

GOVERNMENT OF YUKON

Consolidated Statement of Financial Position  
as at March 31, 2004

	2004	2003
	(Restated - Note 3)	
	(thousands of dollars)	
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 41,746	\$ 227
Due from Canada (Note 5)	59,984	84,634
Accounts receivable (Note 6)	10,203	10,676
Loans receivable (Note 7)	58,555	60,547
Land held for sale (Note 8)	21,708	24,224
Investments in government business enterprises (Note 9(a))	120,037	116,216
	<u>312,233</u>	<u>296,524</u>
<b>Non-financial assets</b>		
Leased capital assets (Notes 10 and 14)	11,111	-
Inventories	3,640	3,148
Prepaid expenses	992	905
Tangible capital assets, at a nominal value of one dollar (Note 10)	-	-
	<u>\$ 327,976</u>	<u>\$ 300,577</u>
<b>LIABILITIES</b>		
Due to Canada (Note 5)	\$ 9,784	\$ 6,351
Accounts payable and accrued liabilities (Note 11)	37,572	40,470
Deferred revenues	3,919	2,716
Post-employment benefits (Note 12)	44,445	41,558
Long-term debt (Note 13)	30,107	31,054
Capital lease obligations (Note 14)	11,307	-
Pension and retirement benefit liabilities (Note 17 and Schedule D)	2,453	2,227
	<u>139,587</u>	<u>124,376</u>
Contingencies, commitments and guarantees (Notes 8, 9, 20, 22, 23, 24 and 25)		
<b>ACCUMULATED SURPLUS</b>		
Accumulated surplus	<u>188,389</u>	<u>176,201</u>
	<u>\$ 327,976</u>	<u>\$ 300,577</u>

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

Approved:



Bruce McLennan, CMA  
Deputy Head of the Department of Finance



Dennis Fentie  
Minister of Finance

GOVERNMENT OF YUKON

Consolidated Statement of Operations and Accumulated Surplus  
for the year ended March 31, 2004

	2004		2003
	Main Estimates (Note 19)	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
Grant from Canada (Note 15)	\$ 359,796	\$ 426,135	\$ 381,821
Taxes and general revenues	67,812	75,360	69,053
Health and social transfers from Canada	21,730	30,322	19,889
Investment income	4,861	9,537	9,349
Recoveries (Schedule B)			
Operations and maintenance	43,864	52,988	40,212
Capital	29,787	23,188	33,489
	<u>527,850</u>	<u>617,530</u>	<u>553,813</u>
Expenditures (Note 16 and Schedule C)			
Operations and maintenance	451,387	511,470	456,927
Capital	85,523	94,776	96,293
	<u>536,910</u>	<u>606,246</u>	<u>553,220</u>
Recovery of prior years' expenditures	-	904	772
Surplus (deficit) for the year	<u>\$ (9,060)</u>	12,188	1,365
Accumulated surplus at beginning of year, as previously reported		166,214	165,660
Adjustment to accumulated surplus, beginning of year - change in accounting policy (Note 3)		<u>9,987</u>	<u>9,176</u>
Accumulated surplus at beginning of year, restated		<u>176,201</u>	<u>174,836</u>
Accumulated surplus at end of year		<u>\$ 188,389</u>	<u>\$ 176,201</u>

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

GOVERNMENT OF YUKON

Consolidated Statement of Cash Flows  
for the year ended March 31, 2004

	2004	2003
	(Restated - Note 3)	
	(thousands of dollars)	
<b>Operating activities</b>		
Surplus for the year	\$ 12,188	\$ 1,365
Non-cash items included in surplus for the year		
Provision for doubtful loans receivable	545	29
Provision for write-down of land held for sale	390	3,010
Gain on sale of lots	(876)	(288)
Investment income from government business enterprises	(3,821)	(4,958)
Provision for post-employment, pension and retirement benefits	3,113	8,700
Amortization of leased tangible capital assets	960	-
Adjustment due to change in accounting policy	-	(2,482)
Changes in non-cash operating activities		
Decrease in temporary investments	-	11,520
Decrease (increase) in due from Canada	24,650	(42,041)
Decrease (increase) in accounts receivable	473	(1,367)
Decrease (increase) in inventories and prepaid expenses	(579)	455
Increase in due to Canada	3,433	1,507
Decrease in accounts payable and accrued liabilities	(2,898)	(2,160)
Increase in deferred revenues	1,203	409
Cash flows from (used in) operating activities	<u>38,781</u>	<u>(26,301)</u>
<b>Investing activities</b>		
Investment in land held for sale	(3,906)	(2,936)
Proceeds from sale of land held for sale	650	204
Loans advanced	(1,825)	(9,304)
Loans repaid	11,121	12,296
Cash flows from investing activities	<u>6,040</u>	<u>260</u>
<b>Financing activities</b>		
Issue of long-term debt	-	300
Repayment of long-term debt	(2,538)	(893)
Repayment of capital lease obligations	(764)	-
Cash flows used in financing activities	<u>(3,302)</u>	<u>(593)</u>
Net increase (decrease) in cash and cash equivalents	41,519	(26,634)
Cash and cash equivalents		
Beginning of year	227	26,861
End of year (Note 4)	<u>\$ 41,746</u>	<u>\$ 227</u>
<b>Supplemental information</b>		
Interest paid in the year	\$ 3,814	\$ 2,659
Interest received in the year	4,302	4,117

