

SECTION I
GOVERNMENT OF YUKON
FINANCIAL STATEMENTS
(unaudited)

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GOVERNMENT OF YUKON

Statement of Financial Position
as at March 31, 2020

	2020	2019
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 3)	\$ 51,120	\$ 100,483
Temporary investments (Note 4)	1,261	43,766
Due from Government of Canada (Note 5)	80,776	56,890
Accounts receivable (Note 6)	22,167	18,375
Portfolio investments (Note 7)	32,948	32,102
Advances to Territorial corporations (Note 9)	79,435	72,821
Loans receivable (Note 10)	36,479	28,808
Land inventory (Note 11)	77,445	76,950
	<u>381,631</u>	<u>430,195</u>
Liabilities		
Due to Government of Canada (Note 5)	29,411	30,183
Accounts payable and accrued liabilities (Note 12)	122,243	118,070
Environmental liabilities (Note 13)	43,774	42,979
Unearned revenues (Note 14)	10,173	20,300
Post-employment benefits and compensated absences (Note 15)	117,187	119,065
Retirement benefits (Note 16)	102,072	94,805
Liabilities for leased tangible capital assets (Note 17)	4,144	5,201
	<u>429,004</u>	<u>430,603</u>
Net debt	<u>(47,373)</u>	<u>(408)</u>
Non-financial assets		
Tangible capital assets (Note 19)	1,408,992	1,365,834
Inventories of supplies	6,911	6,194
Prepaid expenses	2,329	2,201
	<u>1,418,232</u>	<u>1,374,229</u>
Accumulated surplus	<u>\$ 1,370,859</u>	<u>\$ 1,373,821</u>


Contingencies, commitments, contractual rights and obligations and guarantees
(Notes 13, 22, 23, 24, 26, 27, and 28)

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

Approved:



Scott Thompson
Deputy Minister of Finance



Sandy Silver
Minister of Finance

GOVERNMENT OF YUKON

**Statement of Operations and Accumulated Surplus
for the year ended March 31, 2020**

	2020		2019
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 997,412	\$ 997,412	\$ 950,220
Other grants	61,019	62,346	59,365
Contributions and service agreements	150,743	161,279	121,961
Taxes and general revenues	192,671	196,217	189,448
Funding and service agreements with other parties	28,152	28,632	44,698
	<u>1,429,997</u>	<u>1,445,886</u>	<u>1,365,692</u>
Expenses (Note 20 and Schedule B)	<u>1,435,944</u>	<u>1,450,344</u>	<u>1,372,298</u>
Recovery of prior years' expenses	-	1,496	778
Surplus (deficit) for the year	<u>\$ (5,947)</u>	(2,962)	(5,828)
Accumulated surplus at beginning of year		<u>1,373,821</u>	<u>1,379,649</u>
Accumulated surplus at end of year		<u>\$ 1,370,859</u>	<u>\$ 1,373,821</u>

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

GOVERNMENT OF YUKON

**Statement of Change in Net Debt
for the year ended March 31, 2020**

	2020		2019
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus (deficit) for the year	\$ (5,947)	\$ (2,962)	\$ (5,828)
Effect of change in tangible capital assets			
Acquisitions	(108,329)	(106,024)	(95,210)
Amortization of tangible capital assets	62,880	62,664	60,664
(Gain)/loss on disposal of tangible capital assets	2	(34)	(319)
Proceeds on disposal of tangible capital assets	168	224	444
Write-down of tangible capital assets	-	12	590
Other budgetary adjustments	4,523	-	-
	<u>(40,756)</u>	<u>(43,158)</u>	<u>(33,831)</u>
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(11,102)	(11,912)
Decrease in inventories of supplies	-	10,385	14,799
Increase in prepaid expenses	-	(128)	(873)
	<u>-</u>	<u>(845)</u>	<u>2,014</u>
Increase in net financial debt	<u>\$ (46,703)</u>	<u>(46,965)</u>	<u>(37,645)</u>
(Net debt) / net financial assets at beginning of year		<u>(408)</u>	<u>37,237</u>
Net debt at end of year		<u>\$ (47,373)</u>	<u>\$ (408)</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, 2020**

	2020	2019
	(thousands of dollars)	
Operating transactions		
Surplus (deficit) for the year	\$ (2,962)	\$ (5,828)
Non-cash items included in surplus (deficit) for the year:		
Amortization of tangible capital assets	62,664	60,664
Loans receivable valuation adjustment	(1)	88
Write-down of tangible capital assets	12	590
Gain on sale of land inventory	(1,364)	(540)
Gain on disposal of tangible capital assets	(34)	(319)
Contributed tangible capital assets (Note 19)	(251)	(13,300)
Change in non-cash assets and liabilities	(29,065)	22,338
Cash provided by operating transactions	<u>28,999</u>	<u>63,693</u>
Capital transactions		
Acquisition of tangible capital assets	(105,773)	(81,910)
Proceeds on disposal of tangible capital assets	224	444
Cash used for capital transactions	<u>(105,549)</u>	<u>(81,466)</u>
Investing transactions		
Net proceeds from temporary investments	42,505	119,392
Proceeds from portfolio investments	2,845	1,654
Acquisition of portfolio investments	(3,691)	(4,052)
Repayment of advances from Territorial corporations	250	1,250
Advances to Territorial corporations	(6,864)	(3,673)
Repayment of loans receivable	16,554	15,841
Issuance of loans receivable	(5,268)	(3,632)
Investment in land inventory	(18,087)	(24,925)
Cash provided by investing transactions	<u>28,244</u>	<u>101,855</u>
Financing transactions		
Repayment of liabilities for leased tangible capital assets	(1,057)	(1,019)
Cash used for financing transactions	<u>(1,057)</u>	<u>(1,019)</u>
Cash and cash equivalents (decrease) increase	(49,363)	83,063
Cash and cash equivalents at beginning of year	<u>100,483</u>	<u>17,420</u>
Cash and cash equivalents at end of year (Note 3)	\$ 51,120	\$ 100,483
Interest received in the year	\$ 6,543	\$ 8,411
Interest paid in the year	\$ 198	\$ 218

