

GOVERNMENT OF THE YUKON TERRITORY

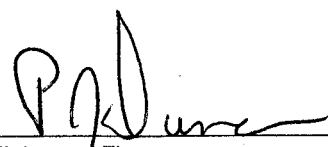
Consolidated Statement of Financial Position
as at March 31, 2002

	2002	2001
	(thousands of dollars)	
ASSETS		
Cash and cash equivalents (Note 3)	\$ 26,861	\$ 5,272
Temporary investments (Note 4)	11,521	9,220
Due from Canada (Note 5)	39,958	84,482
Accounts receivable (Note 6)	10,150	12,166
Inventories	3,666	3,154
Loans receivable (Note 7)	60,150	55,047
Land held for sale (Note 8)	27,632	28,778
Investments in government business enterprises (Note 9(a))	111,258	105,760
Tangible capital assets, at a nominal value of one dollar (Note 10)	-	-
	<u>\$ 291,196</u>	<u>\$ 303,879</u>
LIABILITIES		
Due to Canada (Note 5)	\$ 4,845	\$ 5,688
Accounts payable and accrued liabilities (Note 11)	44,501	39,731
Deferred revenues	8,848	9,323
Post-employment benefits (Note 12)	33,214	33,194
Long-term debt (Note 13)	31,646	31,840
	<u>123,054</u>	<u>119,776</u>
Contingencies, commitments and guarantees (Notes 8, 9(c), 19, 21, 22, 23, 24 and 25)		119,776
ACCUMULATED SURPLUS		
Accumulated surplus	<u>168,142</u>	<u>184,103</u>
	<u>\$ 291,196</u>	<u>\$ 303,879</u>

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

Approved:


Deputy Head of the Department of Finance


Minister of Finance

GOVERNMENT OF THE YUKON TERRITORY

Consolidated Statement of Operations and Surplus
for the year ended March 31, 2002

	2002		2001
	Main Estimates (Note 18)	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
Grant from Canada (Note 14)	\$ 332,591	\$ 348,646	\$ 366,564
Taxes and general revenues	72,796	68,707	81,448
Transfer payments from Canada	20,070	25,831	19,928
Investment income	4,945	10,418	9,229
Recoveries (Schedule B)			
Operations and maintenance	38,253	37,363	37,013
Capital	31,478	27,349	26,512
	<u>500,133</u>	<u>518,314</u>	<u>540,694</u>
Expenditures (Note 15 and Schedule C)			
Operations and maintenance	428,256	431,464	413,494
Capital	93,473	103,649	91,819
	<u>521,729</u>	<u>535,113</u>	<u>505,313</u>
Recovery of prior years' expenditures	-	838	261
Surplus (deficit) for the year	<u>\$ (21,596)</u>	(15,961)	35,642
Surplus at beginning of year		<u>184,103</u>	<u>148,461</u>
Surplus at end of year		<u>\$ 168,142</u>	<u>\$ 184,103</u>

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

GOVERNMENT OF THE YUKON TERRITORY

Consolidated Statement of Cash Flows
for the year ended March 31, 2002

	2002	2001
	(thousands of dollars)	
Cash flows from operating activities		
Surplus (deficit) for the year	\$ (15,961)	\$ 35,642
Non-cash items included in surplus (deficit) for the year		
Write-down of temporary investments	46	236
Provision for doubtful loans receivable and accounts receivable	1,326	498
Provision for write-down of land held for sale	38	1,267
Gain on sale of lots	(116)	(266)
Investment income from government business enterprises	(5,498)	(4,189)
Provision for post-employment benefits	20	618
Changes in non-cash operating activities		
Decrease (increase) in temporary investments	(2,347)	12,758
Decrease (increase) in due from Canada	44,523	(47,357)
Decrease (increase) in accounts receivable	1,061	(1,436)
Decrease (increase) in inventories	(512)	212
Increase (decrease) in due to Canada	(842)	1,841
Increase (decrease) in accounts payable and accrued liabilities	4,770	(1,415)
Decrease in deferred revenues	(475)	(683)
	<u>26,033</u>	<u>(2,274)</u>
Cash flows from investing activities		
Investment in land held for sale	(2,462)	(3,022)
Proceeds from sale of land held for sale	673	990
Loans advanced	(15,511)	(14,040)
Loans repaid	12,263	8,458
	<u>(5,037)</u>	<u>(7,614)</u>
Cash flows from financing activities		
Issue of long-term debt	1,415	857
Repayment of long-term debt	(822)	(805)
	<u>593</u>	<u>52</u>
Net increase (decrease) in cash and cash equivalents	21,589	(9,836)
Cash and cash equivalents		
Beginning of year	5,272	15,108
End of year (Note 3)	<u>\$ 26,861</u>	<u>\$ 5,272</u>
Supplemental information		
Interest paid in the year	\$ 2,742	\$ 3,034
Interest received in the year	4,398	5,924

