


2021-2022

PUBLIC ACCOUNTS

SECTION I: CONSOLIDATED FINANCIAL STATEMENTS

Government of
Northwest Territories

PUBLIC ACCOUNTS

OF THE

GOVERNMENT OF THE NORTHWEST TERRITORIES

FOR THE YEAR ENDED MARCH 31, 2022

SECTION I

CONSOLIDATED FINANCIAL STATEMENTS

HONOURABLE CAROLINE WAWZONEK

Minister of Finance

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Government of
Northwest Territories

November 15, 2022

THE HONOURABLE MARGARET M. THOM
COMMISSIONER OF THE NORTHWEST TERRITORIES

I have the honour to present the Public Accounts of the Northwest Territories in accordance with Sections 37 through 43 of the *Northwest Territories Act (Canada)*, S.C. 2014, c.2, s.2, and Sections 34 and 35 of the *Financial Administration Act,* S.N.W.T. 2015, c.13, for the fiscal year ended March 31, 2022.

Caroline Wawzonek
Minister of Finance

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Table of Contents

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Government of Northwest Territories
Gouvernement des Territoires du Nord-Ouest

November 15, 2022

RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those that are most appropriate. Where required, management's best estimates and judgement have been applied in the preparation of these consolidated financial statements.

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

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

Sincerely,

Julie Mujcin, CPA, CGA
Comptroller General

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Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Northwest Territories

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Government of the Northwest Territories and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Section I of the Public Accounts 2021–2022, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Government of the Northwest Territories and its controlled entities coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Northwest Territories Act* and regulations, the *Financial Administration Act* of the Northwest Territories and regulations, and the specific operating authorities disclosed in Note 1(a) to the consolidated financial statements.

In our opinion, the transactions of the Government of the Northwest Territories and its controlled entities that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Government of the Northwest Territories and its controlled entities' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Government of the Northwest Territories and its controlled entities to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Karen Hogan

Karen Hogan, FCPA
Auditor General of Canada

Ottawa, Canada
15 November 2022

Government of the Northwest Territories

Consolidated Statement of Financial Position

As at March 31, 2022 (thousands of dollars)

	2022 $	(Note 26) 2021 $
Financial assets		
Cash and cash equivalents *(note 3)*	216,016	115,820
Portfolio investments *(note 4)*	115,900	106,536
Due from the Government of Canada *(note 13)*	110,494	122,665
Accounts receivable *(note 6)*	119,793	113,857
Inventories for resale	37,358	39,590
Loans receivable *(note 7)*	72,187	80,323
Sinking fund (*note 8*)	500	78,099
Pension assets *(note 16)*	19,125	17,255
	691,373	**674,145**
Liabilities		
Short term loans *(note 9)*	365,922	324,873
Accounts payable and accrued liabilities (*note* 10)	372,024	344,052
Deferred revenue *(note 11)*	190,178	94,547
Environmental liabilities and asset retirement obligations *(note 12)*	99,164	76,737
Due to the Government of Canada *(note 13)*	106,984	149,089
Capital lease obligations (*note 14*)	15,950	16,355
Long-term debt *(note 14)*	553,316	560,976
Liabilities under public private partnerships *(note 15)*	270,510	353,050
Pension liabilities *(note 16)*	41,761	40,541
Other employee future benefits and compensated absences *(note 17)*	47,629	51,983
	2,063,438	**2,012,203**
Net debt	**(1,372,065)**	**(1,338,058)**
Non-financial assets		
Tangible capital assets *(schedule A)*	3,763,673	3,672,777
Inventories held for use	26,437	24,453
Prepaid expenses	14,827	11,676
	3,804,937	**3,708,906**
Accumulated surplus	**2,432,872**	**2,370,848**

Contractual obligations, rights, guarantees and contingencies *(notes 19 and 20)*

Approved by:

Caroline Wawzonek
Minister of Finance

Julie Mujcin, CPA, CGA
Comptroller General

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

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2022 (thousands of dollars)

	(Note 1(b)) 2022 Budget $	2022 Actual $	(Note 26) 2021 Actual $
Revenues			
Grant from the Government of Canada *(note 2(p))*	1,480,118	1,480,118	1,412,734
Transfer payments *(note 21)*	515,766	477,881	469,306
	1,995,884	**1,957,999**	**1,882,040**
Taxation, non-renewable resource and general revenues			
Corporate and personal income taxes *(note 21)*	94,602	158,312	103,331
Other taxes *(note 21)*	137,225	137,236	130,162
General *(note 21)*	127,549	96,638	66,636
Income from portfolio investments	815	5,145	4,867
Non-renewable resource revenue *(note 21)*	4,575	42,510	66,469
Sales	155,175	180,422	174,370
Recoveries	52,362	40,574	48,212
	572,303	**660,837**	**594,047**
Recoveries of prior years' expenses	3,000	15,876	23,375
	2,571,187	**2,634,712**	**2,499,462**
Expenses (schedule B) (*note* 22)			
Environment and Economic Development	183,625	191,480	184,057
Infrastructure	466,043	454,118	431,741
Education	435,186	422,947	400,070
Health and Social Services	679,726	708,793	683,256
Housing	108,309	106,838	97,406
Justice	134,396	141,300	131,087
General Government	446,220	522,688	460,241
Legislative Assembly and statutory offices	24,503	24,524	21,364
	2,478,008	**2,572,688**	**2,409,222**
Annual surplus	**93,179**	**62,024**	**90,240**
Accumulated surplus at beginning of year	2,370,848	2,370,848	2,280,608
Accumulated surplus at end of year	**2,464,027**	**2,432,872**	**2,370,848**

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

Consolidated Statement of Change in Net Debt

For the year ended March 31, 2022 (thousands of dollars)

	2022 Budget $	2022 Actual $	2021 Actual $
Net debt at beginning of year	(1,338,058)	(1,338,058)	(1,310,960)
Items affecting net debt:			
Annual surplus	93,179	62,024	90,240
Acquisition of tangible capital assets *(schedule A)*	(475,978)	(260,694)	(270,420)
Amortization of tangible capital assets *(schedule A)*	168,749	165,190	160,399
Loss on disposal of tangible capital assets	3,078	4,064	1,982
Proceeds on disposal of tangible capital assets	10,199	544	609
	(200,773)	(28,872)	(17,190)
Consumption of inventories held for use	7,500	25,039	17,111
Purchase of inventories held for use	(7,500)	(27,023)	(24,523)
Change in prepaid expenses	-	(3,151)	(2,496)
	-	(5,135)	(9,908)
Change in net debt	(200,773)	(34,007)	(27,098)
Net debt at end of year	(1,538,831)	(1,372,065)	(1,338,058)

Government of the Northwest Territories

Consolidated Statement of Cash Flow

For the year ended March 31, 2022 (thousands of dollars)

	2022 $	(Note 26) 2021 $
Cash and cash equivalents provided by (used for)		
Operating transactions		
Annual surplus*	62,024	90,240
Items not affecting cash and cash equivalents:		
Change in valuation allowances	7,698	10,915
Loss on disposal of tangible capital assets	4,064	1,982
Amortization of tangible capital assets	165,190	160,399
Inflation adjustment on real return bonds	10,862	1,776
	249,838	265,312
Changes in non-cash assets and liabilities:		
Change in due to/from the Government of Canada	(29,934)	(21,412)
Change in accounts receivable	(11,648)	(13,049)
Change in inventories for resale	2,232	(4,041)
Change in accounts payable and accrued liabilities	17,108	18,416
Change in environmental liabilities and asset retirement obligations	22,465	1,583
Change in deferred revenue	95,631	29,373
Change in pension assets and liabilities	(650)	1,678
Change in other employee future benefits and compensated absences	(4,354)	(7,191)
Change in inventories held for use	(1,984)	(7,413)
Change in prepaid expenses	(3,151)	(2,496)
Cash and cash equivalents provided by operating transactions	**335,553**	**260,760**
Investing transactions		
Disposition of portfolio investments	27,106	69,576
Acquisition of portfolio investments	(36,470)	(65,740)
Loans receivable receipts	17,024	4,751
Loans receivable advanced	(10,874)	(15,332)
Sinking fund installments	(34,519)	(48,419)
Sinking fund withdrawals	112,118	-
Cash and cash equivalents provided by (used for) investing transactions	**74,385**	**(55,164)**
Capital transactions		
Acquisition of tangible capital assets	(213,934)	(192,828)
Proceeds of disposition of tangible capital assets	544	609
Cash and cash equivalents used for capital transactions	**(213,390)**	**(192,219)**
Financing transactions		
Net proceeds from short term loans	41,049	(145,365)
Repayment of capital lease obligations	(405)	(413)
Acquisition of long-term debt	-	177,474
Repayment of long-term debt	(18,522)	(9,042)
Repayment of liabilities under public private partnerships	(118,474)	(5,700)
Cash and cash equivalents provided by (used for) financing activities	**(96,352)**	**16,954**
Increase in cash and cash equivalents	**100,196**	**30,331**
Cash and cash equivalents at beginning of year	**115,820**	**85,489**
Cash and cash equivalents at end of year	**216,016**	**115,820**

*Total interest paid during the year $45,116 (2021 - $36,379).
Total interest received during the year $7,703 (2021 - $5,531).

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

1. AUTHORITY AND OPERATIONS

(a) Authority and reporting entity

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

The consolidated financial statements have been prepared in accordance with the *Northwest Territories Act* (Canada) and the *Financial Administration Act* of the Northwest Territories. The consolidated financial statements present summary information and serve as a means for the Government to show its accountability for the resources, obligations, and financial affairs for which it is responsible. The following lists the organizations comprising the Government reporting entity, which are fully consolidated in the financial statements, and their specific operating authority.

Education Act
- Beaufort-Delta Divisional Education Council
- Commission scolaire francophone Territoires du Nord-Ouest
- Dehcho Divisional Education Council
- Dettah District Education Authority
- N'dìlo District Education Authority
- Sahtu Divisional Education Council
- South Slave Divisional Education Council
- Yellowknife Public Denominational District Education Authority (Yellowknife Catholic Schools)
- Yellowknife District No.1 Education Authority

Aurora College Act
- Aurora College

Hospital Insurance and Health and Social Services Administration Act
- Hay River Health and Social Services Authority
- Northwest Territories Health and Social Services Authority

Tlicho Community Services Agency Act
- Tlicho Community Services Agency

Northwest Territories Business Development and Investment Corporation Act
- Northwest Territories Business Development and Investment Corporation

Northwest Territories Housing Corporation Act
- Northwest Territories Housing Corporation (Housing Northwest Territories)

Human Rights Act
- Northwest Territories Human Rights Commission

Northwest Territories Societies Act
- Arctic Energy Alliance

Status of Women Council Act
- Status of Women Council of the Northwest Territories

Northwest Territories Heritage Fund Act
- Northwest Territories Heritage Fund

Northwest Territories Waters Act
- Inuvialuit Water Board

Northwest Territories Hydro Corporation Act
- Northwest Territories Hydro Corporation (NT Hydro)

Northwest Territories Surface Rights Board Act
- Northwest Territories Surface Rights Board

1. AUTHORITY AND OPERATIONS (continued)

(a) Authority and reporting entity (continued)

All organizations included in the Government reporting entity have a March 31 fiscal year-end with the exception of Aurora College, Divisional Education Councils and District Education Authorities, which have a fiscal year-end of June 30. Transactions of these educational organizations that have occurred during the period to March 31, 2022, and that significantly affect the consolidation have been recorded. Revolving funds are incorporated directly into the Government's accounts while trust assets administered by the Government on behalf of other parties *(note 18)* are excluded from the Government reporting entity. Revolving Funds are segments of the Government that are engaged in commercial activities, with undefined and non-lapsing expense authority.

(b) Budget

Canadian public sector accounting standards require a comparison of the results of operations and changes in net financial assets (debt) for the year with those originally planned. The consolidated budget figures presented are the appropriations approved by the Legislative Assembly combined with the approved budgets for the consolidated entities, both adjusted to eliminate budgeted inter-entity revenues and expenses. They represent the Government's original consolidated fiscal plan for the year and do not reflect supplementary appropriations.

The following table reconciles the Government's consolidated budget for 2021-22 as tabled in the Legislative Assembly on December 1, 2022 to the budget figures presented in the Consolidated Statement of Operations and Accumulated Surplus.

March 31, 2022 (All figures in thousands of dollars)

1. AUTHORITY AND OPERATIONS (continued)

(b) Budget (continued)

	2022 Consolidated Budget as Tabled $	Projects on Behalf of Third Parties Adjustment[1] $	Carbon Tax Adjustment[2] $	2022 Consolidated Budget as Presented $
Revenues				
Grant from the Government of Canada	1,480,118	-	-	1,480,118
Transfer payments	439,936	75,830	-	515,766
	1,920,054	75,830	-	1,995,884
Taxation, non-renewable resource and general revenues				
Corporate and personal income taxes	94,602	-	-	94,602
Other taxes	156,025	-	(18,800)	137,225
General	126,457	1,092	-	127,549
Income from portfolio investments	815	-	-	815
Non-renewable resource revenue	4,575	-	-	4,575
Sales	155,175	-	-	155,175
Recoveries	40,650	11,712	-	52,362
	578,299	12,804	(18,800)	572,303
Recoveries of prior years' expenses	3,000	-	-	3,000
	2,501,353	88,634	(18,800)	2,571,187

[1] The Government undertakes projects for the Government of Canada, the Government of Nunavut and others. These recoveries and expenses were presented separately in the tabled Consolidated Budget Summary of Operations below the annual operating surplus. Within the consolidated statement of operations and accumulated surplus, the recoveries for projects on behalf of third parties are instead classified as transfer payments revenues, general revenues, or recoveries based on the nature of the project contract. Related expenses have been classified with the appropriate department's expenses.

[2] Gross basis accounting was used to budget revenue and offsetting expenses relating to rebates for heating fuel, diesel for generation and large emitters in the tabled Consolidated Budget. Within the consolidated statement of operations and accumulated surplus, these amounts are instead presented on a net basis to better reflect their nature.

March 31, 2022 (All figures in thousands of dollars)

1. AUTHORITY AND OPERATIONS (continued)

(b) Budget (continued)

	2022 Consolidated Budget as Tabled $	Projects on Behalf of Third Parties Adjustment[1] $	Carbon Tax Adjustment[2] $	Housing Northwest Territories Adjustment[3] $	2022 Consolidated Budget as Presented $
Expenses					
Environment and Economic Development	175,261	8,364	-	-	183,625
Infrastructure	455,544	10,499	-	-	466,043
Education	426,836	8,350	-	-	435,186
Health, Social Services and Housing	770,315	-	-	(770,315)	-
Health and Social Services	-	17,720	-	662,006	679,726
Housing	-	-	-	108,309	108,309
Justice	133,753	643	-	-	134,396
General Government	421,962	43,058	(18,800)	-	446,220
Legislative Assembly and statutory offices	24,503	-	-	-	24,503
	2,408,174	**88,634**	**(18,800)**	**-**	**2,478,008**
Annual operating surplus	**93,179**	**-**	**-**	**-**	**93,179**
Projects on behalf of third parties					
Expenses	(88,634)	88,634	-	-	-
Recoveries	88,634	(88,634)	-	-	-
Annual surplus	**93,179**	**-**	**-**	**-**	**93,179**

1 The Government undertakes projects for the Government of Canada, the Government of Nunavut and others. These recoveries and expenses were presented separately in the tabled Consolidated Budget Summary of Operations below the annual operating surplus. Within the consolidated statement of operations and accumulated surplus, the recoveries for projects on behalf of third parties are classified as transfer payments revenues, general revenues or recoveries based on the nature of the project contract. Related expenses have been classified with the appropriate department's expenses.

2 Gross basis accounting was used to budget revenue and offsetting expenses relating to rebates for heating fuel, diesel for generation and large emitters in the tabled Consolidated Budget. Within the consolidated statement of operations and accumulated surplus, these amounts are instead presented on a net basis to better reflect their nature.

3 A single line was used to present Health, Social Services and Housing expenses in the tabled Consolidated Budget. This line item has been disaggregated in order to present Health and Social Services expenses separately from Housing expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Measurement uncertainty

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses reported in the consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these consolidated statements, the Government believes the estimates and assumptions to be reasonable.

The provision for environmental liabilities is subject to a high degree of measurement uncertainty because the existence and extent of contamination, the responsibility for, and the timing and cost of remediation cannot be reliably estimated in all circumstances. The degree of measurement uncertainty resulting from the estimation of the provision cannot be reasonably determined.

(b) Cash and cash equivalents

Cash is comprised of cash on hand and bank account balances. Cash equivalents are comprised of short-term highly liquid investments that are readily convertible to cash with a maturity date of 90 days or less from the date of acquisition.

(c) Portfolio investments

Portfolio investments are investments in marketable securities and investments in organizations that do not form part of the government reporting entity and are accounted for by the cost or amortized cost method. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss and it is recognized in the Statement of Operations and Accumulated Surplus. Interest income is recorded on the accrual basis, dividend income is recognized as it is declared, and capital gains and losses are recognized when realized.

(d) Restricted assets

Restricted assets result from external restrictions imposed by an agreement with an external party, or through legislation of another government, that specify the purpose or purposes for which resources are to be used. Externally restricted inflows are recognized as revenue in the Government's consolidated financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

(e) Inventories

Inventories for resale consist mainly of bulk fuels, liquor products, and arts and crafts. Bulk fuels are valued at the lower of weighted average cost and net realizable value. Liquor products are valued at the lower of cost and net realizable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Inventories (continued)

Inventories held for use primarily consist of materials and supplies, lubricants, critical spare parts, and fuel and are recorded at cost as determined using the weighted average cost method. Impairment of these inventories, when recognized, result in write-downs to net replacement value. The remaining inventories held for use (including housing materials and supplies, and hospital supplies) are valued at the lower of cost, determined on a first in, first out basis, and net replacement value.

(f) Sinking fund

The sinking fund is externally restricted cash held specifically for the purpose of repaying outstanding debt at maturity. The sinking fund is recorded at amortized cost.

(g) Loans receivable

Loans receivable and advances are stated at the lower of cost and net recoverable value. Valuation allowances, determined on an individual basis, are based on past events, current conditions and all circumstances known at the date of the preparation of the consolidated financial statements and are adjusted annually to reflect the current circumstances by recording write downs or recoveries, as appropriate. Write-downs are recognized when the loans have been deemed uncollectable. Recoveries are recorded when loans previously written down are subsequently collected. Interest revenue is recorded on an accrual basis. Interest revenue is not accrued when the collectability of either principal or interest is not reasonably assured.

(h) Tangible capital assets and leases

Tangible capital assets are non-financial assets whose useful life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering programs and services. Tangible capital assets are recorded at cost, or where actual cost is not available, estimated current replacement cost, discounted back to the acquisition date. Costs include contracted services, materials and supplies, direct labour, attributable overhead costs, and directly attributable interest. Capitalization of interest ceases when no construction or development is taking place or when a tangible capital asset is ready for use in producing goods or delivering services. Assets, when placed in service, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset category	Amortization period
Land	Not amortized
Computers	10 years or less
Equipment	
Barges and ferries	75 years or less
Other equipment	40 years or less
Roads and Bridges	75 years or less
Buildings and Leasehold Improvements	Buildings - 40 years or less; Leasehold Improvements - the lesser of useful life or remaining lease term
Infrastructure and Other	40 years or less except for Electric power plants 100 years or less

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tangible capital assets and leases (continued)

Write-downs and write-offs of tangible capital assets are recognized whenever significant events and changes in circumstances and use suggest that the asset can no longer contribute to program or service delivery at the level previously anticipated. A write-down is recognized when a reduction in the value of the asset can be objectively measured. A write-off is recognized when the asset is destroyed, stolen, lost, or obsolete to the Government.

Tangible capital assets under construction or development are recorded as work in progress with no amortization until the asset is placed in service. Capital lease agreements are recorded as a liability and a corresponding asset based on the present value of the minimum lease payments, excluding executory costs. The present value is based on the lower of the implicit rate or the Government's borrowing rate at the time the obligation is incurred. Operating leases are charged to expenses.

All intangibles, works of art, historical treasures and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recognized in these consolidated financial statements.

(i) Contractual rights and contingent assets

The Government enters into contracts that are significant in relation to its current financial position or that will materially affect future revenues. Contractual rights pertain to rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future when the terms of contracts or agreements are met. The nature, extent and timing of contractual rights are disclosed in the notes to the consolidated financial statements.

The contingent assets of the Government are potential assets which may become actual assets when one or more future events occurs or fails to occur. If the future event is considered likely to occur and is quantifiable, a contingent asset is disclosed.

(j) Liabilities

Liabilities are obligations arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Accounts payable and accrued liabilities primarily include obligations to pay for goods and services acquired prior to year-end, to pay for authorized grants and contributions where eligibility criteria are met and to pay for employee compensation earned prior to year-end.

Bonds and debentures included in long-term debt are recognized at amortized cost (initial cost, less unamortized discount and issuance costs).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Environmental liabilities

Environmental liabilities are recognized for contaminated sites, as a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination.

Environmental liabilities consist of the estimated costs related to the management and remediation of environmentally contaminated sites, including costs such as those for future site assessments, development of remedial action plans, resources to perform remediation activities, land farms and monitoring. All costs associated with the remediation, monitoring, and post-closing of the site are estimated and accrued. Where estimates are not readily available from third party analyses, an estimation methodology is used to record a liability when sufficient information is available. The methodology used is based on costs or estimates for sites of similar size and contamination when the Government is obligated, or is likely obligated, to incur such costs. If the likelihood of a future event that would confirm the Government's responsibility to incur these costs is not determinable, or in the event it is not possible to determine if future economic benefits will be given up, or if a confirming future event is likely but an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements and no liability is accrued. The environmental liabilities for contaminated sites are reassessed on an annual basis.

(l) Asset retirement obligations

On an annual basis, NT Hydro identifies legal obligations associated with the retirement of its tangible capital assets. Management's best estimate of the future expenditures required to settle the legal obligations are recognized to the extent that they can be reasonably estimated and are calculated based on the estimated future cash flows necessary to discharge the legal obligations, discounted using the NT Hydro's cost of borrowing for maturity dates that coincide with the expected cash flows.

The estimated asset retirement obligation (ARO) is recorded as a liability with a corresponding increase to tangible capital assets. The liability for AROs is increased annually for the passage of time by calculating accretion on the liability based on the discount rates implicit in the initial measurement. Changes in the obligation resulting from revisions to the timing or amount of the estimated undiscounted cash flows or revisions to the discount rate are recognized as an increase or decrease in the related carrying amount of the related tangible capital asset.

NT Hydro has identified AROs for certain hydro, thermal, transmission and distribution assets where NT Hydro expects to maintain and operate these assets indefinitely and therefore no related ARO has been recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Liabilities under Public Private Partnerships

The Government may, as an alternative to traditional forms of procurement governed by the Government's Contract Regulations, enter into public private partnership (P3) agreements with the private sector to procure services and public infrastructure when: the total projected threshold for procuring those services, including capital, operating and service costs over the life of the agreement, exceeds $50,000; there is appropriate risk sharing between the Government and the private sector partners; the agreement extends beyond the initial capital construction of the project, and; the arrangement results in a clear net benefit to the Government as opposed to being merely neutral in comparison with standard procurement processes. The operating and service costs, that are clearly identified in the agreements, are expensed as they are incurred.

The Government accounts for P3 projects in accordance with the substance of the underlying agreements. In circumstances where the Government is determined to bear the risks and rewards of an asset under construction, the asset and the corresponding liability are recognized over time as the construction progresses. The capital asset (classified as work in progress) and the corresponding liability are recorded based on the estimated percentage of completion. In circumstances where the Government does not bear the risks and rewards of the asset until substantial completion the future associated agreement is disclosed.

The capital asset value is the total of progress payments made during construction and net present value of the future payments, discounted using the imputed interest rate for the agreement. Capital expenditures may occur throughout the project or at the capital in-service date. Service fees may occur throughout the project or when the project is operational; these fees will include both a service and operational component. All payments are adjusted to reflect performance standards as outlined in the specific agreement and penalties may be deducted for sub-standard performance. When available for use, the P3 assets are amortized over their estimated useful lives.

A P3 agreement may encompass certain revenues, including those collected by the partner on behalf of the Government. In such instances the Government will report the gross revenue along with the asset, liability, and expenses as determined from the specific project.