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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

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 2019. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Yukon Legislative Assembly. Budget adjustments include estimated lapses and unallocated budget estimates.

(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, 2020

(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 on March 31, 2024. 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.

Proceeds from funding and service agreements with other parties are recognized as revenue as they are determined to be earned based on the terms and conditions of the agreements and in compliance with relevant accounting standards. These determinations occur on an agreement by agreement basis due to the diverse nature of each individual agreement.

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.

GOVERNMENT OF YUKON

Notes to Financial Statements March 31, 2020

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 and funds that include short-term debt securities of Canadian governments and corporate issuers with terms to maturity of 90 days or more but one year or less from the date of acquisition. When the market value of temporary investments has declined below the carrying value, they are carried at market value.

Portfolio investments are accounted for by the cost method and include 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. 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, over a similar term length as the related lease terms, at the time the obligation is incurred.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

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.

(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, 2020

(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 based on the projected benefit method prorated on service. 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. 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, 2020 is based on an extrapolation of an actuarial valuation. 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.

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 the member renders 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

Contaminated sites and other environmental liabilities, which include Type II sites, are 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 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.

Landfill liabilities are recognized on a net present value basis for the total estimated expenditures for closure and post-closure care as the landfill site's capacity is used.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

(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. Certain estimates used in these financial statements may be subject to measurement uncertainty due to the COVID-19 pandemic (Note 28). The amount of variability cannot be reasonably determined at this time

Some of the more significant management estimates relate to post-employment and retirement benefits, environmental liabilities, 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, 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**

	2020	2019
	(thousands of dollars)	
Bank balances	\$ 51,053	\$ 100,415
Cash on hand	67	68
	<u>\$ 51,120</u>	<u>\$ 100,483</u>

4. **Temporary investments**

	2020		2019	
	Market Value	Carrying Value	Market Value	Carrying Value
	(thousands of dollars)			
Floating rate notes	\$ 648	\$ 648	\$ 614	\$ 612
Treasury bills	419	417	372	370
Other	197	196	192	190
Term deposits and GICs	-	-	42,594	42,594
	<u>\$ 1,264</u>	<u>\$ 1,261</u>	<u>\$ 43,772</u>	<u>\$ 43,766</u>

The term deposits and GICs held during the year had a weighted average effective yield of 2.48% (2019 – 2.04%) per annum and the remaining temporary investments had a weighted average effective yield of 1.54% (2019 – 1.75%) per annum.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

5. Due from/to Government of Canada

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 79,592	\$ 56,887
Income tax	1,181	-
Other	<u>3</u>	<u>3</u>
	<u>\$ 80,776</u>	<u>\$ 56,890</u>
Due to Government of Canada		
Payroll taxes	\$ 9,859	\$ 8,453
Public Service Pension Plan contribution	7,675	6,613
RCMP	7,685	8,633
Type II mine sites	1,618	797
Income tax	-	3,863
Other	<u>2,574</u>	<u>1,824</u>
	<u>\$ 29,411</u>	<u>\$ 30,183</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>2020</u>	<u>2019</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 17,511	\$ 12,857
Less valuation allowances	<u>(1,050)</u>	<u>(841)</u>
	16,461	12,016
Due from Territorial corporations	<u>5,706</u>	<u>6,359</u>
	<u>\$ 22,167</u>	<u>\$ 18,375</u>

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2020**

7. **Portfolio investments**

	2020		2019	
	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>
	(thousands of dollars)			
Marketable securities	<u>\$ 29,758</u>	<u>\$ 32,948</u>	<u>\$ 32,512</u>	<u>\$ 32,102</u>

Marketable securities are designated investments (see Note 8) set aside within the Consolidated Revenue Fund for use in meeting certain post-employment and retirement benefit obligations for Members of the Legislative Assembly. The investments are managed by a third party manager.

Subsequent to the year end, the third party management was reviewed and the securities transitioned to a new third party manager.

