

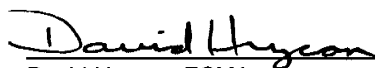
GOVERNMENT OF YUKON
Consolidated Statement of Financial Position
as at March 31, 2011


	2011	2010
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 3)	\$ 159,373	\$ 82,365
Temporary investments (Note 4)	-	59,259
Due from Government of Canada (Note 5)	59,460	63,900
Accounts receivable (Note 6)	14,823	15,623
Advances to Territorial corporations (Note 10 (b))	-	25,000
Portfolio investments (Note 7)	26,403	25,592
Loans receivable (Note 8)	58,542	54,219
Inventories held for sale (Note 9)	16,541	13,456
Investment in government business enterprises (Note 10(a))	158,600	153,502
	493,742	492,916
Liabilities		
Due to Government of Canada (Note 5)	13,811	20,329
Accounts payable and accrued liabilities (Note 11)	115,335	96,719
Unearned revenues (Note 12)	66,460	48,793
Post-employment benefits (Note 13)	80,088	71,027
Retirement benefits (Note 14)	14,831	15,530
Borrowings (Note 15)	33,408	20,832
Liabilities for leased tangible capital assets (Note 16)	1,297	2,632
	325,230	275,862
Net financial resources	168,512	217,054
Non-financial assets		
Tangible capital assets (Note 18)	1,161,686	1,065,069
Less: Deferred capital contributions (Note 19)	(619,569)	(572,289)
Inventories of supplies	8,260	8,042
Prepaid expenses	2,510	1,961
	552,887	502,783
Accumulated surplus	\$ 721,399	\$ 719,837

Contingencies, contractual obligations, commitments and guarantees
(Notes 10(c), 14(d)(e), 22, 24, 25, 26 and 27)

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

Approved:


David Hrycan, FCMA
Deputy Minister of Finance


Darrell Pasloski
Minister of Finance

GOVERNMENT OF YUKON

**Consolidated Statement of Operations and Accumulated Surplus
for the year ended March 31, 2011**

	2011		2010
	Budget (Note 1(b)) (Schedule E)	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada	\$ 819,370	\$ 799,752	\$ 732,585
Taxes and general revenues	114,926	118,448	113,854
Income from investment in government business enterprises	8,236	13,729	17,275
Funding and service agreements with other parties	24,920	25,039	24,336
Amortization of deferred capital contributions	18,456	19,343	17,631
	<u>985,908</u>	<u>976,311</u>	<u>905,681</u>
Expenses (Note 20)			
Health and social services	248,937	274,286	263,838
Community and transportation	236,069	212,696	205,690
Education	157,950	163,890	152,463
General government	131,774	128,459	120,446
Natural resources	104,777	100,269	83,412
Justice	55,056	54,573	58,177
Business, tourism and culture	40,580	40,384	38,859
Interest on loans	1,524	1,178	1,363
Adjustments	8,754	-	-
	<u>985,421</u>	<u>975,735</u>	<u>924,248</u>
Recovery of prior years' expenses	-	986	2,358
Surplus (deficit) for the year	<u>\$ 487</u>	<u>1,562</u>	<u>(16,209)</u>
Accumulated surplus at beginning of year		<u>719,837</u>	<u>736,046</u>
Accumulated surplus at end of year		<u>\$ 721,399</u>	<u>\$ 719,837</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, 2011**

	2011		2010
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus (deficit) for the year	\$ 487	\$ 1,562	\$ (16,209)
Effect of change in tangible capital assets			
Acquisitions	(141,599)	(146,219)	(131,201)
Capital contributions received and deferred	65,277	66,785	58,044
Amortization of tangible capital assets	39,822	45,323	43,578
Amortization of deferred capital contributions	(18,456)	(19,343)	(17,631)
Gain on disposal of tangible capital assets	-	(38)	(99)
Proceeds on disposal of tangible capital assets	-	283	307
Write-down of tangible capital assets	-	4,034	387
Write-down of deferred capital contributions	-	(162)	(40)
	(54,956)	(49,337)	(46,655)
Effect of change in other non-financial assets			
Increase in inventories of supplies	-	(218)	(784)
Increase in prepaid expenses	-	(549)	(421)
	-	(767)	(1,205)
Decrease in net financial resources	<u>\$ (54,469)</u>	<u>(48,542)</u>	<u>(64,069)</u>
Net financial resources at beginning of year		217,054	281,123
Net financial resources at end of year		<u>\$ 168,512</u>	<u>\$ 217,054</u>

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

GOVERNMENT OF YUKON
Consolidated Statement of Cash Flow
for the year ended March 31, 2011

	2011	2010
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 835,650	\$ 753,812
Taxes and general revenues	120,275	115,871
Funding and service agreements with other parties	28,079	23,635
Interest from investments and loans	4,632	4,759
	<u>988,636</u>	<u>898,077</u>
Cash paid for:		
Salary, wages and benefits	432,469	402,160
Materials, utilities and contract services	311,358	303,656
Transfer payments	159,097	149,378
Interest on loans	1,233	1,394
Interest on leased tangible capital asset liabilities	246	404
	<u>904,403</u>	<u>856,992</u>
Cash provided by operating transactions	<u>84,233</u>	<u>41,085</u>
Capital transactions		
Acquisition of tangible capital assets	(147,522)	(126,981)
Contributions received for acquisition	50,584	54,298
Proceeds on sale of tangible capital assets	282	307
	<u>(96,656)</u>	<u>(72,376)</u>
Cash used for capital transactions	<u>(96,656)</u>	<u>(72,376)</u>
Investing transactions		
Decrease in temporary investments	59,259	52,190
Decrease in portfolio investments	-	50
Investment in inventories held for sale	(12,651)	(7,334)
Proceeds from sale of inventories held for sale	7,474	13,388
Advances to Territorial corporations	-	(25,000)
Repayment of advances from Territorial corporations	25,000	-
Advances of loans receivable	(9,097)	(8,251)
Repayment of loans receivable	8,206	8,161
	<u>78,191</u>	<u>33,204</u>
Cash provided by investing transactions	<u>78,191</u>	<u>33,204</u>
Financing transactions		
Repayment for leased tangible capital asset liabilities	(1,336)	(1,247)
Proceeds from borrowings	14,203	4,252
Repayment of borrowings	(1,627)	(1,525)
	<u>11,240</u>	<u>1,480</u>
Cash provided by financing transactions	<u>11,240</u>	<u>1,480</u>
Increase in cash and cash equivalents	77,008	3,393
Cash and cash equivalents at beginning of year	<u>82,365</u>	<u>78,972</u>
Cash and cash equivalents at end of year (Note 3)	\$ 159,373	\$ 82,365

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2011**

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 the 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 March 31, 2011

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, 2011. 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, 2011.

