

SECTION I
GOVERNMENT OF YUKON
FINANCIAL STATEMENTS
(unaudited)

This page intentionally left blank.

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


	2011	2010
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 3)	\$ 124,395	\$ 64,664
Temporary investments (Note 4)	-	57,184
Due from Government of Canada (Note 5)	58,811	62,627
Accounts receivable (Note 6)	33,892	17,686
Portfolio investments (Note 7)	26,403	25,592
Advances to Territorial corporations (Note 8)	26,227	51,705
Loans receivable (Note 9)	21,885	17,435
Land held for sale (Note 10)	16,695	13,013
	308,308	309,906
Liabilities		
Due to Government of Canada (Note 5)	13,783	20,314
Accounts payable and accrued liabilities (Note 11)	107,315	91,263
Unearned revenues (Note 12)	55,097	34,602
Post-employment benefits (Note 13)	71,408	64,611
Retirement benefits (Note 14)	30,965	29,017
Liabilities for leased tangible capital assets (Note 15)	1,297	2,632
	279,865	242,439
Net financial resources	28,443	67,467
Non-financial assets		
Tangible capital assets (Note 17)	1,031,610	978,130
Less: Deferred capital contributions (Note 18)	(553,630)	(531,942)
Inventories of supplies	5,899	6,002
Prepaid expenses	2,575	1,915
	486,454	454,105
Accumulated surplus	\$ 514,897	\$ 521,572

Contingencies, commitments, contractual obligations and guarantees
(Notes 21, 22, 24, 25, 26, 27 and 29)

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

Approved:


David Hrycan, FCMA
Deputy Minister of Finance


Darrell Pasloski
Minister of Finance

GOVERNMENT OF YUKON

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

	2011		2010
	Main Estimates (Note 1(b)) (Schedule E)	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
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	119,498	100,681	67,525
Taxes and general revenues	113,912	121,237	116,602
Funding and service agreements with other parties	14,399	17,932	17,761
Amortization of deferred capital contributions	16,602	17,219	15,878
	<u>955,311</u>	<u>947,483</u>	<u>873,643</u>
Expenses (Note 19 and Schedule B)	<u>952,404</u>	<u>955,144</u>	<u>900,540</u>
Recovery of prior years' expenses	-	986	1,222
Surplus (deficit) for the year	<u>\$ 2,907</u>	(6,675)	(25,675)
Accumulated surplus at beginning of year		<u>521,572</u>	<u>547,247</u>
Accumulated surplus at end of year		<u>\$ 514,897</u>	<u>\$ 521,572</u>

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

GOVERNMENT OF YUKON

**Statement of Change in Net Financial Resources
for the year ended March 31, 2011**

	2011		2010
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus (deficit) for the year	\$ 2,907	\$ (6,675)	\$ (25,675)
Effect of change in tangible capital assets			
Acquisitions	(85,676)	(99,388)	(106,935)
Capital contributions received and deferred	35,489	39,452	44,220
Amortization of tangible capital assets	34,707	39,364	36,356
Amortization of deferred capital contributions	(16,602)	(17,219)	(15,878)
Loss (gain) on disposal of tangible capital assets	-	16	(138)
Proceeds on disposal of tangible capital assets	-	218	242
Transfer of tangible capital assets	-	4,639	-
Write-down of tangible capital assets	-	1,279	133
Write-down of deferred capital contributions	-	(153)	(40)
	<u>(32,082)</u>	<u>(31,792)</u>	<u>(42,040)</u>
Effect of change in other non-financial assets			
Decrease (increase) in inventories of supplies	-	103	(273)
Increase in prepaid expenses	-	(660)	(89)
	<u>-</u>	<u>(557)</u>	<u>(362)</u>
Decrease in net financial resources	<u>\$ (29,175)</u>	<u>(39,024)</u>	<u>(68,077)</u>
Net financial resources at beginning of year		<u>67,467</u>	<u>135,544</u>
Net financial resources at end of year		<u>\$ 28,443</u>	<u>\$ 67,467</u>