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>2020</u>	<u>2019</u>
	(thousands of dollars)	
Cash and cash equivalents	\$ 50	\$ 20
Temporary investments (market value \$1,264,000; 2019 – \$1,178,000)	1,261	1,172
Portfolio investments – marketable securities (market value \$29,758,000; 2019 - \$32,512,000)	<u>32,948</u>	<u>32,102</u>
	<u>\$ 34,259</u>	<u>\$ 33,294</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

9. Advances to Territorial corporations

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Yukon Development Corporation		
Infrastructure loan	\$ 38,200	\$ 38,200
Yukon Housing Corporation		
Working capital advances	<u>41,235</u>	<u>34,621</u>
	<u>\$ 79,435</u>	<u>\$ 72,821</u>

The Government entered into loan agreements with the Yukon Development Corporation ("YDC") and advanced a total of \$39,200,000 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 loan term that commenced on April 1, 2016 ended on March 31, 2018. The per annum interest rate was set based on the one-year CDOR plus 30 basis points in effect on April 1 each year. The rate of interest on the loans was 1.514%. The Government and YDC entered into a new loan agreement effective March 30, 2018. The initial term of the loan is to March 31, 2023 and pursuant to the agreement, the loan may be extended for two additional five year terms upon mutual consent of the parties. The per annum interest rate will be set based on one-year CDOR plus 40 basis points in effect on April 1 each year. The rate of interest effective on March 31, 2020 is 1.61% (2019 - 2.65%). The new loan agreement requires principal repayments of \$1 million on March 31 each year and full repayment of any principal outstanding at the end of each loan term if the loan is not extended. The payment due March 31 from YDC was received in May 2020.

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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

10. Loans receivable

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2025 (2019 – 2024), bearing interest at 5.00% (2019 – 5.00%).	\$ 10,987	\$ 3,780
Local improvement loans, due in varying annual amounts to the year 2041 (2019 – 2041), bearing interest rates ranging from 0.50% to 5.25% (2019 – 0.50% to 5.25%).	7,534	6,914
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2025 (2019 – 2023), bearing interest at 0.00% (2019 – 0.00%).	6,411	9,336
Domestic well loans, due in varying annual amounts to the year 2035 (2019 – 2033), bearing interest rates ranging from 0.50% to 4.50% (2019 – 0.50% to 4.50%).	5,528	5,478
Due from Yukon Hospital Corporation for pension plan solvency loan, due as one payment in the year 2035, bearing interest at 3.95%	3,063	-
Debenture loans to municipalities, due in varying annual amounts to the year 2034 (2019 – 2034), bearing interest rates ranging from 2.72% to 6.38% (2019 – 2.72% to 6.38%).	3,014	3,308
Energy infrastructure development loan due in periodic instalments bearing interest at 6.40% (2019 – 6.40%).	205	205
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 5.20% (2019 – 0.00% to 5.20%).	65	75
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021 (2019 – 2021), bearing interest at 0.00% (2019 – 0.00%).	17	34
Less valuation allowances	<u>(345)</u>	<u>(322)</u>
	<u>\$ 36,479</u>	<u>\$ 28,808</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

11. Land inventory

	2020	2019
	(thousands of dollars)	
Undeveloped land	\$ 603	\$ 603
Land under development	57,999	58,038
Developed land	18,843	18,309
	<u>\$ 77,445</u>	<u>\$ 76,950</u>

12. Accounts payable and accrued liabilities

	2020	2019
	(thousands of dollars)	
Accounts payable	\$ 63,013	\$ 62,339
Accrued liabilities	40,221	37,006
Contractors' holdbacks and security deposits	10,248	10,396
Due to Territorial corporations	8,761	8,329
	<u>\$ 122,243</u>	<u>\$ 118,070</u>

13. Environmental liabilities

(a) Contaminated sites and other environmental liabilities

The Government has recorded environmental liabilities of \$27,063,000 (2019 - \$28,749,000). These liabilities consist of estimated costs related to the remediation of contaminated sites as well as estimated costs associated with other liabilities related to these sites. The liabilities are determined on a site-by-site basis and are based on preliminary environmental assessments or estimation for those sites where an assessment has not been conducted. The amount recorded is based on management's best estimates utilizing the information available at the financial statement date. 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. No assets are designated for settling these liabilities.

As at March 31, 2020, the Government was aware of 95 sites (2019 – 94 sites) where the Government is obligated or is likely obligated to incur such costs. Phase I Environmental Site Assessments (ESA) have been undertaken on 90 of the 95 sites. During the year, remediation work was undertaken at 12 sites, including the Marwell Tar Pit.

One of the 95 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 \$6,800,000, of which the Government is to fund 30% or \$2,040,000 and the Government of Canada \$4,760,000. As at March 31, 2020, \$250,000 (2019 - \$810,000) was recorded as a liability for this site, which is part of the \$27,063,000 noted above.

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Notes to Financial Statements
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(b) Landfill sites

There are 28 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 the active landfills. 23 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 5 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, 2020, the net present value of total expenditures for closure and post-closure care is estimated to be \$14,057,000 (2019 – \$10,765,000) and a liability in the amount of \$11,854,000 (2019 – \$9,286,000) has been recorded for these sites. The amount remaining to be recognized in the future is \$2,203,000 (2019 – \$1,479,000). No assets are designated for settling these liabilities.

In calculation of the above liability, the remaining landfill life was estimated to be from 0 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. A discount rate of 2.58% (2019 – 3.32%) 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 Ketzka 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 Ketzka 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 are estimated to be \$4,857,000 (2019 – \$4,944,000) and remediation costs, if any, which are the Government's responsibility, are currently undeterminable. No assets are designated for settling these liabilities.

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The following table presents the total estimated amounts of these liabilities as at March 31, 2020.