(n) Pensions and other employee future benefits and compensated absences

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

Pension benefits are reported on an actuarial basis. This is done to determine the current value of future entitlement and uses various estimates. When actual experience varies from estimates or when actuarial assumptions change, the adjustments are amortized on a straight-line basis over the estimated average remaining service lives of the contributors. Recognition of actuarial gains and losses commences in the year following the effective date of the related actuarial valuations. In addition, immediate recognition of a previously unrecognized net actuarial gain or loss may be required upon a plan amendment, curtailment, or settlement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Pensions and other employee future benefits and compensated absences (continued)

Under the terms and conditions of employment, government employees may earn non-pension benefits for resignation, retirement, and removal costs. Eligible employees earn benefits based on years of service to a maximum entitlement based on terms of employment. Eligibility is based on a variety of factors including place of hire, date employment commenced, and reason for termination. Benefit entitlements are paid upon resignation, retirement, or death of an employee. The expected cost of providing these benefits is recognized as employees render service. Termination benefits are also recorded when employees are identified for lay-off. Compensated absences include sick, special, parental, and maternity leave. Accumulating non-vesting sick and special leave are recognized in the period the employee provides service, whereas parental and maternity leave are event driven and are recognized when the leave commences. An actuarial valuation of the cost of these benefits (except maternity and parental leave) has been prepared using data provided by management and assumptions based on management's best estimates.

(o) Contractual obligations and contingent liabilities

The Government enters into contracts that are significant in relation to its current financial position or that will materially affect future expenses. Contractual obligations pertain to funding commitments for operating, commercial and residential leases, and capital projects. Contractual obligations are obligations of a government to others that will become liabilities in the future when the terms of those contracts or agreements are met. The nature, extent and timing of contractual obligations are disclosed in the notes to the consolidated financial statements.

The contingent liabilities of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur and is quantifiable, an estimated liability is accrued. If the occurrence of the confirming future event is likely but the amount of the liability cannot be reasonably estimated or if the occurrence of the confirming future event is not determinable, the contingent liability is disclosed but is not accrued.

(p) Grant from the Government of Canada

The Grant from the Government of Canada is recognized as revenue when entitlement for the transfer occurs. Under *Federal-Provincial Fiscal Arrangements Act* (Canada), the Grant from the Government of Canada is based on the Territorial Formula Financing calculated as the Gross Expenditure Base, offset by eligible revenues, which are based on a three-year moving average, lagged two years, of representative revenue bases at national average tax rates. Population growth rates and growth in provincial/local government spending are variables used to determine the growth in the Gross Expenditure Base. The Grant is calculated once for each fiscal year and is not revised, with all payments flowing to the Government prior to the end of the fiscal year.

(q) Transfer payments

Government transfers are recognized as revenue in the period in which the events giving rise to the transfer occurred, as long as the transfer is authorized, eligibility criteria have been met, stipulations that give rise to a liability have been satisfied and a reasonable estimate of the amount can be made. Transfers received or receivable before these criteria are fully met are recorded as deferred revenue. Transfers received or receivable for tangible capital assets are recognized as revenue when the tangible capital asset is put into service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Taxes, regulatory, resource, and general revenues

Corporate and Personal Income tax revenue are recognized on an accrual basis, net of any tax concessions. Income tax is calculated net of tax deductions and credits allowed under the *Income Tax Act* (Canada). If an expense provides a financial benefit other than a relief of taxes, it is classified as a transfer made through the tax system. If an expense provides tax relief to a taxpayer and relates to revenue, this expense is considered a tax concession and is netted against tax revenues. Taxes, under the *Income Tax Act* (Canada), are collected by the Government of Canada on behalf of the Government under a tax collection agreement. The Government of Canada remits Personal Income taxes monthly throughout the year and Corporate Income tax monthly over a six month period beginning in February. Payments are based on Canada's Department of Finance's estimates for the taxation year, which are periodically adjusted until the income tax assessments or reassessments for that year are final. Income tax estimates, determined by the Government of Canada, combine actual assessments with an estimate that assumes that previous years' income tax allocations will be sustained and are subject to revisions in future years. Differences between current estimates and future actual amounts can be significant. Any such differences are recognized when the actual tax assessments are finalized.

Regulatory revenues, which are part of general revenues, are recognized on an accrual basis and include revenues for fines, fees, licenses, permits, and registrations. Amounts received prior to the end of the year, which relate to revenues that will be earned in a subsequent year, are recorded as deferred revenues and are recognized as revenue when earned.

Fuel, carbon, tobacco, payroll and property taxes are levied under the authority of the *Petroleum Products and Carbon Tax Act*, the *Tobacco Tax Act*, the *Payroll Tax Act*, and the *Property Assessment and Taxation Act*, respectively. Fuel, carbon and tobacco tax revenues are recognized on an accrual basis, based on statements received from collectors. Payroll tax is recognized on an accrual basis, based on payroll tax revenues of the prior year. Property tax and school levies are recognized on an accrual basis based on assessments of the prior year. Adjustments arising from reassessments are recorded in revenue in the year they are finalized.

Non-renewable resource revenue is recognized on an accrual basis and include mineral, quarry, oil and gas, and water license revenues as defined in the Northwest Territories Lands and Resources Devolution Agreement. Mineral and quarry revenues are collected under the authority of the *NWT Lands Act*, water revenues are collected under the authority of the *Water Act* and oil and gas revenues are collected under the authority of the *Petroleum Resources Act*. The Government is entitled to 50 percent of the Non-renewable resource revenues collected (which is referred to as the net fiscal benefit), up to a maximum amount based on a percentage of the Gross Expenditure Base under Territorial Formula Financing. The Government of Canada will deduct its share of the Non-renewable resource revenues collected by the Government (the remaining amount) from the Grant from the Government of Canada (*note 2(p)*) payable to the Government two years hence. The Government has also committed to sharing up to 25 percent of the net fiscal benefit with Aboriginal governments that are signatories to the Northwest Territories Lands and Resources Devolution Agreement as per the *Northwest Territories Intergovernmental Resource Revenue Sharing Act*.

Revenues from the sale of power and fuel riders are recognized in the period earned based on cyclical meter readings. All other revenues are recognized on an accrual basis.

Certain tangible capital asset additions of NT Hydro are made with the assistance of cash contributions from customers. These contributions are recorded as revenues when all external restrictions or stipulations imposed by an agreement with the external party related to the contribution have been satisfied, generally when the resources are used for the purposes intended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Expenses

Grants and contributions expenses are recognized as long as the grant or contribution is authorized, and all eligibility criteria have been met. Grants and contributions include transfer payments paid through programs to individuals, and to provide major transfer funding for communities under community government funding arrangements. Payments to individuals include payments for children's benefits, income support or income supplement. Assistance is based on age, family status, income, and employment criteria. Other transfer payments are provided to conduct research, to establish new jobs through support for training and to promote educational, health and cultural activities. Also included are expenses of other consolidated entities and other miscellaneous payments. All expenses are recognized on an accrual basis.

(t) Recoveries of prior years' expenses

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

(u) Foreign currency translation

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

(v) Segmented information

The Government reports on segments on the basis of relationships of its operations with similar entities. Segmented information is disclosed in Schedule B. Segments are identified by the nature of an entity's operations and the accountability relationship that a group of similar entities has with the Government. There are no significant allocations of revenues or expenses between segments.

Government departments are identified as one segment to reflect the direct accountability relationship for financial reporting and budgeting between departments, their respective Ministers, and the Legislative Assembly.

Other Public Agencies within the Government Reporting Entity represent another segment. These agencies are typically associated with a particular Government department and have a formalized reporting relationship to that department. For example, Health and Social Services Authorities have an accountability relationship to the Minister of Health and Social Services as well as to their respective board members. Other Public Agencies also includes agencies that report directly to a Minister responsible for their operations. For example, the Northwest Territories Housing (Housing Northwest Territories) and Hydro Corporations have Ministers specifically assigned to their operations. The agencies in this segment assist the Government in delivering its programs and services and in achieving its priorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Future accounting changes

Financial instruments

The Public Sector Accounting Board (PSAB) issued PS 3450 Financial Instruments effective for fiscal years beginning on or after April 1, 2022. Items within the scope of the standard are assigned to one of two measurement categories: fair value, or cost or amortized cost. Fair value measurement will apply to derivatives and portfolio investments in equity instruments that are quoted in an active market. Also, when groups of financial assets and financial liabilities are managed on a fair value basis they may be reported on that basis. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized, gains and losses arising due to fair value remeasurement will be reported in the Statement of Remeasurement of Gains and Losses. There will be no significant impact on the consolidated financial statements as a result of its application.

Other New Standards

Effective April 1, 2022, the Government will concurrently be required to adopt the following: PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation, and PS 3041 Portfolio Investments in the same fiscal period. Government organizations that apply PSAS were required to adopt these standards effective April 1, 2012, however there will be no significant impact on the consolidated financial statements as a result of its application.

Effective April 1, 2022, the Government will be required to adopt PS 3280 Asset Retirement Obligations. This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets. The Government is assessing the impact of this standard on the consolidated financial statements and anticipates that it will significantly impact Liabilities, Tangible Capital Assets, Opening Accumulated Surplus and Accumulated Amortization.

Effective April 1, 2023, the Government will be required to adopt PS 3400 Revenue. This standard provides guidance on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. There will be no significant impact on the consolidated financial statements as a result of its application.

Effective April 1, 2023, the Government will be required to adopt PS 3160 Public Private Partnerships. This standard provides guidance on how to account for and disclose public private partnerships. There will be no significant impact on the consolidated financial statements as a result of its application.

March 31, 2022 (All figures in thousands of dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made of the following:

	2022 $	2021 $
Cash	190,391	94,989
Cash equivalents	25,625	20,831
	216,016	115,820

4. PORTFOLIO INVESTMENTS

	2022 $	2021 $
Marketable securities (market value $112,232; 2021 - $109,485)	115,528	106,096
Other investments	372	440
	115,900	**106,536**

5. DESIGNATED AND RESTRICTED ASSETS

(a) Designated assets

Designated assets are included in cash and cash equivalents as well as in portfolio investments.

Pursuant to the *Student Financial Assistance Act*, the assets of the Student Loan Fund are to be used to provide financial assistance to post-secondary students that meet eligibility criteria as prescribed in its regulations.

Pursuant to the *Northwest Territories Heritage Fund Ac*t, the assets of the Heritage Fund are to be used to ensure that the future generations of people of the Northwest Territories benefit from on-going economic development, including the development of non-renewable resources.

Pursuant to the *Waste Reduction and Recovery Act*, the assets of the Environment Fund are to be used for purposes specified in the act including programs with respect to the reduction and recovery of waste.

Portfolio investments, while forming part of the Consolidated Revenue Fund, are designated for the purpose of meeting the obligations of the Legislative Assembly Supplemental Retiring Allowance Pension Plan *(note 16)*. Supplementary Retiring Allowance Regulations restrict the investments to those permitted under the *Pension Benefits Standards Act.* The remainder consists of investments held by public agencies listed in note 1(a).

Pursuant to the *Northwest Territories Business Development and Investment Corporation Act*, and its Regulations, the Northwest Territories Business Development and Investment Corporation (BDIC) is required to establish a Loan and Investments Fund for its lending and investing activities. The regulations specify that a Loans and Bonds Fund will be used to record the lending operations. BDIC is required to use a Venture Investment Fund to record the venture investment operations. Furthermore, BDIC is obligated to maintain a Capital Fund and Subsidy Fund.

In addition to these funds, the BDIC is required, to establish a Capital Reserve Fund and a Venture Reserve Fund, respectively. The BDIC will continue to deposit to these reserve funds an amount equal to 10% of each capital or venture investment made. The BDIC may use these reserve funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns.

Pursuant to the *Land Titles Act*, the assets of the Land Titles Assurance Fund are to be used to compensate owners for certain financial losses they incur due to real estate fraud or omissions and errors of the land registration system.

Other designated assets will be used for various specified purposes.

March 31, 2022 (All figures in thousands of dollars)

5. DESIGNATED AND RESTRICTED ASSETS (continued)

(b) Restricted assets

Restricted assets include funds remitted to the Government, that are restricted for use in the Yellowknife Airport Capital Program, pursuant to the *Memorandum of Agreement* between the Government and Signatory Air Carriers. Restricted assets for Yellowknife Airport Improvement Fees at March 31, 2022 is $5,532 (2021 - $7,793) and is included in cash and cash equivalents with a corresponding liability in deferred revenue.

	2022 $	2021 $
Student Financial Assistance Act		
Student Loan Fund:		
Authorized limit for loans receivable	45,000	45,000
Less: Loans receivable balance (*note* 7)	(41,294)	(41,924)
Funds designated for new loans	3,706	3,076
Northwest Territories Heritage Fund Act		
Heritage Fund:		
Heritage Fund net assets	37,183	30,152
Waste Reduction and Recovery Act		
Environment Fund:		
Beverage Container Program net assets	7,475	6,754
Pension Benefits Standard Act		
Portfolio Investments for the Legislative Assembly Supplementary Retiring Allowance (*note* 16)		
Marketable securities (market value $39,951; 2021 - $39,602)	39,502	36,616
Money market (market value approximates cost)	197	27
Cash and other assets (market value approximates cost)	608	876
	40,307	37,519
Northwest Territories Business Development and Investment Corporation Act		
Loan and Investment Funds	9,573	10,724
Land Titles Act		
Land Titles Assurance Fund net assets	5,301	5,092
Other		
Cash	356	364
	103,901	93,681

March 31, 2022 (All figures in thousands of dollars)

6. ACCOUNTS RECEIVABLE

	Accounts Receivable $	Allowance for Doubtful Accounts $	Net 2022 $	Net 2021 $
General	86,086	(40,040)	46,046	51,638
Utilities	11,937	(203)	11,734	12,017
Non-renewable resource revenue	40,779	-	40,779	27,496
Government of Nunavut	11,337	-	11,337	14,152
Health related costs due from third parties	14,636	(10,263)	4,373	5,807
Revolving fund sales	5,046	-	5,046	2,282
Workers' Safety and Compensation Commission	478	-	478	465
	170,299	(50,506)	119,793	113,857

March 31, 2022 (All figures in thousands of dollars)

7. LOANS RECEIVABLE

	2022 $	2021 $
Northwest Territories Business Development and Investment Corporation loans to businesses receivable over a maximum of 25 years, secured by real property, heavy equipment and general security agreements; bearing fixed interest between 1.75% and 7.95%, (2021 - between 1.75% and 7.95%) before valuation allowance of $3,593 (2021 - $5,199).	47,777	48,710
Northwest Territories Energy Corporation Ltd. loan to the Dogrib Power Corporation (DPC) due July 2026, bearing interest at an annual rate of 9.6% (2021 - 9.6%), repayable in equal monthly payments of $195 (2021 - $195), secured by a $4,000 guarantee and a restricted bank account. During the year, DPC repaid the balance of the loan in full.	-	9,741
Students Loan Fund loans due in installments to 2035, bearing fixed interest between 0.00% and 11.75%, (2021 - between 0.00% and 11.75%) unsecured, before valuation allowance and loan remissions of $17,266 (2021 - $17,655).	41,294	41,924
Northwest Territories Housing Corporation (Housing Northwest Territories) mortgages and loans to individuals receivable over a maximum of 25 years, some of which are unsecured and others are secured by registered charges against real property bearing fixed interest between 0.00% and 10.50%, (2021 - between 0.00% and 12.00%) before valuation allowance of $7,510 (2021 - $9,596).	11,479	12,383
Other	6	15
	100,556	**112,773**
Valuation allowances	(28,369)	(32,450)
	72,187	**80,323**

Interest earned on loans receivable during the year is $3,043 (2021 - $3,459).

Conditional grants have been provided by the Northwest Territories Housing Corporation (Housing Northwest Territories) to eligible homeowners, which are fully forgivable on the condition that the property remains the principal residence and the homeowner's annual income remains below the core need income threshold for the term of the agreement. If the conditions are not met, the grants are repayable to the Northwest Territories Housing Corporation (Housing Northwest Territories). Conditional grants expensed during the year were $8,410 (2021 - $6,558).

March 31, 2022 (All figures in thousands of dollars)

8. SINKING FUND

The Sinking Fund was established on July 15, 2019 and includes cash held in a separate bank account for the purpose of retiring liabilities under public private partnerships (note 15) for the Tlicho All Season Road contract. The Government made a contribution of $33,910 to the sinking fund in 2022 and then at the time of substantial completion of the Tlicho All Season Road, the Government used the sinking fund to make a lump sum payment to retire a portion of the related liability under the public private partnership. As at March 31, 2022, the balance of the Sinking Fund is $500 (2021 - $78,099); the carrying value approximates the market value. The weighted average effective rate of return for the year is 0.08% (2021 - 0.08%). Interest earned on the sinking fund during the year is $554 (2021 - $434).

9. SHORT TERM LOANS

Based upon operational needs, the Government may enter into short term borrowing arrangements with its banks. Short term loans of $365,922 (2021 - $324,873) incurred interest at a weighted average year-end rate of 0.48% (2021 - 0.50%). Interest expense on short term loans included in operations and maintenance expenses is $1,581 (2021 - $2,389).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022 $	2021 $
Trade	239,833	212,307
Employee and payroll-related liabilities	120,259	117,719
Other liabilities	8,702	8,449
Accrued interest	2,438	2,429
Government of Nunavut	553	-
Workers' Safety and Compensation Commission	239	3,148
	372,024	**344,052**

March 31, 2022 (All figures in thousands of dollars)

11. DEFERRED REVENUE

	(Note 26) 2021 Balance $	Additions $	Usage $	2022 Balance $
Government of Canada	23,002	77,666	(67,214)	33,454
Government of Canada Agencies				
Canadian Northern Economic Development Agency	5,113	1,459	(2,208)	4,364
Canadian Space Agency	99	9	-	108
Crown - Indigenous Relations and Northern Affairs Canada	16,624	13,080	(6,075)	23,629
Department of National Defence	1,634	60,039	-	61,673
Fisheries and Oceans Canada	26	8	-	34
Health Canada	9,874	17,110	(11,483)	15,501
Indigenous Services Canada	5,720	6,378	(383)	11,715
Infrastructure Canada	63	2,206	-	2,269
Ministry of Finance	1,995	2,431	(1,995)	2,431
Natural Resources Canada	9	131	-	140
Natural Sciences and Engineering Research Canada	669	-	(455)	214
Parks Canada	60	28	(50)	38
Polar Knowledge Canada	22	32	(35)	19
Public Health Agency of Canada	656	2,242	(184)	2,714
Royal Canadian Mounted Police	161	4,521	(4,558)	124
Social Sciences and Humanities Research Council of Canada	67	11	-	78
Transport Canada	3,982	3,890	-	7,872
Arctic Research Foundation	608	-	(400)	208
Baggage handling ad runway projects	1,895	1,922	(2,065)	1,752
Bilateral Water Management Agreements	2,561	900	(544)	2,917
Government of Nunavut	362	-	-	362
Large emitters carbon tax	2,048	2,123	-	4,171
Land leases and quarry permits	639	143	(54)	728
Lease Incentives	1,289	-	(307)	982
Mining Recorders Office	521	-	(506)	15
Restricted Assets (note 5)	7,793	1,595	(3,855)	5,533
Ventura	4,800	-	-	4,800
Work deposits, commercial use permits and tourism licenses	1,020	-	(340)	680
Other	1,235	481	(63)	1,653
	94,547	198,405	(102,774)	190,178

March 31, 2022 (All figures in thousands of dollars)

12. ENVIRONMENTAL LIABILITIES AND ASSET RETIREMENT OBLIGATIONS

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which the Government is responsible. The Government has identified 248 (2021 - 277) sites as potentially requiring environmental remediation at March 31, 2022.

Type of Site	2021 Liability $	New Sites in 2022 $	Change in Estimate $	Remediation Expenses $	2022 Liability $	Number of Sites
Abandoned mines[1]	11,076	20,175	512	(329)	31,434	9
Landfills[2]	10,972	368	199	(485)	11,054	44
Abandoned infrastructure and schools[3]	14,262	100	1,390	(1,530)	14,222	82
Airports, airport strips or reserves[4]	4,397	-	(283)	(7)	4,107	25
Sewage lagoons[5]	1,867	-	69	(149)	1,787	30
Fuel tanks and resupply lines[2]	2,419	-	151	-	2,570	12
Abandoned lots and maintenance facilities[3]	22,713	792	4,957	(2,509)	25,953	46
Total environmental liabilities	**67,706**	**21,435**	**6,995**	**(5,009)**	**91,127**	**248**
Asset retirement obligations	**9,031**	-	**(994)**	-	**8,037**	
Total	**76,737**	**21,435**	**6,001**	**(5,009)**	**99,164**	

Possible types of contamination identified under each type of site include the following:

[1] metals, hydrocarbons, asbestos, wood/metal debris, waste rock, old mine buildings, lead paint;

[2] hydrocarbons, glycol, metals;

[3] hydrocarbons, petroleum products;

[4] hydrocarbons, vehicle lubricants, asbestos, glycol;

[5] metals, e.coli, total coliforms.

There were 3 (2021 - 7) sites closed during the fiscal year as they were either remediated or no longer meet all the criteria required to record a liability for contaminated sites. 35 (2021 - 0) sites were amalgamated with other already existing sites.

Included in the 248 (2021 - 277) sites, there are 68 (2021 - 67) sites where no liability has been recognized. The contamination is not likely to affect public health and safety, cause damage, or otherwise impair the quality of the surrounding environment and there is likely no need for action unless new information becomes available indicating greater concerns, in which case, the site will be re-examined. These sites will continue to be monitored as part of the Government's ongoing environmental protection program.

The asset retirement obligation includes NT Hydro's disposal of generating plants on leased land, storage tanks systems and the associated piping for petroleum products in all communities serviced by the Northwest Territories Power Corporation, a subsidiary of NT Hydro. The carrying amount of the obligation is based on total expected cash flows, expected timing of cash flows (majority to occur post 2054), and the weighted average discount rate of 3.33% (2021 - 2.40%) for obligations to be settled in 10 years or less and 3.61% (2021 - 3.12%) for obligations to be settled in 10 years or more.

March 31, 2022 (All figures in thousands of dollars)

13. DUE TO (FROM) THE GOVERNMENT OF CANADA

	2022	(Note 26) 2021
	$	$
Due from the Government of Canada		
Projects on behalf of the Government of Canada	(47,761)	(34,191)
Miscellaneous receivables	(62,733)	(88,474)
	(110,494)	**(122,665)**
Due to the Government of Canada		
Excess income tax advanced	82,105	133,586
Miscellaneous payables	24,879	15,503
	106,984	**149,089**
	(3,510)	**26,424**

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

	$
2023	57,965
2024	18,831
2025	5,309
	82,105

March 31, 2022 (All figures in thousands of dollars)

14. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

	2022 $	2021 $
Loans due to Canada Mortgage and Housing Corporation, repayable in annual installments until the year 2033, bearing interest at a rate of 6.97% (2021 - 6.97%), unsecured.	3,959	4,441
Mortgages payable to Canada Mortgage and Housing Corporation for three third party loans under the Social Housing Agreement, maturing in 2026 and 2027, bearing interest at rates between 0.68% and 1.01% (2021 - between 0.68% and 1.05%), unsecured.	686	829
Mortgage payable to Canada Mortgage and Housing Corporation, repayable in monthly installments of $7 (2021 - $7) maturing June 2024, bearing interest at 3.30% (2021 - 3.30%), secured with real property.	197	283
Bond, due September 29, 2051, bearing interest at 2.20% (2021 - 2.20%) payable semi-annually, unsecured.	180,022	180,022
Debentures, due 2025 to 2052, bearing interest between 3.82% and 6.00% (2021 - between 3.82% and 6.00%), unsecured.	90,000	90,000
Amortizing Debentures, due 2032 to 2047, bearing interest between 3.98% and 6.42% (2021 - between 3.98% and 6.42%), unsecured.	101,403	104,582
Series 1, 2 and 3 Debentures, repayable in monthly installments between $69 and $73 (2021 - between $69 and $73), maturing 2025 to 2026, bearing interest between 9.11% and 10.00% (2021 - between 9.11% and 10.00%), unsecured. During the year, the debentures were repaid in full.	-	9,532
Deh Cho Bridge: Real return senior bonds with accrued inflation adjustment, maturing June 1, 2046, redeemable at the option of the issuer, bearing interest at 3.17% (2021 - 3.17%) payable semi-annually, unsecured.	180,180	174,533
	556,447	**564,222**
Unamortized premium, discount and issuance costs	(3,131)	(3,246)
Total long-term debt	**553,316**	**560,976**
Capital lease obligations	**15,950**	**16,355**
Total long-term debt and capital lease obligations	**569,266**	**577,331**

March 31, 2022 (All figures in thousands of dollars)

14. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (continued)

Long-term debt principal repayments due in each fiscal year for the next five years and thereafter are as follows:

	$
2023	8,570
2024	9,046
2025	9,423
2026	24,838
2027	10,260
2028 and beyond	494,310
	556,447

Interest expense on long-term debt, included in operations and maintenance expenses, is $29,486 (2021 - $20,037).