Trusts administered by the Government on behalf of other parties (Note 21) 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

(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.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2011

The Government receives funds from the Government of Canada and other sources under various transfers including infrastructure funding such as economic stimulus funding and the reconstruction of the Alaska Highway. These capital transfers are made for the purpose of acquiring assets that will provide government services for many years in the future. As a result, 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 authorized and recipients have met eligibility criteria.

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 bankers' acceptances, provincial treasury bills and promissory 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. The Government periodically re-estimates the expected cash flows, and any impact from changes is recorded as part of the discount or premium amortization and is included in investment income. 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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Notes to Consolidated Financial Statements March 31, 2011

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. Loans with significant concessionary terms are reviewed annually. Each year a provision based on the present value of the loans at the average borrowing rate is recorded.

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 yet been expended in accordance with funding agreements.

Liabilities for leased tangible capital assets 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.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2011**

(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. Interest costs on loans that are directly attributable to the acquisition of tangible capital assets are capitalized.

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 18 of these financial statements.

Tangible capital assets that are held and available for use by the Government are generally amortized on a straight-line basis over their estimated useful life of the asset as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Land	N/A
Land improvements and fixtures	up to 50 years
Buildings	35 - 50 years
Portable classrooms/housing trailers	15 - 20 years
Heavy equipment	7 - 30 years
Operating equipment	7 - 25 years
Vehicles	6 - 20 years
Computer hardware	5 years
Computer software	7 years
Mobile radio system infrastructure	15 years
Leasehold improvements	Shorter of the lease term or useful economic life
Sewage and water systems	50 years
Forestry access roads	10 years
Highways	30 - 50 years
Pavement/surfaces	26 years
Bridges	30 - 50 years
Airport runways	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.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2011

(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.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2011**

Some of the more significant management estimates relate to portfolio 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. **Cash and cash equivalents**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Bank balances	\$ 148,619	\$ 58,142
Short-term investments	10,246	20,715
Funds held for the Government by trustees	432	3,432
Cash on hand	<u>76</u>	<u>76</u>
	<u>\$ 159,373</u>	<u>\$ 82,365</u>

4. **Temporary investments**

	<u>2011</u>		<u>2010</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(thousands of dollars)			
Banker's acceptance	\$ -	\$ -	\$ 45,989	\$ 45,993
Provincial treasury bills and promissory notes	-	-	12,271	12,267
Government of Canada treasury bills	<u>-</u>	<u>-</u>	<u>999</u>	<u>999</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,259</u>	<u>\$ 59,259</u>

Temporary investments during the year had a weighted average effective yield of 0.6% (2010 – 0.7%) per annum.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2011**

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

	2011	2010
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 54,556	\$ 57,644
Income tax receivable	4,756	5,319
Other	148	937
	\$ 59,460	\$ 63,900
 Due to Government of Canada		
RCMP	\$ 4,664	\$ 10,503
Public Service Pension Plan contribution payable	4,426	4,372
Payroll deductions payable	4,288	4,106
Other	433	1,348
	\$ 13,811	\$ 20,329

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.

6. **Accounts receivable**

	2011	2010
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 11,264	\$ 11,335
Less valuation allowances	(1,170)	(977)
	10,094	10,358
 Due from Territorial corporations	4,729	5,265
	\$ 14,823	\$ 15,623

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2011

7. **Portfolio investments**

On March 31, 2011 the Government held portfolio investments in floating rate notes with a carrying value of \$26.4 million as a result of a successful restructuring process related to previous investments in asset-backed commercial paper. Upon the restructuring, on January 21, 2009, the Government received notes with a face value of \$36.3 million of various classes issued by a trust referred to as the "Master Asset Vehicle II" ("MAV II").

As the Government's investments in MAV II notes are not current in nature, these investments are classified as portfolio investments. The investments were recorded at a discount to their face value. This discount is amortized over time as the investments move closer to their maturity dates. The March 31, 2011 carrying value reflects the amortized discount of \$1,296,000 during the year and a reduction of \$485,000 reflecting a change in cash flow estimates. Both amounts were recognized as part of the current year revenue from portfolio investments.

The Government held the following investments in MAV II notes:

	2011		2010	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II				
Class A-1 Notes	\$ 15,726	\$ 12,214	\$ 15,726	\$ 12,180
Class A-2 Notes	16,455	12,617	16,455	12,054
Class B Notes	2,986	1,418	2,986	1,248
Class C Notes	1,089	154	1,089	110
	<u>\$ 36,256</u>	<u>\$ 26,403</u>	<u>\$ 36,256</u>	<u>\$ 25,592</u>

Generally all notes are scheduled to be repaid on January 22, 2017. Class A-1 and A-2 notes pay quarterly interest at a rate equivalent to a banker's acceptance rate minus 0.5%. Class B notes accrue interest at the same rate as A-1 and A-2 notes but will not pay interest until after the principal and interest on Class A-1 and A-2 notes have been fully paid. Class C notes accrue interest at a banker's acceptance rate plus 20% but will not pay interest until 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. On September 21, 2010, DBRS upgraded the rating of the Class A-1 notes from "A" to "A (high)" and confirmed the "BBB (low)" rating of the Class A-2 notes. Class B and C notes are not rated.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2011

8. **Loans receivable**

	<u>2011</u>	<u>2010</u>
	(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 2025 (2010 – 2025) bearing interest rates ranging from 0% to 7.00% (2010 – 0% to 7.15%), net of allowance for subsidies and valuation of \$392,000 (2010 - \$504,000) and a provision in the amount of \$365,000 (2010 – nil) for loans with significantly low interest rates	\$ 37,436	\$ 38,689
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2016 (2010 – 2015) bearing interest rates ranging from 3.00% to 7.25% (2010 – 3.00% to 7.25%)	11,354	6,206
Local improvement loans, due in varying annual amounts to the year 2036 (2010 – 2036), bearing interest rates ranging from 0.50% to 8.21% (2010 – 0.50% to 8.21%)	3,926	3,801
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2010 – 2030), bearing interest rates ranging from 4.00% to 7.50% (2010 – 4.00% to 9.25%)	3,118	3,478
Other, net of allowance for doubtful accounts of \$1,906,000 (2010 - \$1,906,000)	2,708	2,045
	<u>\$ 58,542</u>	<u>\$ 54,219</u>

9. **Inventories held for sale**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Land held for sale		
Undeveloped land	\$ 474	\$ 465
Land under development	13,141	9,163
Developed land	<u>2,803</u>	<u>3,385</u>
	16,418	13,013
Other	<u>123</u>	<u>443</u>
	<u>\$ 16,541</u>	<u>\$ 13,456</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2011

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 has a fiscal year-end of December 31. The Yukon Liquor Corporation has a fiscal year-end of March 31.

