

SECTION I
GOVERNMENT OF YUKON
FINANCIAL STATEMENTS
(unaudited)

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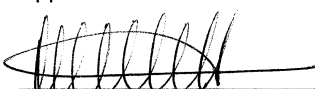
GOVERNMENT OF YUKON
Statement of Financial Position
as at March 31, 2016

	2016	2015
	(thousands of dollars)	
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 14,238	\$ 95,255
Temporary investments (Note 4)	227,867	183,851
Due from Government of Canada (Note 5)	46,793	61,098
Accounts Receivable (Note 6)	15,803	13,925
Portfolio investments (Note 7)	63,542	59,516
Advances to Territorial corporations (Note 9)	74,041	71,438
Loans receivable (Note 10)	22,870	22,214
Land inventory (Note 11)	65,214	73,354
	530,368	580,651
Liabilities		
Due to Government of Canada (Note 5)	38,033	20,258
Accounts payable and accrued liabilities (Note 12)	105,722	102,969
Environmental liabilities (Note 13)	30,718	28,555
Unearned revenues (Note 14)	17,063	33,637
Post-employment benefits and compensated absences (Note 15)	104,004	96,924
Retirement benefits (Note 16)	73,511	68,639
Liabilities for leased tangible capital assets (Note 17)	7,965	6,582
	377,016	357,564
Net financial assets	153,352	223,087
Non-financial assets		
Tangible capital assets (Note 19)	1,202,650	1,120,769
Inventories of supplies	8,416	6,966
Prepaid expenses	1,980	1,847
	1,213,046	1,129,582
Accumulated surplus	\$ 1,366,398	\$ 1,352,669

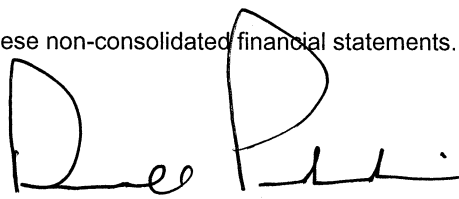
Contingencies, commitments, contractual obligations and guarantees
(Notes 13, 23, 24, 26, 27 and 28)

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

Approved:



Katherine White
Deputy Minister of Finance



Darrell Pasloski
Minister of Finance

GOVERNMENT OF YUKON

**Statement of Operations and Accumulated Surplus
for the year ended March 31, 2016**

	2016		2015
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 874,086	\$ 874,086	\$ 851,268
Other grants	48,554	51,585	44,630
Contributions and service agreements	130,109	115,067	129,810
Taxes and general revenues	169,183	144,447	156,914
Funding and service agreements with other parties	28,407	29,437	27,493
	<u>1,250,339</u>	<u>1,214,622</u>	<u>1,210,115</u>
Expenses (Note 20 and Schedule B)	<u>1,227,097</u>	<u>1,226,786</u>	<u>1,144,530</u>
Recovery of prior years' expenses (Note 21)	-	25,893	2,888
Surplus for the year	<u>\$ 23,242</u>	13,729	68,473
Accumulated surplus at beginning of year		<u>1,352,669</u>	<u>1,284,196</u>
Accumulated surplus at end of year		<u>\$ 1,366,398</u>	<u>\$ 1,352,669</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, 2016**

	2016		2015
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus for the year	\$ 23,242	\$ 13,729	\$ 68,473
Effect of change in tangible capital assets			
Acquisitions	(138,654)	(135,485)	(86,090)
Amortization of tangible capital assets	48,455	50,271	46,185
Loss (gain) on disposal of tangible capital assets	(10)	41	(70)
Proceeds on disposal of tangible capital assets	107	117	196
Write-down of tangible capital assets	24	3,174	476
Other budgetary adjustments	9,204	-	-
	<u>(80,874)</u>	<u>(81,882)</u>	<u>(39,303)</u>
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(10,950)	(9,015)
Decrease in inventories of supplies	-	9,501	8,825
Increase in prepaid expenses	-	(133)	(547)
	<u>-</u>	<u>(1,582)</u>	<u>(737)</u>
(Decrease) increase in net financial assets	<u>\$ (57,632)</u>	<u>(69,735)</u>	<u>28,433</u>
Net financial assets at beginning of year		<u>223,087</u>	<u>194,654</u>
Net financial assets at end of year		<u>\$ 153,352</u>	<u>\$ 223,087</u>

