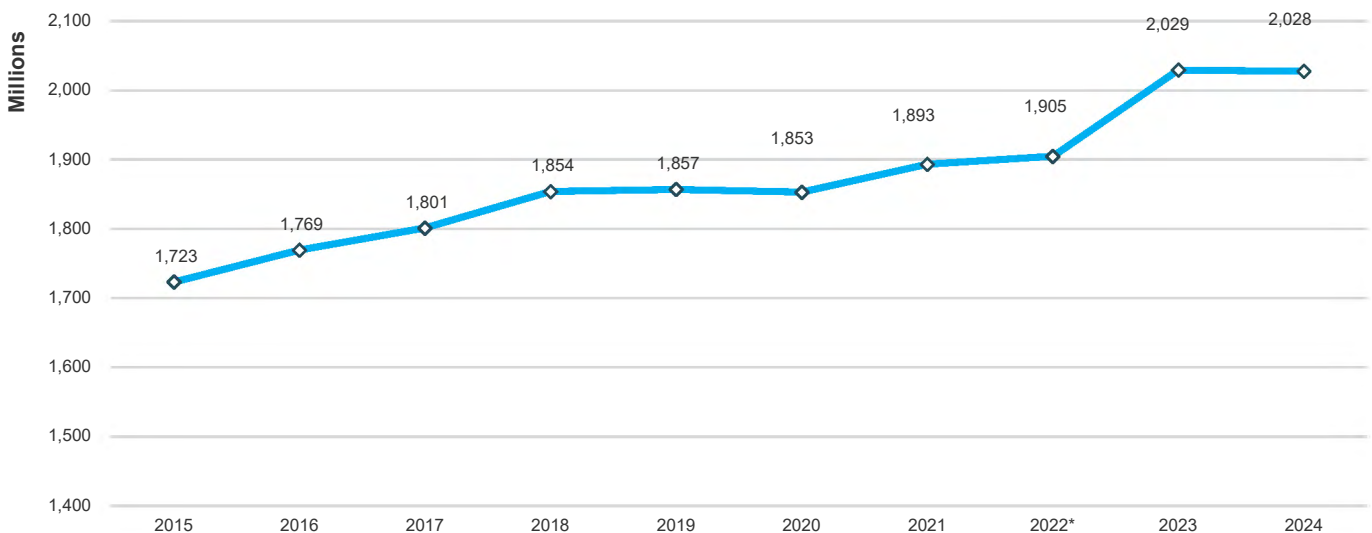


* 2022 restated due to adoption of PS 3280

The deficit of \$3.2 million for the year was a \$126.1 million decline compared to the previous year's surplus of \$122.9 million and \$83.2 million decline than the budgeted surplus of \$80.0 million. A deficit/surplus is driven by two factors - revenues and expenses. The Government's 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 2022-23, the current year deficit is largely due to increased expenses primarily in the health and social services, education and natural resources functions offset to a degree by increased revenues in the form of transfers from the Government of Canada.

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.



* 2022 restated due to adoption of PS 3280

As of March 31, 2024, the Government is reporting an accumulated surplus of \$2.028 billion which is a decrease of \$1.6 million from the previous year's accumulated surplus of \$2.029 billion. The decrease in accumulated surplus during 2023-24 is due to the current year's annual operating deficit of \$3.2 million, plus the net remeasurement gain of \$1.6 million.

Highlights

Net Financial Assets (Debt)

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



* 2022 restated due to adoption of PS 3280

The net financial assets (debt) of the Government is calculated as:

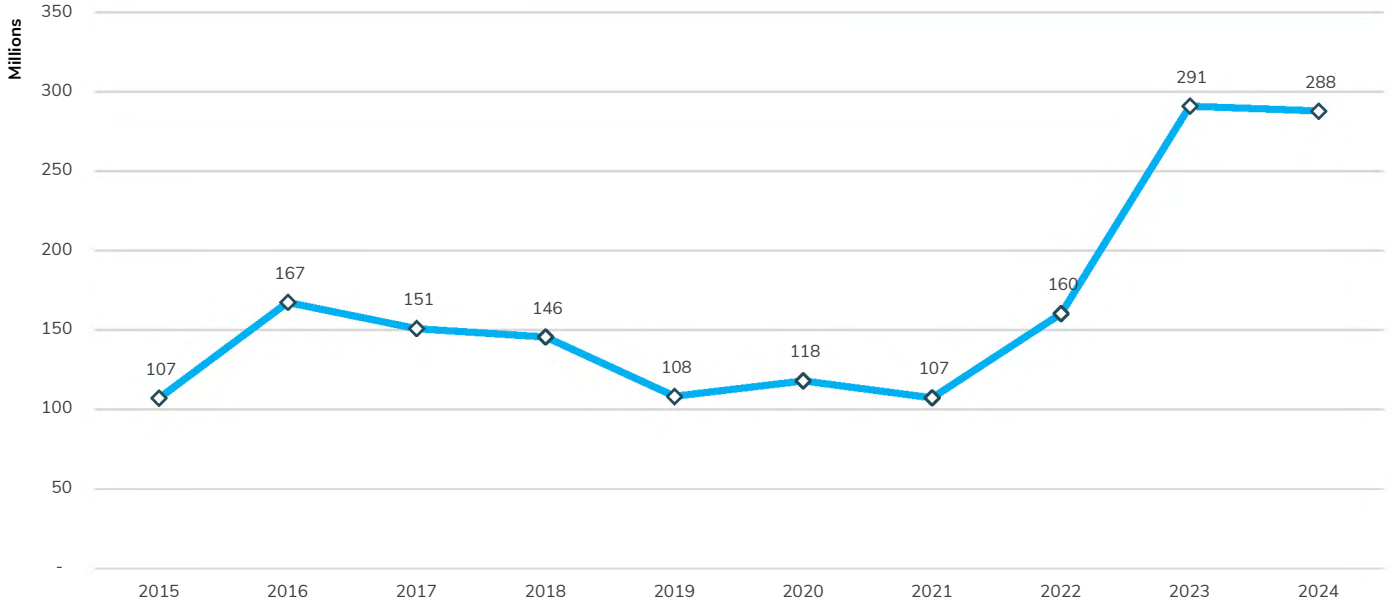
- The financial assets consisting of cash and cash equivalents, portfolio investments, due from Government of Canada, accounts receivable, advances to government business enterprises, loans receivable, inventories for resale, retirement benefit assets and investment in government business enterprises;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

Highlights

Investment in Tangible Capital Assets

The Government invests in acquiring, building and maintaining infrastructure and other tangible capital assets to provide services to residents. Total annual capital spending consists of investments in tangible capital assets and the amounts transferred to third parties (e.g., municipalities, First Nations) for capital purposes.

Investment in Tangible Capital Assets



In 2023-24, the Government recorded tangible capital asset additions of \$288 million for the acquisition and development of assets such as buildings and transportation infrastructure, IT assets, equipment and vehicles, compared to \$291 million in 2022-23.

Expenditures in 2023-24 on multi-year capital projects included: \$30.1 million on the Whitehorse Airport Runway and taxiway projects, \$20.5 million on the Whistle Bend School project, \$1.2 million on Burwash School, \$44.0 million on the Dempster Fibre project, \$10.0 million on the Carmacks Bypass project, \$6.0 million on the Old Crow 10-Plex, \$12.3 million on the Old Crow Health Centre, 10.4 million on the gymnastics and climbing facility and \$1.0 million on Selkirk Parking lot upgrade.

Also in 2023-24, the Government's construction work on various roads and highways was over \$15.5 million, while bridge work on the Alaska, Klondike, and Robert Campbell highways was in excess of \$75.5 million, including \$64.3 million for the Nisutlin Bay Bridge.

Assessment of Fiscal Health

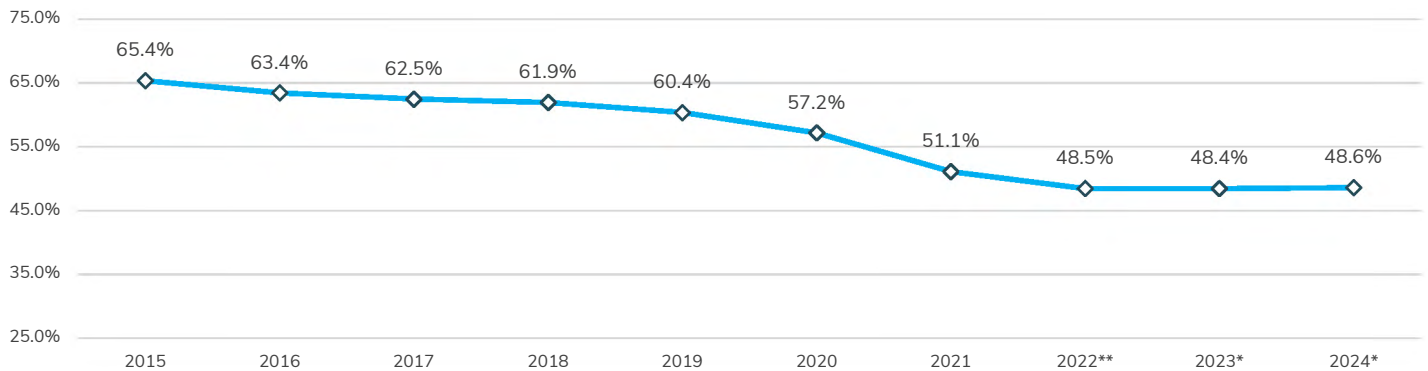
The Government's fiscal performance can be assessed by examining its overall economic and financial environment. This assessment takes into consideration, the Government's ability to meet its existing financial obligations to provide services to the public and its financial commitments to its creditors, employees and others by focusing on key sustainability, flexibility and vulnerability indicators.