	Yukon Development Corporation	Yukon Liquor Corporation	2011 Total	2010 Total
(thousands of dollars)				
Balance Sheet				
Assets				
Current	\$ 59,437	\$ 5,464	\$ 64,901	\$ 34,356
Capital assets	298,847	994	299,841	210,137
Other	32,061	-	32,061	38,392
	<u>\$ 390,345</u>	<u>\$ 6,458</u>	<u>\$ 396,803</u>	<u>\$ 282,885</u>
Liabilities				
Current	\$ 12,702	\$ 4,532	\$ 17,234	\$ 32,790
Long-term debt	128,135	-	128,135	34,200
Other	91,902	932	92,834	62,393
Equity	157,606	994	158,600	153,502
	<u>\$ 390,345</u>	<u>\$ 6,458</u>	<u>\$ 396,803</u>	<u>\$ 282,885</u>
Revenues	\$ 38,455	\$ 16,510	\$ 54,965	\$ 51,477
Expenses	33,025	8,211	41,236	34,200
Surplus	5,430	8,299	13,729	17,277
Remitted to the Government	-	(8,631)	(8,631)	(7,547)
Equity, beginning of year	152,176	1,326	153,502	143,772
Equity, end of year	<u>\$ 157,606</u>	<u>\$ 994</u>	<u>\$ 158,600</u>	<u>\$ 153,502</u>

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

GOVERNMENT OF YUKON

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(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Liquor Corporation	2011 Total	2010 Total
(thousands of dollars)				
Government of Yukon:				
Advance receivable from	\$ -	\$ -	\$ -	\$ 25,000
Accounts receivable from	182	3,036	3,218	3,087
Accounts payable to	3,298	5	3,303	901
Long-term obligations to	419	-	419	1,178
Revenues from	179	10,149	10,328	9,038
Expenses to	12,446	11	12,457	14,749

In December 2009, the Government entered into a loan advance agreement with the Yukon Development Corporation ("YDC") and advanced the principal sum of \$25 million to YDC in order to assist in the Carmacks-Stewart transmission project and the Mayo hydro enhancement project, which are being carried out by the Yukon Energy Corporation, YDC's wholly-owned subsidiary. The initial term of the loan advance was June 22, 2010. Pursuant to the agreement, the Government and YDC agreed to extend the loan for a second term, with a maturity date of September 20, 2010. Subsequently, on August 11, 2010, YDC repaid the \$25 million. The per annum interest rate applicable to the principal amount during the first term was the three month banker's acceptance rate on December 14, 2009 plus 70 basis points (1.01%). The per annum interest rate during the second term was the three month banker's acceptance rate on June 15, 2010 plus 50 basis points (1.29%).

(c) Commitments

Yukon Development Corporation

During the fiscal year 2010/2011, the Yukon Energy Corporation, a wholly-owned subsidiary of the Yukon Development Corporation ("YDC"), commenced construction of the Mayo B hydro enhancement and the Carmacks-Stewart transmission phase II projects. The projects are to be funded by a contribution of up to \$71 million from the Government of Canada, a grant of \$52.5 million from the Yukon Development Corporation Fund and ratepayers' future contributions of \$36.5 million. In June 2010, YDC issued 30-year bonds in the amount of \$100 million at a fixed coupon rate of 5.0% per annum in part to finance the grant from the Yukon Development Corporation Fund and ratepayers' future contributions. The Government had agreed to share with YDC the risks associated with projects of this scale.

In the Memorandum of Understanding between the Government and YDC dated March 10, 2011, the Government agreed to provide YDC with financial assistance to a maximum of \$2,625,000 annually from April 1, 2011 to March 31, 2042, based on a prescribed formula where, depending on the annual financial results of YDC, the Government funding will be reduced or eliminated.

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As at March 31, 2011, the Yukon Energy Corporation had contractual obligations for future purchases of products or services in the amount of \$83.4 million.

(d) Future accounting changes

In 2008, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) confirmed the adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as generally accepted accounting principles for publicly accountable enterprises. The Public Sector Accounting Board of CICA has since issued a direction that government business enterprises are to follow accounting standards for publicly accountable enterprises.

Accordingly, the Yukon Liquor Corporation is required to adopt IFRS as its generally accepted accounting principles (GAAP) as of the fiscal year 2011/2012. The Yukon Liquor Corporation has completed its diagnostic and financial statement component evaluations. Under the current IFRS, the Corporation does not expect the conversion of its GAAP to have a large impact on its opening equity.

The Yukon Energy Corporation and its parent, the Yukon Development Corporation, have been following accounting standards for rate-regulated entities as allowed under Canadian GAAP. IASB has undertaken a project to review and assess accounting for rate-regulated assets and liabilities. The timeline for completion of this project is currently unknown. In September 2010, the Accounting Standards Board of CICA approved an option for rate-regulated entities to defer conversion to IFRS for one year. The Yukon Energy Corporation has opted to take this deferral option and, therefore, continues to use Canadian rate-regulated accounting up to the period ending on December 31, 2011.

11. **Accounts payable and accrued liabilities**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Accrued liabilities	\$ 65,454	\$ 54,018
Accounts payable	34,411	34,484
Contractors' holdbacks and security deposits	11,428	6,441
Due to Territorial corporations	<u>4,042</u>	<u>1,776</u>
	<u>\$ 115,335</u>	<u>\$ 96,719</u>

12. **Unearned revenues**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Unspent transfer payments from Government of Canada	\$ 60,063	\$ 42,573
Motor vehicle fees for future years	2,332	2,358
Other	<u>4,065</u>	<u>3,862</u>
	<u>\$ 66,460</u>	<u>\$ 48,793</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
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13. **Post-employment benefits**

	2011	2010
	(thousands of dollars)	
Severance benefits	\$ 55,990	\$ 48,905
Sick leave obligation	18,999	20,291
Vacation leave obligation	<u>17,779</u>	<u>17,096</u>
Accrued benefit obligation	92,768	86,292
Unrecognized net actuarial loss	<u>(12,680)</u>	<u>(15,265)</u>
Accrued benefit liability	<u>\$ 80,088</u>	<u>\$ 71,027</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. The Government has conducted an actuarial valuation of post-employment benefits at April 1, 2010. In projecting the accrued obligation for these benefits as at March 31, 2011, the Government assumed a discount rate of 5.0% (2010 – 5.75%) and general salary increases of 2.25% (2010 – 2.50%) per annum. The net actuarial loss is amortized over the expected average remaining service life of the active employees of 12.2 years (2010 – 10.4 years).