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

GOVERNMENT OF YUKON

Statement of Cash Flow
for the year ended March 31, 2016

	2016	2015
	(thousands of dollars)	
Operating transactions		
Surplus for the year	\$ 13,729	\$ 68,473
Non-cash items included in surplus for the year:		
Amortization of tangible capital assets	50,271	46,185
Amortization of discount / premium on portfolio investments	(1,910)	(1,740)
Loans receivable valuation adjustment	(144)	(17)
Write-down of tangible capital assets	3,174	476
Gain on sale of land inventory	(1,182)	(1,532)
Loss/(Gain) on disposal of tangible capital assets	41	(70)
Change in non-cash assets and liabilities	<u>28,913</u>	<u>23,376</u>
Cash provided by operating transactions	<u>92,892</u>	<u>135,151</u>
Capital transactions		
Acquisition of tangible capital assets	(132,329)	(84,061)
Proceeds on disposal of tangible capital assets	<u>117</u>	<u>196</u>
Cash used for capital transactions	<u>(132,212)</u>	<u>(83,865)</u>
Investing transactions		
Net acquisition of temporary investments	(44,016)	(171,867)
Proceeds from portfolio investments	2,630	2,911
Acquisition of portfolio investments	(4,746)	(2,828)
Repayment of advances from Territorial corporations	450	450
Advances to Territorial corporations	(3,053)	(23,965)
Repayment of loans receivable	12,733	10,864
Issuance of loans receivable	(952)	(1,119)
Investment in land inventory	<u>(3,882)</u>	<u>(2,818)</u>
Cash used for investing transactions	<u>(40,836)</u>	<u>(188,372)</u>
Financing transactions		
Repayment of liabilities for leased tangible capital assets	<u>(861)</u>	<u>(623)</u>
Cash used for financing transactions	<u>(861)</u>	<u>(623)</u>
Cash and cash equivalents decrease	(81,017)	(137,709)
Cash and cash equivalents at beginning of year	<u>95,255</u>	<u>232,964</u>
Cash and cash equivalents at end of year (Note 3)	<u>\$ 14,238</u>	<u>\$ 95,255</u>
Interest received in the year	\$ 6,146	\$ 6,688
Interest paid in the year	\$ 243	\$ 227

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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2016

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 2015. 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.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2016**

(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 and the Canada health and the Canada social transfers from the Government of Canada in accordance with the *Federal-Provincial Fiscal Arrangements Act* (Canada) which expires in 2018/19. The Formula Financing grant is principle-based and the Canada health transfer and the Canada social transfer are simple equal cash per capita grants. 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 treasury bills, GICs, term deposits, a provincial debenture and funds that include short term debt securities of Canadian governments and corporate issuers with terms to maturity of 90 days or more but less than one year from the date of acquisition. When the market value of temporary investments has declined below the carrying value, they are carried at market value.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2016

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 inventory is comprised of the costs of acquiring, planning and developing lots. The lots are valued at cost, except, when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to net recoverable value to recognize the loss.

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
March 31, 2016**

(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.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2016

(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 such as sick leave and vacation leave that are paid to employees during their employment. 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 environmentally contaminated sites. An environmental liability is accrued, net of recoveries, 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 when the Government is obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable, the contingency is disclosed in the notes to the financial statements.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2016**

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

The provision for environmental liabilities is subject to a high degree of measurement uncertainty because the existence and extent of contamination, the responsibility for clean-up, and the timing and cost of remediation cannot be reliably estimated in all circumstances. The degree of measurement uncertainty resulting from the estimation of the provision cannot be reasonably determined.

3. **Cash and cash equivalents**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Bank balances	\$ 14,171	\$ 60,174
Cash on hand	67	70
Short-term investment	-	35,011
	<u>\$ 14,238</u>	<u>\$ 95,255</u>

4. **Temporary investments**

	<u>2016</u>		<u>2015</u>	
	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>
	(thousands of dollars)			
Treasury bills and GICs	\$ 146,579	\$ 146,577	\$ 1,904	\$ 1,901
Term deposit	80,179	80,179	180,145	180,145
Provincial debenture	607	613	-	-
Provincial promissory note	-	-	498	498
Other	500	498	1,311	1,307
	<u>\$ 227,865</u>	<u>\$ 227,867</u>	<u>\$ 183,858</u>	<u>\$ 183,851</u>

The treasury bills, GICs, and term deposits held during the year had a weighted average effective yield of 1.13% (2015 – 1.16%) per annum and the remaining temporary investments had a weighted average effective yield of 0.7% (2015 – 0.6%) per annum.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2016

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

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 46,776	\$ 61,077
Other	17	21
	<u>\$ 46,793</u>	<u>\$ 61,098</u>
Due to Government of Canada		
Income tax payable	\$ 14,831	\$ 4,362
Public Service Pension Plan contribution payable	7,637	4,651
Type II mine sites	7,077	3,305
RCMP	6,264	6,751
Other	2,224	1,189
	<u>\$ 38,033</u>	<u>\$ 20,258</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.

