

GOVERNMENT OF YUKON

Consolidated Statement of Financial Position
as at March 31, 2009


	2009	2008
	(Restated - Note 3)	
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 4)	\$ 78,972	\$ 45,393
Temporary investments (Note 5)	111,449	120,014
Due from Government of Canada (Note 6)	61,220	63,349
Accounts receivable (Note 7)	14,158	18,476
Portfolio investments (Note 8)	24,114	-
Long-term investments (Note 8)	-	30,148
Loans receivable (Note 9)	64,213	51,532
Inventories held for sale (Note 10)	6,900	6,682
Investment in government business enterprises (Note 11(a))	143,772	143,310
	<u>504,798</u>	<u>478,904</u>
Liabilities		
Due to Government of Canada (Note 6)	17,396	12,854
Accounts payable and accrued liabilities (Note 12)	78,753	75,528
Unearned revenues (Note 13)	25,058	5,031
Post-employment benefits (Note 14)	64,583	59,685
Retirement benefits (Note 15)	15,902	20,587
Long-term debt (Note 16)	18,104	19,535
Capital lease obligations (Note 17)	3,879	4,984
	<u>223,675</u>	<u>198,204</u>
Net financial resources	<u>281,123</u>	<u>280,700</u>
Non-financial assets		
Tangible capital assets (Note 19)	978,042	947,745
Less deferred capital contributions (Note 20)	(531,917)	(506,365)
Inventories of supplies	7,258	5,299
Prepaid expenses	1,540	1,538
	<u>454,923</u>	<u>448,217</u>
Accumulated surplus	<u>\$ 736,046</u>	<u>\$ 728,917</u>

Contingencies, contractual obligations and guarantees
(Notes 11, 23, 25, 26, 27 and 28)

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 and Accumulated Surplus
for the year ended March 31, 2009**

	2009		2008
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada	\$ 683,022	\$ 682,475	\$ 649,501
Taxes and general revenues	98,844	111,069	104,823
Income from investment in government business enterprises	6,122	7,491	10,417
Funding and service agreements with other parties	27,363	26,727	21,562
Amortization of deferred capital contributions	15,304	16,134	14,184
	<u>830,655</u>	<u>843,896</u>	<u>800,487</u>
Expenses (Note 21)			
Health and social services	223,583	238,155	211,803
Community and transportation	189,255	187,889	163,223
Education	145,665	145,756	141,952
General government	123,333	111,096	121,319
Natural resources	66,792	68,702	64,471
Justice	46,136	48,861	44,938
Business, tourism and culture	37,898	35,626	36,239
Interest on loans	1,742	1,494	1,688
	<u>834,404</u>	<u>837,579</u>	<u>785,633</u>
Recovery of prior years' expenses	-	812	1,190
Surplus (deficit) for the year	<u>\$ (3,749)</u>	<u>7,129</u>	<u>16,044</u>
Accumulated surplus at beginning of year, previously reported		752,003	711,099
Prior year adjustments (Note 3)		<u>(23,086)</u>	<u>1,774</u>
Accumulated surplus at beginning of year, restated		<u>728,917</u>	<u>712,873</u>
Accumulated surplus at end of year		<u>\$ 736,046</u>	<u>\$ 728,917</u>

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

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**Consolidated Statement of Change in Net Financial Resources
for the year ended March 31, 2009**

	2009		2008
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus (deficit) for the year	\$ (3,749)	\$ 7,129	\$ 16,044
Effect of change in tangible capital assets			
Acquisitions	(72,214)	(71,296)	(59,764)
Capital contributions received and deferred	28,295	41,682	34,019
Amortization of tangible capital assets	36,223	39,852	38,694
Amortization of deferred capital contributions	(14,380)	(16,134)	(14,184)
Loss on disposal of tangible capital assets	942	957	115
Proceeds on disposal of tangible capital assets	-	190	294
Write-down of tangible capital assets	-	-	48
Write-down of deferred capital contributions	-	4	(16)
	<u>(21,134)</u>	<u>(4,745)</u>	<u>(794)</u>
Effect of change in other non-financial assets			
Increase decrease in inventories of supplies	-	(1,959)	(366)
Increase in prepaid expenses	-	(2)	(93)
	-	<u>(1,961)</u>	<u>(459)</u>
Increase (decrease) in net financial resources	<u>\$ (24,883)</u>	<u>423</u>	<u>14,791</u>
Net financial resources at beginning of year, as previously reported		306,482	265,909
Prior year adjustments (Note 3)		<u>(25,782)</u>	-
Net financial resources at beginning of year, restated		<u>280,700</u>	<u>265,909</u>
Net financial resources at end of year		<u>\$ 281,123</u>	<u>\$ 280,700</u>

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

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**Consolidated Statement of Cash Flow
for the year ended March 31, 2009**

	2009	2008
		(Restated - Note 3)
		(thousands of dollars)
Operating transactions		
Cash received from:		
Government of Canada	\$ 711,638	\$ 643,573
Taxes and general revenues	111,105	102,161
Funding and service agreements with other parties	27,787	21,863
Interest from investments and loans	7,680	12,095
	<u>858,210</u>	<u>779,692</u>
Cash paid for:		
Salary, wages and benefits	378,016	344,172
Materials, utilities and contract services	266,050	262,685
Transfer payments	141,189	139,041
Interest on loans	1,518	1,808
Interest on capital leases	546	672
	<u>787,319</u>	<u>748,378</u>
Cash provided by operating transactions	<u>70,891</u>	<u>31,314</u>
Capital transactions		
Acquisition of tangible capital assets	(69,928)	(60,146)
Contributions received for acquisition	35,227	25,735
Proceeds on sale of tangible capital assets	190	294
	<u>(34,511)</u>	<u>(34,117)</u>
Cash used for capital transactions	<u>(34,511)</u>	<u>(34,117)</u>
Investing transactions		
Decrease (increase) in temporary investments	8,565	(118,066)
Decrease (increase) in long-term/portfolio investments	1,622	(36,349)
Investment in inventories held for sale	(7,588)	(4,438)
Proceeds from sale of inventories held for sale	8,422	8,003
Advances of loans receivable	(18,566)	(9,706)
Repayment of loans receivable	7,278	9,337
	<u>(267)</u>	<u>(151,219)</u>
Cash used for investing transactions	<u>(267)</u>	<u>(151,219)</u>
Financing transactions		
Repayment of capital lease obligations	(1,105)	(979)
Repayment of long-term debt	(1,429)	(1,300)
	<u>(2,534)</u>	<u>(2,279)</u>
Cash used for financing transactions	<u>(2,534)</u>	<u>(2,279)</u>
Increase (decrease) in cash and cash equivalents	33,579	(156,301)
Cash and cash equivalents at beginning of year	<u>45,393</u>	<u>201,694</u>
Cash and cash equivalents at end of year (Note 4)	\$ 78,972	\$ 45,393

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

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**Notes to Consolidated Financial Statements
March 31, 2009**

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.

