

SECTION I
GOVERNMENT OF YUKON
FINANCIAL STATEMENTS
(unaudited)

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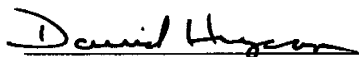
GOVERNMENT OF YUKON
Statement of Financial Position
as at March 31, 2012

	2012	2011
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 3)	\$ 176,248	\$ 124,395
Due from Government of Canada (Note 4)	49,026	58,811
Accounts receivable (Note 5)	12,664	33,892
Portfolio investments (Note 6)	27,793	26,403
Advances to Territorial corporations (Note 7)	25,777	26,227
Loans receivable (Note 8)	19,542	21,885
Land held for sale (Note 9)	52,381	16,695
	363,431	308,308
Liabilities		
Due to Government of Canada (Note 4)	12,685	13,783
Accounts payable and accrued liabilities (Note 10)	99,557	94,980
Environmental liabilities (Note 11)	13,544	12,335
Unearned revenues (Note 12)	51,409	55,097
Post-employment benefits (Note 13)	77,963	71,408
Retirement benefits (Note 14)	32,692	30,965
Liabilities for leased tangible capital assets (Note 15)	470	1,297
	288,320	279,865
Net financial resources	75,111	28,443
Non-financial assets		
Tangible capital assets (Note 17)	1,046,028	1,031,610
Less: Deferred capital contributions (Note 18)	(554,448)	(553,630)
Inventories of supplies	6,012	5,899
Prepaid expenses	2,235	2,575
	499,827	486,454
Accumulated surplus	\$ 574,938	\$ 514,897


Contingencies, commitments, contractual obligations and guarantees
(Notes 11, 21, 22, 24, 25 and 26)

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, 2012**

	2012		2011
	Main Estimates (Note 1(b)) (Schedule E)	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 704,686	\$ 704,686	\$ 653,142
Other grants	40,543	39,194	37,272
Contributions and service agreements	94,004	101,858	100,681
Taxes and general revenues	123,106	144,788	121,237
Funding and service agreements with other parties	20,545	23,322	17,932
Amortization of deferred capital contributions	18,237	18,887	17,219
	<u>1,001,121</u>	<u>1,032,735</u>	<u>947,483</u>
Expenses (Note 19 and Schedule B)	<u>962,665</u>	<u>973,646</u>	<u>955,144</u>
Recovery of prior years' expenses	<u>-</u>	<u>952</u>	<u>986</u>
Surplus (deficit) for the year	<u>\$ 38,456</u>	60,041	(6,675)
Accumulated surplus at beginning of year		<u>514,897</u>	<u>521,572</u>
Accumulated surplus at end of year		<u>\$ 574,938</u>	<u>\$ 514,897</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, 2012

	2012		2011
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus (deficit) for the year	\$ 38,456	\$ 60,041	\$ (6,675)
Effect of change in tangible capital assets			
Acquisitions	(81,428)	(67,202)	(99,388)
Capital contributions received and deferred	48,562	27,594	39,452
Amortization of tangible capital assets	37,615	40,865	39,364
Amortization of deferred capital contributions	(18,237)	(18,887)	(17,219)
Loss (gain) on disposal of tangible capital assets net of disposal of deferred capital contributions	-	3,399	(137)
Proceeds on sale of tangible capital assets	-	274	218
Write-down of tangible capital assets	-	357	1,279
Transfer of tangible capital assets	-	-	4,639
	(13,488)	(13,600)	(31,792)
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(9,419)	(7,800)
Decrease in inventories of supplies	-	9,306	7,903
Decrease (increase) in prepaid expenses	-	340	(660)
	-	227	(557)
Increase (decrease) in net financial resources	<u>\$ 24,968</u>	<u>46,668</u>	<u>(39,024)</u>
Net financial resources at beginning of year		28,443	67,467
Net financial resources at end of year		<u>\$ 75,111</u>	<u>\$ 28,443</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, 2012