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 Gross Domestic Product (GDP)*

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



* Estimate Nominal GDP: 2023 - \$4,189 million; Forecast Nominal GDP 2024 - \$4,174 million based on Interim Fiscal Economic Outlook Update (October 2024)

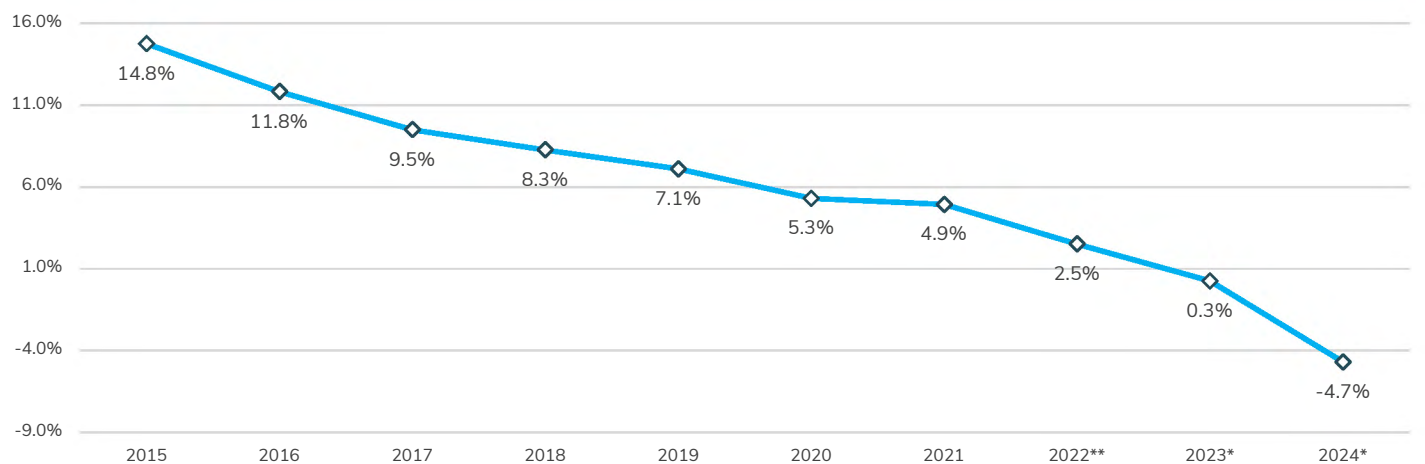
** 2022 restated due to adoption of PS 3280

The accumulated surplus measures the sum of all current and prior years' operating results and remeasurement gains and (losses). Gross Domestic Product (GDP) is a measure of the value of the goods and services produced during a year and is a commonly used measure of the size of the Yukon's economy. The trend of this ratio provides an indication of whether the accumulated surplus is growing faster or slower than the economy.

This trend highlights that the accumulated surplus has remained steady for the last three fiscal year in relation to the territory's GDP.

Net Financial Assets (Debt) to the Territory's Nominal GDP*

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



* Estimate Nominal GDP: 2023 - \$4,189 million; Forecast Nominal GDP 2024 - \$4,174 million based on Interim Fiscal Economic Outlook Update (October 2024)

** 2022 restated due to adoption of PS 3280

The net financial assets (debt) 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.

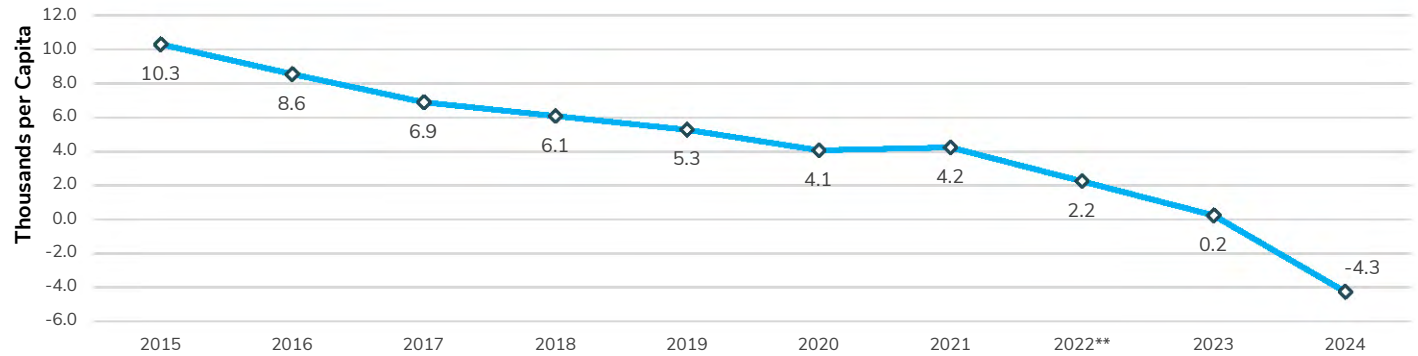
The downward trend partly stems from the Government's continued consumption of its resources and increased investment in tangible capital assets (non-financial assets) in response to the growing need for government services by its residents. For all years presented, outside of 2015 and 2024, the territory's nominal GDP posted growth, which also weighed on the annual ratios. In 2024 the ratio became negative (as it has in most Canadian jurisdictions) and currently represents the portion of GDP that is required to return the Government to a positive net financial asset position.

Assessment of Fiscal Health

Sustainability (continued)

Net Financial Assets (Debt) per Capita*

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



* Forecast 2024 population

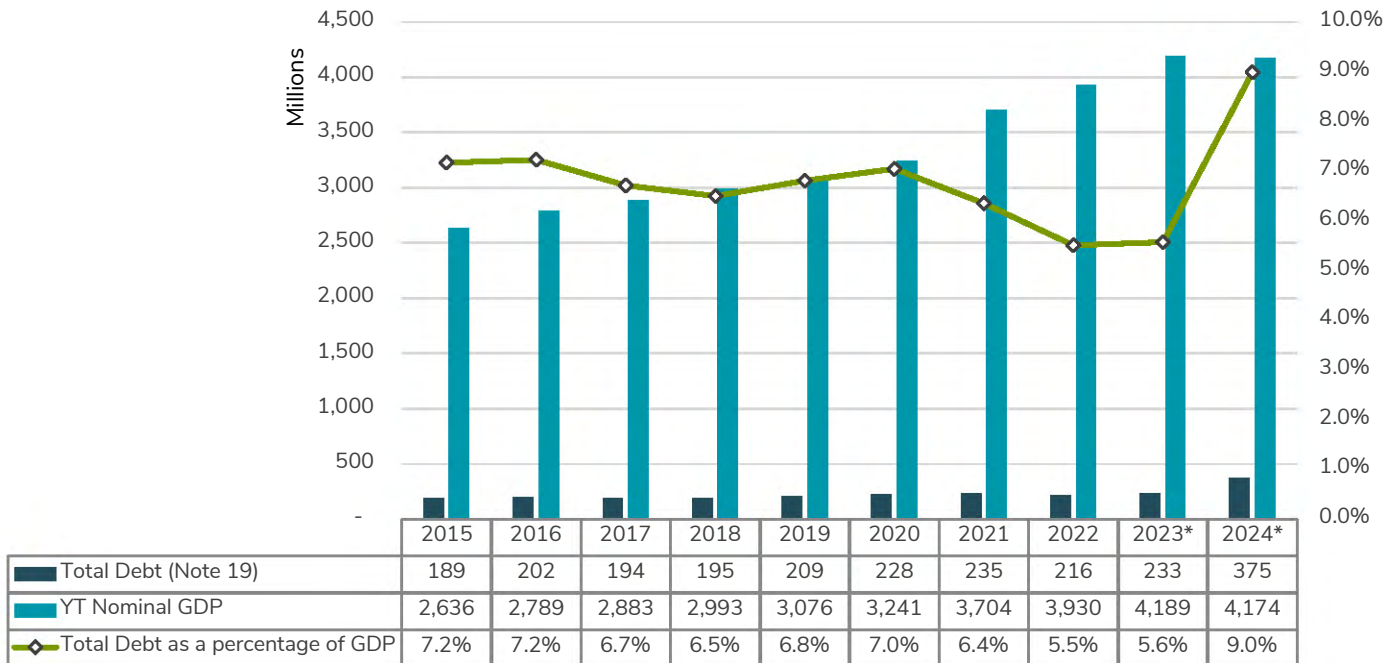
** 2022 restated due to adoption of PS 3280

The downward trend of the ratio indicates that the Government's net financial assets (debt) per capita is decreasing as the population continues to grow (refer to "Population and Unemployment Rate" chart).

Total Debt as a percentage of Nominal GDP

The Government's Total Debt¹-to-GDP ratio shows the relationship between the amount of money the Government has borrowed and the performance of the economy. The borrowing limit, as outlined in Note 19 to the Consolidated Financial Statements, and as defined under the Yukon Borrowing Limits Regulations, includes debt of all entities of the Government. If the ratio is declining, growth in the economy is exceeding increase in Total Debt, resulting in improved sustainability. Equally, an increasing Total Debt-to-GDP ratio indicates that Total Debt is rising faster than growth in the economy which could impact the Yukon's financial sustainability.

¹ Total Debt is defined as value of borrowings under the Yukon Borrowing Limits Regulations



* Estimate Nominal GDP: 2023 - \$4,189 million; Forecast Nominal GDP 2024 - \$4,174 million based on Interim Fiscal Economic Outlook Update (October 2024)

On March 31, 2024, as per Note 19 to the Consolidated Financial Statements, the Government has total debt of \$375.0 million (2023 - \$233.5 million) which is 46.9% (2023 - 29.2%) of the limit allowed.

Between 2015 and 2021, the Government maintained a Total Debt to GDP ratio of 6.5% to 7.2% which then averaged 5.5% in 2022 and 2023. In 2024, the Nominal GDP forecast shows a marginal downward adjustment compared to 2023 with a Total Debt to GDP ratio of 9% indicating that the Total Debt has grown at a slightly faster rate than the economy.