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

GOVERNMENT OF YUKON

Consolidated Statement of Tangible Capital Assets  
for the year ended March 31, 2004

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Other*	2004 Total	2003 Total
	(thousands of dollars)					(Restated - Note 10)	
Cost of tangible capital assets, opening	\$ 5,412	\$ 385,884	\$ 69,148	\$ 19,667	\$ 3,786	\$ 483,897	\$ 453,887
Acquisitions	599	22,325	3,271	1,491	1,871	29,557	33,952
Write-downs	-	-	-	-	-	-	-
Disposals	-	-	(1,137)	(1,083)	-	(2,220)	(3,942)
Cost of tangible capital assets, closing	6,011	408,209	71,282	20,075	5,657	511,234	483,897
Accumulated amortization, opening	-	144,146	38,368	13,244	2,130	197,888	184,764
Amortization expense	-	10,841	2,534	1,576	453	15,404	16,630
Disposals	-	-	(1,026)	(1,083)	-	(2,109)	(3,506)
Accumulated amortization, closing	-	154,987	39,876	13,737	2,583	211,183	197,888
Net book value	6,011	253,222	31,406	6,338	3,074	300,051	286,009
Work-in-progress	-	1,705	-	291	2,126	4,122	2,989
	<b>\$ 6,011</b>	<b>\$ 254,927</b>	<b>\$ 31,406</b>	<b>\$ 6,629</b>	<b>\$ 5,200</b>	<b>\$ 304,173</b>	<b>\$ 288,998</b>
**Value of contributed assets		\$ 26,945	\$ 1,425	\$ 580	\$ 293	\$ 29,243	\$ 25,040

\* Includes portable classrooms, land improvements and fixtures.

\*\* Relates to the value of tangible capital assets that were transferred from or cost shared with Canada.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2004

#### 1. Authority and operations

The Government of Yukon (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

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for senior governments.

##### (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. Under the modified equity method, the equity method of accounting is modified only to the extent that the government business enterprise's accounting principles are not adjusted to conform with those of the government. Thus, the government aggregates a government business enterprise's net assets and net income by adjusting the investment shown in the government's consolidated statement of financial position and by presenting the net income as a separate item on the government's consolidated statement of operations.

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

##### Fully consolidated:

Government of Yukon  
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" (Note 20) telecommunication infrastructure development project to provide high speed internet services in the Yukon. 19596 Yukon Inc. has been financed with \$10.5 million from the Yukon Government Fund Limited (Note 9(c)). 19596 Yukon Inc. leases equipment to Northwestel Inc. The Government's share of 19596 Yukon Inc. is 24.5%.

Trusts administered by the Government on behalf of other parties (Note 18) are excluded from the consolidated Government reporting entity.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2004

#### (b) Basis of accounting

##### Revenues

Revenues are recorded on an accrual basis. Income taxes levied, under the *Income Tax Act* (Yukon), are collected by Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on Canada's Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are final. Changes to personal and corporate income tax estimates can have a significant impact on the Grant from Canada.

Revenue from general property tax is recognized on an accrual basis in the fiscal year in which the calendar year ends.

##### Expenditures

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

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

##### Financial assets

Loans receivable are stated at the lower of principal amounts and net recoverable value. 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.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2004

#### Non-financial assets

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.

For capital leases, an amount equal to the present value of the minimum lease payments required over the term of the lease or the fair value of the leased property, whichever is less, is recorded as a leased capital asset with an offsetting capital lease obligation.

Tangible capital assets are charged to expenditures at the time of acquisition or construction and are shown on the statement of financial position at a nominal value of one dollar. The Government is currently in the process of accumulating information on all of its tangible capital assets. The Government intends to change its accounting policy for tangible capital assets and record them on the consolidated statement of financial position as of the fiscal year 2004/2005 (Notes 2(h) and 10).

#### 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 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, health and social transfer contributions from Canada 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.

Health and social transfer payments are received from Canada in accordance with the *Federal-Provincial Fiscal Arrangements Act*. These revenues are recognized when entitlement occurs. Adjustments are made in accordance with the arrangements in the year they are known.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2004

#### (e) Post-employment benefits

Post-employment benefits are expected to be provided after employment but before retirement to employees. These benefits include severance benefits and accumulated sick, vacation, compensatory and personal leave and travel bonus benefits that are paid in cash when employment is terminated. The Government recognizes the obligation for these benefits as a liability and uses an actuary to estimate the amount of the obligation. Expenses related to post-employment benefits are recognized in the period in which the employee's service is rendered and the benefit is earned.

#### (f) Retirement benefits

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government accounts for contributions to this pension plan as a defined contribution plan and, therefore, the Government's contributions represent its total pension obligations.