	2012	2011
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 841,553	\$ 826,269
Taxes and general revenues	139,432	115,612
Funding and service agreements with other parties	24,167	19,250
Interest from investments and loans	3,161	2,767
	1,008,313	963,898
Cash paid for:		
Salary, wages and benefits	381,117	369,319
Transfer payments	252,787	236,004
Other expenses	261,450	299,336
Interest on leased tangible capital asset liabilities	97	246
	895,451	904,905
Cash provided by operating transactions	112,862	58,993
Capital transactions		
Acquisition of tangible capital assets	(69,704)	(101,906)
Contributions received for acquisition	41,680	26,708
Proceeds on sale of tangible capital assets	274	218
Cash used for capital transactions	(27,750)	(74,980)
Investing transactions		
Decrease in temporary investments	-	57,184
Investment in land held for sale	(39,726)	(12,846)
Proceeds from sale of land held for sale	6,956	7,474
Repayment of advances from Territorial corporations	450	25,478
Loans advanced	(1,474)	(1,498)
Loans repaid	1,362	1,262
Cash (used for) provided by investing transactions	(32,432)	77,054
Financing transactions		
Repayment for leased tangible capital asset liabilities	(827)	(1,336)
Cash used for financing transactions	(827)	(1,336)
Increase in cash and cash equivalents	51,853	59,731
Cash and cash equivalents at beginning of year	124,395	64,664
Cash and cash equivalents at end of year (Note 3)	\$ 176,248	\$ 124,395

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

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2012**

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 2011. 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 public sector accounting standards 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, 2012

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; otherwise, they are included in deferred capital contributions as part of non-financial assets. 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.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2012

Portfolio investments are long-term investments and accounted for at the amortized cost. Any discount or premium arising on purchase is amortized over the period to maturity using the effective interest method, 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, 2012

(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	20 - 30 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, 2012

(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 contaminated sites and a liability for solid waste landfill closure and post-closure activities. 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.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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, 2012**

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.

(h) Changes in accounting policies in 2012/2013

In 2012/2013, the Government intends to adopt the new standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These new standards must be implemented by the fiscal year 2012/2013. The most significant of the changes will be the change to the revenue recognition of capital transfers. Currently, the Government recognizes revenue in relation to a capital transfer as the related asset is expensed. As of 2012/2013, the Government intends to recognize a liability for any transfer that meets the definition of a liability and to recognize the revenue on the same basis as the related liability is settled. In addition, the Government intends to recognize the existing deferred capital contributions as at March 31, 2012 which do not meet the definition of a liability as an adjustment to the opening accumulated surplus as at April 1, 2012. These changes will be applied retroactively with restatement of prior year amounts and will have a significant impact on the balances of non-financial assets and accumulated surplus.

3. **Cash and cash equivalents**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Bank balances	\$ 175,771	\$ 123,890
Funds held for the Government by trustees	406	432
Cash on hand	<u>71</u>	<u>73</u>
	<u>\$ 176,248</u>	<u>\$ 124,395</u>

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

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 43,090	\$ 54,033
Income tax receivable	5,910	4,756
Other	<u>26</u>	<u>22</u>
	<u>\$ 49,026</u>	<u>\$ 58,811</u>
Due to Government of Canada		
RCMP	\$ 5,547	\$ 4,664
Public Service Pension Plan contribution payable	5,497	4,426
Payroll deductions payable	-	4,283
Other	<u>1,641</u>	<u>410</u>
	<u>\$ 12,685</u>	<u>\$ 13,783</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

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.

5. **Accounts receivable**

	2012	2011
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 7,037	\$ 9,662
Less valuation allowances	(548)	(506)
	6,489	9,156
Due from Territorial corporations	6,175	24,736
	<u>\$ 12,664</u>	<u>\$ 33,892</u>

6. **Portfolio investments**

On March 31, 2012 the Government held portfolio investments in floating rate notes with a carrying value of \$27.8 million as a result of a restructuring process related to previous investments. 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").

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, 2012 carrying value reflects \$1,390,000 amortization of the discount recognized as part of the current year revenue from portfolio investments.

The Government held the following investments in MAV II notes:

	2012		2011	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II				
Class A-1 Notes	\$ 15,726	\$ 12,757	\$ 15,726	\$ 12,214
Class A-2 Notes	16,455	13,208	16,455	12,617
Class B Notes	2,986	1,612	2,986	1,418
Class C Notes	1,089	216	1,089	154
	<u>\$ 36,256</u>	<u>\$ 27,793</u>	<u>\$ 36,256</u>	<u>\$ 26,403</u>

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.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

All notes are backed by a combination of structured and traditional assets. On September 23, 2011, DBRS maintained the rating of the Class A-1 notes at A(high)(sf) Under Review with Positive Implications and DBRS upgraded the rating of the Class A-2 notes to BBB(high)(sf) from BBB(low)(sf) Under Review with Positive Implications. Class B and C notes are not rated.

