

GOVERNMENT OF YUKON
Statement of Financial Position
as at March 31, 2014

	2014	2013
	(Restated - Note 3)	
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 4)	\$ 232,964	\$ 216,876
Temporary investments (Note 5)	11,984	883
Due from Government of Canada (Note 6)	52,835	71,886
Accounts receivable (Note 7)	17,808	12,741
Portfolio investments (Note 8)	57,859	52,093
Advances to Territorial corporations (Note 10)	47,923	25,602
Loans receivable (Note 11)	22,732	21,292
Land held for sale (Note 12)	76,818	73,277
	520,923	474,650
Liabilities		
Due to Government of Canada (Note 6)	12,144	14,891
Accounts payable and accrued liabilities (Note 13)	99,744	97,820
Environmental liabilities (Note 14)	25,204	21,328
Unearned revenues (Note 15)	28,336	39,840
Post-employment benefits and compensated absences (Note 16)	91,039	87,875
Retirement benefits (Note 17)	64,626	60,459
Liabilities for leased tangible capital assets (Note 18)	5,176	-
	326,269	322,213
Net financial assets	194,654	152,437
Non-financial assets		
Tangible capital assets (Note 20)	1,081,466	1,065,834
Inventories of supplies	6,776	6,163
Prepaid expenses	1,300	1,889
	1,089,542	1,073,886
Accumulated surplus	\$ 1,284,196	\$ 1,226,323


Contingencies, commitments, contractual obligations and guarantees
(Notes 14, 23, 24, 26, 27 and 28)

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

Approved:



Stephen LeClair
Deputy Minister of Finance



Darrell Pasloski
Minister of Finance

GOVERNMENT OF YUKON

**Statement of Operations and Accumulated Surplus
for the year ended March 31, 2014**

	2014		2013
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 816,647	\$ 816,647	\$ 767,159
Other grants	44,728	42,591	41,977
Contributions and service agreements	110,690	117,891	125,106
Taxes and general revenues	152,301	177,666	162,325
Funding and service agreements with other parties	31,944	23,923	41,474
	<u>1,156,310</u>	<u>1,178,718</u>	<u>1,138,041</u>
Expenses (Note 21 and Schedule B)	<u>1,083,432</u>	<u>1,126,821</u>	<u>1,037,454</u>
Recovery of prior years' expenses	-	5,976	3,537
Surplus for the year	<u>\$ 72,878</u>	57,873	104,124
Accumulated surplus at beginning of year, as previously stated		1,228,750	1,124,106
Prior-year adjustment (Note 3)		<u>(2,427)</u>	<u>(1,907)</u>
Accumulated surplus at beginning of year, restated		<u>1,226,323</u>	<u>1,122,199</u>
Accumulated surplus at end of year		<u>\$ 1,284,196</u>	<u>\$ 1,226,323</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, 2014

	2014		2013
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus for the year	\$ 72,878	\$ 57,873	\$ 104,124
Effect of change in tangible capital assets			
Acquisitions	(119,210)	(64,850)	(68,669)
Amortization of tangible capital assets	44,202	45,673	44,340
Loss on disposal of tangible capital assets	89	-	4,286
Proceeds on sale of tangible capital assets	-	246	164
Write-down of tangible capital assets	-	3,299	73
Other budgetary adjustments	5,472	-	-
	(69,447)	(15,632)	(19,806)
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(15,268)	(9,055)
Consumption of inventories of supplies	-	14,655	8,904
Decrease (increase) in prepaid expenses	-	589	(534)
	-	(24)	(685)
Increase in net financial assets	<u>\$ 3,431</u>	<u>42,217</u>	<u>83,633</u>
Net financial assets at beginning of year, as previously reported		154,864	70,711
Prior-year adjustment (Note 3)		(2,427)	(1,907)
Net financial assets at beginning of year, restated		152,437	68,804
Net financial assets at end of year		<u>\$ 194,654</u>	<u>\$ 152,437</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, 2014**

	2014	2013
	(Restated - Note 3)	
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 974,868	\$ 911,550
Taxes and general revenues	167,108	158,230
Funding and service agreements with other parties	33,823	27,663
Interest from investments and loans	5,520	4,407
	<u>1,181,319</u>	<u>1,101,850</u>
Cash paid for:		
Salary, wages and benefits	426,652	400,859
Materials, utilities and contract services	340,378	296,890
Transfer payments	297,151	272,211
Interest on leased tangible capital asset liabilities	195	21
	<u>1,064,376</u>	<u>969,981</u>
Cash provided by operating transactions	<u>116,943</u>	<u>131,869</u>
Capital transactions		
Acquisition of tangible capital assets	(59,029)	(68,615)
Proceeds from sale of tangible capital assets	246	164
	<u>(58,783)</u>	<u>(68,451)</u>
Cash used for capital transactions	<u>(58,783)</u>	<u>(68,451)</u>
Investing transactions		
Proceeds from temporary investments	31,781	3,745
Temporary investments	(42,866)	(2,770)
Proceeds from portfolio investments	4,331	2,338
Portfolio investments	(8,489)	(3,786)
Proceeds from sale of land held for sale	6,357	5,137
Investment in land held for sale	(10,721)	(24,490)
Repayment of advances from Territorial corporations	450	450
Advances to Territorial corporations	(22,771)	(275)
Repayments of loans receivable	1,520	1,230
Issuances of loans receivable	(1,206)	(3,859)
	<u>(41,614)</u>	<u>(22,280)</u>
Cash used for investing transactions	<u>(41,614)</u>	<u>(22,280)</u>
Financing transactions		
Repayment for leased tangible capital asset liabilities	(458)	(470)
	<u>(458)</u>	<u>(470)</u>
Cash used for financing transactions	<u>(458)</u>	<u>(470)</u>
Increase in cash and cash equivalents	16,088	40,668
Cash and cash equivalents at beginning of year	<u>216,876</u>	<u>176,208</u>
Cash and cash equivalents at end of year (Note 4)	\$ 232,964	\$ 216,876

