

GOVERNMENT OF YUKON


Statement of Financial Position
as at March 31, 2013

	2013	2012
	(Restated - Note 3)	
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 4)	\$ 216,868	\$ 176,248
Due from Government of Canada (Note 5)	71,886	49,026
Accounts receivable (Note 6)	12,741	12,664
Portfolio investments (Note 7)	29,282	27,793
Advances to Territorial corporations (Note 8)	25,602	25,777
Loans receivable (Note 9)	21,292	19,542
Land held for sale (Note 10)	73,277	52,381
	<u>450,948</u>	<u>363,431</u>
Liabilities		
Due to Government of Canada (Note 5)	14,891	12,685
Accounts payable and accrued liabilities (Note 11)	97,820	99,557
Environmental liabilities (Note 12)	21,328	13,544
Unearned revenues (Note 13)	39,840	51,409
Post-employment benefits and compensated absences (Note 14)	87,600	82,363
Retirement benefits (Note 15)	34,605	32,692
Liabilities for leased tangible capital assets (Note 16)	-	470
	<u>296,084</u>	<u>292,720</u>
Net financial assets	<u>154,864</u>	<u>70,711</u>
Non-financial assets		
Tangible capital assets (Note 18)	1,065,834	1,046,028
Inventories of supplies	6,163	6,012
Prepaid expenses	1,889	1,355
	<u>1,073,886</u>	<u>1,053,395</u>
Accumulated surplus	<u>\$ 1,228,750</u>	<u>\$ 1,124,106</u>
Contingencies, commitments, contractual obligations and guarantees (Notes 12, 21, 22, 24, 25 and 26)		

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

Approved:


David Hrycan, CMA, 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, 2013**

	2013		2012
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 767,159	\$ 767,159	\$ 704,686
Other grants	41,860	41,977	39,194
Contributions and service agreements	148,194	125,106	118,271
Taxes and general revenues	138,078	160,455	147,379
Funding and service agreements with other parties	32,850	42,557	34,504
	<u>1,128,141</u>	<u>1,137,254</u>	<u>1,044,034</u>
Expenses (Note 19 and Schedule B)	<u>1,048,132</u>	<u>1,036,147</u>	<u>983,516</u>
Recovery of prior years' expenses	-	3,537	952
Surplus for the year	<u>\$ 80,009</u>	104,644	61,470
Accumulated surplus at beginning of year, as previously reported		574,938	514,897
Prior-year adjustment (Note 3)		<u>549,168</u>	<u>547,739</u>
Accumulated surplus at beginning of year, restated		<u>1,124,106</u>	<u>1,062,636</u>
Accumulated surplus at end of year		<u>\$ 1,228,750</u>	<u>\$ 1,124,106</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 Assets
for the year ended March 31, 2013**

	2013		2012
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus for the year	\$ 80,009	\$ 104,644	\$ 61,470
Effect of change in tangible capital assets			
Acquisitions	(72,559)	(68,669)	(67,202)
Amortization of tangible capital assets	38,189	44,340	40,865
Loss on disposal of tangible capital assets	-	4,286	11,288
Proceeds on sale of tangible capital assets	-	164	274
Write-down of tangible capital assets	-	73	357
Other budgetary adjustments	5,945	-	-
	<u>(28,425)</u>	<u>(19,806)</u>	<u>(14,418)</u>
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(9,055)	(9,419)
Decrease in inventories of supplies	-	8,904	9,306
Increase in prepaid expenses	-	(534)	(381)
	<u>-</u>	<u>(685)</u>	<u>(494)</u>
Increase in net financial assets	<u>\$ 51,584</u>	<u>84,153</u>	<u>46,558</u>
Net financial assets at beginning of year, as previously reported		75,111	28,443
Prior-year adjustment (Note 3)		<u>(4,400)</u>	<u>(4,290)</u>
Net financial assets at beginning of year, restated		<u>70,711</u>	<u>24,153</u>
Net financial assets at end of year		<u>\$ 154,864</u>	<u>\$ 70,711</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, 2013**