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

GOVERNMENT OF YUKON

**Statement of Cash Flows
for the year ended March 31, 2011**

	2011	2010
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 826,269	\$ 735,915
Taxes and general revenues	115,612	113,573
Funding and service agreements with other parties	19,250	18,312
Interest from investments and loans	2,767	2,349
	<u>963,898</u>	<u>870,149</u>
Cash paid for:		
Salary, wages and benefits	369,319	346,836
Transfer payments	236,004	217,841
Other expenses	299,336	277,818
Interest on leased tangible capital asset liabilities	246	404
	<u>904,905</u>	<u>842,899</u>
Cash provided by operating transactions	<u>58,993</u>	<u>27,250</u>
Capital transactions		
Acquisition of tangible capital assets	(101,906)	(101,863)
Contributions received for acquisition	26,708	39,775
Proceeds on sale of tangible capital assets	218	242
	<u>(74,980)</u>	<u>(61,846)</u>
Cash used for capital transactions	<u>(74,980)</u>	<u>(61,846)</u>
Investing transactions		
Decrease in temporary investments	57,184	52,192
Decrease in portfolio investments	-	50
Investment in land held for sale	(12,846)	(7,931)
Proceeds from sale of land held for sale	7,474	13,388
Advances to Territorial corporations	-	(25,334)
Repayment of advances from Territorial corporations	25,478	450
Loans advanced	(1,498)	(937)
Loans repaid	1,262	1,336
	<u>77,054</u>	<u>33,214</u>
Cash provided by investing transactions	<u>77,054</u>	<u>33,214</u>
Financing transactions		
Repayment for leased tangible capital asset liabilities	(1,336)	(1,247)
	<u>(1,336)</u>	<u>(1,247)</u>
Cash used for financing transactions	<u>(1,336)</u>	<u>(1,247)</u>
Increase (decrease) in cash and cash equivalents	59,731	(2,629)
Cash and cash equivalents at beginning of year	<u>64,664</u>	<u>67,293</u>
Cash and cash equivalents at end of year (Note 3)	\$ 124,395	\$ 64,664

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

GOVERNMENT OF YUKON

**Notes to 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) Main Estimates

The Main Estimates comparative figures are from the Main Estimates approved in the Legislative Assembly in 2010. 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**

(a) Financial statements

These financial statements are prepared on a non-consolidated basis for the purpose of determining the financial position and annual results of the Government of Yukon departments. The *Taxpayer Protection Act* (Yukon) requires that the accounting policies of the Government, which are used to prepare its non-consolidated financial statements, must conform to the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, except with respect to consolidation.

The Government also prepares a set of consolidated financial statements 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.

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2011

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 transfers are made in the year they are known.

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.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2011

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.

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.

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

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, and highway materials that are tracked through revolving funds. 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 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.

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

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

Tangible capital assets that are held and available for use by the Government are reported based on the following capitalization thresholds and estimated useful lives:

<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
Mobile radio system infrastructure	\$100,000	15 years
Leasehold improvements	\$50,000	Shorter of the lease term or useful economic life
Sewage and water systems	\$50,000	50 years
Forestry access roads	\$50,000	10 years
Highways	\$250,000	30 - 50 years
Pavement/surfaces	\$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.

GOVERNMENT OF YUKON

**Notes to 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 and territorial court judges 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 two plans are recognized as members render services. Actuarial gains and losses are amortized on a straight-line basis over the estimated average remaining service lives of the participants. The accrued benefit liability for these plans is calculated as the accrued benefit obligation less plan assets, if any, adjusted by unamortized actuarial gains or losses.