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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2014

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 2013. 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 Chartered Professional Accountants of Canada, 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 Chartered Professional Accountants of Canada.

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2014

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). In December 2013, the Government of Canada passed the *Regulations Amending the Federal-Provincial Fiscal Arrangements Regulations, 2007* along with the *Regulations Amending the Canada Health Transfer, Canada Social Transfer and Wait Time Reduction Transfer Regulations* for the five year period 2014/2015 to 2018/2019. The Formula Financing grant continues to be principle-based but the Canada health transfer becomes a simple equal cash per capita grant just like the Canada social transfer. 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, and short-term investments that have terms to maturity of less than 90 days from the dates of acquisition.

Temporary investments include term deposits and funds that include treasury bills, floating rate notes, commercial paper, bearer deposit notes and banker's acceptance with terms to maturity of more than 90 days but less than one year from the date of acquisition. When the market value of temporary investments has declined below the carrying value, they are carried at market value.

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Notes to Financial Statements March 31, 2014

Portfolio investments are accounted for by the cost method and include floating rate notes and funds that include bonds and equities. These investments are expected to be realized or have terms to maturity greater than one year from the date of acquisition. 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 is comprised of the costs of acquiring, planning and developing 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.

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 associated stipulations that gave rise to a liability as of year-end.

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
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(c) Tangible capital assets

Tangible capital assets are buildings, roads, equipment, and other items, whose useful life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services. These assets are recorded at cost, or fair value if donated. For certain tangible capital assets that have previously been transferred from the Government of Canada or where the original costs are not readily available, estimated costs have been extrapolated back in time in a systematic and rational manner to approximate the appropriate transfer value of the assets at the time of transfer.

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. Historical treasures and works of art are expensed when they are acquired.

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	5 - 25 years
Vehicles	\$10,000	6 - 20 years
Computer hardware and software		
Computer hardware	\$10,000	5 years
Computer software	\$100,000	Expected usage of the system before overhaul
Transportation infrastructure		
Forestry access roads	\$50,000	10 years
Highways	\$250,000	As determined by the Department of Highways and Public Works to a maximum of 75 years
Pavement/surfaces	\$250,000	
Bridges	\$250,000	
Airport runways	\$50,000	
Other		
Portable classroom/housing trailers	\$50,000	25 years
Land improvements and fixtures	\$50,000	up to 50 years
Sewage and water systems	\$50,000	up to 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
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(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 uses 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 service, 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, 2014

Some of the more significant management estimates relate to portfolio investments, post-employment, and retirement benefits, environmental liabilities, amortization of tangible capital assets, corporate and personal income tax revenue and contingencies.

(h) Future accounting changes

The Public Sector Accounting Board issued PS 3260 Liability for Contaminated Sites, which applies to fiscal years beginning on or after April 1, 2014. The Government's accounting policy is to recognize a liability based on management's best estimate when the Government becomes aware of a contaminated site and is obligated to incur costs for remediating the site (Notes 2(f) and 14). The Government has been analyzing any possible future impact of this standard on its financial statements.

The Public Sector Accounting Board issued PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments, which apply to fiscal years beginning on or after April 1, 2016. The Government is analyzing any possible future impact of these standards on its financial statements.

3. **Prior-year adjustment**

Until the fiscal year 2012/2013, the Government classified the funds set aside for the purpose of meeting the obligations under Part 3 (Supplemental Plan) of the *Legislative Assembly Retirement Allowances Act* (Yukon) as well as the "Severance allowance" section of the *Legislative Assembly Act* (Yukon) as plan assets. As of the fiscal year 2013/2014, these assets are classified as the Government's designated assets rather than plan assets as defined in Canadian public sector accounting standard PS 3250 Retirement Benefits.

This accounting change is applied retroactively with restatements of prior-year amounts. Effects of this accounting change are:

- increase of March 31, 2013 financial assets of \$23,702,000;
- increase of March 31, 2013 liabilities of \$26,129,000;
- reduction of March 31, 2013 net financial assets and accumulated surplus of \$2,427,000;
- increase of 2012/2013 revenues of \$787,000;¹
- increase of 2012/2013 expenses of \$1,307,000;¹
- reduction of 2012/2013 net financial assets and surplus for the year of \$520,000; and
- reduction of the 2012/2013 opening net financial assets and accumulated surplus of \$1,907,000.

¹ Total 2012/2013 revenues and expenses were also impacted by unrelated reclassifications (Note 30).