	2013	2012
	(Restated - Note 3)	
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 900,073	\$ 869,003
Taxes and general revenues	157,146	139,432
Funding and service agreements with other parties	40,223	38,397
Interest from investments and loans	3,621	3,161
	<u>1,101,063</u>	<u>1,049,993</u>
Cash paid for:		
Salary, wages and benefits	400,593	381,117
Transfer payments	272,211	252,787
Other expenses	296,890	261,450
Interest on leased tangible capital asset liabilities	21	97
	<u>969,715</u>	<u>895,451</u>
Cash provided by operating transactions	<u>131,348</u>	<u>154,542</u>
Capital transactions		
Acquisition of tangible capital assets	(68,615)	(69,704)
Proceeds on sale of tangible capital assets	164	274
Cash used for capital transactions	<u>(68,451)</u>	<u>(69,430)</u>
Investing transactions		
Investment in land held for sale	(24,490)	(39,726)
Proceeds from sale of land held for sale	5,137	6,956
Advances to Territorial corporations	(275)	-
Repayment of advances from Territorial corporations	450	450
Loans advanced	(3,859)	(1,474)
Loans repaid	1,230	1,362
Cash used for investing transactions	<u>(21,807)</u>	<u>(32,432)</u>
Financing transactions		
Repayment for leased tangible capital asset liabilities	(470)	(827)
Cash used for financing transactions	<u>(470)</u>	<u>(827)</u>
Increase in cash and cash equivalents	40,620	51,853
Cash and cash equivalents at beginning of year	<u>176,248</u>	<u>124,395</u>
Cash and cash equivalents at end of year (Note 4)	\$ 216,868	\$ 176,248

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

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2013**

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 2012. 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.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2013

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

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

Government transfers are recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as unearned revenue when transfer stipulations give rise to a liability. Transfer revenues are recognized as the stipulation liabilities are settled.

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. Tax concessions are accrued on the same basis as the associated tax revenues and reduce gross taxation revenue.

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.

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Notes to Financial Statements March 31, 2013

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 collectability 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.

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Notes to Financial Statements
March 31, 2013

(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.

The value of works of art, historical treasures, all intangibles and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recorded as tangible capital assets. The existence of historical treasures and the total estimated value of works of art are disclosed in Note 18 of these financial statements.

Tangible capital assets that are held and available for use by the Government are 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
Buildings		
Buildings	\$50,000	40 - 50 years
Leasehold Improvements	\$50,000	Shorter of the lease term or useful economic life
Equipment and vehicles		
Heavy equipment	\$10,000	7 - 30 years
Operating equipment	\$10,000	7 - 25 years
Vehicles	\$10,000	6 - 20 years
Computer hardware and software		
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Transportation infrastructure		
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
Other		
Portable classroom/housing trailers	\$50,000	20 years
Land improvements and fixtures	\$50,000	up to 50 years
Sewage and water systems	\$50,000	50 years
Mobile radio system infrastructure	\$100,000	15 years

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

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Notes to Financial Statements March 31, 2013

(d) Post-employment benefits and compensated absences

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. Compensated absences are benefits for employees to be absent while being paid. The Government recognizes the obligation for these benefits as a liability and use actuaries to estimate the amount of the obligation. Expenses related to post-employment benefits and compensated absences are recognized in the period in which the employee's service is rendered and the benefits are 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. Plan assets are valued at the fair market value.

(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.

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**Notes to Financial Statements
March 31, 2013**

Some of the more significant management estimates relate to portfolio investments, post-employment, compensated absences and retirement benefits, environmental liabilities, amortization of tangible capital assets, contingencies and revenue accruals such as Canada health and social transfer payments, and corporate and personal income tax revenue.

3. Prior-year adjustments

Adoption of new accounting standards

Effective the fiscal year 2012/2013, the Government implemented Sections PS 3410 Government transfers and PS 3510 Tax revenue of the Public Sector Accounting Handbook issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). These new accounting standards are applied retroactively with restatements of prior-year amounts.

(a) Revenue recognition of transferred or contributed tangible capital assets

Prior to 2012/2013, where the fair value has been capitalized for tangible capital assets that were transferred from a third party such as the Government of Canada, the Government recorded an offset as a deferred capital contribution. The Government also deferred funding received for the acquisition or construction of tangible capital assets, and amortized it on the same basis as the related asset was amortized. These deferred capital contributions were reported as a part of non-financial assets, offsetting the value of tangible capital assets.

With implementation of the new standards for government transfers, government transfers are recognized as revenue when the funding or transfer of a tangible capital asset is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. This liability is recorded as unearned revenue. Transfer revenues are recognized as the stipulation liabilities are settled. The Government has determined none of the deferred capital contributions that were reported at March 31, 2012 met the definition of liabilities. Consequently, these amounts have been moved to accumulated surplus with restatements of prior-year amounts.