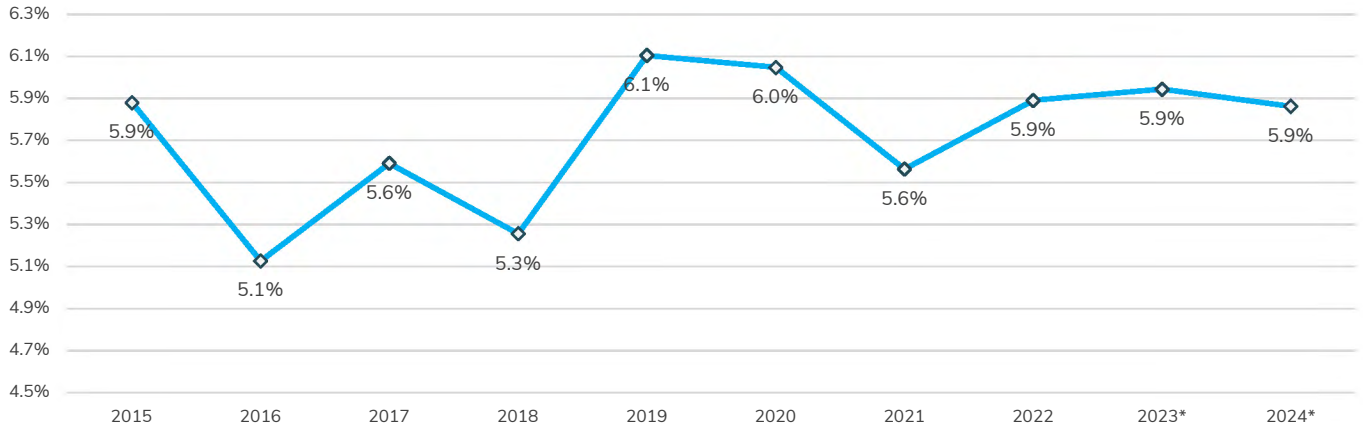
Assessment of Fiscal Health

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's GDP.



* Estimate Nominal GDP: 2023 - \$4,189 million; Forecast Nominal GDP 2024 - \$4,174 million based on Interim Fiscal Economic Outlook Update (October 2024)

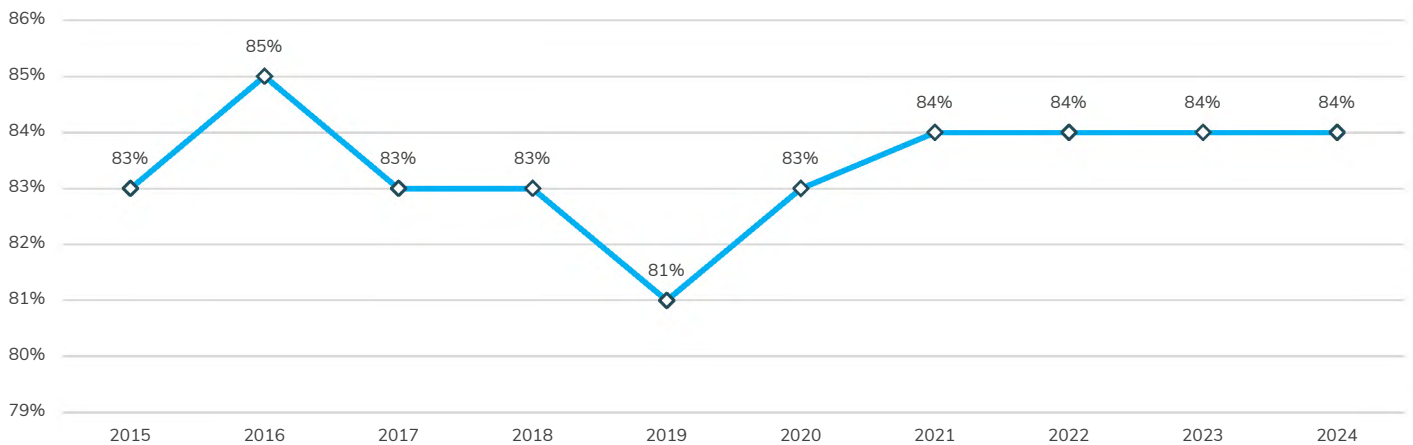
This ratio indicates to what extent the Government is taking economic resources out of the territory's economy through user fees or taxation. This ratio is relatively constant over time, indicating that the Government has not changed its demands on the economy. The ratio is also relatively low compared 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 2023-24, the Government again received 84% of its revenue from the Government of Canada within the range of 81% to 85% seen 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, history has shown these transfers to be a relatively stable source of revenue from the Government of Canada.

Indicators of Financial and Economic Conditions

Since 2017, the Department of Finance has produced two publications per year that discuss the Yukon's recent fiscal and economic performance, as well as expectations for the territory's finances and economy for the medium-term. The Fiscal and Economic Outlook is introduced in the spring during the legislative sitting and an interim update is published in the fall. For the most recent discussion of the Yukon's economy and government finances refer to the 2024-25 Interim Fiscal and Economic Update (<https://yukon.ca/en/2024-25-interim-fiscal-and-economic-update>).

Credit Ratings - July 2024*

Jurisdiction	Rating Agency ¹ Standard & Poor's (S&P)	
	2024	2023
Yukon	AA	AA
British Columbia	AA(neg)	AA(neg)
Alberta	AA-	A+
Saskatchewan	AA	AA
Manitoba	A+	A+
Ontario	A+(pos)	A+(pos)
Quebec	AA-	AA-
New Brunswick	A+	A+
Nova Scotia	AA-	AA-
Prince Edward Island	A	A
Newfoundland & Labrador	A	A
Canada	AAA	AAA

*Ratings reflect the latest credit ratings as per Government of Nova Scotia Public Accounts 2023-24

¹ The rating agencies assign letter ratings to borrowers. The major A bracket categories, in descending order of credit quality, are: AAA, AA, A. The "-" and "+" modifiers show relative standing within the major categories with (pos)/(neg) representing a positive/negative outlook or trend. For example AAA exceeds AA and AA exceeds AA-. (Source: Saskatchewan Public Accounts 2023-24)

On July 17, 2024, S&P Global Ratings affirmed its 'AA' long-term issue credit rating for the Yukon. In its summary, the rating agency states that "an extremely predictable and supportive institutional framework, along with strong direct support from the federal government, continues to underpin Yukon's credit profile." The rating agency highlighted that the "economy continues to be exposed to volatility in the mining sector, although healthy population growth and a strong tourism sector will help support growth in the next several years."

Population and Unemployment Rate (Calendar Year)

In 2023, the Yukon's total population reached 45,169 and forecasted to reach 49,700 by 2028.

Yukon's unemployment rate (UR) averaged 3.6% in 2023 which was below the national average of 5.4%. As noted in the chart below, since 2014, Yukon's unemployment rate has consistently been below the Canadian average.

Population and Unemployment Rate



Source: Statistics Canada, Interim FEO Update (October 2024)

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.

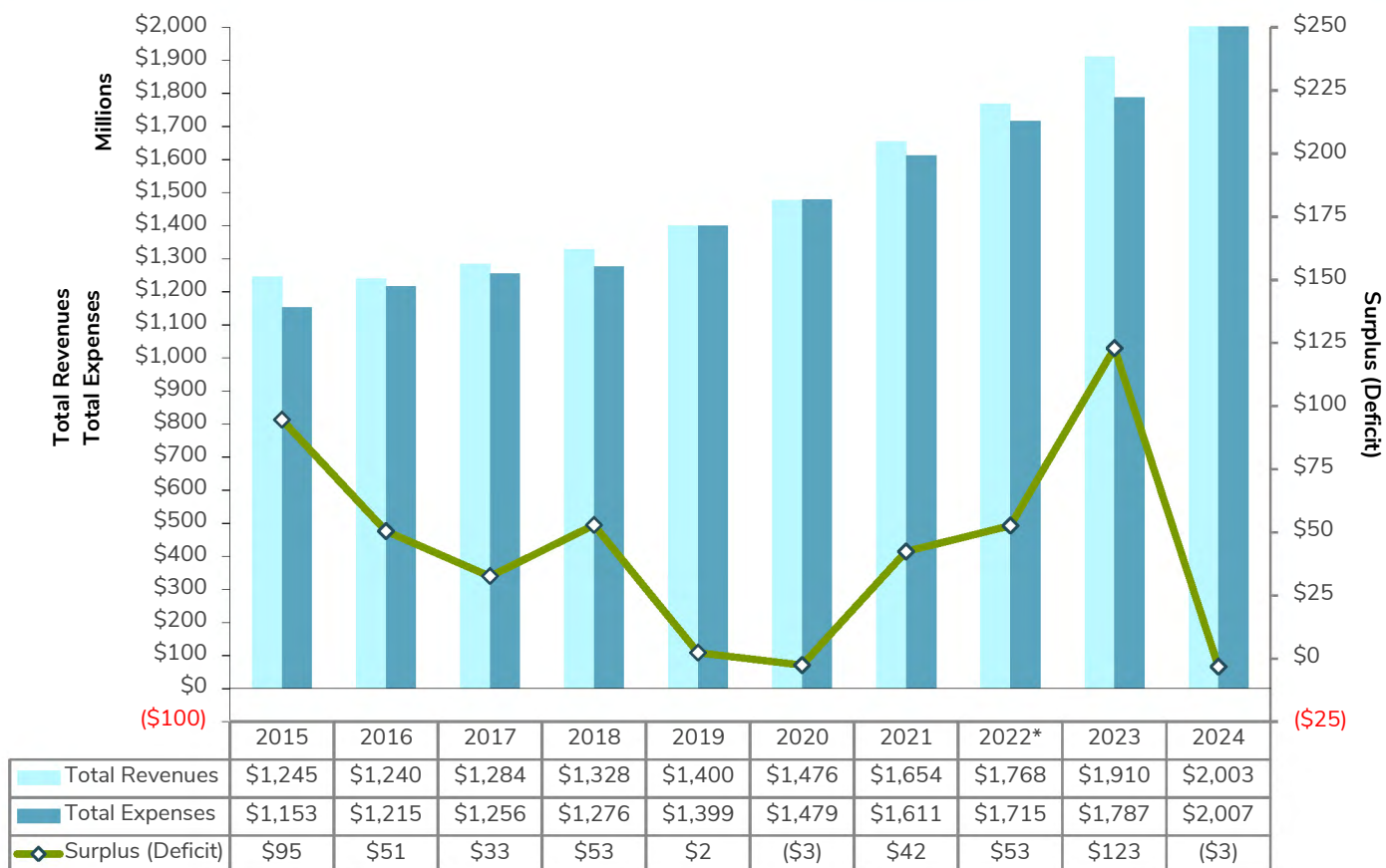
The deficit of \$3.2 million for the year was a decrease of \$126.1 million from the previous year's surplus of \$122.9 million and \$83.2 million lower than the budgeted surplus of \$80.0 million. Revenues increased by \$93.3 million from the previous year's actual and were \$58.2 million higher than budgeted. Expenses (net of prior years' expense recoveries) of \$2.007 billion for the year were higher than the initially budgeted amount of \$1.865 billion.

