

GOVERNMENT OF YUKON

Consolidated Statement of Financial Position  
as at March 31, 2007

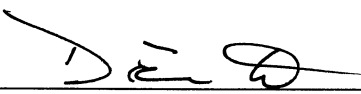
	2007	2006
	(Restated - Note 3)	
	(thousands of dollars)	
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 201,694	\$ 146,781
Temporary investments (Note 5)	1,948	8,192
Due from Canada (Note 6)	48,491	57,359
Accounts receivable (Note 7)	17,355	10,693
Loans receivable (Note 8)	48,893	53,446
Inventories held for sale (Note 9)	12,336	12,494
Investment in government business enterprises (Note 10(a))	139,283	136,081
	<u>470,000</u>	<u>425,046</u>
<b>Liabilities</b>		
Due to Canada (Note 6)	12,158	12,466
Accounts payable and accrued liabilities (Note 11)	72,746	64,656
Unearned revenues	4,545	7,116
Post-employment benefits (Note 12)	54,118	49,918
Retirement benefits (Note 13)	30,522	34,375
Long-term debt (Note 14)	20,834	27,156
Capital lease obligations (Note 15)	5,963	6,831
	<u>200,886</u>	<u>202,518</u>
<b>Net financial resources</b>	<u><b>269,114</b></u>	<u><b>222,528</b></u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 17)	925,358	871,505
Less deferred capital contributions (Note 18)	(486,546)	(453,137)
Inventories of supplies	4,933	5,018
Prepaid expenses	1,445	1,163
	<u>445,190</u>	<u>424,549</u>
<b>Accumulated surplus</b>	<u><b>\$ 714,304</b></u>	<u><b>\$ 647,077</b></u>

Contingencies, contractual obligations and guarantees  
(Notes 10, 21, 23, 24, 25 and 27)

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

Approved:

  
David Hrycan, CMA  
Deputy Minister of Finance

  
Dennis Fentie  
Minister of Finance

GOVERNMENT OF YUKON  
**Consolidated Statement of Operations**  
**for the year ended March 31, 2007**

	2007		2006
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
<b>Revenues (Schedule A)</b>			
From Canada	\$ 615,196	\$ 658,819	\$ 631,608
Taxes and general revenues	87,288	98,031	88,200
Investment income	5,886	9,445	8,041
Funding and service agreements with other parties	30,023	25,668	21,508
Amortization of deferred capital contributions	14,701	13,813	13,541
	<u>753,094</u>	<u>805,776</u>	<u>762,898</u>
<b>Expenses (Note 19)</b>			
Health and social services	185,785	201,299	185,561
Community and transportation	164,842	163,010	141,317
Education	131,703	132,329	126,254
General government	101,021	103,364	95,676
Natural resources	65,910	58,417	59,862
Justice	40,756	40,956	40,188
Business, tourism and culture	38,975	37,594	33,033
Interest on loans	2,562	2,083	2,324
	<u>731,554</u>	<u>739,052</u>	<u>684,215</u>
Recovery of prior years' expenses	-	503	1,146
<b>Surplus for the year</b>	<u><b>\$ 21,540</b></u>	<u><b>67,227</b></u>	<u><b>79,829</b></u>
Accumulated surplus at beginning of year, previously reported		646,618	566,176
Prior year adjustment (Note 3)		459	1,072
Accumulated surplus at beginning of year, restated		<u>647,077</u>	<u>567,248</u>
Accumulated surplus at end of year		<u><b>\$ 714,304</b></u>	<u><b>\$ 647,077</b></u>

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

GOVERNMENT OF YUKON

**Consolidated Statement of Change in Net Financial Resources  
for the year ended March 31, 2007**

	2007		2006
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus for the year	\$ 21,540	\$ 67,227	\$ 79,829
Effect of change in tangible capital assets			
Acquisitions	(81,365)	(91,038)	(89,611)
Capital contributions received and deferred	32,262	47,222	38,828
Amortization of tangible capital assets	36,571	36,560	36,037
Amortization of deferred capital contributions	(14,701)	(13,813)	(13,541)
Loss (gain) on disposal of tangible capital assets	1,076	225	(594)
Proceeds on disposal of tangible capital assets	-	308	3,416
Write-down of tangible capital assets	-	92	555
Write-down of deferred capital contributions	-	-	(96)
	<u>(26,157)</u>	<u>(20,444)</u>	<u>(25,006)</u>
Effect of change in other non-financial assets			
Decrease (increase) in inventories of supplies	-	85	(113)
Increase in prepaid expenses	-	(282)	(142)
	<u>-</u>	<u>(197)</u>	<u>(255)</u>
Increase (decrease) in net financial resources	<u>\$ (4,617)</u>	<u>46,586</u>	<u>54,568</u>
Net financial resources at beginning of year, previously reported		222,389	167,208
Prior year adjustment (Note 3)		139	752
Net financial resources at beginning of year, restated		<u>222,528</u>	<u>167,960</u>
Net financial resources at end of year		<u>\$ 269,114</u>	<u>\$ 222,528</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, 2007**

	2007	2006
		(Restated - Note 3(a))
		(thousands of dollars)
<b>Operating transactions</b>		
Cash received from:		
Canada	\$ 662,140	\$ 649,542
Taxes and general revenues	86,072	83,642
Funding and service agreements with other parties	18,931	24,432
Interest from investments and loans	11,448	7,220
	<u>778,591</u>	<u>764,836</u>
Cash paid for:		
Salary, wages and benefits	326,620	304,696
Materials, utilities and contract services	240,027	231,422
Transfer payments	118,330	96,628
Interest on loans and capital leases	2,903	3,308
	<u>687,880</u>	<u>636,054</u>
Cash provided by operating transactions	<u>90,711</u>	<u>128,782</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(95,706)	(84,543)
Contributions received for acquisition	54,972	35,509
Proceeds on sale of tangible capital assets	308	759
	<u>(40,426)</u>	<u>(48,275)</u>
Cash used for capital transactions	<u>(40,426)</u>	<u>(48,275)</u>
<b>Investing transactions</b>		
Decrease (increase) in temporary investments	6,244	(6,255)
Investment in land held for sale	(6,190)	(6,985)
Proceeds from sale of land held for sale	8,488	10,121
Loans advanced	(9,108)	(7,712)
Loans repaid	9,229	10,562
	<u>8,663</u>	<u>(269)</u>
Cash provided by (used for) investing transactions	<u>8,663</u>	<u>(269)</u>
<b>Financing transactions</b>		
Repayment of capital lease obligations	(868)	(906)
Repayment of long-term debt	(3,167)	(2,369)
	<u>(4,035)</u>	<u>(3,275)</u>
Cash used for financing transactions	<u>(4,035)</u>	<u>(3,275)</u>
<b>Increase in cash and cash equivalents</b>	<b>54,913</b>	<b>76,963</b>
Cash and cash equivalents at beginning of year, previously reported	144,193	67,311
Prior year adjustment (Note 3(a))	2,588	2,507
	<u>146,781</u>	<u>69,818</u>
Cash and cash equivalents at beginning of year, restated	<u>146,781</u>	<u>69,818</u>
<b>Cash and cash equivalents at end of year (Note 4)</b>	<b>\$ 201,694</b>	<b>\$ 146,781</b>

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2007**

1. **Authority and operations**

(a) Authority

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.