6. **Accounts receivable**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 12,002	\$ 9,442
Less valuation allowances	(524)	(455)
	11,478	8,987
Due from Territorial corporations	4,325	4,938
	<u>\$ 15,803</u>	<u>\$ 13,925</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2016

7. **Portfolio investments**

	2016		2015	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II	\$ 36,256	\$ 34,554	\$ 36,256	\$ 32,637
Marketable securities	28,987	28,988	26,871	26,879
	<u>\$ 65,243</u>	<u>\$ 63,542</u>	<u>\$ 63,127</u>	<u>\$ 59,516</u>

Master Asset Vehicle II

On March 31, 2016 the Government held portfolio investments in floating rate notes with a carrying value of \$34.6 million (2015 - \$32.6 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, 2016 carrying value reflects \$1,917,000 (2015 - \$1,747,000) 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:

	2016		2015	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II				
Class A-1 Notes	\$ 15,726	\$ 15,179	\$ 15,726	\$ 14,532
Class A-2 Notes	16,455	15,855	16,455	15,146
Class B Notes	2,986	2,691	2,986	2,367
Class C Notes	1,089	829	1,089	592
	<u>\$ 36,256</u>	<u>\$ 34,554</u>	<u>\$ 36,256</u>	<u>\$ 32,637</u>

All notes are scheduled to be repaid by early 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 April 18, 2016, DBRS Limited maintained the rating of the Class A-1 notes at AA(low)(sf) and maintained the rating of the Class A-2 notes at A(sf). Class B and C notes are not rated.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2016

8. **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:

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Cash and cash equivalents	\$ 37	\$ 73
Temporary investments (market value \$2,019,000; 2015 – \$3,215,000)	2,016	3,208
Portfolio investments – marketable securities (market value \$26,760,000; 2015 - \$26,792,000)	<u>24,687</u>	<u>22,571</u>
	<u>\$ 26,740</u>	<u>\$ 25,852</u>

9. **Advances to Territorial corporations**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Yukon Development Corporation Infrastructure loan	\$ 39,200	\$ 39,200
Yukon Housing Corporation Working capital advances	<u>34,841</u>	<u>32,238</u>
	<u>\$ 74,041</u>	<u>\$ 71,438</u>

In December 2013 and September 2014, the Government entered into loan agreements with the Yukon Development Corporation ("YDC") and advanced \$18 million and \$21.2 million, respectively, in order to assist in the development of the Whitehorse diesel – natural gas conversion project, which was completed by the Yukon Energy Corporation, YDC's wholly owned subsidiary. The initial term of the loan advances was to March 31, 2015. Pursuant to the agreements, the loans were extended for two additional six month terms by mutual consent of the Government and YDC. The per annum interest rate during the first term of the December 2013 loan was the one-year Canadian Dealer Offered Rate ("CDOR") plus 20 basis points on December 20, 2013 (1.689%) and the rate during the first term of the September 2014 loan was the one-year CDOR plus 20 basis points on September 10, 2014 (1.676%). The per annum interest rate during the second and third terms of both loans was set based on the six-month CDOR plus 30 basis points in effect at the beginning of each term. On March 16, 2015 the loans were extended for a second term to September 30, 2015 and on September 17, 2015 the loans were extended for a third term to March 31, 2016. The interest rate for the second term was 1.314% per annum and the rate for the third term is 1.131% per annum.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2016**

On February 29, 2016 the parties agreed to extend the loan for a fourth term to commence April 1, 2016 and mature March 31, 2018. The per annum interest rate will be set based on the one-year CDOR plus 30 basis points in effect on April 1 each year.

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

10. **Loans receivable**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2021 (2015 – 2020), bearing interest at 0.00% (2015 – 0.00%).	\$ 9,134	\$ 8,835
Local improvement loans, due in varying annual amounts to the year 2041 (2015 – 2041), bearing interest rates ranging from 0.50% to 6.00% (2015 – 0.50% to 6.00%).	4,244	4,216
Domestic well loans, due in varying annual amounts to the year 2031 (2015 – 2030), bearing interest rates ranging from 0.50% to 4.75% (2015 – 0.50% to 4.75%).	4,071	3,969
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2015 – 2030), bearing interest rates ranging from 2.72% to 6.38% (2015 – 2.72% to 7.50%).	3,880	4,313
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2021 (2015 – 2020), bearing interest at 5.00% (2015 – 3.00% to 5.00%).	1,480	801
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 6.00% (2015 – 0.00% to 6.00%).	316	387
Energy infrastructure development loan due in periodic installments bearing interest at 6.40% (2015 – 6.40%).	205	205
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2015 – 2021), bearing interest at 0.00% (2015 – 0.00%).	80	94
Less valuation allowances	<u>(540)</u>	<u>(606)</u>
	<u>\$ 22,870</u>	<u>\$ 22,214</u>