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Notes to Consolidated Financial Statements March 31, 2009

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.

All accounts of the government reporting entity are consolidated using the financial information for the year ended March 31, 2009. 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, 2009.

Trusts administered by the Government on behalf of other parties (Note 22) 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

Modified equity:

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

(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. For the 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.

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Notes to Consolidated Financial Statements March 31, 2009

The Government receives funds from the Government of Canada and other sources under various transfers including infrastructure funding, 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.

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.

Temporary investments include banker's acceptance, bearer deposit notes and Government of Canada treasury bills with terms of maturity of more than 90 days but less than one year from the date of acquisition. When the market value of temporary investments has declined below the carrying value, they are carried at market value.

Portfolio investments are long-term investments and accounted for by the cost method. Any discount or premium arising on purchase is amortized over the period to maturity, and the carrying value of the investment is adjusted systematically, during the period it is held, toward the amount expected to be realized at maturity. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss.

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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. The loan receivable is reduced by the amount of a loss when the amount is known with sufficient precision, and there is no realistic prospect of recovery. 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, housing units and 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. Housing units and supplies held for sale 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 and transfer payments from the Government of Canada, which have not been yet expended in accordance with funding agreements.

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.

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.

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**Notes to Consolidated Financial Statements
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(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 19 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:

<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 - 20 years
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Leasehold improvements	\$50,000	Shorter of the lease term or useful economic life
Forestry access roads	\$50,000	10 years
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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(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
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Some of the more significant management estimates relate to long-term investments, post-employment and retirement benefits, environmental liabilities, contingencies and revenue accruals such as Canada health and social transfer payments, and corporate and personal income tax revenue.

3. **Prior year adjustments**

Building Canada Plan

In 2007/2008, the Government reported funding under the Building Canada Plan as revenue when the Building Canada Plan Framework Agreement was signed. Subsequently, the Government signed the Base Funding Agreement with the Government of Canada, which set forth eligibility criteria that still had to be met in order to record revenue as at March 31, 2008. As a result, a retroactive adjustment was required to restate prior year amounts.

The effects of this change to 2007/2008 are reductions of revenues and surplus for the year by \$25 million and a reduction of ending financial assets and accumulated surplus by the same amount.

Yukon Housing Corporation

(a) Change in an accounting policy – previously netted funding

The Yukon Housing Corporation, a fully-consolidated government organization, internally allocates a portion of the annual funding received from the Canada Mortgage and Housing Corporation for the betterment of social housing. The allocated amount does not exceed \$250,000 per year. Until the fiscal year 2006/2007, the Corporation netted these amounts to the cost of betterment. As the amounts were not considered material on an annual basis, the Government had not been modifying this accounting policy in its consolidated financial statements.

As of the fiscal year 2007/2008, subsequent to the completion of the Government's 2007/2008 consolidated financial statements, the Corporation changed its source of generally accepted accounting principles from the CICA Handbook for profit-oriented enterprises to Canadian public sector accounting standards. Consequently, the Corporation has changed its accounting policy and now recognizes the portion of the funding that is used for betterment of tangible capital assets as revenues of the year. As the terms of the funding do not specify that a certain portion must be spent by the Corporation to acquire tangible capital assets, it is not considered to be externally restricted.

This change in an accounting policy had a cumulative effect, resulting in an increase in the 2007/2008 ending balance of tangible capital assets and accumulated surplus by \$1,750,000. This change in an accounting policy is applied retrospectively and the comparative year amounts have been restated. Further details of the effects of this change in an accounting policy are described in the table below.

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**Notes to Consolidated Financial Statements
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(b) Changes to the Yukon Housing Corporation's 2007/2008 financial statements

Some adjustments were made to the Yukon Housing Corporation's 2007/2008 financial statements subsequent to the completion of the Government's consolidated financial statements. The effects of these changes to the opening balances were an increase of financial assets by \$362,000, an increase of liabilities by \$1,144,000, a decrease of tangible capital assets by \$182,000, a decrease of deferred capital contributions by \$1,128,000, and an increase of accumulated surplus by \$164,000. The comparative year amounts are restated to reflect these changes. Further details of the changes that are reflected in these financial statements are described in the table below.

Effects of the above adjustments to the prior year are summarized as follows:

(thousands of dollars)	March 2008 as previously reported	Adjustments				Reclassification	March 2008 restated
		Building Canada Plan accounting policy change	Yukon Housing previously netted funding	Yukon Housing changes to 2007/08 statements	Total adjustments		
Financial assets	\$ 503,542	\$ (25,000)	\$ -	\$ 362	\$ (24,638)	\$ -	\$ 478,904
Liabilities	197,060	-	-	1,144	1,144	-	198,204
Net financial resources	306,482	(25,000)	-	(782)	(25,782)	-	280,700
Non-financial assets	445,521	-	1,750	946	2,696	-	448,217
Revenues	823,603	(25,000)	192	554	(24,254)	1,138	800,487
Expenses	782,699	-	216	390	606	1,138	784,443
Surplus for the year	40,904	(25,000)	(24)	164	(24,860)	-	16,044
Accumulated surplus at beginning of year	711,099	-	1,774	-	1,774	-	712,873
Accumulated surplus at end of year	752,003	(25,000)	1,750	164	(23,086)	-	728,917

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Notes to Consolidated Financial Statements
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4. **Cash and cash equivalents**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Bank balances	\$ 44,029	\$ 7,914
Short-term investments	23,401	27,564
Funds held for the Government by trustees	13,131	9,850
Cash on hand	61	65
Bank line of credit	<u>(1,650)</u>	<u>-</u>
	<u>\$ 78,972</u>	<u>\$ 45,393</u>

5. **Temporary investments**

	<u>2009</u>		<u>2008</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(thousands of dollars)			
Banker's acceptance	\$ 82,673	\$ 82,598	\$ 56,717	\$ 56,710
Bearer deposit notes	19,917	19,905	43,666	43,672
Provincial treasury bills and promissory notes	8,982	8,946	-	-
Government of Canada treasury bills	<u>-</u>	<u>-</u>	<u>19,653</u>	<u>19,632</u>
	<u>\$ 111,572</u>	<u>\$ 111,449</u>	<u>\$ 120,036</u>	<u>\$ 120,014</u>

Temporary investments during the year had a weighted average effective yield of 2.7% (2008 – 4.5%) per annum.