(b) Budget

The Budget figures fully consolidate, on a line-by-line basis, the Main Estimates approved in the Legislative Assembly, which consists of the estimates of the Government departments and the Yukon Housing Corporation, with the budgets of Yukon College and the Yukon Hospital Corporation as approved by the respective Board of trustees. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Legislative Assembly.

(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, the Government of 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 the Government 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.

2. **Significant accounting policies**

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity and method of consolidation

The consolidated financial statements include the accounts of all government sector entities and government not-for-profit organizations.

Government sector entities include departments and government-controlled corporations. Government not-for-profit organizations comprise government controlled education and health institutions.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
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The accounts of government sector entities and not-for-profit organizations, except for those that are commercial in nature and are classified as government business enterprises, are consolidated using the full consolidation method. With the full consolidation method, revenue and expense transactions, capital, investing and financing transactions, and related assets and liability accounts between consolidated entities have been eliminated.

The accounts of government business enterprises are consolidated using the modified equity method. Under the modified equity method of consolidation, the accounting policies of consolidated entities are not adjusted to conform with those of the government organizations that are consolidated using the full consolidation method. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated.

The entities that are deemed to be government partnerships are accounted for using the proportionate consolidation method. Under the proportionate consolidation method, the Government's pro rata share of each of the assets, liabilities, revenues and expenses, which are subject to shared control, is combined on a line-by-line basis. Inter-entity revenue and expense transactions and related asset and liability balances are eliminated to the extent of those pro rata amounts.

All accounts of the government reporting entity are consolidated using the financial information for the year ended March 31, 2007. As for the organizations that use a fiscal year-end other than March 31, the Government used their interim financial statements as at March 31, 2007.

Trusts administered by the Government on behalf of other parties (Note 20) are excluded from the government reporting entity.

The organizations comprising the government reporting entity, categorized by the consolidation method are as follows:

Full consolidation:

- Government of Yukon departments
- Yukon College
- Yukon Hospital Corporation
- Yukon Housing Corporation

Proportionate consolidation:

- 19596 Yukon Inc.

Modified equity:

- Yukon Development Corporation
- Yukon Liquor Corporation
- Yukon Government Fund Limited

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**Notes to Consolidated Financial Statements  
March 31, 2007**

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

Grants from the Government of Canada are recognized as revenues when entitlement for the transfer occurs. The Government receives a Formula Financing grant from the Government of Canada. Pursuant to Bill C-13, the *Budget Implementation Act, 2006*, the exact amount of the grant for 2006/2007 is specified in the legislation. For future years 2007/2008 to 2013/2014, the Government of Canada has, under Bill C-52, the *Budget Implementation Act, 2007*, restored the Formula Financing grant to a principle based arrangement. Health and social transfers are received in accordance with the *Federal-Provincial Fiscal Arrangements Act (Canada)*. Adjustments for health and social transfer revenues are made in the year they are known.

The Government receives funds from the Government of Canada and other sources under various cost-sharing agreements including reconstruction of the Alaska Highway, social assistance and occupational training. Revenues are recognized in the year in which the related expenses are incurred. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

Income taxes, levied under the *Income Tax Act (Yukon)*, are collected by the Government of Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on the Government of Canada's Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are final. The Government recognizes income tax revenues based on the estimates made by the Government of Canada, adjusted for known factors. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

Fuel and tobacco taxes are levied under the authority of the *Fuel Oil Tax Act (Yukon)* and the *Tobacco Tax Act (Yukon)*. Revenues are recognized based on the statements received from collectors and estimates. Adjustments from reassessments are recorded in revenue in the year they are identified.

Expenses

Expenses are recorded on an accrual basis. Transfer payments are recorded as expenses when paid or when the terms of a contractual transfer agreement have been met.

Recovery of prior years' expenses 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 the current year.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2007

#### Assets

##### Financial assets

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

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.

Inventories held for sale include land that has been developed by the Government, repossessed houses and other supplies held for eventual sale. Land held for sale comprises the costs of acquiring, planning and developing serviced lots. 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 net recoverable value to recognize the loss. Gains or losses on the sale of lots are recognized at the time of sale. Repossessed houses and other supplies are recorded at the lower of cost and net realizable value.

##### Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets.

Inventories of supplies consist primarily of fuel and lubricants, repair parts, stationery and office supplies, highway materials that are tracked through revolving funds and medical supplies of the Yukon Hospital Corporation. Inventories are valued at the lower of cost and replacement value. These assets are not held for sale and are intended to be used in providing government services. Other materials and supplies are expensed at the time of acquisition.

#### Liabilities

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

Unearned revenues are cash received for which goods and services have not been provided by year-end, and are primarily comprised of motor vehicle licence fees for the following fiscal years.

Capital lease obligations are recorded with a corresponding asset at the lower of the present value of the minimum lease payments, excluding the portion relating to executory costs, and the fair value of the asset. The present value is based on the Government's borrowing rate at the time the obligation is incurred.



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**Notes to Consolidated Financial Statements  
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The contingencies of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed.

(c) Tangible capital assets

Tangible capital assets are buildings, roads, equipment, and other items, whose useful life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services. These assets are recorded at cost, or fair value if donated. For certain tangible capital assets that have previously been transferred from the Government of Canada or where the original costs are not readily available, estimated costs have been extrapolated back in time in a systematic and rational manner to approximate the appropriate transfer value of the assets at the time of transfer.

Transferred and cost-shared tangible capital assets are recorded upon acquisition with an offsetting deferred capital contribution that represents the value of the contribution. This deferred capital contribution is amortized as revenue on the same basis as the related asset is amortized. Tangible capital assets, when placed in service, are amortized on a straight-line basis over their estimated useful life.

The value of works of art, historical treasures, all intangibles, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recorded as tangible capital assets. The existence of historical treasures and the total estimated value of works of art are disclosed in Note 17 of these financial statements.

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.

Asset category	Threshold	Estimated useful life
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
Highways	\$250,000	30 - 50 years
Pavement	\$250,000	26 years
Bridges	\$250,000	30 - 50 years
Airport runways	\$50,000	26 - 50 years

Tangible capital assets under construction or development are reported as work-in-progress with no amortization until the asset is placed in service.

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**Notes to Consolidated Financial Statements  
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(d) Post-employment benefits

Post-employment benefits are expected to be provided after employment but before retirement to employees. These benefits include severance benefits, accumulated sick and vacation leave 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. The accrued benefit liability for these plans is calculated as the accrued benefit obligation adjusted by unamortized actuarial gains or losses.

(e) Retirement benefits

The Government's employees participate in the Public Service Pension Plan administered by the Government of Canada. The Government's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Government is not currently required to make contributions with respect to any actuarial deficiencies of the pension plan. Other retirement benefits include extended health care for retired employees who choose to participate in the plan and a life insurance plan for retirees who meet certain criteria. Liabilities for these benefits are valued on an actuarial basis.