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11. **Land inventory**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Undeveloped land	\$ 603	\$ 612
Land under development	34,705	43,653
Developed land	<u>29,906</u>	<u>29,089</u>
	<u>\$ 65,214</u>	<u>\$ 73,354</u>

12. **Accounts payable and accrued liabilities**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Accounts payable	\$ 47,668	\$ 42,806
Accrued liabilities	41,211	43,478
Contractors' holdbacks and security deposits	8,610	9,683
Due to Territorial corporations	<u>8,233</u>	<u>7,002</u>
	<u>\$ 105,722</u>	<u>\$ 102,969</u>

13. **Environmental liabilities**

(a) Contaminated sites and other environmental liabilities

The Government has recorded environmental liabilities of \$22.3 million (2015 - \$20.7 million). This amount is 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. As a result, the actual amount of liabilities to remediate these sites could vary significantly.

As at March 31, 2016, the Government was aware of 87 sites (2015 – 79 sites) where the Government is obligated or is likely obligated to incur such costs. Phase I Environmental Site Assessments (ESA) have been undertaken on 83 of the 87 sites. During the year, remediation work was undertaken at 9 sites, including the Marwell Tar Pit.

One of the 87 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, 2016, \$1.7 million (2015 - \$1.7 million) was recorded as a liability for this site, which is part of the \$22.3 million noted above.

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(b) Landfill sites

There are 27 active, decommissioned or abandoned landfill sites that are outside incorporated communities and, therefore, are the responsibility of the Government. The Government is the sole operator of these landfills. Twenty-three of these sites are subject to the *Environment Act (Yukon) – Solid Waste Regulations* which includes requirements for closure and abandonment of a dump. The remaining 4 sites are old abandoned dumps which are not subject to the *Solid Waste Regulations*.

A liability is recognized as the landfill site's capacity is used with usage measured on a volumetric basis. As at March 31, 2016, the net present value of total expenditures for closure and post-closure care is estimated to be \$10,204,000 (2015 – \$9,537,000) and a liability in the amount of \$8,468,000 (2015 - \$7,894,000) has been recorded for these sites. The amount remaining to be recognized in the future is \$1,736,000 (2015 – \$1,643,000). 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 48 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. A discount rate of 3.56% (2015 – 4.00%) was used for the net present value calculation for active and closed landfill sites.

(c) Type II sites

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. Except for the Ketz River mine site as discussed below, the Government is not aware of any financial obligations on its part in relation to these mine sites.

On April 10, 2015 Veris Gold Corporation abandoned the Ketz River mine site (the site). The site is identified as a Type II mine site in the Devolution Transfer Agreement (DTA) between the Government and the Government of Canada. The Government has provided notice to the Government of Canada pursuant to the DTA that the site has been abandoned by its owner/operator. Once a Type II site becomes abandoned the DTA requires that an Independent Assessor assess the condition of the site and develop a remediation plan. The Government is responsible for the cost of this assessment. Under the DTA, the Government of Canada accepted financial responsibility for the remediation of impacts attributable to activities that were permitted by the Government of Canada. The Government will be financially responsible for remediation of impacts of activities it permitted after devolution. The Government's costs, if any, may be offset by the security bond it holds. The financial obligations related to the assessment required under the DTA and remediation costs, if any, that are the Government's responsibility are currently undeterminable.

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The following table presents the total estimated amounts of these liabilities, net of expected recoveries, as at March 31, 2016.

	2016		2015	
	Number of sites	Estimated Liability	Number of sites	Estimated Liability
	(thousands of dollars)			
Liabilities for contaminated sites ¹				
Highway maintenance camps and airports	36	\$ 10,894	36	\$ 11,857
Other storage tanks and buildings	42	7,793	33	5,522
Marwell Tar Pit, net of recoveries	1	1,663	1	1,734
Other	8	1,900	9	1,548
	<u>87</u>	<u>22,250</u>	<u>79</u>	<u>20,661</u>
Landfill sites	<u>27</u>	<u>8,468</u>	<u>27</u>	<u>7,894</u>
	<u>114</u>	<u>\$ 30,718</u>	<u>106</u>	<u>\$ 28,555</u>

¹ Contamination primarily includes petroleum hydrocarbons, salts and/or occasionally metals.

14. **Unearned revenues**

	2016	2015
	(thousands of dollars)	
Liability portion of government transfers	\$ 13,138	\$ 30,459
Motor vehicle fees for future years	3,313	2,907
Other	612	271
	<u>\$ 17,063</u>	<u>\$ 33,637</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. The amount of \$13,138,000 (2015 - \$30,459,000) includes \$4,252,000 (2015 - \$25,034,000) of 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.