Interest expenses related to capital lease obligations for the year is $1,358 (2021 - $1,538), at an implicit average interest rate of 9.60% (2021 - 9.60%). Capital lease obligations (expiring between 2023 and 2061) are based upon contractual minimum lease obligations for the leases in effect as of March 31, 2022.

Debt Authority

The Government has the authority to borrow, pursuant to subsection 28(4) of the *Northwest Territories Act* (Canada), within a borrowing limit authorized by the Government of Canada.

	2022 $	2021 $
Short term loans (note 9)	365,922	324,873
Long-term debt (note 14)	556,447	564,222
Capital Lease Obligations (note 14)	15,950	16,355
Guarantees (note 20(a))	7,339	9,066
	945,658	**914,516**
Authorized borrowing limit	1,800,000	1,800,000
Available borrowing capacity before P3s	**854,342**	**885,484**
Liabilities under Public Private Partnerships (note 15)	270,510	353,050
Less sinking fund (note 8)	(500)	(78,099)
Available Borrowing capacity	**584,332**	**610,533**

March 31, 2022 (All figures in thousands of dollars)

15. LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

The Government has entered into contracts for the design, build, operation and maintenance of the Mackenzie Valley Fibre Link; the design, build, and maintenance of the Stanton Territorial Hospital Renewal, and the design, build and maintenance of the Tlicho All Season Road. Operations and maintenance provided by the partner cease at the repayment date at which time operational responsibility reverts to the Government.

The calculation of the Public Private Partnerships (P3) liabilities is as follows:

	2021 $	Additions during the year $	Principal Payments $	2022 $	Repayment date
Stanton Territorial Hospital Renewal	130,454	-	(3,326)	127,128	2048
Mackenzie Valley Fibre Link	72,800	-	(2,900)	69,900	2037
Tlicho All Season Road	149,796	35,934	(112,248)	73,482	2047
Total	**353,050**	**35,934**	**(118,474)**	**270,510**	

The details of the contracts under P3s are as follows:

	Partner	Date contract entered into	Scheduled/actual completion date	Interest rate
Stanton Territorial Hospital Renewal	Boreal Health Partnership	September 2015	November 2018	5.36%
Mackenzie Valley Fibre Link	Northern Lights General Partnership	October 2014	June 2017	6.52%
Tlicho All Season Road	North Star Infrastructure GP	February 2019	November 2021	6.53%

Estimated payments for each of the next five years and thereafter to meet P3 principal repayments are as follows:

	$
2023	8,384
2024	8,016
2025	7,937
2026	8,067
2027	8,847
2028 and beyond	229,259
	270,510

15. LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS (continued)

The capital payments for Mackenzie Valley Fibre Link, Stanton Territorial Hospital Renewal and Tlicho All Season Road are fixed, equal monthly payments for the privately financed portion of the costs of building the infrastructure. P3 interest expense for the year is $12,700 (2021 - $12,100). Interest capitalized in the period as a function of construction or developing tangible capital assets relating to the Tlicho All Season Road is $4,000 (2021 - $3,500).

Tangible capital assets, commitments, and contractual rights related to P3 projects are included in note 19 and schedule A.

16. PENSIONS

a) Plans' description

The Government administers Regular Pension Plans for Members of the Legislative Assembly (MLAs), Territorial Court Judges, Employees of the Hay River Health and Social Services Authority and the Employees, Superintendent and Assistant Superintendents of the Yellowknife Catholic Schools. These Regular Pension Plans are contributory defined benefit registered pension plans and are pre-funded (Regular Funded). The funds related to these plans are administered by independent trust companies.

In addition to the Regular Pension Plans listed above, the Government administers Supplemental Pension Plans for the MLAs, Territorial Court Judges and Superintendent and Assistant Superintendents of the Yellowknife Catholic Schools that are non-contributory defined benefit pension plans and are non-funded (Supplemental Unfunded). The Government has designated assets for the purposes of meeting the obligations of the MLA Supplemental Pension Plan (note 5). The supplemental Pension Plan for the Yellowknife Catholic Schools Superintendents and Assistant Superintendents is not funded until the employee terminates their employment from Yellowknife Catholic Schools.

The Government is liable for all benefits. All Plans provide death benefits to spouses and eligible dependents. All Plans are indexed. Plan assets consist of Canadian and foreign equities, and Canadian fixed income securities, bonds and mortgages.

Benefits provided under all Plans are based on years of service and pensionable earnings. Plan benefits generally accrue as a percentage of a number of years of best average pensionable earnings.

The remaining government employees participate in Canada's Public Service Pension Plan (PSPP). The PSPP provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the pension plan. The basic benefit formula is 2 percent per year of pensionable service multiplied by the average of the best five consecutive years of earnings.

The public service pension plan was amended during 2013 which raised the normal retirement age and other age related thresholds from age 60 to age 65 for new members joining the plan on or after January 1, 2013. For members with start dates before January 1, 2013, the normal retirement age remains age 60. Furthermore, contributions rates for current service for all members of the public service increased to an employer: employee cost sharing of 50:50 in 2017.

March 31, 2022 (All figures in thousands of dollars)

16. PENSIONS (continued)

a) Plans' description (continued)

Other benefits include survivor pensions, minimum benefits in the event of death, unreduced early retirement pensions, and disability pensions.

b) Pension liabilities (assets)

	2022 Regular Funded $	2022 Supplemental Non funded $
Accrued benefit obligation	124,957	43,014
Pension fund assets - market-related value	(144,093)	-
Unamortized actuarial losses	11	(1,253)
Pension liabilities (assets)	**(19,125)**	**41,761**

	2021 Regular Funded $	2021 Supplemental Non funded $
Accrued benefit obligation	110,655	41,719
Pension fund assets - market-related value	(127,097)	-
Unamortized actuarial gains	(813)	(1,178)
Pension liabilities (assets)	**(17,255)**	**40,541**

March 31, 2022 (All figures in thousands of dollars)

16. PENSIONS (continued)

c) Change in pension liabilities (assets)

	2022 Regular Funded $	2022 Supplemental Unfunded $
Opening balance	**(17,255)**	**40,541**
Change from cash items:		
Contributions from plan members	(3,719)	-
Contributions from Government	(5,622)	-
Benefit payments to plan members	(5,565)	(1,996)
Drawdown from plan assets	5,565	-
Change from cash items	**(9,341)**	**(1,996)**
Change from accrual items:		
Current period benefit cost	8,383	1,411
Amortization of actuarial gains	(73)	(70)
Change in valuation allowance	617	-
Interest on average accrued benefit obligation	4,915	1,875
Impairment on value of accrued pension asset	(723)	-
Expected return on average plan assets	(5,648)	-
Change from accrual items	**7,471**	**3,216**
Ending balance	**(19,125)**	**41,761**

	2021 Regular Funded $	2021 Supplemental Unfunded $
Opening balance	**(18,016)**	**39,624**
Change from cash items:		
Contributions from plan members	(3,093)	-
Contributions from Government	(5,112)	-
Benefit payments to plan members	(7,246)	(1,795)
Drawdown from plan assets	7,246	-
Change from cash items	**(8,205)**	**(1,795)**
Change from accrual items:		
Current period benefit cost	6,733	1,327
Amortization of actuarial gains	(1,011)	(353)
Change in valuation allowance	558	-
Interest on average accrued benefit obligation	4,624	1,738
Impairment on value of accrued pension asset	3,695	-
Expected return on average plan assets	(5,633)	-
Change from accrual items	**8,966**	**2,712**
Ending balance	**(17,255)**	**40,541**

March 31, 2022 (All figures in thousands of dollars)

16. PENSIONS (continued)

d) Pension expense

The components of pension expense include current period benefit cost, amortization of actuarial net (gains)/losses and interest on average accrued benefit obligation net of the expected return on average plan assets, change in valuation allowance and contributions from plan members. The total expense is $8,186 (2021 - $4,890). The interest cost on the accrued benefit obligation is determined by applying the discount rate determined at the beginning of the period to the average value of the accrued benefit obligation for the period. The expected return on plan assets is determined by applying the assumed rate of return on plan assets to the average market-related value of assets for the period. The difference between the expected and actual return on plan assets is a loss of $172 (2021 - gain of $3,946).

In addition to the above, the Government contributed $59,496 (2021 - $58,053) to the Public Service Pension Plan. The employees' contributions to this plan were $59,356 (2021 - $56,454).

e) Changes to pension plans in the year

There have been no plan amendments, plan settlements and curtailments or temporary deviations from the plan in 2022.

f) Valuation methods and assumptions used in valuing pension assets and liabilities

The following reflects the date of valuation for each plan for accounting purposes:

Pension Plan	Last Actuarial Valuation Accounting Date	Last Extrapolation Date	Next Valuation Date
Legislative Assembly Retiring Allowance Plan	April 1, 2020	January 31, 2022	April 1, 2024
Judges Registered Plan	April 1, 2019	January 1, 2022	April 1, 2022
Retirement Plan for Employees of the Hay River Health and Social Services Authority	January 1, 2022	March 31, 2022	January 1, 2023
Retirement Plan for Employees of the Yellowknife Catholic Schools	June 30, 2020	June 30, 2021	June 30, 2022

Liability valuation method

The actuarial valuations were performed using the projected accrued benefit method. The valuations are based on a number of actuarial assumptions about matters such as mortality, service, withdrawal, earnings and interest rates. The assumptions are based on the Government's best estimates of expected long-term rates and short-term forecasts.

March 31, 2022 (All figures in thousands of dollars)

16. PENSIONS (continued)

f) Valuation methods and assumptions used in valuing pension assets and liabilities (continued)

Asset valuation method

The asset valuation method for all the plans is generally market-related value. The market value of the pension assets is $148,385 (2021 - $131,869).

Actuarial gains and losses

Actuarial gains and losses occur when actual experience varies from estimates or when actuarial assumptions change. The adjustments needed are amortized on a straight-line basis over the estimated average remaining service lives of the contributors.

Actuarial assumptions	Yellowknife Catholic Schools' plans	Hay River H&SS Authority plan	MLAs' plans	Judges' plans
Expected rate of return on plan assets	4.8%	4.9%	4.4%	4.8%
Rate of compensation increase	2.0%	2.5%	2.0%	3.0%
Annual inflation rate	2.0%	2.0%	2.0%	2.0%
Discount rate	4.8%	4.3%	4.4%	4.8%

March 31, 2022 (All figures in thousands of dollars)

17. OTHER EMPLOYEE FUTURE BENEFITS AND COMPENSATED ABSENCES

In addition to pension benefits, the Government provides severance (resignation and retirement), removal and compensated absence (sick, special, maternity and parental leave) benefits to its employees. The benefit plans are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Severance benefits are paid to the Government's employees based on the type of termination (e.g. resignation versus retirement) and appropriate combinations that include inputs such as when the employee was hired, the rate of pay, the number of years of continuous employment and age and the benefit is subject to maximum benefit limits. Removal benefits are subject to several criteria, the main ones being location of hire, employee category and length of service. The benefits under these two categories were valued using the projected unit credit methodology.

Compensated absence benefits generally accrue as employees render service and are paid upon the occurrence of an event resulting in eligibility for benefits under the terms of the plan. Events include but are not limited to employee or dependent illness and death of an immediate family member. Benefits that accrue under compensated absence benefits, excluding maternity and parental leave, were actuarially valued using the expected utilization methodology. Non-accruing benefits include maternity and parental leave and are recognized when leave commences.

Valuation results

The most recent actuarial valuation was completed as at February 11, 2022 and the results were extrapolated to March 31, 2022. The effective date of the next actuarial valuation is March 31, 2025. The values presented below are for all of the benefits under the Compensated Absences and Termination Benefits for the consolidated Government.

Changes in Obligation	Severance and Removal $	Compensated Absences $	2022 $	2021 $
Accrued benefit obligations, beginning of year	34,154	9,150	43,304	49,465
Current period benefit cost	2,575	894	3,469	3,585
Interest accrued	1,096	309	1,405	1,301
Benefits payments	(7,967)	(1,285)	(9,252)	(12,155)
Plan amendments	428	(102)	326	-
Actuarial (gains)/losses	8,920	165	9,085	1,111
Accrued benefit obligations end of year	39,206	9,131	48,337	43,307
Unamortized net actuarial gain/(loss)	(2,609)	(8,150)	(10,759)	(1,085)
Net future obligation	**36,597**	**981**	**37,578**	**42,222**
Other employee future benefits	7,675	-	7,675	7,332
Other compensated absences	-	2,376	2,376	2,429
Total employee future benefits and compensated absences	**44,272**	**3,357**	**47,629**	**51,983**

March 31, 2022 (All figures in thousands of dollars)

17. OTHER EMPLOYEE FUTURE BENEFITS AND COMPENSATED ABSENCES (continued)

Benefits Expense	Severance and Removal $	Compensated Absences $	2022 $	2021 $
Current period benefit cost	2,575	894	3,469	3,585
Interest accrued	1,096	309	1,405	1,301
Plan amendments	428	(102)	326	-
Amortization of actuarial (gain)/loss	(1,945)	1,356	(589)	(724)
	2,154	**2,457**	**4,611**	**4,162**

The discount rate used to determine the accrued benefit obligation is an average of 4.1% (2021 - 3.3%). The expected payments during the next five fiscal years are:

	Severance and Removal $	Compensated Absences $	Total $
2023	4,927	803	5,730
2024	4,317	746	5,063
2025	4,458	797	5,255
2026	4,328	793	5,121
2027	4,200	858	5,058
	22,230	**3,997**	**26,227**

18. TRUST ASSETS UNDER ADMINISTRATION

The Government administers trust assets on behalf of third parties, which are not included in the reported Government assets and liabilities. These consist of cash and term deposits of $24,476 (2021 - $20,068) which include Public Trustees and Securities for land use permits and water licenses and oil and gas.

In addition to the trust assets under administration, the Government holds cash and bank guarantees in the form of letters of credit and surety bonds in the amount of $733,355 (2021 - $666,425). The majority of these guarantees are held against water licenses issued to regulate the use of water and the deposit of waste.

March 31, 2022 (All figures in thousands of dollars)

19. CONTRACTUAL OBLIGATIONS AND RIGHTS

The Government has entered into agreements for, or is contractually committed to, the following payments subsequent to March 31, 2022:

	Expiry Date	2023 $	2024 $	2025 $	2026 $	2027 $	2028+ $	Total $
Operational commitments	2048	176,063	92,968	41,218	31,715	12,695	5,062	359,721
RCMP policing agreement	2032	54,974	56,301	56,301	56,301	56,301	274,988	555,166
Commercial leases	2052	85,943	27,728	18,998	13,748	10,009	126,765	283,191
Equipment leases	2028	1,118	820	501	275	63	6	2,783
TCAs in progress at year end	2030	129,140	24,918	1,220	365	185	370	156,198
P3 Operational commitments	2049	17,724	18,954	19,878	20,595	20,684	487,696	585,531
P3 TCAs in progress at year end	2024	202	202	-	-	-	-	404
		465,164	**221,891**	**138,116**	**122,999**	**99,937**	**894,887**	**1,942,994**

Included within Commercial leases is a lease commitment of $3,757 per year over 30 years estimated to begin on November 21, 2021 that is subject to a CPI adjustment every five years. The adjustment will be equal to the average percentage increase or decrease in the CPI index over the preceding five years. As part of this lease commitment, the Government has a contractual right equal to annual profit sharing of 50% of the net income generated by the lessor less annual payments of $528.

The Government has entered into agreements for, or is contractually entitled to, the following receipts subsequent to March 31, 2022:

	Expiry Date	2023 $	2024 $	2025 $	2026 $	2027 $	2028+ $	Total $
Transfer Payments	2049	420,948	247,662	123,149	162,713	74,642	56,021	1,085,135
Regulatory Revenue	2027	2,037	5,807	1,472	444	-	-	9,760
Lease Revenue	2052	5,284	5,190	4,974	4,922	3,776	40,012	64,158
License Revenue	2047	595	485	326	154	137	422	2,119
Other	2040	25,613	22,899	23,526	22,483	22,893	47,056	164,470
		454,477	**282,043**	**153,447**	**190,716**	**101,448**	**143,511**	**1,325,642**

20. GUARANTEES AND CONTINGENCIES

(a) Guarantees

The Government has guaranteed residential housing loans to banks totalling $262 (2021 - $322) and indemnified Canada Mortgage and Housing Corporation for third party loans totalling $4,781 (2021 - $6,426). In addition, the Government has provided a guarantee to the Canadian Blood Agency and Canadian Blood Services to cover a share of potential claims made by users of the national blood supply. The Government's percentage is limited to the ratio of the Northwest Territories' population to the Canadian population.

The Northwest Territories Business Development and Investment Corporation (BDIC) has one (2021 - one) outstanding loan to a Northern Community Futures organization totalling $296 (2021 - $318). Loans provided may be assigned to the BDIC when impaired. If assigned, the BDIC would then write-off the Northern Community Futures organization loan balance and would attempt to recuperate its loss. In 2022, no accounts were assigned to BDIC (2021 - nil).

The BDIC has one (2021 - one) outstanding irrevocable standby letter of credit totalling $2,000 (2021 - $2,000) that will expire in fiscal 2023. Payment by the BDIC is due from these letters in the event that the applicants are in default of the underlying debt. To the extent that the BDIC has to pay out to third parties as a result of these agreements, these payments will be owed to the BDIC by the applicants. Each letter of credit is secured by promissory note, general security agreement, guarantee or collateral mortgage. During the year, no payments were made (2021 - nil).

(b) Contingent assets

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. There was a flood in Fort Simpson and surrounding areas in the spring of 2021. The Government will be making a claim from Canada under the Disaster Financial Assistance Arrangement Program for approximately $38,000 in costs incurred to provide support and financial relief to those affected by the flood. No amount has been recorded as receivable in the consolidated financial statements because the receipt of funds under the claim is contingent on Canada's evaluation and approval.

(c) Contingent liabilities

The Government has identified various sites where contamination or other environmental liabilities exist and the level of contamination is either known or unknown at this time. In addition to the environmental liabilities described in Note 12, there may be other instances of contamination that have not yet been identified for which the Government may be obligated to incur remediation costs. No liability has been recognized for these instances of contamination as the future costs of remediation and the Government's obligation to incur these costs are undeterminable at this time.

20. GUARANTEES AND CONTINGENCIES (continued)

(d) Claims and litigation

There are a number of pending and threatened claims and litigation against the Government. In certain cases, pursuant to agreements negotiated prior to the division of the territories, the Governments of the Northwest Territories and Nunavut will jointly defend the suits. The cost of defending these actions and any damages that may eventually be awarded will be shared by the Governments 55.66% and 44.34%, respectively.

The Government has recorded a provision of $2,672 (2021 - $3,460) in accounts payable and accrued liabilities for any claim or litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. The provision is based upon estimates determined by the Government's legal experts' experience or case law in similar circumstances.

At year-end, the Government estimated the total claimed amount for which the outcome is not determinable at $150,564 (2021 - $125,421). No provision for such claims has been made in these consolidated financial statements as it is not determinable that any future event will confirm that a liability has been incurred as at March 31.

The nature of these claims are as follows:

- Contract disputes
- Damage to persons or property
- Matters of Indigenous rights
- Negligence
- Property access disputes
- Sexual assault claims
- Other matters

March 31, 2022 (All figures in thousands of dollars)

21. TRANSFER PAYMENTS, TAXATION, NON-RENEWABLE RESOURCE REVENUE AND GENERAL REVENUE

	2022 $	(Note 26) 2021 $
Transfer payments		
Capital transfers	69,930	33,937
Canada Health and Social Transfer Reform Fund	86,948	179,312
Federal cost shared	242,835	188,956
Other	78,168	67,101
	477,881	**469,306**
Taxation		
Corporate income tax	24,729	3,300
Personal income tax	133,583	100,031
	158,312	**103,331**
Other taxes		
Cannabis	909	343
Carbon tax	12,797	8,781
Fuel	20,061	17,656
Tobacco	14,278	15,722
Payroll	45,820	43,000
Property and school levies	37,265	38,663
Insurance	6,106	5,997
	137,236	**130,162**
Non-renewable Resource Revenue		
Minerals, oil and gas royalties	37,012	19,152
Licenses, rental and other fees	5,202	47,174
Quarry fees	296	143
	42,510	**66,469**
General		
Sundry and other	46,723	29,430
Lease	4,292	603
Interest and investment income	6,911	6,469
Gains on disposition of assets	61	246
Regulatory revenue	38,487	29,813
Grants in kind	164	75
	96,638	**66,636**

22. EXPENSES

Expenses of various Government departments, its territorial corporations and other public agencies are aggregated in the Consolidated Statement of Operations and Accumulated Surplus as follows:

Environment and economic development	Department of Environment and Natural Resources Department of Industry, Tourism and Investment NWT Business Development and Investment Corporation Northwest Territories Heritage Fund Arctic Energy Alliance Inuvialuit Water Board
Infrastructure	Department of Infrastructure Department of Lands Northwest Territories Hydro Corporation Northwest Territories Surface Rights Board
Education	Department of Education, Culture and Employment Aurora College All Divisional Education Councils in the NWT All District Education Authorities in the NWT Tlicho Community Services Agency (education portion)
Health and social services	Department of Health and Social Services All Health and Social Services Authorities in the NWT Tlicho Community Services Agency (health portion) Status of Women Council of the Northwest Territories
Housing	Northwest Territories Housing Corporation (Housing Northwest Territories)
Justice	Department of Justice
General Government	Department of Executive and Indigenous Affairs Department of Finance Department of Municipal and Community Affairs
Legislative Assembly and statutory offices	Legislative Assembly Northwest Territories Human Rights Commission

March 31, 2022 (All figures in thousands of dollars)

23. OVEREXPENDITURE

During the year, 4 departments (2021 - 0) exceeded their operations vote by $10,131 (2021 - $0) and no departments (2021 - 0) exceeded their capital vote.

Over-expenditure of a vote contravenes subsection 71 of the *Financial Administration Act* which states that "No person shall incur an expenditure that causes the amount of the appropriation set out in the Estimates for a department to be exceeded".

The voted items that were over expended in the current year is as follows:

Department of Municipal and Community Affairs (operations)	$ 5,068
Department of Environment and Natural Resources (operations)	3,061
Department of Justice (operations)	1,173
Department of Finance (operations)	829

These overexpenditures are deemed a supplementary appropriation in accordance with section 77 of the *Financial Administration Act* S.N.W.T 2015 which states that "Where the charging of expenditures to an appropriation would cause the appropriation to be exceeded, the Comptroller General may, at the end of a fiscal year, record the amount by which the liability exceeds the appropriation as a deemed appropriation for that fiscal year".

