

SECTION I
GOVERNMENT OF YUKON
FINANCIAL STATEMENTS
(unaudited)

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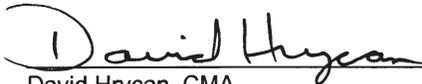
GOVERNMENT OF YUKON
Statement of Financial Position
as at March 31, 2009

	2009	2008
		(Restated - Note 3)
		(thousands of dollars)
Financial assets		
Cash and cash equivalents (Note 4)	\$ 67,293	\$ 33,592
Temporary investments (Note 5)	109,376	118,001
Due from Government of Canada (Note 6)	60,426	62,378
Accounts receivable (Note 7)	15,651	18,072
Portfolio investments (Note 8)	24,114	-
Long-term investments (Note 8)	-	30,148
Advances to Territorial corporations (Note 9)	26,821	27,271
Loans receivable (Note 10)	29,056	20,076
Land held for sale (Note 11)	5,803	6,446
	338,540	315,984
Liabilities		
Due to Government of Canada (Note 6)	17,106	12,515
Accounts payable and accrued liabilities (Note 12)	74,184	72,073
Unearned revenues (Note 13)	22,116	2,548
Post-employment benefits (Note 14)	59,103	54,792
Retirement benefits (Note 15)	26,608	28,988
Capital lease obligations (Note 16)	3,879	4,984
	202,996	175,900
Net financial resources	135,544	140,084
Non-financial assets		
Tangible capital assets (Note 18)	907,788	878,994
Less deferred capital contributions (Note 19)	(503,640)	(479,127)
Inventories of supplies	5,729	4,353
Prepaid expenses	1,826	1,575
	411,703	405,795
Accumulated surplus	\$ 547,247	\$ 545,879

Contingencies, contractual obligations and guarantees
(Notes 22, 24, 25, 26 and 27)

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

Approved:



David Hrycan, CMA
Deputy Minister of Finance



Dennis Fentie
Minister of Finance

GOVERNMENT OF YUKON

**Statement of Operations and Accumulated Surplus
for the year ended March 31, 2009**

	2009		2008
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada			
Formula Financing grant	\$ 564,032	\$ 564,032	\$ 543,595
Other grants	68,026	49,168	53,352
Contributions and service agreements	45,731	62,179	45,232
Taxes and general revenues	97,979	114,348	104,744
Funding and service agreements with other parties	18,142	21,912	17,674
Amortization of deferred capital contributions	14,380	14,755	13,180
	<u>808,290</u>	<u>826,394</u>	<u>777,777</u>
Expenses (Note 20 and Schedule B)	<u>811,669</u>	<u>825,838</u>	<u>769,159</u>
Recovery of prior years' expenses	<u>-</u>	<u>812</u>	<u>1,190</u>
Surplus for the year	<u>\$ (3,379)</u>	1,368	9,808
Accumulated surplus at beginning of year, as previously reported		577,209	542,654
Prior year adjustments (Note 3)		<u>(31,330)</u>	<u>(6,583)</u>
Accumulated surplus at beginning of year, restated		<u>545,879</u>	<u>536,071</u>
Accumulated surplus at end of year		<u>\$ 547,247</u>	<u>\$ 545,879</u>