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6. **Due from/to Government of Canada**

	<u>2009</u>	<u>2008</u> (Restated – Note 3)
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 53,944	\$ 54,483
Income tax receivable	6,996	4,082
Grants receivable	-	4,570
Other	<u>280</u>	<u>214</u>
	<u>\$ 61,220</u>	<u>\$ 63,349</u>
Due to Government of Canada		
RCMP	\$ 8,132	\$ 4,199
Public Service Pension Plan contribution payable	4,125	3,735
Payroll deductions payable	4,053	3,873
Other	<u>1,086</u>	<u>1,047</u>
	<u>\$ 17,396</u>	<u>\$ 12,854</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.

7. **Accounts receivable**

	<u>2009</u>	<u>2008</u> (Restated – Note 3)
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 11,051	\$ 14,305
Less valuation allowances	<u>(1,326)</u>	<u>(1,254)</u>
	9,725	13,051
Due from Territorial corporations	<u>4,433</u>	<u>5,425</u>
	<u>\$ 14,158</u>	<u>\$ 18,476</u>

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Notes to Consolidated Financial Statements
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8. **Portfolio investments**

	2009	2008
	(thousands of dollars)	
Portfolio investments		
Master Asset Vehicle II Notes	\$ 24,114	\$ -
Long-term investments		
Asset-backed commercial paper	-	30,148
	<u>\$ 24,114</u>	<u>\$ 30,148</u>

On March 31, 2009 the Government held portfolio investments in floating rate notes with a carrying value of \$24.1 million as a result of a successful restructuring process related to previous investments in asset-backed commercial paper. On January 21, 2009, the Government's holdings of non-bank sponsored asset-backed commercial paper ("ABCP") were restructured into a series of floating rate notes, designated as Master Asset Vehicle II ("MAV II") notes. Immediately prior to the restructuring of ABCP into floating rate notes the Government held a portfolio of ABCP investments with a cost of \$36.3 million, comprised of \$12.9 million in Opus Trust Series A and \$23.4 million in Symphony Trust Series A. At March 31, 2008 these investments were carried at a net recoverable value of \$30.1 million.

These investments were originally purchased in July and August of 2007 and were expected to mature during the months of August and September 2007 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. On August 13, 2007 certain non-bank sponsors of ABCP were unable to fund maturing obligations through new market sales of ABCP or drawing on liquidity arrangements. As a result, the non-bank sponsored ABCP obligations became illiquid.

On August 16, 2007, a consortium representing banks, assets providers and major investors agreed in principle to a long-term proposal and interim agreement regarding the ABCP (commonly referred to as the "Montreal Accord"). Certain signatories of the Montreal Accord joined with other investors to form the Pan Canadian Investors Committee ("the Committee") to oversee an orderly restructuring of the non-bank sponsored ABCP.

On January 21, 2009 the Committee announced that the non-bank sponsored ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of non-bank sponsored ABCP exchanged their short-term notes for cash and floating rate notes with a maturity similar to that of the underlying assets. The restructuring plan also established an initial 18 month moratorium period during which no additional collateral calls may be made for most of the underlying credit default swaps and the restructuring plan reduced the likelihood of additional collateral calls by widening certain "spread-loss" triggers and adding traditional assets as collateral.

The following summarizes the carrying value of the ABCP immediately prior to the exchange on January 21, 2009:

	January 21, 2009			
	(thousands of dollars)			
	Face Value	2008 Valuation Adjustment	2009 Valuation Adjustment	Carrying Value
Asset-backed commercial paper	\$ 36,307	\$ 6,159	\$ 4,638	\$ 25,510

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The 2008 total valuation adjustment was \$6,201,000 comprised of two parts: \$6,159,000 relating to adjustment of the face value of the ABCP and \$42,000 relating to accrued interest. Valuation adjustments were charged to investment and interest revenue.

The Government's non-bank sponsored ABCP did not trade in an active market between August 2007 and January 2009 therefore no market quote is available. While the Government expects to receive the full value of its \$36.3 million original investments at maturity plus interest, as required by Canadian generally accepted accounting principles when there is no active market, the Government estimated the carrying value of its ABCP holdings at January 21, 2009, using a probability-weighted discounted cash flow valuation technique. The valuation technique takes into consideration the specific attributes of each class of note and general market observations including available information relating to the expected risk and return profile of the notes in comparison to market returns.

The Government used the following expected rates and discount factors immediately before the restructuring on January 21, 2009:

Weighted average interest rate	1.56%
Weighted average discount rate	8.72%

The most important estimates in determining the carrying value of ABCP are the discount rate and coupon interest rates estimated for the MAV II notes. A 1% increase in the weighted average discount rate would result in a decrease in the estimate carrying value of ABCP held by approximately \$1.3 million while a 1% increase in the weighted average interest rate would result in an increase in the estimated carrying value of approximately \$0.4 million.

On the exchange date of January 21, 2009, the Government received Master Asset Vehicle (MAV) II notes with a face value of \$36.3 million and a fair value of \$23.9 million. No gain or loss on exchange was recognized because the total of the fair value of the MAV II notes and accumulated cash payable from original trusts of \$1.6 million was equal to the carrying value of the ABCP investments as shown in the following:

	<u>January 21, 2009</u> (thousands of dollars)
Fair value of MAV II notes received	\$ 23,888
Accumulated cash payable from original trusts	1,622
Net proceeds on exchange	<u>25,510</u>
Carrying value of ABCP investments exchanged	<u>25,510</u>
Gain/(loss) on exchange	<u>\$ -</u>

As the Government's investments in MAV II notes are not current in nature, these investments are classified as portfolio investments. The investments are recorded at a discount to their face value. This discount will be eliminated over time as the investments move closer to their maturity dates. During the period January 21 to March 31, 2009, \$226,000 of discount was eliminated resulting in a March 31, 2009 carrying value of \$24,114,000. The \$226,000 eliminated discount was recognized as current year revenue from portfolio investments.