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

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Severance benefits	\$ 67,808	\$ 64,901
Sick leave obligation	25,026	23,751
Vacation leave obligation	<u>20,342</u>	<u>18,909</u>
Accrued benefit obligation	113,176	107,561
Unamortized net actuarial loss	<u>(10,957)</u>	<u>(12,364)</u>
Post-employment benefits accrued liability	102,219	95,197
Compensated absences	<u>1,785</u>	<u>1,727</u>
	<u>\$ 104,004</u>	<u>\$ 96,924</u>

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

(a) Yukon Government employees

Severance benefits are paid to 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, 2016 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, 2016, the Government assumed a discount rate of 3.7% 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, 2016 were \$16,884,000 (2015 - \$15,661,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$10,008,000 (2015 - \$9,944,000). 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.

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(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, 2016, the severance benefit obligation for this benefit was \$691,000 (2015 - \$545,000). The book value of the assets designated by the Government to meet this obligation was \$713,000 at March 31, 2016 (2015 - \$594,000) (Note 8). The actuarial valuation of the accrued benefit liability was performed as at March 31, 2016.

16. **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).

The above changes also resulted in the two groups' paying different rates of contributions to the plan. In the calendar year 2015, the Government contributed \$1.28 for every dollar contributed by the old group of plan members and \$1.28 for the new group of plan members. For the portion of the employee's salary above \$157,700, the Government contributed \$7.13 for every dollar contributed by both groups of plan members. In the calendar year 2016, the Government contributes \$1.15 for every dollar contributed by the old group of plan members and \$1.11 for the new group of plan members. For the portion of the employee's salary above \$161,700, the Government contributes \$6.67 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 \$35,333,000 (2015 - \$36,206,000).

(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 8). It is the Government's policy to fully fund Parts 1 and 2 of this pension plan.

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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, 2015. The accrued benefit obligation as at March 31, 2016 is based on an actuarial valuation performed for accounting purposes using the membership data as of March 31, 2015.

(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.

(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, 2016 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, 2016 was as follows:

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Accrued benefit liability		
Extended health care retirement benefit	\$ 42,126	\$ 38,011
Legislative Assembly Retirement Allowances Plan	23,663	23,516
Territorial Court Judiciary Pension Plan	5,754	5,434
Life insurance retirement benefit	<u>1,968</u>	<u>1,678</u>
 (Schedule D)	 <u>\$ 73,511</u>	 <u>\$ 68,639</u>

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17. Liabilities for leased tangible capital assets

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2023, with imputed interest rate of 3.7%.	\$ 4,208	\$ 4,701
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.7%	2,071	-
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.3%.	<u>1,686</u>	<u>1,881</u>
	<u>\$ 7,965</u>	<u>\$ 6,582</u>

Interest expense related to liabilities for leased tangible capital assets for the year was \$243,000 (2015 - \$227,000) at an imputed average interest rate of 3.6% (2015 – 3.5%).

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

	(thousands of dollars)
2017	\$ 1,706
2018	1,715
2019	1,740
2020	1,787
2021 and thereafter	<u>6,794</u>
Total minimum lease payments	13,742
Less: amount representing executory costs	(3,572)
amount representing rental of land	(1,201)
amount representing interest	<u>(1,004)</u>
	<u>\$ 7,965</u>

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18. **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:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Temporary investments	\$ 227,867	\$ 227,865	\$ 183,851	\$ 183,858
Portfolio investments				
Master Asset Vehicle II	34,554	34,012	32,637	34,163
Marketable securities	28,988	31,062	26,879	31,103
Loans receivable	22,870	22,870	22,214	22,214

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, 2016, 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.

19. **Tangible capital assets**

	2016	2015
	Net Book Value	Net Book Value
	(thousands of dollars)	
Land	\$ 6,648	\$ 6,648
Buildings	385,093	336,949
Equipment and vehicles	47,414	39,717
Computer hardware and software	22,718	18,568
Transportation infrastructure	647,138	654,094
Land improvements and fixtures	35,487	33,438
Sewage and water systems	50,015	23,281
Other	8,137	8,074
(Schedule C)	<u>\$ 1,202,650</u>	<u>\$ 1,120,769</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 \$1,009,000 (2015 - \$785,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Buildings (cost)	\$ 11,310	\$ 8,392
Less accumulated amortization	<u>(2,812)</u>	<u>(1,803)</u>
	<u>\$ 8,498</u>	<u>\$ 6,589</u>

No interest was capitalized during the year.

20. **Expenses by object**

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Personnel	\$ 459,384	\$ 441,594
Government transfers	340,111	296,292
Contract and special services	212,461	212,072
Materials, supplies and utilities	88,357	77,252
Amortization expenses	50,271	46,185
Communication and transportation	36,711	36,121
Rent	36,268	30,777
Other	<u>3,223</u>	<u>4,237</u>
	<u>\$ 1,226,786</u>	<u>\$ 1,144,530</u>

21. **Recovery of prior years' expenses**

In February 2016, the Government announced it would retain and operate the Dawson wastewater treatment plant (the plant) on an on-going basis. The cost of the plant was expensed in prior years. As a result, the Government has recorded a \$24,902,000 increase to tangible capital assets and recovery of prior years' expenses in the current year, reflecting the estimated fair value of the plant.