Retirement benefits to Members of the Legislative Assembly and judges are valued on an actuarial basis. Actuarial valuations of these benefits are performed triennially using the projected benefit method prorated on services. Pension expenses for these two plans are recognized as members render services. Actuarial gains and losses are amortized on a straight line basis over the estimated average remaining service lives of the participants. The accrued benefit liability for these plans is calculated as the accrued benefit obligation less plan assets, if any, adjusted by unamortized actuarial gains or losses.

#### (g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and 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 post-employment benefits, contingencies and revenue accruals. Other estimates, such as Canada health and social transfer payments and corporate and personal income tax revenue are based on estimates made by Canada's Department of Finance and are subject to adjustments in future years. Another significant estimate is the Grant from Canada, which incorporates estimates supplied by Statistics Canada and Canada's Department of Finance. Many of the statistical estimates are not finalized until three to seven years after the year end.

#### (h) Changes in accounting policies in 2005

In 2004/2005, the Government intends to adopt the remaining recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board that are currently not applicable until the fiscal year beginning April 1, 2005. The most significant of these changes will be the recording of all tangible capital assets on the consolidated statement of financial position. Such changes will be applied retroactively with restatement of prior year amounts and will also have a significant impact on several measures of the Government's financial position such as its balance of non-financial assets, accumulated surplus and net financial resources/net debt.



GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

**3. Changes in accounting policies**

Prior to this year, the Government's stated accounting policies were used as the basis of its financial statement preparation. Pursuant to certain requirements of the *Yukon Act (2002)* that came into force this year, the Government's financial statements must now be in accordance with Canadian generally accepted accounting principles for senior governments. These principles are recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB). However, some of the PSAB recommendations have transitional provisions and therefore do not have to be implemented this year.

As transitional measures, in 2003/2004 the Government has applied a leased tangible capital assets accounting guideline issued by the PSAB, where capital lease obligations are accounted for as liabilities and leased properties are recorded as non-financial assets. This change in accounting policy was applied prospectively. The effect of this change in accounting policy in the current year's financial statements was an increase of non-financial assets by \$11,111,000, an increase of liabilities by \$11,307,000 and a reduction of the surplus for the year by \$196,000.

In the current year, the Government also implemented an accrual basis of accounting for income tax revenue. Previously, income tax remittances for the taxation year were recognized as revenue of the fiscal year in which the taxation year ended. With the new accounting policy, the last three months of the fiscal year's entitlement is accrued as revenue based on an estimate provided by Canada's Department of Finance. This change in accounting policy was applied retroactively and comparative amounts have been restated. The effect of this change in accounting policy in the current year's financial statements was as follows:

	2004	2003
	(thousands of dollars)	
Increase in the opening accumulated surplus	\$ 9,987	\$ 9,176
Increase in financial assets	3,142	3,076
Decrease in liabilities	7,026	6,911
Increase in revenues	181	811
Increase of surplus for the year	181	811

**4. Cash and cash equivalents**

	2004	2003
	(thousands of dollars)	
Short-term investments	\$ 35,075	\$ 1,773
Bank balances (bank indebtedness)	6,603	(1,612)
Cash on hand	68	66
	\$ 41,746	\$ 227

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

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2004

5. Due from/to Canada

	<u>2004</u>	<u>2003</u>
	(Restated – Note 3)	
	(thousands of dollars)	
<b>Due from Canada</b>		
Cost-sharing agreements and projects delivered on behalf of Canada	\$ 36,213	\$ 41,477
Federal grant receivable	20,516	39,947
Other	<u>3,255</u>	<u>3,210</u>
	<u>\$ 59,984</u>	<u>\$ 84,634</u>
<b>Due to Canada</b>		
RCMP	\$ 3,415	\$ 3,430
Superannuation contribution payable	3,147	1,735
Payroll deductions payable	2,795	-
Other	<u>427</u>	<u>1,186</u>
	<u>\$ 9,784</u>	<u>\$ 6,351</u>

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

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 8,453	\$ 11,064
Less valuation allowances	<u>(1,203)</u>	<u>(3,679)</u>
	7,250	7,385
Due from Territorial corporations	<u>2,953</u>	<u>3,291</u>
	<u>\$ 10,203</u>	<u>\$ 10,676</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2004

7. Loans receivable

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Mortgages receivable, due in varying annual amounts to the year 2022, bearing interest rates ranging from 0.0% to 8.5%	\$ 41,191	\$ 44,253
Debenture loans to municipalities, due in varying annual amounts to the year 2028, bearing interest rates ranging from 5.0% to 13.3%	8,985	9,855
Agreements for sale, due in varying annual amounts over a three or five year term to the year 2009, bearing interest rates ranging from 4.8% to 8.5%	4,584	2,592
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 13.6%	3,783	4,427
Local improvement loans, due in varying annual amounts to the year 2031, bearing interest rates ranging from 2.3% to 13.5%	2,684	2,217
Others	500	503
Less valuation allowances	<u>(3,172)</u>	<u>(3,300)</u>
	<u>\$ 58,555</u>	<u>\$ 60,547</u>

8. Land held for sale

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Raw land	\$ 45	\$ 45
Land under development	8,042	9,517
Finished land	<u>13,621</u>	<u>14,662</u>
	<u>\$ 21,708</u>	<u>\$ 24,224</u>

Land held for sale is affected by the Yukon First Nations land claims negotiations. At March 31, 2004, \$4.1 million (2003 - \$4.4 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 YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

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 Development Corporation was unable to prepare the interim financial statements as of March 31; therefore, the information as of December 31 is used in the preparation of these financial statements. No events or transactions of financial significance have occurred for the Yukon Development Corporation or the Yukon Government Fund Limited between January 1 and March 31, 2004. The Yukon Liquor Corporation has a fiscal year end of March 31.