(b) Expense recognition of a transfer that is intended to be spent by the recipient in future years

Until 2011/2012, the Government deferred the expense recognition of a transfer that is intended to be spent by the recipient in future years. This deferral was reported as part of prepaid expenses. Under the new standards for government transfers, effective 2012/2013, the Government recognizes an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

(c) Changes in relation to the new tax revenue standards

As of the fiscal year 2012/2013, the Government classifies transfers made through a tax system and tax concessions in accordance with the new tax revenue section of the Public Sector Accounting Handbook. The net effect of this change in accounting policy is an increase of revenue and expense by the same amount.

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Notes to Financial Statements
March 31, 2013

Change in an accounting policy

(d) Compensated absences

Prior to the fiscal year 2012/2013, the Government did not recognize a liability associated with compensated absences that are used by employees during employment since it was not considered material. As of the fiscal year 2012/2013, the Government recognize expenses and a liability for this benefit based on an actuarial valuation.

Effects of the above adjustments are summarized as follows:

	March 2012 as previously reported	Adjustments					Total adjustments	March 2012 restated
		(a) Revenue recognition of capital transfers	(b) Expense recognition of transfers	(c) Tax revenues related changes	(d) Compensated absences			
(thousands of dollars)								
Financial assets	\$ 363,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,431	
Liabilities	288,320	-	-	-	4,400	4,400	292,720	
Net financial assets	75,111	-	-	-	(4,400)	(4,400)	70,711	
Non-financial assets	499,827	554,448	(880)	-	-	553,568	1,053,395	
Revenues	1,032,735	8,695	-	2,604	-	11,299	1,044,034	
Expenses	973,646	7,877	(721)	2,604	110	9,870	983,516	
Surplus for the year	60,041	818	721	-	(110)	1,429	61,470	
Accumulated surplus at beginning of year	514,897	553,630	(1,601)	-	(4,290)	547,739	1,062,636	
Accumulated surplus at end of year	574,938	554,448	(880)	-	(4,400)	549,168	1,124,106	

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Notes to Financial Statements
March 31, 2013

4. **Cash and cash equivalents**

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Bank balances	\$ 216,797	\$ 175,771
Cash on hand	71	71
Funds held for the Government by trustees	-	406
	<u>\$ 216,868</u>	<u>\$ 176,248</u>

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

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 67,277	\$ 43,090
Income tax receivable	4,585	5,910
Other	24	26
	<u>\$ 71,886</u>	<u>\$ 49,026</u>
Due to Government of Canada		
RCMP	\$ 6,183	\$ 5,547
Public Service Pension Plan contribution payable	5,541	5,497
Other	3,167	1,641
	<u>\$ 14,891</u>	<u>\$ 12,685</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>2013</u>	<u>2012</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 9,487	\$ 7,037
Less valuation allowances	(545)	(548)
	8,942	6,489
Due from Territorial corporations	3,799	6,175
	<u>\$ 12,741</u>	<u>\$ 12,664</u>

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Notes to Financial Statements
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7. **Portfolio investments**

On March 31, 2013 the Government held portfolio investments in floating rate notes with a carrying value of \$29.3 million (2012 - \$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, 2013 carrying value reflects \$1,489,000 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:

	2013		2012	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II				
Class A-1 Notes	\$ 15,726	\$ 13,324	\$ 15,726	\$ 12,757
Class A-2 Notes	16,455	13,824	16,455	13,208
Class B Notes	2,986	1,832	2,986	1,612
Class C Notes	1,089	302	1,089	216
	<u>\$ 36,256</u>	<u>\$ 29,282</u>	<u>\$ 36,256</u>	<u>\$ 27,793</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.

All notes are backed by a combination of structured and traditional assets. On June 27, 2012, Dominion Bond Rating Service Limited (DBRS) upgraded the rating of the Class A-1 notes to AA(low)(sf) from A(high)(sf) Under Review with Positive Implications and DBRS maintained the rating of the Class A-2 notes at BBB(high)(sf). Class B and C notes are not rated.