7. **Advances to Territorial corporations**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	<u>\$ 25,777</u>	<u>\$ 26,227</u>

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

8. **Loans receivable**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2017 (2011 – 2016), bearing interest at 0.00% (2011 – 0.00%)	\$ 8,229	\$ 10,746
Local improvement loans, due in varying annual amounts to the year 2040 (2011 – 2036), bearing interest rates ranging from 0.50% to 5.00% (2011 – 0.50% to 8.21%)	4,222	3,926
Domestic well loans, due in varying annual amounts to the year 2026 (2011 – 2025), bearing interest rates ranging from 0.50% to 4.75% (2011 – 0.50% to 4.75%)	3,115	2,673
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2011 – 2030), bearing interest rates ranging from 4.00% to 7.50% (2011 – 4.00% to 7.50%)	2,789	3,118
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 12.00% (2011 – 0.00% to 12.00%)	1,511	1,584
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2017 (2011 – 2016), bearing interest rates ranging from 3.00% to 7.25% (2011 – 4.25% to 7.25%)	806	802

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Notes to Financial Statements
March 31, 2012

(Continued)	2012	2011
	(thousands of dollars)	
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014 (2011 – 2014), bearing interest at 0.00% (2011 – 0.00%)	\$ 274	\$ 427
Energy infrastructure development loan due in periodic instalments bearing interest at 6.40% (2011 – 6.40%)	205	205
Energy conservation loans due in varying annual amounts with varying rates of interest	151	152
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2011 – 2021), bearing interest at 0.00% (2011 – 0.00%)	141	158
Less valuation allowances	<u>(1,901)</u>	<u>(1,906)</u>
	<u>\$ 19,542</u>	<u>\$ 21,885</u>

9. **Land held for sale**

	2012	2011
	(thousands of dollars)	
Undeveloped land	\$ 474	\$ 474
Land under development	41,437	13,141
Developed land	<u>10,470</u>	<u>3,080</u>
	<u>\$ 52,381</u>	<u>\$ 16,695</u>

10. **Accounts payable and accrued liabilities**

	2012	2011
	(thousands of dollars)	
Accrued liabilities	\$ 45,470	\$ 46,182
Accounts payable	38,717	30,305
Contractors' holdbacks and security deposits	9,524	9,397
Due to Territorial corporations	<u>5,846</u>	<u>9,096</u>
	<u>\$ 99,557</u>	<u>\$ 94,980</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

11. **Environmental liabilities**

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

As at March 31, 2012, the Government was aware of 46 sites (2011 – 44 sites) where the Government is obligated or is likely obligated to incur such costs. Of the 46 sites, 10 are airports and 21 are highway maintenance camps. Phase I Environmental Site Assessments (ESA) have been undertaken on the majority of the 46 sites. Phase I ESA review indicates that the level of contamination is likely low at nine of the 10 airports, four highway maintenance camps and five other sites. Significant remediation work is in progress for one highway maintenance camp; smaller remediation projects are also planned for the fiscal year 2012/2013 at three other sites. The rest of the sites are undergoing or require Phase II ESA work. The Government is committed to perform Phase II ESA on these sites in a systematic manner.

Remediation costs for the sites that are known to be contaminated and the Government is obligated to remediate are currently estimated at \$13.0 million (2011 - \$11.8 million), which has been recorded as a liability. 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.

One of the 46 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" as defined by the *Environment Act* (Yukon) and determined by the *Contaminated Sites Regulation*. 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, 2012, \$2.0 million was recorded as a liability for this site, which is part of the \$13.0 million noted above.

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, 2012, a liability in the amount of \$535,000 (2011 - \$535,000) has been recorded for these sites using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

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 on its part in relation to these mine sites.