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The Government holds the following investments in MAV II notes as at March 31, 2009:

	March 31, 2009	
	Face Value	Carrying Value
	(thousands of dollars)	
Master Asset Vehicle (MAV) II Class A-1 Notes	\$ 15,777	\$ 11,421
MAV II Class A-2 Notes	16,455	11,516
MAV II Class B Notes	2,986	1,098
MAV II Class C Notes	1,089	79
	<u>\$ 36,307</u>	<u>\$ 24,114</u>

Generally all notes are expected to be repaid on January 22, 2017 except for Class A-1 notes that are expected to start returning principal beginning in 2013 as the underlying assets mature. Class A-1 and A-2 notes will pay quarterly interest at a rate equivalent to a banker's acceptance rate minus 0.50%. Class B notes will accrue interest at the same rate as A-1 and A-2 notes but will not pay the interest until maturity, and after the principal and interest on Class A-1 and A-2 notes have been fully paid. Class C notes will accrue interest at a banker's acceptance rate plus 20% but not pay the interest until maturity and after the principal and interest on Class B notes have been fully paid. All notes are backed by a combination of structured and traditional assets. Class A-1 and A-2 notes, which are approximately 89 percent of the restructured notes, have been assigned a rating of "A" by DBRS Limited. Class B and C notes are unrated.

The Government continues to maintain a strong cash position. The liquidity issues in the ABCP market have not had an impact on the Government's operations.

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9. Loans receivable

	<u>2009</u>	<u>2008</u>
		(Restated – Note 3)
	(thousands of dollars)	
Yukon Housing Corporation mortgages receivable, secured by registered charges against real property, chattel mortgages and general security agreements, due in varying annual amounts to the year 2024 bearing interest rates ranging from 0% to 7.25%, net of allowance for doubtful accounts of \$1,784,000 (2008 - \$1,396,000)	\$ 42,789	\$ 32,856
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2014 bearing interest rates ranging from 4.25% to 7.30%	11,925	9,471
Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 4.00% to 9.25%	4,011	4,163
Local improvement loans, due in varying annual amounts to the year 2036, bearing interest rates ranging from 1.75% to 8.21%	3,723	3,473
Business development assistance loans, secured by registered charges against real property, chattel mortgages and general security agreements, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 12.00%, net of allowance for doubtful accounts of \$1,545,000 (2008 - \$1,545,000)	178	273
Other, net of allowance for doubtful accounts of \$360,000 (2008 - \$360,000)	<u>1,587</u>	<u>1,296</u>
	<u>\$ 64,213</u>	<u>\$ 51,532</u>

10. Inventories held for sale

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Land held for sale		
Raw land	\$ 465	\$ 45
Land under development	4,379	1,732
Developed land	<u>959</u>	<u>4,669</u>
	5,803	6,446
Other	<u>1,097</u>	<u>236</u>
	<u>\$ 6,900</u>	<u>\$ 6,682</u>

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11. **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	2009 Total	2008 Total
(thousands of dollars)					
Balance Sheet					
Assets					
Current	\$ 8,389	\$ -	\$ 5,443	\$ 13,832	\$ 18,507
Capital assets	190,157	-	1,571	191,728	160,528
Other	31,809	-	-	31,809	14,358
	<u>\$ 230,355</u>	<u>\$ -</u>	<u>\$ 7,014</u>	<u>\$ 237,369</u>	<u>\$ 193,393</u>
Liabilities					
Current	\$ 6,919	\$ -	\$ 4,557	\$ 11,476	\$ 10,525
Long-term debt	32,743	-	-	32,743	18,703
Other	48,492	-	886	49,378	20,855
Equity	142,201	-	1,571	143,772	143,310
	<u>\$ 230,355</u>	<u>\$ -</u>	<u>\$ 7,014</u>	<u>\$ 237,369</u>	<u>\$ 193,393</u>
Statement of Operations and Equity					
Revenues	\$ 30,493	\$ -	\$ 15,088	\$ 45,581	\$ 42,927
Expenses	29,732	7	8,310	38,049	31,226
Surplus	761	(7)	6,778	7,532	11,701
Remitted to the Government	-	(41)	(7,029)	(7,070)	(7,674)
Equity, beginning of year	141,440	48	1,822	143,310	139,283
Equity, end of year	<u>\$ 142,201</u>	<u>\$ -</u>	<u>\$ 1,571</u>	<u>\$ 143,772</u>	<u>\$ 143,310</u>

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

The Yukon Government Fund Limited was dissolved effective December 29, 2008.

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(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Government Fund Limited	Yukon Liquor Corporation	2009 Total	2008 Total
(thousands of dollars)					
Government of Yukon:					
Accounts receivable from \$	182	\$ -	\$ 2,782	\$ 2,964	\$ 3,156
Accounts payable to	927	-	15	942	1,392
Long-term obligations to	1,887	-	-	1,887	2,556
Revenues from	277	41	8,222	8,540	9,372
Expenses to	20,305	-	-	20,305	9,217

(c) Commitment

Mayo B project – Yukon Development Corporation

In February 2009, the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, filed an application for a project to expand the existing Mayo hydro plant (Mayo B project) to the Yukon Environmental and Socio-Economic Assessment Board. The Mayo B project involves building a new powerhouse about three kilometers downstream from the existing powerhouse with the expectation of doubling the amount of energy that can be generated from the Mayo River. A major part of the Mayo B project would be the construction of a mechanism to divert water from the existing intake to a new powerhouse.

In May 2009, the Government of Canada announced it would provide up to \$71 million for the Mayo B project and for completion of the Carmacks-Stewart transmission line under its newly announced \$1 billion Green Infrastructure Fund. The Government of Yukon has also announced its support for this project. The total estimated cost of the Mayo B project is \$160 million.