Retirement benefits to Members of the Legislative Assembly, territorial court judges, and the employees of Yukon College and the Yukon Hospital Corporation are defined benefit plans and are valued on an actuarial basis. Actuarial valuations of these benefits are performed triennially using the projected benefit method prorated on services, with an actuarial valuation for accounting purposes updated annually. Pension expenses for these 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.

(f) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimates when the contamination occurs, when the Government becomes aware of the contamination or, in the case of solid waste landfill closure and post-closure care, as the landfill sites capacity is used, and the Government is obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. Accrued environmental liabilities are reported as part of accrued liabilities.

(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 expenses 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.

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**Notes to Consolidated Financial Statements  
March 31, 2007**

Some of the more significant management estimates relate to post-employment and retirement benefits, contingencies and revenue accruals such as Canada health and social transfer payments and corporate and personal income tax revenue.

**3. Correction of errors in prior period financial statements**

In 2006/2007, the Yukon Hospital Corporation, an entity that is consolidated using the full consolidation method, made the following prior year adjustments.

(a) First Nations health fund

Prior to 2006/2007, the Yukon Hospital Corporation accounted for the First Nations health fund as a trust fund with offsetting amounts of fund asset and liability reported on the balance sheet. Effective 2006/2007, the Yukon Hospital Corporation accounts for the First Nations health fund as part of its net assets. This accounting change is treated as a correction of an accounting error in prior periods and, consequently, has been applied retroactively with restatement of comparative amounts.

The effect of this accounting change on the 2006/2007 consolidated financial statements was an increase of the 2007 opening cash and cash equivalents, net financial resources and accumulated surplus of \$2,588,000, a decrease of the current year surplus of \$13,000, and an increase of the comparative year revenues and surplus of \$81,000.

(b) Tangible capital assets

In 1994, the Government of Yukon transferred land on which the Whitehorse General Hospital was built to the Yukon Hospital Corporation at a nominal value of \$2.00. Until 2005/2006, the Yukon Hospital Corporation accounted for this land at the same nominal value of \$2.00. In 2006/2007, the Corporation recorded the estimated fair value of the land as of 1994 as the cost of the land. The effect of this correction of an accounting error was an increase of tangible capital assets and accumulated surplus of \$1,009,000, which has been applied retroactively.

In 2006/2007, the Yukon Hospital Corporation removed the value of the equipment and furniture that were transferred from the Government of Yukon in 1994 at the cost of \$689,000, as these tangible capital assets had not been in use. These assets had not been amortized since the time of the transfer. The correction of this accounting error has been applied retroactively, and the value of tangible capital assets and the opening balances of accumulated surplus have been decreased by \$689,000.

(c) Retirement benefits

Prior to 2006/2007, the Yukon Hospital Corporation was not valuing or recording its pension plan liability in accordance with the CICA Accounting Standard Section 3461, Employee Future Benefits. In 2006/2007, the Corporation adopted the recommendations of Section 3461. The correction of this accounting error was applied retroactively; the effects of the retroactive adjustment on the 2005/2006 consolidated financial statements were an increase of liabilities and a decrease of net financial resources and accumulated surplus by \$2,449,000, and an increase of expenses and a decrease of surplus by \$694,000. The effect of this correction on the current period was a decrease of expenses and an increase of surplus for the year of \$4,776,000.

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**Notes to Consolidated Financial Statements  
March 31, 2007**

The following is a summary of the effects of the above prior-year adjustments on the 2005/2006 consolidated financial statements:

(thousands of dollars)	March 2006 as previously reported	Adjustments				March 2006 as restated
		First Nations health fund	Tangible capital assets	Retirement benefits	Total adjustments	
Financial assets	\$ 422,458	\$ 2,588	\$ -	\$ -	\$ 2,588	\$ 425,046
Liabilities	\$ 200,069	\$ -	\$ -	\$ 2,449	\$ 2,449	\$ 202,518
Net financial resources	\$ 222,389	\$ 2,588	\$ -	\$ (2,449)	\$ 139	\$ 222,528
Non-financial assets	\$ 424,229	\$ -	\$ 320	\$ -	\$ 320	\$ 424,549
Revenues	\$ 762,817	\$ 81	\$ -	\$ -	\$ 81	\$ 762,898
Expenses	\$ 683,521	\$ -	\$ -	\$ 694	\$ 694	\$ 684,215
Surplus for the year	\$ 80,442	\$ 81	\$ -	\$ (694)	\$ (613)	\$ 79,829
Accumulated surplus at beginning of year	\$ 566,176	\$ 2,507	\$ 320	\$ (1,755)	\$ 1,072	\$ 567,248
Accumulated surplus at end of year	\$ 646,618	\$ 2,588	\$ 320	\$ (2,449)	\$ 459	\$ 647,077

4. **Cash and cash equivalents**

	<u>2007</u>	<u>2006</u> (Restated – Note 3(a))
	(thousands of dollars)	
Short-term investments	\$ 107,668	\$ 78,010
Funds held for the Government by trustees	73,519	44,654
Bank balances	20,438	24,049
Cash on hand	69	68
	<u>\$ 201,694</u>	<u>\$ 146,781</u>

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Notes to Consolidated Financial Statements  
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5. Temporary investments

	2007		2006	
	Market Value	Book Value	Market Value	Book Value
	(thousands of dollars)			
Bankers' acceptance	\$ 1,948	\$ 1,948	\$ 1,900	\$ 1,900
Commercial paper	-	-	4,971	4,975
Term deposits	-	-	1,321	1,321
	<u>\$ 1,948</u>	<u>\$ 1,948</u>	<u>\$ 8,192</u>	<u>\$ 8,196</u>

Bankers' acceptance have terms of maturity of less than one year from the date of acquisition. Temporary investments during the year had a weighted average effective yield of 4.20% (2006 – 3.14%) per annum.

6. Due from/to Government of Canada

	2007	2006
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 45,424	\$ 50,742
Income tax receivable	2,782	-
Grant receivable	-	6,333
Other	285	284
	<u>\$ 48,491</u>	<u>\$ 57,359</u>
Due to Government of Canada		
Public Service Pension Plan contribution payable	\$ 3,799	\$ 4,074
Payroll deductions payable	3,498	3,325
RCMP	3,446	3,367
Other	1,415	1,700
	<u>\$ 12,158</u>	<u>\$ 12,466</u>

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

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Notes to Consolidated Financial Statements  
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7. **Accounts receivable**

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 15,268	\$ 9,147
Less valuation allowances	<u>(1,409)</u>	<u>(1,443)</u>
	13,859	7,704
Due from Territorial corporations	<u>3,496</u>	<u>2,989</u>
	<u>\$ 17,355</u>	<u>\$ 10,693</u>

8. **Loans receivable**

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Yukon Housing Corporation mortgages receivable, due in varying annual amounts to the year 2022, bearing interest rates ranging from 0.0% to 8.3%	\$ 33,302	\$ 33,213
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2012, bearing interest rates ranging from 4.8% to 8.5%	6,803	8,042
Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 4.0% to 11.4%	4,729	8,114
Local improvement loans, due in varying annual amounts to the year 2035, bearing interest rates ranging from 2.3% to 8.9%	3,321	3,105
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 12.0%	2,363	3,332
Others	1,542	1,216
Less valuation allowances	<u>(3,167)</u>	<u>(3,576)</u>
	<u>\$ 48,893</u>	<u>\$ 53,446</u>