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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, 2016, the remaining trust assets were held in bank accounts or invested in term deposits and GICs.

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>2016</u>	<u>2015</u>
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 233,404	\$ 233,654
Federal Gas Tax Funds under the New Deal	67,535	57,622
Lottery Commission	6,374	5,100
Crime Prevention and Victim Services	5,746	5,510
Forest Sector Trust	5,612	5,553
Extended health and dental plan trust funds	2,210	3,077
Public Guardian trust	1,756	1,245
Supreme Court trust	1,217	1,484
Other	3,393	3,282
	<u>\$ 327,247</u>	<u>\$ 316,527</u>

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23. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2016:

	Expiry Date	2017	2018 – 2032	Total
		(thousands of dollars)		
RCMP policing agreement	2032	\$ 24,235	\$ 429,156	\$ 453,391
Capital projects				
- in progress at March 31, 2016	2018	147,749	46,532	194,281
(recoverable amount)		(13,809)	-	(13,809)
Faro and Mt. Nanson mine sites	2020	21,501	44,560	66,061
(recoverable amount)		(21,501)	(44,560)	(66,061)
Yukon Hospital Corp. base funding	2018	59,911	2,176	62,087
Building/office space leases	2029	11,399	36,577	47,976
Yukon College	2020	24,303	5,608	29,911
NorthwesTel Inc. mobile radio network system	2025	3,599	26,062	29,661
Conair Group Inc. air tanker services	2018	2,153	1,988	4,141
Miscellaneous operational commitments	2021	23,243	13,330	36,573
		<u>\$ 282,783</u>	<u>\$ 561,429</u>	<u>\$ 844,212</u>

24. **Commitments**

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 2015/2016, the Government paid \$2,455,000 (2015 - \$1,628,000) to YDC based on the MOU.

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25. **Overexpenditure**

During the year, no (2015 – one) department exceeded their vote (2015 - \$3,000). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that “a vote does not authorize any payment to be made in excess of the amount specified in the vote”.

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, one (2015 – two) department exceeded the authorized amounts as follows:

	(thousands of dollars)
Operations and maintenance grants	
Health and Social Services	
- Social Assistance - Whitehorse	\$ 461

26. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$4.5 million (2015 - \$6.3 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$0.6 million (2015 - \$1.6 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, 2016, on a consolidated basis, the Yukon Development Corporation had borrowings of \$142.4 million (2015 - \$125.9 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 November 2015, 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 December 30, 2015 to July 31, 2017. The maximum amount of letters of credit to which the guarantee applies will be \$14,846,000 (2015 - \$12,922,000).

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

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27. Land claims

Between February 1995 and March 31, 2016, 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 \$6.2 million during the year (2015 - \$6.3 million) with cumulative expenditures of approximately \$90.6 million (2015 - \$84.4 million), of which \$89.5 million (2015 - \$83.3 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, 2016, the amounts claimed, excluding the claim from Commission scolaire francophone du Yukon, which is described below, is \$12.2 million (2015 - \$1.8 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.

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 other claims, CSFY sought payment in the amount of \$1,954,000. As part of the Yukon Supreme Court's ruling in 2011, the court ordered the Government to hold \$1,954,000 in trust for CSFY. The case in its entirety was appealed, eventually to the Supreme Court of Canada. In May 2015, the Supreme Court of Canada determined that the trial judge had been biased, with the effect that the trial court's order for the Government to repay the \$1,954,000 is null and void. Consequently although there are on-going discussions between the parties, no liability has been recorded in relation to this matter.

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 purchases legal liability and property insurance with a \$2 million deductible. In 2015/2016, the Government paid \$2,240,000 (2015 - \$489,000) for liability claims such as bodily injury, property damage and automobile liability. The Government had unpaid claims against the fund in the amount of \$1,143,000 as at March 31, 2016 (2015 - \$979,000). This amount is reported as part of the Government's accrued liabilities. The fund balance at March 31, 2016 was \$3,700,000 (2015 - \$5,000,000).

In addition to the environmental liabilities discussed in Note 13, the Government has identified other sites where it may be obligated to incur remediation costs. No liability has been recognized for these sites.