	Yukon Development Corporation <small>(as at December 31, 2003)</small>	Yukon Government Fund Limited <small>(as at March 31, 2004)</small>	Yukon Liquor Corporation <small>(as at March 31, 2004)</small>	2004 Total	2003 Total
(thousands of dollars)					
<b>Balance Sheet</b>					
<b>Assets</b>					
Current	\$ 13,274	\$ 1,744	\$ 3,414	\$ 18,432	\$ 20,451
Investments	3,905	-	-	3,905	3,810
Capital Assets	158,859	-	2,613	161,472	156,560
Other	12,109	13,928	-	26,037	28,516
	<u>\$ 188,147</u>	<u>\$ 15,672</u>	<u>\$ 6,027</u>	<u>\$ 209,846</u>	<u>\$ 209,337</u>
<b>Liabilities</b>					
Current	\$ 6,296	\$ 13	\$ 2,740	\$ 9,049	\$ 11,510
Long-term debt	42,410	15,000	-	57,410	58,491
Other	22,558	117	674	23,349	23,120
Equity	116,883	542	2,613	120,038	116,216
	<u>\$ 188,147</u>	<u>\$ 15,672</u>	<u>\$ 6,027</u>	<u>\$ 209,846</u>	<u>\$ 209,337</u>
<b>Statement of Operations and Equity</b>					
Revenues	\$ 27,292	\$ 913	\$ 11,129	\$ 39,334	\$ 37,712
Expenses	23,377	661	5,758	29,796	28,363
Surplus	3,915	252	5,371	9,538	9,349
Remitted to the Government	-	-	(5,716)	(5,716)	(4,391)
Equity, beginning of year	112,968	290	2,958	116,216	111,258
Equity, end of year	<u>\$ 116,883</u>	<u>\$ 542</u>	<u>\$ 2,613</u>	<u>\$ 120,038</u>	<u>\$ 116,216</u>

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

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**Notes to Consolidated Financial Statements  
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(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Government Fund Limited	Yukon Liquor Corporation	2004 Total	2003 Total
	(as at December 31, 2003)	(as at March 31, 2004)			
(thousands of dollars)					
Government of Yukon:					
Accounts receivable from \$	73	\$ -	\$ 1,111	\$ 1,184	\$ 1,194
Loans receivable from	-	116	-	116	116
Accounts payable to	35	16	-	51	61
Long-term obligations to	4,114	2,572	-	6,686	2,572
Revenues from	157	-	629	786	999
Expenditures to	7,045	195	-	7,240	10,604

(c) Commitments

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 has obtained \$15.0 million (2003 - \$15.0 million) from investors, of which \$3.0 million (2003 - \$3.0 million) is restricted. \$10.5 million (2003- \$10.5 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 \$15.0 million due to investors is repayable as follows:

(thousands of dollars)	
2005	\$ 5,000
2006	7,750
2007	2,000
2008	250
	\$ 15,000

(d) Guarantees

The Government has guaranteed debts of the Yukon Development Corporation of \$42.4 million (2003 - \$43.5 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Energy Corporation, a wholly owned subsidiary of the Yukon Development 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.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
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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 are currently being determined. The Government expects to report on the entire tangible capital assets owned by the Government as of the fiscal year 2004/2005.

In the consolidated statement of tangible capital assets, tangible capital assets are reported at cost. Tangible capital assets transferred from Canada are reported at their fair value at the date of transfer or, if it is not available, at the appraised value at various appraisal dates. In 2003/2004, the Government re-examined the historical cost information of major buildings and removed costs that were determined not to be capital, as well as changing the amortization calculation on some older buildings. A leased building that was included in the 2002/2003 information was also removed from the opening balance and included in the 2003/04 acquisitions in order to match the change in accounting policy for leased capital assets, which was applied prospectively. Effects of these corrections on the current year's statement of tangible capital assets were a reduction of the opening cost by \$15 million, a reduction of the opening accumulated amortization by \$3 million and a reduction of the opening net book value by \$12 million.

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
Land improvements and fixtures	\$50,000	up to 50 years
Buildings	\$50,000	40 - 50 years
Portable classrooms/housing trailers	\$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. The Government owns and/or maintains various historical sites. The Government also holds works of art with a total insured value of \$2.1 million (2003 - \$1.9 million). Works of art and historical treasures are not included in the statement of tangible capital assets.