GOVERNMENT OF YUKON

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9. **Inventories held for sale**

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Land held for sale		
Raw land	\$ 45	\$ 45
Land under development	5,751	7,684
Developed land	<u>6,327</u>	<u>4,317</u>
	12,123	12,046
Other	<u>213</u>	<u>448</u>
	<u>\$ 12,336</u>	<u>\$ 12,494</u>

GOVERNMENT OF YUKON

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10. **Investment 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	Yukon Government Fund Limited	Yukon Liquor Corporation	2007 Total	2006 Total
(thousands of dollars)					
<b>Balance Sheet</b>					
<b>Assets</b>					
Current	\$ 15,175	\$ 1,914	\$ 3,627	\$ 20,716	\$ 26,761
Investments	2,473	-	-	2,473	3,175
Capital assets	151,208	-	2,051	153,259	153,063
Other	11,721	-	-	11,721	9,832
	<b>\$ 180,577</b>	<b>\$ 1,914</b>	<b>\$ 5,678</b>	<b>\$ 188,169</b>	<b>\$ 192,831</b>
<b>Liabilities</b>					
Current	\$ 3,904	\$ 6	\$ 2,994	\$ 6,904	\$ 5,813
Long-term debt	20,592	500	-	21,092	30,122
Other	20,141	116	633	20,890	20,815
Equity	135,940	1,292	2,051	139,283	136,081
	<b>\$ 180,577</b>	<b>\$ 1,914</b>	<b>\$ 5,678</b>	<b>\$ 188,169</b>	<b>\$ 192,831</b>
<b>Statement of Operations and Equity</b>					
Revenues	\$ 28,577	\$ 200	\$ 13,217	\$ 41,994	\$ 39,628
Expenses	25,093	159	7,297	32,549	31,587
Surplus	3,484	41	5,920	9,445	8,041
Remitted to the Government	-	-	(6,243)	(6,243)	(5,208)
Equity, beginning of year	132,456	1,251	2,374	136,081	133,248
Equity, end of year	<b>\$ 135,940</b>	<b>\$ 1,292</b>	<b>\$ 2,051</b>	<b>\$ 139,283</b>	<b>\$ 136,081</b>

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



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(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Government Fund Limited	Yukon Liquor Corporation	2007 Total	2006 Total
(thousands of dollars)					
Government of Yukon:					
Accounts receivable from	\$ 238	\$ -	\$ 1,960	\$ 2,198	\$ 1,477
Loans receivable from	-	116	-	116	116
Accounts payable to	1,218	-	18	1,236	1,095
Long-term obligations to	3,090	-	-	3,090	4,836
Revenues from	576	-	1,187	1,763	1,437
Expenses to	10,095	33	1	10,129	9,195

(c) Interest rate swap agreements – Yukon Development Corporation

Interest rate swap agreements are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specified period of time using agreed-upon fixed or floating rates of interest. Notional amounts upon which interest payments/receipts are based are not exchanged.

Yukon Development Corporation (YDC) has entered into an interest rate swap agreement with the Toronto Dominion Bank to reduce its exposure to fluctuations in interest rates on a portion of its debt by exchanging YDC's interest payments calculated at a floating banker's acceptance discount rate of 4.35% at March 31, 2007, for fixed payments calculated at 4.62%. The swap agreement originated on March 30, 2005 and matures on March 30, 2017 with quarterly net settlements. The notional amount of the interest rate swap, which is reset quarterly to match a portion of the principal on the debt, was \$6,964,000 as at March 31, 2007.

The fair market value of the swap agreement as at March 31, 2007 was \$78,000 (2006 - \$36,000).

(d) Commitments

Yukon Development Corporation

The Yukon Energy Corporation (YEC), the wholly-owned subsidiary of the Yukon Development Corporation, has provided an option to two Yukon First Nations to acquire up to a \$14,470,000 "indirect interest" in the Mayo-Dawson transmission line system project. The option agreement provides for issuance by YEC of a long-term debt instrument repayable over 40 years, bearing interest equal to YEC's blended cost of capital, including a component limited to YEC's realized return on equity. The option expired on January 4, 2007. In accordance with the agreement, one First Nation exercised the option to extend this deadline.

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On March 27, 2007, the Government of Yukon announced the continuation of the Rate Stabilization Fund from April 1, 2007 until July 1, 2007. On June 4, 2007 the Government announced the continuation of the Rate Stabilization Fund from July 1, 2007 until June 30, 2008 with the Yukon Development Corporation required by OIC 2007/95 to make Rate Stabilization Fund payments at 50% of the previous levels. The Rate Stabilization payments are contributions of internally generated funds.

(e) Guarantees

The Government has guaranteed debts of the Yukon Development Corporation of \$20.6 million (2006-\$22.4 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Energy Corporation of up to \$10.0 million. The Government does not expect that any significant costs will be incurred with respect to these guarantees.

(f) Contingencies

The Yukon Energy Corporation (YEC) completed the construction of the Mayo to Dawson City transmission line project during 2003. Subsequent to energization of the line, YEC and the general contractor notified each other that they have numerous claims arising out of the agreement and the construction of the line. These claims total several million dollars on a net basis. In November 2006, YEC and the general contractor appeared in Yukon Supreme Court on an application to determine a legal process for settlement. The court has yet to render a decision. To date, YEC has insufficient information to assess its financial exposure.

11. **Accounts payable and accrued liabilities**

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Accrued liabilities	\$ 33,392	\$ 28,831
Accounts payable	31,332	30,316
Contractors' holdbacks and security deposits	5,589	3,684
Due to Territorial corporations	<u>2,433</u>	<u>1,825</u>
	<u>\$ 72,746</u>	<u>\$ 64,656</u>

12. **Post-employment benefits**

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Severance benefits	\$ 43,934	\$ 42,166
Sick leave obligation	15,125	14,661
Vacation leave obligation	11,917	11,511
Unrecognized net actuarial loss	<u>(16,858)</u>	<u>(18,420)</u>
	<u>\$ 54,118</u>	<u>\$ 49,918</u>

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

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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 multiplied by the daily pay rate at termination or retirement.

The actuarial obligation for sick and vacation leave and severance benefits is calculated using the projected benefit method prorated on service. In projecting the accrued obligation for these benefits as at March 31, 2007, the Government assumed a discount rate of 5.75% and general salary increases of 2.5%. The net actuarial loss is amortized over the expected average remaining service life of the active employees of 10.6 years.

Expenses related to post-employment benefits for the year ended March 31, 2007 were \$9,854,000 (2006 - \$6,043,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$5,401,000 (2006 - \$4,336,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

13. **Retirement benefits**

(a) Public Service Pension Plan

The employees of the Yukon Government and the Yukon Housing Corporation participate in the Public Service Pension Plan administered by the Government of Canada. In this plan, employees accumulate pension benefits up to a maximum period of 35 years at 2% per year of pensionable service based on the average of their five consecutive years of highest paid services. The Government contributes \$2.14 for every dollar contributed by the employee. If an employee's annual salary is greater than \$126,500 (2006 - \$120,300), the portion of the employee's salary above this amount is subject to an employer contribution of \$7.00 (2006 - \$7.20) for every dollar contributed by the employee. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$24,276,000 (2006 - \$23,897,000).