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

GOVERNMENT OF YUKON

**Statement of Change in Net Financial Resources
for the year ended March 31, 2009**

	2009		2008
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus for the year	\$ (3,379)	\$ 1,368	\$ 9,808
Effect of change in tangible capital assets			
Acquisitions	(69,281)	(64,194)	(55,889)
Capital contributions received and deferred	28,295	39,264	34,082
Amortization of tangible capital assets	32,029	34,352	33,019
Amortization of deferred capital contributions	(14,380)	(14,755)	(13,180)
Loss on disposal of tangible capital assets	942	858	91
Proceeds on disposal of tangible capital assets	-	190	234
Write-down of tangible capital assets	-	-	29
Disposal/Write-down of deferred capital contributions	-	4	(16)
	<u>(22,395)</u>	<u>(4,281)</u>	<u>(1,630)</u>
Effect of change in other non-financial assets			
Increase in inventories of supplies	-	(1,376)	(315)
(Increase) decrease in prepaid expenses	-	(251)	175
	<u>-</u>	<u>(1,627)</u>	<u>(140)</u>
(Decrease) increase in net financial resources	<u>\$ (25,774)</u>	<u>(4,540)</u>	<u>8,038</u>
Net financial resources at beginning of year, as previously reported		165,084	132,046
Prior year adjustment (Note 3)		<u>(25,000)</u>	-
Net financial resources at beginning of year, restated		<u>140,084</u>	<u>132,046</u>
Net financial resources at end of year		<u>\$ 135,544</u>	<u>\$ 140,084</u>

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

GOVERNMENT OF YUKON

**Statement of Cash Flows
for the year ended March 31, 2009**

	2009	2008
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 704,392	\$ 636,294
Taxes and general revenues	109,765	98,697
Funding and service agreements with other parties	23,487	17,121
Interest from investments and loans	4,969	9,146
	<u>842,613</u>	<u>761,258</u>
Cash paid for:		
Salary, wages and benefits	330,896	299,154
Transfer payments	209,359	195,416
Other expenses	242,494	241,914
Interest on loans and capital leases	546	853
	<u>783,295</u>	<u>737,337</u>
Cash provided by operating transactions	<u>59,318</u>	<u>23,921</u>
Capital transactions		
Acquisition of tangible capital assets	(63,417)	(56,288)
Contributions received for acquisition	33,332	25,798
Proceeds on sale of tangible capital assets	190	234
	<u>(29,895)</u>	<u>(30,256)</u>
Cash used for capital transactions	<u>(29,895)</u>	<u>(30,256)</u>
Investing transactions		
Decrease (increase) in temporary investments	8,625	(118,001)
Decrease (increase) in long-term/portfolio investments	1,622	(36,349)
Investment in land held for sale	(6,627)	(4,438)
Proceeds from sale of land held for sale	1,438	7,815
Repayment of advances from Territorial corporations	450	450
Loans advanced	(1,061)	(795)
Loans repaid	936	1,831
	<u>5,383</u>	<u>(149,487)</u>
Cash provided by (used for) investing transactions	<u>5,383</u>	<u>(149,487)</u>
Financing transactions		
Repayment of capital lease obligations	(1,105)	(979)
	<u>(1,105)</u>	<u>(979)</u>
Cash used for financing transactions	<u>(1,105)</u>	<u>(979)</u>
Increase (decrease) in cash and cash equivalents	33,701	(156,801)
Cash and cash equivalents at beginning of year	<u>33,592</u>	<u>190,393</u>
Cash and cash equivalents at end of year (Note 4)	\$ 67,293	\$ 33,592

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

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

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 2008. 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 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 resources realistically available to the Government to meet its program responsibilities.

The Government also prepares a set of consolidated financial statements following the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

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

The Government receives funds from the Government of Canada and other sources under various transfers including infrastructure funding, reconstruction of the Alaska Highway, social assistance and occupational training. Revenues are recognized in the year in which the related expenses are incurred. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

Income taxes, levied under the *Income Tax Act* (Yukon), are collected by the Government of Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on the Government of Canada's Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are final. The Government recognizes income tax revenues based on the estimates made by the Government of Canada, adjusted for known factors. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

Fuel and tobacco taxes are levied under the authority of the *Fuel Oil Tax Act* (Yukon) and the *Tobacco Tax Act* (Yukon). Revenues are recognized based on the statements received from collectors and estimates. Adjustments from reassessments are recorded in revenue in the year they are identified.

Expenses

Expenses are recorded on an accrual basis. Transfer payments are recorded as expenses when paid or when the terms of a contractual transfer agreement have been met.

Recovery of prior years' expenses includes reversal of amounts accrued in prior years which are in excess of actual expenses. These amounts cannot be used to increase the amount appropriated for the current year.