4. **Cash and cash equivalents**

	2014	2013 (Restated – Note 3)
	(thousands of dollars)	
Bank balances	\$ 232,395	\$ 216,805
Short-term investment	499	-
Cash on hand	70	71
	<u>\$ 232,964</u>	<u>\$ 216,876</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2014

5. Temporary investments

	2014		2013	
	Market Value	Carrying Value	Market Value	Carrying Value (Restated – Note 3)
	(thousands of dollars)			
Term deposit	\$ 10,016	\$ 10,016	\$ -	\$ -
Other	1,973	1,968	886	883
	<u>\$ 11,989</u>	<u>\$ 11,984</u>	<u>\$ 886</u>	<u>\$ 883</u>

The term deposits held during the year had a weighted average effective yield of 1.53% (2013 – N/A) per annum and the remaining temporary investments had a weighted average effective yield of 1.00% (2013 – 1.10%) per annum.

6. Due from/to Government of Canada

	2014	2013
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 47,898	\$ 67,277
Income tax receivable	4,912	4,585
Other	25	24
	<u>\$ 52,835</u>	<u>\$ 71,886</u>
Due to Government of Canada		
RCMP	\$ 5,175	\$ 6,183
Public Service Pension Plan contribution payable	4,673	5,541
Other	2,296	3,167
	<u>\$ 12,144</u>	<u>\$ 14,891</u>

Amounts due from and due to the 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.

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Notes to Financial Statements
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7. Accounts receivable

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 9,538	\$ 9,487
Less valuation allowances	<u>(424)</u>	<u>(545)</u>
	9,114	8,942
Due from Territorial corporations	<u>8,694</u>	<u>3,799</u>
	<u>\$ 17,808</u>	<u>\$ 12,741</u>

8. Portfolio investments

	<u>2014</u>		<u>2013</u>	
	<u>Face Value</u>	<u>Carrying Value</u>	<u>Face Value</u>	<u>Carrying Value</u>
	(Restated – Note 3)			
	(thousands of dollars)			
Master Asset Vehicle II	\$ 36,256	\$ 30,890	\$ 36,256	\$ 29,282
Marketable securities	<u>26,953</u>	<u>26,969</u>	<u>22,811</u>	<u>22,811</u>
	<u>\$ 63,209</u>	<u>\$ 57,859</u>	<u>\$ 59,067</u>	<u>\$ 52,093</u>

Master Asset Vehicle II

On March 31, 2014 the Government held portfolio investments in floating rate notes with a carrying value of \$30.9 million (2013 - \$29.3 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 scheduled maturity dates. The March 31, 2014 carrying value reflects \$1,608,000 (2013 - \$1,489,000) amortization of the discount recognized as part of the current year revenue from portfolio investments.

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The Government held the following investments in MAV II notes:

	2014		2013	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II				
Class A-1 Notes	\$ 15,726	\$ 13,914	\$ 15,726	\$ 13,324
Class A-2 Notes	16,455	14,470	16,455	13,824
Class B Notes	2,986	2,083	2,986	1,832
Class C Notes	1,089	423	1,089	302
	<u>\$ 36,256</u>	<u>\$ 30,890</u>	<u>\$ 36,256</u>	<u>\$ 29,282</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 6, 2013, DBRS Limited maintained the rating of the Class A-1 notes at AA(low)(sf) and upgraded the rating of the Class A-2 notes from BBB(high)(sf) to A(low)(sf). Class B and C notes are not rated.

9. **Designated assets**

The Government has designated a portion of its assets for the purpose of meeting the obligations under Part 3 (Supplemental Plan) of the *Legislative Assembly Retirement Allowances Act* (Yukon) as well as the "Severance allowance" section of the *Legislative Assembly Act* (Yukon).

Designated assets are included in cash and cash equivalents, temporary investments and portfolio investments as follows:

	2014	2013 (Restated – Note 3)
	(thousands of dollars)	
Cash and cash equivalents	\$ 126	\$ 8
Temporary investments (market value \$1,973,000; 2013 – \$886,000)	1,968	883
Portfolio investments – marketable securities (market value \$26,366,000; 2013 - \$24,787,000)	<u>22,653</u>	<u>22,811</u>
	<u>\$ 24,747</u>	<u>\$ 23,702</u>

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Notes to Financial Statements
March 31, 2014

10. Advances to Territorial corporations

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	\$ 29,923	\$ 25,602
Yukon Development Corporation		
Infrastructure loan	<u>18,000</u>	<u>-</u>
	<u>\$ 47,923</u>	<u>\$ 25,602</u>

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

In December 2013, the Government entered into a loan agreement with the Yukon Development Corporation ("YDC") and advanced \$18 million in order to assist in the development of the Whitehorse diesel – natural gas conversion project, which is being carried out by the Yukon Energy Corporation, YDC's wholly owned subsidiary. The initial term of the loan advance is March 31, 2015. Pursuant to the agreement, the loan may be extended for two additional six month terms upon mutual consent of the Government and YDC. The per annum interest rate during the first term is the one-year Canadian Dealer Offered Rate plus 20 basis points on December 20, 2013 (1.689%). The per annum interest rate during the second and third terms will be set based on the six-month Canadian Dealer Offered Rate plus 30 basis points in effect at the beginning of each term.