	2020		2019	
	Number of sites	Estimated Liability	Number of sites	Estimated Liability
	(thousands of dollars)			
Liabilities for contaminated sites ¹				
Highway maintenance camps and airports	36	\$ 10,913	36	\$ 11,749
Other storage tanks and buildings	48	9,000	48	9,290
Marwell Tar Pit	1	250	1	810
Other	10	6,900	9	6,900
	<u>95</u>	<u>27,063</u>	<u>94</u>	<u>28,749</u>
Landfill sites	28	11,854	28	9,286
Type II sites	1	4,857	1	4,944
	<u>124</u>	<u>\$ 43,774</u>	<u>123</u>	<u>\$ 42,979</u>

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

14. **Unearned revenues**

	2020	2019
	(thousands of dollars)	
Liability portion of government transfers	\$ 6,627	\$ 15,838
Motor vehicle fees for future years	2,091	3,242
Other	1,455	1,220
	<u>\$ 10,173</u>	<u>\$ 20,300</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.

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

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Severance benefits	\$ 64,335	\$ 70,347
Sick leave obligation	26,288	27,864
Vacation leave obligation	<u>24,172</u>	<u>22,867</u>
Accrued benefit obligation	114,795	121,078
Unamortized net actuarial gain /(loss)	<u>397</u>	<u>(3,938)</u>
Post-employment benefits accrued liability	115,192	117,140
Compensated absences	<u>1,995</u>	<u>1,925</u>
	<u>\$ 117,187</u>	<u>\$ 119,065</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 accrued benefit obligation at March 31, 2020 is based on an extrapolation of an actuarial valuation conducted as at January 31, 2020. In projecting the accrued obligation for these benefits as at March 31, 2020, the Government assumed a discount rate of 3.8% and general salary increases of 2.6% per annum. The net actuarial loss is amortized over the expected average remaining service life of the active employees of 12.5 years.

Expenses related to post-employment benefits for the year ended March 31, 2020 were \$10,967,000 (2019 - \$16,438,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$13,073,000 (2019 - \$12,611,000). 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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Effective December 31, 2019 all current resignation and retirement severance accruals have been frozen for employees classified as Deputy Ministers and Managers. All employees are eligible to receive severance payouts based on service accrued prior to December 31, 2019. The plan amendment resulted in a gain to the plan of \$5,435,000. As the plan was deemed to be in surplus, this gain reduced current year's expenses. The accounting standards prescribe that the cost of plan amendments related to prior employee service is accounted for as an expense in the period of the amendment. The exception is where unamortized gains or losses exist, whereby the unamortized gains or losses are immediately recognized to the maximum of the prior period service cost.

Effective June 30, 2018 all current and retirement severance accruals were frozen for certain employees of the government. All employees in this group are entitled to receive severance payouts based on service accrued prior to June 30, 2018. Based on an actuarial evaluation, the plan amendment resulted in a gain to the plan of \$6,881,000. Existing unamortized losses in the amount of \$6,881,000 were immediately recognized in 2019 so the plan amendment did not impact current year net benefit cost.

(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, 2020, the severance benefit obligation for this benefit was \$690,000 (2019 - \$532,000). The book value of the assets designated by the Government to meet this obligation was \$660,000 at March 31, 2020 (2019 - \$519,000) (Note 8). The accrued benefit liability at March 31, 2020 is based on an extrapolation of an actuarial valuation that was performed as at March 31, 2017.

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).

Since the above changes, there are two groups paying different rates of contributions to the plan. The Government contributes \$1.01 for every dollar contributed by the old group of plan members and \$1.00 for the new group of plan members.

In the calendar year 2019, for the portion of the employee's salary above \$169,300, the Government contributed \$3.79 for every dollar contributed by both groups of plan members. In the calendar year 2020, for the portion of the employee's salary above \$173,000 the Government contributes \$3.80 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 \$38,183,000 (2019 - \$36,720,000).

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(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.

Subsequent to the year end, the investment management has transitioned to a new investment manager.

The *Legislative Assembly Retirement Allowances Act* stipulates that actuarial valuations for funding purposes must be performed at least triennially. An actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and member turnover and mortality. The assumptions used in a valuation for funding purposes are based on the actuary's best estimates with margins for conservatism. The last actuarial valuation for funding purposes was performed as of March 31, 2017. The accrued benefit obligation as at March 31, 2020 is based on an actuarial valuation performed for accounting purposes using the membership data as of March 31, 2017.

(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, 2017.

(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, 2020 is based on an extrapolation of an actuarial valuation conducted as at January 31, 2020. 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.

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Effective for all employees retiring after January 1, 2019 the cost sharing arrangement for extended health benefits was revised. Existing retirees and those retiring prior to January 1, 2019 were not impacted by the change. Based on an actuarial valuation, the plan amendment resulted in a gain to the plan of \$16,295,000. Existing unamortized losses in the amount of \$16,295,000 were immediately recognized in 2019 so the plan amendment did not impact current year net benefit cost.

The accrued benefit liability for the above retirement benefits as of March 31, 2020 was as follows:

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Accrued benefit liability		
Extended health care retirement benefit	\$ 64,307	\$ 58,631
Legislative Assembly Retirement Allowances Plan	27,030	26,258
Territorial Court Judiciary Pension Plan	7,531	7,004
Life insurance retirement benefit	<u>3,204</u>	<u>2,912</u>
 (Schedule D)	 <u>\$ 102,072</u>	 <u>\$ 94,805</u>

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

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2023, with imputed interest rate of 3.7%.	\$ 1,970	\$ 2,570
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.7%.	1,285	1,500
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.3%.	889	1,090
Equipment lease obligation payable quarterly until the year 2020, with imputed interest rate of 1.9%.	<u>-</u>	<u>41</u>
	<u>\$ 4,144</u>	<u>\$ 5,201</u>

Interest expense related to liabilities for leased tangible capital assets for the year was \$196,000 (2019 - \$217,000) at an imputed average interest rate of 3.1% (2019 – 3.1%).