Assets

Financial assets

Cash and cash equivalents include cash on hand, balances with banks, funds held in trust accounts on behalf of the Government, and short-term investments that have terms to maturity of less than 90 days from the dates of acquisition.

Temporary investments include bankers' acceptances, bearer deposit notes and Government of Canada treasury bills with terms of 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, 2009

Portfolio investments are long-term investments and are accounted for by the cost method. Any discount or premium arising on purchase is amortized over the period to maturity, 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. 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. na

Loans receivable are stated at the lower of principal amounts and net recoverable value. Valuation allowances, which are recorded to reduce loans receivable to their net recoverable amount, are based on historical experience, current conditions and all circumstances known at the date of the preparation of the financial statements. The loan receivable is reduced by the amount of a loss when the amount is known with sufficient precision, and there is no realistic prospect of recovery. Interest revenue is recognized on an accrual basis until such time that the collectibility of either principal or interest is not reasonably assured. t

Land held for sale comprises the costs of acquiring, planning and developing serviced lots for eventual sale. The lots are valued at cost, except when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to net recoverable value to recognize the loss. Gains or losses on the sale of lots are recognized at the time of sale.

Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets.

Inventories of supplies consist primarily of fuel and lubricants, repair parts, stationery and office supplies, and highway materials that are tracked through revolving funds. Inventories are valued at the lower of cost and replacement value. These assets are not held for sale and are intended to be used in providing government services. Other materials and supplies are expensed at the time of acquisition.

Liabilities

Liabilities include financial claims payable by the Government and unearned revenues.

Unearned revenues are cash received for which goods and services have not been provided by year-end, and are primarily comprised of motor vehicle licence fees for the following fiscal years and transfer payments from the Government of Canada, which have not been yet expended in accordance with funding agreements.

Capital lease obligations 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, 2009

(c) Tangible capital assets

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

Transferred and cost-shared tangible capital assets are recorded upon acquisition with an offsetting deferred capital contribution that represents the value of the contribution. This deferred capital contribution is amortized as revenue on the same basis as the related asset is amortized. Tangible capital assets, when placed in service, are amortized on a straight-line basis over their estimated useful life.

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

Tangible capital assets that are held and available for use by the Government are reported based on the following capitalization thresholds and estimated useful lives:

<u>Asset category</u>	<u>Threshold</u>	<u>Estimated useful life</u>
Land	Nil	N/A
Land improvements and fixtures	\$50,000	up to 50 years
Buildings	\$50,000	40 - 50 years
Portable classrooms/housing trailers	\$50,000	20 years
Heavy equipment	\$10,000	7 - 30 years
Operating equipment	\$10,000	7 - 25 years
Vehicles	\$10,000	6 - 20 years
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Leasehold improvements	\$50,000	Shorter of the lease term or useful economic life
Forestry access roads	\$50,000	10 years
Highways	\$250,000	30 - 50 years
Pavement	\$250,000	26 years
Bridges	\$250,000	30 - 50 years
Airport runways	\$50,000	26 - 50 years

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

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

(d) Post-employment benefits

Post-employment benefits are expected to be provided after employment but before retirement to employees. These benefits include severance benefits, accumulated sick and vacation leave benefits that are paid in cash when employment is terminated. The Government recognizes the obligation for these benefits as a liability and uses an actuary to estimate the amount of the obligation. Expenses related to post-employment benefits are recognized in the period in which the employee's service is rendered and the benefit is earned. The accrued benefit liability for these plans is calculated as the accrued benefit obligation adjusted by unamortized actuarial gains or losses.

(e) Retirement benefits

The Government's employees participate in the Public Service Pension Plan administered by the Government of Canada. The Government's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Government is not currently required to make contributions with respect to any actuarial deficiencies of the pension plan. Other retirement benefits include extended health care for retired employees who choose to participate in the plan and a life insurance plan for retirees who meet certain criteria. Liabilities for these benefits are valued on an actuarial basis.