24. COVID-19

On March 22, 2020, the Government declared a public health emergency in response to the COVID-19 global pandemic. The Government implemented various programs and publicly announced supports and financial relief to individuals, businesses and organizations in response to the COVID-19 pandemic. The impact of COVID-19 on the Government's Consolidated Statement of Operations and Accumulated Surplus is as follows:

	2022 $	2021 $
Revenues		
Transfer payments from Canada	36,296	122,683
General Revenue	3,250	471
	39,546	123,154
Expenses		
Compensation and Benefits	37,301	14,972
Computer Hardware and Software	295	1,186
Contract Services	3,937	8,114
Economic Relief Programs (Grants and Contributions)	26,661	73,797
Enforcement and Compliance	27,726	31,859
Improvement of Housing Units	3,467	2,970
Materials and Supplies	4,591	8,114
Minor Equipment	96	1,227
Other Expenses	13,589	6,383
	117,663	148,622
	(78,117)	(25,468)

25. SUBSEQUENT EVENTS

In May 2022, the Government issued evacuation orders for Hay River and Katl'odeeche First Nation as unprecedented flooding, resulting from the annual ice breakup, affected residents in those communities. The Government implemented its disaster response and has since publicly announced support and financial relief to those affected. The GNWT Disaster Assistance Policy and the Ministerial Disaster Assisting Funding Policy is intended to cover displacement allowance, damage prevention, essential contents, repairing or replacing homes, and other mitigation enhancements. Further, the Government has announced that an exception to the policies will be granted such that eligible claims up to $240 will be reimbursed at 90%, and eligible claims over $240 will be reimbursed at 100% for the first $240, and at 50% for the remainder of the claim to a maximum reimbursement of $600. The actual amount to be paid in disaster relief will depend on the number of claims made; however, initial estimates indicate that approximately $181,000 may be required. The Government will seek assistance from the federal government for this expenditure.

26. ACCOUNTING CHANGES AND COMPARATIVE FIGURES

(a) Projects on behalf of third parties

The Government undertakes projects for the Government of Canada, the Government of Nunavut and others.

Previously, where the agreement allowed, the Government received accountable advances and any unexpended balances remaining at year-end were recorded as liabilities in accounts payable and accrued liabilities or due to the Government of Canada, as applicable. Recoveries were accrued when expenses as allowed under the project contract, exceeded advances, and were recorded as receivables in accounts receivable or due from the Government of Canada, as applicable. These recoveries and expenses were presented separately on the Consolidated Statement of Operations and Accumulated Surplus below the annual operating surplus.

In the current year, the Government classified recoveries for projects on behalf of third parties to transfer payments revenues or general revenues based on the nature of the project contract. Related expenses have been classified with the appropriate department's expenses, and unexpended balances remaining at year-end have been classified to accounts payable and accrued liabilities, due to the Government of Canada, or deferred revenue as applicable. The Government has applied this change retroactively to conform to the current year presentation. The effect of the changes are described in the following table.

(b) Northwest Territories Housing Corporation (Housing Northwest Territories)

In the prior year Consolidated Statement of Operations and Accumulated Surplus, a single line item was used to present Health, Social Services and Housing expenses. In the current year, this line item has been disaggregated in order to present Health and Social Services expenses separately from Housing expenses. The comparative information has been reclassified to conform to the current year presentation. The effect of the changes are described in the following table.

(c) Other taxes (carbon tax)

In the prior year Consolidated Statement of Operations and Accumulated Surplus, gross basis accounting was used to recognize revenue and offsetting expenses relating to rebates for heating fuel, diesel for generation and large emitters. In the current year, these amounts were recognized on a net basis to better reflect their nature. The comparative information has been reclassified to conform to the current year presentation. The effect of the changes are described in the following table.

26. ACCOUNTING CHANGES AND COMPARATIVE FIGURES (continued)

(d) Pensions

In the prior year Consolidated Statement of Financial Position, a single line item was used to present a net pensions liability. In the current year, this line item has been disaggregated in order to present pension assets separately from pension liabilities. The comparative information has been reclassified to conform to the current year presentation. The effect of the changes are described in the following table.

March 31, 2022 (All figures in thousands of dollars)

26. ACCOUNTING CHANGES AND COMPARATIVE FIGURES (continued)

Consolidated Statement of Operations and Accumulated Surplus

	2021 As Previously Reported $	Projects on Behalf of Third Parties $	Housing Northwest Territories $	Carbon Tax $	2021 As Presented $
Revenues					
Transfer payments	400,827	68,479	-	-	469,306
Taxation, non-renewable resource and general revenues					
Other taxes	146,047	-	-	(15,885)	130,162
General	66,373	263	-	-	66,636
Recoveries	39,811	8,401	-	-	48,212
Recoveries of prior years' expenses	23,269	106	-	-	23,375
Expenses					
Environment and Economic Development	177,526	6,531	-	-	184,057
Infrastructure	423,651	8,090	-	-	431,741
Education	396,268	3,802	-	-	400,070
Health, Social Services and Housing	752,091	-	(752,091)	-	-
Health and Social Services	-	28,571	654,685	-	683,256
Housing	-	-	97,406	-	97,406
Justice	130,467	620	-	-	131,087
General Government	446,491	29,635	-	(15,885)	460,241
Legislative Assembly and statutory offices	21,364	-	-	-	21,364
Projects on behalf of third parties					
Expenses	(77,249)	77,249	-	-	-
Recoveries	77,249	(77,249)	-	-	-

March 31, 2022 (All figures in thousands of dollars)

26. ACCOUNTING CHANGES AND COMPARATIVE FIGURES (continued)

Consolidated Statement of Financial Position

	2021 As Previously Reported $	Projects on Behalf of Third Parties $	Pension Assets and Pension Liabilities $	2021 As Presented $
Financial assets				
Pension assets	-	-	17,255	17,255
Liabilities				
Deferred revenue	63,754	30,793	-	94,547
Due to the Government of Canada	179,882	(30,793)	-	149,089
Pensions	23,286	-	(23,286)	-
Pension liabilities	-	-	40,541	40,541

Consolidated Statement of Cash Flow

	2021 As Previously Reported $	Projects on Behalf of Third Parties $	Pension Assets and Pension Liabilities $	2021 As Presented $
Change in due to/from the Government of Canada	(15,679)	(5,733)	-	(21,412)
Change in deferred revenue	23,640	5,733	-	29,373

Consolidated Schedule of Tangible Capital Assets

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

	Land[5]	Building and Leasehold Improvements[1]	Infrastructure and Other[1,2]	Roads and Bridges	Equipment[1,3]	Computers	Work in Progress[4]	2022	2021
	$	$	$	$	$	$	$	$	$
Cost of tangible capital assets, opening balance	24,342	2,341,336	859,304	1,823,347	318,690	163,354	354,774	5,885,147	5,635,746
Transfers	1,195	34,283	18,117	249,026	13,711	7,221	(323,553)	-	-
Acquisitions	-	538	-	-	1,720	-	258,436	260,694	270,420
Write-downs	-	-	-	-	-	-	-	-	-
Disposals	-	(6,303)	(3,241)	-	(1,434)	(952)	-	(11,930)	(21,019)
Cost of tangible capital assets, closing	25,537	2,369,854	874,180	2,072,373	332,687	169,623	289,657	6,133,911	5,885,147
Accumulated amortization, opening	-	(935,284)	(349,877)	(653,061)	(158,575)	(115,573)	-	(2,212,370)	(2,070,398)
Amortization expense	-	(60,363)	(20,123)	(51,689)	(15,810)	(17,205)	-	(165,190)	(160,399)
Disposals	-	3,689	1,342	-	1,398	893	-	7,322	18,427
Accumulated amortization, closing	-	(991,958)	(368,658)	(704,750)	(172,987)	(131,885)	-	(2,370,238)	(2,212,370)
Net book value	**25,537**	**1,377,896**	**505,522**	**1,367,623**	**159,700**	**37,738**	**289,657**	**3,763,673**	**3,672,777**

1. Included in buildings and leasehold improvements, infrastructure and other, and equipment are assets under capital lease cost $32,643 (2021 - $32,643); accumulated amortization, $12,760 (2021 - $12,202); net book value, $19,883 (2021 - $20,441).
2. Includes airstrips, aprons, fuel distribution systems, park improvements, aircraft, water/sewer works, fences, signs, transmission and distribution systems and electric power plants.
3. Includes ferries and barges.
4. Not included in acquisitions of tangible capital assets on the consolidated statement of cash flow are non-cash items of $46,760 (2021 - $77,592).
5. Land with cost and net book value of $0, market value $1,431 (2021 - $266) was contributed to third parties.

Consolidated Schedule of Segmented Information

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

	Departments[1]	Other Public Agencies [2]	Total for All Segments	Adjustments [3]	2022	(Note 26) 2021
	$	$	$	$	$	$
Revenues						
Grant from the Government of Canada	1,480,118	-	1,480,118	-	1,480,118	1,412,734
Transfer payments	396,139	78,168	474,307	3,574	477,881	469,306
	1,876,257	78,168	1,954,425	3,574	1,957,999	1,882,040
Taxation, non-renewable resource and general revenues						
Corporate and personal income taxes	158,312	-	158,312	-	158,312	103,331
Other taxes	126,483	11,368	137,851	(615)	137,236	130,162
General	75,022	904,044	979,066	(882,428)	96,638	66,636
Income from portfolio investments	4,562	583	5,145	-	5,145	4,867
Non-renewable resource revenue	42,510	-	42,510	-	42,510	66,469
Sales	128,979	90,917	219,896	(39,474)	180,422	174,370
Recoveries	25,992	15,342	41,334	(760)	40,574	48,212
	561,860	1,022,254	1,584,114	(923,277)	660,837	594,047
Recoveries of prior years' expenses	17,334	-	17,334	(1,458)	15,876	23,375
	2,455,451	1,100,422	3,555,873	(921,161)	2,634,712	2,499,462
Expenses						
Grants and contributions	1,147,157	38,249	1,185,406	(773,533)	411,873	383,667
Operations and maintenance	684,158	390,315	1,074,473	(153,856)	920,617	831,614
Compensation and benefits	465,744	609,877	1,075,621	(6,388)	1,069,233	1,024,562
Change in valuation allowances	3,925	3,120	7,045	(1,270)	5,775	8,980
Amortization of tangible capital assets	125,469	39,686	165,155	35	165,190	160,399
	2,426,453	1,081,247	3,507,700	(935,012)	2,572,688	2,409,222
Annual surplus	28,998	19,175	48,173	13,851	62,024	90,240

1 Departments consist of all those listed in Note 22 that begin with the word "Department" and the Legislative Assembly.

2 Public agencies consist of those listed in Note 22 other than Departments and the Legislative Assembly.

3 Includes adjustments to eliminate inter-entity balances to comply with Canadian public sector accounting standards of consolidated financial statements; for example, contributions by departments to boards and agencies are shown under grants and contributions expense under the "Departments" column. The amounts received by the applicable board or agency (e.g. Health and Social Services Authority, Divisional Education Council) are shown under general revenue in the "Other Public Agencies" column. These amounts are eliminated upon consolidation to avoid double counting.

GOVERNMENT OF THE NORTHWEST TERRITORIES

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
MARCH 31, 2022

HONOURABLE CAROLINE WAWZONEK
Minister of Finance

Table of Contents

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EXECUTIVE SUMMARY

The consolidated results of operations for the fiscal year ended March 31, 2022, and the consolidated financial position as at March 31, 2022 are summarized below:

(in $000s)	Budget 2022	Actual 2022	Actual 2021
Total Revenues	$2,571,187	$2,634,712	$2,499,462
Total Expenses	$2,478,008	$2,572,688	$2,409,222
Annual surplus (deficit)	$93,179	$62,024	$90,240
Financial Assets		$691,373	$674,145
Less: Liabilities		$2,063,438	$2,012,203
Net Debt		($1,372,065)	($1,338,058)
Non-financial Assets		$3,804,937	$3,708,906
Accumulated Surplus		$2,432,872	$2,370,848

Note: Budget adjustments approved during the fiscal year are not reflected in the Public Accounts as the original approved budget is presented in accordance with Public Sector Accounting Standards (PSAS), see next page for discussion on approved budget adjustments.

The 2021-22 consolidated financial statements report an actual annual surplus of $62.0 million, which is $31.2 million or 33.4% lower than budgeted. The annual surplus is $28.2 million or 31.3% lower than the prior year. The change in the surplus is based on changes in revenue and expenses which is explained below:

- Total consolidated revenue in 2021-22 is $2.6 billion, which is $63.5 million or 2.5% higher than the original budget. The total consolidated revenue is $135.3 million or 5.4% higher than the prior year. The increase in actual revenues is mainly due to a higher grant from Canada because of the Gross Expenditure Base increase, increased corporate and personal incomes taxes and increased general revenue.

- Total consolidated expenses in 2021-22 are $2.6 billion, which is $94.7 million or 3.8% higher than the original budget. The total consolidated expenses are $163.5 million or 6.8% higher than the prior year. The increase in actual expenses is mainly due to the impact of COVID-19 expenditures, 2021 flood recovery assistance, collective agreement increases and projects previously classified as projects on behalf of others.

- The Government is in a net debt position of $1.4 billion. In 2021-22, P3 obligations increased by $35.9 million, deferred revenue increased by $95.6 million, short term loans increased by $41.0 million. In 2021-22 $3.9 million in interest was paid on bonds issued in 2020-21. All these factors contributed to the increase in net debt. Combined with other changes in financial assets and liabilities, net debt increased by $34.0 million during the 2021-22 fiscal year.

- Non-Financial Assets increased by $96.0 million or 2.6% over the prior year. In 2022, the Government acquired $260.7 million in tangible capital assets: $41.2 million was added to the work in progress on the Tłı̨chǫ All Season Road; $27.6 million was added as refurbishment of Stanton Legacy Building, $30.3 million was added consisting of Housing NWT's public, homeownership rental and market rental units and $46.7 million was added consisting of NT Hydro Corporation's electric power plants, equipment, and computers. The remaining spend was for various roads and bridges, community health centers and equipment.

The 2021-22 Consolidated Financial Statements report an actual annual surplus of $62.0 million, which is $146.0 million more than the revised budget of ($83.9) million as shown and explained below:

(in $000s)	Original Budget 2022	Supplementary Appropriations	Revised Budget 2022	Actual 2022	Actual 2021
Total revenue	$2,571,187	$0	$2,571,187	$2,634,712	$2,499,462
Total Expenses	$2,478,008	$177,168	$2,655,176	$2,572,688	$2,409,222
Annual Surplus (Deficit)	$93,179	$177,168	($83,989)	$62,024	$90,240

Note: Budget adjustments, which are approved through supplementary appropriations, should be considered before any conclusions are drawn with respect to operational results as budget adjustments made during the fiscal year typically reflect new information that is not known at the time the original budget is approved.

- There were no changes to the revenue budget through the supplementary appropriation process.

- Total consolidated actual expenses in 2021-22 are $2.6 billion. This is $82.5 million lower than the revised expense budget of $2.6 billion. The revised expense budget was increased to address the impact of COVID-19 expenditures related to financial support programs for economic relief and the financial impact from collective agreements increases for the periods of 2020-21 to 2021-22.

The past two fiscal years was unprecedented globally due to the COVID-19 pandemic, which significantly impacted economies due to worldwide shutdowns. The Northwest Territories (NWT) was not immune to these impacts of the global COVID-19 pandemic as evidenced by the significant impacts on revenues as well as expenses.

Even before the COVID-19 pandemic, the Northwest Territories economy experienced a contraction which had an impact on revenues in 2020-21 and 2021-22. Per Statistic Canada, the real Gross Domestic Product of the territory is estimated to have increased 6.3% in 2021 (the latest figures available), compared to the national increase of 4.8%. The 2021 real GDP increase is attributed to the NWT experiencing a V-shaped recovery from the COVID-19 pandemic.

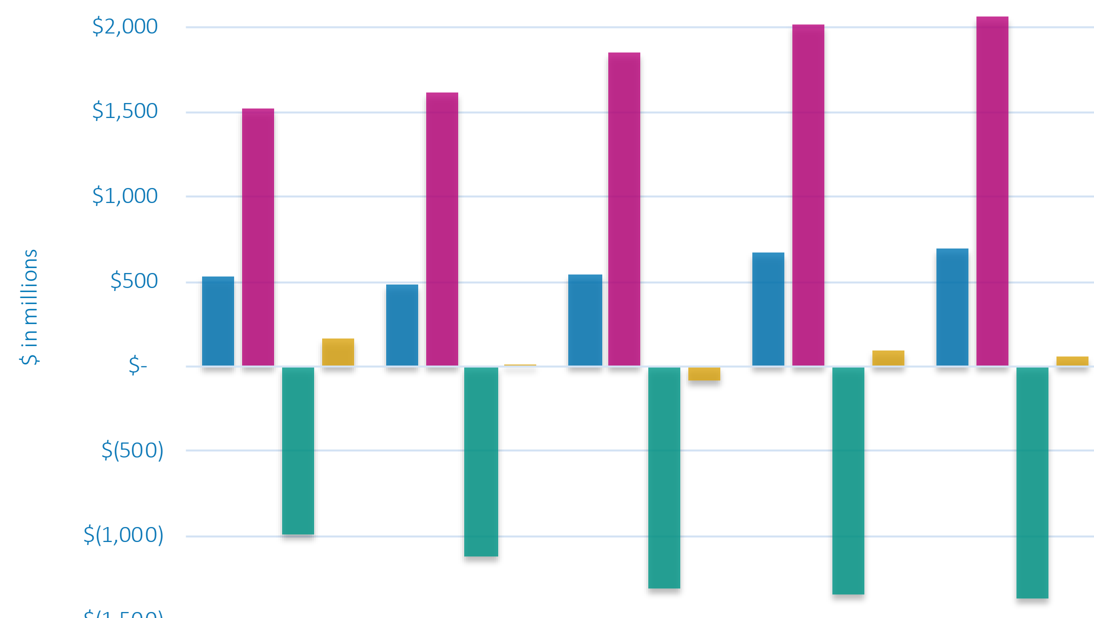
FINANCIAL REVIEWS

Net Financial Debt and Accumulated Surplus(Deficit)

At the end of the 2021-22 fiscal year, the Government is in a net debt position as liabilities exceeded financial assets. Net debt increased during the fiscal year. This increase is primarily attributable to an increase in short term loans, deferred revenue and liabilities related to public private partnerships (P3. The change in net debt is shown on the Consolidated Statement of Change in Net Debt within **Section I** of the Public Accounts.

The graph below illustrates the Government's net debt position and annual surplus/deficit at the end of each of the last five fiscal years.

2018 to 2022 Net Financial Debt and Annual Surplus (Deficit)



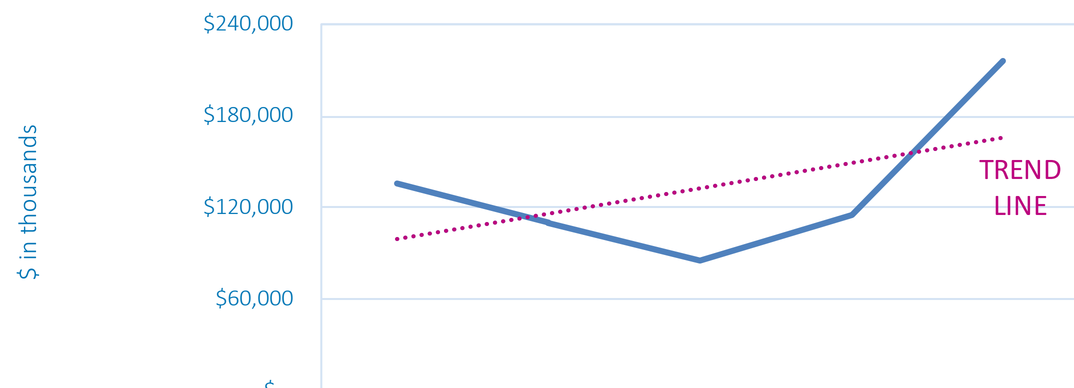
	2018	2019	2020	2021	2022
Financial Assets	$525	$487	$540	$674	$691
Liabilities	$1,520	$1,612	$1,851	$2,012	$2,063
Net Debt	$(995)	$(1,125)	$(1,311)	$(1,338)	$(1,372)
Annual Surplus (Deficit)	$161	$4	$(77)	$90	$62

Net assets result when there are financial assets remaining after deducting all liabilities of the Government. Net debt results when liabilities are more than financial assets. Net debt represents the debt burden on future generations that must be recovered through either future revenues or future service reductions.

Cash and Cash Equivalents

The Consolidated Statement of Cash Flow reports on the sources and uses of cash and cash equivalents during the fiscal year. The Government's cash and cash equivalents increased by $100.2 million, from $115.8 million in 2020-21 to $216.0 million in 2021-22. The increase in fiscal 2021-22 is due to $335.6 million cash inflows from operations, and $74.4 million cash inflows from investing transactions. This increase was offset by $96.4 million used in investing transactions, and $213.4 million used in capital transactions.

2018 to 2022 Cash and Cash Equivalents



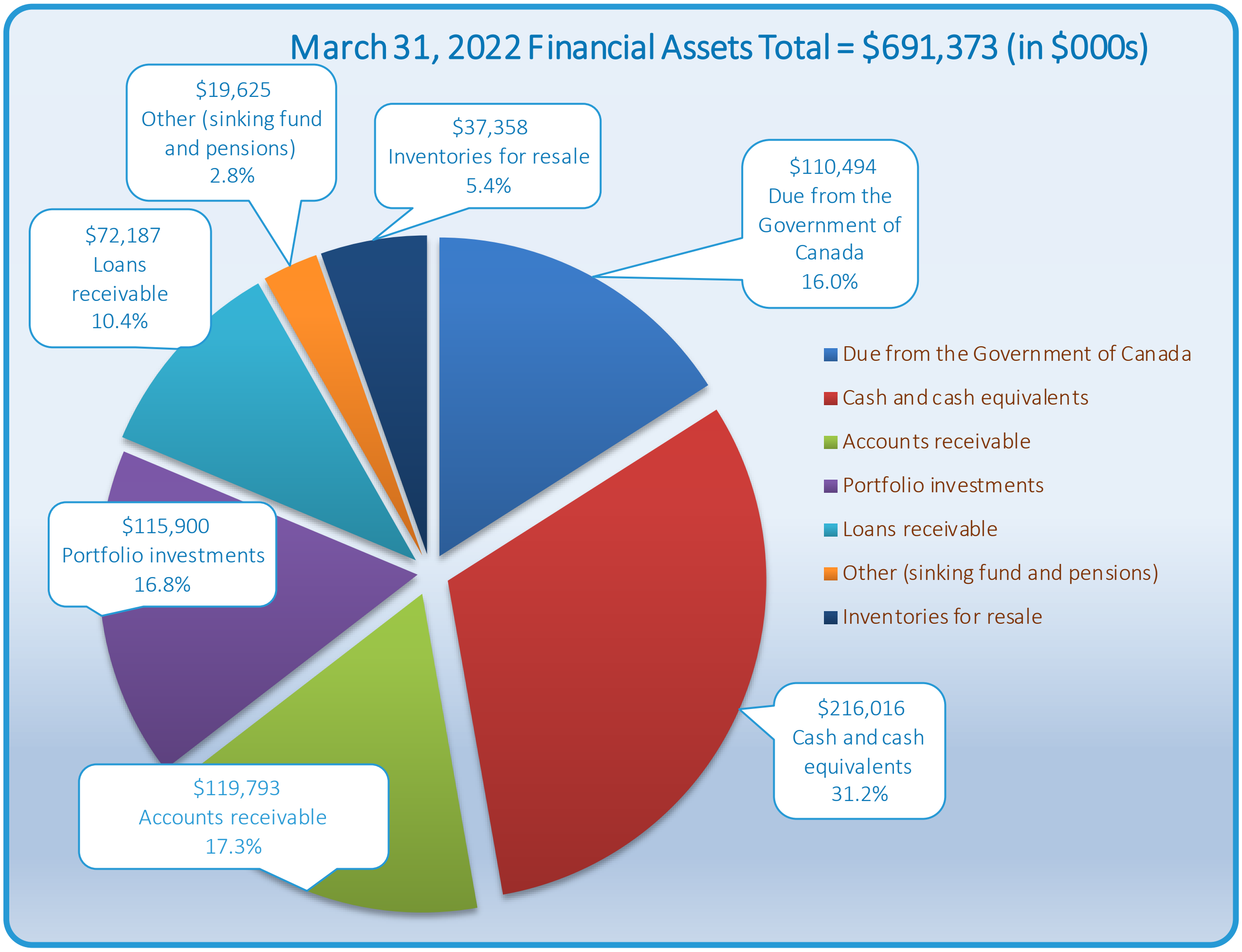
	2018	2019	2020	2021	2022
Cash and Cash Equivalents	$135,897	$110,370	$85,489	$115,820	$216,016

Cash and cash equivalents are used to meet operational expenses, reduce liabilities and to pay for the Government's investment in infrastructure. More detail is available on the Statement of Cash Flows within **Section I** of the Public Accounts.