Major revenue variances between the current and prior year include a \$30.9 million (90.0%) increase in funding and service agreements with other parties, and a \$78.0 million (6.6%) increase in the formula financing grants. These were offset somewhat by less revenue in the following areas: income from contribution and service agreements from Government of Canada decreased \$21.1 million (6.7%), income from investment in GBEs decreased \$3.8 million (24.0%) and taxes and general revenues decreased by \$4.3 million (1.7%) from the previous year.

Expenses (net of prior years' expense recoveries) increased year-over-year by \$219.4 million (12.3%) with expenditures for natural resources contributing \$120.3 million (84.5%) increase, education contributing \$30.0 million (13.5%) increase, health and social services contributing \$75.9 million (13.1%) increase and justice contributing \$9.8 million (10%) increase.

The chart below illustrates the trend between revenues and expenses over the last decade.

Revenues and expenses



* 2022 restated due to adoption of PS 3280

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. During fiscal 2019-20, the first amounts were received from the Government of Canada and shortly thereafter rebates began to be distributed. There were originally four main eligible groups: businesses, individuals, municipal governments and Yukon First Nation governments. In 2022-23, mining businesses were added as the fifth group.

The following is a summary of each year's activity and the status of the revolving fund as of March 31, 2024.

Revolving Fund Balance						
(thousands of dollars)	Cumulative to					
	March 31, 2024	2023-24	2022-23	2021-22	2020-21	2019-20
Opening Liability	-	24,945	18,885	6,919	2,783	-
Carbon amounts received from the Government of Canada						
Business Allocation	42,622	11,035	11,687	11,470	6,210	2,220
Mining Business Allocation	4,425	3,678	747	-	-	-
Individuals Allocation	42,742	13,794	11,389	10,121	5,479	1,959
Municipal Governments Allocation	3,034	1,073	790	675	365	131
First Nations Governments Allocation	2,158	1,073	695	224	122	44
Subtotals	94,981	30,653	25,308	22,490	12,176	4,354
Rebates distributed to eligible groups						
Business	34,363	23,294	6,968	3,003	980	118
Mining Business Allocation	-	-	-	-	-	-
Individuals	39,685	14,042	10,742	6,791	6,628	1,482
Remote Supplement	738	249	207	152	130	-
Accrued due to timing cutoff	(66)	8	(39)	(11)	49	(73)
Individuals	40,357	14,299	10,910	6,932	6,807	1,409
Municipal Governments	1,961	790	675	365	131	-
First Nations Governments	2,158	1,073	695	224	122	44
Subtotals	78,839	39,456	19,248	10,524	8,040	1,571
Closing Liability	16,142	16,142	24,945	18,885	6,919	2,783
Liability by eligible group						
Business Allocation	8,259 *	(12,259)	4,719	8,467	5,230	2,102
Mining Business Allocation	4,425 **	3,678	747	-	-	-
Individuals Allocation	2,385	(505)	479	3,189	(1,328)	550
Municipal Governments Allocation	1,073	283	115	310	234	131
First Nations Governments Allocation	-	-	-	-	-	-
Annual Net Activity		(8,803)	6,060	11,966	4,136	2,783
Total Liability	16,142					

* Government estimates \$11,600,000 of this amount has been claimed but has not been confirmed by the Canada Revenue Agency (CRA).

** Government estimates \$4,200,000 of this amount has been claimed but has not been confirmed by CRA.

Details

Revenues

In 2023-24, the Government’s total revenues increased compared to the previous year by \$93.3 million (4.9%) to \$2.003 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 2023-24, the Government received \$1,252.1 million from the formula financing grant, an increase of \$78.0 million (6.6%) from the previous year. The Canada Health Transfer was \$57.6 million, and the Canada Social Transfer was \$18.4 million. These transfers increased from the previous year by a total of \$4.6 million (6.5%). The Government received \$30.7 million of carbon levies, \$15.0 million for affordable housing in the North and \$13.6 million from Public Safety 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 decreased from the previous year by \$21.1 million (6.7%).

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 decreased from the previous year by \$4.3 million (1.7%) to \$245.0 million. This was largely due to a \$7.7 million increase in sale of land, \$4.2 million increase in licenses, permits and fees and 3.4 million increase in investment and interest revenue offset by a \$26.1 million decrease in corporate income tax. The reduction in corporate income tax revenue is due to estimated corporate taxable income being lower than forecasted. Corporate taxable income is generally volatile and difficult to predict as it depends on economic trends, industry performance, corporate profits and when corporations file their taxes.

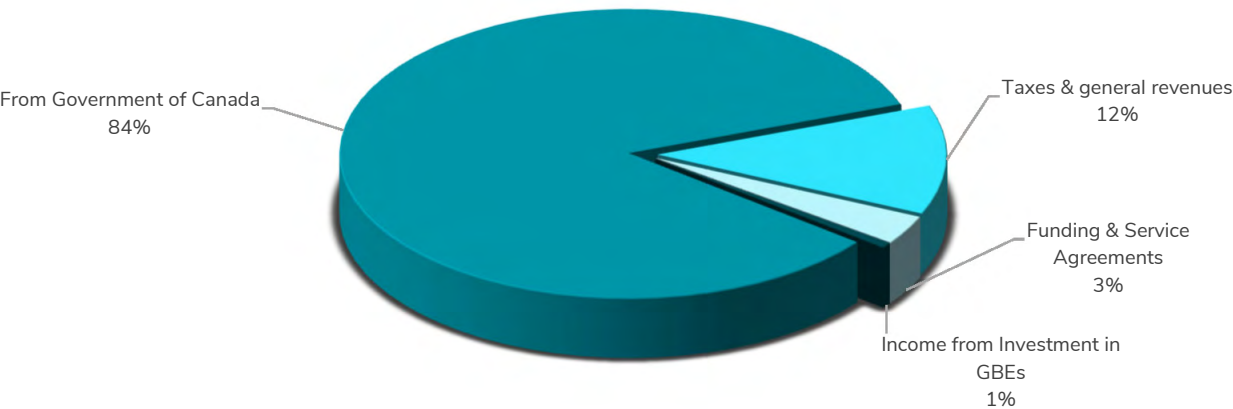
Funding and service agreements with other parties increased from the previous year by \$30.9 million (90.0%) to \$65.3 million. This was largely due to recoveries of \$23.8 million for reclamation work relating to Minto mine.

The income from investment in government business enterprises reported as revenue in the Consolidated 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 \$8.4 million while the income from YDC was \$3.6 million.

Revenues were higher than budgeted by \$58.2 million. This was primarily due to higher revenues from funding and service agreements with other parties and revenues from the Government of Canada, offset by lower revenues from sale of land, resource revenue, taxes and general revenues and income from investment in GBEs.

In 2023-24, the composition between different types of revenue remained consistent with previous years.