(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 a 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 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	\$ 123,890	\$ 44,063
Funds held for the Government by trustees	432	3,432
Cash on hand	73	73
Short-term investments	-	17,096
	<u>\$ 124,395</u>	<u>\$ 64,664</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)			
Bankers' acceptances	\$ -	\$ -	\$ 43,914	\$ 43,918
Provincial treasury bills and promissory notes	-	-	12,271	12,267
Government of Canada treasury bills	-	-	999	999
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,184</u>	<u>\$ 57,184</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 Financial Statements
March 31, 2011

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

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 54,033	\$ 57,270
Income tax receivable	4,756	5,319
Other	<u>22</u>	<u>38</u>
	<u>\$ 58,811</u>	<u>\$ 62,627</u>
Due to Government of Canada		
RCMP	\$ 4,664	\$ 10,503
Public Service Pension Plan contribution payable	4,426	4,372
Payroll deductions payable	4,283	4,106
Other	<u>410</u>	<u>1,333</u>
	<u>\$ 13,783</u>	<u>\$ 20,314</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.

6. **Accounts receivable**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 9,662	\$ 9,191
Less valuation allowances	<u>(506)</u>	<u>(464)</u>
	9,156	8,727
Due from Territorial corporations	<u>24,736</u>	<u>8,959</u>
	<u>\$ 33,892</u>	<u>\$ 17,686</u>

GOVERNMENT OF YUKON

Notes to 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 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 Financial Statements
March 31, 2011

8. **Advances to Territorial corporations**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	\$ 26,227	\$ 26,705
Yukon Development Corporation		
Loan advance	<u>-</u>	<u>25,000</u>
	<u>\$ 26,227</u>	<u>\$ 51,705</u>

The working capital advances to the Yukon Housing Corporation are interest free and have various repayment terms.

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%).

GOVERNMENT OF YUKON

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

9. **Loans receivable**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2016 (2010 – 2015), bearing interest at 0.00% (2010 – 0.00%)	\$ 10,746	\$ 6,533
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
Domestic well loans, due in varying annual amounts to the year 2025 (2010 – 2023), bearing interest rates ranging from 0.50% to 4.75% (2010 – 0.50% to 4.75%)	2,673	1,938
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 12.00% (2010 – 0.00% to 12.00%)	1,584	1,653
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 4.25% to 7.25% (2010 – 4.25% to 7.25%)	802	825
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014 (2010 – 2014), bearing interest at 0.00% (2010 – 0.00%)	427	580
Energy infrastructure development loan due in periodic instalments bearing interest at 6.40% (2010 – 6.40%)	205	205
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2010 – 2021), bearing interest at 0.00% (2010 – 0.00%)	158	173
Energy conservation loans due in varying annual amounts with varying rates of interest	152	155
Less valuation allowances	<u>(1,906)</u>	<u>(1,906)</u>
	<u>\$ 21,885</u>	<u>\$ 17,435</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2011

10. **Land held for sale**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Undeveloped land	\$ 474	\$ 465
Land under development	13,141	9,163
Developed land	<u>3,080</u>	<u>3,385</u>
	<u>\$ 16,695</u>	<u>\$ 13,013</u>

11. **Accounts payable and accrued liabilities**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Accrued liabilities	\$ 58,517	\$ 47,895
Accounts payable	30,305	30,971
Contractors' holdbacks and security deposits	9,397	4,824
Due to Territorial corporations	<u>9,096</u>	<u>7,573</u>
	<u>\$ 107,315</u>	<u>\$ 91,263</u>

12. **Unearned revenues**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Unspent transfer payments from Government of Canada	\$ 52,704	\$ 32,030
Motor vehicle fees for future years	2,332	2,358
Other	<u>61</u>	<u>214</u>
	<u>\$ 55,097</u>	<u>\$ 34,602</u>

13. **Post-employment benefits**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Severance benefits	\$ 50,274	\$ 43,155
Sick leave obligation	18,146	19,951
Vacation leave obligation	<u>15,590</u>	<u>16,758</u>
Accrued benefit obligation	84,010	79,864
Unrecognized net actuarial loss	<u>(12,602)</u>	<u>(15,253)</u>
Accrued benefit liability	<u>\$ 71,408</u>	<u>\$ 64,611</u>

GOVERNMENT OF YUKON

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

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 \$12,587,000 (2010 - \$11,977,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$5,853,000 (2010 - \$6,531,000). 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 Government's employees 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 \$32,657,000 (2010 - \$29,205,000).