	2012	2011
	(thousands of dollars)	
Liabilities for contaminated sites	\$ 13,009	\$ 11,800
Solid waste landfill closure and post-closure liability	535	535
	<u>\$ 13,544</u>	<u>\$ 12,335</u>

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12. **Unearned revenues**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Unspent transfer payments from Government of Canada	\$ 48,516	\$ 52,704
Motor vehicle fees for future years	2,631	2,332
Other	<u>262</u>	<u>61</u>
	<u>\$ 51,409</u>	<u>\$ 55,097</u>

13. **Post-employment benefits**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Severance benefits	\$ 53,676	\$ 50,274
Sick leave obligation	19,327	18,146
Vacation leave obligation	<u>16,642</u>	<u>15,590</u>
Accrued benefit obligation	89,645	84,010
Unrecognized net actuarial loss	<u>(11,682)</u>	<u>(12,602)</u>
Accrued benefit liability	<u>\$ 77,963</u>	<u>\$ 71,408</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, 2012, the Government assumed a discount rate of 5.0% and general salary increases of 2.25% per annum. The net actuarial loss is amortized over the expected average remaining service life of the active employees of 12.3 years.

Expenses related to post-employment benefits for the year ended March 31, 2012 were \$12,923,000 (2011 - \$12,587,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$7,261,000 (2011 - \$5,853,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

GOVERNMENT OF YUKON

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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. During the calendar year 2011, the Government contributed \$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. Effective January 1, 2012, the Government contributes \$1.74 for every dollar contributed by the employee, and \$8.95 for every dollar contributed by the employee for the portion of the employee's salary above \$148,000. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$34,844,000 (2011 - \$32,657,000).

(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.

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, 2012 is based on an actuarial valuation for accounting purposes using the membership data as of March 31, 2012 and best estimate assumptions accepted by the Members' Services Board of the Legislative Assembly.

An actuarial valuation as of March 31, 2012 is to be performed during the fiscal year 2012/2013. The resulting information will be reflected in the financial statements for the year ended March 31, 2013.

(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).

GOVERNMENT OF YUKON

**Notes to Financial Statements
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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, 2011. The accrued benefit obligation as at March 31, 2012 is based on an extrapolation of the March 31, 2011 actuarial valuation.

(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, 2012 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, 2012 was as follows:

	2012	2011
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 29,359	\$ 27,170
Territorial Court Judiciary Pension Plan	4,154	3,967
Life insurance retirement benefit	1,254	1,169
Legislative Assembly Retirement Allowances Plan	(2,075)	(1,341)
	<u>\$ 32,692</u>	<u>\$ 30,965</u>

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

	2012	2011
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	\$ 470	\$ 1,040
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
	<u>\$ 470</u>	<u>\$ 1,297</u>

Interest expense related to liabilities for leased tangible capital assets for the year was \$97,000 (2011 - \$245,000) at an imputed average interest rate of 12.2% (2011 - 12.6%).

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

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

	(thousands of dollars)
2013	<u>\$ 755</u>
Total minimum lease payments	755
Less: amount representing executory costs	(209)
amount representing rental of land	(49)
amount representing interest	<u>(27)</u>
	<u>\$ 470</u>

16. **Financial instruments**

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

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

	2012		2011	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
	(thousands of dollars)			
Portfolio investments				
Master Asset Vehicle II	\$ 27,793	\$ 29,354	\$ 26,403	\$ 31,128
Loans receivable	19,542	19,542	21,885	21,885

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, 2012, 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.

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Notes to Financial Statements
March 31, 2012

17. **Tangible capital assets**

	<u>2012</u> Net Book Value	<u>2011</u> Net Book Value
	(thousands of dollars)	
Land	\$ 6,648	\$ 6,648
Buildings	312,443	301,241
Equipment and vehicles	38,490	37,405
Computer hardware and software	15,051	12,545
Transportation infrastructure	632,463	627,295
Other	<u>40,933</u>	<u>46,476</u>
(Schedule C)	<u>\$ 1,046,028</u>	<u>\$ 1,031,610</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$6.6 million (2011 - \$5.9 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 \$365,000 (2011 - \$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>2012</u>	<u>2011</u>
	(thousands of dollars)	
Buildings (cost)	\$ 4,200	\$ 8,467
Less accumulated amortization	<u>(3,543)</u>	<u>(4,397)</u>
	<u>\$ 657</u>	<u>\$ 4,070</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>2012</u>	<u>2011</u>
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 553,630	\$ 531,942
Add: Assets transferred or funded during the year	27,594	39,452
Less: Disposal and write-down	(7,889)	(545)
Amortization	<u>(18,887)</u>	<u>(17,219)</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 554,448</u>	<u>\$ 553,630</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