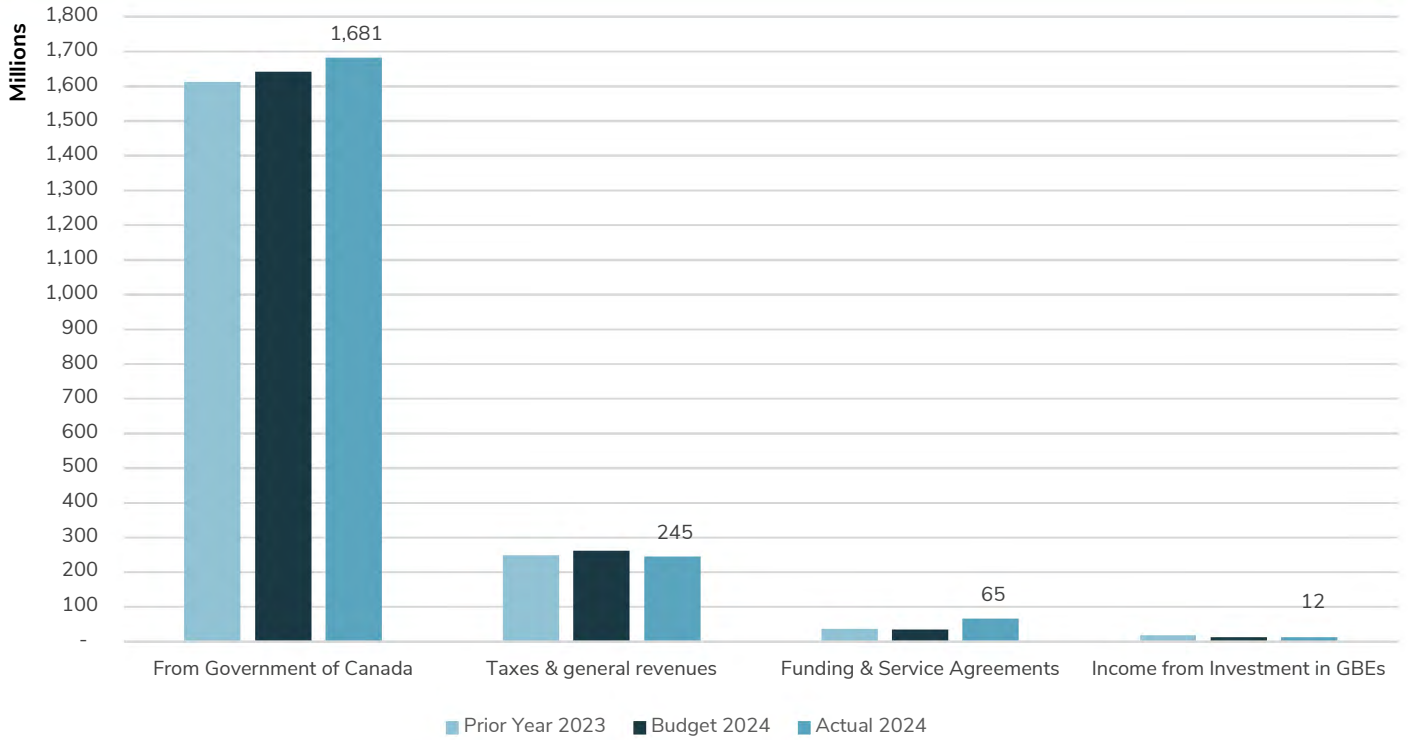
Revenue by source percentages



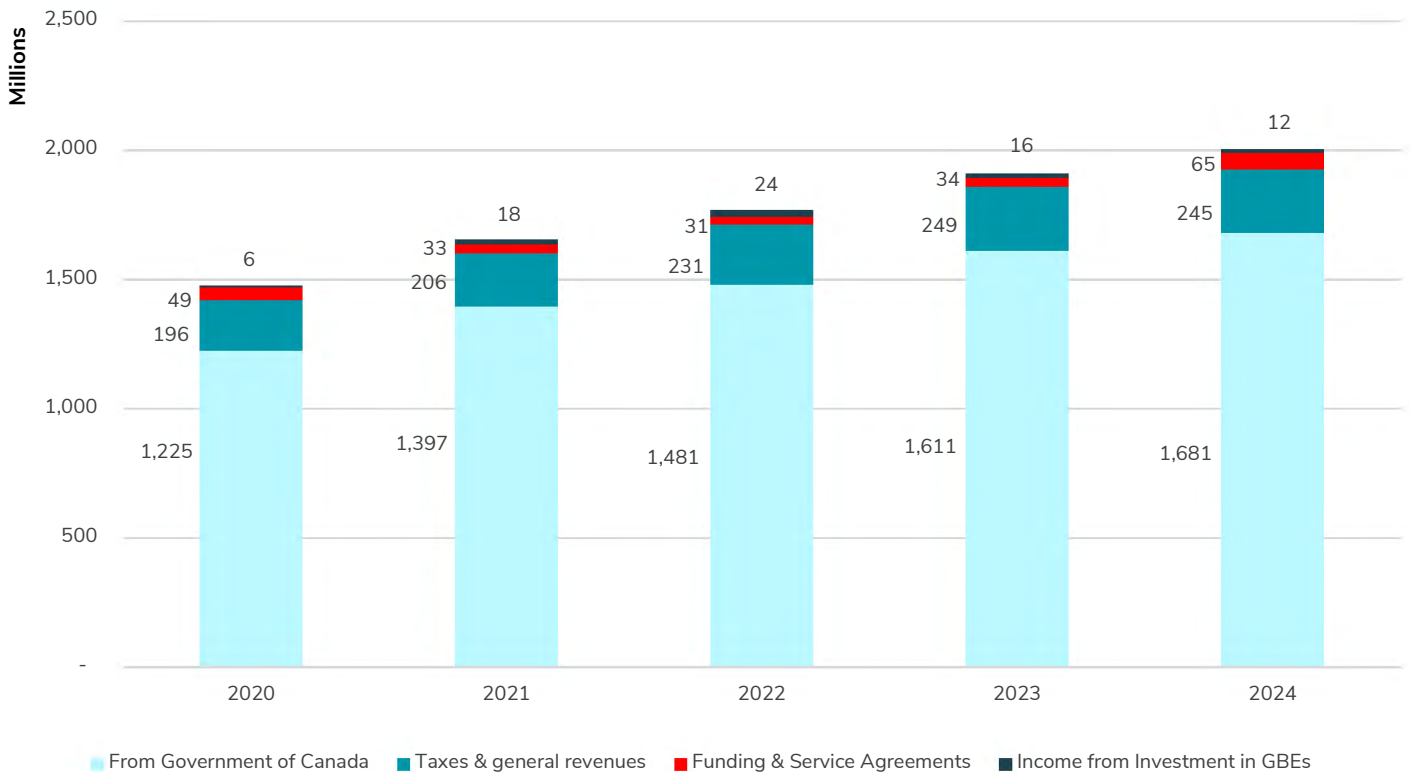
Details

Revenues continued

Revenue by source - comparison to budget and prior year



Revenue by source five year trend comparison

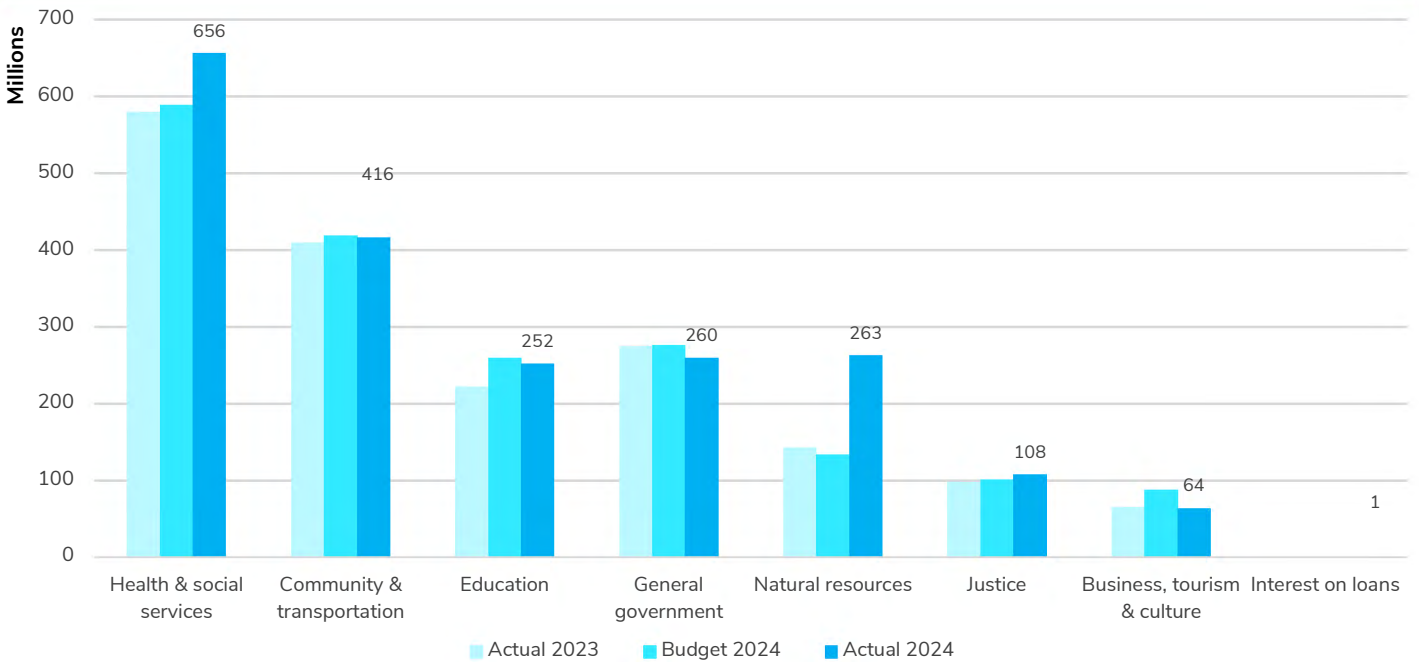


Details

Expenses

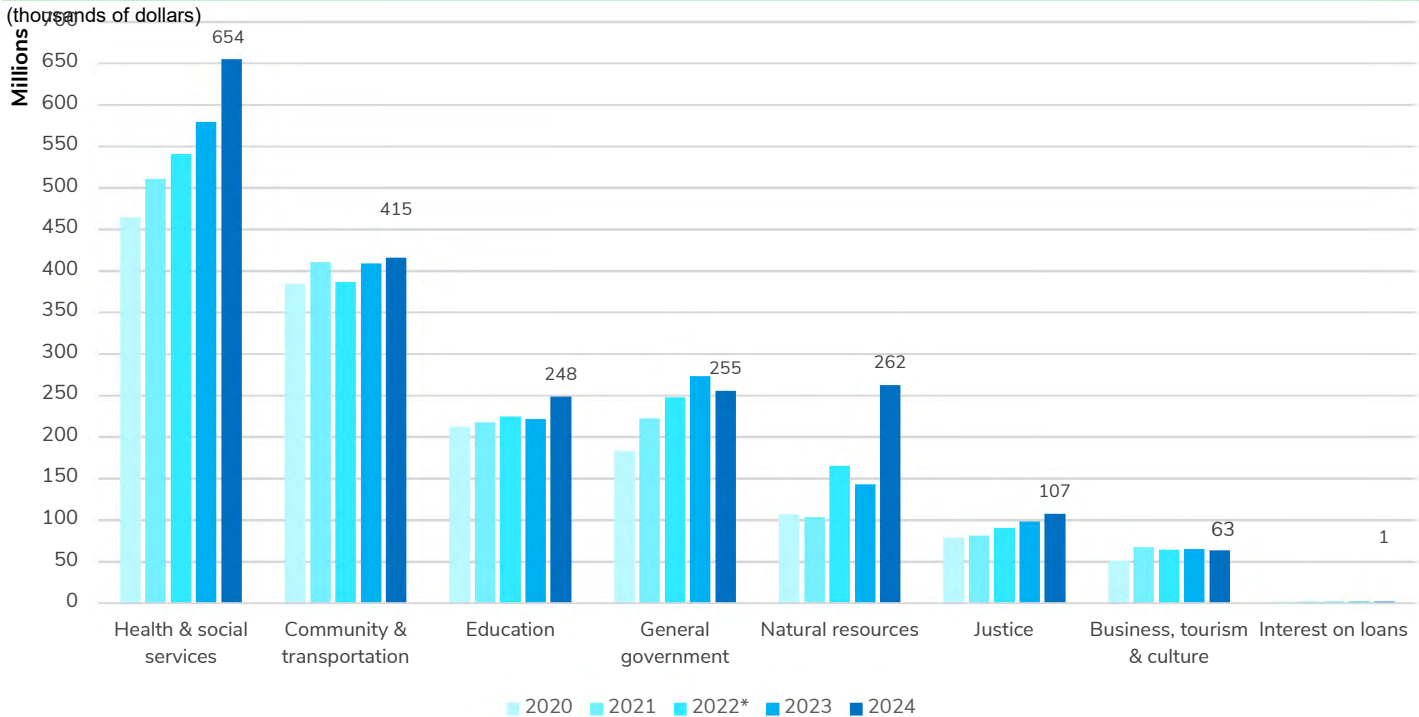
In 2023-24, the Government's expenses (net of prior years' expense recoveries) increased compared to previous year by \$219.4 million (12.3%) to \$2.007 billion.