Leased capital assets are reported as part of the respective asset category in the statement of tangible capital assets. These leased assets are amortized on a straight-line basis over the lease term or estimated economic life. The amortization expense for the year was \$960,000. The cost and accumulated amortization of leased capital assets that are included in the statement of tangible capital assets are as follows:

	<u>2004</u>
	(thousands of dollars)
Buildings (cost)	\$ 12,071
Less accumulated amortization	<u>(960)</u>
	<u>\$ 11,111</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2004

11. Accounts payable and accrued liabilities

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Accounts payable	\$ 18,255	\$ 13,568
Accrued liabilities	14,790	22,245
Due to Territorial corporations	2,915	2,937
Contractors' holdbacks and security deposits	<u>1,612</u>	<u>1,720</u>
	<u>\$ 37,572</u>	<u>\$ 40,470</u>

12. Post-employment benefits

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Severance benefits	\$ 22,362	\$ 22,775
Sick leave obligation	12,135	10,650
Vacation leave obligation	9,395	7,644
Other	<u>553</u>	<u>489</u>
	<u>\$ 44,445</u>	<u>\$ 41,558</u>

Severance benefits are paid on termination of service or upon retirement.

If an employee has at least five years of continuous service, a cash-in of sick leave will be paid on termination of service or upon retirement. The cash-in amount is calculated as 1/3 of unused sick leave credits to a maximum of 60 days x daily pay rate at termination or retirement.

Other benefit obligations include unused compensatory and personal leave and travel bonus 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 the valuation date. In projecting the accrued obligation for these benefits as at March 31, 2004, the actuary assumed a discount rate of 6.0% and general inflation of 2.5%. The actuary further assumed that general salary increases would be in line with inflation at 2.5% per annum.

Expenses related to post-employment benefits for the year ended March 31, 2004 were \$6,619,000 (2003 - \$11,549,000). The 2003 expenses of \$11,549,000 included the expenses in the amount of \$7,195,000 that were applicable to the fiscal year 2001/2002. Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$3,732,000 (2003 - \$3,205,000).

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2004

13. Long-term debt

	<u>2004</u>	<u>2003</u>
	(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 2023, bearing fixed interest rates ranging from 5.0% to 12.5%. Fair value is estimated at \$20,331,000 (2003 - \$20,149,000).	\$ 19,421	\$ 20,141
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%. Fair value is estimated at \$4,978,000 (2003 - \$4,864,000).	4,387	4,563
Loans from Canada, repayable in annual instalments with maturities up to the year 2008, bearing fixed interest rates ranging from 6.1% to 11.1%	3,726	3,742
Loans from the Yukon Government Fund Limited, repayable 60 months after advance with maturities up to the year 2007, bearing a fixed interest rate of 7.7% calculated and compounded semi-annually and payable monthly	2,573	2,573
Other debentures, repayable in semi-annual instalments with maturities up to the year 2004, bearing a fixed interest rate of 13.0%	-	35
	<u>\$ 30,107</u>	<u>\$ 31,054</u>

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

	(thousands of dollars)
2005	\$ 981
2006	2,349
2007	3,016
2008	4,411
2009	1,342
Thereafter	<u>18,008</u>
	<u>\$ 30,107</u>



GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2004**

Debt authority

Canada, pursuant to subsection 23(2) of the *Yukon Act* (Canada), has approved the Government borrowing up to \$138 million.

	2004	2003
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises (Note 9(a))		
Yukon Development Corporation, long-term debt	\$ 42,410	\$ 43,491
Yukon Government Fund Limited, term loans	15,000	15,000
	57,410	58,491
Fully and proportionately consolidated entities		
Yukon Housing Corporation, mortgages payable	19,421	20,141
Yukon Housing Corporation, CMHC loans	4,387	4,563
Government of Yukon, long-term debt	3,726	3,777
19596 Yukon Inc., term loans	2,573	2,573
	30,107	31,054
Total debt	87,517	89,545
Authorized borrowing limit	138,000	138,000
Available borrowing capacity	\$ 50,483	\$ 48,455

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

**14. Capital lease obligations**

Effective 2003/2004, the Government accounts for capital leases in accordance with the PSAB guideline where lease obligations are established with offsetting non-financial assets. This change in accounting policy was applied prospectively.

	2004
	(thousands of dollars)
Building lease obligation payable monthly until the year 2012, with imputed interest rate of 11.0%. The building is to be transferred to the Government for \$1.00 at the end of the lease term.	\$ 3,936
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	3,303
Building lease obligation payable monthly until the year 2012, with imputed interest rate of 6.0%	3,069
Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.	999
	\$ 11,307

Interest expense related to capital lease obligations for the year was \$1,169,000 at an imputed average interest rate of 10.9%. The following is a schedule of future minimum lease payments under the capital lease obligations.