Expenses related to post-employment benefits for the year ended March 31, 2011 were \$13,711,000 (2010 - \$13,162,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$6,244,000 (2010 - \$6,981,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

14. **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 2010, the Government contributed \$1.94 for every dollar contributed by the employee, and \$8.90 for every dollar contributed by the employee for the portion of the employee's salary above \$139,500. Effective January 1, 2011, the Government contributes \$1.86 for every dollar contributed by the employee, and \$9.50 for every dollar contributed by the employee for the portion of the employee's salary above \$142,800. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$33,312,000 (2010 - \$29,705,000).

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(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 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, 2011 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.

An actuarial valuation as of March 31, 2011 is to be performed during the fiscal year 2011/2012. The resulting information will be reflected in the financial statements for the year ended March 31, 2012.

(c) Territorial Court Judiciary Pension Plan

The Territorial Court Judiciary Pension Plan is a defined benefit pension plan, which 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).

Pursuant to the *Territorial Court Judiciary Pension Plan Act* (Yukon), the pension fund assets for the judiciary registered pension plan and the judiciary retirement compensation arrangement are held separate and distinct from the Government's operations, and are managed by an investment manager. The *Territorial Court Judiciary Pension Plan Act* stipulates that no contributions are to be made to the supplementary judiciary pension plan, and no fund is to be maintained for this plan.

Actuarial valuations for the Territorial Court Judiciary Pension Plan for accounting and funding purposes were conducted using the membership data as at March 31, 2008. The accrued benefit obligation as at March 31, 2011 is based on an extrapolation of the March 31, 2008 actuarial valuation. An actuarial valuation for funding and accounting purposes using the membership data as of March 31, 2011 is in process. The information in this valuation report will be reflected in the 2011/2012 financial statements.

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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, 2010. An actuarial valuation for accounting purposes was performed as of June 30, 2010. The next actuarial valuation for accounting purposes will be performed as of June 30, 2011. An actuarial valuation for funding purposes was performed as of June 30, 2010, which established Yukon College's required contributions as 161% of employee contributions.

The actuarial valuation for funding purposes as at June 30, 2010 indicates the College had an actuarial surplus of \$6,356,000 at the measurement date on a going-concern basis and a deficiency of \$3,519,000 if valued on the basis that the pension plan were terminated/wound up as at June 30, 2010. The solvency ratio of the plan was 84.8% at June 30, 2010. During the College's fiscal year July 1, 2009 to June 30, 2010, the College contributed \$2,382,000 to the plan. The Government provided pension funding of \$950,000 to the College in the year.

Subsequent to the financial statement date, in May 2011, the Government issued a letter to a bank guaranteeing that, should there be a requirement to draw upon the letters of credit required by the Yukon College to address its solvency deficit in the Yukon College Employees' Pension Plan, the Government will provide the necessary financial support to address any resulting debt, interest and costs that may be required under the federal pension legislation. This guarantee remains in effect from May 31, 2011 to July 31, 2012. The maximum amount of letters of credit to which this guarantee applies will be \$1,462,000.

(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, 2010. The funded status of the pension plan, which was a surplus of \$1,109,000, 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 \$14.4 million if valued on the basis that the pension plan were terminated as at December 31, 2010.

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The solvency ratio of the plan is 79%. Since it is less than 100%, to be in accordance with the *Federal Pension Benefits Standards Act, 1985*, the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined as monthly payments of \$205,000 over the 2011 year. During the fiscal year 2010/2011, the Corporation contributed \$4,541,000 to the plan, of which \$1,655,000 related to solvency deficiency payments for 2010. Also during the fiscal year, the Government contributed \$1,655,000 to the Yukon Hospital Corporation to fund these payments.

Subsequent to the financial statement date, in May 2011, the Yukon Hospital Corporation entered into a letter of credit with a bank to help cover the solvency deficit of its pension plan. The value of this letter of credit at May 31, 2011, was \$205,000 and will increase each month until January 31, 2012, when the value will total \$2,046,000.

(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 non-pension defined benefit plans. The extended health care plan is self-insured. The accrued benefit obligation as at March 31, 2011 is based on an extrapolation of an actuarial valuation conducted as at April 1, 2010. 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.

The accrued benefit liability for the above retirement benefits as of March 31, 2011 was as follows:

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 27,170	\$ 25,164
Territorial Court Judiciary Pension Plan	3,967	3,881
Life insurance retirement benefit	1,169	1,131
Legislative Assembly Retirement Allowances Plan	(1,341)	(1,159)
Yukon College Employees' Pension Plan	(6,828)	(6,654)
Yukon Hospital Corporation Employees' Pension Plan	<u>(9,306)</u>	<u>(6,833)</u>
	<u>\$ 14,831</u>	<u>\$ 15,530</u>

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15. **Borrowings**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Yukon Hospital Corporation - demand construction facility loans payable to Canadian Imperial Bank of Commerce, to be used for financing the costs of the new staff residence and medical services, two new hospitals and other facilities with an estimated total cost of \$70 million. Interest is to be calculated at prime rate per annum, payable in advance. The demand construction loans will be repaid in full from the proceeds of demand term instalment loans upon substantial completion of each project, which is estimated to range from August 2011 to September 2012.	\$ 18,431	\$ 4,252
Yukon Housing Corporation - 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 2.65% to 12.50%.	12,192	13,444
Yukon Housing Corporation - Canada Mortgage and Housing Corporation loans, repayable in blended annual payments with maturities up to the year 2028, bearing fixed interest rates ranging from 5.00% to 13.25%.	2,623	2,928
Yukon Hospital Corporation - flexible term note payable to the Yukon Development Corporation, bearing interest rate at 7.50% 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 \$357,000 (2010 - \$387,000).	162	208
	<u>\$ 33,408</u>	<u>\$ 20,832</u>

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

(thousands of dollars)

2012	\$ 17,913
2013	4,039
2014	1,855
2015	1,808
2016	1,696
Thereafter	<u>6,097</u>
	<u>\$ 33,408</u>

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Yukon Hospital Corporation – interest rate swap agreements

The Yukon Hospital Corporation has entered into interest rate swap agreements with the Canadian Imperial Bank of Commerce to reduce its exposure to fluctuations in interest rates on a portion of its debt, totalling \$48 million. Interest rate swap agreements are transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specific period of time using agreed upon fixed or floating rates of interest. Notional amounts upon which the interest payments/receipts are based are not exchanged. The floating rate for the initial calculation period remains to be determined, but the floating rate option will be based on the Canadian Dollar – Bankers' Acceptance – Canadian Dealer Offer Rate (CAD-BA-CDOR). The spread is 0.85000%. These agreements will take effect once the demand construction loans have been converted into demand instalment loans. This conversion will take place upon completion of the projects.