The cash and cash equivalents position of the Government reported in the Public Accounts includes the GNWT and agencies that comprise the Government Reporting Entity (GRE).

Financial Assets

Financial assets represent the amount of resources available to the Government that can be converted to cash to meet obligations or fund operations.



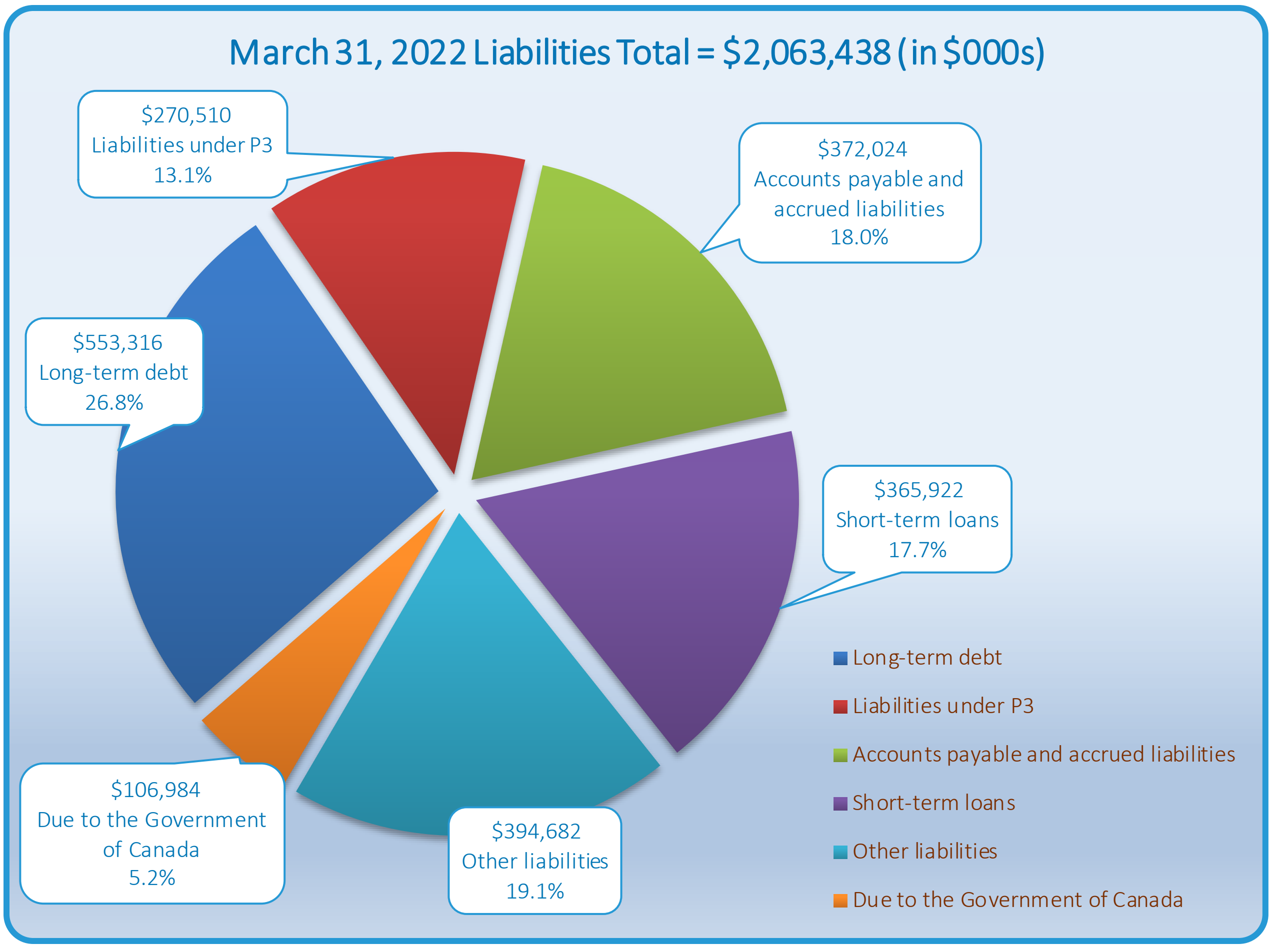
The above graph illustrates the composition of the Government's financial assets.

31.2% of the Government's financial assets are cash and cash equivalents. The 68.8% balance of the financial assets, varying from short-term investments and inventory for resale to long-term loans receivable, is convertible to cash and will, over time, contribute to the Government's ability to discharge its liabilities.

Liabilities

Liabilities are present obligations the Government has to others that will result in a future outflow of resources.

The graph below illustrates the composition of the Government's liabilities.



Other liabilities of $394,682 is comprised of: Environmental liabilities $99,164; Deferred revenue $190,178; other employee future benefits $47,629; pensions $41,761 and capital lease obligations $15,950.

The Government presently has $691.4 million in financial assets available to discharge liabilities of $2.1 billion. The gap between the Government's financial assets and its liabilities, also referred to as net debt, indicates that some of its future revenues will be required to meet these obligations.

Short-Term Loans

The Government enters short-term borrowing arrangements. The short-term loans balance increased by $41.0 million (a 12.6% increase) from $324.9 million in 2020-21 to $365.9 million in 2021-22 to meet operational needs.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include obligations to pay for goods and services acquired prior to year-end. Accounts payable and accrued liabilities increased by $27.8 million (an 8.1% increase) from $344.1 million in 2020-21 to $372.0 million in 2021-22, mainly due to increases to trade, employee and related payroll expenses incurred in 2021-22 compared to 2020-21.

Pensions and Employee Future Benefits

The Government administers Regular and Supplemental Pension Plans for Members of the Legislative Assembly (MLAs), Territorial Court Judges and the Employees, Superintendent and Assistant Superintendents of the Yellowknife Catholic Schools. The Government also administers Regular Pension Plans Employees of the Hay River Health and Social Services Authority. These plans are comprised of contributory and non-contributory defined benefit pension plans and are administrated by independent companies.

All eligible remaining Government employees participate in Canada's Public Service Pension plan, a contributory defined benefit pension plan that is administered by the Government of Canada.

At year end, the pension assets and liabilities were comparable with prior year and detailed information can be found within **Section I** of the Public Accounts (note 16).

Employee future benefits for sick, special, leaves as well as severance benefits for retirement, resignation, and removal, accrue for Government employees as service is rendered. Maternity and parental benefit leaves are non-accruing and paid when the leave commences. These benefits are paid to eligible employees on the occurrence of an event resulting in eligibility for benefits such as termination. An actuarial evaluation is completed periodically (generally every 3 years) to determine the value used for Employee future benefits in the Public Accounts for the GRE.

Employee future benefits liability decreased by $4.4M million (an 8.4% decrease) from $52.0 million in 2020-21 to $47.6 million in 2021-22. The decrease is due to lower removal benefits by $0.8 million and higher unamortized net actuarial gains by $4.6 million resulting mainly from NT Hydro Corporation and Government departments: Finance, Environment and Natural Resources and Infrastructure.

Environmental Liabilities

The nature of the Government's programs and services exposes the Government to costs associated with remediation of any site contamination that occurred because of government operations. These costs make up the Environmental Liabilities amount disclosed within **Section I** of the Public Accounts (note 12). In addition, the liability may include contaminated sites where the Government does not own the site but has accepted responsibility. A summary of the Government's policy with respect to Environmental Liabilities can be found within **Section I** of the Public Accounts (note 2k).

The process used by the Government to include a contaminated site is based upon Public Sector Accounting Standards, as well as responsible stewardship. When a site is suspected of contamination, the first step is to determine if the contamination is in contravention of an environmental standard. If the investigation determines that an environmental standard has been exceeded, then the site is included within the Government's inventory of contaminated sites. Only sites that are non-operating or high priority due to a risk to human health or property are assigned a value. Before the value can be calculated the Government must first determine the appropriate action to be taken for remediation, monitoring, or risk management. The Government's best estimates of the action to be taken are based upon further assessments performed by third parties or from similar remediation actions that Government can rely upon. If no basis exists to estimate full remediation costs, the value of the liability is limited to estimates of the known costs to be incurred for next steps. Where the costs of remediation may be shared with a third party, such as Canada, only the Government's share of the remediation costs has been recorded. The Government works to address required remediation of contaminated sites in a systematic approach that considers risk, available resources, coordination of efforts and a short summer season.

At year end the environment liability balance was comparable to prior year as the cost of new sites added was comparable to the remediation expenditures incurred during the year.

Environmental Liabilities	*Number of Sites 2021*	*Amalgamated with other sites in 2022 **	*New in 2022*	*Closed in 2022 **	*Number of Sites 2022*
Abandoned Mines	8		1		9
Landfills	42		2		44
Abandoned Infrastructure and schools	74	8	1	(1)	82
Airports, airport strips or reserves	26	(1)			25
Sewage Lagoons	29	1			30
Fuel tanks and resupply lines	12				12
Abandoned lots and maintenance facilities	86	(43)	5	(2)	46

* *Include sites that closed or no longer meet the criteria to record a liability for contaminated sites (38)*

More information can be found at: English: https://www.fin.gov.nt.ca/en/services/gnwt-contaminated-sites-information

French: https://www.fin.gov.nt.ca/fr/services/information-sur-les-sites-contamin%C3%A9s-du-gtno

Asset Retirement Obligation

The Public Sector Accounting Board (PSAB) issued a new accounting standard PS 3280, effective April 1, 2022, for Asset Retirement Obligations (ARO), establishing an accounting standard for public sector entities that addresses the accounting and reporting of legal obligations associated with the retirement of tangible capital assets (TCA).

For existing tangible capital assets that have an ARO, public sector entities must determine the liability associated with retiring those assets and record an adjustment. For future acquisitions of new tangible capital assets that have an ARO, a liability for retiring the asset will need to be recorded at the time of acquisition.

PSAB PS 3280 establishes standards on how to account for and report a liability for ARO with the main features of the standard is identified below:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset,
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner,
- Asset retirement costs associated with an asset no longer in productive use are expensed,
- Measurement of a liability for an asset retirement obligation should result in an expense, depending on the nature of the re-measurement and whether the asset remains in productive use and
- A present value technique is often the best method with which to estimate the liability.

For obligations that exist on adoption as of April 1, 2022, the Government will follow the modified retroactive method, which will measure the liability as of the date the legal obligation was incurred and use a discount rate and assumptions as of the first day of application (April 1, 2022).

The Government's assessment to date on the impact of this standard on the consolidated financial statements foresees that it will significantly impact Liabilities, Tangible Capital Assets, Opening Accumulated Surplus, and Accumulated Amortization effective on adoption at the start of fiscal year 2023 (April 1, 2022).

Non-Financial Assets

Non-financial Assets are assets that typically represent resources that the Government can use to provide services in the future. The Government's Non-Financial Assets consist primarily of tangible capital assets (TCAs) as well as inventories held for use and prepaid expenses. Non-financial Assets held by the Government are disclosed in the Consolidated Statement of Financial Position of **Section I** of the Public Accounts.

Inventories

Inventories held for use include materials and supplies, lubricants, critical spare parts, and fuel and are valued at weighted average cost or first in/first out depending on the type of inventory. Inventory increased by $2.0 million (an 8.1% increase) from $24.5 million in 2020-21 to $26.4 million in 2021-22. The increase is mainly attributable to a $1.4 million increase in critical spare parts for NWT Hydro Corporation and fuel for Marine Transportation Services.

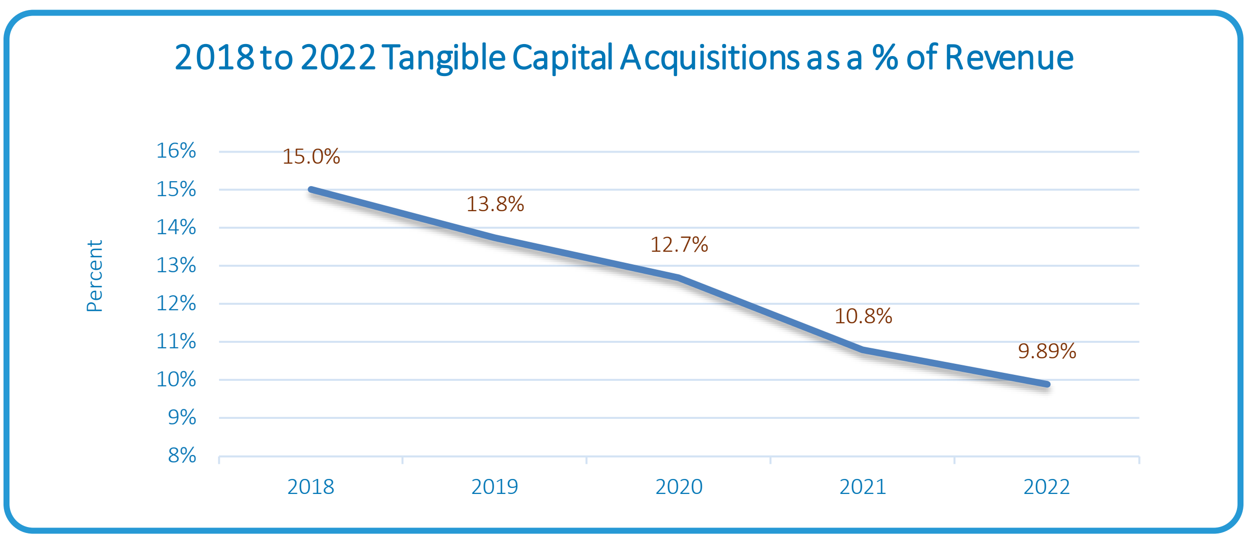
Prepaid Expenses

Prepaid expenses result from the Government making advanced payments for goods or services to be received in the future. Most Government prepaid expenses are from software license and insurance premiums, as well as cargo shipment by MTS. Prepaid expenses increased by $3.2 million (a 27.0% increase) from $11.7 million in 2020-21 to $14.8 million in 2021-22.

Tangible Capital Assets

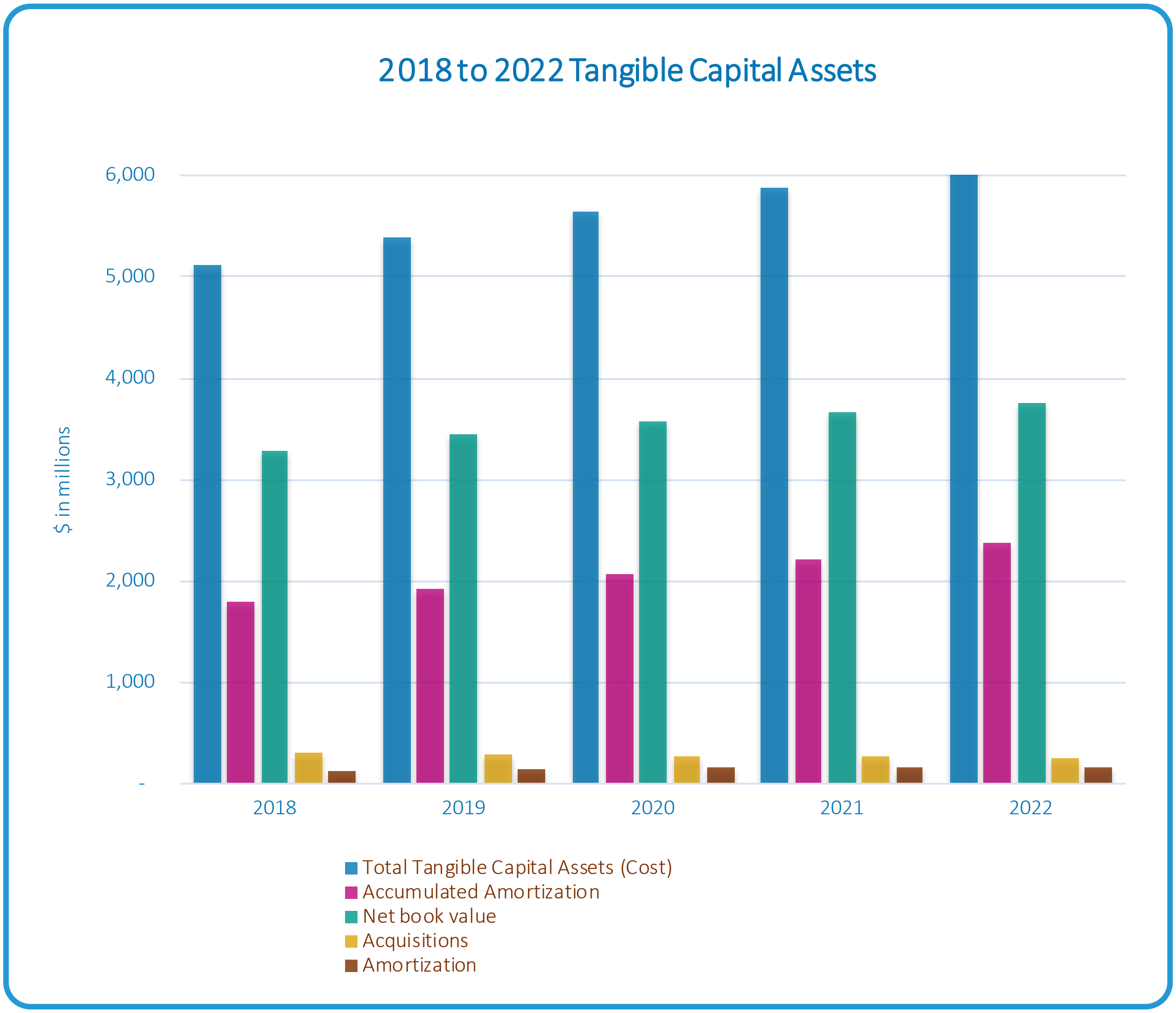
Under the Government's capitalization policy, tangible capital assets are capitalized and amortized over time in the Consolidated Statement of Operations based on their estimated useful life. The Government plans capital expenditures to ensure that existing TCAs are replaced in a timely manner in conjunction with the Government's direction, priorities, and fiscal management strategy.

In the past five years the Government's acquisition of tangible capital assets has remained consistent while revenue has been rising, resulting in the percentage decline from 15.0% in 2017-18 to 9.9% in 2021-22.



Tangible Capital Assets (continued)

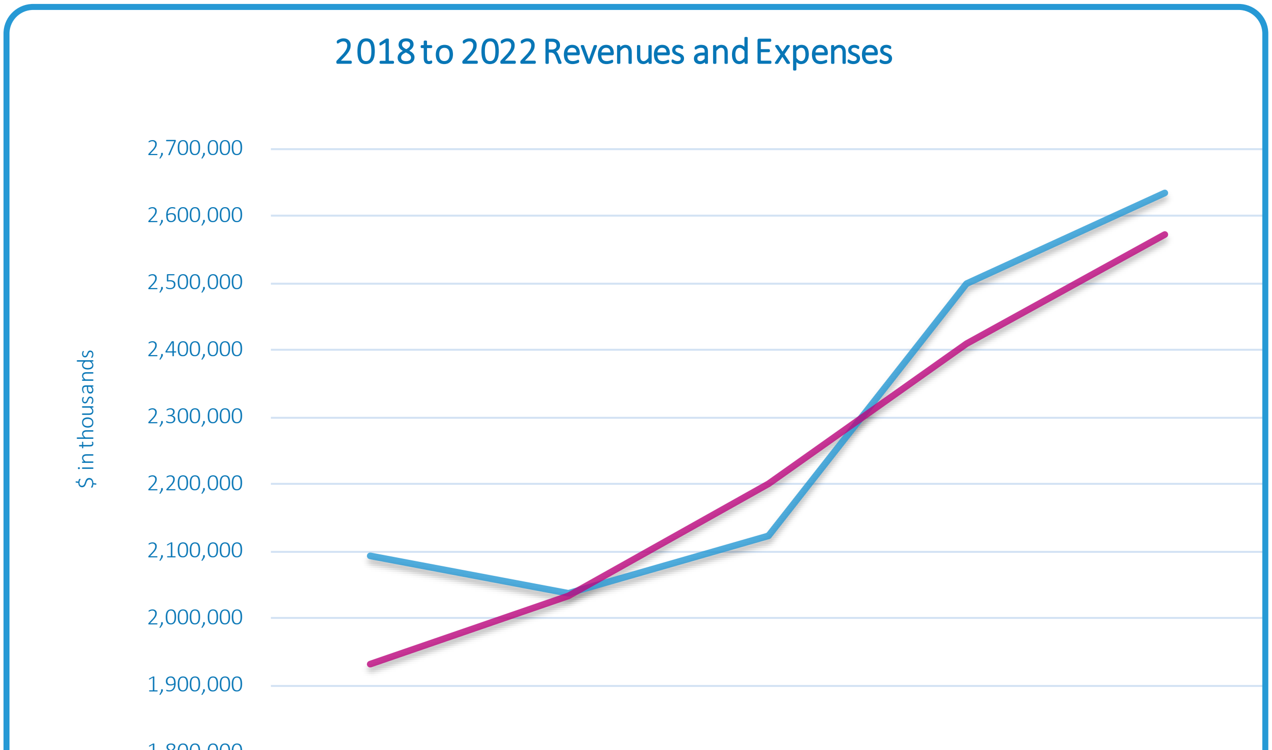
As illustrated by the graph below, the net book value of TCAs recognized by the government has steadily increased over the last five years indicating that the government has been acquiring new or replacing existing TCAs.



In 2021-22, the Government acquired $260.7 million in tangible capital assets. Significant acquisitions included $41.2 million for work in progress on the Tlicho All Season Road, $27.6 million for refurbishment of Stanton Legacy Building, $30.3 million for Housing NWT's public, homeownership rental and market rental units and $46.7 million for NT Hydro Corporation's electric power plants, equipment, and computers.

Revenues and Expenses

Revenue increased by $135.3 million (a 5.4% increase) from $2.5 billion in 2020-21 to $2.6 billion in 2021-22 mainly due to a higher Territorial Formula Financing grant from Canada because of an increase in the Gross Expenditure Base, increased corporate and personal income taxes and increased general revenue.



	2018	2019	2020	2021	2022
Revenues	2,092,875	2,037,595	2,123,501	2,499,462	2,634,712
Expenses	1,931,933	2,033,465	2,200,817	2,409,222	2,572,688

Total expense increased by $163.5 million (a 6.8% increase) from $2.4 billion in 2020-21 to $2.6 billion in 2021-22. The biggest increases were in General Government, Health and Social Services, Education and Infrastructure.

PUBLIC PRIVATE PARTNERSHIPS AND ASSOCIATED LIABILITIES

Public Private Partnerships (P3) are a means for a government to enter into cooperative ventures between the public and private sectors as a means of funding capital projects. P3 Projects are a long-term approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construction, from design and planning to long-term maintenance/operations.

The Government previously had entered three contracts for the design, build, operation, and maintenance of the Mackenzie Valley Fibre Link; the design, build, and maintenance of the Stanton Territorial Hospital Renewal, and the design, build and maintenance of the Tłı̨chǫ All Season Road. Operations and maintenance provided by the partner cease at the repayment date at which time operational responsibility reverts to the Government.

Mackenzie Valley Fibre Link

The Government entered into an agreement with Northern Lights General Partnership (NL) on October 30, 2014, to design, build, operate and maintain 1,154 km of high-speed fiber optic telecommunications cable from McGill Lake to Inuvik, NWT. Construction was completed in May 2017 with in-service commencement in June 2017, and NL operating and maintaining the system.

Stanton Territorial Hospital Renewal

The Government entered into an agreement with Boreal Health Partnership (BHP) on September 22, 2015, to design, build, operate and maintain the Government's new Territorial hospital. Construction was completed in November 2018 with in-service commencement in May 2019, and BHP operating and maintaining the new facility.

Tłı̨chǫ All-Season Road

The Government entered into an agreement with North Star Infrastructure GP on February 13, 2019, to design, build and maintain the Tłı̨chǫ All-Season Road (TASR). Construction was substantially complete in November 2021 with North Star Infrastructure GP operating and maintaining the new road.

The Government established a Sinking fund in 2019, whereby cash was being held in a separate bank account for the purpose of retiring liabilities under the TASR contract. In 2022, the Government made a lump sum payment of $112.1 million from the Sinking fund to retire 60% of the TASR liability.