(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 Members' Services Board of the Legislative Assembly is responsible, pursuant to the *Legislative Assembly Retirement Allowances Act* (Yukon), for the administration of the Plan.

The funds are held by an investment manager in two different accounts. The first account holds the assets of the trust fund for the registered pension plan established pursuant to Parts 1 and 2 of the *Legislative Assembly Retirement Allowances Act*. The second account holds the assets of the Government, from which benefits under Part 3 of the *Legislative Assembly Retirement Allowances Act* are paid. It is the Government's policy to fully fund Parts 1 and 2 of this pension plan.

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The *Legislative Assembly Retirement Allowances Act* stipulates that actuarial valuations for funding purposes 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. The assumptions used in a valuation for funding purposes are based on the actuary's best estimates with margins for conservatism. The most recent valuation was conducted as at March 31, 2005 based on March 31, 2005 membership data. The accrued benefit obligation as at March 31, 2007 is calculated using best estimate assumptions accepted by the Members' Services Board of the Legislative Assembly.

(c) Territorial Court Judiciary Pension Plan

The Territorial Court Judiciary Pension Plan is comprised of a judiciary registered pension plan, a judiciary retirement compensation arrangement and a supplementary judiciary pension plan. In addition to pension payments, these plans also contain a provision for payment of lump sum death and severance allowances. The Plan is administered by the Public Service Commissioner in the meaning assigned by the *Public Service Act* (Yukon).

The judiciary registered pension plan is a contributory defined benefit pension plan. In this plan, benefits are accumulated at an annual amount of 2% multiplied by the number of years of credited service multiplied by the annual average of the member's highest five consecutive years of earnings. A member's credited service is limited to a maximum of 35 years. The judiciary retirement compensation arrangement was established for the purpose of providing benefits to members with respect to pensionable service earnings that are in excess of the maximum pension limits of the judiciary registered pension plan as required by the *Income Tax Act* (Canada). Pursuant to the *Territorial Court Judiciary Pension Plan Act* (Yukon), the pension fund assets for these two plans are held separate and distinct from the Government's operations, and are managed by an investment manager.

The supplementary judiciary pension plan is supplemental to benefits provided under the judiciary registered pension plan and the judiciary retirement compensation arrangement. The *Territorial Court Judiciary Pension Plan Act* (Yukon) stipulates that no contributions are to be made to this plan, and no fund is to be maintained for the plan. In this plan, the annual amount of pension payable to a member equals 3% of the average annualized pensionable earnings of a member over the 24 months during which pensionable earnings are highest multiplied by the number of years of credited service, subject to a maximum of 70% of those earnings, minus actual benefits accumulated under the judiciary registered pension plan and the judiciary retirement compensation arrangement.

An actuarial valuation for the Plan was performed for accounting purposes using the membership data as at March 31, 2006. A valuation for funding purposes for the registered pension plan component of the Plan was conducted as at January 31, 2006. The next valuation for funding purposes will be done as at March 31, 2008.

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(d) Yukon College Employees' Pension Plan

The Yukon College Employee's Pension Plan is a contributory defined benefit pension plan. The College's pension plan provides for defined retirement benefits based on an employee's years of service and average final earnings. For any unfunded pension liability, the College is contributing the balance of the costs of the plan as determined by the actuary. The College has contracted with external organizations to provide the services of trustee, administrator, and investment manager for the pension plan.

The College's pension information included in these consolidated financial statements is based on the measurement date of June 30, 2006. The most recent actuarial valuation for funding purposes, which was performed as of June 30, 2006, indicates that the surplus on an ongoing basis has increased since the last valuation as of June 30, 2005 from \$4.4 million to \$6.1 million; the deficit on a solvency basis has decreased from \$2.7 million to \$2.1 million; and assuming that the member contributions remain at the rates in effect as at July 1, 2006, the minimum required contribution for the College is 247% of members' contributions plus annual special payments of \$464,000.

The Government has provided a funding commitment to the College of \$1,251,600 per year for five years to address the solvency deficit. The first of these payments was made in April 2006.

(e) Yukon Hospital Corporation Employees' Pension Plan

The Yukon Hospital Corporation Employees' Pension Plan is a contributory defined benefit pension plan, which provides defined retirement benefits based on the length of service and final average earnings of an employee, and is administered by the Corporation's Board of Trustees. A separate pension fund is maintained to hold plan assets. The Yukon Hospital Corporation has contracted with external organizations to provide trustee and investment management services for the fund.

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect of its pension obligations. Consequently, both benefit obligations and plan assets are measured as of December 31 for presentation in the financial statements as of March 31. The most recent actuarial valuation for accounting purposes was performed as of December 31, 2006. The funded status of the pension plan on an ongoing basis as at December 31, 2006 was a deficit of \$1,664,000, while, on a solvency basis, the deficit was \$4,300,000.

In accordance with the *Federal Pension Benefits Standards Act* and Regulations, the Corporation contributes special payments to eliminate the solvency shortfall. The amounts have been determined by an actuary as follows: quarterly payments of \$135,750 per year over five years retroactive to 2004 and quarterly payments of \$181,400 per year over five years retroactive to 2005. These amounts are subject to re-evaluation after each actuarial valuation. In order to address the deficit on a solvency basis, in December 2006, the Government entered into a contribution agreement with the Corporation to provide funding totalling \$17 million over ten years.

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(f) Extended health care and life insurance retirement benefits

The Government provides optional extended health care benefits to retired employees as well as life insurance coverage to eligible retirees. They are both defined benefit plans. The extended health care plan is self-insured. As at March 31, 2007, the Government paid approximately 65% of the extended health care benefit costs and 100% of the life insurance premium for participating retirees (Note 27(b)). An actuarial valuation of these benefits was conducted as of March 31, 2006. There are no plan assets.

Further details as at March 31, 2007 on the accrued benefit obligation, plan assets, accrued benefit liability/asset, benefit cost and assumptions used for the above retirement benefits are provided in Schedule C. The retirement benefits liability recorded in the Government's consolidated financial statements is as follows:

	2007	2006 (Restated - Note 3(c))
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule C)		
Extended health care retirement benefit	\$ 34,607	\$ 31,949
Territorial Court Judiciary Pension Plan	3,126	2,867
Life insurance retirement benefit	1,166	1,114
Legislative Assembly Retirement Allowances Plan	(1,387)	(180)
Yukon Hospital Corporation Employees' Pension Plan	(2,327)	2,449
Yukon College Employees' Pension Plan	(4,663)	(3,824)
	<u>\$ 30,522</u>	<u>\$ 34,375</u>

14. **Long-term debt**

	2007	2006
	(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 4.3% to 12.5%.	\$ 16,683	\$ 17,763
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 13.5%.	3,755	3,985
Flexible term note payable to the Yukon Development Corporation, bearing interest rate at 7.5% repayable in annual instalments, based on the annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$477,000 (2006 - \$566,000).	396	396
Other	-	5,012
	<u>\$ 20,834</u>	<u>\$ 27,156</u>