	(thousands of dollars)
2005	\$ 2,817
2006	2,823
2007	2,841
2008	2,841
2009	2,841
Beyond 2009	9,132
Total minimum lease payments	23,295
Less: amount representing executory costs	(4,902)
amount representing rental of land	(1,587)
amount representing interest	(5,499)
	\$ 11,307

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2004

15. Grant from Canada

	<u>2004</u>	<u>2003</u>
	(thousands of dollars)	
Formula Financing grant entitlement	\$ 427,714	\$ 366,278
Adjustments in respect of:		
Census	(15,187)	15,187
Formula financing escalators	10,785	(1,524)
Tax effort adjustment	1,173	(2,949)
Own source revenues and recoveries	<u>1,720</u>	<u>5,326</u>
Formula Financing grant	426,205	382,318
Less oil and gas revenue offset	<u>(70)</u>	<u>(497)</u>
Grant from Canada per Schedule of Revenues (Schedule A)	<u>\$ 426,135</u>	<u>\$ 381,821</u>

The Government receives a grant from Canada according to an agreed formula. The current Formula Financing Agreement with Canada was in effect for the period April 1, 1999 to March 31, 2004. At the First Ministers' meeting in September 2004, the Government agreed to amend the Formula Financing Agreement to address several issues in regards to the escalators, predicated on a commitment that the grant in future years would be adjusted by the rate of growth in equalization payments. In recognition of this, the amount previously booked for the census adjustment of \$15.2 million at March 31, 2003 is reversed.

The grant entitlement increase in 2004 was partly due to the transfer of programs from Canada effective April 1, 2003 (Note 22).

Subsequent event

The Formula Financing grant calculation was finalized using July 1 population statistics released by Statistics Canada on September 29, 2004. This resulted in increased Formula Financing grant revenue and receivable from Canada of \$3.8 million.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

16. **Expenditures by object**

	2004	2003
	(thousands of dollars)	
Operations and maintenance		
Personnel	\$ 235,511	\$ 216,089
Transfer payments	111,668	96,529
Contract and special services	62,943	74,864
Materials, supplies and utilities	55,006	43,808
Communication and transportation	32,742	17,579
Interest on long-term debt and capital lease obligations	4,196	2,646
Other	9,404	5,412
	<b>\$ 511,470</b>	<b>\$ 456,927</b>
Capital		
Building and infrastructure	\$ 46,381	\$ 62,448
Transfer payments	27,897	16,968
Equipment	9,491	6,484
Other	11,007	10,393
	<b>\$ 94,776</b>	<b>\$ 96,293</b>

17. **Pension and retirement benefit liabilities**

(a) **Public Service Superannuation Plan**

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. In this plan, employees accumulate pension benefits at 2% per year of pensionable service based on their five consecutive years of highest paid services. The Government contributes at a basic 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 \$19,900,000 (2003 - \$17,739,000).

(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, and reports the Fund as a trust asset external to the Government of Yukon reporting entity (Note 18). It is the Government's policy to fully fund this pension plan.

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, 2002. The accrued benefit obligation shown for 2004 is based on an extrapolation of that 2002 valuation (Schedule D).

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

(c) Territorial Court Judiciary Pension Plan

The Territorial Court Judiciary Pension Plan is a non-contributory defined benefit pension plan. In this plan, benefits are accrued at an annual rate of 3% based on the judges' highest twenty-four months of pensionable earnings. Benefit costs under this plan are offset by benefits paid under the Public Service Superannuation Plan and the Retirement Compensation Arrangement which are contributory plans. The *Territorial Court Judiciary Pension Plan Act* (Yukon) stipulates that no fund is to be maintained for this plan.

The actuarial report for this plan was prepared at March 31, 2002. The accrued benefit obligation shown for 2004 is based on an extrapolation of that 2002 valuation (Schedule D).

	2004	2003
	(thousands of dollars)	
Pension and retirement benefit liabilities		
Legislative Assembly Retirement Allowance Plan	\$ 118	\$ 136
Territorial Court Judiciary Pension Plan	2,335	2,091
	\$ 2,453	\$ 2,227

18. **Trust assets**

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

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.

	2004	2003
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 128,578	\$ 134,310
Legislative Assembly Retirement Allowances (Note 17(b))	18,571	17,060
Lottery Commission	2,769	2,743
Land Title Office – Assurance Fund	2,332	2,135
Crime Prevention and Victim Services	2,250	2,080
Historic Resources Trust Fund	1,144	1,069
Forest Sector Fund	1,035	-
Public Administrator	831	783
Other	1,848	1,783
	\$ 159,358	\$ 161,963

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

19. **Main Estimates**

The Main Estimates comparative figures are from the Main Estimates approved in the Legislative Assembly in 2003. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Legislative Assembly.

20. **Commitments**

The Government has entered into agreements for, or is contractually committed to, the following expenditures payable subsequent to March 31, 2004:

	Expiry Date	2005	2006 – 2013	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2004	2006	\$ 26,269	\$ 1,700	\$ 27,969
(recoverable amount)		(19,714)	(1,700)	(21,414)
RCMP policing agreement	2012	11,282	89,041	100,323
Connect Yukon (Note 2 (a))	2005	10,227	-	10,227
Building/office space leases	2013	7,795	25,105	32,900
Miscellaneous operational commitments	2006	7,937	3,779	11,716
		\$ 43,796	\$ 117,925	\$ 161,721

21. **Overexpenditure**

During the year, two (2003 - two) departments exceeded their votes with an aggregate total of \$819,000 (2003 - \$7,949,000). 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".