Retirement benefits to Members of the Legislative Assembly and territorial court judges are defined benefit plans and are valued on an actuarial basis. Actuarial valuations of these benefits are performed triennially using the projected benefit method prorated on services, with an actuarial valuation for accounting purposes updated annually. Pension expenses for these two plans are recognized as members render services. Actuarial gains and losses are amortized on a straight-line basis over the estimated average remaining service lives of the participants. The accrued benefit liability for these plans is calculated as the accrued benefit obligation less plan assets, if any, adjusted by unamortized actuarial gains or losses.

(f) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimates when the contamination occurs, when the Government becomes aware of the contamination or, in the case of a solid waste landfill closure and post-closure care, as the landfill sites capacity is used, and the Government is obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. Accrued environmental liabilities are reported as part of accrued liabilities.

(g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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, 2009**

Some of the more significant management estimates relate to long-term investments, post-employment and retirement benefits, environmental liabilities, contingencies and revenue accruals such as Canada health and social transfer payments, and corporate and personal income tax revenue.

3. **Prior year adjustments**

(a) Building Canada Plan

In 2007/2008, the Government reported funding under the Building Canada Plan as revenue when the Building Canada Plan Framework Agreement was signed. Subsequently, the Government signed the Base Funding Agreement with the Government of Canada, which set forth eligibility criteria that still had to be met in order to record revenue as at March 31, 2008. As a result, a retroactive adjustment was required to restate prior year amounts.

The effects of this change to 2007/2008 are reductions of revenues and surplus for the year by \$25 million and a reduction of ending financial assets and accumulated surplus by the same amount.

(b) Whitehorse General Hospital campus buildings

During the fiscal year 2008-09, the Government confirmed that the buildings on the Whitehorse General Hospital campus are legally owned by the Yukon Hospital Corporation (the Corporation). The titles of the lots where these buildings are situated were transferred from the Government to the Corporation between 1993 and 1994; however, the Government had not officially acknowledged the transfer of the buildings. Consequently, while the ownership and value of the land had been reported in the financial statements of the Corporation, the Government had been reporting the value of all the buildings on the land.

The Government has adjusted its accounting records in accordance with Canadian generally accepted accounting principles, which resulted in de-recognizing some buildings, the largest of those being the Whitehorse General Hospital, with the cost of \$40 million and accumulated amortization as of March 31, 2008 of \$10 million. These adjustments were applied retroactively. The effects of the retroactive adjustment on the 2007/2008 financial statements were decreases of tangible capital assets of \$36,597,000, deferred capital contributions of \$30,267,000 and accumulated surplus of \$6,330,000. The surplus for the fiscal year 2007/2008 was increased by \$253,000. The effect of this correction on the current period was also an increase of surplus for the year of \$253,000.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

4. **Cash and cash equivalents**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Bank balances	\$ 39,106	\$ 3,704
Short-term investments	14,989	19,973
Funds held for the Government by trustees	13,131	9,850
Cash on hand	<u>67</u>	<u>65</u>
	<u>\$ 67,293</u>	<u>\$ 33,592</u>

5. **Temporary investments**

	<u>2009</u>		<u>2008</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(thousands of dollars)			
Banker's acceptance	\$ 80,600	\$ 80,525	\$ 54,704	\$ 54,697
Bearer deposit notes	19,917	19,905	43,666	43,672
Provincial treasury bills and promissory notes	8,982	8,946	-	-
Government of Canada treasury bills	<u>-</u>	<u>-</u>	<u>19,653</u>	<u>19,632</u>
	<u>\$ 109,499</u>	<u>\$ 109,376</u>	<u>\$ 118,023</u>	<u>\$ 118,001</u>

Temporary investments during the year had a weighted average effective yield of 2.7% (2008 – 4.5%) per annum.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