Debt authority

The Government of Canada, pursuant to subsection 23(2) of the *Yukon Act (Canada)*, has approved the Government borrowing up to \$300 million.

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises		
Yukon Development Corporation, bonds	\$ 100,000	\$ -
Yukon Development Corporation, other long-term debt	<u>29,966</u>	<u>34,200</u>
	<u>129,966</u>	<u>34,200</u>
Fully consolidated entities		
Yukon Hospital Corporation, demand construction loans	18,431	4,252
Yukon Housing Corporation, mortgages payable	12,192	13,444
Yukon Housing Corporation, CMHC loans	<u>2,623</u>	<u>2,928</u>
	<u>33,246</u>	<u>20,624</u>
Total debt	163,212	54,824
Credit facilities	49,000	49,000
Authorized borrowing limit	<u>300,000</u>	<u>300,000</u>
Available borrowing capacity	<u>\$ 87,788</u>	<u>\$ 196,176</u>

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16. **Liabilities for leased tangible capital assets**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	\$ 1,040	\$ 1,517
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.	257	970
Building lease obligation payable monthly until the year 2011, with imputed interest rate of 13.3%.	-	145
	<u>\$ 1,297</u>	<u>\$ 2,632</u>

Interest expense related to capital lease obligations for the year was \$245,000 (2010- \$404,000) at an imputed average interest rate of 12.6% (2010 – 12.6%).

The following is a schedule of future minimum lease payments under the liabilities for leased tangible capital assets:

	(thousands of dollars)	
2012	\$ 1,273	
2013	755	
2014	-	
2015	-	
2016	-	
Total minimum lease payments	2,028	
Less: amount representing executory costs	(492)	
amount representing rental of land	(115)	
amount representing interest	(124)	
	<u>\$ 1,297</u>	

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17. **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:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Portfolio investments				
Master Asset Vehicle II	<u>\$ 26,403</u>	<u>\$ 31,128</u>	<u>\$ 25,592</u>	<u>\$ 28,815</u>
Loans receivable				
Mortgages receivable, net of valuation allowance	\$ 37,436	\$ 33,907	\$ 38,689	\$ 38,087
Other loans receivable, net of valuation allowance	<u>21,106</u>	<u>21,453</u>	<u>15,530</u>	<u>15,447</u>
	<u>\$ 58,542</u>	<u>\$ 55,360</u>	<u>\$ 54,219</u>	<u>\$ 53,534</u>
Borrowings				
Demand construction loans	\$ 18,431	\$ 18,377	\$ 4,252	\$ 4,201
Mortgages payable	12,192	12,309	13,444	13,887
CMHC loans	2,623	2,993	2,928	3,154
Other	<u>162</u>	<u>189</u>	<u>208</u>	<u>245</u>
	<u>\$ 33,408</u>	<u>\$ 33,868</u>	<u>\$ 20,832</u>	<u>\$ 21,487</u>

The estimated fair value for portfolio 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.

Since the above valuation approach and assumptions are based on market information available at March 31, 2011, 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.

The estimated fair values of mortgages receivable were determined using the present value of future cash flows discounted at the March 31, 2011 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.

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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 borrowings is calculated by discounting the expected future cash flows at year-end market interest rates for equivalent terms to maturity.

18. **Tangible capital assets**

	<u>2011</u>	<u>2010</u>
	Net Book Value	Net Book Value
	(thousands of dollars)	
Land	\$ 11,686	\$ 9,391
Buildings	417,861	353,426
Equipment and vehicles	43,855	38,258
Computer hardware and software	14,241	13,234
Transportation infrastructure	627,295	616,558
Other	<u>46,748</u>	<u>34,202</u>
(Schedule C)	<u>\$ 1,161,686</u>	<u>\$ 1,065,069</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$6.0 million (2010 - \$5.5 million).

Leased tangible 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 (2010 - \$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>2011</u>	<u>2010</u>
	(thousands of dollars)	
Buildings (cost)	\$ 7,738	\$ 8,820
Less accumulated amortization	<u>(3,996)</u>	<u>(4,444)</u>
	<u>\$ 3,742</u>	<u>\$ 4,376</u>

During the year, loan interest costs in the amount of \$322,000 (2010 - \$12,000) were capitalized. This amount is included in the cost of buildings.

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19. **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>2011</u>	<u>2010</u>
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 572,289	\$ 531,917
Add: Assets transferred or funded during the year	66,785	58,044
Less: Amortization	(19,343)	(17,632)
Write-down	<u>(162)</u>	<u>(40)</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 619,569</u>	<u>\$ 572,289</u>

20. **Expenses by object**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Personnel	\$ 439,136	\$ 412,533
Contract and special services	183,784	162,728
Transfer payments	161,394	151,930
Materials, supplies and utilities	85,488	89,989
Amortization expenses	45,323	43,578
Communication and transportation	32,420	35,141
Interest on long-term debt and capital lease obligations	1,423	1,767
Other	<u>26,767</u>	<u>26,582</u>
	<u>\$ 975,735</u>	<u>\$ 924,248</u>

21. **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.

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	2011	2010
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 161,783	\$ 144,833
Federal Gas Tax Funds under the New Deal	6,839	18,633
Forest Sector Fund	5,270	5,221
Water Resources Bonds	3,846	3,846
Crime Prevention and Victim Services	4,276	3,827
Land Title Office – Assurance Fund	3,667	3,498
Lottery Commission	2,946	2,751
Historic Resources Trust Fund	1,215	1,216
Public Guardian Trust	1,152	1,048
Other	3,056	2,987
	<u>\$ 194,050</u>	<u>\$ 187,860</u>

22. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2011:

	Expiry Date	2012	2013 – 2025	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2011	2018	\$ 77,104	\$ 49,251	\$ 126,355
(recoverable amount)		(45,918)	(823)	(46,741)
Mobile radio network system	2025	3,487	45,080	48,567
RCMP policing agreement	2012	20,906	-	20,906
Building/office space leases	2021	8,299	7,110	15,409
Faro mine site	2012	9,784	-	9,784
(recoverable amount)		(9,784)	-	(9,784)
Miscellaneous operational commitments	2015	15,452	20,994	36,446
		<u>\$ 79,330</u>	<u>\$ 121,612</u>	<u>\$ 200,942</u>

23. **Overexpenditure**

During the year, four (2010 – one) departments exceeded their vote with a total of \$4,092,000 (2010 - \$3,700,000). 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:

Operation and maintenance	
Health and Social Services	\$ 2,353
Yukon Housing Corporation	1,720
Child and Youth Advocate Office	17

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2011

Capital	
Public Service Commission	2

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, two (2010 – two) departments exceeded the authorized amounts as follows:

Operations and maintenance grants	
Community Services	
- Home owner grants	54
Health and Social Services	
- Adoption subsidies	21
- In-lieu of property taxes – community nursing	4
- Yukon seniors' income supplement	2

24. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$5.5 million (2010 - \$6.5 million). At March 31, 2011, on a consolidated basis, the Yukon Development Corporation had total debts of \$128.1 million (2010 - \$34.2 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.