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

GOVERNMENT OF THE YUKON TERRITORY

Consolidated Statement of Tangible Capital Assets
for the year ended March 31, 2002

	Land	Buildings	Equipment	Vehicles	Computer hardware and software	Other*	Total
	(thousands of dollars)						
Cost of tangible capital assets, opening	\$ 4,405	\$ 362,376	\$ 52,292	\$ 8,228	\$ 17,089	\$ 3,900	\$ 448,290
Acquisitions	437	7,920	4,252	1,165	1,932	179	15,885
Disposals	-	(229)	(253)	(315)	(29)	-	(826)
Cost of tangible capital assets, closing	4,842	370,067	56,291	9,078	18,992	4,079	463,349
Accumulated amortization, opening	-	129,435	25,119	4,721	10,273	1,962	171,510
Amortization expense	-	9,934	3,152	741	1,578	193	15,598
Write-downs	-	-	-	-	-	-	-
Disposals	-	(125)	(238)	(275)	(29)	-	(667)
Accumulated amortization, closing	-	139,244	28,033	5,187	11,822	2,155	186,441
Net book value	4,842	230,823	28,258	3,891	7,170	1,924	276,908
Work-in-progress	-	27,577	-	-	633	-	28,210
	\$ 4,842	\$ 258,400	\$ 28,258	\$ 3,891	\$ 7,803	\$ 1,924	\$ 305,118

*Includes portable classrooms, housing trailers, land fixtures and leasehold improvements.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

1. **Authority and operations**

The Government of the Yukon Territory (the Government) operates under the authority of the *Yukon Act* (Canada). All disbursements for operations and loans are authorized by the Yukon Legislative Assembly.

The Yukon Housing Corporation operates under the authority of the *Housing Corporation Act* (Yukon).

2. **Significant accounting policies**

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Government and organizations accountable to and controlled by the Government. The entities that exist to deliver the executive functions of the Government are fully consolidated in these financial statements. The entities that are deemed to be government partnerships are accounted for using the proportionate consolidation method. The entities that are deemed to be government business enterprises are accounted for using the modified equity method.

The organizations comprising the consolidated government reporting entity, categorized by accounting method are:

Fully consolidated:

Government of the Yukon Territory
Yukon Housing Corporation

Proportionate consolidation:

19596 Yukon Inc.

Modified equity:

Yukon Development Corporation
Yukon Liquor Corporation
Yukon Government Fund Limited

In October 1999 the Government, with Northwestel Inc. and another partner, formed a government partnership, 19596 Yukon Inc., in order to carry out the "Connect Yukon" telecommunication infrastructure development project to provide high speed internet services in the Yukon. 19596 Yukon Inc. has been financed with \$9.3 million from the Yukon Government Fund Limited (Note 9(c)). 19596 Yukon Inc. leases equipment to Northwestel Inc. As described in Note 19, the Government has entered into a data service contract with Northwestel Inc.

Trusts administered by the Government on behalf of other parties (Note 17) are excluded from the consolidated Government reporting entity.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements March 31, 2002

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis unless the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The exceptions are as follows:

Income taxes, levied under the *Income Tax Act* (Yukon), are collected by Canada under a tax collection agreement and are remitted to the Government monthly. The remittances are based on estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are completed. The remittances for the taxation year are recognized as revenues of the fiscal year in which the taxation year ends, together with known income tax adjustments arising in the fiscal year.

Revenue from general property tax, assessed on a calendar year basis, is recognized in the fiscal year in which the calendar year ends.

Expenditures

Operations, maintenance and capital expenditures are recorded on an accrual basis. Transfer payments are recorded as expenditures when paid or when the terms of a contractual transfer agreement have been met.

Lease payments under capital and operating leases are recorded respectively as capital and operations and maintenance expenditures.

Expenditures are recovered from Canada and other sources under various cost-sharing agreements including reconstruction of the Alaska Highway, social assistance and occupational training. The amounts are recorded as recoverable in the year in which the related expenditures are incurred. Any adjustments upon finalization are reflected in the accounts in the year of adjustment.

Recovery of prior years' expenditures includes reversal of amounts accrued in prior years which are in excess of actual expenses. These amounts cannot be used to increase the amount appropriated for expenditures for the current year.

Assets

Temporary investments are valued at the lower of cost and market value.

Inventories consist primarily of fuel and lubricants, repair parts, stationery and office supplies, highway materials, and engineering, building and maintenance supplies, and are valued at the lower of cost and replacement value. Other materials and supplies are charged to expenditures at the time of acquisition.

Loans receivable are stated at principal amounts. Valuation allowances, which are recorded to reduce loans receivable to their net recoverable amount, are based on historical experience, current conditions and all circumstances known at the date of the preparation of the financial statements. Interest revenue is recognized on an accrual basis until such time that the collectibility of either principal or interest is not reasonably assured.