GOVERNMENT OF YUKON

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

	(thousands of dollars)
2021	\$ 1,797
2022	1,863
2023	1,873
2024	725
2025 and thereafter	<u>536</u>
Total minimum lease payments	6,794
Less: amount representing executory costs	(1,738)
amount representing rental of land	(682)
amount representing interest	<u>(230)</u>
	<u>\$ 4,144</u>

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:

	2020		2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(thousands of dollars)			
Temporary investments	\$ 1,264	\$ 1,261	\$ 43,772	\$ 43,766
Portfolio investments				
Marketable securities	29,758	32,948	32,512	32,102
Loans receivable	36,479	36,479	28,808	28,808

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, 2020, 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.

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19. Tangible capital assets

	<u>2020</u>	<u>2019</u>
	Net Book Value	Net Book Value
	(thousands of dollars)	
Land	\$ 13,010	\$ 13,010
Buildings	533,892	517,814
Equipment and vehicles	80,360	73,489
Computer hardware and software	34,072	31,194
Transportation infrastructure	642,427	634,011
Land improvements and fixtures	42,405	37,178
Sewage and water systems	50,278	47,222
Other	12,548	11,916
(Schedule C)	<u>\$ 1,408,992</u>	<u>\$ 1,365,834</u>

During the year, the Government received a contribution of a sewage lagoon from a third party. The government determined that these assets had a fair value of \$251,000 at the date of contribution. The government recorded revenue of \$251,000 which is included as part of funding and service agreements with other parties.

During the previous fiscal year, the Government received a contribution of land and buildings from a third party. The government determined that these assets had a fair value at the date of contribution of \$14,500,000 of which \$853,000 was allocated to land and \$13,647,000 to buildings. The government recorded revenue of \$13,300,000 which reflects the difference between the fair value of the assets received and the consideration of \$1,200,000 paid by the government for the assets. This revenue was included as part of funding and service agreements with other parties.

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 \$1,038,000 (2019 - \$1,038,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2020</u>	<u>2019</u>
	(thousands of dollars)	
Buildings (cost)	\$ 9,907	\$ 9,907
Operating equipment (cost)	141	141
	10,048	10,048
Less accumulated amortization	<u>(6,424)</u>	<u>(5,387)</u>
	<u>\$ 3,624</u>	<u>\$ 4,661</u>

No interest was capitalized during the year.

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20. Expenses by object

	2020	2019
	(thousands of dollars)	
Personnel	\$ 559,252	\$ 526,842
Government transfers	394,791	373,234
Contract and special services	232,829	224,151
Materials, supplies and utilities	109,172	100,959
Amortization expenses	62,664	60,664
Rent	47,547	44,139
Communication and transportation	42,976	40,540
Other	1,113	1,769
	<u>\$ 1,450,344</u>	<u>\$ 1,372,298</u>

21. Trusts under administration

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, 2020, the remaining trust account balances 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. The following is a summary of the trusts under administration as at March 31, 2020, except for the Compensation Fund (Yukon) which is at December 31, 2019.

	2020	2019
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 237,564	\$ 217,975
Federal Gas Tax Funds under the New Deal	97,775	85,245
Lottery Commission	8,144	9,048
Crime Prevention and Victim Services	6,955	6,807
Forest Sector Trust	5,991	5,884
Extended health and dental plan trust funds	2,906	2,347
Supreme Court trust	1,379	1,151
Public Guardian trust	1,316	1,747
Other	3,482	3,427
	<u>\$ 365,512</u>	<u>\$ 333,631</u>

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Notes to Financial Statements
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22. **Contractual rights**

The Government has entered into agreements to receive, or has contractual rights for, the following receipts subsequent to March 31, 2020:

	<u>Expiry Date</u>	<u>2021</u>	<u>2022 – 2028</u>	<u>Total</u>
		(thousands of dollars)		
Contribution and Service Agreements				
Infrastructure Canada	2028	\$ 70,218	\$ 528,798	\$ 599,016
Transport Canada	2028	7,998	116,398	124,396
Crown-Indigenous Relations and Northern Affairs	2022	25,800	24,685	50,485
Environment and Natural Resources Canada	2022	9,717	20,648	30,365
Innovation, Science and Economic Development	2023	8,625	20,558	29,183
Employment and Social Development	2024	2,766	9,864	12,630
RCMP: Mobile Radio Network	2025	2,168	8,672	10,840
Health Canada	2022	8,218	1,570	9,788
Canadian Heritage	2023	2,213	4,426	6,639
Justice Canada	2023	1,181	2,363	3,544
Other	2022	816	438	1,254
		<u>\$ 139,720</u>	<u>\$ 738,420</u>	<u>\$ 878,140</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, 2020:

	Expiry Date	2021	2022 – 2046	Total
		(thousands of dollars)		
RCMP policing agreement	2032	\$ 26,335	\$ 326,873	\$ 353,208
Capital projects				
- in progress at March 31, 2020	2028	149,041	42,204	191,245
Yukon Hospital Corporation	2022	79,804	690	80,494
Building/office space leases	2046	14,794	23,538	38,332
Northwestel Inc. mobile radio network system	2025	3,804	10,631	14,435
Alkan Air Ltd. medical evacuation contract	2023	5,737	5,737	11,474
Yukon Housing Corp, Yukon low carbon	2022	2,737	7,700	10,437
Conair Group Inc. air tanker services (turbine engines)	2023	1,749	4,079	5,828
Air Spray (1967) Ltd. air tanker services	2023	1,520	4,106	5,626
Information Services Corporation	2040	323	3,577	3,900
Miscellaneous operational commitments	2029	32,659	13,403	46,062
		<u>\$ 318,503</u>	<u>\$ 442,538</u>	<u>\$ 761,041</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 2019/2020, the Government paid \$2,625,000 (2019 - \$2,625,000) to YDC based on the MOU.