19. **Expenses by object**

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Personnel	\$ 389,526	\$ 375,406
Government transfers	251,684	246,228
Contract and special services	149,623	162,415
Materials, supplies and utilities	77,366	70,734
Amortization expenses	40,865	39,364
Communication and transportation	33,690	31,383
Other	<u>30,892</u>	<u>29,614</u>
	<u>\$ 973,646</u>	<u>\$ 955,144</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. At March 31, 2012, the remaining trust assets were held in bank accounts or invested in long-term bonds.

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>2012</u>	<u>2011</u>
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 177,279	\$ 161,783
Federal Gas Tax Funds under the New Deal	15,936	6,839
Forest Sector Fund	5,340	5,270
Crime Prevention and Victim Services	4,676	4,276
Land Title Office – Assurance Fund	3,926	3,667
Water Resources Bonds	3,846	3,846
Lottery Commission	3,176	2,946
Public Guardian Trust	1,631	1,152
Historic Resources Trust Fund	1,219	1,215
Other	<u>3,622</u>	<u>2,983</u>
	<u>\$ 220,651</u>	<u>\$ 193,977</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

21. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2012:

	Expiry Date	2013	2014 – 2032	Total
(thousands of dollars)				
RCMP policing agreement	2032	\$ 23,063	\$ 438,197	\$ 461,260
Yukon Hospital Corporation	2015	48,860	50,029	98,889
Capital projects				
- in progress at March 31, 2012	2014	66,737	6,697	73,434
(recoverable amount)		(39,050)	(6,197)	(45,247)
Faro mine site	2015	25,091	20,004	45,095
(recoverable amount)		(25,091)	(20,004)	(45,095)
Mobile radio network system	2025	3,481	40,358	43,839
Building/office space leases	2022	8,956	21,742	30,698
Yukon College	2014	19,263	109	19,372
Miscellaneous operational commitments	2015	17,981	22,592	40,573
		<u>\$ 149,291</u>	<u>\$ 573,527</u>	<u>\$ 722,818</u>

In August 2009 and March 2010, the Government signed Memorandum of Agreements with the Town of the City of Dawson ("Dawson"), whereby the Government builds a wastewater treatment plant and an infrastructure heating facility for the use of Dawson. 75% of eligible project costs are funded by the Government of Canada under the Building Canada Fund. Dawson will be deemed to be the owner of the facilities upon successful commissioning or completion of a warranty period. The total project cost is estimated to be \$29.5 million for the wastewater treatment plant and \$4.9 million for the infrastructure heating facility. The Government's share is estimated to be \$7.8 million and \$1.9 million respectively. The construction of the wastewater treatment plant was physically complete in August 2012. The infrastructure heating facility is expected to be substantially complete by November 2012, followed by one-year commissioning period and a two-year warranty period.

The Government expenses construction costs and recognizes revenues as the Government meets the stipulation of the funding agreement.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2012**

22. **Commitments**

Yukon Hospital Corporation

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.

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.

In February 2012, the Government authorized the Yukon Hospital Corporation to borrow up to an aggregate of \$76 million for the completed staff residence and health services facility, Thomson Centre renovations in order to open a 29 bed continuing care facility and the Watson Lake and Dawson City Hospitals.

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 on the Mayo B hydro enhancement and the Carmacks-Stewart transmission phase II projects. The projects were funded by a contribution of \$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 Carmacks-Stewart transmission phase II project was completed in June 2011, and the Mayo B hydro enhancement project was completed in December 2011.

In the Memorandum of Understanding ("the MOU") 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. In 2011/2012, the Government paid \$1,313,000 to YDC based on the MOU.

GOVERNMENT OF YUKON

Notes to Financial Statements
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23. **Overexpenditure**

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, two (2011 – two) departments exceeded the authorized amounts as follows:

	(thousands of dollars)
Operations and maintenance grants	
Community Services	
- Home owner grants	\$ 109
Health and Social Services	
- Pioneer utility grant	103
- Adoption subsidies	62
- Social assistance – region	40

24. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$13.1 million (2011 - \$14.8 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$4.7 million (2011 - \$5.5 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, 2012, on a consolidated basis, the Yukon Development Corporation had total debts of \$124.4 million (2011 - \$128.1 million) and a credit facility of up to \$27.5 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.