Land held for sale comprises the costs of acquiring, planning and developing serviced lots for eventual sale. The lots are valued at cost, except, when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to recognize the loss. Gains or losses on the sale of lots are recognized at the time of sale.

Tangible capital assets are charged to expenditures at the time of acquisition or construction and are shown on the consolidated statement of financial position at a nominal value of one dollar.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements March 31, 2002

Liabilities

Liabilities include financial claims payable by the Government and deferred revenues.

Deferred revenues are cash received for which goods and services have not been provided by year-end, and are comprised of remittances of income taxes for the first three months of the following taxation year together with motor vehicle licence fees and other items for the following fiscal year.

(c) Investments

The *Financial Administration Act* (Yukon) allows the Government to invest money from the consolidated revenue fund in the following investments:

- securities that are obligations of, or guaranteed by, Canada or a province;
- fixed deposits, notes, certificates and other short term paper of, or guaranteed by, a bank including swapped deposit transactions in currency of the United States of America;
- commercial paper issued by a company incorporated under the laws of Canada or a province, the securities of which are rated in the highest rating category by at least two recognized security rating institutions.

The duration of the securities held depends on cash projections but usually averages under a year in length.

(d) Grant and transfer payments from Canada

The grant is subject to the terms of a financial agreement with Canada and is receivable in monthly instalments. Periodic adjustments, as they become known, are made to the grant when income taxes, Canada Health and Social Transfer contributions and certain operating revenues and recoveries collected by the Government differ from the estimated amounts which were used to determine the grant for the fiscal year. Further adjustments are made in accordance with escalation and tax effort adjustment clauses in the agreement. Other adjustments may arise out of new federal initiatives or unforeseen events.

Transfer payments are received from Canada in accordance with the *Federal-Provincial Fiscal Arrangements Act*. Adjustments are made in accordance with the arrangements in the year they are known.

(e) Post-employment benefits

Post-employment benefits are expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include severance benefits and accumulated sick, vacation, compensatory and personal leave and travel bonus benefits that are paid in cash when the employee terminates. The Government recognizes the obligation for these benefits as a liability and uses actuarial estimates to determine the amount of the obligation.

(f) Retirement benefits

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government's contributions are recorded as expenditures on a current basis and represent the total pension obligations of the Government.

The Government administers the Legislative Assembly Retirement Allowances Plan for Members of the Legislative Assembly, and maintains a fund for this plan as the Government's trust account. The obligation for these retirement benefits is valued on an actuarial basis. The Government is obligated to make contributions if it is determined that there are actuarial deficiencies to the fund.

Supplementary pension benefits to judges are recorded on an actuarial basis. The obligation for judges' supplementary pension benefits is included in accrued liabilities.

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Notes to Consolidated Financial Statements
March 31, 2002

(g) Measurement uncertainty

The preparation of financial statements in accordance with these accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to the grant from Canada, the obligation for post-employment benefits and contingencies.

3. Cash and cash equivalents

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Short-term investments	\$ 30,211	\$ 2,618
Cash on hand	63	73
Bank	<u>(3,413)</u>	<u>2,581</u>
	<u>\$ 26,861</u>	<u>\$ 5,272</u>

Cash and cash equivalents include cash on hand and balances with banks, and short-term investments that have terms to maturity of less than 90 days from the dates of acquisition.

4. Temporary investments

	<u>2002</u>		<u>2001</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(thousands of dollars)			
Mid-term notes	\$ 5,125	\$ 5,120	\$ -	\$ -
Commercial paper	5,075	5,086	-	-
Government of Canada coupons	945	983	-	-
Bankers' acceptance	376	376	-	-
Floating rate notes	-	-	5,045	5,064
Canada bonds	<u>-</u>	<u>-</u>	<u>4,175</u>	<u>4,392</u>
	<u>\$ 11,521</u>	<u>\$ 11,565</u>	<u>\$ 9,220</u>	<u>\$ 9,456</u>

Mid-term notes, commercial paper and bankers' acceptance have terms of less than one year from the date of acquisition. Government of Canada coupons have a term of maturity of one to two years from the date of acquisition. Temporary investments have a weighted average effective yield of 2.9 % (2001 - 5.5 %) per annum.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
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5. **Due from/to Canada**

	2002	2001
	(thousands of dollars)	
Due from Canada		
Cost-sharing agreements and projects delivered on behalf of Canada	\$ 36,292	\$ 35,119
Federal grant receivable	3,587	49,187
Other	79	176
	\$ 39,958	\$ 84,482
Due to Canada		
RCMP	\$ 2,801	\$ 3,238
Devolution funding repayable	1,322	1,322
Other	722	1,128
	\$ 4,845	\$ 5,688

Amounts due from and due to Canada are payable on demand and are non-interest bearing. The carrying amounts approximate fair market values because of their short term to maturity.