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Notes to Financial Statements
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25. **Overexpenditure**

During the year, two (2019 – none) departments exceeded their votes with a total of \$7,612,000 (2019 - \$0). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that “a vote does not authorize any payment to be made in excess of the amount specified in the vote”.

(thousands of dollars)

The votes that were over expended are as follows:

Operations and Maintenance	
Health and Social Services	\$ 5,246
Highways and Public Works	\$ 2,366

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, one (2019 – none) department exceeded the authorized amounts as follows:

(thousands of dollars)

Health and Social Services	
- Yukon seniors' income supplement	\$ 102
- Pioneer Utility Grant	51
- Social Assistance - Whitehorse	11

26. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$2,200,000 (2019 - \$2,700,000) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$23,807,000 (2019 - \$8,330,000). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Housing Corporation of up to \$11,000,000. At March 31, 2020, on a consolidated basis, the Yukon Development Corporation had borrowings of \$203,000,000 (2019 - \$194,600,000) and a credit facility of up to \$34,000,000. 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 December 2019, 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, 2019 to June 30, 2021. The maximum amount of letters of credit to which the guarantee applies will be \$20,739,000 (2019 - \$19,416,000).

In June 2019, the Government issued a letter of credit providing guarantee to the bank in relation to the Yukon Hospital Employee's Pension Plan's solvency deficit. This guarantee was to remain in effect from June 30, 2019 to June 30, 2020. The maximum amount of letters of credit to which the guarantee applied was \$26,508,000 (2018 - \$26,057,000).

In July 2020, the Government issued a letter of credit providing guarantee to the bank in relation to the Yukon Hospital Employee's Pension Plan's solvency deficit. This guarantee is to remain in effect from June 30, 2020 to June 30, 2021. The maximum amount of letters of credit to which the guarantee applies will be \$26,508,000 (2019 - \$26,508,000).

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

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In November 2019, the Government and Yukon Hospital Corporation entered into a Pension Solvency Loan Agreement. The Government has loaned the Yukon Hospital Corporation \$3,063,000 for a payment to be made to their Pension Plan. The loan bears interest at the prime rate charged by the Government of Yukon's banker with interest calculated semi-annually. The annual interest rate for 2020 is 3.95%. The initial term of the loan will be 15 years, due on December 11, 2034, with either party having the ability to terminate the loan with notice.

27. Land claims

Between February 1995 and March 31, 2020, 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.

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, 2020 the amounts claimed, excluding the claims from Commission scolaire francophone du Yukon and Northern Cross (Yukon) Ltd., which are described below, is \$6,538,000 (2019 - \$6,459,000). 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. On March 4, 2020, the Government and CSFY announced that the parties had reached a settlement agreement that addressed and resolved all issues. Consequently, no liability has been recorded in relation to this matter.

GOVERNMENT OF YUKON

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On April 4, 2017, Northern Cross (Yukon) Ltd. ("Northern Cross") filed a Statement of Claim in the Supreme Court of Yukon against the Government of Yukon and the Minister of Energy, Mines and Resources. Northern Cross identified a number of causes of action although all of these are based upon its allegation that due to the moratorium on hydraulic fracturing Northern Cross' exploration rights in the Eagle Plains area have been adversely affected. The claim seeks up to \$2.26 billion which is comprised of \$395 million for refund of work deposits, application fees, rental amounts, sunk costs and interest and \$1.86 billion in damages for loss of opportunity of 8.6 billion barrels of oil, at fair market value, identified as being in the area through a resource evaluation. No provision for this claim has been made as it is undeterminable that a liability has been incurred at the date of the financial statements.

On April 12, 2017, Northern Cross changed its name to Chance Oil and Gas Limited.

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5,000,000 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 \$2,000,000 deductible. In 2019/2020, the Government paid \$299,000 (2019 - \$67,000) for liability claims such as bodily injury, property damage and automobile liability. The Government had unpaid claims against the fund in the amount of \$1,521,000 as at March 31, 2020 (2019 - \$1,593,000). This amount is reported as part of the Government's accrued liabilities. The fund balance at March 31, 2020 was \$5,000,000 (2019 - \$4,800,000).

In addition to the environmental liabilities discussed in Note 13, there may be other instances of contamination for which the Government may be obligated to incur remediation costs. No liability has been recognized for these instances of contamination as the future costs of remediation and the Government's obligation to incur these costs are undeterminable at the date of the financial statements.