25. **Land claims**

Between February 1995 and March 31, 2011, 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 bilateral funding agreement with the Government of Canada that had been in place since June 24, 1993 and which provided funding towards the Government's additional implementation costs expired on March 31, 2009. However there are no additional costs for the Government, as all of the existing funding commitments are captured elsewhere, either through a specific funding agreement with the Government of Canada or as a component of the base funding received by the Government. The specific implementation costs include Board and Council funding arising from the various Final Agreement Implementation Plans and other negotiated funding amounts.

The Government incurred expenses of \$4.4 million during the year (2010 - \$4.6 million) with cumulative expenditures of approximately \$62.9 million (2010 - \$58.5 million), of which \$61.7 million (2010 - \$57.4 million) was funded by the Government of Canada.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2011

26. Contingencies

In the normal course of operations, the Government is subject to legal claims. At March 31, 2011 the Government estimated the total claimed amount, excluding the claim from the Commission scolaire francophone du Yukon which is described below, to be about \$0.9 million (2010 - \$1.9 million). No provision for claims has been made in these financial statements as it is unlikely or undeterminable that a liability has been incurred at the date of the financial statements.

In the Statement of Claim filed by the Commission scolaire francophone du Yukon ("CSFY") in 2009, the Government was named as defendant. Among its claims for the exclusive management and control of resources for French language schooling as well as the construction of a new school building, the CSFY sought payment in the amount of \$1,954,000 based on its claim that the Government breached previous years' contribution agreements. The court's ruling was made on July 26, 2011. As part of the ruling, the court ordered the Government to construct a new school within two years and to hold \$1,954,000 in trust for the CSFY. The Government has filed an appeal to the ruling; consequently, no liability has been recorded in relation to these court orders.

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5 million, which is to be used for providing limited insurance and risk management services to Government departments. Expenses relating to some of the 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. In 2010/2011, the Government paid \$66,000 (2010 - \$220,000) for liability claims such as bodily injury and property damage and automobile liability. The Government had unpaid claims against the fund in the amount of \$928,000 as at March 31, 2011 (2010 - \$1,057,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2011 was \$4.8 million (2010 - \$4.2 million).

27. 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, 2011, a liability in the amount of \$535,000 (2010 - \$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, 2011, the Government was aware of 44 sites (2010 – 41 sites) where the Government is obligated or is likely obligated to incur such costs. Of the 44 sites, 10 are airports and 21 are highway maintenance camps, the majority of which have been investigated but are still awaiting full environmental assessment. Remediation costs for the sites that are known to be contaminated and the Government is obligated to remediate are currently estimated at \$11,800,000 (2010 - \$7,106,000), which has been recorded as a liability and reported as part of accrued liabilities. The estimated cost to remediate the sites is based on management's best estimates as of the financial statement date and, therefore, actual amounts could vary significantly. The Government is committed to assess all sites in a systematic manner.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2011**

One of the 44 sites, Marwell Tar Pit, 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. On September 7, 2010, the Government and the Government of Canada entered into an agreement to remediate the site over 11 years with a total estimated cost of \$6.8 million, of which the Government is to fund 30% or \$2.0 million and the Government of Canada \$4.8 million. As at March 31, 2011, \$2.0 million was recorded as a liability for this site, which is part of the \$11,800,000 noted above.

In fall 2010, it was confirmed that approximately 20,000 litres of fuel oil had spilled under two Yukon Housing Corporation's properties in Dawson City. The remediation plan and projected future costs were prepared by independent consultants, and the remediation procedures along with the necessary upgrades to the land treatment facility will start in the summer of 2011. Projected future expenditures over the next seven years total \$1,250,000. It is estimated that the site should be available within two years. This amount has been recorded as a liability and reported as part of accrued liabilities.

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.

28. Related parties

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

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Transfer payments		
Yukon Legal Services Society	\$ 1,775	\$ 1,642
Yukon Arts Centre Corporation	1,144	1,645
Yukon Human Rights Commission	<u>582</u>	<u>539</u>
	<u>\$ 3,501</u>	<u>\$ 3,826</u>

29. Comparative figures

Certain comparative figures for 2010 have been reclassified to conform with the 2011 presentation.

GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source
for the year ended March 31, 2011**

	2011		2010
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 653,142	\$ 653,142	\$ 611,707
Other grants	37,758	37,272	44,170
Contributions and service agreements	128,470	109,338	76,708
	<u>819,370</u>	<u>799,752</u>	<u>732,585</u>
Taxes and general revenues			
Income taxes	64,885	59,552	63,440
Other taxes	26,914	29,406	26,996
Licences, permits and fees	10,445	15,997	12,550
Investment and interest revenue	4,096	4,526	4,017
Gain on sale of lots	150	2,500	1,389
Hospital revenues	4,271	2,070	865
Aviation operations	952	999	826
Income from portfolio investments	1,212	984	1,545
Fines	408	664	393
Land and mineral leases & royalties	-	292	-
Oil and gas resource revenue	265	239	444
Other revenues	1,328	1,219	1,389
	<u>114,926</u>	<u>118,448</u>	<u>113,854</u>
Income from investment in government business enterprises			
Yukon Liquor Corporation	8,236	8,299	7,301
Yukon Development Corporation	-	5,430	9,974
	<u>8,236</u>	<u>13,729</u>	<u>17,275</u>
Funding and service agreements with other parties	24,920	25,039	24,336
Amortization of deferred capital contributions	18,456	19,343	17,631
	<u>\$ 985,908</u>	<u>\$ 976,311</u>	<u>\$ 905,681</u>