(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 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.

GOVERNMENT OF YUKON

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

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.

(d) 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.

GOVERNMENT OF YUKON

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

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

	2011	2010
	(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)
	<u>\$ 30,965</u>	<u>\$ 29,017</u>

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

	2011	2010
	(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 liabilities for leased tangible capital assets 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>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2011

16. **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	\$ 26,403	\$ 31,128	\$ 25,592	\$ 28,815
Loans receivable	21,885	21,885	17,435	17,435

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 carrying value, at the lower of cost or net recoverable value, is estimated to be the fair value of loans receivable due to the nature of these loans. The carrying value of 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.

17. **Tangible capital assets**

	2011	2010
	Net Book Value	Net Book Value
	(thousands of dollars)	
Land	\$ 6,648	\$ 6,648
Buildings	301,241	275,935
Equipment and vehicles	37,405	33,582
Computer hardware and software	12,545	11,205
Transportation infrastructure	627,295	616,558
Other	46,476	34,202
(Schedule C)	<u>\$ 1,031,610</u>	<u>\$ 978,130</u>

GOVERNMENT OF YUKON

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

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$5.9 million (2010 - \$5.4 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 \$653,000 (2010 - \$653,000). 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)	\$ 8,467	\$ 9,549
Less accumulated amortization	<u>(4,397)</u>	<u>(4,826)</u>
	<u>\$ 4,070</u>	<u>\$ 4,723</u>

No interest was capitalized during the year.

18. **Deferred capital contributions**

Where the fair value has been capitalized for tangible capital assets that were transferred from a third party such as 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	\$ 531,942	\$ 503,640
Add: Assets transferred or funded during the year	39,452	44,220
Less: Disposal and write-down	(545)	(40)
Amortization	<u>(17,219)</u>	<u>(15,878)</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 553,630</u>	<u>\$ 531,942</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2011

19. **Expenses by object**

	<u>2011</u>	<u>2010</u>
	(thousands of dollars)	
Personnel	\$ 375,406	\$ 359,894
Transfer payments	246,228	218,716
Contract and special services	174,741	153,425
Materials, supplies and utilities	70,734	75,567
Amortization expenses	39,364	36,356
Communication and transportation	31,383	34,597
Other	17,288	21,985
	<u>\$ 955,144</u>	<u>\$ 900,540</u>

20. **Trust assets**

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

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

Investments of Compensation Fund (Yukon) are valued at fair value. Investments of the remainder of the trust accounts 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.

	<u>2011</u>	<u>2010</u>
	(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	2,983	2,905
	<u>\$ 193,977</u>	<u>\$ 187,778</u>

GOVERNMENT OF YUKON

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

21. **Contractual obligations**

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

	<u>Expiry Date</u>	<u>2012</u>	<u>2013 – 2025</u>	<u>Total</u>
		(thousands of dollars)		
Yukon Hospital Corporation	2015	\$ 45,665	\$ 96,211	\$ 141,876
Capital projects				
- in progress at March 31, 2011	2018	62,470	4,215	66,685
(recoverable amount)		(45,918)	(823)	(46,741)
Mobile radio network system	2025	3,487	45,080	48,567
Yukon College	2013	19,587	18,214	37,801
RCMP policing agreement	2012	20,906	-	20,906
Building/office space leases	2021	8,138	6,821	14,959
Faro mine site	2012	9,784	-	9,784
(recoverable amount)		(9,784)	-	(9,784)
Miscellaneous operational commitments	2015	<u>13,192</u>	<u>20,788</u>	<u>33,980</u>
		<u>\$ 127,527</u>	<u>\$ 190,506</u>	<u>\$ 318,033</u>

22. **Commitments**

In July 2009, the Government provided its consent for the Yukon Hospital Corporation to borrow up to \$17 million from a financial institution for the construction of a new staff residence and health services facility on the lot the Whitehorse General Hospital is situated. The Government made a commitment to the Yukon Hospital Corporation to fund, upon project completion, additional net annual costs incurred by the Corporation as a result of this project. The new building was substantially complete as of March 31, 2011. Subsequent to the financial statement date, in June 2011, the Government entered into a 10-year lease agreement, with two 5-year renewal options, with the Yukon Hospital Corporation to rent approximately 50% of the new building as a health and social services administrative office space. The Government is to pay rent at a market rate.