8. **Advances to Territorial corporations**

	2013	2012
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	<u>\$ 25,602</u>	<u>\$ 25,777</u>

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

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Notes to Financial Statements
March 31, 2013

9. Loans receivable

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2018 (2012 – 2017), bearing interest at 0.00% (2012 – 0.00%)	\$ 7,497	\$ 8,229
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2012 – 2030), bearing interest rates ranging from 3.26% to 7.50% (2012 – 4.00% to 7.50%)	4,758	2,789
Local improvement loans, due in varying annual amounts to the year 2040 (2012 – 2040), bearing interest rates ranging from 0.50% to 6.00% (2012 – 0.50% to 5.00%)	4,506	4,222
Domestic well loans, due in varying annual amounts to the year 2027 (2012 – 2026), bearing interest rates ranging from 0.50% to 4.75% (2012 – 0.50% to 4.75%)	3,653	3,115
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 12.00% (2012 – 0.00% to 12.00%)	1,040	1,511
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2018 (2012 – 2016), bearing interest rates ranging from 3.00% to 5.00% (2012 – 3.00% to 7.25%)	649	806
Energy infrastructure development loan due in periodic instalments bearing interest at 6.40% (2012 – 6.40%)	205	205
Energy conservation loans due in varying annual amounts with varying rates of interest	150	151
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2012 – 2021), bearing interest at 0.00% (2012 – 0.00%)	125	141
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014 (2012 – 2014), bearing interest at 0.00% (2012 – 0.00%)	121	274
Less valuation allowances	<u>(1,412)</u>	<u>(1,901)</u>
	<u>\$ 21,292</u>	<u>\$ 19,542</u>

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Notes to Financial Statements
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10. **Land held for sale**

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Undeveloped land	\$ 580	\$ 474
Land under development	48,531	41,437
Developed land	<u>24,166</u>	<u>10,470</u>
	<u>\$ 73,277</u>	<u>\$ 52,381</u>

11. **Accounts payable and accrued liabilities**

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Accounts payable	\$ 42,531	\$ 38,717
Accrued liabilities	40,705	45,470
Contractors' holdbacks and security deposits	7,868	9,524
Due to Territorial corporations	<u>6,716</u>	<u>5,846</u>
	<u>\$ 97,820</u>	<u>\$ 99,557</u>

12. **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, 2013, the Government was aware of 61 sites (2012 – 46 sites) where the Government is obligated or is likely obligated to incur such costs. Of the 61 sites, 10 are airports and 22 are highway maintenance camps. Phase I Environmental Site Assessments (ESA) have been undertaken on all but two of the 61 sites. Those two sites are not owned by the Government; however, the Government will be held responsible if it is determined that remediation is required. Phase I ESA review indicates that the level of contamination is likely low at nine of the 10 airports, four highway maintenance camps and 10 other sites. Significant remediation work is in progress for one highway maintenance camp and at the Marwell Tar Pit (see below). Remediation work is also planned for three other sites in the fiscal year 2013/2014. 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 \$16.2 million (2012 - \$13.0 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.

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One of the 61 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, 2013, \$1.9 million (2012 - \$2.0 million) was recorded as a liability for this site, which is part of the \$16.2 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. The Government is the sole operator of these landfills. A liability is recognized as the landfill site’s capacity is used with usage measured on a volumetric basis. As at March 31, 2013, the net present value of total expenditures for closure and post-closure care is estimated to be \$6,611,000 and a liability in the amount of \$5,133,000 (2012 - \$535,000) has been recorded for these sites. The amount remaining to be recognized in the future is \$1,478,000. No assets are designated for settling these liabilities.

In calculation of the above liability, the remaining landfill life was estimated to be from zero to 50 years. Solid waste permits issued under the *Solid Waste Regulations* specify 25 years of post-closure monitoring; therefore, 25 years is used as an estimated length of time needed for post-closure care.

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, which 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.

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Liabilities for contaminated sites	\$ 16,195	\$ 13,009
Solid waste landfill closure and post-closure liability	<u>5,133</u>	<u>535</u>
	<u>\$ 21,328</u>	<u>\$ 13,544</u>

13. **Unearned revenues**

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Liability portion of government transfers	\$ 36,647	\$ 48,516
Motor vehicle fees for future years	2,918	2,631
Other	<u>275</u>	<u>262</u>
	<u>\$ 39,840</u>	<u>\$ 51,409</u>

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14. Post-employment benefits and compensated absences

	<u>2013</u>	<u>2012</u> (Restated – Note 3(d))
	(thousands of dollars)	
Severance benefits	\$ 58,161	\$ 53,676
Sick leave obligation	20,871	19,327
Vacation leave obligation	<u>17,973</u>	<u>16,642</u>
Accrued benefit obligation	97,005	89,645
Unrecognized net actuarial loss	<u>(14,214)</u>	<u>(11,682)</u>
Post-employment benefits accrued liability	82,791	77,963
Compensated absences	<u>4,809</u>	<u>4,400</u>
	<u>\$ 87,600</u>	<u>\$ 82,363</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 payouts 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, 2013, 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 12.2 years.