All-season roads are critical to adapting the NWT transportation system to the impacts of climate change, helping support more reliable infrastructure. By replacing the southern section of the existing winter road serving the region, the TASR will not only provide year-round access to the community of Whatì but will also increase the window of access to the communities of Gamètì and Wekweètì.

This project will maximize the involvement of Northern businesses as road construction and maintenance will result in employment and training opportunities for Tłı̨chǫ and Northern residents.

Summary of P3 Projects

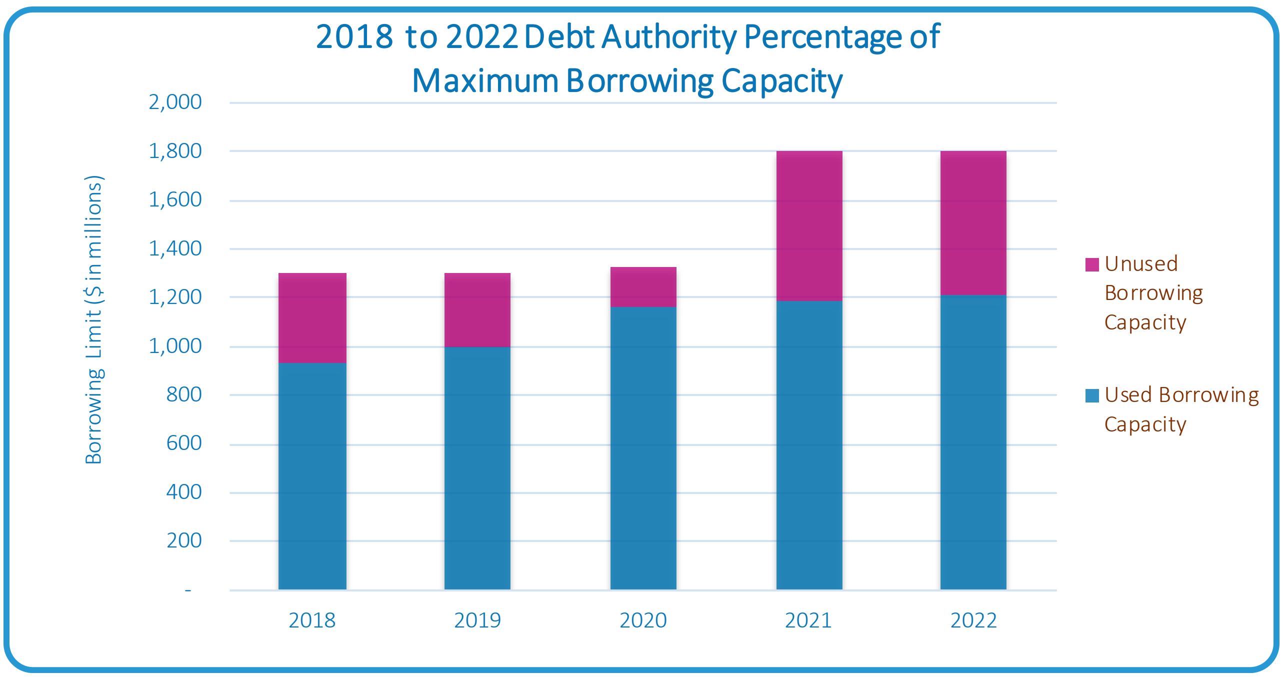
P3 Project (in $000s)	Mackenzie Valley Fibre Link	Stanton Territorial Hospital Renewal	Tłı̨chǫ All Season Road
Partner	Northern Lights General Partnership	Boreal Health Partnership	North Star Infrastructure GP
Contract signing date	October, 2014	September, 2015	February, 2019
Substantial completion date/in-service date	June, 2017	November, 2018	November, 2021
Annual interest rate	6.52%	5.36%	6.53%
Fiscal Year in which Repayment Ends	2039	2050	2048
GNWT Liability at Mar 31, 2021	$72,800	$130,454	$149,796
GNWT Liability at Mar 31, 2022	$69,900	$127,128	$73,482
Tangible capital asset cost	$95,036	$321,211	$209,223
Interest expense for the 2021-22	$4,700	$7,000	$1,000
Annual Operational Amount *	$3,190	$7,000	$6,000
Total operations amounts to the end of the agreement *	$68,600	$365,000	$148,100

** amounts may be subject to inflationary increases.*

LONG TERM DEBT, BORROWING AND LIMITS

The Fiscal Responsibility Policy holds the Government accountable for its level of borrowing with the establishment of performance measures for debt management that ensure the total debt of the Government does not exceed the capacity of the Government to repay the debt as it becomes due. The current Capital Plan includes projects under the Government's P3 policy or projects that will be fully funded by the Government's revenues.

Consolidated debt, for purposes of the territorial borrowing limit, includes borrowings of all Government organizations that are included within the Consolidated Public Accounts. The borrowing limit is currently $1.8 billion, established pursuant to subsection 28(4) of the *Northwest Territories Act.* Additional detail is reflected within **Section I** of the Public Accounts (note 14).



Note: The GNWT at consolidation is not in an overdraft position, however the non-consolidated statements include overdraft.

Bonds

The Government has $180.0 million bond. The bond has an annual coupon rate of 2.2%, paid semi-annually and the repayment of $180.0 million is due September 29, 2051, and in 2021-22 paid interest payments of $3.9 million on the bond.

INDICATORS OF FINANCIAL CONDITION

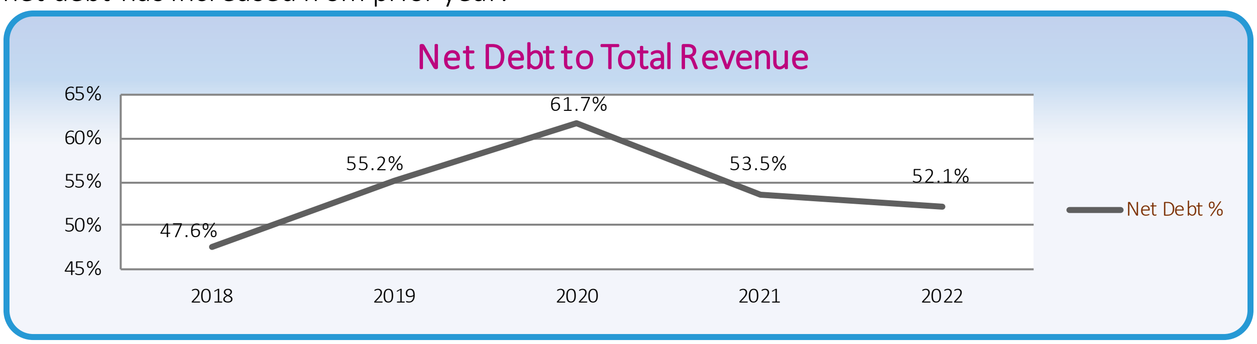
Financial condition describes a government's ability to meet its financial obligations with respect to its service commitments to the public and commitments to employees, creditors, and others.

The following assessment of the Government's financial condition considers three elements: sustainability, vulnerability, and flexibility. The elements show how the Government's fiscal health measures up in the context of the overall economic and financial environment.

Sustainability: the degree to which a government can maintain programs and meet creditor requirements without increasing the debt burden on the Government.

- At the end of the 2021-22 fiscal year the Government has a net debt position of $1.37 billion compared to net debt of $1.34 billion at the end of the prior fiscal year. The net debt represents 52.1% of total revenue.

The graph below shows that Government's net debt to total revenue has decreased from 53.5% in 2020-21 to 52.1% in 2021-22 mainly due to the increase in the Territorial Formula Financing Grant from the Government of Canada and other Transfer payments, Corporate and Personal Income taxes. A decrease in this ratio is occurring as the Government revenue increased, while net debt has increased from prior year.



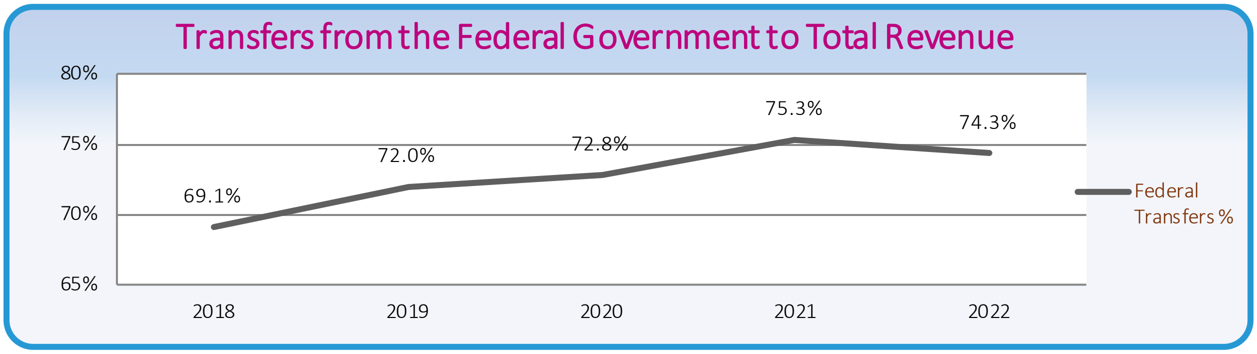
Net debt to total revenue is an indicator of the Government's ability to service the debt burden, where a decreasing ratio is a positive indicator that the rate of increase in net debt is lower than the rate of increase in revenue. A lower net debt to revenue ratio indicates higher sustainability, as a higher revenue base can service a higher net debt burden.

Vulnerability: the degree to which a government depends on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international.

- The Government's largest source of revenue is the grant and transfer payments from Canada which represent 74.3% of total revenue for the current year. The formula determining the Territorial Formula Financing Grant is established under federal legislation that is renewed every five years. The next renewal begins April 1, 2024.

- Since Territorial Formula Financing responds to changes in own source revenues and the Government mostly relies on relatively stable funding from Canada, the Government is less vulnerable to economic shocks than provinces.

The graph below shows that total revenue from federal government transfers has decreased slightly from 75.3% in 2020-21 to 74.3% in 2021-22. The total share of own source revenue increased by 9.6% from prior year, while transfers from federal government increased by 4.0% from prior year.



A decreasing ratio typically reflects that the Government is less reliant on transfers from Canada to fund its programs.

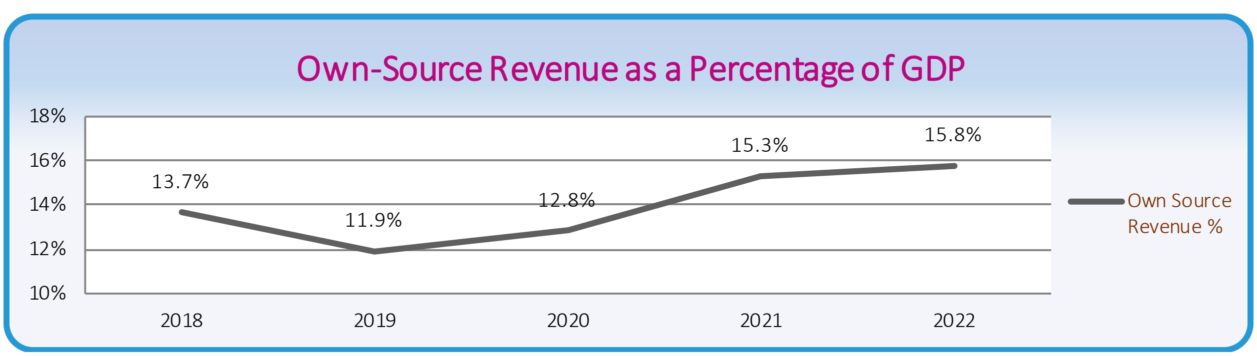
Flexibility: the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues, or increasing its debt burden.

- At March 31, 2022, the Government has a federally imposed borrowing limit of $1.8 billion. The limit on the borrowing capacity precludes the use of debt to increase financial resources beyond the debt limit; however, an increase in debt would, at best, provide short-term flexibility.

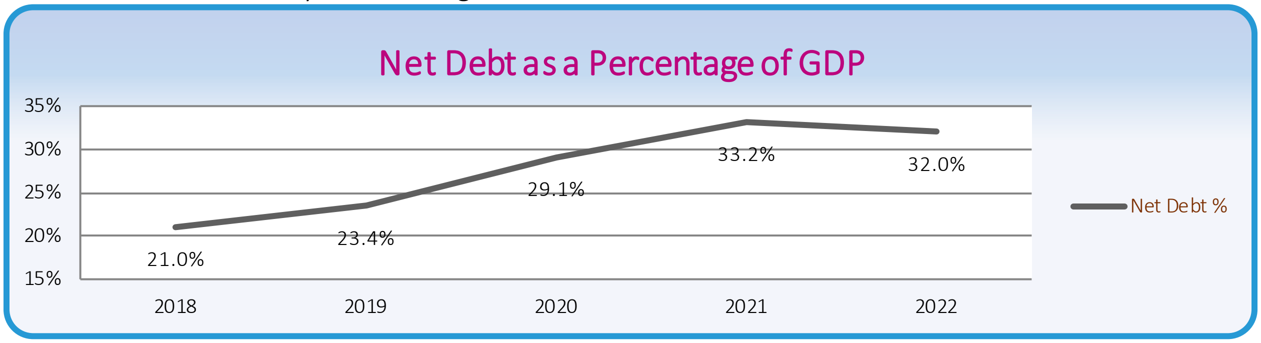
- The Government relies on federal transfers for 74.3% of its total revenues, of which 56.2% comes from the Territorial Formula Financing Grant.

- The Government's own-source revenues, (net of $42.5 million in non-renewable resource revenues), increased to 24.1% of total revenue in 2021-22 (22.0% - 2020-21). The Government has limited flexibility to increase taxes due to a small tax base.

The total own-source revenue to GDP ratio shows the Government's revenues relative to the size of the economy.



The graph below shows that net debt for the Government decreased as a percentage of GDP from 33.2% in 2020-21 to 32.0% in 2021-22. The decrease in this ratio is a result of increasing net debt on an economy rebounding from the effects of COVID-19.



Net debt as a percentage of the GDP is a measure of debt growth in relation to economic growth, where economic growth exceeds the growth rate of public debt. A decreasing ratio reflects a consistent improvement in financial position.

The Government has limited flexibility to raise new revenues due in part to a small tax base and continues to depend on federal transfers to fund the majority of its expenditures. The Government must be careful to manage its operations expenditures so that it can invest in infrastructure without incurring more debt.

Below are a number of key indicators for the last ten years:

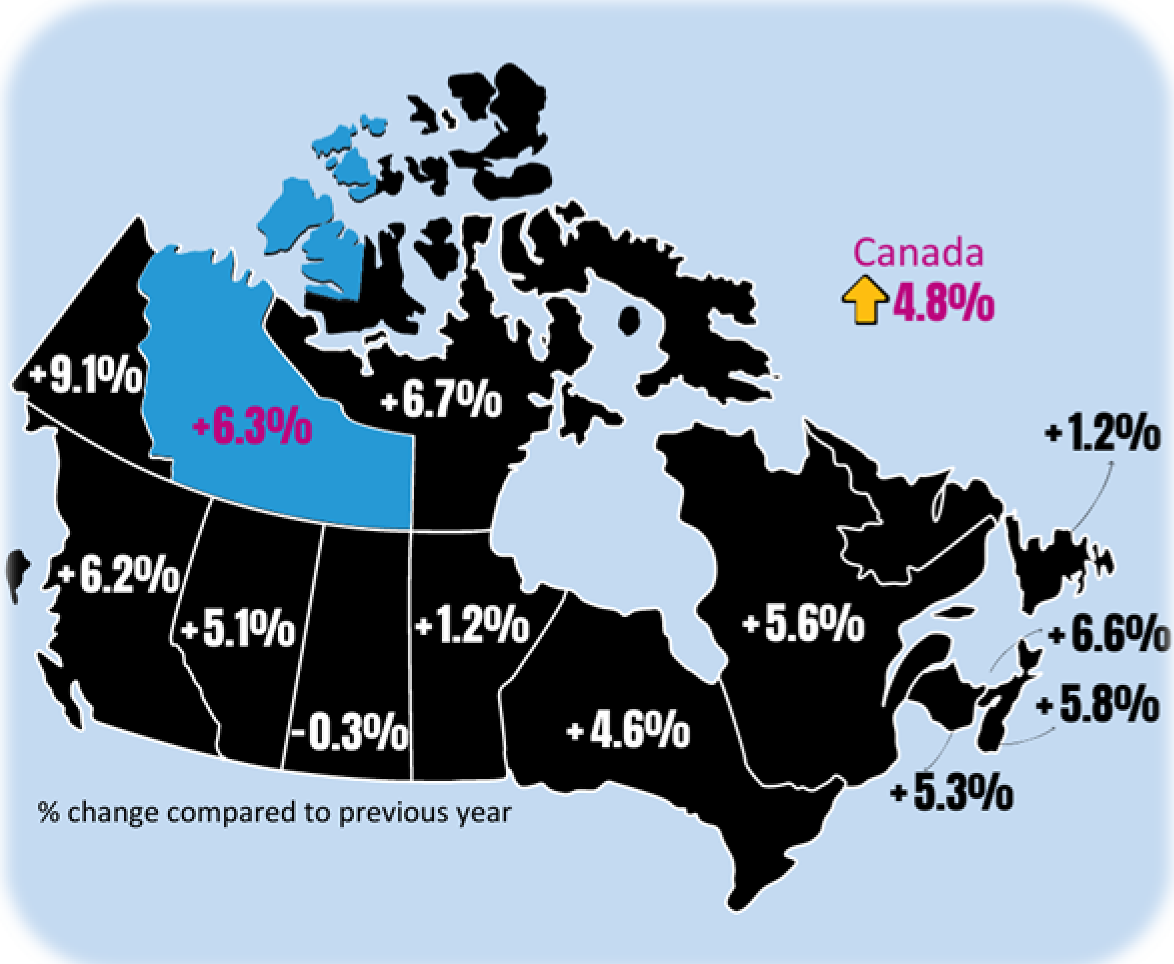
NWT Key Economic Indicators, 2011 to 2021

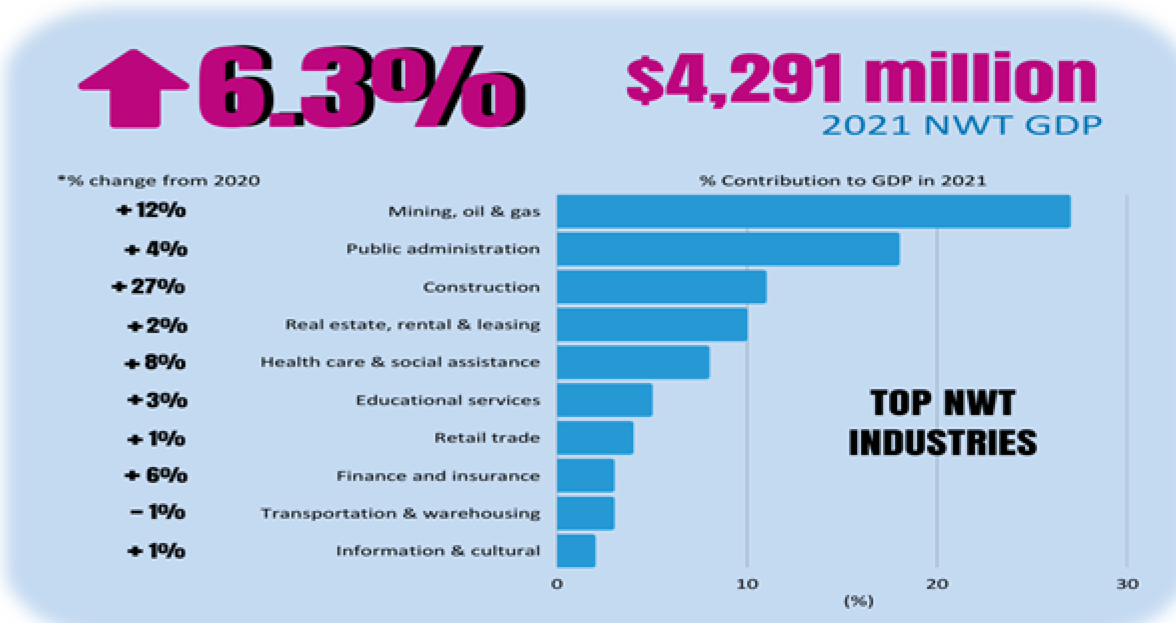
Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real GDP (Chained $)	-9.2	-0.6	2.8	4.7	1.0	-1.1	3.6	1.3	-6.1	-10.5	6.3
Employment Rate (July 1)	4.0	1.1	2.3	-5.2	0.8	0.4	-4.9	0.9	1.9	-9.7	13.7
NWT consumer price index	2.9	1.5	0.9	2.0	1.1	1.4	1.6	2.3	1.9	0.7	3.4
Population (July 1)	43,504	43,648	43,805	43,884	44,237	44,649	44,891	44,981	45,070	45,372	45,504
Population growth	0.51	0.33	0.36	0.18	0.8	0.93	0.54	0.2	0.2	0.67	0.29

(% change unless otherwise noted)

Gross Domestic Product (GDP): growth rate is also an important indicator of the economic performance of a country, province, or territory. GDP is the final value of the goods and services produced within the geographic boundaries of a jurisdiction during a specified period of time, normally a year.

For the Northwest Territories (NWT), Statistics Canada estimated GDP is $4.3 billion for 2021 (the latest year for which data is available), which represents a 6.3% increase relative to 2020. The mining, oil and gas industry grew by 11.9% between 2020 and 2021 following the reopening of Ekati mine in early 2021. The construction industry also grew largely as a result of increased engineering construction. Real estate, leasing, renting, Finance, and Insurance increased between 2020 and 2021.


Canada
4.8%
+9.1%
+6.3%
+6.7%
+6.2%
+5.1%
+1.2%
-0.3%
+4.6%
+5.6%
+1.2%
+6.6%
+5.8%
+5.3%
% change compared to previous year


6.3%
$4,291 million
2021 NWT GDP
*% change from 2020
% Contribution to GDP in 2021
+12% Mining, oil & gas
+4% Public administration
+27% Construction
+2% Real estate, rental & leasing
+8% Health care & social assistance
+3% Educational services
+1% Retail trade
+6% Finance and insurance
-1% Transportation & warehousing
+1% Information & cultural
TOP NWT INDUSTRIES
0
10
20
30
(%)

Canada, Provinces and Territories GDP Comparison

Real GDP at Basic Prices, calendar years 2020 and 2021

Millions of Chained (2012) Dollars*

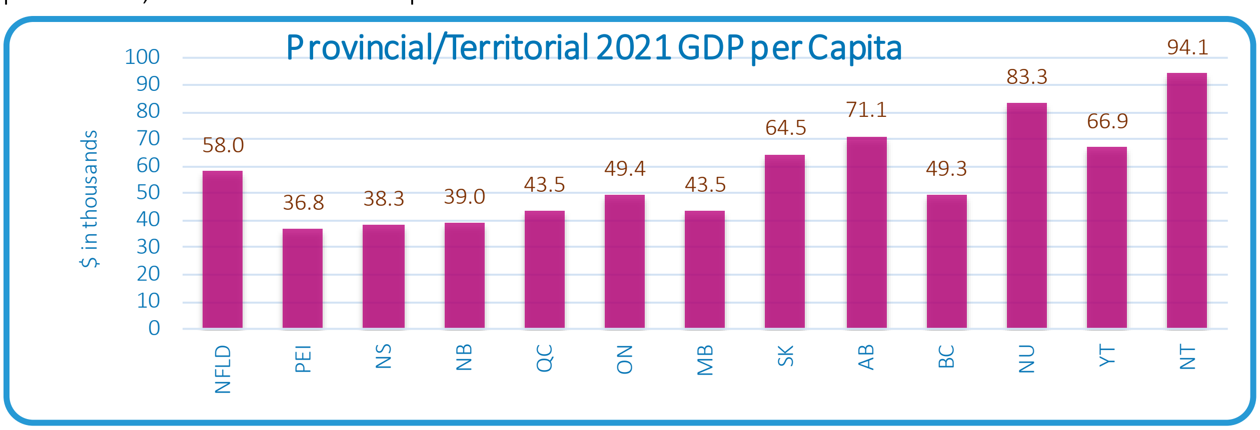
	2021	2020	Percent (%) Change
Canada	1,974,468	1,884,083	4.8
Northwest Territories	4,291	4,036	6.3
Nunavut	3,376	3,164	6.7
Yukon	2,931	2,687	9.1
British Columbia	262,187	246,927	6.2
Alberta	323,065	307,522	5.1
Saskatchewan	77,038	77,273	-0.3
Manitoba	61,279	60,545	1.2
Ontario	746,495	713,444	4.6
Quebec	377,909	357,742	5.6
New Brunswick	31,630	30,052	5.3
Nova Scotia	39,082	36,950	5.8
Prince Edward Island	6,273	5,883	6.6
Newfoundland and Labrador	30,493	30,138	1.2

Source: Statistics Canada (2021) Gross domestic product (GDP) at basic prices, by industry, provinces, and territories.