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Principal repayment requirements over the next five years on outstanding long-term debt are as follows:

	(thousands of dollars)
2008	\$ 1,301
2009	1,392
2010	1,492
2011	1,598
2012	1,636
Thereafter	<u>13,415</u>
	<u>\$ 20,834</u>

Debt authority

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

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises		
Yukon Development Corporation, long-term debt	\$ 20,592	\$ 22,372
Yukon Government Fund Limited, term loans	<u>500</u>	<u>7,750</u>
	<u>21,092</u>	<u>30,122</u>
Fully and proportionately consolidated entities		
Yukon Housing Corporation, mortgages payable	16,683	17,763
Yukon Housing Corporation, CMHC loans	3,755	3,985
Government of Yukon, loans from Government of Canada (current)	<u>3,154</u>	<u>3,726</u>
	<u>23,592</u>	<u>25,474</u>
Total debt	44,684	55,596
Authorized borrowing limit	<u>138,000</u>	<u>138,000</u>
Available borrowing capacity	<u>\$ 93,316</u>	<u>\$ 82,404</u>

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15. **Capital lease obligations**

	<u>2007</u>	<u>2006</u>
	(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.	\$ 2,694	\$ 3,154
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	2,608	2,884
Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.	<u>661</u>	<u>793</u>
	<u>\$ 5,963</u>	<u>\$ 6,831</u>

Interest expense related to capital lease obligations for the year was \$783,000 (2006- \$976,000) at an imputed average interest rate of 12.6% (2006 – 10.9%).

The following is a schedule of future minimum lease payments under the capital lease obligations.

	(thousands of dollars)
2008	\$ 2,164
2009	2,164
2010	2,164
2011	2,042
2012	1,273
Thereafter	<u>755</u>
Total minimum lease payments	10,562
Less: amount representing executory costs	(2,069)
amount representing rental of land	(538)
amount representing interest	<u>(1,992)</u>
	<u>\$ 5,963</u>



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16. **Financial instruments**

The balances in cash and cash equivalents, due to/from Government of Canada, accounts receivable, and accounts payable and accrued liabilities are non-interest bearing and have fair values that approximate their carrying amount due to their short term to maturity.

The fair value and the methods of calculation and assumptions used for the Government's long-term financial instruments are detailed below:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands of dollars)			
Long-term investments				
Mortgages receivable, net of valuation allowance	\$ 32,041	\$ 32,207	\$ 31,686	\$ 32,191
Loans receivable, net of valuation allowance	16,852	16,852	21,760	21,760
	<u>\$ 48,893</u>	<u>\$ 49,059</u>	<u>\$ 53,446</u>	<u>\$ 53,951</u>
Long-term debt				
Mortgages payable	\$ 16,683	\$ 16,815	\$ 17,763	\$ 18,916
CMHC loans	3,755	4,128	3,985	4,291
Other	396	455	5,408	5,581
	<u>\$ 20,834</u>	<u>\$ 21,398</u>	<u>\$ 27,156</u>	<u>\$ 28,788</u>
Capital lease obligations	<u>\$ 5,963</u>	<u>\$ 6,796</u>	<u>\$ 6,831</u>	<u>\$ 8,147</u>

The carrying value, at the lower of cost or net recoverable value, is estimated to be the fair value of loans receivable due to the nature of these loans. The carrying value of the loans receivable should not be seen as the realizable value on immediate settlement of these loans due to the uncertainty associated with such a settlement.

The estimated fair value for capital lease obligations and long-term debt is calculated by discounting the expected future cash flows at year-end market interest rates for equivalent terms to maturity.

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17. **Tangible capital assets**

	<u>2007</u> Net Book Value	<u>2006</u> Net Book Value (Restated – Note 3(b))
	(thousands of dollars)	
Land	\$ 8,526	\$ 7,847
Buildings	312,559	297,590
Equipment and vehicles	33,376	34,507
Computer hardware and software	10,093	8,966
Transportation infrastructure	548,809	513,625
Other	<u>11,995</u>	<u>8,970</u>
(Schedule B)	<u>\$ 925,358</u>	<u>\$ 871,505</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$3.5 million (2006 - \$3.4 million).

Leased capital assets are reported as part of the respective asset category. 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 \$635,000 (2006 - \$960,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Buildings (cost)	\$ 8,820	\$ 8,820
Less accumulated amortization	<u>(2,539)</u>	<u>(1,904)</u>
	<u>\$ 6,281</u>	<u>\$ 6,916</u>

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18. **Deferred capital contributions**

Where the fair value has been capitalized for tangible capital assets that were transferred from a third party such as the Government of Canada, an offset is recorded as a deferred capital contribution. Funding received for the acquisition, development, construction or betterment of tangible capital assets is also treated as a deferred capital contribution. The most significant of these assets are highways, bridges and airport infrastructure. The deferred capital contribution is recognized as revenue over the useful life of the related asset.

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 453,137	\$ 428,529
Add: Assets transferred or funded during the year	47,222	38,828
Less: Disposal	-	(583)
Write-down	-	(96)
Amortization	(13,813)	(13,541)
	<u>\$ 486,546</u>	<u>\$ 453,137</u>
Deferred capital contributions, end of year (Schedule B)	<u>\$ 486,546</u>	<u>\$ 453,137</u>

19. **Expenses by object**

	<u>2007</u>	<u>2006</u>
		(Restated - Note 3(c))
	(thousands of dollars)	
Personnel	\$ 327,820	\$ 307,352
Transfer payments	122,895	98,358
Contract and special services	102,769	101,550
Materials, supplies and utilities	83,488	80,783
Amortization expenses	36,560	36,037
Communication and transportation	24,715	22,737
Interest on long-term debt and capital lease obligations	2,866	3,300
Other	37,939	34,098
	<u>\$ 739,052</u>	<u>\$ 684,215</u>

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20. **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.

	2007	2006
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 148,776	\$ 140,214
Federal Gas Tax Funds under the New Deal	7,725	4,509
Forest Sector Fund	4,321	3,168
Lottery Commission	2,902	2,814
Land Title Office – Assurance Fund	2,872	2,654
Crime Prevention and Victim Services	2,707	2,453
Water Resources Bonds	2,583	2,582
Historic Resources Trust Fund	1,189	1,177
Public Guardian Trust	552	736
Other	2,356	2,481
	\$ 175,983	\$ 162,788

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21. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2007.

	Expiry Date	2008	2009 – 2019	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2007	2019	\$ 21,505	\$ 11,191	\$ 32,696
(recoverable amount)		(15,400)	(4,148)	(19,548)
RCMP policing agreement	2012	13,172	56,760	69,932
Northern housing trust grants	2008	25,734	-	25,734
Building/office space leases	2016	7,242	14,454	21,696
Miscellaneous operational commitments	2016	9,762	4,741	14,503
		<u>\$ 62,015</u>	<u>\$ 82,998</u>	<u>\$ 145,013</u>

22. **Over-expenditure**

During the year, one (2006 - two) department exceeded their vote by a total of \$82,000 (2006 - \$1,714,000). 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	
Community Services	\$ 82

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, one (2006 – four) department exceeded the authorized amounts as follows:

Operations and maintenance grants	
Health and Social Services	
- Adoption subsidies	8
- Federal child benefit - Whitehorse	3
- Yukon seniors' income supplement	4
- Pioneer utility grant	18
- Medical travel subsidies	621
- Bursaries – health professional	80

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23. **Land claims**

Between February 1995 and March 31, 2007, eleven Yukon First Nation Final and Self-government Agreements came into effect. The Government of Canada's negotiating mandate expired prior to the completion of the remaining three Yukon agreements. Settlements for these outstanding claims would not result in a general liability to the Government as they are to be funded by the Government of Canada. The Government would, however, be responsible for any financial obligations it might agree to during the negotiations.