Expenses related to post-employment benefits for the year ended March 31, 2013 were \$ 13,372,000 (2012 - \$12,923,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$8,469,000 (2012 - \$7,261,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

As of the fiscal year 2012/2013, the Government accounts for compensated absences liabilities in accordance with Canadian public sector accounting standards. This change in accounting policy has been implemented retroactively with a restatement of the prior-year amount. In order to calculate accrued liabilities for these benefits, the actuary used the same data, assumptions and methods as those used in the post-employment benefits valuation at April 1, 2010.

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15. **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 2012, the Government contributed \$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.

In December 2012, the Government of Canada passed legislation to create a new group of plan members for the employees who join the plan on or after January 1, 2013. This group of plan members is eligible to retire with an unreduced public service pension benefit at age 65 with at least two years of pensionable service (or at age 60 with at least 30 years of service) while the old group of members is eligible to retire with an unreduced public service pension benefit at age 60 with at least two years of pensionable service (or at age 55 with at least 30 years of service). These changes also resulted in the two groups' paying different rates of contributions to the plan. Effective January 1, 2013, the Government contributes \$1.64 for every dollar contributed by the old group of plan members and \$1.57 for the new group of plan members. For the portion of the employee's salary above \$150,900, the Government contributes \$8.00 for every dollar contributed by both groups of plan members.

The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$35,860,000 (2012 - \$34,844,000).

(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 and are accepted by the Members' Services Board of the Legislative Assembly. The last actuarial valuation for funding purposes was performed as of March 31, 2012. The accrued benefit obligation as at March 31, 2013 is based on an actuarial valuation performed for accounting purposes using the membership data as of March 31, 2012.

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(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, 2011. The accrued benefit obligation at March 31, 2013 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 at March 31, 2013 is based on an extrapolation of an actuarial valuation conducted as at April 1, 2010. An actuarial valuation as of March 31, 2013 is to be performed during the fiscal year 2013/2014. The resulting information will be reflected in the financial statements for the year ended March 31, 2014. 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, 2013 was as follows:

	2013	2012
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 31,655	\$ 29,359
Territorial Court Judiciary Pension Plan	4,419	4,154
Life insurance retirement benefit	1,342	1,254
Legislative Assembly Retirement Allowances Plan	<u>(2,811)</u>	<u>(2,075)</u>
	<u>\$ 34,605</u>	<u>\$ 32,692</u>

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Notes to Financial Statements
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16. **Liabilities for leased tangible capital assets**

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

Interest expense related to liabilities for leased tangible capital assets for the year was \$21,000 (2012 - \$97,000) at an imputed average interest rate of 13.5% (2012 – 12.2%).

17. **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:

	<u>2013</u>		<u>2012</u>	
	<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	\$ 29,282	\$ 31,187	\$ 27,793	\$ 29,354
Loans receivable	21,292	21,292	19,542	19,542

An active and established market has developed for the Master Asset Vehicle II notes. Consequently, for March 31, 2013, the estimated fair value is calculated using observed market data. The estimated fair value at March 31, 2012 was calculated using a probability-weighted discounted cash flow valuation technique.

Since the above valuation is based on market information available at March 31, 2013, the fair value of portfolio investments may change materially in future periods as a result of fluctuations in the market. However, these changes are 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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18. **Tangible capital assets**

	<u>2013</u> Net Book Value	<u>2012</u> Net Book Value
	(thousands of dollars)	
Land	\$ 6,648	\$ 6,648
Buildings	306,961	312,443
Equipment and vehicles	38,689	38,490
Computer hardware and software	16,681	15,051
Transportation infrastructure	647,187	632,463
Other	<u>49,668</u>	<u>40,933</u>
(Schedule C)	<u>\$ 1,065,834</u>	<u>\$ 1,046,028</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$7.4 million (2012 - \$6.6 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 (2012 - \$365,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Buildings (cost)	\$ 729	\$ 4,200
Less accumulated amortization	<u>(437)</u>	<u>(3,543)</u>
	<u>\$ 292</u>	<u>\$ 657</u>

No interest was capitalized during the year.

19. **Expenses by object**

	<u>2013</u>	<u>2012</u> (Restated – Note 3)
	(thousands of dollars)	
Personnel	\$ 408,861	\$ 389,636
Government transfers	269,611	261,444
Contract and special services	165,756	152,739
Materials, supplies and utilities	77,908	77,366
Amortization expenses	44,340	40,865
Communication and transportation	34,512	33,690
Rent	29,395	25,997
Other	<u>5,764</u>	<u>1,779</u>
	<u>\$ 1,036,147</u>	<u>\$ 983,516</u>

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**Notes to Financial Statements
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20. **Trust assets**

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

The largest such trust account, the Compensation Fund (Yukon), has a fiscal year-end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. At March 31, 2013, the remaining trust assets were held in bank accounts or invested in floating rate notes.