6. **Accounts receivable**

	2002	2001
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 10,905	\$ 11,771
Less valuation allowances	(3,606)	(2,739)
	7,299	9,032
Due from Territorial corporations	2,010	2,243
Prepaid expenses	841	891
	\$ 10,150	\$ 12,166

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

7. Loans receivable

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Mortgages receivable, due in varying annual amounts to the year 2015, bearing interest rates ranging from 1.0% to 10.0%	\$ 42,503	\$ 37,460
Debenture loans to municipalities, due in varying annual amounts to the year 2026, bearing interest rates ranging from 5.0% to 13.3%	11,430	11,538
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 13.6%	4,996	5,224
Agreements for sale, due in varying annual amounts over a three or five year term to the year 2007, bearing interest rates ranging from 5.0% to 8.5%	2,271	1,755
Local improvement loans, due in varying annual amounts to the year 2031, bearing interest rates ranging from 2.3% to 13.4%	1,946	1,817
Others	504	504
Less valuation allowances	<u>(3,500)</u>	<u>(3,251)</u>
	<u>\$ 60,150</u>	<u>\$ 55,047</u>

8. Land held for sale

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Raw land	\$ 45	\$ 45
Land under development	13,879	12,965
Finished land	<u>13,708</u>	<u>15,768</u>
	<u>\$ 27,632</u>	<u>\$ 28,778</u>

Land held for sale is affected by the Yukon First Nations land claims negotiations. At March 31, 2002, \$2.7 million (2001 - \$2.7 million) of finished land is included in the scope of existing land claims. Recovery of costs of the land selected in land claims settlements is to be provided for by Canada as per provisions of the Bilateral Agreement of June 24, 1993.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

9. Investments in government business enterprises

(a) Summary financial statements

Summary financial statements of the government entities accounted for by the modified equity method are provided below. The Yukon Development Corporation and the Yukon Government Fund Limited have a fiscal year end of December 31. The Yukon Liquor Corporation has a fiscal year end of March 31.

	Yukon Development Corporation (as at December 31, 2001)	Yukon Government Fund Limited (as at March 31, 2002)	Yukon Liquor Corporation (as at March 31, 2002)	2002 Total	2001 Total
(thousands of dollars)					
Balance Sheet					
Assets					
Current	\$ 35,851	\$ 705	\$ 2,538	\$ 39,094	\$ 41,012
Investments	4,082	-	-	4,082	4,336
Capital assets	131,369	-	2,878	134,247	128,035
Other	<u>9,857</u>	<u>12,740</u>	<u>-</u>	<u>22,597</u>	<u>15,505</u>
	<u>\$ 181,159</u>	<u>\$ 13,445</u>	<u>\$ 5,416</u>	<u>\$ 200,020</u>	<u>\$ 188,888</u>
Liabilities					
Current	\$ 5,672	\$ 13	\$ 1,763	\$ 7,448	\$ 6,873
Long-term debt and other	67,173	13,366	775	81,314	76,255
Equity	<u>108,314</u>	<u>66</u>	<u>2,878</u>	<u>111,258</u>	<u>105,760</u>
	<u>\$ 181,159</u>	<u>\$ 13,445</u>	<u>\$ 5,416</u>	<u>\$ 200,020</u>	<u>\$ 188,888</u>
Statement of Operations and Equity					
Revenues	\$ 24,943	\$ 636	\$ 10,235	\$ 35,814	\$ 36,291
Expenses	<u>19,376</u>	<u>508</u>	<u>5,512</u>	<u>25,396</u>	<u>27,062</u>
Surplus	5,567	128	4,723	10,418	9,229
Remitted to the Government	-	-	(4,920)	(4,920)	(5,040)
Equity (deficit), beginning of year	<u>102,747</u>	<u>(62)</u>	<u>3,075</u>	<u>105,760</u>	<u>101,571</u>
Equity, end of year	<u>\$ 108,314</u>	<u>\$ 66</u>	<u>\$ 2,878</u>	<u>\$ 111,258</u>	<u>\$ 105,760</u>

Equity represents the Government's investment in the government business enterprises.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

(b) Inter-entity balances and transactions

	Yukon Development Corporation (as at December 31, 2001)	Yukon Government Fund Limited (as at March 31, 2002)	Yukon Liquor Corporation (as at March 31, 2002)	2002 Total	2001 Total
(thousands of dollars)					
Government of the Yukon Territory:					
Accounts receivable from	\$ 131	\$ -	\$ 289	\$ 420	\$ 516
Loans receivable from	-	115	-	115	116
Accounts payable to	444	14	-	458	419
Loans payable to	-	2,272	-	2,272	857
Revenues from	277	-	285	562	386
Expenditures to	7,478	141	-	7,619	7,854

(c) Commitments

Yukon Development Corporation

In April 2001, the Yukon Energy Corporation, the Yukon Development Corporation's wholly-owned subsidiary, entered into a contract for the construction of a transmission line from the Mayo hydro generation plant to the Dawson distribution system. The total cost of the contract is \$22 million, payable over the course of construction, which is estimated to be 19 months. As of December 31, 2001, the Yukon Energy Corporation had spent \$5,458,000 toward the completion of this contract.