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

	<u>2009</u>	<u>2008</u>
		(Note 3 – restated)
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 53,381	\$ 53,679
Income tax receivable	6,996	4,082
Grant receivable	-	4,570
Other	<u>49</u>	<u>47</u>
	<u>\$ 60,426</u>	<u>\$ 62,378</u>
 Due to Government of Canada		
RCMP	\$ 8,132	\$ 4,199
Public Service Pension Plan contribution payable	4,125	3,735
Payroll deductions payable	3,849	3,675
Other	<u>1,000</u>	<u>906</u>
	<u>\$ 17,106</u>	<u>\$ 12,515</u>

Amounts due from and due to Government of Canada are payable on demand and are non-interest bearing. The carrying amounts approximate fair market values because of their short term to maturity.

7. **Accounts receivable**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 7,762	\$ 11,690
Less valuation allowances	<u>(688)</u>	<u>(691)</u>
	7,074	10,999
 Due from Territorial corporations	<u>8,577</u>	<u>7,073</u>
	<u>\$ 15,651</u>	<u>\$ 18,072</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

8. **Portfolio investments and long-term investments**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Portfolio investments		
Master Asset Vehicle II Notes	\$ 24,114	\$ -
Long-term investments		
Asset-backed commercial paper	<u>-</u>	<u>30,148</u>
	<u>\$ 24,114</u>	<u>\$ 30,148</u>

On March 31, 2009 the Government held portfolio investments in floating rate notes with a carrying value of \$24.1 million as a result of a successful restructuring process related to previous investments in asset-backed commercial paper. On January 21, 2009, the Government's holdings of non-bank sponsored asset-backed commercial paper ("ABCP") were restructured into a series of floating rate notes, designated as Master Asset Vehicle II ("MAV II") notes. Immediately prior to the restructuring of ABCP into floating rate notes the Government held a portfolio of ABCP investments with a cost of \$36.3 million, comprised of \$12.9 million in Opus Trust Series A and \$23.4 million in Symphony Trust Series A. At March 31, 2008 these investments were carried at a net recoverable value of \$30.1 million.

These investments were originally purchased in July and August of 2007 and were expected to mature during the months of August and September 2007 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. On August 13, 2007 certain non-bank sponsors of ABCP were unable to fund maturing obligations through new market sales of ABCP or drawing on liquidity arrangements. As a result, the non-bank sponsored ABCP obligations became illiquid.

On August 16, 2007, a consortium representing banks, assets providers and major investors agreed in principle to a long-term proposal and interim agreement regarding the ABCP (commonly referred to as the "Montreal Accord"). Certain signatories of the Montreal Accord joined with other investors to form the Pan Canadian Investors Committee ("the Committee") to oversee an orderly restructuring of the non-bank sponsored ABCP.

On January 21, 2009 the Committee announced that the non-bank sponsored ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of non-bank sponsored ABCP exchanged their short-term notes for cash and floating rate notes with a maturity similar to that of the underlying assets. The restructuring plan also established an initial 18 month moratorium period during which no additional collateral calls may be made for most of the underlying credit default swaps and the restructuring plan reduced the likelihood of additional collateral calls by widening certain "spread-loss" triggers and adding traditional assets as collateral.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

The following summarizes the carrying value of the ABCP immediately prior to the exchange on January 21, 2009:

	January 21, 2009			
	(thousands of dollars)			
	Face Value	2008 Valuation Adjustment	2009 Valuation Adjustment	Carrying Value
Asset-backed commercial paper	\$ 36,307	\$ 6,159	\$ 4,638	\$ 25,510

The 2008 total valuation adjustment was \$6,201,000 comprised of two parts: \$6,159,000 relating to adjustment of the face value of the ABCP and \$42,000 relating to accrued interest. Valuation adjustments were charged to investment and interest revenue.

The Government's non-bank sponsored ABCP did not trade in an active market between August 2007 and January 2009 therefore no market quote is available. While the Government expects to receive the full value of its \$36.3 million original investments at maturity plus interest, as required by Canadian generally accepted accounting principles when there is no active market, the Government estimated the carrying value of its ABCP holdings at January 21, 2009, using a probability-weighted discounted cash flow valuation technique. The valuation technique takes into consideration the specific attributes of each class of note and general market observations including available information relating to the expected risk and return profile of the notes in comparison to market returns.