The Government signed a bilateral funding agreement with the Government of 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 \$4.4 million during the year (2006 - \$7.4 million) with cumulative expenditures of approximately \$45.0 million (2006 - \$40.6 million), of which \$42.1 million (2006 - \$39.5 million) was funded by the Government of Canada.

24. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2007 the Government estimated the total claimed amount to be about \$2.2 million (2006 - \$2.4 million). No provision for claims has been made in these financial statements as it is not likely that any future event will confirm that a liability has been incurred at the date of the financial statements.

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5 million, which is to be used for providing insurance and risk management services to Government departments. Any expenses relating to property and liability losses incurred by the Government are to be paid out of this fund. The Government carries no insurance policy for its property losses, but carries a legal liability insurance policy with a \$2 million deductible. The Government had unpaid claims against the fund in the amount of \$562,000 as at March 31, 2007 (2006 - \$438,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2007 was \$3.1 million (2006 - \$2.1 million.)

25. **Environmental liabilities**

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which the Government is responsible. As at March 31, 2007, the Government was aware of 55 sites where the Government is obligated or is likely obligated to incur such costs. Of the 55 sites, nine are airports and 19 are highway maintenance camps, the majority of which are awaiting assessment. Consequently, costs to remedy any possible contaminations on these sites cannot be reasonably estimated. Quantifiable portions of remediation costs for some of the sites that have been at least partially assessed are currently estimated at \$687,000, which has been recorded as a liability and reported as part of accrued liabilities. The Government is committed to assess all the sites in a systematic manner.

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The *Environment Act* (Yukon) – *Solid Waste Regulations* include requirements for closure and abandonment of a dump. Twenty-three of the 55 sites identified above are active or decommissioned landfill sites that are outside incorporated communities, and therefore are the responsibility of the Government. As at March 31, 2007, a liability in the amount of \$535,000 has been recorded for these sites using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

One site on the Commissioner's Land 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. As the likelihood of the Government's obligation to incur any remediation costs is not determinable at this point, no liability has been recorded for this site.

Based on a consultant's report prepared in October 2006, the Government estimates the contingent environmental liabilities for all the sites mentioned above could total \$8 million.

Pursuant to the Devolution Transfer Agreement, the Government of Canada retained responsibility for the clean-up of waste sites that were identified on lands transferred effective April 1, 2003. The Government of Canada also accepted financial responsibility for the remediation of impacts attributable to activities that took place prior to April 2003 on the mine sites identified as Type II sites, where they have been abandoned by their owner/operator. The Government is not aware of any financial obligations in relation to these mine sites.

**26. Related parties**

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

	<u>2007</u>	<u>2006</u>
	(thousands of dollars)	
Transfer payments		
Yukon Legal Services Society	\$ 1,510	\$ 1,511
Yukon Arts Centre Corporation	956	1,043
Yukon Human Rights Commission	<u>451</u>	<u>451</u>
	<u>\$ 2,917</u>	<u>\$ 3,005</u>

**27. Subsequent events**

(a) Carmacks-Stewart transmission project

In April 2007, the Government made a commitment to the Yukon Energy Corporation to fund up to \$10 million for Stage One of the Carmacks-Stewart transmission project, which involves the construction of a power line from Carmacks to Pelly Crossing. The Government's funds are to be applied to those Stage One capital costs not already committed for funding by Minto Explorations Ltd. and the Yukon Development Corporation, the Yukon Energy Corporation's parent company. The Yukon Energy Corporation estimates that the power line will be constructed and operational by the latter part of the 2008 calendar year.

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(b) Plan amendment – retiree extended health care costs

Effective May 2007, the Government changed the level of its contributions for the retiree extended health care costs. Until April 2007, the Government contributed approximately 65% of the benefit costs (Note 13(f)). Under the new contribution structure, the Government contributes a percentage of the cost depending on the years of service provided by the retiree as indicated in the table below. This change resulted in a reduction in the accrued benefit obligation as at April 1, 2007 by \$9,619,000. The Government intends to recognize the reduction in the accrued benefit obligation as a negative past service cost in the fiscal year 2007/2008.

Less than 5 years	0%
5 years, but less than 10 years	15%
10 years, but less than 15 years	35%
15 years, but less than 20 years	50%
20 or more years	65%

(c) Investments in Asset Backed Commercial Paper

In August 2007, the Government learned that its \$36.5 million worth of investments in the Asset Backed Commercial Paper (ABCP) from two trusts, purchased in July and August of 2007 and maturing on August 31 and September 4, 2007, would not be redeemed upon maturity. Due to extreme volatility in the global credit markets, the ABCP market experienced a sudden, rapid exodus of investors, and certain banks and other lenders responsible for providing bank liquidity facilities were refusing to provide funds during this market disruption.

On August 16, 2007, a consortium representing banks, asset providers and investors agreed in principle to a long-term proposal and an interim agreement regarding the ABCP. The restructuring proposal calls for the conversion of the ABCP into long-term floating rate notes that will pay interest monthly or quarterly and can be sold on the open market or be held to maturity. In the interim, holders of the ABCP will continue to re-invest maturing investments.

It is still too early to determine the final outcome of the situation and the resulting financial impact to the Government, if any. The Government is actively monitoring the situation. The Government does not currently expect the ABCP market situation to have an impact on its future cash flow needs.

28. **Comparative figures**

Certain comparative figures for 2006 have been reclassified to conform with the 2007 presentation.



## GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source  
for the year ended March 31, 2007**

	2007		2006
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
From Canada			
Formula Financing grant	\$ 505,918	\$ 516,819	\$ 494,140
Other grants	52,727	92,897	90,067
Contributions and service agreements	56,551	49,103	47,401
	<u>615,196</u>	<u>658,819</u>	<u>631,608</u>
Taxes and general revenues			
Income taxes	44,080	48,415	43,200
Other taxes	19,426	20,797	19,641
Interest - bank and other	5,345	11,001	6,977
Licences, permits and fees	8,012	9,996	9,109
Gain on sale of lots	126	1,788	847
Oil and gas resource revenue	6,016	1,777	4,146
Hospital revenues	2,293	1,470	1,477
Aviation operations	661	772	707
Fines	408	406	386
Other revenues	921	1,609	1,710
	<u>87,288</u>	<u>98,031</u>	<u>88,200</u>
Investment income			
Yukon Liquor Corporation	5,886	5,920	5,218
Yukon Development Corporation	-	3,484	2,567
Yukon Government Fund Limited	-	41	256
	<u>5,886</u>	<u>9,445</u>	<u>8,041</u>
Funding and service agreements with other parties	30,023	25,668	21,508
Amortization of deferred capital contributions	14,701	13,813	13,541
	<u>\$ 753,094</u>	<u>\$ 805,776</u>	<u>\$ 762,898</u>