Yukon Government Fund Limited

On January 4, 1999 the Yukon Government Fund Limited finalized a Confidential Offering Memorandum for filing with the Business Immigration Division, Department of Citizenship and Immigration Canada. The offering expired on March 31, 1999. The company obtained \$13.3 million from investors, of which \$2.7 million is restricted. \$9.3 million has been loaned to 19596 Yukon Inc. (Note 2(a)). The company has committed to use the remaining proceeds of the offering to invest in eligible businesses in the Yukon.

The \$13,250,000 due to investors is repayable as follows:

	(thousands of dollars)
2005	\$ 5,000
2006	<u>8,250</u>
	<u>\$ 13,250</u>

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10. Tangible Capital Assets

Tangible capital assets are buildings, roads, equipment, etc. whose life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services.

The Government is in the process of accumulating information on all of its tangible capital assets. As each asset category is completed, cost and amortization information will be presented in the statement of tangible capital assets. For example, infrastructure costs for roads and bridges have yet to be determined.

In the statement of tangible capital assets, tangible capital assets are reported at cost. Tangible capital assets transferred from Canada are reported at their fair market value at the date of transfer. Tangible capital assets that are held and available for use by the Government are reported based on the following capitalization thresholds and estimated useful lives.

<u>Asset category</u>	<u>Threshold</u>	<u>Estimated useful life</u>
Land	Nil	N/A
Buildings	\$50,000	40 years
Portable classrooms/ housing trailers	\$50,000	20 years
Land improvements and fixtures	\$50,000	20 years
Heavy equipment	\$10,000	7 - 30 years
Operating equipment	\$10,000	7 - 25 years
Vehicles	\$10,000	6 - 15 years
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Leasehold improvements	\$50,000	Lease term

Tangible capital assets under construction or development are reported as work-in-progress with no amortization until the asset is placed in service. Works of art and historical treasures are not reported.

11. Accounts payable and accrued liabilities

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Accrued liabilities	\$ 23,212	\$ 21,833
Accounts payable	14,858	13,283
Due to Territorial corporations	3,237	2,749
Contractors' holdbacks and security deposits	<u>3,194</u>	<u>1,866</u>
	<u>\$ 44,501</u>	<u>\$ 39,731</u>

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Notes to Consolidated Financial Statements
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12. Post-employment benefits

The actuarial obligation for sick and vacation leave and severance benefits is calculated using the projected benefit method pro-rated on service. The obligation for compensatory and personal leave and travel bonus benefits is calculated assuming all employees would cash in those benefits on valuation date. In projecting the accrued obligation for these benefits as at March 31, 2002, the actuary used, as economic assumptions, the liability discount rate of 7.0%, the annual rates of general salary increases of 3.0% and the annual rate of inflation of 3.0%.

At March 31, 2002 the Government limited the unconsolidated post-employment benefits liability to the level established for the previous year. Expenditures related to post-employment benefits for the year ended March 31, 2002 were \$2,571,000 (2001 - \$2,203,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$2,551,000 (2001 - \$1,585,000).

13. Long-term debt

	2002	2001
	(thousands of dollars)	
Mortgages, with a variety of terms, secured by fixed charges against housing projects, repayable in blended monthly payments with maturities up to the year 2029, bearing fixed interest rates ranging from 5.1% to 12.5%	\$ 20,799	\$ 22,191
Canada Mortgage and Housing Corporation loans, repayable in blended annual payments with maturities up to the year 2028, bearing fixed interest rates ranging from 5.0% to 13.3%	4,724	4,871
Loans from Canada, repayable in annual instalments with maturities up to the year 2007, bearing fixed interest rates ranging from 6.1% to 11.1%	3,786	3,829
Loan from the Yukon Government Fund Limited, principal repayable at maturity of May 1, 2005, with interest payable monthly at the annual rate of 7.7% calculated and compounded semi-annually	2,272	857
Other debentures, repayable in semi-annual instalments with maturities up to the year 2003, bearing a fixed interest rate of 13.0%	65	92
	\$ 31,646	\$ 31,840

Principal repayment requirements over the next five years on outstanding loans are as follows:

(thousands of dollars)	
2003	\$ 879
2004	955
2005	970
2006	3,327
2007	1,721
Thereafter	23,794
	\$ 31,646

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Notes to Consolidated Financial Statements
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14. Grant from Canada

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Formula Financing grant entitlement	\$ 348,347	\$ 331,811
Adjustments in respect of:		
Formula financing escalators	238	35,463
Tax effort adjustment	2,753	(491)
Own source revenues and recoveries	<u>(1,875)</u>	<u>4,098</u>
Formula Financing grant	349,463	370,881
Less oil and gas revenue offset	<u>(817)</u>	<u>(4,317)</u>
Grant from Canada per Schedule of Revenues (Schedule A)	<u>\$ 348,646</u>	<u>\$ 366,564</u>

The Government receives a grant from Canada according to an agreed formula. The current Formula Financing Agreement with Canada is in effect for the period April 1, 1999 to March 31, 2004.