12. **Accounts payable and accrued liabilities**

	<u>2009</u>	<u>2008</u>
		(Restated – Note 3)
		(thousands of dollars)
Accrued liabilities	\$ 44,612	\$ 38,130
Accounts payable	27,284	29,590
Contractors' holdbacks and security deposits	5,125	6,189
Due to Territorial corporations	<u>1,732</u>	<u>1,619</u>
	<u>\$ 78,753</u>	<u>\$ 75,528</u>

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13. **Unearned revenues**

	<u>2009</u>	<u>2008</u>
		(Restated – Note 3)
		(thousands of dollars)
Unspent transfer payments from Government of Canada	\$ 20,017	\$ 327
Motor vehicle fees for future years	2,064	2,189
Other	<u>2,977</u>	<u>2,515</u>
	<u>\$ 25,058</u>	<u>\$ 5,031</u>

14. **Post-employment benefits**

	<u>2009</u>	<u>2008</u>
		(Restated – Note 3)
		(thousands of dollars)
Severance benefits	\$ 45,930	\$ 45,758
Sick leave obligation	19,472	16,129
Vacation leave obligation	<u>16,158</u>	<u>14,468</u>
Accrued benefit obligation	81,560	76,355
Unrecognized net actuarial loss	<u>(16,977)</u>	<u>(16,670)</u>
Accrued benefit liability	<u>\$ 64,583</u>	<u>\$ 59,685</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 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, 2009, 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 10.4 years.

Expenses related to post-employment benefits for the year ended March 31, 2009 were \$12,290,000 (2008 - \$12,028,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$7,393,000 (2008 - \$6,504,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

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15. **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. Until December 2008, the Government contributed \$2.02 for every dollar contributed by the employee, and \$7.30 for every dollar contributed by the employee for the portion of the employee's salary above \$130,700. Effective January 1, 2009, the Government contributes \$1.91 for every dollar contributed by the employee, and \$7.50 for every dollar contributed by the employee for the portion of the employee's salary above \$136,700. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$28,666,000 (2008 - \$26,726,000).

(b) Legislative Assembly Retirement Allowances Plan

The Legislative Assembly Retirement Allowances Plan is a contributory defined benefit pension plan. 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.

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 accrued benefit obligation as at March 31, 2009 is based on an extrapolation of an actuarial valuation for funding purposes conducted as at March 31, 2008 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).

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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.

Actuarial valuations for the Plan for accounting and funding purposes were conducted using the membership data as at March 31, 2008.

(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, 2008. An actuarial valuation for accounting purposes was performed as of June 30, 2008. The next actuarial valuation for accounting purposes will be performed as of June 30, 2009. An actuarial valuation for funding purposes was performed as of June 30, 2007, which established Yukon College's required contributions as 246% of employee contributions. The next actuarial valuation for funding purposes will be performed as of June 30, 2010.

The Government has provided a funding commitment to the College to cover increased pension costs up to 2016 to a maximum of \$3,190,000.

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(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. An actuarial valuation for accounting purposes was performed as of December 31, 2008. The funded status of the pension plan, which was a deficit of \$3.2 million, presented in these financial statements has been determined on the basis that the pension plan remains a going-concern. The pension plan had a deficit of \$6.5 million if valued on the basis that the pension plan were terminated as at December 31, 2008.

The solvency ratio of the plan is 86%. Since it is less than 100%, to be in accordance with the *Federal Pension Benefits Standards Act* and Regulations, the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined. During the fiscal year 2008/2009, the Corporation contributed \$3,879,000 to the plan, of which \$1,872,000 related to solvency deficiency payments for 2008. The Government contributed \$1,870,000 to fund these payments. It is projected that the Corporation would need to pay for the pension deficit over the next five years totalling \$4.8 million. The Government has provided a funding commitment to the Corporation to cover these payments totalling \$2.5 million over the next two fiscal years.

(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. An actuarial valuation of these benefits was conducted as of April 1, 2007. Extended health care and life insurance retirement benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Effective May 1, 2008, the Government made the following changes to the plans for new retirees:

- reduced the amount of life insurance after the third year following retirement from 25% of final salary to \$25,000; and
- changed the level of its contributions for the extended health benefit costs as indicated in the tables below.

Years of Service	Government Contribution of Benefit Costs
Less than 10 years (previously less than 5 years)	0%
10 years, but less than 15 years (previously 5 years, but less than 10 years)	15%
15 years, but less than 20 years (previously 10 years, but less than 15 years)	35%
20 years, but less than 25 years (previously 15 years, but less than 20 years)	50%
25 or more years (previously 20 or more years)	65%

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These changes resulted in a reduction in the accrued benefit obligation as at April 1, 2008 by \$6,176,000. The Government recognized the reduction in the accrued benefit obligation as a negative past service cost in the fiscal year 2008/2009.

Further details as at March 31, 2008 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 D. The retirement benefits liability recorded in the Government's consolidated financial statements is as follows:

	2009	2008
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 23,364	\$ 27,029
Territorial Court Judiciary Pension Plan	3,742	3,329
Life insurance retirement benefit	1,083	1,214
Legislative Assembly Retirement Allowances Plan	(1,581)	(2,584)
Yukon Hospital Corporation Employees' Pension Plan	(4,763)	(3,051)
Yukon College Employees' Pension Plan	(5,943)	(5,350)
	<u>\$ 15,902</u>	<u>\$ 20,587</u>

16. **Long-term debt**

	2009	2008
	(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%.	\$ 14,598	\$ 15,680
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%.	3,228	3,504
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 \$417,000 (2008 - \$447,000).	<u>278</u>	<u>351</u>
	<u>\$ 18,104</u>	<u>\$ 19,535</u>

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

	(thousands of dollars)
2010	\$ 1,529
2011	1,634
2012	1,672
2013	1,707
2014	1,769
Thereafter	<u>9,793</u>
	<u>\$ 18,104</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>2009</u>	<u>2008</u>
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises		
Yukon Development Corporation, long-term debt	<u>\$ 32,743</u>	<u>\$ 18,703</u>
Fully consolidated entities		
Yukon Housing Corporation, mortgages payable	14,598	15,680
Yukon Housing Corporation, CMHC loans	<u>3,228</u>	<u>3,504</u>
	<u>17,826</u>	<u>19,184</u>
Total debt	50,569	37,887
Credit facilities	28,500	21,000
Authorized borrowing limit	<u>138,000</u>	<u>138,000</u>
Available borrowing capacity	<u>\$ 58,931</u>	<u>\$ 79,113</u>

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17. **Capital lease obligations**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	\$ 1,930	\$ 2,292
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.	1,609	2,181
Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.	<u>340</u>	<u>511</u>
	<u>\$ 3,879</u>	<u>\$ 4,984</u>

Interest expense related to capital lease obligations for the year was \$546,000 (2008- \$672,000) at an imputed average interest rate of 12.6% (2008 – 12.6%).