**Note: Chained dollars is a method of adjusting real dollar amounts for inflation over time, to allow the comparison of figures from different years. Data will not sum to totals since chained dollars are not additive.*

Provincial and Territorial - GDP Per Capita Comparison

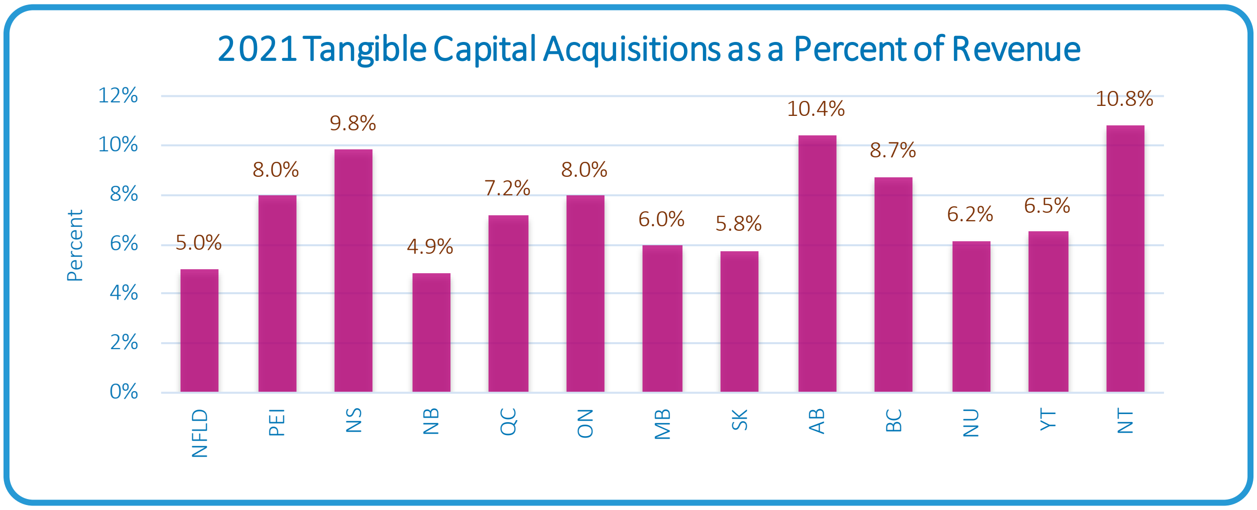
The NWT currently has the highest GDP per capita in Canada. This is an important indicator to note when considering GDP statistics as it is shows that while the NWT has a relatively small population our GDP per capita is large by comparison. The NWT economy is less developed compared to provinces, with resource extraction a dominant sector. Mining has a high value of production, and the sector is capital intensive.



Statistics Canada. Population estimates July 1, 2022 and GDP Gross domestic product (GDP) at basic prices, by industry, Provinces, and Territories is calendar 2021.

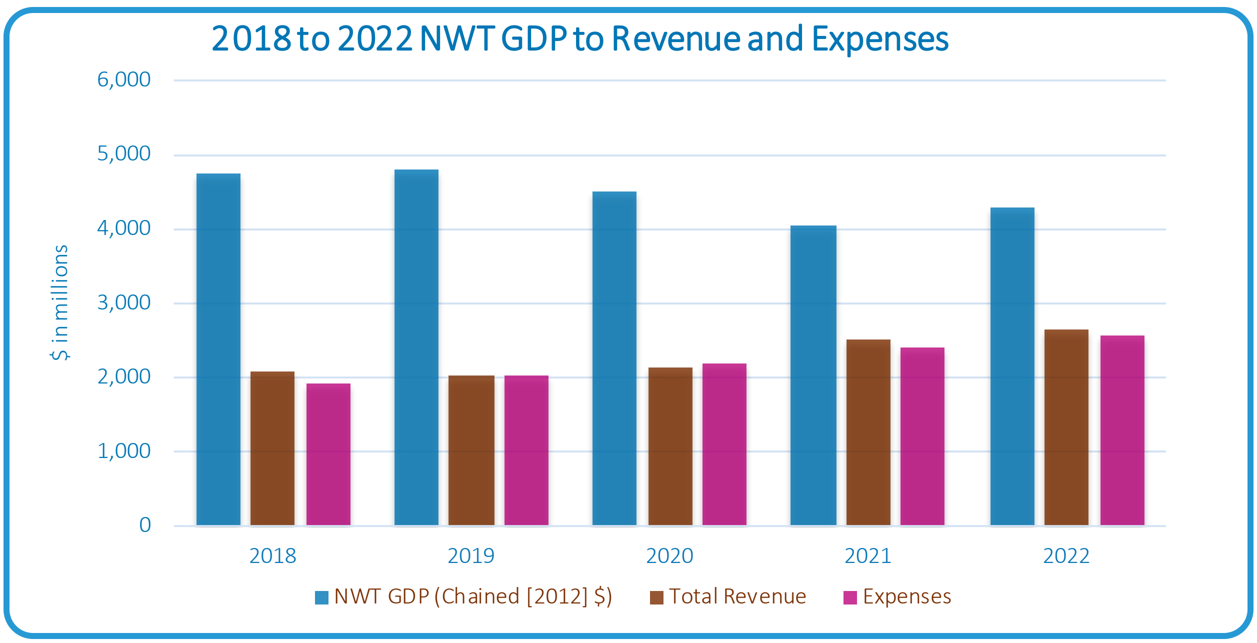
Provincial Comparisons – TCA Acquisitions as Percentage of Revenue Comparison

In 2021, at 10.8%, the Government has the highest percentage of revenue invested in infrastructure compared to other Territories and Provinces.



Figures calculated based on fiscal 2020-21 Provincial/Territorial Public Accounts of the various senior governments.

NWT GDP, Revenues and Expenses Comparison



Note: NWT GDP is based on a calendar year, while the balance of the information is based on the fiscal year end (March 31 of the following year).

RISKS AND UNCERTAINTIES

The Government is subject to risks and uncertainties that arise from variables which the Government cannot directly control. These risks and uncertainties include:

- Changes in economic factors such as economic growth or decline, commodity and non-renewable resource prices, inflation, interest rates, population change, personal income and retail sales,
- Exposure to interest rate risk, credit risk, and liquidity risk,
- Changes in transfers from the federal government,
- Utilization of government services,
- Other unforeseen developments including unusual weather patterns and natural and other disasters,
- Criminal or malicious attacks, both cyber and physical in nature, potentially resulting in business interruption, privacy breach and loss of, or damage to, information, facilities, and equipment,
- Factors that could hinder the safe delivery of products and services, and
- Outcomes from litigation, arbitration, and negotiations with third parties.

The Government uses information from banks and private industry when developing the underlying assumptions for fiscal forecasts during budget development and when updating the underlying assumptions throughout the fiscal year.

Covid 19: The COVID-19 pandemic impacted the Government's fiscal results for the year ended March 31, 2022, the second full year operating in a COVID-19 environment since the global pandemic was declared, see Public Accounts – **Section I** (note 24) for details.

Natural Disasters: The Government through the Emergency Management Organization monitors flood conditions, conducts preparedness activities and supports the NWT communities, which are the lead on responses and recovery activities.

Each year the Government invests in people, equipment, technology, and communication to manage wildfires effectively, as the boreal forest is one of the Northwest Territories' most valuable natural resources. Under the right conditions, high-intensity wildfires fires often occurring naturally are virtually unstoppable; these wildfires have the potential to spread quickly over great distances and to place people and community infrastructure at risk.

FISCAL RESPONSIBILITY POLICY

The Government's Fiscal Responsibility Policy (FRP) is a tool to guide responsible borrowing and debt management. The policy statement for the Government's FRP is:

The Government of the Northwest Territories is committed to responsible spending and controlled expenditure growth while focusing on necessary infrastructure investments required to support the goals and priorities of each Legislative Assembly. The Government is committed to plan for and realize sufficient operating surpluses to finance annual infrastructure investments and meet debt servicing payments on any amounts borrowed.

The Government is committed to prudent borrowing and debt management in order to ensure long-term fiscal sustainability and will not incur debt to a level where debt servicing payments are outside the provisions of this policy.

Source: Fiscal Responsibility Policy 15.03 June 1, 2016
https://www.fin.gov.nt.ca/en/resources/fiscal-responsibility-policy

Compliance with Fiscal Responsibility Policy

The FRP sections 6(3) and 6(5) provide specific borrowing guidelines for the Government, excluding its boards and agencies, to support responsible fiscal management.

The Policy states that the Government, on a non-consolidated basis, will restrict infrastructure investments, excluding P3 projects, as follows:

a) A minimum of fifty per cent (50%) from the operating surpluses generated within the *non-consolidated* Public Accounts; and
b) A maximum of fifty percent from government debt.

The Policy also limits *non-consolidated* debt service payments (principal and interest) to five per cent (5%) of total non-consolidated annual revenues.

Evaluation

The provisions of the Fiscal Responsibility Policy have been met for fiscal year 2021-22:

- The infrastructure investments, excluding P3, met the required 50.0% minimum operating surplus generated from the non- consolidated Public Accounts.
- Non-consolidated debt servicing costs are 1.6% of the non-consolidated revenue, which is less than the 5.0% limit.

Calculations for compliance to the FRP are in the chart on the next page.

Fiscal Responsibility Policy Compliance

(All calculations based on the **Public Accounts, Section II** - Non Consolidated Financial Statements)

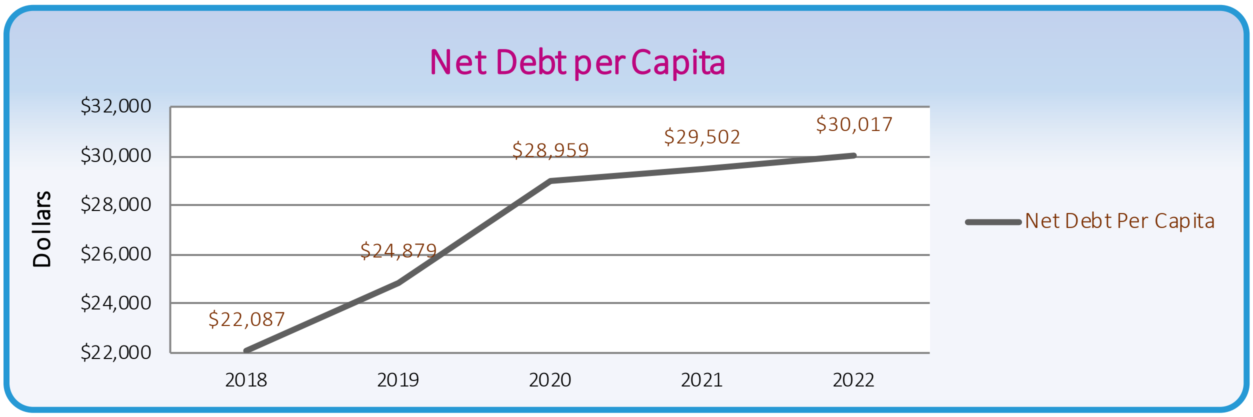
	2022	2021
	($ in Millions)	
Policy Provision 6(5)(a)- Debt Servicing Payments		
Revenues (Public Accounts, Section II, Schedule A)	2,307	2,179
Maximum Debt Servicing Payments- 5% of Revenues	115	109
Debt Servicing Payments		
Short-Term Interest Expense (Public Accounts, Section II, note 7)	1	2
Deh Cho Bridge (Public Accounts, Section II, note 12)	19	9
P3 Debt Servicing (Public Accounts, Section II, note 13)	17	16
Total Debt Servicing Payments	37	27
Actual Debt Servicing Payments as a % of Revenues	**1.59%**	**1.22%**
Provision 6(3)- Infrastructure Financing		
Capital Acquisitions (Public Accounts, Section II, Schedule 4)	171	183
Less: P3 Items - Out of Scope (Public Accounts, Section II)		
Tlicho All Season Road (Public Accounts, Section II, note 13)	(59)	(85)
Cash Required for Infrastructure Investment Expenditures	112	98
Operating Cash Required		
Minimum cash required from operating surplus (50% of Acquisitions less out of scope items)	56	49
Total Operating Cash Requirement	56	49
Operating Cash Available		
Operating Surplus (Public Accounts, Section II, Statement of Operations)	33	67
Add Non Cash Item - Amortization (Public Accounts, Section II, Statement of Cash Flow)	125	121
Total Operating Cash Available	158	188
Net cash surplus (deficit) for 50% of Infrastructure Investment	***102***	***139***

Performance Measures under the Fiscal Responsibility Policy

The FRP establishes debt management performance measures which are to be assessed for consideration annually in the Public Accounts. The measures are required to be evaluated on a *consolidated* basis to ensure consideration is given to debt affordability of the entire GRE. The following section discloses this commitment to reporting on the performance measures from section 6(7) of the FRP.

1. Net Debt per Capita Ratio

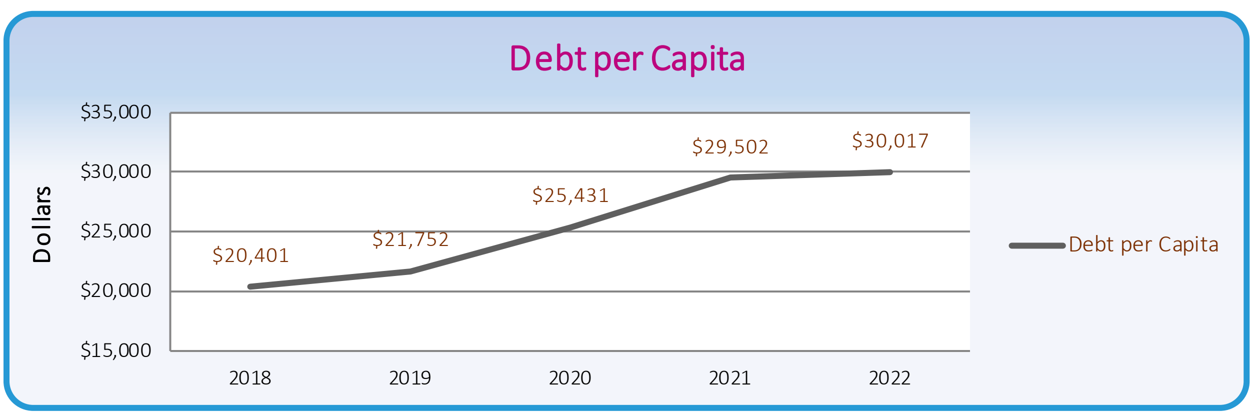
The Northwest Territories net debt per capita remains stable, increasing by $515 per person from $29,502 in 2020-21 to $30,017 in 2021-22.



Net debt per capita represents the net debt relative to the population. An increase in this ratio means the debt burden per person has worsened, while a decrease means the debt burden has improved.

2. Debt per Capita Ratio

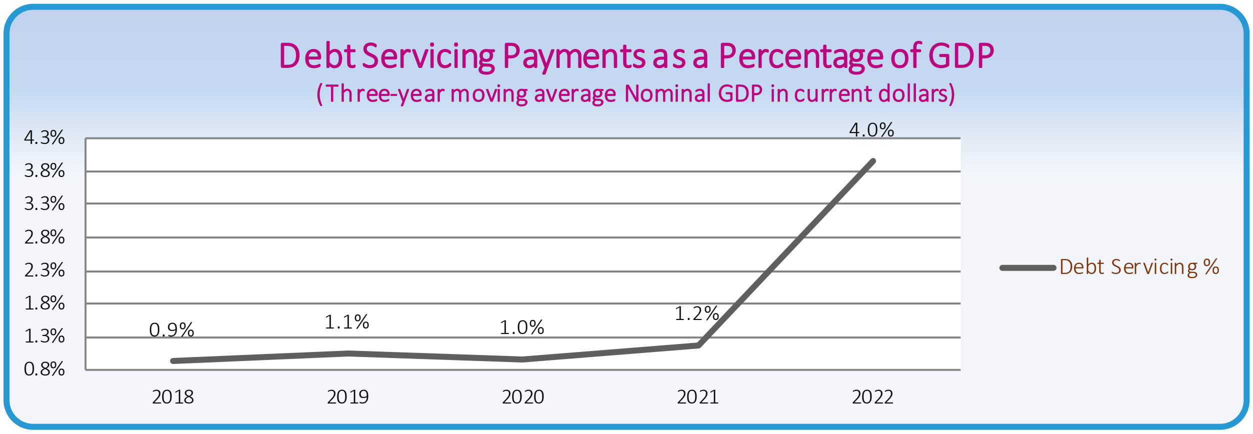
Debt per capita increased 1.8%; from $29,502 in 2020-21 to $30,017 in 2021-22. The debt per capita burden increased because high borrowing growth exceeded low population growth.



Debt per capita represents the debt relative to the population. An increase in this ratio indicates the debt burden per person has increased, while a decrease means the debt burden has declined.

3. Debt Servicing Payments as a percent of three-year moving GDP average

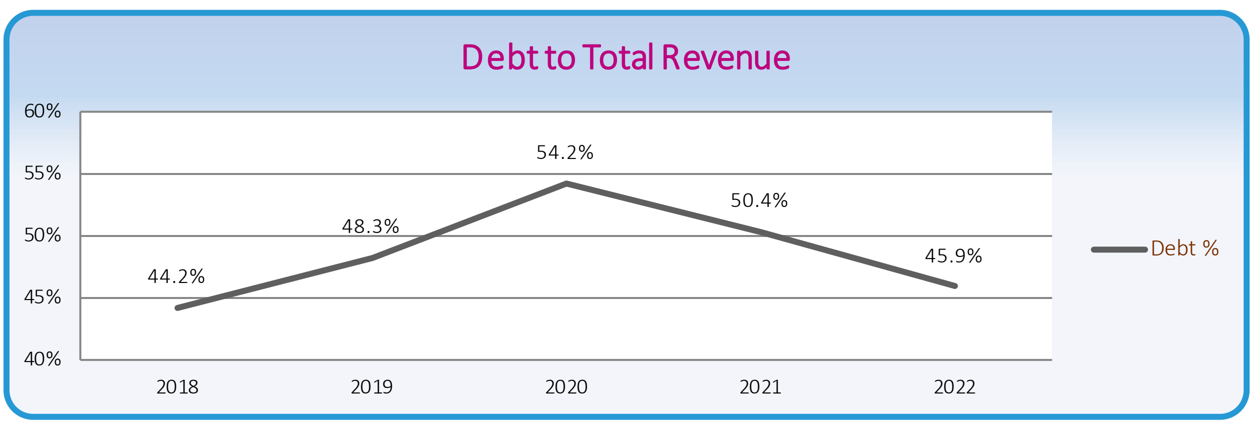
Debt servicing payments as a percentage of GDP for the Northwest Territories increased from 1.2% in 2020-21 to 4.0%, in 2021-22 mainly due to a large repayment of P3 debt relating for the Tlicho All Season Road.



Debt servicing payments (interest and principal) as a percent of a three-year average Northwest Territories GDP is a measure of debt payments in relation to economic growth. An increasing ratio reflects a deterioration in financial position, while a decrease reflects improvements in the financial position.

4. Debt to Revenue Ratio

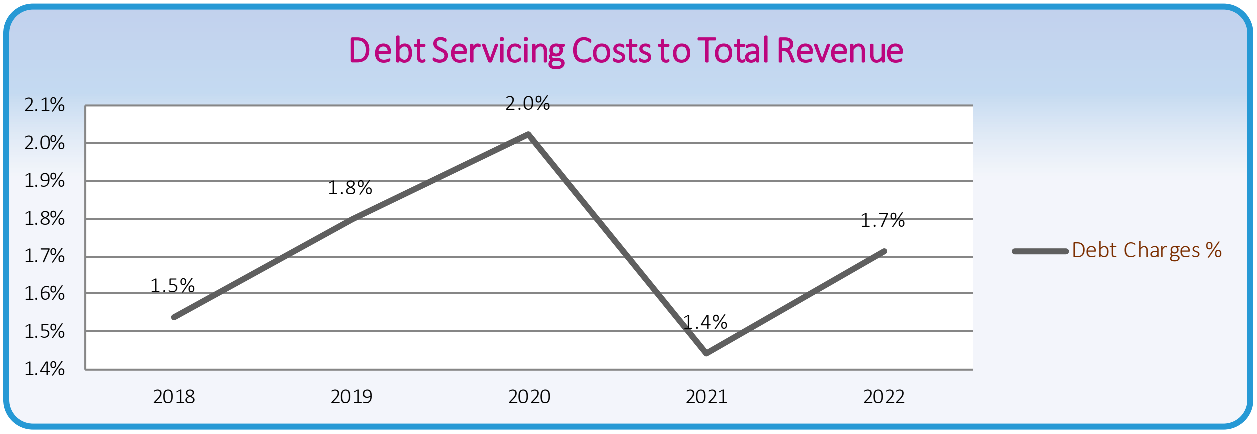
The Government's debt to total revenue has decreased from 50.4% in 2020-21 to 45.9% in 2021-22 because mainly due to the payment towards the Tlicho All Season Road which decreased the overall debt.



Debt to total revenue is an indicator of the Government's ability to service the debt burden, where a decreasing ratio is a positive indicator that the rate of increase in debt is lower than the rate of increase in revenue. A lower debt to revenue ratio indicates higher sustainability, as a higher revenue base can service a higher debt burden.

5. Debt Servicing Costs as a percent of Revenue

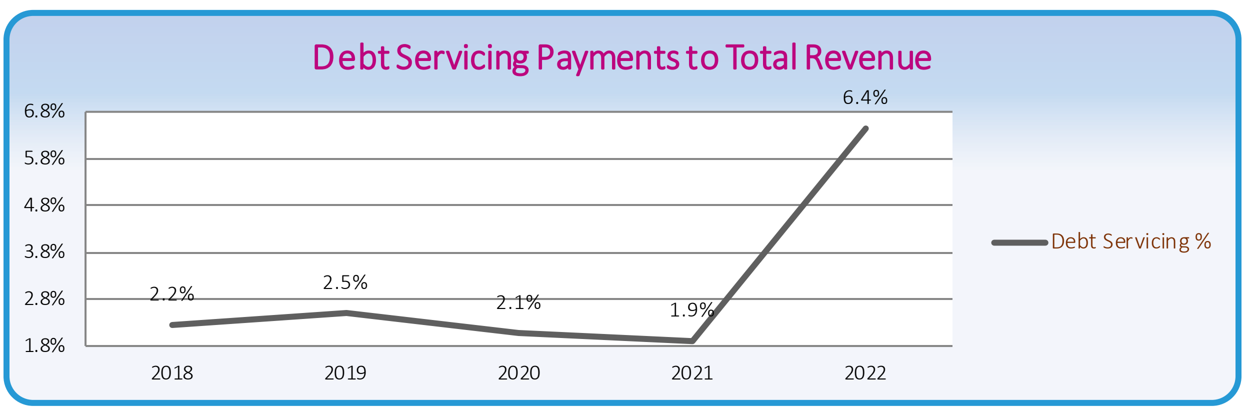
The Government's debt servicing costs compared to total revenue has increased from 1.4% in 2020-21 to 1.7% in 2021-22 mainly due to higher interest on the Deh Cho Bridge loan as a result of inflation and higher interest on the bond due to the first full year of interest payments.



Debt servicing costs (interest) as a percentage of total revenue is a measure of the extent that Government revenues are being applied to debt charges, rather than to programs and services. A lower ratio indicates increased affordability.

6. Debt Servicing Payments as a percent of Revenue

The Government's debt servicing payments compared to total revenue has remained consistent at 1.9% in 2020-21 to 6.4% in 2021-22. This is mainly due to a large repayment of P3 debt relating for the Tlicho All Season Road.