The Formula Financing grant calculation was finalized using July 1 population statistics released by Statistics Canada on September 26, 2002. This resulted in increased Formula Financing grant revenue of \$1.2 million.

15. Expenditures by object

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Operations and maintenance		
Personnel	\$ 199,240	\$ 185,909
Transfer payments	92,871	91,152
Contract and special services	70,314	69,290
Materials, supplies and utilities	42,528	41,183
Communication and transportation	14,819	14,297
Loan interest	2,737	3,045
Other	<u>8,955</u>	<u>8,618</u>
	<u>\$ 431,464</u>	<u>\$ 413,494</u>
Capital		
Building and infrastructure	\$ 69,937	\$ 57,248
Transfer payments	19,261	18,666
Equipment	11,157	11,176
Other	<u>3,294</u>	<u>4,729</u>
	<u>\$ 103,649</u>	<u>\$ 91,819</u>

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
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16. Pension plans

(a) Public Service Superannuation Plan

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times the employee's contribution. The Government's contributions to the Public Service Superannuation Plan during the year and recorded as expenditures were \$16,858,000 (2001 - \$15,582,000).

(b) Legislative Assembly Retirement Allowances Plan

The Legislative Assembly Retirement Allowances Plan is a contributory defined benefit pension plan. In addition to retirement allowances, the plan also contains a provision for payment of lump sum death and severance allowances. These benefits are based on service and/or earnings. The Government administers the Legislative Assembly Retirement Allowances Fund, but reports the Fund as a trust account external to the Government of Yukon reporting entity (Note 17).

The *Legislative Assembly Retirement Allowances Act* (Yukon) stipulates that actuarial valuations of the obligation for these benefits must be performed at least triennially. An actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and member turnover and mortality. These assumptions reflect the best estimates of expected long-term rates and short-term forecasts accepted by the Members' Services Board of the Legislative Assembly. The last completed actuarial valuation was as at March 31, 1999, and a valuation as of March 31, 2002 is currently in progress.

At March 31, 2002 the Legislative Assembly Retirement Allowances Fund held in the Government's trust assets was \$13,498,000 (2001 - \$13,147,000). Trust assets comprise of cash and short-term investments, and are valued at the lower of cost or market value. As of March 31, 1999, the plan was fully funded with a funding surplus of \$658,000.

The total pension-related expenditures recorded during the year and included in the expenditures of the Yukon Legislative Assembly are \$465,000 (2001 - \$426,000). Actual benefits paid in the year were \$449,000 (2001 - \$458,000).

(c) Territorial Court Judiciary Pension Plan

The *Territorial Court Judiciary Pension Plan Act* (Yukon) was enacted in May 2001, with an effective date of September 18, 1998. The Territorial Court Judiciary Pension Plan is a non-contributory defined benefit pension plan and the Government is not required to maintain a fund for this plan.

On April 12, 2002, the 2001 Yukon Judicial Compensation Commission submitted its report and recommendations to the Legislative Assembly, which included recommended changes to the Territorial Court Judiciary Pension Plan. Subsequently the Government accepted the majority of these recommendations.

As a result, the pension obligation at March 31, 2002 including the retroactive adjustments, based on an actuarial estimate determined by the projected benefit method prorated on services, increased to \$1,871,000 (2001 - \$192,000). Significant assumptions used in the actuarial valuation were the valuation interest rate of 7.0%, the inflation rate of 3.5% and salary increases as recommended by the Yukon Judicial Compensation Commission to April 1, 2003 and increase in line with inflation thereafter.

The obligation of \$1,871,000 (2001 - \$192,000) is included in the accrued liabilities of the Government, and the pension expenditure of \$1,679,000 (2001 - \$192,000) is included in the expenditures of the Department of Justice.

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17. Trust assets and liabilities

The Government administers trust accounts on behalf of third parties which are not included in the Government's assets and liabilities.

The largest such trust account, the Compensation Fund (Yukon) has a fiscal year end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. The remaining trust assets are invested primarily in short-term and long-term bonds.

Investments are valued at the lower of cost and market. Any other assets held under administration such as property, securities and valuables are reflected in trust accounts only upon conversion to cash.