11. Loans receivable

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2019 (2013 – 2018), bearing interest at 0.00% (2013 – 0.00%).	\$ 9,242	\$ 7,497
Local improvement loans, due in varying annual amounts to the year 2041 (2013 – 2040), bearing interest rates ranging from 0.50% to 6.00% (2013 – 0.50% to 6.00%).	4,500	4,506
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2013 – 2030), bearing interest rates ranging from 3.26% to 7.50% (2013 – 3.26% to 7.50%).	4,268	4,758
Domestic well loans, due in varying annual amounts to the year 2029 (2013 – 2027), bearing interest rates ranging from 0.50% to 4.75% (2013 – 0.50% to 4.75%).	4,037	3,653
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2019 (2013 – 2018), bearing interest rates ranging from 3.00% to 5.00% (2013 – 3.00% to 5.00%).	596	649

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Loans receivable (continued)

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 6.00% (2013 – 0.00% to 12.00%).	\$ 459	\$ 1,040
Energy infrastructure development loan due in periodic installments bearing interest at 6.40% (2013 – 6.40%).	205	205
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2013 – 2021), bearing interest at 0.00% (2013 – 0.00%).	111	125
Other	-	271
Less valuation allowances	<u>(686)</u>	<u>(1,412)</u>
	<u>\$ 22,732</u>	<u>\$ 21,292</u>

12. **Land held for sale**

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Undeveloped land	\$ 580	\$ 580
Land under development	38,137	48,531
Developed land	<u>38,101</u>	<u>24,166</u>
	<u>\$ 76,818</u>	<u>\$ 73,277</u>

13. **Accounts payable and accrued liabilities**

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Accrued liabilities	\$ 42,935	\$ 40,963
Accounts payable	41,100	43,015
Due to Territorial corporations	10,508	5,974
Contractors' holdbacks and security deposits	<u>5,201</u>	<u>7,868</u>
	<u>\$ 99,744</u>	<u>\$ 97,820</u>

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14. **Environmental liabilities**

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

The Government has recorded \$17.7 million (2013 - \$16.2 million) as liabilities, based on management's best estimates utilizing the information available at the financial statement date, for remediation of the sites that are known to be contaminated and the Government is obligated to remediate. The amount of liabilities becomes determinable over a continuum of events and activities as information becomes available. For example, the estimate of costs becomes known as the Government completes the various stages of assessing the extent of the contamination. As a result, the actual amount of liabilities to remediate these sites could vary significantly.

As at March 31, 2014, the Government was aware of 67 sites (2013 – 61 sites) where the Government is obligated or is likely obligated to incur such costs. Of the 67 sites, 12 are airports and 23 are highway maintenance camps. Phase I Environmental Site Assessments (ESA) have been undertaken on all but two of the 67 sites. Phase I ESA review indicates that the level of contamination is likely low or very low at 10 of the 12 airports, four highway maintenance camps and 15 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 2014/2015. Sites not being remediated are undergoing or may require Phase II ESA work; the Government is committed to perform Phase II ESA work on these sites in a systematic manner.

One of the 67 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. In September 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, 2014, \$1.8 million (2013 - \$1.9 million) was recorded as a liability for this site, which is part of the \$17.7 million noted above.

The *Environment Act* (Yukon) – *Solid Waste Regulations* include requirements for closure and abandonment of a dump. There are 27 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, 2014, the net present value of total expenditures for closure and post-closure care is estimated to be \$8,937,000 (2013 – \$6,611,000) and a liability in the amount of \$7,459,000 (2013 - \$5,133,000) has been recorded for these sites. The amount remaining to be recognized in the future is \$1,478,000 (2013 – \$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.

GOVERNMENT OF YUKON

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	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Liabilities for contaminated sites	\$ 17,745	\$ 16,195
Solid waste landfill closure and post-closure liability	<u>7,459</u>	<u>5,133</u>
	<u>\$ 25,204</u>	<u>\$ 21,328</u>

15. **Unearned revenues**

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Liability portion of government transfers	\$ 25,504	\$ 36,647
Motor vehicle fees for future years	2,415	2,918
Other	<u>417</u>	<u>275</u>
	<u>\$ 28,336</u>	<u>\$ 39,840</u>

The liability portion of government transfers represents transfer payments from the Government of Canada, which have funding stipulations that gave rise to a liability as of year-end. Of the amount of \$25,504,000, \$25,106,000 (2013 - \$33,132,000 of \$36,647,000) are transfer payments received under the Building Canada Fund, which are yet to be spent on eligible infrastructure projects under the terms and conditions of the funding agreement.

16. **Post-employment benefits and compensated absences**

	<u>2014</u>	<u>2013</u>
		(Restated – Note 3)
	(thousands of dollars)	
Severance benefits	\$ 58,593	\$ 58,161
Sick leave obligation	21,366	20,871
Vacation leave obligation	<u>16,712</u>	<u>17,973</u>
Accrued benefit obligation	96,671	97,005
Unamortized net actuarial loss	<u>(7,325)</u>	<u>(13,939)</u>
Post-employment benefits accrued liability	89,346	83,066
Compensated absences	<u>1,693</u>	<u>4,809</u>
	<u>\$ 91,039</u>	<u>\$ 87,875</u>

Severance benefits are paid on termination of service or upon retirement. The above amounts comprise of severance benefits for the Government employees and those for the Members of the Legislative Assembly.