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

	(thousands of dollars)
2010	\$ 2,164
2011	2,043
2012	1,273
2013	<u>755</u>
Total minimum lease payments	6,235
Less: amount representing executory costs	(1,263)
amount representing rental of land	(319)
amount representing interest	<u>(774)</u>
	<u>\$ 3,879</u>

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18. **Financial instruments**

The balances in cash and cash equivalents, temporary investments, 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:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Restated – Note 3)			
	(thousands of dollars)			
Portfolio investments	\$ 24,114	\$ 21,960	\$ -	\$ -
Long-term investments, net of valuation adjustment	\$ -	\$ -	\$ 30,148	\$ 27,896
Loans receivable				
Mortgages receivable, net of valuation allowance	\$ 42,789	\$ 29,721	\$ 32,856	\$ 31,260
Other loans receivable, net of valuation allowance	21,424	21,524	18,676	18,625
	\$ 64,213	\$ 51,245	\$ 51,532	\$ 49,885
Long-term debt				
Mortgages payable	\$ 14,598	\$ 15,013	\$ 15,680	\$ 15,659
CMHC loans	3,228	3,674	3,504	3,883
Other	278	374	351	412
	\$ 18,104	\$ 19,061	\$ 19,535	\$ 19,954

The estimated fair value for portfolio and long-term investments is calculated using a probability-weighted discounted cash flow valuation technique. The valuation technique takes into consideration the specific attributes of each class of note and general market observations including available information relating to the expected risk and return profile of the notes in comparison to market returns.

The portfolio investments are not current in nature and therefore are recorded at a discount to their face value. This discount will be eliminated over time as the investments move closer to their maturity dates. During the period January 21 to March 31, 2009, \$226,000 of discount was eliminated resulting in a March 31, 2009 carrying value of \$24,114,000.

Since the above valuation approach and assumptions are based on market information available at March 31, 2009, the fair value of portfolio investments may change materially in future periods as a result of fluctuations in the major elements of the valuation methodology. These changes are, however, not expected to result in a significant impact on the Government's future operations.

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The estimated fair values of mortgages receivable were determined using the present value of future cash flows discounted at the March 31, 2009 average market rate for mortgages and loans with similar maturities. Until settled, the fair value of mortgages will fluctuate based on changes in interest rates. The Government believes that unrealized losses are short term in nature and the carrying amount of mortgages will be fully recovered.

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

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

19. **Tangible capital assets**

	<u>2009</u> Net Book Value	<u>2008</u> Net Book Value
	(Restated – Note 3)	
	(thousands of dollars)	
Land	\$ 9,211	\$ 8,515
Buildings	307,165	307,171
Equipment and vehicles	35,553	33,184
Computer hardware and software	11,929	10,529
Transportation infrastructure	593,856	570,461
Other	<u>20,328</u>	<u>17,885</u>
(Schedule C)	<u>\$ 978,042</u>	<u>\$ 947,745</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$4.9 million (2008 - \$4.3 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 (2008 - \$635,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Buildings (cost)	\$ 8,820	\$ 8,820
Less accumulated amortization	<u>(3,809)</u>	<u>(3,174)</u>
	<u>\$ 5,011</u>	<u>\$ 5,646</u>

No interest was capitalized during the year.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2009

20. **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 from a third party 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>2009</u>	<u>2008</u> (Restated – Note 3)
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 506,365	\$ 486,546
Add: Assets transferred or funded during the year	41,682	34,019
Less: Amortization	(16,134)	(14,184)
Write-down	<u>4</u>	<u>(16)</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 531,917</u>	<u>\$ 506,365</u>

21. **Expenses by object**

	<u>2009</u>	<u>2008</u> (Restated – Note 3)
	(thousands of dollars)	
Personnel	\$ 379,906	\$ 342,222
Transfer payments	140,623	137,959
Contract and special services	131,066	114,280
Materials, supplies and utilities	86,043	89,988
Amortization expenses	39,852	38,694
Communication and transportation	28,495	25,608
Interest on long-term debt and capital lease obligations	2,040	2,360
Other	<u>29,554</u>	<u>34,522</u>
	<u>\$ 837,579</u>	<u>\$ 785,633</u>

22. **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 long-term bonds, bankers' acceptances, bearer's deposit notes and the Government of Canada treasury bills.

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.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2009

	2009	2008
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 129,219	\$ 144,590
Federal Gas Tax Funds under the New Deal	13,963	10,736
Forest Sector Fund	5,175	5,028
Crime Prevention and Victim Services	3,498	2,953
Land Title Office – Assurance Fund	3,349	3,135
Lottery Commission	2,838	2,984
Water Resources Bonds	2,516	2,583
Historic Resources Trust Fund	1,230	1,230
Other	3,287	2,871
	<u>\$ 165,075</u>	<u>\$ 176,110</u>

23. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2009:

	Expiry Date	2010	2011 – 2025	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2009	2025	\$ 50,247	\$ 11,599	\$ 61,846
(recoverable amount)		(33,977)	(4,523)	(38,500)
RCMP policing agreement	2012	17,834	37,289	55,123
Mobile radio network system	2025	1,744	50,256	52,000
Faro mine site	2012	6,988	14,612	21,600
(recoverable amount)		(6,988)	(14,612)	(21,600)
Building/office space leases	2016	8,565	9,422	17,987
Mobile communications system	2010	9,462	-	9,462
Medivac services	2010	5,447	-	5,447
Miscellaneous operational commitments	2014	11,553	5,764	17,317
		<u>\$ 70,875</u>	<u>\$ 109,807</u>	<u>\$ 180,682</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2009

24. **Overexpenditure**

During the year, three (2008 – none) departments exceeded their vote with a total of \$1,973,000 (2008 - \$0). 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	\$ 1,415
Environment	150
Capital	
Justice	408

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, two (2008 – one) departments exceeded the authorized amounts as follows:

Operations and maintenance grants

Health and Social Services	
- Child care subsidies	38
- Pioneer utility grant	28
- Adoption subsidies	19
Education	
- Student accommodation (boarding subsidy)	2

25. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$7.0 million (2008 - \$7.6 million). At March 31, 2009, on a consolidated basis, the Yukon Development Corporation had total debts of \$32.7 million (2008 - \$18.7 million) and a credit facility of up to \$17.5 million. While the Government has not issued guarantees for all of these instruments, as the Yukon Development Corporation is an agent of the Government, lenders may have recourse to the Government. It is expected that no significant costs will be incurred by the Government with respect to these guarantees and debts.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2009

26. **Land claims**

Between February 1995 and March 31, 2009, 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 incurred expenses of \$5.0 million during the year (2008 - \$5.3 million) with cumulative expenditures of approximately \$55.2 million (2008 - \$50.1 million), of which \$55.1 million (2008 - \$49.6 million) was funded by the Government of Canada.

27. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2009 the Government estimated the total claimed amount to be about \$3.1 million (2008 - \$4.0 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 \$1,133,000 as at March 31, 2009 (2008 - \$863,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2009 was \$3.9 million (2008 - \$3.9 million).

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2009**

28. **Environmental liabilities**

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which the Government is responsible.

The *Environment Act* (Yukon) – *Solid Waste Regulations* include requirements for closure and abandonment of a dump. There are 23 active or decommissioned landfill sites that are outside incorporated communities, and therefore are the responsibility of the Government. As at March 31, 2009, a liability in the amount of \$535,000 (2008 - \$535,000) has been recorded for these sites using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

In addition to the above landfill sites, as at March 31, 2009, the Government was aware of 38 sites where the Government is obligated or is likely obligated to incur such costs. Of the 38 sites, 9 are airports and 21 are highway maintenance camps, the majority of which are awaiting assessment. Quantifiable portions of remediation costs for some of the sites that are known to be contaminated are currently estimated at \$6,789,000 (2008 - \$3,832,000), which has been recorded as a liability and reported as part of accrued liabilities. As estimates are based on the information available as of the financial statement date, those amounts could result in material changes from one year to the next. The Government estimates the contingent environmental liabilities for the sites that are awaiting assessments to be another \$2.1 million (2008 - \$3.8 million). The Government is committed to assess all sites in a systematic manner.

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. The Government of Canada was the landowner when the contamination occurred. The Government has secured the site to contain the contamination and is currently negotiating with the Government of Canada regarding potential plans to proceed with additional assessment and remediation. There may be a financial implication to the Government depending on the outcome of the negotiations.

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.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2009**

29. **Related parties**

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

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Transfer payments		
Yukon Legal Services Society	\$ 1,766	\$ 1,510
Yukon Arts Centre Corporation	904	821
Yukon Human Rights Commission	<u>479</u>	<u>595</u>
	<u>\$ 3,149</u>	<u>\$ 2,926</u>

30. **Comparative figures**

Certain comparative figures for 2008 have been reclassified to conform with the 2009 presentation.

GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source
for the year ended March 31, 2009**

	2009		2008
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 564,032	\$ 564,032	\$ 543,595
Other grants	68,026	49,168	53,352
Contributions and service agreements	50,964	69,275	52,554
	<u>683,022</u>	<u>682,475</u>	<u>649,501</u>
Taxes and general revenues			
Income taxes	52,581	66,340	57,358
Other taxes	25,332	25,424	21,821
Licences, permits and fees	8,988	11,016	11,110
Investment and interest revenue	6,910	3,681	7,093
Gain on sale of lots	146	1,467	415
Oil and gas resource revenue	416	1,193	1,163
Aviation operations	793	860	888
Fines	408	306	384
Income from portfolio investments	-	266	-
Other revenues	3,270	516	4,591
	<u>98,844</u>	<u>111,069</u>	<u>104,823</u>
Income from investment in government business enterprises			
Yukon Liquor Corporation	6,122	6,777	6,161
Yukon Development Corporation	-	762	5,500
Yukon Government Fund Limited	-	(48)	(1,244)
	<u>6,122</u>	<u>7,491</u>	<u>10,417</u>
Funding and service agreements with other parties	27,363	26,727	21,562
Amortization of deferred capital contributions	15,304	16,134	14,184
	<u>\$ 830,655</u>	<u>\$ 843,896</u>	<u>\$ 800,487</u>

GOVERNMENT OF YUKON

Schedule B
Continued

**Consolidated Schedule of Operations by Sector
for the year ended March 31, 2009**

	Justice		Business, Tourism and Culture		Adjustments ²		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(thousands of dollars)							
Revenues								
Formula financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,595
Other transfers from Government of Canada	1,863	2,100	813	688	-	-	118,443	105,906
Taxes and general revenues	708	715	183	199	(2,338)	(2,273)	111,069	104,823
Funding and service agreements	480	466	351	351	(7,781)	(5,671)	26,727	21,562
Amortization of deferred capital contributions	-	-	-	-	(88)	(88)	16,134	14,184
Income from investment in government business enterprises	-	-	-	-	-	-	7,491	10,417
	3,051	3,281	1,347	1,238	(10,207)	(8,032)	843,896	800,487
Expenses								
Personnel	20,223	18,678	12,535	11,619	-	-	379,906	342,222
Other	22,843	21,500	9,979	11,308	(2,849)	(3,201)	275,158	263,916
Transfer payments	4,350	4,170	11,934	12,856	(69,223)	(58,925)	140,623	138,441
Amortization expenses	821	670	653	646	-	-	39,852	38,694
Interest on long-term debt and capital lease obligations	-	-	-	-	-	-	2,040	2,360
	48,237	45,018	35,101	36,429	(72,072)	(62,126)	837,579	785,633
Recovery of prior years' expenses	43	7	182	250	-	-	812	1,190
Surplus (deficit) for the year	\$ (45,143)	\$ (41,730)	\$ (33,572)	\$ (34,941)	\$ 61,865	\$ 54,094	\$ 7,129	\$ 16,044

² To eliminate transactions between sectors.