	2002	2001
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 140,374	\$ 141,084
Legislative Assembly Retirement Allowances (Note 16(b))	13,498	13,147
Lottery Commission	2,799	3,262
Crime Prevention and Victim Services	2,244	2,042
Land Title Office – Assurance Fund	2,006	1,866
Historic Resources Trust Fund	1,027	564
Public Administrator	775	765
Public Service Group Insurance Benefit	352	660
Other	1,300	804
	\$ 164,375	\$ 164,194

18. Main Estimates

The Main Estimates comparative figures are from the Main Estimates approved in the Legislative Assembly in 2001. These figures do not reflect changes arising from Supplementary Estimates approved later in the year by the Legislative Assembly.

19. Commitments

At March 31, 2002 the Government had outstanding contractual obligations of \$37.5 million (2001 - \$43.1 million) for major capital projects. At that date, the estimated expenditures on these capital projects over the next three years were \$139.6 million (2001 - \$117.0 million), of which \$69.3 million (2001 - \$69.0 million) is 100% recoverable.

At March 31, 2002 the Government had annual building lease commitments of \$6.3 million consisting of \$5.1 million for rental costs and \$1.2 million for operating costs. These leases are generally for three year terms.

The Government entered into a twenty year policing services contract with the RCMP in 1992. The estimated expenditure under this contract for 2002/2003 is \$11.9 million.

On April 1, 2000 the Government entered into a five year data service contract with Northwestel Inc. At March 31, 2002 the outstanding obligation over the remaining three years was \$3.6 million, with an annual payment amount of \$1.2 million.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

20. **Overexpenditure**

During the year, two (2001 - six) departments exceeded their votes with an aggregate total of \$803,000 (2001 - \$3,536,000). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that "a vote does not authorize any payment to be made in excess of the amount specified in the vote".

The votes that were overexpended are as follows:

	(thousands of dollars)
Operations and maintenance	
Justice	\$ 754
Tourism	49

21. **Guarantees**

The Government has guaranteed debts of the Yukon Development Corporation of \$44.4 million (2001 - \$45.2 million) and business loans of \$1.1 million (2001 - \$1.0 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Energy Corporation of up to \$10.0 million. It is expected that no significant costs will be incurred by the Government with respect to these guarantees.

22. **Transfer of programs from Canada**

On October 29, 2001, Canada and the Government signed the Yukon Northern Affairs Program Devolution Transfer Agreement, in which both parties agreed to transfer from Canada to the Government the resources and responsibilities associated with the Northern Affairs Program of the Department of Indian Affairs and Northern Development. The programs and responsibilities being transferred include land, water, forestry and mineral resources. The effective date of the transfer is April 1, 2003. As of that effective date, Canada is to provide ongoing funding estimated at \$33.7 million to the Government as well as one-time and transitional funding of, at a minimum, \$23.2 million over the five years beginning the fiscal year 2003/2004.

23. **Land claims**

The Government, with Canada and the various Yukon First Nations, is engaged in the negotiation of aboriginal land claims (final) and self-government agreements. On February 14, 1995, Federal and Yukon legislation came into force giving effect to four Yukon First Nation Final Agreements, which incorporated the provisions of the Umbrella Final Agreement (UFA) and specific provisions for each First Nation, and four Self-Government Agreements. The UFA is a framework document signed by the Council for Yukon Indians, Canada, and the Government. Two more Yukon First Nation Final and Self-Government Agreements came into effect on October 1, 1997, another came into effect on September 15, 1998, and the latest came into effect on April 2, 2002. Negotiations are proceeding with the remaining six First Nations on an individual basis. As well, the Government, with Canada, has engaged in land claims negotiations with one transboundary First Nation and anticipates further transboundary negotiations. Any settlement of these claims will not result in a liability to the Government as they are to be funded by Canada.

The Government signed a bilateral funding agreement with Canada on June 24, 1993 that provides for funding towards the Government's additional implementation costs. Costs funded by this agreement include boards and councils established under the Yukon First Nation Final Agreements and implementation projects and activities. The Government expended \$3.6 million during the year (2001 - \$3.5 million) with cumulative expenditures of approximately \$19.7 million (2001 - \$16.2 million), of which \$15.0 million (2001 - \$13.6 million) was funded by Canada.

GOVERNMENT OF THE YUKON TERRITORY

Notes to Consolidated Financial Statements
March 31, 2002

24. Contingencies

In the normal course of operations, the Government is subject to legal claims. At March 31, 2002 the Government estimated the total claimed amount to be about \$1.9 million (2001 - \$4.8 million). No liability has been admitted and no provision for claims is included in these financial statements.

25. Environmental liabilities

The Government recognizes that there could be a liability for restoration of the environment on the land that is administered and controlled by the Government (Commissioner's Land).

The Government has identified 15 sites on Commissioner's Land where environmental liabilities may exist. Of these, three sites are on airports and are subject to the agreement between the Government and Transport Canada that includes remediation of contamination by Transport Canada. Three sites have been formally designated as contaminated under the *Environment Act* (Yukon) and the *Contaminated Sites Regulation*. Of these three sites, two have been completely remediated. The Government is not a responsible party for the remaining one site. Of the nine sites that have not been formally designated, Whitehorse Grader Station has been partially assessed and remediated while the remaining eight are awaiting assessment work.