The ratio of debt servicing payments (interest and principal) to total revenue measures the extent that the Government revenues are being applied to debt repayment, rather than to programs and services. A higher debt servicing payments ratio indicates decreased affordability.

7. Credit rating

The Government had a long-term credit rating of Aa1 from Moody's Investors Service since 2007. In March 2022, this rating was downgraded to Aa2 (stable). The downgrade reflects an evaluation of the territorial economic risks and the flexibility of the Government to respond to those risks given increasing debt levels and existing expenditure pressures.

The Aa2 long term credit rating is the third highest rating available from Moody's and remains one of the highest among provinces and territories.

FINANCIAL COMPARISONS AND VARIANCES

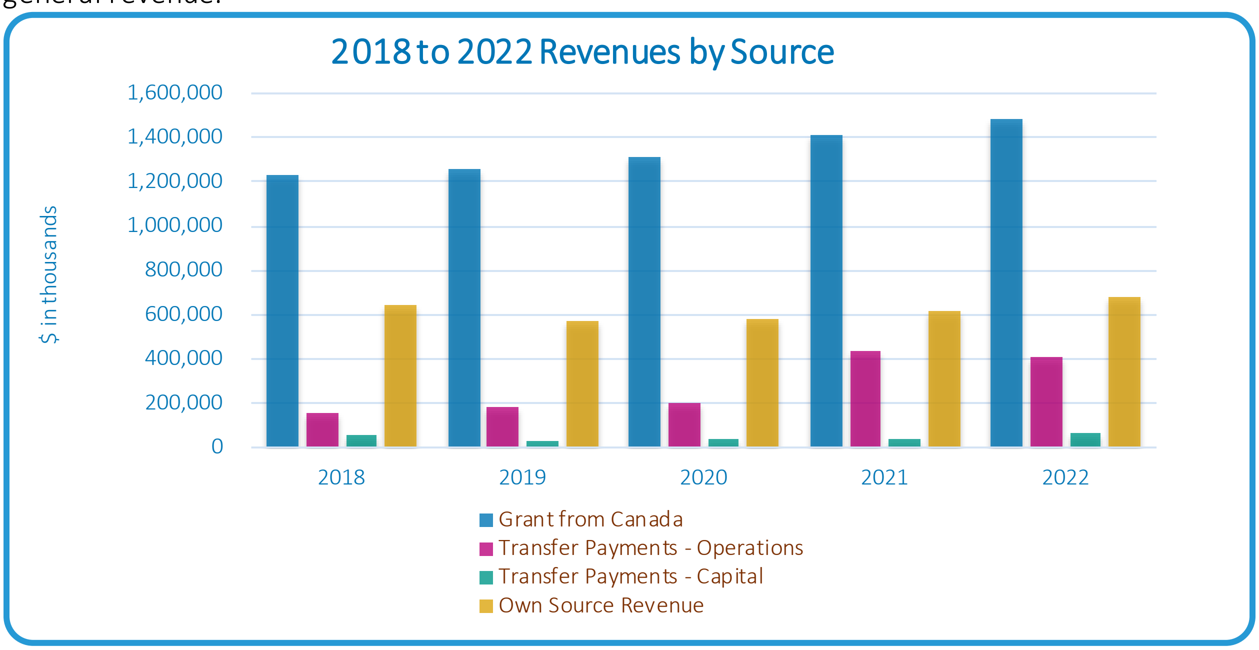
Balancing the budget entails not only controlling expenses but also finding the most effective and efficient mix of programs. During the fiscal year the variance review process assesses the present level of programs and services by monitoring the growth rates of revenues and expenditures on an ongoing basis as this is a key indicator of the long-term sustainability of the Government.

Any additional resources to improve a service often have to be made at the expense of other important needs and recognizing that revenue generation tend to be more unpredictable than expenses.

Revenues Variance Analysis

The Government funds programs and services through a combination of transfers from the federal government, own-source revenues, and non-renewable resource revenues. Apart from corporate income tax, personal income tax, general and non-renewable resource revenues, other own-source revenues are proven to be consistent over the years. Corporate income tax revenue is volatile as it is dependent upon a small base of taxpayers. In any given year due to the volatility in corporate income tax; as the majority of corporate income tax revenues are generated by a small number of resource based tax payers, their taxable income fluctuates depending on production and global commodity prices.

Total revenue in 2021-22 is $2.6 billion, an increase of $63.5 million or 2.5% from the original budget. This increase is mainly due to a higher grant from Canada because of the Gross Expenditure Base increase, increased corporate and personal incomes taxes and increased general revenue.



Type of Revenue (in $000s)	% of total 2022 Revenue Budget	% Change Actuals year over year	Variance Actual to Approved Budget 2022	Explanation
Territorial Formula Financing Grant	57.6%	4.8%	$0	•4.8% increase from 2021 to 2022 is mainly due to a higher grant from Canada because of the Gross Expenditure base increase •**no significant difference** from 2022 actuals to original budget
Transfer Payments	20.1%	1.8%	-$37,885	•1.8% increase from 2021 to 2022 was mainly due to the revenue recognition of TASR being brought into service offset by a decrease in COVID related funding •$37.9 million decrease from 2022 original budget mainly due to delayed capital projects and ICIP projects (Inuvik Airport; Taltson Expansion; Investing in Canada)
Corporate & personal Income taxes	3.7%	53.2%	$63,710	• 53.2% increase from 2021 to 2022 mainly due to increase revenue received from the Federal Government based on estimates and revenue estimates for potential late filers •$63.7 million increase from the 2022 budget was mainly due to increases in corporate income tax of $33.1 million and increases in personal income tax of $30.6 million
Other taxes	5.3%	5.4%	$11	•5.4% increase from 2021 to 2022 was mainly due to the economy recovering after the Global pandemic •**no significant difference** from 2022 actuals to original budget
Non-renewable resources	0.2%	-36.0%	$37,935	•36% decline from 2021 to 2022 was due a $45.0 million work bid forfeiture in 2021 •$37.9 million increase from 2022 original budget due to budget taking into consideration uncertain impact on economy due to COVID-19 pandemic
Own Source	13.2%	6.7%	-$246	•6.7% increase from 2021 to 2022 was mainly due to increases in sales in MTS of $8 million, regulatory fee increases of $8.6 million, rental income increases of $7.0 million, offset by a decline in Liquor sales revenue of $3.0 million •no significant difference from 2022 actuals to original budget

Note: based on Government reporting entity at consolidated level and original approved budget tabled December 1, 2021.

Types of Government Revenues

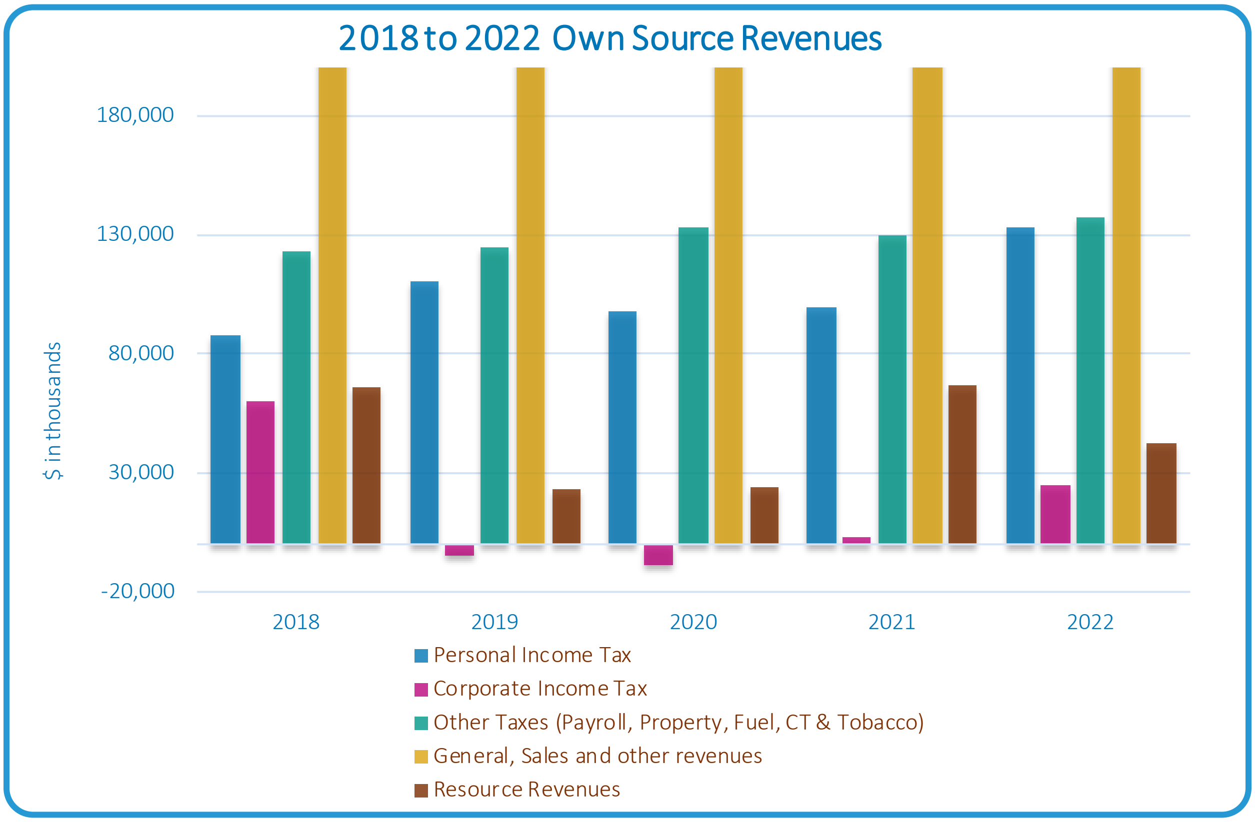
The Territorial Formula Financing Grant is an annual formula-based calculation based on a three-year moving average of data, which includes a two-year lag, to fill the fiscal gap between the Government's expenditure needs and its ability to raise revenues. The NWT's Grant equals the difference between its Gross Expenditure Base and a measure of revenue capacity known as eligible revenues. The Gross Expenditure Base is an estimate of the expenditure requirements of the Government, which considers the higher costs and needs in the NWT to deliver public services of similar quality to those in the provinces. The Gross Expenditure Base is increased annually by the growth in Territorial and local government spending and the growth in the NWT population relative to the growth in the Canadian population. Eligible revenues are calculated by determining what the Government could have raised in revenues at national average tax rates and reducing that amount by a 30 per cent Economic Development incentive. The resource revenue offset reduces the amount of the grant by 50 per cent of resource revenues, lagged by two years.

Transfer payments are recognized as revenue in the period during which the transfer is authorized, and eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. This is another significant factor that contributes to revenues being unpredictable. For large projects funded by capital transfer payments, this causes revenue to be higher than it would normally be as expenditures related to this are capital in nature and revenues are therefore recognized before the asset is put into use. The impact on operational expenses will be over future years as the asset is amortized.

Corporate and personal income tax revenues derive from individual taxpayers, who are required to file their income tax returns by April 30th annually and corporate taxpayers file six months after the corporation fiscal year end for. To counter this delay, for a given tax year, the Government receives advance payments from Canada based on the federal estimate of the territorial tax to be collected by Canada Revenue Agency for that year. After taxpayers file their income taxes, the actual territorial taxes collected are compared against the advance payments the Government received in the previous year. If the taxes collected exceed the advance payments, the Government receives an extra payment for the difference. Conversely, if the taxes collected are less than the advance payments, the Government returns the difference to Canada.

Other Taxes revenues include tobacco tax, fuel tax, property tax and payroll tax.

General Own source revenues include sales, general, income from portfolio investments and recoveries.



Non-renewable resource revenues are subject to volatility and the revenue streams fluctuate annually based on production and work bid deposits that are forfeited. In addition, non-renewable resource revenues are generated as the resources are extracted and are therefore finite. Non-renewable resource revenues, after sharing with the federal and Indigenous partners (signatories to the Northwest Territories Lands and Resources Devolution Agreement) are used to fund infrastructure, pay down debt and contribute to the NWT Heritage Fund.

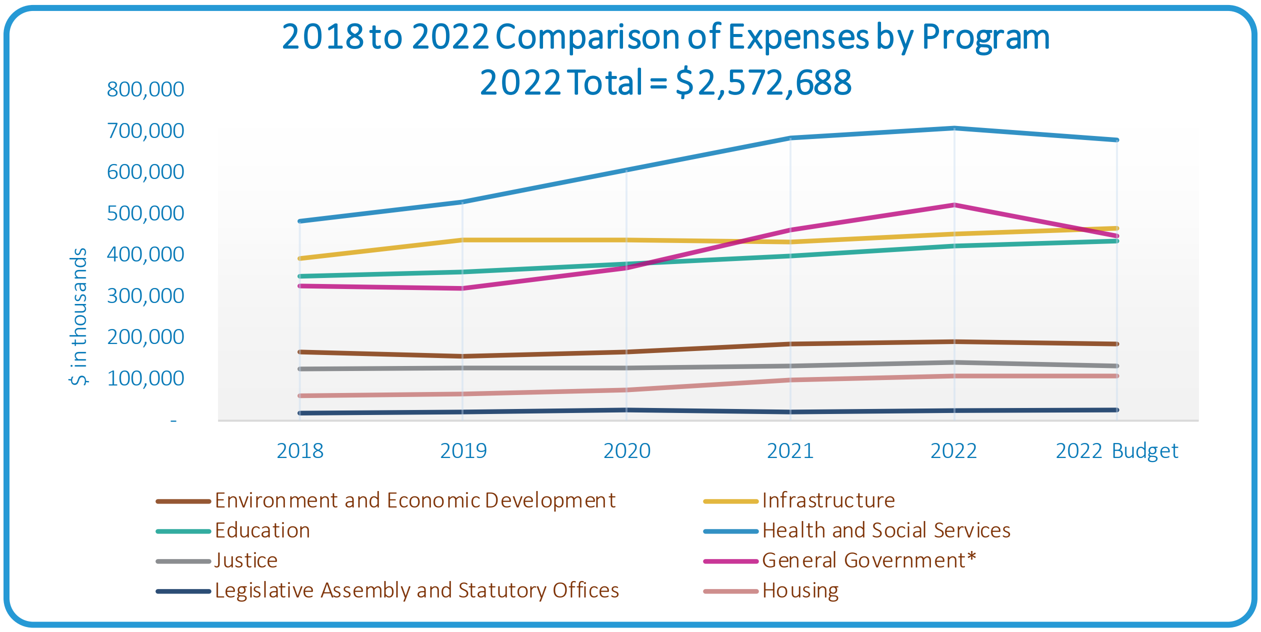
Resource revenues include all mineral revenues, oil and gas revenues and water revenues generated in the NWT but exclude royalty revenues that are part of land claim agreements. The resources revenues generated in the NWT and reported in the Public Accounts are shared with the federal government by reducing the Territorial Formula Financing Grant payments from Canada to the Government. The remaining amount of the resources revenues are referred to as the Net Fiscal Benefit which one quarter of this amount is transferred to the Indigenous governments that have signed on to the *Northwest Territories Lands and Resources Devolution Agreement*. A further one quarter after sharing with the Indigenous governments is deposited into the NWT Heritage Fund following a vote by the Legislative Assembly. The residual Net Fiscal benefit is used towards capital spending.

The 2021-2022 Net Fiscal Benefit is outlined in the chart below:

Net Fiscal Benefit (in $000s) *	Approved Budget 2022	Actuals 2022	Actuals 2021
Non- renewable Resource Revenue	$4,575	$42,510	$66,469
Government of Canada's share through a reduction in Territorial Formula Grant Financing	$2,288	$21,255	$33,235
Aboriginal Parties' share through Net Fiscal Benefit Transfers	$572	$5,314	$8,308
Allocation to the Heritage Fund through annual contributions	$429	$5,656	$2,538
Net Fiscal Benefit	$1,286	$10,285	$22,388

** This information was prepared on a non-consolidated basis to agree with the main estimates and to incorporate the allocation to the Heritage Fund which is otherwise eliminated upon consolidation.*

Expense Variance Analysis by Program



Total expense was $2.6 billion in 2021-2022. This represents an increase of $159.7 million, or 6.6% over the prior year. The biggest increases were in General Government, Health and Social Services, Education and Infrastructure.

Type of Expenses by Program (in $000s)	% of total Expenses in 2022	% Change Actuals year over year	Variance Actual to Approved Budget 2022	Explanation
Environment & Economic Development*	7.4%	4.0%	$7,855	•**4.0%** increase from 2021 to 2022 is mainly due to higher compensation and benefits and fire suppression costs •$7.9 million increase from the 2022 budget is mainly due to higher fire suppression costs
Infrastructure	18.8%	5.2%	-$11,925	•**5.2%** increase from 2021 to 2022 is mainly due to increased contributions; and increased amortization as a result of new assets in service •$11.9 million decrease from the 2022 budget is mainly due to decreased Low Carbon Economy program spend, as a result of less applications and project delays from the COVID pandemic
Education	17.6%	5.7%	-$12,239	•**5.7%** increase from 2021 to 2022 is mainly due to increase in compensation and benefits, and operational expenses due to COVID pandemic •$12.2 million decrease from the 2022 budget is mainly due to decreased demand in income assistance and student financial assistance programs
Health & Social Services*	27.4%	3.7%	$29,067	•**3.7%** increase from 2021 to 2022 is mainly due to higher compensation and benefits expenses, medical travel and locum services •$29.1 million increase from the 2022 budget is mainly due to higher compensation and benefits, travel costs, and COVID operational contracts
Housing	4.4%	9.7%	-$1,471	•**9.7%** increase from 2021 to 2022 is mainly due to increased operational expenses, including utilities, flooding costs and compensation and benefits •no significant difference from 2022 actuals to original budget
Justice	5.4%	7.8%	$6,904	•**7.8%** increase from 2021 to 2022 is mainly due to retroactive salary increases for the RCMP collective agreement •$6.9 million increase from the 2022 budget is mainly due to retroactive salary increases for the RCMP collective agreement
General Government*	18.0%	13.6%	$76,468	•**13.6%** increase from 2021 to 2022 is mainly due to is mainly due to environmental liabilities adjustments, 2021 flood recovery assistance, increased interest expenses, and operational impacts from COVID •$76.5 million increase from the 2022 budget is mainly due to environmental liabilities adjustments, 2021 flood recovery assistance, increased interest expenses, operational impacts from the COVID pandemic
Legislative Assembly & statutory offices*	1.0%	14.8%	$21	•**14.8%** increase from 2021 to 2022 is mainly due to compensation and benefits including new and previously vacant positions and pension and employee future benefits adjustments •no significant difference from 2022 actuals to original budget

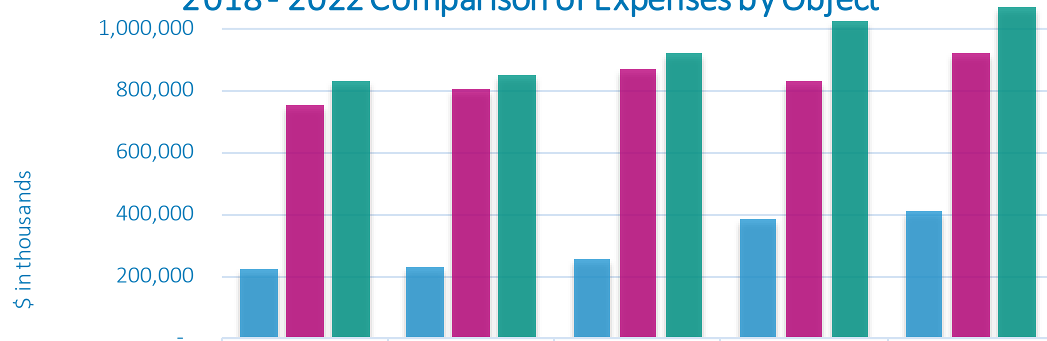
*Note: The above comparisons to budget are based on original approved budget and do not include supplementary appropriations/or approved budget adjustments. Budget is based on Government reporting entity at consolidated level and original approved budget tabled December 1, 2021. *Note: For details of the program categories above see Note 22 **Section I**, Public Accounts.*

Expense Variance Analysis by Object

Type of Expenses by Object (in $000s)	% of total Expenses in 2022	% Change Actuals year over year	Variance Actual to Approved Budget 2022	Explanation
Grants & Contributions	14.2%	7.4%	$59,357	•7.4% increase from 2021 to 2022 is mainly due to higher infrastructure contributions and gas tax contribution agreements •$59.4 million increase from the 2022 budget is mainly due to additional funding received and additional COVID funding support
Operations & maintenance	40.1%	10.7%	-$73,410	•10.7% increase from 2021 to 2022 is mainly due to environmental liabilities adjustments, 2021 flood recovery assistance, increased interest expenses, operational impacts from COVID and increased RCMP contract costs •$73.4 million decrease from the 2022 budget is mainly due to reduced health, education, and infrastructure expenses, due to delays from the COVID pandemic; reduced travel; and various project work deferred
Compensation and benefits	38.9%	4.4%	$106,517	•4.4% increase from 2021 to 2022 is mainly due to operational impacts from the COVID pandemic, and collective agreement and salary increases •$106.5 million increase from the 2022 budget is mainly due to operational impacts from the COVID pandemic; and collective agreement and salary increases
Change in valuation allowance	0.0%	-35.7%	$5,775	•35.7% decrease from 2021 to 2022 is mainly due to lower allowances for student financial assistance loans •Valuation allowances are not budgeted
Amortization of TCAs	6.8%	3.0%	-$3,559	•3.0% increase from 2021 to 2022 is mainly due to new assets put in service •$3.6 million decrease from the 2022 budget is mainly due to delays in capital projects

Note: The above comparisons to budget are based on original approved budget and do not include supplementary appropriations/or approved budget adjustments. Budget is based on Government reporting entity at consolidated level and original approved budget tabled December 1, 2021.

2018 - 2022 Comparison of Expenses by Object



	2018	2019	2020	2021	2022
Grants and contributions	222,691	226,802	256,680	383,667	411,873
Operations and maintenance	754,202	803,068	867,301	831,614	920,617
Compensation and benefits	828,979	853,829	919,163	1,024,562	1,069,233

APPENDIX A

COMPLETION OF ENTITIES CONSOLIDATED WITHIN THE PUBLIC ACCOUNTS

The following table lists the consolidated entities and completion date of their audited financial statements:

Entity	Due Date	Extension Due Date	Completion Date
Beaufort Delta Divisional Education Council	28-Sep-2021		31-Jul-2021
Commission scolaire francophone Territoires du Nord-Ouest	28-Sep-2021		20-Sep-2021
Dehcho Divisional Education Council	28-Sep-2021		10-Sep-2021
Dettah District Education Authority	28-Sep-2021		29-Sep-2021
N'dilo Divisional Education Council	28-Sep-2021		29-Sep-2021
Sahtu Divisional Education Council	28-Sep-2021		13-Sep-2021
South Slave Divisional Education Council	28-Sep-2021		9-Aug-2021
Yellowknife Catholic Schools	28-Sep-2021		17-Sep-2021
Yellowknife No.1 District Education Authority	28-Sep-2021		14-Sep-2021
Aurora College	28-Sep-2021		9-Dec-2021
Northwest Territories Health and Social Services Authority	29-Jun-2022	28-Aug-2022	25-Aug-2022
Hay River Health and Social Services Authority	29-Jun-2022	28-Aug-2022	17-Aug-2022
Tłı̨chǫ Community Services Agency	29-Jun-2022		25-Jun-2022
Arctic Energy Alliance	29-Jun-2022		7-Jun-2022
Northwest Territories Hydro Corporation	29-Jun-2022	28-Aug-2022	3-Aug-2022
Northwest Territories Business Development and Investment Corporation	29-Jun-2022	28-Aug-2022	25-Aug-2022
Northwest Territories Heritage Fund	29-Jun-2022	28-Aug-2022	26-Aug-2022
Northwest Territories Housing Corporation (Housing Northwest Territories)	29-Jun-2022	28-Aug-2022	22-Aug-2022
Northwest Territories Human Rights Commission	29-Jun-2022		20-Jun-2022
Inuvialuit Water Board	29-Jun-2022		16-Jun-2022
Status of Women Council of the Northwest Territories	29-Jun-2022		15-Jun-2022
Northwest Territories Surface Rights Board	29-Jun-2022		6-Jun-2022