Investments of the 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>2013</u>	<u>2012</u>
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 191,779	\$ 177,279
Federal Gas Tax Funds under the New Deal	9,531	15,936
Forest Sector Fund	5,409	5,340
Crime Prevention and Victim Services	5,066	4,676
Land Title Office – Assurance Fund	4,173	3,926
Lottery Commission	3,874	3,176
Contract withholdings for subcontractor's claims	2,717	494
Supreme Court trust	2,591	1,022
Other	<u>5,188</u>	<u>8,802</u>
	<u>\$ 230,328</u>	<u>\$ 220,651</u>

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Notes to Financial Statements
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21. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2013:

	Expiry Date	2014	2015 – 2032	Total
(thousands of dollars)				
RCMP policing agreement	2032	\$ 22,759	\$ 409,662	\$ 432,421
Yukon Hospital Corporation	2014	55,196	-	55,196
Capital projects				
- in progress at March 31, 2013	2018	42,093	4,999	47,092
(recoverable amount)		(20,242)	-	(20,242)
NorthwesTel Inc. mobile radio network system	2025	3,584	36,888	40,472
Building/office space leases	2023	6,749	22,533	29,282
Faro and Mt. Nanson mine sites	2015	17,031	10,190	27,221
(recoverable amount)		(17,031)	(10,190)	(27,221)
Alkan Air Ltd. medical evacuation contract	2015	5,253	5,393	10,646
Conair Group Inc. air tanker services	2018	1,820	7,710	9,530
Miscellaneous operational commitments	2018	15,118	12,593	27,711
		<u>\$ 132,330</u>	<u>\$ 499,778</u>	<u>\$ 632,108</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 costs were \$29.5 million for the wastewater treatment plant and \$4.7 million for the infrastructure heating facility. The Government's portions were \$7.8 million and \$1.6 million respectively. The construction of the wastewater treatment plant was physically complete in August 2012. The infrastructure heating facility was substantially completed in February 2013, followed by one-year commissioning period and a two-year warranty period.

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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 Watson Lake Hospital opened in July 2013 and the Dawson City Hospital is expected to be substantially complete in October 2013. The Government plans to rent approximately 10% of each of the new building space at market rates.

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.

In March 2013, the Government announced its commitment to provide \$27 million to the Yukon Hospital Corporation in the fiscal year 2013/2014, pending legislative approval, to help reduce the Corporation's debt. \$14 million of the \$27 million was paid to the Corporation on May 1, 2013. The contribution agreement for the \$27 million, which was signed in April 2013, stipulates that the remainder of the funding will be provided to the Yukon Hospital Corporation as the Corporation makes payments for costs incurred to complete 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 2012/2013, the Government paid \$2,625,000 (2012 - \$1,313,000) to YDC based on the MOU.

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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, one (2012 – two) department exceeded the authorized amounts as follows:

	(thousands of dollars)
Operations and maintenance grants	
Health and Social Services	
- Child care subsidies	\$ 109
- Medical travel subsidies	103
- Social assistance – region	62
- Pioneer utility grant	33

24. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$11.4 million (2012 - \$13.1 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$3.7 million (2012 - \$4.7 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, 2013, on a consolidated basis, the Yukon Development Corporation had total debts of \$131.5 million (2012 - \$124.4 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.

In January 2013, the Government issued a letter of credit providing 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 January 31, 2013 to July 31, 2014. The maximum amount of letters of credit to which the guarantee applies will be \$6,921,000.

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, 2013, 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.

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The Government incurred expenses of \$5.0 million during the year (2012 - \$4.8 million) with cumulative expenditures of approximately \$72.7 million (2012 - \$67.7 million), of which \$71.5 million (2012 - \$66.5 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, 2013, the total extent of the amounts claimed, excluding the claim from the Commission scolaire francophone du Yukon, which is described below, is \$0.8 million (2012 - \$11.4 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. As of the financial statements completion date, the court is yet to render a decision; 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 2012/2013, the Government paid \$109,000 (2012 - \$169,000) 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 \$1,365,000 as at March 31, 2013 (2012 - \$1,258,000). This amount is reported as part of the Government's accrued liabilities. The fund balance at March 31, 2013 was \$4.7 million (2012 - \$4.6 million).