GOVERNMENT OF YUKON

Schedule B

**Consolidated Schedule of Operations by Function
for the year ended March 31, 2011**

	Health and Social Services		Community and Transportation		Education		General Government ¹		Natural Resources	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(thousands of dollars)									
Revenues										
Formula financing grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,142	\$ 611,707	\$ -	\$ -
Other transfers from										
Government of Canada	26,690	26,688	19,333	17,768	12,025	8,495	53,299	43,444	33,826	21,865
Taxes and general revenues	5,103	3,463	18,069	15,436	2,139	1,919	88,921	90,202	6,412	4,622
Funding and service agreements	7,659	6,760	12,420	12,886	15,027	10,708	1,358	1,527	426	840
Amortization of deferred capital contributions	2,514	2,535	15,828	14,352	158	197	498	366	345	181
Income from investment in government business enterprises	-	-	5,430	9,974	-	-	8,299	7,301	-	-
	<u>41,966</u>	<u>39,446</u>	<u>71,080</u>	<u>70,416</u>	<u>29,349</u>	<u>21,319</u>	<u>805,517</u>	<u>754,547</u>	<u>41,009</u>	<u>27,508</u>
Expenses										
Personnel	110,909	105,458	59,374	52,771	105,474	98,132	85,712	82,433	41,989	39,226
Other	93,040	93,787	74,582	80,049	44,837	36,564	30,807	26,526	51,695	36,529
Transfer payments	68,907	62,480	51,115	48,162	19,108	17,136	8,300	7,952	6,446	7,555
Amortization expenses	4,759	6,092	28,179	25,669	6,107	6,065	3,808	3,425	747	494
Interest on long-term debt and capital lease obligations	16	21	1,162	1,342	-	-	245	404	-	-
	<u>277,631</u>	<u>267,838</u>	<u>214,412</u>	<u>207,993</u>	<u>175,526</u>	<u>157,897</u>	<u>128,872</u>	<u>120,740</u>	<u>100,877</u>	<u>83,804</u>
Recovery of prior years' expenses	<u>223</u>	<u>127</u>	<u>139</u>	<u>1,226</u>	<u>98</u>	<u>189</u>	<u>38</u>	<u>594</u>	<u>107</u>	<u>30</u>
(Deficit) surplus for the year	<u>\$ (235,442)</u>	<u>\$ (228,265)</u>	<u>\$ (143,193)</u>	<u>\$ (136,351)</u>	<u>\$ (146,079)</u>	<u>\$ (136,389)</u>	<u>\$ 676,683</u>	<u>\$ 634,401</u>	<u>\$ (59,761)</u>	<u>\$ (56,266)</u>

¹ Includes the legislature, tax collection and administration, Formula Financing and other grants from the federal government, liquor profits, general administration and central agency services such as building maintenance, Public Service Commission, finance and IT services to government departments and organizations.

GOVERNMENT OF YUKON

Schedule B
Continued

**Consolidated Schedule of Operations by Function
for the year ended March 31, 2011**

	Justice		Business, Tourism and Culture		Adjustments ²		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(thousands of dollars)							
Revenues								
Formula financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,142	\$ 611,707
Other transfers from								
Government of Canada	1,538	1,628	1,973	990	(2,074)	-	146,610	120,878
Taxes and general revenues	881	699	173	184	(3,250)	(2,671)	118,448	113,854
Funding and service agreements	640	476	354	323	(12,845)	(9,184)	25,039	24,336
Amortization of deferred capital contributions	-	-	-	-	-	-	19,343	17,631
Income from investment in government business enterprises	-	-	-	-	-	-	13,729	17,275
	<u>3,059</u>	<u>2,803</u>	<u>2,500</u>	<u>1,497</u>	<u>(18,169)</u>	<u>(11,855)</u>	<u>976,311</u>	<u>905,681</u>
Expenses								
Personnel	21,981	21,550	13,697	12,963	-	-	439,136	412,533
Other	27,025	31,284	11,576	11,473	(5,103)	(1,772)	328,459	314,440
Transfer payments	4,639	4,332	15,945	14,396	(13,066)	(10,083)	161,394	151,930
Amortization expenses	1,043	1,152	680	681	-	-	45,323	43,578
Interest on long-term debt and capital lease obligations	-	-	-	-	-	-	1,423	1,767
	<u>54,688</u>	<u>58,318</u>	<u>41,898</u>	<u>39,513</u>	<u>(18,169)</u>	<u>(11,855)</u>	<u>975,735</u>	<u>924,248</u>
Recovery of prior years' expenses	180	9	201	183	-	-	986	2,358
(Deficit) surplus for the year	<u>\$ (51,449)</u>	<u>\$ (55,506)</u>	<u>\$ (39,197)</u>	<u>\$ (37,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562</u>	<u>\$ (16,209)</u>

² To eliminate transactions between sectors.

GOVERNMENT OF YUKON

Schedule C

**Consolidated Schedule of Tangible Capital Assets
for the year ended March 31, 2011**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2011 Total	2010 Total
(thousands of dollars)								
Cost of tangible capital assets, opening	\$ 9,391	\$ 600,990	\$ 97,623	\$ 40,272	\$ 829,910	\$ 39,296	\$ 1,617,482	\$ 1,491,617
Acquisitions	2,295	84,400	12,576	3,465	29,495	13,988 ³	146,219	131,201
Write-downs	-	(3,963)	(71)	-	-	-	(4,034)	(387)
Disposals	-	(3,179)	(3,583)	(677)	-	-	(7,439)	(4,949)
Cost of tangible capital assets, closing	11,686	678,248	106,545	43,060	859,405	53,284 ³	1,752,228	1,617,482
Accumulated amortization, opening	-	247,564	59,365	27,038	213,352	5,094	552,413	513,575
Amortization expense	-	16,002	6,663	2,458	18,758	1,442	45,323	43,578
Disposals	-	(3,179)	(3,338)	(677)	-	-	(7,194)	(4,740)
Accumulated amortization, closing	-	260,387	62,690	28,819	232,110	6,536	590,542	552,413
Net book value (Note 18)	\$ 11,686	\$ 417,861	\$ 43,855	\$ 14,241	\$ 627,295	\$ 46,748³	\$ 1,161,686	\$ 1,065,069
Work-in-progress ²		\$ 89,812	\$ -	\$ 7,032	\$ 21,200	\$ 16,757 ³	\$ 134,801	\$ 130,014
Deferred capital contributions (Note 19)		\$ 112,051	\$ 6,518	\$ 1,915	\$ 477,239	\$ 21,846 ³	\$ 619,569	\$ 572,289

¹ Includes portable classrooms, land improvements and fixtures, and sewage/water systems.

² Included in net book value.

³ Includes addition of \$7.0 million with a cumulative total of \$11.3 million, all of which are work-in-progress, and \$8.0 million of deferred capital contributions for the Dawson sewage plant and district heating system. These assets are expected to be transferred to the City of Dawson in the future.