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(a) Yukon Government employees

Severance benefits are paid to the Government employees based on the type of termination, e.g. resignation versus retirement, the rate of the pay, and the number of years of continuous employment.

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 accrued benefit obligation at March 31, 2014 is based on an extrapolation of an actuarial valuation conducted as at March 31, 2013. In projecting the accrued obligation for these benefits as at March 31, 2014, the Government assumed a discount rate of 4.5% 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 11.6 years.

Expenses related to post-employment benefits for the year ended March 31, 2014 were \$14,070,000 (2013 - \$13,372,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$7,928,000 (2013 - \$8,649,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The Government also accounts for compensated absences liabilities in accordance with Canadian public sector accounting standards. Compensated absences include special leave benefits and educational leave benefits.

(b) Members of the Legislative Assembly

The *Legislative Assembly Act* (Yukon) provides a severance allowance to members of the Legislative Assembly based on the aggregate of the indemnity and salary received by the member during the preceding year and the number of the years served by the member. At March 31, 2014, the severance benefit obligation for this benefit was \$398,000 (2013 - \$378,000). The accrued severance benefit liability as at March 31, 2014 was \$411,000 (2013 restated - \$273,000) (Note 3). The book value of the assets designated by the Government to meet this obligation was \$446,000 at March 31, 2014 (2013 restated - \$246,000) (Notes 3 and 9). The actuarial valuation of the accrued benefit liability was performed as at March 31, 2014.

17. **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. 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).

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The above changes also resulted in the two groups' paying different rates of contributions to the plan. In the calendar year 2013, the Government contributed \$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 contributed \$8.00 for every dollar contributed by both groups of plan members. In the calendar year 2014, the Government contributes \$1.45 for every dollar contributed by the old group of plan members and \$1.43 for the new group of plan members. For the portion of the employee's salary above \$155,000, the Government contributes \$7.59 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 \$37,756,000 (2013 - \$35,860,000).

(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 (Note 9). 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, 2014 is based on an actuarial valuation performed for accounting purposes using the membership data as of March 31, 2014.

(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, 2014.

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(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, 2014 is based on an extrapolation of an actuarial valuation conducted as at March 31, 2013. 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, 2014 was as follows:

	<u>2014</u>	<u>2013</u> (Restated – Note 3)
	(thousands of dollars)	
Accrued benefit liability		
Extended health care retirement benefit	\$ 35,036	\$ 31,655
Legislative Assembly Retirement Allowances Plan	23,336	23,043
Territorial Court Judiciary Pension Plan	4,822	4,419
Life insurance retirement benefit	<u>1,432</u>	<u>1,342</u>
(Schedule D)	<u>\$ 64,626</u>	<u>\$ 60,459</u>

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

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2023, with imputed interest rate of 3.7%.	<u>\$ 5,176</u>	<u>\$ -</u>

Interest expense related to liabilities for leased tangible capital assets for the year was \$195,000 (2013 - \$21,000) at an imputed average interest rate of 3.7% (2013 - 13.5%).

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

	(thousands of dollars)	
2015	\$ 1,045	
2016	1,045	
2017	1,082	
2018	1,082	
2019 and thereafter	<u>5,639</u>	
Total minimum lease payments	9,893	
Less: amount representing executory costs	(3,252)	
amount representing rental of land	(961)	
amount representing interest	<u>(504)</u>	
	<u>\$ 5,176</u>	

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19. **Financial instruments**

The balances in cash and cash equivalents, due to/from Government of Canada, accounts receivable, advances to Territorial corporations and accounts payable and accrued liabilities 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 other financial instruments are detailed below:

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
			(Restated – Note 3)	
	(thousands of dollars)			
Temporary investments	\$ 11,984	\$ 11,989	\$ 883	\$ 886
Portfolio investments				
Master Asset Vehicle II	30,890	33,753	29,282	31,187
Marketable securities	26,969	30,681	22,811	24,787
Loans receivable	22,732	22,732	21,292	21,292

An active and established market exists for the temporary and portfolio investments. Consequently the estimated fair value is calculated using observed market data.

Since the above valuation is based on market information available at March 31, 2014, the fair value of the 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.

20. **Tangible capital assets**

	2014	2013
	Net Book Value	Net Book Value
	(thousands of dollars)	
Land	\$ 6,648	\$ 6,648
Buildings	310,771	306,961
Equipment and vehicles	40,384	38,689
Computer hardware and software	17,249	16,681
Transportation infrastructure	647,485	647,187
Other	58,929	49,668
(Schedule C)	<u>\$ 1,081,466</u>	<u>\$ 1,065,834</u>

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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 \$582,000 (2013 - \$365,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	2014	2013
	(thousands of dollars)	
Buildings (cost)	\$ 6,363	\$ 729
Less accumulated amortization	<u>(1,019)</u>	<u>(437)</u>
	<u>\$ 5,344</u>	<u>\$ 292</u>

No interest was capitalized during the year.