Yukon Zinc Corporation ("Yukon Zinc"), the owner of the Wolverine Mine, is responsible for the future reclamation and closure of the mine site. Pursuant to *the Quartz Mining Act* (Yukon), Yukon Zinc was required to provide a total of \$35,549,000 as financial security but had only posted \$10,589,000. The Government has been actively seeking the outstanding financial security from Yukon Zinc, but to no avail. On 16 September 2019, the Yukon Supreme Court ordered Yukon Zinc be put into receivership. During the year, the Government also carried out necessary care and maintenance work including contaminated water treatment on behalf of Yukon Zinc and has expended approximately half of the \$10,589,000 accessible to it from the financial security. On 26 May 2020, the Yukon Supreme Court ruled that the Government's claim to additional monies from the Yukon Zinc ranks in priority above any other claim, right, charge or security against the Wolverine Mine. The liquidation of Yukon Zinc's assets including the mine site are currently put on hold due to ongoing litigation. In the event that the Wolverine Mine becomes ultimately abandoned, the Government will likely be required to assume the remediation responsibility of the site as the mining activities in the Wolverine Mine occurred post-devolution. There is no reliable estimate of future remediation costs in relation to the Wolverine Mine. The outcome of the receivership is not determinable at the date of the financial statement preparation.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2020

29. **Subsequent events**

The outbreak of COVID-19 in early 2020 has caused material global disruption and economic slowdown. In response to the pandemic, the Government, with support from the Government of Canada, has implemented various initiatives and programs to assist individuals, businesses, and industries. Significant government supports include the Yukon Business Relief program, the Rent Assistance program, and the federally funded Essential Worker Income Support program.

As the duration and impact of the outbreak are unknown at this time, it is not possible to reliably estimate the length and severity of these developments or the potential future impact to the Government's financial position and operations. The Government continues to assess and monitor the impact of COVID-19 on its future financial statements, including the likelihood of decreased revenues, increased expenses, and decreased cash flows. Relative to its 2019/2020 actual results, the Government expects its future own tax revenues to decrease due to reduced economic activity and its future operation and maintenance expenses to increase due to economic and financial relief measures and public health care responses. The Government's future cash flows are also expected to decrease as its own tax revenues decline and government spending increases.

GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues
for the year ended March 31, 2020**

	2020		2019
	Main Estimates (Note 1(b))	Actual	Actual
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 997,412	\$ 997,412	\$ 950,220
Contributions and service agreements	150,743	161,279	121,961
Other grants	61,019	62,346	59,365
	<u>1,209,174</u>	<u>1,221,037</u>	<u>1,131,546</u>
Taxes and general revenues			
Income taxes	89,806	100,889	97,586
Other taxes			
Tobacco tax	13,348	13,216	13,725
Fuel oil tax	9,106	9,780	9,364
General property tax	5,683	5,555	5,190
Liquor tax	4,858	4,965	4,685
Insurance premium tax	3,157	3,296	3,116
Grant in lieu of property tax	227	226	219
Sale of land	28,250	18,957	15,181
Licences, permits and fees	17,247	18,288	16,962
Yukon Liquor Corporation			
Liquor profit	9,487	9,297	9,855
Cannabis profit	-	327	474
Investment and interest revenue	5,668	6,055	6,437
Resource revenue - mineral, oil and gas and forestry	2,155	1,660	1,999
Income from portfolio investments	1,583	1,326	1,407
Aviation operations	1,482	1,295	1,511
Fines	483	435	588
Restricted funds	-	314	432
Other revenues	131	336	717
	<u>192,671</u>	<u>196,217</u>	<u>189,448</u>
Funding and service agreements with other parties	28,152	28,632	44,698
	<u>\$ 1,429,997</u>	<u>\$ 1,445,886</u>	<u>\$ 1,365,692</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for year ended March 31, 2020**

	2020	Actual 2020				2019	
	Main Estimates (Note 1(b))	Personnel	Government Transfers	Other	Amortization Expenses	Total (Note 20)	Actual
	(thousands of dollars)						
Health and Social Services	\$ 445,719	\$ 150,974	\$ 179,171	\$ 119,147	\$ 7,662	\$ 456,954	\$ 413,769
Highways and Public Works	239,021	75,122	688	131,659	30,989	238,458	235,264
Community Services	174,122	35,992	96,368	66,520	6,928	205,808	173,482
Education	196,848	115,922	50,989	20,050	7,202	194,163	190,274
Justice	78,307	32,871	5,930	35,623	2,792	77,216	77,904
Energy, Mines and Resources	64,792	29,146	7,167	21,306	439	58,058	55,527
Environment	40,894	24,381	3,690	17,561	540	46,172	46,247
Public Service Commission	52,648	40,135	-	4,927	273	45,335	50,404
Tourism and Culture	31,366	11,224	9,183	9,556	1,125	31,088	30,931
Executive Council Office	22,148	13,242	5,368	4,675	9	23,294	22,010
Economic Development	17,815	6,051	10,152	3,856	-	20,059	19,562
Finance	16,562	10,739	2,733	1,974	65	15,511	14,940
Yukon Housing Corporation (Transfer Payment)	21,245	-	14,380	-	-	14,380	12,037
Yukon Legislative Assembly	8,574	6,469	-	1,799	2	8,270	7,668
Yukon Development Corporation (Transfer Payment)	12,330	-	7,518	-	-	7,518	7,751
French Language Services Directorate	6,302	4,347	152	1,671	-	6,170	5,762
Women's Directorate	2,368	958	1,302	179	-	2,439	2,310
Office of the Ombudsman	1,348	961	-	374	12	1,347	1,227
Child and Youth Advocate Office	566	390	-	185	-	575	629
Elections Office	493	328	-	144	-	472	556
Restricted Funds	(5,465)	-	-	(7,569)	4,626	(2,943)	1,069
Yukon Liquor Corporation (Transfer Payment)	-	-	-	-	-	-	2,975
Adjustments	7,941	-	-	-	-	-	-
	\$ 1,435,944	\$ 559,252	\$ 394,791	\$ 433,637	\$ 62,664	\$ 1,450,344	\$ 1,372,298