In June 2010, the Government further authorized the Yukon Hospital Corporation to borrow up to \$50 million for the construction of the Watson Lake Hospital and the Dawson City Hospital. The Government indicated its plan to assist the Yukon Hospital Corporation to fund, upon project completion, additional net annual costs incurred by the Corporation as a result of financing these projects. The Yukon Hospital Corporation plans to rent out approximately 1/3 of each of the new building space in order to offset additional costs.

During the fiscal year 2010/2011, the Yukon Energy Corporation, a wholly-owned subsidiary of the Yukon Development Corporation ("YDC"), commenced construction on 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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2011

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.

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
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 Housing Corporation of \$14.8 million (2010 - \$16.4 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$5.5 million (2010 - \$6.5 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Housing Corporation of up to \$11.0 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.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2011

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.

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).

GOVERNMENT OF YUKON

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

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 assessments. 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 date and, therefore, actual amounts could vary significantly. The Government is committed to assessing all sites in a systematic manner.

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.

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 Financial Statements
March 31, 2011**

28. **Related parties**

Related party transactions are as follows:

	2011	2010
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 9,235	\$ 7,778
Yukon College	2,584	132
Compensation Fund (Yukon)	993	830
Yukon Housing Corporation	824	1,503
Yukon Lotteries Commission	660	621
Yukon Development Corporation	179	153
Yukon Hospital Corporation	28	45
	\$ 14,503	\$ 11,062
Expenses to:		
Yukon Hospital Corporation	\$ 54,356	\$ 43,536
Yukon College	27,185	23,505
Yukon Development Corporation	10,669	13,032
Yukon Housing Corporation	7,343	4,657
Compensation Fund (Yukon)	6,961	7,005
Yukon Legal Services Society	1,775	1,642
Yukon Arts Centre Corporation	1,144	1,645
Yukon Human Rights Commission	582	539
Yukon Liquor Corporation	11	14
	\$ 110,026	\$ 95,575

29. **Subsequent event**

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.

30. **Comparative figures**

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

GOVERNMENT OF YUKON

Schedule A

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

	2011		2010
	Main Estimates (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	119,498	100,681	67,525
	<u>810,398</u>	<u>791,095</u>	<u>723,402</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	9,029	15,078	11,744
Yukon Liquor Corporation - net income	8,236	8,631	7,546
Investment and interest revenue	1,612	2,563	1,783
Gain on sale of lots	150	2,500	1,389
Aviation operations	952	999	826
Income from portfolio investments	1,212	984	1,545
Fines	408	664	393
Land and mineral leases and royalties	162	292	255
Oil and gas resource revenue	265	239	444
Other revenues	87	329	241
	<u>113,912</u>	<u>121,237</u>	<u>116,602</u>
Funding and service agreements with other parties	14,399	17,932	17,761
Amortization of deferred capital contributions	16,602	17,219	15,878
	<u>\$ 955,311</u>	<u>\$ 947,483</u>	<u>\$ 873,643</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for the year ended March 31, 2011**