21. **Expenses by object**

	2014	2013
		(Restated – Note 3)
	(thousands of dollars)	
Personnel	\$ 437,397	\$ 410,168
Government transfers	301,726	269,611
Contract and special services	177,038	165,756
Materials, supplies and utilities	86,353	77,908
Amortization expenses	45,673	44,340
Communication and transportation	38,194	34,512
Rent	37,632	29,395
Other	<u>2,808</u>	<u>5,764</u>
	<u>\$ 1,126,821</u>	<u>\$ 1,037,454</u>

22. **Trust assets**

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

The largest such trust account, the Compensation Fund (Yukon), has a fiscal year-end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. At March 31, 2014, the remaining trust assets were held in bank accounts or invested in term deposits.

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.

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	<u>2014</u>	<u>2013</u> (Restated – Note 3)
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 217,109	\$ 191,779
Federal Gas Tax Funds under the New Deal	42,300	9,531
Forest Sector Trust	5,483	5,409
Crime Prevention and Victim Services	5,320	5,066
Lottery Commission	4,614	3,874
Extended health and dental plan trust funds	2,686	-
Supreme Court trust	1,554	2,591
Public Guardian trust	1,266	1,264
Other	3,083	10,805
	<u>\$ 283,415</u>	<u>\$ 230,319</u>

23. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2014:

	<u>Expiry Date</u>	<u>2015</u>	<u>2016 – 2032</u>	<u>Total</u>
		(thousands of dollars)		
RCMP policing agreement	2032	\$ 22,526	\$ 382,942	\$ 405,468
Capital projects				
- in progress at March 31, 2014	2018	67,592	8,546	76,138
(recoverable amount)		(48,013)	(5,139)	(53,152)
Faro and Mt. Nanson mine sites	2016	42,134	14,000	56,134
(recoverable amount)		(42,134)	(14,000)	(56,134)
Building/office space leases	2029	11,265	37,981	49,246
NorthwesTel Inc. mobile radio network system	2025	3,609	33,279	36,888
Yukon College	2017	20,925	669	21,594
Conair Group Inc. air tanker services	2018	1,866	5,842	7,708
Alkan Air Ltd. medical evacuation contract	2015	5,393	-	5,393
Miscellaneous operational commitments	2019	17,420	21,164	38,584
		<u>\$ 102,583</u>	<u>\$ 485,284</u>	<u>\$ 587,867</u>

GOVERNMENT OF YUKON

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24. **Commitments**

(a) Yukon Hospital Corporation

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. The Government had indicated its commitment 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. All these projects were completed by March 31, 2014. The Government rents approximately 50% of the new staff residence and health services facility and 10% each of the new hospital buildings in Watson Lake and Dawson City at market rates.

During the fiscal year 2013/2014, the Government provided \$27 million to the Yukon Hospital Corporation to help reduce the Corporation's debt.

(b) Yukon Development Corporation

In June 2010, the Yukon Development Corporation ("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 towards the construction of the Mayo B hydro enhancement and the Carmacks-Stewart transmission phase II projects. 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 2013/2014, the Government paid \$2,625,000 (2013 - \$2,625,000) to YDC based on the MOU.

25. **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 (2013 – one) department exceeded the authorized amounts as follows:

	(thousands of dollars)
Operations and maintenance grants	
Health and Social Services	
- Yukon seniors' income supplement	\$ 12

26. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$8.9 million (2013 - \$11.4 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$2.7 million (2013 - \$3.7 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, 2014, on a consolidated basis, the Yukon Development Corporation had borrowings of \$130.3 million (2013 - \$131.5 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.

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In January 2014, 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, 2014 to July 31, 2015. The maximum amount of letters of credit to which the guarantee applies will be \$10,853,000.

It is expected that no significant costs will be incurred by the Government with respect to these guarantees and debts.

27. Land claims

Between February 1995 and March 31, 2014, eleven Yukon First Nation Final and Self-government Agreements came into effect. The Government of Canada's negotiating mandate expired prior to the completion of the remaining three Yukon agreements. Settlements for these outstanding claims would not result in a general liability to the Government as they are to be funded by the Government of Canada. The Government would, however, be responsible for any financial obligations it might agree to during the negotiations.

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

The Government incurred expenses of \$5.5 million during the year (2013 - \$5.0 million) with cumulative expenditures of approximately \$78.2 million (2013 - \$72.7 million), of which \$77.0 million (2013 - \$71.5 million) was funded by the Government of Canada.

28. 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, 2014, the amounts claimed, excluding the claim from the Commission scolaire francophone du Yukon, which is described below, is \$1.6 million (2013 - \$0.8 million). No provision for these claims has been made as it is unlikely or undeterminable that a liability has been incurred at the date of the financial statements.

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In the Statement of Claim filed by the Commission scolaire francophone du Yukon ("CSFY") in 2009, the Government was named as defendant. In addition to 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 Yukon Supreme 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 appealed this ruling to the Yukon Court of Appeal. The appeal was heard in March 2012. On February 11, 2014, the Yukon Court of Appeal granted the appeal, ruled on three specific legal issues and sent the matter back for a re-trial. On April 11, 2014, CSFY sought leave to appeal to the Supreme Court of Canada on all major determinations of the Court of Appeal. The Government filed its response to that application on May 12, 2014. On June 26, 2014, the Supreme Court of Canada granted the CSFY's leave to appeal. It is anticipated that the appeal will not be heard until spring 2015; 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 2013/2014, the Government paid \$306,000 (2013 - \$109,000) 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 \$1,169,000 as at March 31, 2014 (2013 - \$1,365,000). This amount is reported as part of the Government's accrued liabilities. The fund balance at March 31, 2014 was \$5.0 million (2013 - \$4.7 million).