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27. **Related parties**

Related party transactions are as follows:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 8,284	\$ 9,145
Compensation Fund (Yukon)	1,009	908
Yukon Lotteries Commission	746	673
Yukon College	262	241
Yukon Housing Corporation	249	272
Yukon Development Corporation	215	-
Yukon Hospital Corporation	127	138
	<u>\$ 10,892</u>	<u>\$ 11,377</u>
Expenses to:		
Yukon Hospital Corporation	\$ 56,622	\$ 52,477
Yukon College	25,607	25,447
Yukon Development Corporation	13,869	11,448
Yukon Housing Corporation	10,086	6,053
Compensation Fund (Yukon)	5,765	6,994
Yukon Legal Services Society	1,833	1,850
Yukon Arts Centre Corporation	1,092	1,139
Yukon Human Rights Commission	552	538
Yukon Liquor Corporation	2	7
	<u>\$ 115,428</u>	<u>\$ 105,953</u>

28. **Comparative figures**

Certain comparative figures for 2012 have been reclassified to conform with the 2013 presentation.

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Schedule A

**Schedule of Revenues
for the year ended March 31, 2013**

	2013		2012
	Main		Actual
	Estimates (Note 1(b))	Actual (thousands of dollars)	(Restated - Note 3)
From Government of Canada			
Formula Financing grant	\$ 767,159	\$ 767,159	\$ 704,686
Other grants	41,860	41,977	39,194
Contributions and service agreements	148,194	125,106	118,271
	<u>957,213</u>	<u>934,242</u>	<u>862,151</u>
Taxes and general revenues			
Income taxes	81,304	98,890	84,446
Other taxes			
Tobacco tax	11,083	11,011	11,610
Fuel tax	8,809	8,126	8,153
Liquor tax	4,144	4,121	4,048
General property tax	3,862	4,020	3,923
Insurance property tax	2,337	2,914	2,462
Grant in lieu of property tax	150	183	176
Licences, permits and fees	8,116	11,056	11,409
Yukon Liquor Corporation - net income	9,629	8,213	8,865
Resource revenue - mineral, oil and gas and forestry	2,880	4,000	5,430
Investment and interest revenue	2,404	3,417	2,904
Income from portfolio investments	1,640	1,767	1,669
Aviation operations	944	954	1,153
Fines	408	858	548
Gain on sale of lots	200	655	403
Other revenues	168	270	180
	<u>138,078</u>	<u>160,455</u>	<u>147,379</u>
Funding and service agreements with other parties	<u>32,850</u>	<u>42,557</u>	<u>34,504</u>
	<u>\$ 1,128,141</u>	<u>\$ 1,137,254</u>	<u>\$ 1,044,034</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for the year ended March 31, 2013**

	2013		Actual 2013			2012	
	Main Estimates (Note 1(b))	Personnel	Government Transfers	Other	Amortization Expenses	Total (Note 19)	Actual (Restated - Note 3)
	(thousands of dollars)						
Health and Social Services	\$ 283,089	\$ 88,795	\$ 117,329	\$ 76,648	\$ 1,575	\$ 284,347	\$ 269,686
Highways and Public Works	179,612	62,795	445	87,906	27,054	178,200	174,524
Education	149,967	87,203	35,847	20,699	6,040	149,789	147,566
Community Services	124,386	28,261	66,367	22,249	2,109	118,986	120,729
Energy, Mines and Resources	88,135	25,087	2,589	43,243	638	71,557	58,831
Justice	62,322	25,172	4,153	30,210	2,116	61,651	57,821
Environment	30,068	19,148	1,741	17,001	346	38,236	31,788
Public Service Commission	38,708	33,021	-	3,853	6	36,880	36,520
Tourism and Culture	24,886	9,080	8,343	6,972	664	25,059	23,950
Executive Council Office	23,588	13,142	5,582	2,910	14	21,648	20,150
Economic Development	15,779	5,269	5,645	2,277	39	13,230	13,258
Yukon Housing Corporation (Transfer Payment)	8,034	-	9,731	-	-	9,731	5,714
Finance	10,380	5,853	2,172	1,189	2	9,216	9,965
Yukon Development Corporation (Transfer Payment)	5,725	-	5,916	-	-	5,916	4,313
Yukon Legislative Assembly	6,229	4,185	-	1,096	18	5,299	4,949
Women's Directorate	4,805	773	3,751	328	-	4,852	1,739
Office of the Ombudsman	672	513	-	184	-	697	550
Child and Youth Advocate	477	291	-	119	-	410	450
Elections Office	451	273	-	98	-	371	920
Restricted Funds	(1,975)	-	-	(3,647)	3,719	72	93
Adjustments	(7,206)	-	-	-	-	-	-
	\$ 1,048,132	\$ 408,861	\$ 269,611	\$ 313,335	\$ 44,340	\$ 1,036,147	\$ 983,516