	2011		Actual 2011			2010	
	Main Estimates (Note 1(b))	Personnel	Transfer Payments	Other	Amortization Expenses	Total (Note 19)	Actual
	(thousands of dollars)						
Health and Social Services	\$ 235,201	\$ 78,350	\$ 116,603	\$ 72,646	\$ 1,612	\$ 269,211	\$ 257,579
Highways and Public Works	167,984	56,607	890	89,392	24,171	171,060	156,023
Education	139,697	80,037	36,883	21,250	5,691	143,861	134,889
Community Services	119,434	26,418	46,067	19,756	1,916	94,157	86,724
Energy, Mines and Resources	75,183	24,023	4,599	35,852	499	64,973	52,993
Justice	54,308	21,980	4,639	26,267	1,043	53,929	57,568
Public Service Commission	35,840	32,878	25	3,324	11	36,238	34,720
Environment	27,858	17,966	1,847	13,775	249	33,837	28,592
Tourism and Culture	23,378	8,470	7,889	7,092	641	24,092	24,124
Executive Council Office	23,807	12,488	6,928	2,318	16	21,750	21,309
Economic Development	16,203	5,227	8,056	3,379	39	16,701	14,440
Finance	7,275	5,211	601	1,359	2	7,173	6,682
Yukon Housing Corporation (Transfer Payment)	6,595	-	6,996	-	-	6,996	3,406
Yukon Legislative Assembly	5,749	4,085	-	1,333	20	5,438	5,492
Yukon Development Corporation (Transfer Payment)	2,000	-	3,500	-	-	3,500	6,000
Women's Directorate	1,754	734	705	206	-	1,645	1,135
Office of the Ombudsman	535	400	-	123	-	523	534
Elections Office	432	261	-	191	-	452	321
Child and Youth Advocate	417	271	-	162	-	433	211
Restricted Funds	-	-	-	(4,279)	3,454	(825)	7,798
Adjustments	8,754	-	-	-	-	-	-
	\$ 952,404	\$ 375,406	\$ 246,228	\$ 294,146	\$ 39,364	\$ 955,144	\$ 900,540

GOVERNMENT OF YUKON

Schedule C

**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	\$ 6,648	\$ 469,209	\$ 88,115	\$ 33,952	\$ 829,910	\$ 39,296	\$ 1,467,130	\$ 1,362,805
Acquisitions	-	43,481	9,788	2,923	29,495	13,701 ³	99,388	106,935
Write-downs	-	(1,255)	(24)	-	-	-	(1,279)	(133)
Disposals	-	(8,130) ⁴	(2,164) ⁴	(36)	-	-	(10,330)	(2,477)
Cost of tangible capital assets, closing	6,648	503,305	95,715	36,839	859,405	52,997 ³	1,554,909	1,467,130
Accumulated amortization, opening	-	193,274	54,533	22,747	213,352	5,094	489,000	455,017
Amortization expense	-	11,980	5,616	1,583	18,758	1,427	39,364	36,356
Disposals	-	(3,190) ⁴	(1,839) ⁴	(36)	-	-	(5,065)	(2,373)
Accumulated amortization, closing	-	202,064	58,310	24,294	232,110	6,521	523,299	489,000
Net book value (Note 17)	\$ 6,648	\$ 301,241	\$ 37,405	\$ 12,545	\$ 627,295	\$ 46,476³	\$ 1,031,610	\$ 978,130
Work-in-progress ²		\$ 64,107	\$ -	\$ 7,032	\$ 21,200	\$ 16,757 ³	\$ 109,096	\$ 111,657
Deferred capital contributions (Note 18)		\$ 48,488	\$ 4,142	\$ 1,915	\$ 477,239	\$ 21,846 ³	\$ 553,630	\$ 531,942

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.

⁴ Includes the transfer of Watson Lake Hospital with a cost of \$5.6 million, accumulated amortization of \$0.7 million and deferred capital contributions of \$0.3 million.