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for year ended March 31, 2020**

	Land	Buildings	Equipment & Vehicles	Computer Hardware & Software	Transportation Infrastructure	Land Improvements & Fixtures	Sewage & Water Systems	Other	2020 Total	2019 Total
(thousands of dollars)										
Cost of tangible capital assets, opening	\$13,010	\$ 821,002	\$ 155,284	\$ 78,948	\$ 1,045,784	\$ 46,310	\$ 57,862	\$20,270	\$ 2,238,470	\$ 2,150,088
Acquisitions	-	35,994	15,761	7,782	32,914	6,352	5,937	1,284	106,024	95,210
Write-downs	-	-	(12)	-	-	-	-	-	(12)	(590)
Disposals	-	-	(2,597)	(150)	(677)	-	-	(598)	(4,022)	(6,238)
Cost of tangible capital assets, closing	13,010	856,996	168,436	86,580	1,078,021	52,662	63,799	20,956	2,340,460	2,238,470
Accumulated amortization, opening	-	303,188	81,795	47,754	411,773	9,132	10,640	8,354	872,636	818,085
Amortization expense	-	19,916	8,793	4,904	24,393	1,125	2,881	652	62,664	60,664
Disposals	-	-	(2,512)	(150)	(572)	-	-	(598)	(3,832)	(6,113)
Accumulated amortization, closing	-	323,104	88,076	52,508	435,594	10,257	13,521	8,408	931,468	872,636
Net book value (Note 19)	\$13,010	\$ 533,892	\$ 80,360	\$ 34,072	\$ 642,427	\$ 42,405	\$ 50,278	\$12,548	\$ 1,408,992	\$ 1,365,834
Work-in-progress ¹		\$ 53,352	\$ 3,792	\$ 9,868	\$ 14,741	\$ 10,146	\$ 5,946	\$ 3,506	\$ 101,351	\$ 79,106

¹ Included in net book value.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for year ended March 31,2020**

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	2020 Total	2019 Total
(thousands of dollars)						
Pension and retirement plan assets are valued at fair market value.						
Accrued benefit obligation						
Obligation at beginning of year	\$ 34,105	\$ 11,344	\$ 73,850	\$ 3,065	\$ 122,364	\$ 131,323
Current service costs	1,441	474	3,225	185	5,325	6,164
Plan amendment	-	-	-	-	-	(16,295)
Interest cost on benefit obligation	1,602	606	2,520	105	4,833	5,310
Actuarial (gain) loss	1,762	959	(4,496)	883	(892)	(833)
Benefits paid	(1,456)	(477)	(1,410)	(127)	(3,470)	(3,305)
Accrued benefit obligation at end of year	37,454	12,906	73,689	4,111	128,160	122,364
Plan assets						
Value at beginning of year	8,739	4,408	-	-	13,147	12,670
Actual return on plan assets	(616)	(326)	-	-	(942)	374
Government contributions	359	307	1,410	127	2,203	2,059
Member contributions	168	68	-	-	236	221
Benefits paid	(302)	(477)	(1,410)	(127)	(2,316)	(2,177)
Value at end of year	8,348	3,980	-	-	12,328	13,147
Funded status - plan deficit	29,105	8,926	73,689	4,111	115,831	109,217
Unrecognized net actuarial gain (loss)	(2,075)	(1,395)	(9,382)	(907)	(13,759)	(14,412)
Accrued benefit liability (Note 16)	27,030	7,531	64,307	3,204	102,072	94,805
Net benefit cost						
Current service costs	1,441	474	3,225	185	5,325	6,164
Less: Member contributions	(168)	(68)	-	-	(236)	(221)
Interest cost on benefit obligation	1,602	606	2,520	105	4,833	5,310
Expected return on plan assets	(416)	(229)	-	-	(645)	(622)
Amortization of net actuarial (gain) loss	(179)	51	1,341	129	1,342	2,658
Net cost for the year	\$ 2,280	\$ 834	\$ 7,086	\$ 419	\$ 10,619	\$ 13,289

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits
for the year ended March 31, 2020**

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	4.70%	5.25%	N/A	N/A
Discount rate on benefit costs	4.70%	5.25%	3.30%	3.30%
Discount rate on accrued benefit obligation at end of year	4.40%	4.60%	3.80%	3.80%
Inflation rate at end of year	2.00%	2.00%	2.00%	2.00%
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)	5.0 years	3.3 years	12.5 years	9.3 years

¹ Based on a rate of compensation increase of 2.5% at April 1, 2017 and 2018, 3% thereafter.

² Based on the annual rates from the Public Service Pension Plan ("PSPP") March 31, 2017 valuation report.

³ 5.9% per annum for 2020-2024, decreasing linearly to 4.9% in 2029, and following the McMaster Model to an ultimate trend rate of 4.0% in 2040.