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 came into effect as of May 31, 2011 with a term date of July 31, 2012. The maximum amount of letters of credit to which this guarantee applied was \$1,462,000. In March 2012, the Government further issued a letter of a guarantee to the bank in relation to the Yukon College Employee's Pension Plan's solvency deficit. This guarantee is to remain in effect from May 30, 2012 to July 31, 2013. The maximum amount of letters of credit to which the guarantee applies will be \$3,363,000.

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, 2012, 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.

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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 \$4.8 million during the year (2011 - \$4.4 million) with cumulative expenditures of approximately \$67.7 million (2011 - \$62.9 million), of which \$66.5 million (2011 - \$61.7 million) was funded by the Government of Canada.

26. Contingencies

In the normal course of operations, the Government is subject to legal claims. These claims include items with pleading amounts and items where an amount is not specified. At March 31, 2012, the total extent of the amounts claimed, excluding the claim from the Commission scolaire francophone du Yukon which is described below, is \$11.4 million (2011 - \$0.9 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, which was heard in March 2012 and it is anticipated that a decision will be rendered in the fall 2012; 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 2011/2012, the Government paid \$169,000 (2011 - \$66,000) 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 \$1,258,000 as at March 31, 2011 (2011 - \$928,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2012 was \$4.6 million (2011 - \$4.8 million).

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2012

27. **Related parties**

Related party transactions are as follows:

	<u>2012</u>	<u>2011</u>
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 9,145	\$ 9,235
Compensation Fund (Yukon)	908	993
Yukon Lotteries Commission	673	660
Yukon Housing Corporation	272	824
Yukon College	241	2,584
Yukon Hospital Corporation	138	28
Yukon Development Corporation	-	179
	<u>\$ 11,377</u>	<u>\$ 14,503</u>
Expenses to:		
Yukon Hospital Corporation	\$ 52,477	\$ 54,356
Yukon College	25,447	27,185
Yukon Development Corporation	11,448	10,669
Compensation Fund (Yukon)	6,994	6,961
Yukon Housing Corporation	6,053	7,343
Yukon Legal Services Society	1,850	1,775
Yukon Arts Centre Corporation	1,139	1,144
Yukon Human Rights Commission	538	582
Yukon Liquor Corporation	7	11
	<u>\$ 105,953</u>	<u>\$ 110,026</u>

28. **Comparative figures**

Certain comparative figures for 2011 have been reclassified to conform with the 2012 presentation.

GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues
for the year ended March 31, 2012**

	2012		2011
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 704,686	\$ 704,686	\$ 653,142
Contributions and service agreements	94,004	101,858	100,681
Other grants	40,543	39,194	37,272
	<u>839,233</u>	<u>845,738</u>	<u>791,095</u>
Taxes and general revenues			
Income taxes	71,421	81,843	59,552
Other taxes	27,586	30,372	29,406
Licences, permits and fees	8,078	11,409	11,247
Yukon Liquor Corporation - net income	8,912	8,865	8,631
Resource revenue - mineral, oil and gas and forestry	1,380	5,430	4,362
Investment and interest revenue	2,250	2,904	2,563
Income from portfolio investments	1,757	1,669	984
Aviation operations	991	1,153	999
Fines	408	548	664
Gain on sale of lots	150	403	2,500
Other revenues	173	192	329
	<u>123,106</u>	<u>144,788</u>	<u>121,237</u>
Funding and service agreements with other parties	20,545	23,322	17,932
Amortization of deferred capital contributions	18,237	18,887	17,219
	<u>\$ 1,001,121</u>	<u>\$ 1,032,735</u>	<u>\$ 947,483</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for the year ended March 31, 2012**