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29. **Related parties**

Related party transactions are as follows:

	<u>2016</u>	<u>2015</u>
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 9,020	\$ 9,339
Compensation Fund (Yukon)	3,030	956
Yukon Lotteries Commission	837	820
Yukon Hospital Corporation	409	432
Yukon Housing Corporation	295	292
Yukon College	288	289
Yukon Development Corporation	15	44
	<u>\$ 13,894</u>	<u>\$ 12,172</u>
Expenses to:		
Yukon Hospital Corporation	\$ 97,120	\$ 75,581
Yukon College	28,664	29,023
Yukon Housing Corporation	19,375	20,385
Yukon Development Corporation	17,325	16,422
Compensation Fund (Yukon)	6,192	5,768
Yukon Legal Services Society	2,334	1,684
Yukon Arts Centre Corporation	1,373	1,154
Yukon Human Rights Commission	602	582
Yukon Liquor Corporation	12	2
	<u>\$ 172,997</u>	<u>\$ 150,601</u>

30. **Comparative figures**

Certain comparative figures for 2015 have been reclassified to conform with the 2016 presentation.

GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues by Source
for the year ended March 31, 2016**

	2016		2015
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 874,086	\$ 874,086	\$ 851,268
Other grants	48,554	51,585	44,630
Contributions and services agreements	130,109	115,067	129,810
	<u>1,052,749</u>	<u>1,040,738</u>	<u>1,025,708</u>
Taxes and general revenues			
Income taxes	95,576	64,715	80,875
Other taxes			
Tobacco tax	10,283	10,021	10,446
Fuel oil tax	8,575	8,198	7,670
General property tax	5,173	5,503	5,273
Liquor tax	4,202	4,324	4,288
Insurance premium tax	2,669	2,753	2,551
Grant in lieu of property tax	205	212	203
Licences, permits and fees	13,111	14,205	13,377
Sale of land	9,340	12,293	9,210
Yukon Liquor Corporation - net income	8,155	8,717	9,136
Investment and interest revenue	3,548	4,573	4,696
Income from portfolio investments	3,736	3,713	3,653
Resource revenue - mineral, oil and gas and forestry	2,530	2,744	2,583
Aviation operations	1,419	1,336	1,165
Fines	458	438	646
Restricted funds	-	352	579
Other revenues	203	350	563
	<u>169,183</u>	<u>144,447</u>	<u>156,914</u>
Funding and service agreements with other parties	28,407	29,437	27,493
	<u>\$ 1,250,339</u>	<u>\$ 1,214,622</u>	<u>\$ 1,210,115</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for year ended March 31, 2016**

	2016		Actual 2016			2015	
	Main Estimates (Note 1(b))	Personnel	Government Transfers	Other	Amortization Expenses	Total (Note 20)	Actual
	(thousands of dollars)						
Health and Social Services	\$ 362,468	\$ 97,962	\$ 170,958	\$ 88,918	\$ 1,246	\$ 359,084	\$ 321,640
Highways and Public Works	209,189	66,279	605	108,966	29,813	205,663	199,691
Education	170,434	98,029	41,357	21,646	7,164	168,196	165,152
Community Services	128,129	31,607	55,699	40,816	4,884	133,006	109,654
Energy, Mines and Resources	88,539	28,127	4,917	48,829	430	82,303	88,357
Justice	73,748	29,967	4,744	31,787	2,387	68,885	69,307
Public Service Commission	44,239	39,595	-	3,304	7	42,906	39,689
Environment	37,097	21,113	2,326	15,911	424	39,774	37,644
Tourism and Culture	28,125	10,583	8,875	7,853	778	28,089	26,990
Executive Council Office	23,306	13,898	7,288	4,423	11	25,620	25,470
Yukon Housing Corporation (Transfer Payment)	22,356	-	19,303	-	-	19,303	20,240
Economic Development	17,481	6,062	9,936	3,208	2	19,208	15,457
Finance	11,186	6,176	4,191	1,600	3	11,970	10,053
Yukon Development Corporation (Transfer Payment)	12,425	-	8,802	-	-	8,802	7,276
Yukon Legislative Assembly	7,214	5,978	-	1,332	20	7,330	6,712
French Language Services Directorate	3,026	2,011	212	752	-	2,975	2,570
Women's Directorate	1,859	668	898	244	-	1,810	1,688
Office of the Ombudsman	1,027	716	-	194	-	910	800
Elections Office	523	283	-	216	-	499	385
Child and Youth Advocate Office	499	330	-	156	-	486	401
Restricted Funds	(2,314)	-	-	(3,135)	3,102	(33)	(4,646)
Adjustments	(13,459)	-	-	-	-	-	-
	<u>\$ 1,227,097</u>	<u>\$ 459,384</u>	<u>\$ 340,111</u>	<u>\$ 377,020</u>	<u>\$ 50,271</u>	<u>\$ 1,226,786</u>	<u>\$ 1,144,530</u>

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for year ended March 31, 2016**