Expenses by function comparison



Five functions had 2023-24 expenses that exceeded the previous year's expenses while three functions had reduction in their expenses. The largest increase was in the natural resources function, with an increase of \$120.3 million (84.5%), followed by a \$75.9 million (13.1%) increase in health and social services, a \$30.0 million (13.5%) increase in education, a \$9.8 million (10.0%) increase in justice and a \$6.4 million (1.6%) increase in community and transportation. General government decreased by \$14.5 million (5.3%) while business, tourism and culture decreased by \$1.0 million (1.6%) and interest on loans decreased marginally by \$0.01 million (1.0%). The interest costs for the corporate line of credit (\$2.2 million) is not reflected in the interest on loans but is included in the general government expenses.

Expenses by function five year trend comparison

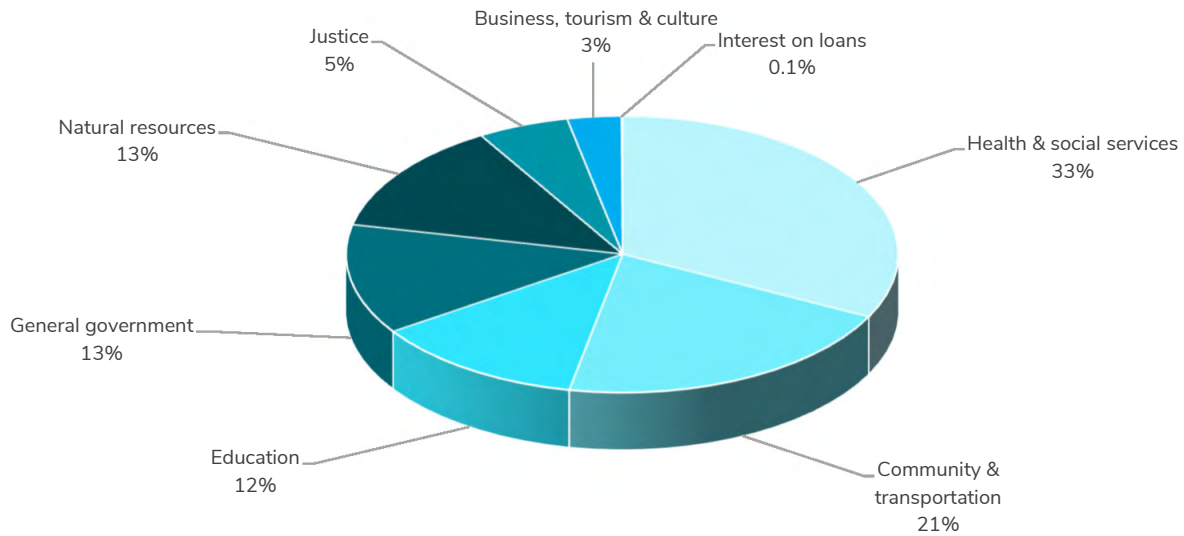


* 2022 restated due to adoption of PS 3280

Details

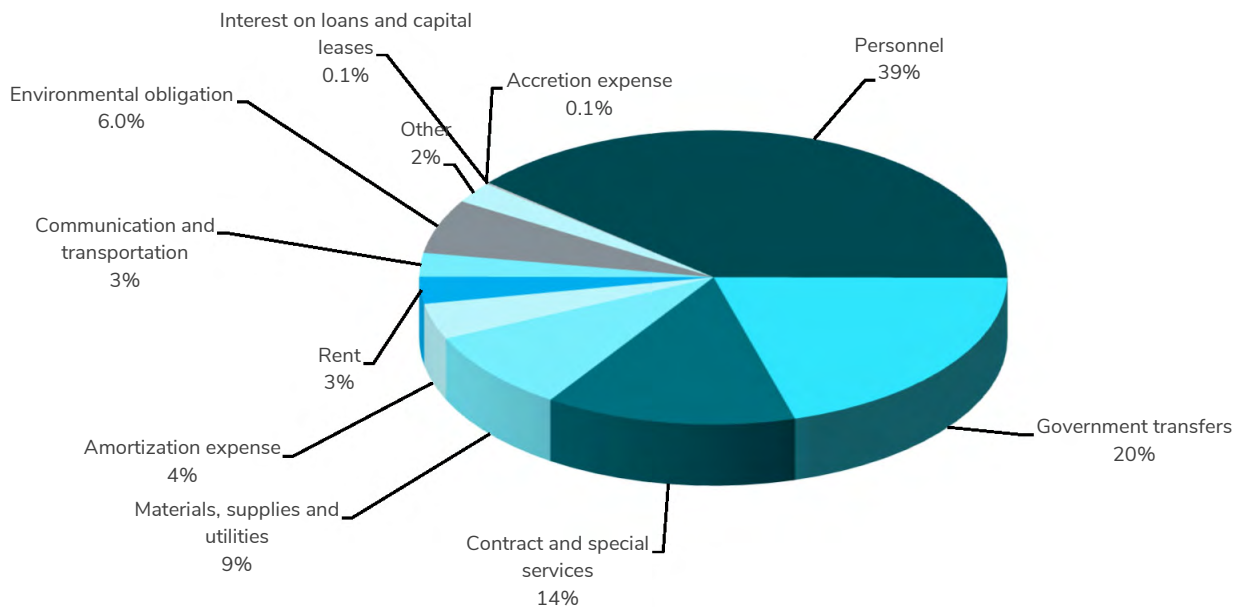
Expenses continued

Expense by function percentages



In 2023-24, 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 followed by general government, natural resources and education representing the next highest level of spending. Justice and business, tourism and culture retain their positions in the lower areas of expenses. Interest on loans remains at a nominal value.

Expenses¹ by object percentages



As for the type of expenses (as detailed in Note 22 to the Consolidated Financial Statements), the highest increases from the 2022-23 expenses were environmental obligations of \$110.8 million (1160%), followed by \$42.8 million (5.8%) for personnel costs due to new collective agreement, \$29.6 million (172.3%) for other non-cash expenses due to municipal landfill and land inventory adjustments, \$19.3 million (12.1%) for materials, supplies and utilities, \$11.8 million (2.9%) for Government transfers and \$6.4 million (8.8%) for amortization expense. Increase in environmental obligations primarily consist of estimated remediation cost of \$94.9 for Minto mine and increase of \$13.2 million for the Whitehorse grader station.

¹ Includes recoveries of prior years' expenses

Details

Net Financial Assets (Debt) and Accumulated Surplus

At March 31, 2024, the Government's financial liabilities exceeded its assets, resulting in net financial debt of \$196.1 million (\$10.7 million net financial assets as at March 31, 2023).

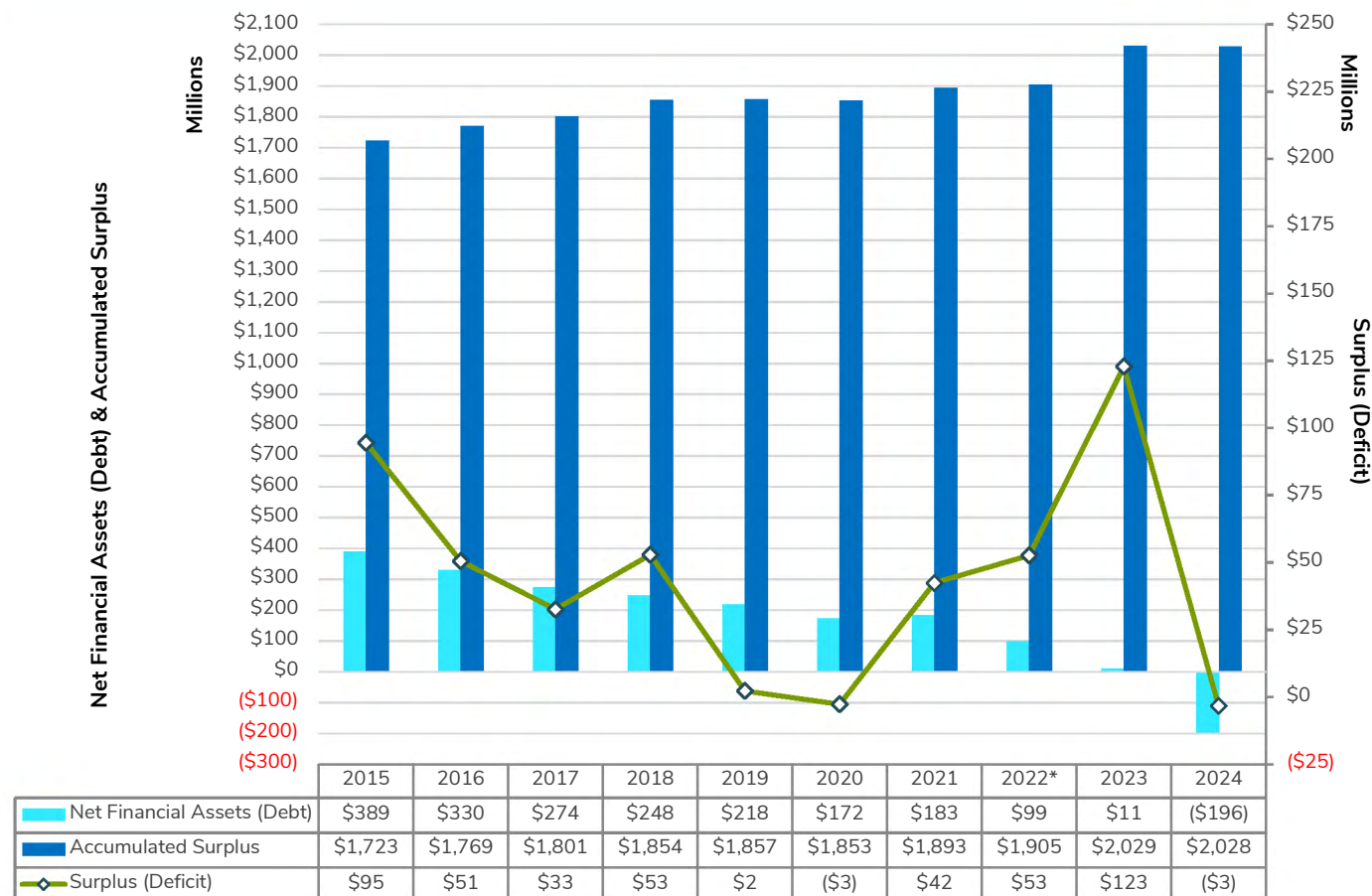
The Government's net financial assets decreased by \$206.8 million in 2023-24. The change was due to the increase of \$188.7 million in liabilities and decrease in assets of \$18.1 million.