	2012	Actual 2012				2011	
	Main Estimates (Note 1(b))	Personnel	Government Transfers	Other	Amortization Expenses	Total (Note 19)	Actual
	(thousands of dollars)						
Health and Social Services	\$ 265,732	\$ 82,583	\$ 110,914	\$ 75,032	\$ 1,667	\$ 270,196	\$ 269,211
Highways and Public Works	173,317	58,370	641	88,409	25,419	172,839	171,060
Education	147,532	83,710	35,551	22,878	5,935	148,074	143,861
Community Services	103,416	27,313	65,235	19,868	1,823	114,239	94,157
Energy, Mines and Resources	62,208	24,653	2,944	30,614	620	58,831	64,973
Justice	56,846	23,596	5,200	28,535	835	58,166	53,929
Public Service Commission	37,905	32,998	-	3,403	9	36,410	36,238
Environment	29,083	18,385	1,706	11,378	319	31,788	33,837
Tourism and Culture	22,594	8,646	6,982	7,333	644	23,605	24,092
Executive Council Office	23,149	13,100	4,624	2,410	16	20,150	21,750
Economic Development	15,815	5,178	6,506	1,535	39	13,258	16,701
Finance	7,642	5,454	609	1,297	2	7,362	7,173
Yukon Housing Corporation (Transfer Payment)	6,774	-	5,714	-	-	5,714	6,996
Yukon Legislative Assembly	5,967	3,865	-	1,066	18	4,949	5,438
Yukon Development Corporation (Transfer Payment)	3,000	-	4,313	-	-	4,313	3,500
Women's Directorate	1,767	715	745	279	-	1,739	1,645
Elections Office	1,013	273	-	647	-	920	452
Office of the Ombudsman	566	399	-	151	-	550	523
Child and Youth Advocate	466	288	-	162	-	450	433
Restricted Funds	-	-	-	(3,426)	3,519	93	(825)
Adjustments	(2,127)	-	-	-	-	-	-
	\$ 962,665	\$ 389,526	\$ 251,684	\$ 291,571	\$ 40,865	\$ 973,646	\$ 955,144

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for the year ended March 31, 2012**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2012 Total	2011 Total
(thousands of dollars)								
Cost of tangible capital assets, opening	\$ 6,648	\$ 503,305	\$ 95,715	\$ 36,839	\$ 859,405	\$ 52,997	\$ 1,554,909	\$ 1,467,130
Acquisitions	-	22,883	7,206	4,168	25,934	7,011	67,202	99,388
Write-downs	-	(40)	(185)	-	(132)	-	(357)	(1,279)
Disposals	-	-	(3,898)	-	-	(11,335) ³	(15,233)	(10,330)
Cost of tangible capital assets, closing	6,648	526,148	98,838	41,007	885,207	48,673	1,606,521	1,554,909
Accumulated amortization, opening	-	202,064	58,310	24,294	232,110	6,521	523,299	489,000
Amortization expense	-	11,641	5,709	1,662	20,634	1,219	40,865	39,364
Disposals	-	-	(3,671)	-	-	-	(3,671)	(5,065)
Accumulated amortization, closing	-	213,705	60,348	25,956	252,744	7,740	560,493	523,299
Net book value (Note 17)	\$ 6,648	\$ 312,443	\$ 38,490	\$ 15,051	\$ 632,463	\$ 40,933	\$ 1,046,028	\$ 1,031,610
Work-in-progress ²		\$ 12,222	\$ -	\$ 5,480	\$ 21,580	\$ 10,862	\$ 50,144	\$ 109,096
Deferred capital contributions (Note 18)		\$ 50,869	\$ 3,952	\$ 2,809	\$ 481,781	\$ 15,037	\$ 554,448	\$ 553,630

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

² Included in net book value.

³ In 2011/2012, the Government removed the cost and deferred capital contributions in relation to a wastewater treatment plant and a district heating system which the Government has been building for the Town of the City of Dawson. The City of Dawson is to obtain ownership once these facilities are complete and successfully commissioned. \$11,335,000 were removed from the cost and \$7,877,000 were removed from deferred capital contributions (Note 21).