GOVERNMENT OF YUKON

Schedule B

**Consolidated Schedule of Tangible Capital Assets  
for the year ended March 31, 2007**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other <sup>1</sup>	2007 Total (Note 17)	2006 Total (Restated - Note 3(b))
	(thousands of dollars)							
Cost of tangible capital assets, opening (Restated - Note 3(b))	\$ 7,847	\$ 487,183	\$ 83,441	\$ 28,542	\$ 663,641	\$ 12,019	\$ 1,282,673	\$ 1,203,133
Acquisitions	679	28,782	4,673	3,646	49,827	3,431	91,038	89,611
Write-downs	-	(29)	(14)	-	(49)	-	(92)	(555)
Disposals	-	(1,162)	(3,464)	(1,034)	-	-	(5,660)	(9,516)
Cost of tangible capital assets, closing	<u>8,526</u>	<u>514,774</u>	<u>84,636</u>	<u>31,154</u>	<u>713,419</u>	<u>15,450</u>	<u>1,367,959</u>	<u>1,282,673</u>
Accumulated amortization, opening	-	189,593	48,934	19,576	150,016	3,049	411,168	381,242
Amortization expense	-	13,621	5,449	2,490	14,594	406	36,560	36,037
Disposals	-	(999)	(3,123)	(1,005)	-	-	(5,127)	(6,111)
Accumulated amortization, closing	<u>-</u>	<u>202,215</u>	<u>51,260</u>	<u>21,061</u>	<u>164,610</u>	<u>3,455</u>	<u>442,601</u>	<u>411,168</u>
Net book value	<u>\$ 8,526</u>	<u>\$ 312,559</u>	<u>\$ 33,376</u>	<u>\$ 10,093</u>	<u>\$ 548,809</u>	<u>\$ 11,995</u>	<u>\$ 925,358</u>	<u>\$ 871,505</u>
Work-in-progress <sup>2</sup>		\$ 14,624	\$ -	\$ 2,442	\$ 59,837	\$ 2,509	\$ 79,412	\$ 80,347
Deferred capital contributions (Note 18)		\$ 62,261	\$ 958	\$ 1,996	\$ 416,742	\$ 4,589	\$ 486,546	\$ 453,137

<sup>1</sup> Includes portable classrooms, land improvements and fixtures.

<sup>2</sup> Included in net book value.

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Schedule C

**Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2007**

								2007	2006
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	Total	
									(Restated - Note 3 (c))
(thousands of dollars)									
Pension and retirement plan assets are valued at fair market value.									
Accrued benefit obligation									
Obligation at beginning of year	\$ 16,733	\$ 4,525	\$ 29,539	\$ 1,074	\$ 36,610	\$ 37,071	\$ 125,552	\$ 110,857	
Current service costs	642	328	1,306	37	2,816	2,887	8,016	6,095	
Transfer from PSSA	-	-	-	-	-	-	-	2,452	
Interest cost on benefit obligation	1,105	312	1,767	64	1,927	1,850	7,025	6,955	
Actuarial (gain) loss	-	(193)	-	-	(2,933)	(2,177)	(5,303)	1,214	
Benefits paid	(665)	(49)	(188)	(45)	(2,634)	(851)	(4,432)	(2,021)	
Accrued benefit obligation at end of year	\$ 17,815	\$ 4,923	\$ 32,424	\$ 1,130	\$ 35,786	\$ 38,780	\$ 130,858	\$ 125,552	
Plan assets									
Value at beginning of year	\$ 22,656	\$ 2,459	\$ -	\$ -	\$ 38,022	\$ 28,140	\$ 91,277	\$ 78,171	
Actual return on plan assets	2,052	156	-	-	3,015	3,814	9,037	8,124	
Employer contributions	722	49	188	45	2,309	5,675	8,988	3,471	
Member contributions	79	59	-	-	679	703	1,520	1,262	
Transfer from PSSA	-	-	-	-	-	-	-	2,452	
Benefits paid	(665)	(49)	(188)	(45)	(2,634)	(851)	(4,432)	(2,021)	
Actual plan expenses	-	-	-	-	-	(365)	(365)	(182)	
Value at end of year	\$ 24,844	\$ 2,674	\$ -	\$ -	\$ 41,391	\$ 37,116	\$ 106,025	\$ 91,277	
Funded status - plan deficit (surplus)	\$ (7,029)	\$ 2,249	\$ 32,424	\$ 1,130	\$ (5,605)	\$ 1,664	\$ 24,833	\$ 34,275	
Unamortized net actuarial gain (loss)	5,642	877	2,183	36	1,344	(1,443)	8,639	1,862	
Unamortized past service costs	-	-	-	-	(402)	(905)	(1,307)	(1,546)	
Employer contribution made after measurement date	-	-	-	-	-	(1,643)	(1,643)	(216)	
Accrued benefit liability (asset) (Note 13)	\$ (1,387)	\$ 3,126	\$ 34,607	\$ 1,166	\$ (4,663)	\$ (2,327)	\$ 30,522	\$ 34,375	

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Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2007

Schedule C  
Continued

							2007	2006
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	Total (Restated - Note 3 (c))
	(thousands of dollars)							
Net benefit cost								
Current service costs	\$ 642	\$ 328	\$ 1,306	\$ 37	\$ 2,816	\$ 3,026 <sup>1</sup>	\$ 8,155	\$ 6,199
Less: Member contributions	(79)	(59)	-	-	(679)	(703)	(1,520)	(1,262)
Interest cost on benefit obligation	1,105	312	1,767	64	1,927	1,850	7,025	6,955
Expected return on plan assets	(1,477)	(162)	-	-	(2,674)	(2,158)	(6,471)	(5,460)
Amortization of past service costs	-	-	-	-	81	-	81	81
Amortization of net actuarial (gain) loss	(676)	(111)	(227)	(4)	-	153	(865)	(84)
Plan amendments	-	-	-	-	-	157	157	157
Net cost for the year	\$ (485)	\$ 308	\$ 2,846	\$ 97	\$ 1,471	\$ 2,325	\$ 6,562	\$ 6,586
Assumptions								
Expected long-term rate of return on assets	6.5%	6.5%	N/A	N/A	7.0%	7.0%		
Discount rate on accrued benefit obligation	6.5%	6.5%	5.75%	5.75%	5.75%	5.25%		
Inflation	2.5%	2.5%	N/A	N/A	2.0%	2.5%		
Rate of compensation increase	2.5% <sup>2</sup>	2.5%	2.5%	N/A	4.0%	3.0%		
Health care cost trend rate	N/A	N/A	see below <sup>3</sup>	N/A	N/A	N/A		
Amortization period (expected average remaining service life)	8.5 years	7.2 years	10.6 years	10.6 years	10 years	9.74 years		

1 Includes \$139,000 for provision of administrative expenses.

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

3 11.6% per annum, grading down annually by 2.2% per annum to 5.0% per annum and remaining at that level thereafter.