29. **Related parties**

Related party transactions are as follows:

	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 9,199	\$ 8,284
Compensation Fund (Yukon)	950	1,009
Yukon Lotteries Commission	782	746
Yukon College	358	262
Yukon Development Corporation	291	215
Yukon Housing Corporation	289	249
Yukon Hospital Corporation	284	127
	<u>\$ 12,153</u>	<u>\$ 10,892</u>

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	<u>2014</u>	<u>2013</u>
	(thousands of dollars)	
Expenses to:		
Yukon Hospital Corporation	\$ 95,088	\$ 56,622
Yukon College	26,269	25,607
Yukon Development Corporation	14,884	13,869
Yukon Housing Corporation	6,180	10,086
Compensation Fund (Yukon)	5,851	5,765
Yukon Legal Services Society	2,088	1,833
Yukon Arts Centre Corporation	1,253	1,092
Yukon Human Rights Commission	567	552
Yukon Lotteries Commission	12	-
Yukon Liquor Corporation	-	2
	<u>\$ 152,192</u>	<u>\$ 115,428</u>

30. **Comparative figures**

Certain comparative figures for 2013 have been reclassified to conform with the 2014 presentation.

GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues by Source
for the year ended March 31, 2014**

	2014		2013
	Main	Actual	Actual
	Estimates (Note 1(b))	(thousands of dollars)	(Restated - Note 3)
From Government of Canada			
Formula Financing grant	\$ 816,647	\$ 816,647	\$ 767,159
Other grants	44,728	42,591	41,977
Contributions and service agreements	110,690	117,891	125,106
	<u>972,065</u>	<u>977,129</u>	<u>934,242</u>
Taxes and general revenues			
Income taxes	92,525	104,935	98,890
Other taxes			
Tobacco tax	10,817	10,649	11,011
Fuel tax	8,797	7,914	8,126
General property tax	3,975	5,156	4,020
Liquor tax	4,383	4,161	4,121
Insurance property tax	2,646	2,539	2,914
Grant in lieu of property tax	150	206	183
Licences, permits and fees	9,130	11,984	11,056
Yukon Liquor Corporation - net income	10,522	9,043	8,213
Restricted funds	-	5,221	-
Resource revenue - mineral, oil and gas and forestry	3,030	4,086	4,000
Investment and interest revenue	2,619	3,906	3,436
Income from portfolio investments	1,870	3,328	2,535
Continuing care	-	1,731	1,083
Aviation operations	1,061	1,210	954
Sale of undeveloped land	200	870	655
Fines	408	500	858
Other revenues	168	227	270
	<u>152,301</u>	<u>177,666</u>	<u>162,325</u>
Funding and service agreements with other parties	31,944	23,923	41,474
	<u>\$ 1,156,310</u>	<u>\$ 1,178,718</u>	<u>\$ 1,138,041</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for the year ended March 31, 2014**

	2014	Actual 2014				2013	
	Main Estimates (Note 1(b))	Personnel	Government Transfers	Other	Amortization Expenses	Total (Note 21)	Actual (Restated - Note 3)
	(thousands of dollars)						
Health and Social Services	\$ 328,843	\$ 94,631	\$ 163,628	\$ 81,650	\$ 1,530	\$ 341,439	\$ 285,203
Highways and Public Works	178,050	63,252	1,220	97,418	27,983	189,873	176,176
Education	158,530	94,428	37,799	25,569	6,027	163,823	149,789
Community Services	120,690	29,696	54,171	30,858	2,765	117,490	118,130
Energy, Mines and Resources	65,784	26,733	3,370	46,036	357	76,496	71,557
Justice	63,501	27,378	4,478	31,212	2,134	65,202	61,651
Public Service Commission	39,358	35,928	2	3,827	5	39,762	36,880
Environment	31,905	20,120	1,629	13,335	338	35,422	38,236
Tourism and Culture	24,910	9,885	7,434	6,728	727	24,774	25,059
Executive Council Office	24,494	13,917	5,193	2,848	10	21,968	21,648
Economic Development	15,739	5,817	6,176	2,504	39	14,536	13,230
Finance	9,906	6,220	2,770	1,248	1	10,239	9,216
Yukon Legislative Assembly	6,502	5,847	-	1,322	20	7,189	6,606
Yukon Development Corporation (Transfer Payment)	5,975	-	5,958	-	-	5,958	5,916
Yukon Housing Corporation (Transfer Payment)	10,534	-	5,763	-	-	5,763	9,731
Women's Directorate	2,867	732	2,131	240	-	3,103	4,852
French Language Services	2,526	1,769	4	630	-	2,403	2,024
Office of the Ombudsman	826	608	-	160	-	768	697
Child and Youth Advocate	489	312	-	128	-	440	410
Elections Office	385	124	-	133	-	257	371
Restricted Funds	(2,119)	-	-	(3,821)	3,737	(84)	72
Adjustments	(6,263)	-	-	-	-	-	-
	\$ 1,083,432	\$ 437,397	\$ 301,726	\$ 342,025	\$ 45,673	\$ 1,126,821	\$ 1,037,454