The largest changes in financial assets were decreases of \$40.3 million in cash and cash equivalents and \$23.7 million in due from Government of Canada with an offsetting of increases in accounts receivable of \$20.6 million, retirement benefit assets of \$10.7 million, inventories for resale of \$7.1 million, and \$3.7 million in investment in government business enterprises.

The Government's liabilities increase was largely due to the increase \$105.0 million in bank advances and short-term borrowings, \$97.5 million in environmental liabilities and \$25.3 million in unearned revenues offset by decrease of \$25.4 million in accounts payable and accrued liabilities and \$9.1 million in asset retirement obligation liabilities.

Accumulated surplus can be calculated as net financial debt plus non-financial assets such as tangible capital assets. The accumulated surplus of the Government at March 31, 2024 was \$2.028 billion (\$2.029 billion at March 31, 2023). The \$206.8 million decrease in net financial assets and the \$205.2 million increase in non-financial assets resulted in the \$1.6 million decrease in accumulated surplus.

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



* 2022 restated due to adoption of PS 3280

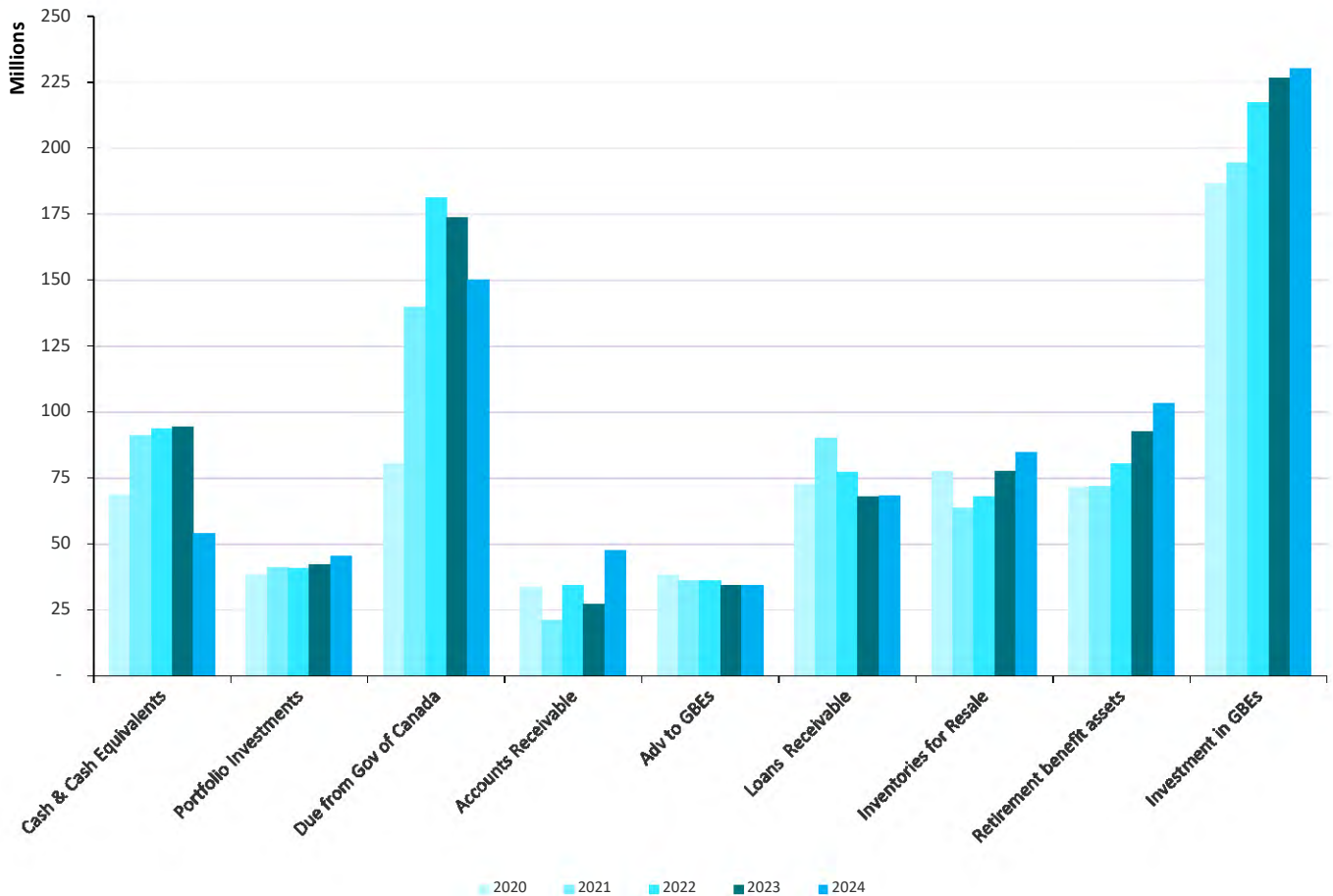
Details

Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to fund future activities. At March 31, 2024, the value of total financial assets was \$818.5 million, which is a decrease of \$18.1 million from the previous year. Within financial assets, accounts receivable increased by \$20.6 million from the previous year while retirement benefit assets increased by \$10.7 million, inventories for resale increased by \$7.1 million and investments in government business enterprises increased by \$3.7 million, while cash and cash equivalents decreased by \$40.3 million, and due from Government of Canada decreased by \$23.7 million.

In 2023-24, cash and cash equivalents accounted for \$54.1 million, or 6.7% of the total financial assets compared with 2022-23 when they accounted for \$94.4 million or 11.3%.

Financial Assets by type



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, 2024, the Government held \$54.1 million in cash and cash equivalents, which is a decrease of \$40.3 million from the previous year.

Due from Government of Canada

At March 31, 2024, the Government had receivables from the Government of Canada in the amount of \$150.1 million, most of which were outstanding claims on cost-sharing agreements and projects delivered on behalf of the federal government. This was a decrease of \$23.7 million from the prior year.

Accounts receivable

Accounts receivable increased to \$47.7 million at March 31, 2024 from \$27.1 million at March 31, 2023.

Portfolio investments

Portfolio investments are reported at fair value as per PS 3041. Portfolio investments may include GICs, term deposits, floating rate notes and funds that include bonds and equities.

As at March 31, 2024, the Government held \$45.5 million in portfolio investments compared to \$42.3 million in the previous year.

As of March 31, 2024, \$38.7 million of the portfolio investments were specifically designated (\$36.2 million at March 31, 2023) 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, 2024, the Government has an outstanding balance of \$34.2 million (\$34.2 million at March 31, 2023) on advances made to the government business enterprises.

Loans receivable

The Government has loans receivable of \$68.5 million, of which \$28.7 million, or 41.8%, were Yukon Housing Corporation mortgages receivable, followed by \$23.1 million, or 33.7%, in land sale related loans receivable that are also administered by the Yukon Housing Corporation.

Inventories for resale

Inventories for resale totaled \$84.8 million as of March 31, 2024. This was an increase of \$7.1 million (9.2%) from the previous year. The inventories largely consist of lots being developed by the Government for sale to the public.

Retirement benefit assets

Retirement benefit assets totaling \$103.4 million at March 31, 2024 (\$92.7 million at March 31, 2023) 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)

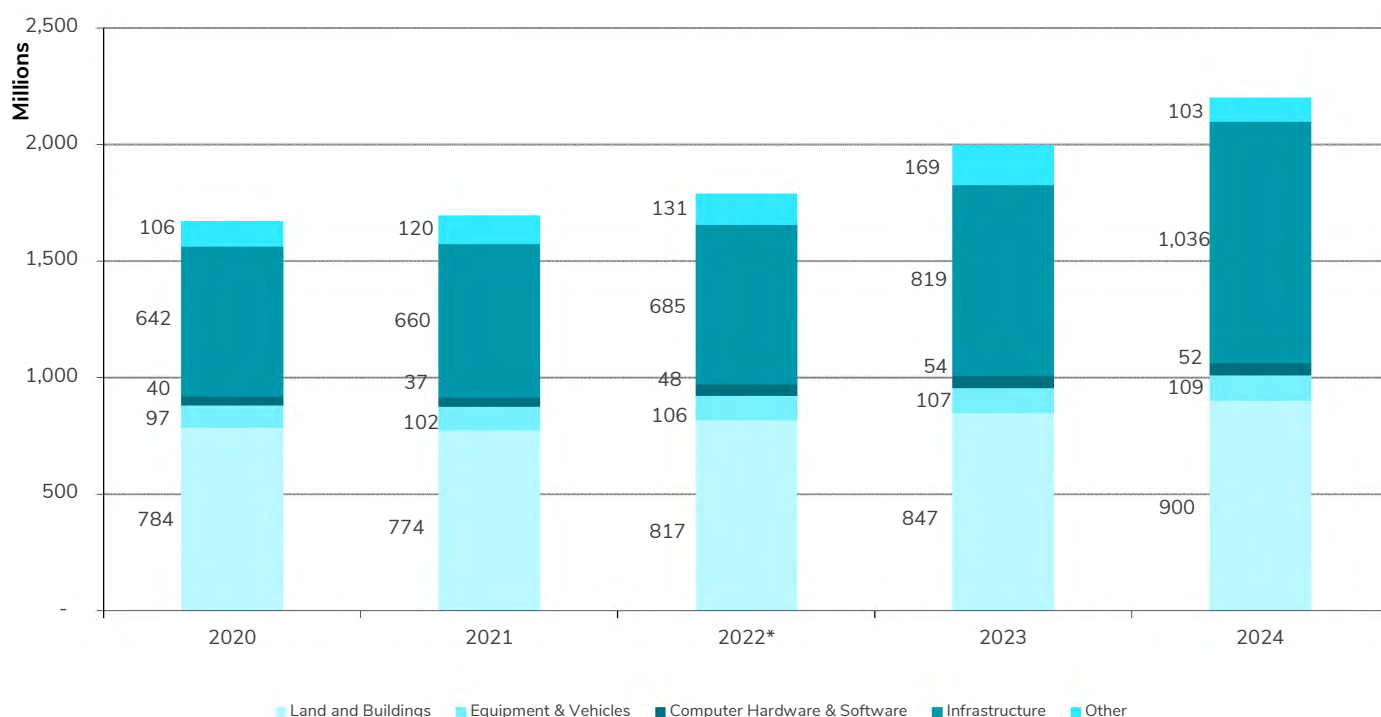
Investment in government business enterprises

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 \$228.0 million at March 31, 2024 (2023 - \$224.4 million), and YLC had equity of \$2.2 million at March 31, 2024 (2023 - \$2.1 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



* 2022 restated due to adoption of PS 3280

In 2023-24, the Government made the following investment in tangible capital assets:

Opening balance at April 1, 2023	\$ 1,996 million
Net additions during the year	284 million
Less: Amortization and other adjustments	(80) million
Balance at March 31, 2024	<u>\$ 2,200 million</u>

The Government's capital investment was largely spent on infrastructure, buildings, communications technology, computer hardware and software and equipment and vehicles. For detailed information refer to "Investment in Tangible Capital Assets" under Highlights section.