(thousands of dollars)

The votes that were overexpended are as follows:

Operations and maintenance	
Health and Social Services	\$ 416
Public Service Commission	403

The *Appropriation Acts* (Yukon) states that the Government is not to expend grant payments in excess of the amounts specified in the Acts. During the year, four (2003 – three) departments exceeded the authorized amounts for the following grants:

Operations and maintenance grants	
Community Services	
- In lieu of property taxes	\$ 11
- Home owner grants	65
Education	
- Post secondary student grants	183
Environment	
- Canada Cooperative Wildlife Health Centre	1
Health and Social Services	
- Child care subsidies	105
- Federal child benefit – Whitehorse	58
- Pioneer utility grant	6
- Federal child benefit – region	26

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2004

#### 22. Transfer of programs from Canada

Effective April 1, 2003, pursuant to the Yukon Northern Affairs Program Devolution Transfer Agreement which was signed on October 29, 2001, the resources and responsibilities associated with the Northern Affairs Program of the Department of Indian Affairs and Northern Development were transferred from Canada to the Government. The programs and responsibilities that were transferred include land, water, forestry and mineral resources. With this transfer of programs, Canada is to provide on-going funding estimated at \$36.4 million to the Government as well as one-time and transitional funding of, at a minimum, \$23.2 million over the five years beginning with the fiscal year 2003/2004. The funding received in 2003/2004 for these purposes through Formula Financing grant were \$36.4 million for on-going and \$7.2 million as one-time.

#### 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 on September 15, 1998, another on April 1, 2002, and the most recent on February 2, 2004. Negotiations are proceeding with the remaining five 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. In 2003/2004 the bilateral funding agreement was amended to include the federal Northern Affairs Program implementation funding and the council and commission funding that came to Yukon as part of the Northern Affairs Program Devolution Transfer Agreement.

The Government expended \$4.6 million during the year (2003 - \$3.6 million) with cumulative expenditures of approximately \$28.0 million (2003 - \$23.3 million), of which \$27.0 million (2003 - \$22.5 million) was funded by Canada.

#### 24. Contingencies

In the normal course of operations, the Government is subject to legal claims. At March 31, 2004 the Government estimated the total claimed amount to be about \$2.7 million (2003 - \$2.7 million). No liability has been admitted and no provision for claims is included in these financial statements.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2004**

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 does not actively search for contaminated sites, and is only aware of those that are brought to its attention. Consequently, there may be other as yet unidentified sites.

The Government has been informed of 37 sites on Commissioner's Land where environmental liabilities may exist. Of these, 12 sites are airports and are subject to the airport transfer agreements between the Government and Transport Canada; at two airports Transport Canada is responsible for the assessment and remediation of contamination, while at the remaining 10 airports/aerodromes the Government is responsible for assessing and identifying areas of potential contamination, but Transport Canada is responsible for the costs of remediation.

21 sites are highway maintenance camps; one of these sites has had a site investigation completed which determined that additional assessment is not necessary at this time, and 20 sites are either being assessed or awaiting assessment dependent on funding availability. Quantifiable portions of remediation costs for some of these sites are currently estimated at \$300,000. Of the remaining four sites, one has been formally designated as contaminated under the *Environment Act* (Yukon) and the *Contaminated Sites Regulation*. The Government is not a Responsible Party for this site but may incur some future environmental liability as the landowner.

Pursuant to the Yukon Northern Affairs Program Devolution Transfer Agreement which was made on October 29, 2001, effective April 1, 2003 the Government assumed 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 under the terms of the Agreement. As at March 31, 2004 the potential liability, if any, for these 13 sites has not been assessed.

26. **Related parties**

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

	2004	2003
	(thousands of dollars)	
Transfer payments		
Yukon Hospital Corporation	\$ 24,238	\$ 21,851
Yukon College	14,578	13,811
Yukon Legal Services Society	1,384	1,256
Yukon Arts Centre Corporation	847	656
Yukon Human Rights Commission	371	374
	\$ 41,418	\$ 37,948

27. **Comparative figures**

Certain comparative figures for 2003 have been reclassified to conform with the 2004 presentation.



GOVERNMENT OF YUKON

Schedule A

Consolidated Schedule of Revenues by Source  
for the year ended March 31, 2004

	2004		2003
	Main	Actual	Actual
	Estimates (Note 19)	(thousands of dollars)	(Restated - Note 3)
Grant from Canada (Note 15)	\$ 359,796	\$ 426,135	\$ 381,821
Taxes and general revenues			
Income taxes	36,641	40,888	37,059
Other taxes	19,251	18,864	18,643
Licences, permits and fees	6,490	7,635	6,823
Oil and gas resource revenue	4,013	3,116	3,828
Interest - bank and other	250	1,121	650
Gain on sale of lots	-	876	288
Aviation operations	753	804	728
Slot machine revenue	-	766	-
Fines	283	473	436
Land and mineral leases and royalties	75	317	71
Other revenues	56	500	527
	67,812	75,360	69,053
Health and social transfers from Canada			
Canada Health and Social Transfer	21,730	22,676	19,889
Northern Health Accord	-	6,667	-
Health Reform Transfer	-	979	-
	21,730	30,322	19,889
Investment income			
Yukon Liquor Corporation	4,861	5,371	4,471
Yukon Development Corporation	-	3,914	4,654
Yukon Government Fund Limited	-	252	224
	4,861	9,537	9,349
	\$ 454,199	\$ 541,354	\$ 480,112