GOVERNMENT OF YUKON

Schedule D

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2011**

							2011	2010	
	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	
(thousands of dollars)									
Pension and retirement plan assets are valued at fair market value.									
Accrued benefit obligation									
Obligation at beginning of year	\$ 22,338	\$ 6,281	\$ 24,328	\$ 1,287	\$ 41,781	\$ 44,631	\$ 140,646	\$ 128,993	
Current service costs	1,139	322	1,218	26	3,535	3,128	9,368	8,053	
Interest cost on benefit obligation	1,461	421	1,267	64	2,673	2,797	8,683	8,089	
Actuarial loss	-	-	705	348	3,976	2,494	7,523	44	
Benefits paid	(873)	(192)	(409)	(70)	(1,553)	(1,152)	(4,249)	(4,533)	
Accrued benefit obligation at end of year	\$ 24,065	\$ 6,832	\$ 27,109	\$ 1,655	\$ 50,412	\$ 51,898	\$ 161,971	\$ 140,646	
Plan assets									
Value at beginning of year	\$ 24,718	\$ 3,670	\$ -	\$ -	\$ 43,756	\$ 44,017	\$ 116,161	\$ 105,467	
Actual return on plan assets	2,336	343	-	-	4,405	5,181	12,265	5,466	
Employer contributions	838	206	409	70	2,382	4,029	7,934	7,915	
Member contributions	167	58	-	-	971	1,120	2,316	2,000	
Transfers	-	(303)	-	-	-	-	(303)	-	
Benefits paid	(873)	(192)	(409)	(70)	(1,553)	(1,152)	(4,249)	(4,533)	
Actual plan expenses	-	-	-	-	-	(188)	(188)	(154)	
Value at end of year	\$ 27,186	\$ 3,782	\$ -	\$ -	\$ 49,961	\$ 53,007	\$ 133,936	\$ 116,161	
Funded status - plan deficit (surplus)	\$ (3,121)	\$ 3,050	\$ 27,109	\$ 1,655	\$ 451	\$ (1,109)	\$ 28,035	\$ 24,484	
Unrecognized net actuarial gain (loss)	1,780	917	61	(486)	(7,199)	(6,099)	(11,026)	(7,051)	
Unrecognized past service costs	-	-	-	-	(80)	(277)	(357)	(594)	
Employer contribution made after measurement date	-	-	-	-	-	(1,821)	(1,821)	(1,309)	
Accrued benefit liability (asset) (Note 14)	\$ (1,341)	\$ 3,967	\$ 27,170	\$ 1,169	\$ (6,828)	\$ (9,306)	\$ 14,831	\$ 15,530	

GOVERNMENT OF YUKON

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2011**

Schedule D
Continued

							2011	2010
	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
(thousands of dollars)								
Net benefit cost								
Current service costs	\$ 1,139	\$ 322	\$ 1,218	\$ 26	\$ 3,535	\$ 3,313 ¹	\$ 9,553	\$ 8,211
Less: Member contributions	(167)	(58)	-	-	(971)	(1,120)	(2,316)	(2,000)
Past service cost	-	-	-	-	-	157	157	157
Interest cost on benefit obligation	1,461	421	1,267	64	2,673	2,797	8,683	8,089
Expected return on plan assets	(1,611)	(241)	-	-	(3,126)	(3,215)	(8,193)	(7,444)
Amortization of past service costs	-	-	-	-	81	-	81	81
Amortization of net actuarial (gain) loss	(167)	(153)	(69)	18	16	136	(219)	256
Net cost for the year	\$ 655	\$ 291	\$ 2,416	\$ 108	\$ 2,208	\$ 2,068	\$ 7,746	\$ 7,350
Assumptions								
Expected long-term rate of return on assets	6.50%	6.50%	N/A	N/A	7.00%	7.00%		
Discount rate on accrued benefit obligation	6.50%	6.50%	5.00%	5.00%	5.50%	5.25%		
Inflation	2.50%	2.50%	N/A	N/A	2.30%	2.00%		
Rate of compensation increase	2.50%	3.00%	N/A	2.25%	4.25%	2.50%		
Health care cost trend rate	N/A	N/A	see below ²	N/A	N/A	N/A		
Amortization period (expected average remaining service life)	7.3 years	6.3 years	12.2 years	8.7 years	9 years	8.7 years		

¹ Includes \$185,000 for provision of administrative expenses.

² 10.0% per annum, grading down annually in level steps to an ultimate rate of 3.0% per annum in year 20 and remaining at that level thereafter.

GOVERNMENT OF YUKON

Schedule E

**Reconciliation of 2010-2011 Budget
to the Main Estimates Approved by the Yukon Legislative Assembly**

	Main Estimates	Government Departments	Other Entities³	Adjustments & Eliminations	Consolidated Budget
(thousands of dollars)					
Revenues					
From Government of Canada					
Formula Financing grant	\$ 653,142				
Other grants	37,758				
Contributions and service agreements	182,163				
Less: Deferred capital contributions ¹	(24,405)				
Yukon Housing Corporation's recoveries ²	(38,260)	\$ 810,398	\$ 8,972		\$ 819,370
Taxes and general revenue	113,738				
Add: Loan interest revenue	174	113,912	9,250	\$ (8,236)	114,926
Income from investment in government business enterprises ⁴				8,236	8,236
Funding and service agreements with other parties	61,557				
Less: Deferred capital contributions ¹	(11,084)				
Loan interest revenue	(174)				
Balance sheet transactions ¹					
- Land held for sale	(15,100)				
- Loans receivable	(1,200)				
Yukon Housing Corporation's recoveries ²	(19,600)	14,399	80,539	(70,018)	24,920
Amortization of deferred capital contribution	16,602	16,602	2,653	(799)	18,456
		955,311	101,414	(70,817)	985,908
Expenses					
Operation and maintenance expenditures ¹	811,886				
Capital expenditures ¹	263,516				
	1,075,402				
Less: Remove expenditures of Yukon Housing Corporation ²					
- Operation and maintenance	(15,578)				
- Capital	(48,877)				
Balance sheet transactions ¹					
- Land held for sale	(15,100)				
- Loans receivable	(1,200)				
Add: Net expenditures of Yukon Housing Corporation - transfer payments ²	6,595				
Acquisitions of tangible capital assets	(92,299)				
Amortization expense	34,707				
Adjustments - estimated year-end lapses and prior-year revotes	8,754	952,404	100,638	(67,621)	985,421
Surplus for the year		\$ 2,907	\$ 776	\$ (3,196)	\$ 487

¹ The Government's Main Estimates are prepared on a modified cash basis and payments for balance sheet items are appropriated.

² The Government's Main Estimates include expenditures and revenues of the Yukon Housing Corporation.

Net expenditures of the Yukon Housing Corporation become transfer payments of the Government of Yukon.

³ Includes Yukon College, Yukon Hospital Corporation and Yukon Housing Corporation.

⁴ Includes Yukon Development Corporation and Yukon Liquor Corporation.