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for the year ended March 31, 2013**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2013 Total	2012 Total
(thousands of dollars)								
Cost of tangible capital assets, opening	\$ 6,648	\$ 526,148	\$ 98,838	\$ 41,007	\$ 885,207	\$ 48,673	\$ 1,606,521	\$ 1,554,909
Acquisitions	-	9,224	7,970	4,076	36,327	11,072	68,669	67,202
Write-downs	-	(19)	(49)	(5)	-	-	(73)	(357)
Disposals	-	(2,810)	(4,598)	(38)	(156)	(1,007)	(8,609)	(15,233)
Cost of tangible capital assets, closing	6,648	532,543	102,161	45,040	921,378	58,738	1,666,508	1,606,521
Accumulated amortization, opening	-	213,705	60,348	25,956	252,744	7,740	560,493	523,299
Amortization expense	-	12,836	6,037	2,441	21,575	1,451	44,340	40,865
Disposals	-	(959)	(2,913)	(38)	(128)	(121)	(4,159)	(3,671)
Accumulated amortization, closing	-	225,582	63,472	28,359	274,191	9,070	600,674	560,493
Net book value (Note 18)	\$ 6,648	\$ 306,961	\$ 38,689	\$ 16,681	\$ 647,187	\$ 49,668	\$ 1,065,834	\$ 1,046,028
Work-in-progress ²		\$ 19,078	\$ 191	\$ 5,754	\$ 17,119	\$ 11,873	\$ 54,015	\$ 50,144

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

² Included in net book value.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for the year ended March 31, 2013**

Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	2013 Total	2012 Total
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(thousands of dollars)

Pension and retirement plan assets are valued at fair market value.

Accrued benefit obligation

Obligation at beginning of year	\$ 25,218	\$ 7,270	\$ 29,308	\$ 1,682	\$ 63,478	\$ 59,661
Current service costs	1,078	332	1,273	27	2,710	2,832
Interest cost on benefit obligation	1,498	464	1,517	83	3,562	3,507
Actuarial (gain) loss	1,842	468	7,789	90	10,189	(473)
Benefits paid	(1,558)	(304)	(483)	(80)	(2,425)	(2,049)
Accrued benefit obligation at end of year	28,078	8,230	39,404	1,802	77,514	63,478

Plan assets

Value at beginning of year	28,867	3,896	-	-	32,763	30,968
Actual return on plan assets	2,776	340	-	-	3,116	1,639
Government contributions	1,163	62	483	80	1,788	1,989
Member contributions	150	56	-	-	206	216
Benefits paid	(1,558)	(304)	(483)	(80)	(2,425)	(2,049)
Value at end of year	31,398	4,050	-	-	35,448	32,763

Funded status - plan deficit (surplus)

Unrecognized net actuarial gain (loss)	(3,320)	4,180	39,404	1,802	42,066	30,715
Accrued benefit liability (asset) (Note 15)	509	239	(7,749)	(460)	(7,461)	1,977
	\$ (2,811)	\$ 4,419	\$ 31,655	\$ 1,342	\$ 34,605	\$ 32,692

Net benefit cost

Current service costs	\$ 1,078	\$ 332	\$ 1,273	\$ 27	\$ 2,710	\$ 2,832
Less: Member contributions	(150)	(56)	-	-	(206)	(216)
Interest cost on benefit obligation	1,498	464	1,517	83	3,562	3,507
Expected return on plan assets	(1,724)	(238)	-	-	(1,962)	(2,018)
Amortization of net actuarial (gain) loss	(275)	(175)	(11)	58	(403)	(388)
Net cost for the year	\$ 427	\$ 327	\$ 2,779	\$ 168	\$ 3,701	\$ 3,717

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits
for the year ended March 31, 2013**

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	6.00%	6.25%	N/A	N/A
Discount rate on benefit costs	6.00%	6.25%	5.00%	5.00%
Discount rate on accrued benefit obligation at end of year	5.50%	5.75%	4.50%	4.50%
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)	7.5 years	5.5 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.