	Land	Buildings	Equipment & Vehicles	Computer Hardware & Software	Transportation Infrastructure	Land Improvements & Fixtures	Sewage & Water Systems	Other	2016 Total	2015 Total
(thousands of dollars)										
Cost of tangible capital assets, opening	\$ 6,648	\$ 582,037	\$ 110,508	\$ 51,646	\$ 972,559	\$ 38,382	\$ 24,997	\$ 13,978	\$ 1,800,755	\$ 1,721,540
Acquisitions	-	62,739	13,972	6,825	19,398	3,173	28,736	642	135,485	86,090
Write-downs	-	-	(158)	(14)	(2,906)	(96)	-	-	(3,174)	(476)
Disposals	-	(1,938)	(1,683)	(95)	(118)	(9)	-	-	(3,843)	(6,399)
Cost of tangible capital assets, closing	6,648	642,838	122,639	58,362	988,933	41,450	53,733	14,620	1,929,223	1,800,755
Accumulated amortization, opening	-	245,088	70,791	33,078	318,465	4,944	1,716	5,904	679,986	640,074
Amortization expense	-	14,595	5,968	2,661	23,438	1,028	2,002	579	50,271	46,185
Disposals	-	(1,938)	(1,534)	(95)	(108)	(9)	-	-	(3,684)	(6,273)
Accumulated amortization, closing	-	257,745	75,225	35,644	341,795	5,963	3,718	6,483	726,573	679,986
Net book value (Note 19)	\$ 6,648	\$ 385,093	\$ 47,414	\$ 22,718	\$ 647,138	\$ 35,487	\$ 50,015	\$ 8,137	\$ 1,202,650	\$ 1,120,769
Work-in-progress ¹		\$ 37,613	\$ 612	\$ 11,234	\$ 21,708	\$ 1,965	\$ 2,986	\$ 2,022	\$ 78,140	\$ 79,706

¹ Included in net book value.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for year ended March 31, 2016**

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	2016 Total	2015 Total
(thousands of dollars)						
Pension and retirement plan assets are valued at fair market value.						
Accrued benefit obligation						
Obligation at beginning of year	\$ 30,084	\$ 9,281	\$ 46,151	\$ 2,495	\$ 88,011	\$ 75,436
Current service costs	1,172	387	2,250	154	3,963	3,346
Interest cost on benefit obligation	1,482	518	1,777	96	3,873	3,857
Actuarial (gain) loss	(138)	(547)	(3,938)	(32)	(4,655)	7,793
Benefits paid	(2,074)	(447)	(639)	(98)	(3,258)	(2,421)
Accrued benefit obligation at end of year	30,526	9,192	45,601	2,615	87,934	88,011
Plan assets						
Value at beginning of year	7,537	4,401	-	-	11,938	11,184
Actual return on plan assets	(135)	(98)	-	-	(233)	823
Government contributions	239	174	639	98	1,150	1,123
Member contributions	166	57	-	-	223	211
Benefits paid	(523)	(447)	(639)	(98)	(1,707)	(1,403)
Value at end of year	7,284	4,087	-	-	11,371	11,938
Funded status - plan deficit	23,242	5,105	45,601	2,615	76,563	76,073
Unrecognized net actuarial gain (loss)	421	649	(3,475)	(647)	(3,052)	(7,434)
Accrued benefit liability (Note 16)	\$ 23,663	\$ 5,754	\$ 42,126	\$ 1,968	\$ 73,511	\$ 68,639
Net benefit cost						
Current service costs	\$ 1,172	\$ 387	\$ 2,250	\$ 154	\$ 3,963	\$ 3,346
Less: Member contributions	(166)	(57)	-	-	(223)	(211)
Interest cost on benefit obligation	1,482	518	1,777	96	3,873	3,857
Expected return on plan assets	(374)	(236)	-	-	(610)	(624)
Amortization of net actuarial (gain) loss	(176)	(118)	727	138	571	(215)
Net cost for the year	\$ 1,938	\$ 494	\$ 4,754	\$ 388	\$ 7,574	\$ 6,153

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits
for the year ended March 31, 2016**

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	5.00%	5.50%	N/A	N/A
Discount rate on benefit costs	5.00%	5.50%	3.70%	3.70%
Discount rate on accrued benefit obligation at end of year	5.00%	5.50%	3.70%	3.70%
Inflation rate at end of year	2.00%	2.00%	2.25%	2.25%
Rate of compensation increase	2.50%	3.00% ¹	see below ²	see below ²
Health care cost trend rate	N/A	N/A	see below ³	N/A
Amortization period (expected average remaining service life)	5.5 years	7.6 years	11.5 years	7.6 years

¹ Based on a rate of compensation increase of 2% at April 1, 2015, 3% thereafter.

² Based on the annual rates from the Public Service Pension Plan ("PSPP") March 31, 2011 valuation report.

³ 7.2% per annum for 2016 grading down by level steps to an ultimate rate of 4.0% per annum in year 12.