GOVERNMENT OF YUKON

Schedule B

Consolidated Schedule of Recoveries by Function  
for the year ended March 31, 2004

	2004		2003
	Main Estimates (Note 19)	Actual	Actual
	(thousands of dollars)		
<b>Operations and maintenance</b>			
Health and social services	\$ 16,595	\$ 18,807	\$ 14,153
Community and transportation	10,567	13,663	10,168
General government	7,748	6,634	6,546
Natural resources	1,353	5,922	1,457
Education	2,524	2,602	2,505
Justice	1,506	1,713	1,471
Business, tourism and culture	420	527	606
Interest	3,151	3,120	3,306
	<b>\$ 43,864</b>	<b>\$ 52,988</b>	<b>\$ 40,212</b>
<b>Capital</b>			
Community and transportation	\$ 27,810	\$ 20,478	\$ 30,194
General government	1,827	1,117	1,094
Natural resources	110	729	1,004
Health and social services	-	453	697
Business, tourism and culture	-	335	277
Education	40	51	112
Justice	-	25	111
	<b>\$ 29,787</b>	<b>\$ 23,188</b>	<b>\$ 33,489</b>

GOVERNMENT OF YUKON

Schedule C

Consolidated Schedule of Expenditures by Function  
for the year ended March 31, 2004

	2004		2003
	Main Estimates (Note 19)	Actual (Note 16)	Actual
	(thousands of dollars)		
<b>Operations and maintenance</b>			
Health and social services	\$ 142,226	\$ 154,561	\$ 143,028
Education	91,791	94,501	92,083
Community and transportation	80,337	92,671	77,142
General government	63,403	70,459	70,436
Natural resources	21,804	44,641	22,413
Justice	34,089	34,700	33,935
Business, tourism and culture	14,368	15,741	15,243
Interest	3,369	4,196	2,647
	<b>\$ 451,387</b>	<b>\$ 511,470</b>	<b>\$ 456,927</b>
<b>Capital</b>			
Community and transportation	\$ 54,227	\$ 54,743	\$ 60,308
General government	10,985	11,771	9,109
Education	10,467	10,115	9,672
Business, tourism and culture	3,475	9,045	5,293
Natural resources	4,779	6,640	5,679
Health and social services	1,272	2,107	4,606
Justice	318	355	1,626
	<b>\$ 85,523</b>	<b>\$ 94,776</b>	<b>\$ 96,293</b>

GOVERNMENT OF YUKON

Schedule D

Consolidated Schedule of Pension and Retirement Plans  
for the year ended March 31, 2004

	2004			2003
	Legislative Assembly Retirement Allowance Plan	Territorial Court Judiciary Pension Plan	Total (Note 17)	Total
	(thousands of dollars)			
Pension and retirement plan assets are valued at the lower of cost and market.				
Accrued benefit obligation				
Obligation at beginning of year	\$ 17,050	\$ 2,114	\$ 19,164	\$ 17,852
Current service costs	922	117	1,039	827
Interest cost on benefit obligation	1,033	151	1,184	1,093
Actuarial loss	-	152	152	-
Benefits paid	(582)	(30)	(612)	(608)
Accrued benefit obligation at end of year	\$ 18,423	\$ 2,504	\$ 20,927	\$ 19,164
Pension plan assets				
Value at beginning of year	\$ 17,060	\$ -	\$ 17,060	\$ 13,498
Actual return on plan assets	1,171	-	1,171	964
Government contributions	830	30	860	3,143
Member contributions	92	-	92	63
Benefits paid	(582)	(30)	(612)	(608)
Value at end of year	\$ 18,571	\$ -	\$ 18,571	\$ 17,060
Funded status - plan surplus (deficit)				
Unamortized net actuarial (gain) loss	\$ 148	\$ (2,504)	\$ (2,356)	\$ (2,104)
Accrued benefit liability	(266)	169	(97)	(123)
	\$ (118)	\$ (2,335)	\$ (2,453)	\$ (2,227)
Net pension expense				
Current service costs	\$ 922	\$ 117	\$ 1,039	\$ 756
Less: Member contributions	(92)	-	(92)	-
Interest cost on benefit obligation	1,033	151	1,184	1,093
Expected return on plan assets	(1,034)	-	(1,034)	(810)
Amortization of net actuarial (gain) loss	(17)	6	(11)	(2)
Value at end of year	\$ 812	\$ 274	\$ 1,086	\$ 1,037
Assumptions				
Expected long-term rate of return on assets	6.0%	N/A		
Discount rate on projected benefit obligation	6.0%	6.0%		
Inflation	3.0%	3.0%		
* Rate of compensation increase	** 3.0%	*** 3.0%		
Amortization period				
(expected average remaining service life)	8 years	4 years		

\* Assumed to be same as inflation rate.

\*\* Annual rates of increase in indemnities and expense allowances. No salary increases are assumed.

\*\*\* Increase to \$178,000 on April 1, 2003, assumed rate thereafter.