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for the year ended March 31, 2012**

					2012	2011
	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	\$ 24,065	\$ 6,832	\$ 27,109	\$ 1,655	\$ 59,661	\$ 54,234
Current service costs	1,222	339	1,244	27	2,832	2,705
Interest cost on benefit obligation	1,561	458	1,406	82	3,507	3,213
Actuarial (gain) loss	(311)	(162)	-	-	(473)	1,053
Benefits paid	(1,319)	(197)	(451)	(82)	(2,049)	(1,544)
Accrued benefit obligation at end of year	<u>\$ 25,218</u>	<u>\$ 7,270</u>	<u>\$ 29,308</u>	<u>\$ 1,682</u>	<u>\$ 63,478</u>	<u>\$ 59,661</u>
Plan assets						
Value at beginning of year	\$ 27,186	\$ 3,782	\$ -	\$ -	\$ 30,968	\$ 28,388
Actual return on plan assets	1,522	117	-	-	1,639	2,679
Government contributions	1,319	137	451	82	1,989	1,523
Member contributions	159	57	-	-	216	225
Transfers	-	-	-	-	-	(303)
Benefits paid	(1,319)	(197)	(451)	(82)	(2,049)	(1,544)
Value at end of year	<u>\$ 28,867</u>	<u>\$ 3,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,763</u>	<u>\$ 30,968</u>
Funded status - plan deficit (surplus)	\$ (3,649)	\$ 3,374	\$ 29,308	\$ 1,682	\$ 30,715	\$ 28,693
Unrecognized net actuarial gain (loss)	1,574	780	51	(428)	1,977	2,272
Accrued benefit liability (asset) (Note 14)	<u>\$ (2,075)</u>	<u>\$ 4,154</u>	<u>\$ 29,359</u>	<u>\$ 1,254</u>	<u>\$ 32,692</u>	<u>\$ 30,965</u>
Net benefit cost						
Current service costs	\$ 1,222	\$ 339	\$ 1,244	\$ 27	\$ 2,832	\$ 2,705
Less: Member contributions	(159)	(57)	-	-	(216)	(225)
Interest cost on benefit obligation	1,561	458	1,406	82	3,507	3,213
Expected return on plan assets	(1,772)	(246)	-	-	(2,018)	(1,852)
Amortization of net actuarial (gain) loss	(266)	(169)	(11)	58	(388)	(371)
Net cost for the year	<u>\$ 586</u>	<u>\$ 325</u>	<u>\$ 2,639</u>	<u>\$ 167</u>	<u>\$ 3,717</u>	<u>\$ 3,470</u>

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits
for the year ended March 31, 2012**

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 at beginning of year	6.50%	6.50%	N/A	N/A
Discount rate on benefit costs	6.50%	6.50%	5.00%	5.00%
Discount rate on accrued benefit obligation at end of year	6.00%	6.25%	5.00%	5.00%
Inflation	2.50%	2.50%	N/A	N/A
Rate of compensation increase	2.50%	3.00%	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 2011-2012 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
Transfers from Canada			From Government of Canada
Grant from Canada	\$ 704,686	\$ 704,686	Formula Financing grant
Other transfers	40,543	40,543	Other grants
	<u>745,229</u>		
Recoveries from Canada	142,281		
Less: Deferred capital contributions	(36,293)		
Yukon Housing Corporation's recoveries ²	<u>(11,984)</u>	94,004	Contributions and service agreements
Taxes and general revenue	123,106	123,106	Taxes and general revenues
Third-party recoveries	94,655		
Less: Deferred capital contributions	(12,269)		
Balance sheet transactions			
- Land held for sale	(41,921)		
- Loans receivable	(1,200)		
Yukon Housing Corporation's recoveries ²	<u>(18,720)</u>	20,545	Funding and service agreements with other parties
Effect of change in tangible capital assets			Amortization of deferred capital contributions
Amortization of deferred capital contributor	18,237	<u>18,237</u>	
		<u>1,001,121</u>	
Expenditures			
Operation and maintenance	851,863		
Capital	<u>237,717</u>		
	1,089,580		
Less: Remove expenditures of			
Yukon Housing Corporation ²			
- Operation and maintenance	(16,044)		
- Capital	(21,434)		
Balance sheet transactions			
- Land held for sale	(41,921)		
- Loans receivable	(1,200)		
Add net expenditures of Yukon Housing Corporation - transfer payments ²	6,774		
Effect of change in tangible capital assets			
Acquisitions	(88,088)		
Amortization expense	37,615		
Adjustments			
Estimated year-end lapses and prior-year revotes	<u>(2,617)</u>	<u>962,665</u>	Expenses
Annual Surplus		<u><u>\$ 38,456</u></u>	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.