GOVERNMENT OF YUKON

Schedule D

**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	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	\$ 54,234	\$ 50,287
Current service costs	1,139	322	1,218	26	2,705	2,373
Interest cost on benefit obligation	1,461	421	1,267	64	3,213	3,156
Actuarial (gain) loss	-	-	705	348	1,053	(156)
Benefits paid	(873)	(192)	(409)	(70)	(1,544)	(1,426)
Accrued benefit obligation at end of year	\$ 24,065	\$ 6,832	\$ 27,109	\$ 1,655	\$ 59,661	\$ 54,234
Plan assets						
Value at beginning of year	\$ 24,718	\$ 3,670	\$ -	\$ -	\$ 28,388	\$ 23,909
Actual return on plan assets	2,336	343	-	-	2,679	4,331
Government contributions	838	206	409	70	1,523	1,373
Member contributions	167	58	-	-	225	201
Transfers	-	(303)	-	-	(303)	-
Benefits paid	(873)	(192)	(409)	(70)	(1,544)	(1,426)
Value at end of year	\$ 27,186	\$ 3,782	\$ -	\$ -	\$ 30,968	\$ 28,388
Funded status - plan deficit (surplus)						
Unrecognized net actuarial gain (loss)	\$ (3,121)	\$ 3,050	\$ 27,109	\$ 1,655	\$ 28,693	\$ 25,846
Accrued benefit liability (asset) (Note 14)	1,780	917	61	(486)	2,272	3,171
	\$ (1,341)	\$ 3,967	\$ 27,170	\$ 1,169	\$ 30,965	\$ 29,017
Net benefit cost						
Current service costs	\$ 1,139	\$ 322	\$ 1,218	\$ 26	\$ 2,705	\$ 2,373
Less: Member contributions	(167)	(58)	-	-	(225)	(201)
Interest cost on benefit obligation	1,461	421	1,267	64	3,213	3,156
Expected return on plan assets	(1,611)	(241)	-	-	(1,852)	(1,558)
Amortization of net actuarial (gain) loss	(167)	(153)	(69)	18	(371)	12
Net cost for the year	\$ 655	\$ 291	\$ 2,416	\$ 108	\$ 3,470	\$ 3,782

GOVERNMENT OF YUKON

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

Schedule D
Continued

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit
Assumptions				
Expected long-term rate of return on assets	6.5%	6.5%	N/A	N/A
Discount rate on accrued benefit obligation	6.5%	6.5%	5.0%	5.0%
Discount rate on benefit costs	6.5%	6.5%	5.0%	5.0%
Inflation	2.5%	2.5%	N/A	N/A
Rate of compensation increase	2.5%	3.0%	N/A	2.25%
Health care cost trend rate	N/A	N/A	see below ¹	N/A
Amortization period (expected average remaining service life)	7.3 years	6.3 years	12.2 years	8.7 years

¹ 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 Main Estimates
to the Main Estimates reported on the Statement of Operations**

Main Estimates as published ¹ (Note 1(b))	Main Estimates reported on the Statement of Operations	
(thousands of dollars)		
Revenues		Revenues
		From Government of Canada
		Formula Financing grant
		Other grants
Transfers from Canada	\$ 690,900	\$ 653,142
		37,758
Recoveries from Canada	182,163	
Less: Deferred capital contributions	(24,405)	
Yukon Housing Corporation's recoveries ²	<u>(38,260)</u>	119,498
		Contributions and service agreements
Taxes and general revenue	113,738	
Add loan interest revenue	<u>174</u>	113,912
		Taxes and general revenues
Third-party recoveries	61,557	
Less: Deferred capital contributions	(11,084)	
Loan interest revenue	(174)	
Balance sheet transactions		
- Land held for sale	(15,100)	
- Loans receivable	(1,200)	
Yukon Housing Corporation's recoveries ²	<u>(19,600)</u>	14,399
		Funding and service agreements with other parties
Effect of change in tangible capital assets		Amortization of deferred capital contributions
Amortization of deferred capital contributor	16,602	<u>16,602</u>
		955,311
Expenditures		
Operation and maintenance	811,886	
Capital	<u>263,516</u>	
	1,075,402	
Less: Remove expenditures of		
Yukon Housing Corporation ²		
- Operation and maintenance	(15,578)	
- Capital	(48,877)	
Balance sheet transactions		
- Land held for sale	(15,100)	
- Loans receivable	(1,200)	
Add net expenditures of Yukon Housing Corporation - transfer payments ²	6,595	
Effect of change in tangible capital assets		
Acquisitions	(92,299)	
Amortization expense	34,707	
Adjustments		
Estimated year-end lapses and prior-year revotes	<u>8,754</u>	<u>952,404</u>
		Expenses
Annual Surplus		\$ 2,907
		Surplus for the year

¹ The Government's Main Estimates are prepared on a modified cash basis.

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.