In those cases where the cost of remediating sites is quantifiable, an estimated liability is accrued. As at March 31, 2002 no costs have yet been quantified, so no liability has been accrued.

Pursuant to the Yukon Northern Affairs Program Devolution Transfer Agreement which was made on October 29, 2001 (Note 22), effective April 1, 2003 the Government will assume administration and regulatory responsibility for nearly 900 waste sites. Canada, however, is to continue assuming the financial responsibility for a majority of those sites that were contaminated while under Canada's control. The Government will assume some potential liability for six sites for which Canada is released from further financial liability, and seven sites where the Government will remediate the sites and then seek reimbursement from Canada. As at March 31, 2002 the potential liability for these 13 sites has not been assessed.

26. Related parties

Related party transactions not disclosed elsewhere in the financial statements are as follows:

	<u>2002</u>	<u>2001</u>
	(thousands of dollars)	
Transfer payments		
Yukon Hospital Corporation	\$ 22,749	\$ 20,160
Yukon College	14,017	14,069
Yukon Legal Services Society	1,389	1,356
Yukon Arts Centre Corporation	568	864
Yukon Human Rights Commission	<u>480</u>	<u>324</u>
	<u>\$ 39,203</u>	<u>\$ 36,773</u>

GOVERNMENT OF THE YUKON TERRITORY

Schedule A

Consolidated Schedule of Revenues by Source
for the year ended March 31, 2002

	2002		2001
	Main Estimates (Note 18)	Actual	Actual
	(thousands of dollars)		
Grant from Canada (Note 14)	\$ 332,591	\$ 348,646	\$ 366,564
Taxes and general revenues			
Income taxes	38,696	38,080	45,507
Other taxes	15,262	15,195	13,984
Licences, permits and fees	5,197	5,390	5,309
Oil and gas resource revenue	9,000	4,361	10,196
Liquor taxes	2,220	2,340	2,263
Interest - bank and other	1,159	1,370	2,474
Aviation operations	753	809	750
Other revenues	128	480	399
Fines	381	268	342
Management fee	-	262	-
Gain on sale of lots	-	152	224
	72,796	68,707	81,448
Transfer payments from Canada			
Canada Health and Social Transfer	20,070	25,831	19,928
Investment income (loss)			
Yukon Development Corporation	-	5,567	4,438
Yukon Liquor Corporation	4,945	4,723	4,824
Yukon Government Fund Limited	-	128	(33)
	4,945	10,418	9,229
	\$ 430,402	\$ 453,602	\$ 477,169

GOVERNMENT OF THE YUKON TERRITORY

Schedule B

Consolidated Schedule of Recoveries by Function
for the year ended March 31, 2002

	2002		2001
	Main Estimates (Note 18)	Actual	Actual
	(thousands of dollars)		
Operations and maintenance			
Health and social services	\$ 13,970	\$ 14,805	\$ 15,057
Community and transportation	9,918	10,257	9,459
General government	6,834	4,271	4,727
Education	2,403	2,475	2,516
Natural resources and economic development	801	1,030	864
Justice	1,275	915	1,265
Tourism and culture	240	513	240
Interest	2,812	3,097	2,885
	\$ 38,253	\$ 37,363	\$ 37,013
Capital			
Community and transportation	\$ 27,619	\$ 22,489	\$ 23,374
General government	1,081	1,774	1,293
Health and Social Services	1,000	1,350	13
Natural resources and economic development	1,425	966	906
Education	300	611	879
Tourism and culture	-	103	30
Justice	53	56	17
	\$ 31,478	\$ 27,349	\$ 26,512

GOVERNMENT OF THE YUKON TERRITORY

Schedule C

Consolidated Schedule of Expenditures by Function
for the year ended March 31, 2002

	2002		2001
	Main Estimates (Note 18)	Actual (Note 15) (thousands of dollars)	Actual
Operations and maintenance			
Health and social services	\$ 125,578	\$ 130,085	\$ 123,147
Education	90,475	93,513	90,783
Community and transportation	79,298	77,294	73,781
General government	59,641	56,100	55,622
Justice	34,369	36,624	34,153
Natural resources and economic development	23,892	23,123	22,034
Tourism and culture	11,552	11,985	10,929
Interest	3,451	2,740	3,045
	\$ 428,256	\$ 431,464	\$ 413,494
Capital			
Community and transportation	\$ 48,624	\$ 52,483	\$ 45,171
Education	11,820	15,081	11,408
Health and Social Services	11,226	12,345	11,073
General government	6,658	9,445	7,955
Natural resources and economic development	9,097	8,526	11,062
Tourism and culture	3,675	4,368	4,473
Justice	2,373	1,401	677
	\$ 93,473	\$ 103,649	\$ 91,819