The Government used the following expected rates and discount factors immediately before the restructuring on January 21, 2009:

Weighted average interest rate	1.56%
Weighted average discount rate	8.72%

The most important estimates in determining the carrying value of ABCP are the discount rate and coupon interest rates estimated for the MAV II notes. A 1% increase in the weighted average discount rate would result in a decrease in the estimate carrying value of ABCP held by approximately \$1.3 million while a 1% increase in the weighted average interest rate would result in an increase in the estimated carrying value of approximately \$0.4 million.

On the exchange date of January 21, 2009, the Government received Master Asset Vehicle (MAV) II notes with a face value of \$36.3 million and a fair value of \$23.9 million. No gain or loss on exchange was recognized because the total of the fair value of the MAV II notes and accumulated cash payable from original trusts of \$1.6 million was equal to the carrying value of the ABCP investments as shown in the following:

	January 21, 2009 (thousands of dollars)
Fair value of MAV II notes received	\$ 23,888
Accumulated cash payable from original trusts	1,622
Net proceeds on exchange	25,510
Carrying value of ABCP investments exchanged	25,510
Gain/(loss) on exchange	\$ -

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

As the Government's investments in MAV II notes are not current in nature, these investments are classified as portfolio investments. The investments are recorded at a discount to their face value. This discount will be eliminated over time as the investments move closer to their maturity dates. During the period January 21 to March 31, 2009, \$226,000 of discount was eliminated resulting in a March 31, 2009 carrying value of \$24,114,000. The \$226,000 eliminated discount was recognized as current year revenue from portfolio investments.

The Government holds the following investments in MAV II notes as at March 31, 2009:

	March 31, 2009	
	Face Value	Carrying Value
	(thousands of dollars)	
Master Asset Vehicle (MAV) II Class A-1 Notes	\$ 15,777	\$ 11,421
MAV II Class A-2 Notes	16,455	11,516
MAV II Class B Notes	2,986	1,098
MAV II Class C Notes	1,089	79
	<u>\$ 36,307</u>	<u>\$ 24,114</u>

Generally all notes are expected to be repaid on January 22, 2017 except for Class A-1 notes that are expected to start returning principal beginning in 2013 as the underlying assets mature. Class A-1 and A-2 notes will pay quarterly interest at a rate equivalent to a banker's acceptance rate minus 0.50%. Class B notes will accrue interest at the same rate as A-1 and A-2 notes but will not pay the interest until maturity, and after the principal and interest on Class A-1 and A-2 notes have been fully paid. Class C notes will accrue interest at a banker's acceptance rate plus 20% but not pay the interest until maturity and 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. Class A-1 and A-2 notes, which are approximately 89 percent of the restructured notes, have been assigned a rating of "A" by DBRS Limited. Class B and C notes are unrated.

The Government continues to maintain a strong cash position. The liquidity issues in the ABCP market have not had an impact on the Government's operations.

9. **Advances to Territorial corporations**

	2009	2008
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	<u>\$ 26,821</u>	<u>\$ 27,271</u>

The advances are interest free and have various repayment terms.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

10. **Loans receivable**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2014, bearing interest at 0.00%	\$ 15,859	\$ 8,843
Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 4.00% to 9.25%	4,011	4,163
Local improvement loans, due in varying annual amounts to the year 2036, bearing interest rates ranging from 1.75% to 8.21%	3,723	3,473
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2014, bearing interest rates ranging from 4.25% to 7.30%	2,777	938
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.00% to 12.00%	1,723	1,818
Domestic well loans, due in varying annual amounts to the year 2023, bearing interest rates ranging from 2.25% to 4.75%	1,587	1,296
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014, bearing interest at 0.00%	733	886
Energy infrastructure development loan due in periodic instalments bearing interest at 6.40%	205	205
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021, bearing interest at 0.00%	189	204
Energy conservation loans due in varying annual amounts with varying rates of interest	155	156
Less valuation allowances	<u>(1,906)</u>	<u>(1,906)</u>
	<u>\$ 29,056</u>	<u>\$ 20,076</u>