GOVERNMENT OF YUKON

Schedule C

**Consolidated Schedule of Tangible Capital Assets
for the year ended March 31, 2009**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2009 Total	2008 Total
								(Restated - Note 3)
								(thousands of dollars)
Cost of tangible capital assets, opening restated (Note 3)	\$ 8,515	\$ 525,931	\$ 87,617	\$ 33,009	\$ 750,313	\$ 21,819	\$ 1,427,204	\$ 1,371,005
Acquisitions	696	15,542	8,409	3,903	39,729	3,017	71,296	59,764
Write-downs	-	-	-	-	-	-	-	(48)
Disposals	-	(3,271)	(3,260)	(352)	-	-	(6,883)	(3,517)
Cost of tangible capital assets, closing	9,211	538,202	92,766	36,560	790,042	24,836	1,491,617	1,427,204
Accumulated amortization, opening restated (Note 3)	-	218,760	54,433	22,480	179,852	3,934	479,459	443,873
Amortization expense	-	14,487	5,954	2,503	16,334	574	39,852	38,694
Disposals	-	(2,210)	(3,174)	(352)	-	-	(5,736)	(3,108)
Accumulated amortization, closing	-	231,037	57,213	24,631	196,186	4,508	513,575	479,459
Net book value (Note 19)	\$ 9,211	\$ 307,165	\$ 35,553	\$ 11,929	\$ 593,856	\$ 20,328	\$ 978,042	\$ 947,745
Work-in-progress ²	\$ -	15,537	-	5,158	36,372	7,295	64,362	76,170
Deferred capital contributions (Note 20)	\$ -	58,821	6,141	2,259	461,102	3,594	531,917	506,365

¹ Includes portable classrooms, land improvements and fixtures.

² Included in net book value.

GOVERNMENT OF YUKON

Schedule D

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2009**

	2009					2008				
	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	Total	Total
(thousands of dollars)										
Pension and retirement plan assets are valued at fair market value.										
Accrued benefit obligation										
Obligation at beginning of year	\$ 18,988	\$ 5,292	\$ 26,001	\$ 1,421	\$ 39,216	\$ 44,112	\$ 135,030	\$ 135,030	\$ 130,858	\$ 130,858
Current service costs	1,072	290	1,168	36	3,041	3,052	8,659	8,659	7,552	7,552
Past service cost	404	227	(5,970)	(206)	-	-	(5,545)	(5,545)	(9,619)	(9,619)
Interest cost on benefit obligation	1,300	370	1,555	82	2,188	2,287	7,782	7,782	7,148	7,148
Actuarial (gain) loss	(327)	(70)	-	-	(1,290)	(9,982)	(11,669)	(11,669)	3,594	3,594
Benefits paid	(773)	(188)	(315)	(70)	(1,898)	(2,020)	(5,264)	(5,264)	(4,503)	(4,503)
Accrued benefit obligation at end of year	\$ 20,664	\$ 5,921	\$ 22,439	\$ 1,263	\$ 41,257	\$ 37,449	\$ 128,993	\$ 128,993	\$ 135,030	\$ 135,030
Plan assets										
Value at beginning of year	\$ 24,467	\$ 2,907	\$ -	\$ -	\$ 48,418	\$ 39,396	\$ 115,188	\$ 115,188	\$ 106,025	\$ 106,025
Actual return on plan assets	(2,708)	203	-	-	(1,660)	(7,039)	(11,204)	(11,204)	6,118	6,118
Employer contributions	722	105	315	70	1,711	3,235	6,158	6,158	6,166	6,166
Member contributions	142	57	-	-	782	840	1,821	1,821	1,605	1,605
Transfers	(1,025)	-	-	-	-	-	(1,025)	(1,025)	-	-
Benefits paid	(773)	(188)	(315)	(70)	(1,898)	(2,020)	(5,264)	(5,264)	(4,503)	(4,503)
Actual plan expenses	-	-	-	-	-	(207)	(207)	(207)	(223)	(223)
Value at end of year	\$ 20,825	\$ 3,084	\$ -	\$ -	\$ 47,353	\$ 34,205	\$ 105,467	\$ 105,467	\$ 115,188	\$ 115,188
Funded status - plan deficit (surplus)	\$ (161)	\$ 2,837	\$ 22,439	\$ 1,263	\$ (6,096)	\$ 3,244	\$ 23,526	\$ 23,526	\$ 19,842	\$ 19,842
Unrecognized net actuarial gain (loss)	(1,420)	905	925	(180)	395	(5,913)	(5,288)	(5,288)	2,674	2,674
Unrecognized past service costs	-	-	-	-	(242)	(591)	(833)	(833)	(1,070)	(1,070)
Employer contribution made after measurement date	-	-	-	-	-	(1,503)	(1,503)	(1,503)	(859)	(859)
Accrued benefit liability (asset) (Note 15)	\$ (1,581)	\$ 3,742	\$ 23,364	\$ 1,083	\$ (5,943)	\$ (4,763)	\$ 15,902	\$ 15,902	\$ 20,587	\$ 20,587

GOVERNMENT OF YUKON

Schedule D
Continued

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2009**

	2009					2008				
	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	Total	Total
(thousands of dollars)										
Net benefit cost										
Current service costs	\$ 1,072	\$ 290	\$ 1,168	\$ 36	\$ 3,041	\$ 3,191	\$ 8,798	\$ 7,693		
Less: Member contributions	(142)	(57)	-	-	(782)	(840)	(1,821)	(1,605)		
Past service cost	404	227	(5,970)	(206)	-	157	(5,388)	(9,462)		
Interest cost on benefit obligation	1,300	370	1,555	82	2,188	2,287	7,782	7,148		
Expected return on plan assets	(1,593)	(188)	-	-	(3,411)	(2,825)	(8,017)	(7,393)		
Amortization of past service costs	-	-	-	-	81	-	81	81		
Amortization of net actuarial (gain) loss	(341)	(123)	(103)	27	-	197	(343)	(1,014)		
Net cost for the year	\$ 700	\$ 519	\$ (3,350)	\$ (61)	\$ 1,117	\$ 2,167	\$ 1,092	\$ (4,552)		
Assumptions										
Expected long-term rate of return on assets	6.5%	6.5%	N/A	N/A	7.0%	7.0%	7.0%	7.0%		
Discount rate on accrued benefit obligation	6.5%	6.5%	5.75%	5.75%	5.75%	6.50%	6.50%	6.50%		
Inflation	2.5%	2.5%	N/A	N/A	2.0%	2.5%	2.5%	2.5%		
Rate of compensation increase	2.5%	3.0%	N/A	see below ²	4.25%	3.0%	3.0%	3.0%		
Health care cost trend rate	N/A	N/A	see below ³	N/A	N/A	N/A	N/A	N/A		
Amortization period (expected average remaining service life)	8.5 years	7.7 years	10.4 years	7.6 years	9.0 years	8.8 years	8.8 years	8.8 years		

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

² 1.2% on June 1, 2009. 2.5% per annum thereafter.

³ 12.0% per annum, grading down annually by 1.4% per annum and remaining at that level thereafter.