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for the year ended March 31, 2014**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2014 Total	2013 Total
(thousands of dollars)								
Cost of tangible capital assets, opening	\$ 6,648	\$ 532,543	\$ 102,161	\$ 45,040	\$ 921,378	\$ 58,738	\$ 1,666,508	\$ 1,606,521
Acquisitions	-	20,208	8,078	3,514	22,139	10,911	64,850	68,669
Write-downs	-	(3,263)	(36)	-	-	-	(3,299)	(73)
Disposals	-	(3,848)	(1,729)	(777)	(165)	-	(6,519)	(8,609)
Cost of tangible capital assets, closing	6,648	545,640	108,474	47,777	943,352	69,649	1,721,540	1,666,508
Accumulated amortization, opening	-	225,582	63,472	28,359	274,191	9,070	600,674	560,493
Amortization expense	-	13,135	6,101	2,946	21,841	1,650	45,673	44,340
Disposals	-	(3,848)	(1,483)	(777)	(165)	-	(6,273)	(4,159)
Accumulated amortization, closing	-	234,869	68,090	30,528	295,867	10,720	640,074	600,674
Net book value (Note 20)	<u>\$ 6,648</u>	<u>\$ 310,771</u>	<u>\$ 40,384</u>	<u>\$ 17,249</u>	<u>\$ 647,485</u>	<u>\$ 58,929</u>	<u>\$ 1,081,466</u>	<u>\$ 1,065,834</u>
Work-in-progress ²		\$ 10,043	\$ 322	\$ 6,441	\$ 19,401	\$ 9,189	\$ 45,396	\$ 54,015

¹ Includes land improvements with a net book value at March 31, 2014 of \$23,215,000 (2013 - \$23,775,000) and sewage/water systems with a net book value at March 31, 2014 of \$19,509,000 (2013 - \$8,224,000).

² Included in net book value.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for the year ended March 31, 2014**

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	2014 Total	2013 Total
(thousands of dollars)						
						(Restated - Note 3)
Pension and retirement plan assets are valued at fair market value.						
Accrued benefit obligation						
Obligation at beginning of year	\$ 28,078	\$ 8,230	\$ 39,404	\$ 1,802	\$ 77,514	\$ 63,478
Current service costs	1,232	409	1,488	30	3,159	2,710
Interest cost on benefit obligation	1,527	484	1,829	81	3,921	3,562
Actuarial (gain) loss	(2,043)	1,121	(5,634)	336	(6,220)	10,189
Benefits paid	(1,872)	(414)	(563)	(89)	(2,938)	(2,425)
Accrued benefit obligation at end of year	26,922	9,830	36,524	2,160	75,436	77,514
Plan assets						
Value at beginning of year	5,963	4,050	-	-	10,013	9,038
Actual return on plan assets	767	538	-	-	1,305	1,066
Government contributions	408	109	563	89	1,169	974
Member contributions	152	48	-	-	200	206
Benefits paid	(437)	(414)	(563)	(89)	(1,503)	(1,271)
Value at end of year	6,853	4,331	-	-	11,184	10,013
Funded status - plan deficit	20,069	5,499	36,524	2,160	64,252	67,501
Unrecognized net actuarial gain (loss)	3,267	(677)	(1,488)	(728)	374	(7,042)
Accrued benefit liability (Note 17)	\$ 23,336	\$ 4,822	\$ 35,036	\$ 1,432	\$ 64,626	\$ 60,459
Net benefit cost						
Current service costs	\$ 1,232	\$ 409	\$ 1,488	\$ 30	\$ 3,159	\$ 2,710
Less: Member contributions	(152)	(48)	-	-	(200)	(206)
Interest cost on benefit obligation	1,527	484	1,829	81	3,921	3,562
Expected return on plan assets	(331)	(225)	-	-	(556)	(549)
Amortization of net actuarial (gain) loss	(140)	(108)	627	68	447	(513)
Net cost for the year	\$ 2,136	\$ 512	\$ 3,944	\$ 179	\$ 6,771	\$ 5,004

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits
for the year ended March 31, 2014**

Schedule D
Continued

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit
Key Assumptions				
Expected long-term rate of return on assets at beginning of year	5.50%	5.75%	N/A	N/A
Discount rate on benefit costs	5.50%	5.75%	4.50%	4.50%
Discount rate on accrued benefit obligation at end of year	5.50%	5.75%	4.50%	4.50%
Inflation rate at end of year	2.00%	2.50%	2.25%	2.25%
Rate of compensation increase	2.50%	3.00%	see below ¹	see below ¹
Health care cost trend rate	N/A	N/A	see below ²	N/A
Amortization period (expected average remaining service life)	7.5 years	5.5 years	11.5 years	7.6 years

¹ Based on the annual rates from the Public Service Pension Plan ("PSPP") March 31, 2011 valuation report.

² 8.0% per annum for 2014 grading down by level steps to an ultimate rate of 4.0% per annum in year 15.