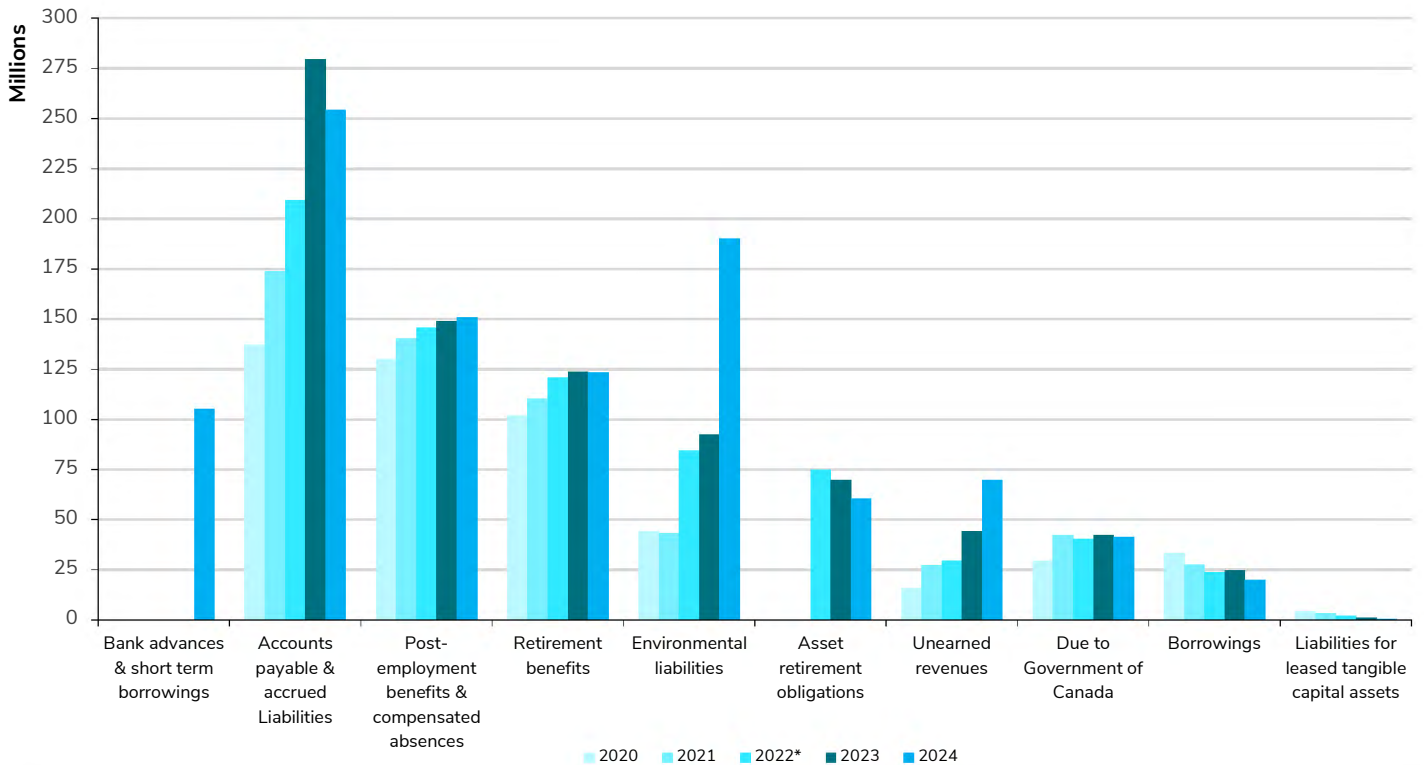
In accordance with the recommendations of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the value of transferred Crown land is not reported as a tangible capital asset.

Details

Liabilities

At March 31, 2024, the liabilities of the Government totaled \$1.015 billion (\$825.9 million at March 31, 2023), which is equivalent to 125.8% of the financial assets of the Government. A five-year comparison of the Government's liabilities by category is illustrated below:

Liabilities



(Note: In 2022-23 the Government adopted PS 3280 Asset retirement obligations which introduced a new estimated liability.)

* 2022 restated due to adoption of PS 3280

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

Bank advances and short-term borrowings

New for 2023-24, the Government entered into a short-term credit arrangement using line of credit amounting to \$194.1 million, which was offset against bank balance of \$89.0 million for reporting purposes in the Consolidated Statement of Financial Position. The line of credit used is repayable immediately on demand and can be terminated in whole or in part at any time.

Due to Government of Canada

Amounts due to the Government of Canada at March 31, 2024 were \$41.3 million (\$42.2 million at March 31, 2023). 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 2024.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are amounts that are generally paid within a year. The balance of \$254.2 million at March 31, 2024 is a decrease of 9.1% from the previous year's balance of \$279.5 million.

Included in this total is the outstanding balance of the Carbon Price Rebate liability of \$16.1 million (2023 - \$24.9 million).

Details

Liabilities (continued)

Environmental liabilities

At March 31, 2024, the Government has recorded \$189.9 million (\$92.5 million at March 31, 2023) 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, \$70.9 million (37.3%) is related to the Minto mine site, \$44.6 million (23.4%) is for the Wolverine site, \$20.6 million (10.8%) is for Wellgreen site, \$27.1 million (14.2%) is for highway maintenance camps and airports and \$9.1 million (4.7%) is for other storage tanks and buildings.

Asset retirement obligations

At March 31, 2024, the Government has recorded \$60.3 million (\$69.4 million at March 31, 2023) as a liability for the estimated costs related to retirement activities that the Government is legally obligated to perform upon the retirement of certain tangible capital assets. Of the liabilities, \$41.5 million (68.7%) is related to the abatement of asbestos and other hazardous materials, \$15.9 million (26.3%) is related to the closure and post-closure costs for the landfills operated by the Government, \$2.3 million (3.8%) is related to the proper removal of fuel tanks and \$0.6 million (0.9%) relates to the remediation of forestry access roads.

Unearned revenues

Unearned revenues of \$69.4 million reported as of March 31, 2024 (\$44.2 million at March 31, 2023) 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, 2024 were \$150.9 million (\$148.9 million at March 31, 2023).

Retirement benefits liabilities

Retirement benefits liabilities totaled \$123.3 million at March 31, 2024 (\$123.7 million at March 31, 2023) 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 \$19.9 million reported as borrowings relates to the Yukon Hospital Corporation's demand term installment loans totaling \$18.8 million (\$23.6 million at March 31, 2023). These loans are financing the staff residence/medical service building in Whitehorse, renovations to an extended care facility in Whitehorse, and hospitals in Watson Lake and Dawson City. During 2023-24 the Yukon Hospital Corporation paid down the existing loans by \$4.8 million.

Mortgages and loans payable by the Yukon Housing Corporation (Housing) represent a further \$0.5 million (\$0.8 million at March 31, 2023) 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 19 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, capital lease obligations and credit facilities used. When all relevant items are taken into account the total debt is \$375.0 million at March 31, 2024 (\$233.5 million at March 31, 2023).

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

Risks and Mitigations

Government's Operating Environment

Like all jurisdictions, the Government's finances are subject to risks and uncertainties that arise from variables over which the government has limited or no direct control. Some of these risks and uncertainties include:

- Shifts in key considerations for economic performance such as, commodity prices, private sector investment, inflation, interest rates, population/demographics, and personal income;
- Changes in revenue, especially taxation revenues, or changes in transfers expected from the federal government, which can contribute to actual revenue deviating from the budget estimates;
- Level of use of government services, particularly related to health care and social services;
- Unexpected health events, such as sudden and/or extreme outbreaks of disease;
- Occurrence and impact of natural disasters, like floods, wildfires, extreme weather events, or other events can impede the safe delivery of goods and services. Associated costs for cleanup and repair or replacement of infrastructure can also place financial burden on government finances;
- Geopolitical events causing repercussions on economic or fiscal parameters;
- Malicious behaviour (e.g., 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 and quantification of environmental liabilities and asset retirement obligations;
- Changes in pension liability due to changes in interest rates, actuarial assumptions of future events or asset market values; and
- Changes in existing accounting standards and adoption of new accounting standards.

Transfers from the federal government historically comprise more than 80 per cent of the Government's annual revenue and are generally stable from year-to-year. These transfers provide the Government a solid, stable foundation for its overall revenues, but, the Government's fiscal health nevertheless relies on revenue that is tied to economic activity. As this activity can be volatile in an economy that can be impacted greatly by activity in the mining industry, the government takes a cautious and prudent approach to revenue forecasting and fiscal planning. Commodity prices and mining exploration and development plans are 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.

The fiscal impact of changes in the underlying economic assumptions are estimated on a regular basis. By understanding the scope of inherent risks in the fiscal projections, the Government is better equipped to make sound financial decisions.

On the expense side, the Government closely monitors the spending of all departments and the resulting effect on the fiscal plan. This allows for any necessary supplementary estimates to be prepared, tabled and debated in the Legislative Assembly in order to address unanticipated spending or savings.

Changes to Canadian public sector accounting standards issued by the Public Sector Accounting Board can have an impact on the Government's budgets, estimates and actual results; and on how they are presented in the Public Accounts. The Office of the Comptroller reviews proposed changes and provides input to assist the development of processes that reflect sound policy decision-making, transparency and accountability.