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

11. **Land held for sale**

	2009	2008
	(thousands of dollars)	
Raw land	\$ 465	\$ 45
Land under development	4,379	1,732
Developed land	959	4,669
	<u>\$ 5,803</u>	<u>\$ 6,446</u>

12. **Accounts payable and accrued liabilities**

	2009	2008
	(thousands of dollars)	
Accrued liabilities	\$ 39,861	\$ 33,706
Accounts payable	24,937	27,918
Contractors' holdbacks and security deposits	4,948	4,462
Due to Territorial corporations	4,438	5,987
	<u>\$ 74,184</u>	<u>\$ 72,073</u>

13. **Unearned revenues**

	2009	2008
	(thousands of dollars)	
Unspent transfer payments from Government of Canada	\$ 20,017	\$ 327
Motor vehicle fees for future years	2,064	2,189
Other	35	32
	<u>\$ 22,116</u>	<u>\$ 2,548</u>

14. **Post-employment benefits**

	2009	2008
	(thousands of dollars)	
Severance benefits	\$ 41,029	\$ 41,411
Sick leave obligation	18,995	15,707
Vacation leave obligation	15,955	14,280
Accrued benefit obligation	75,979	71,398
Unrecognized net actuarial loss	(16,876)	(16,606)
Accrued benefit liability	<u>\$ 59,103</u>	<u>\$ 54,792</u>

GOVERNMENT OF YUKON

**Notes to Financial Statements
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Severance benefits are paid on termination of service or upon retirement.

If an employee has at least five years of continuous service, a cash-in of sick leave will be paid on termination of service or upon retirement. The cash-in amount is calculated as 1/3 of unused sick leave credits to a maximum of 60 days multiplied by the daily pay rate at termination or retirement.

The actuarial obligation for sick and vacation leave and severance benefits is calculated using the projected benefit method prorated on service. In projecting the accrued obligation for these benefits as at March 31, 2009, the Government assumed a discount rate of 5.75% and general salary increases of 2.5% per annum. The net actuarial loss is amortized over the expected average remaining service life of the active employees of 10.4 years.

Expenses related to post-employment benefits for the year ended March 31, 2009 were \$11,454,000 (2008 - \$11,159,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$7,140,000 (2008 - \$6,098,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

15. **Retirement benefits**

(a) Public Service Pension Plan

The Government's employees participate in the Public Service Pension Plan administered by the Government of Canada. In this plan, employees accumulate pension benefits up to a maximum period of 35 years at 2% per year of pensionable service based on the average of their five consecutive years of highest paid services. Until December 2008, the Government contributed \$2.02 for every dollar contributed by the employee, and \$7.30 for every dollar contributed by the employee for the portion of the employee's salary above \$130,700. Effective January 1, 2009, the Government contributes \$1.91 for every dollar contributed by the employee, and \$7.50 for every dollar contributed by the employee for the portion of the employee's salary above \$136,700. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$28,370,000 (2008 - \$26,462,000).

(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/or earnings. The Members' Services Board of the Legislative Assembly is responsible, pursuant to the *Legislative Assembly Retirement Allowances Act* (Yukon), for the administration of the Plan.

The funds are held by an investment manager in two different accounts. The first account holds the assets of the trust fund for the registered pension plan established pursuant to Parts 1 and 2 of the *Legislative Assembly Retirement Allowances Act*. The second account holds the assets of the Government, from which benefits under Part 3 of the *Legislative Assembly Retirement Allowances Act* are paid. It is the Government's policy to fully fund Parts 1 and 2 of this pension plan.

GOVERNMENT OF YUKON

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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. The accrued benefit obligation as at March 31, 2009 is based on an extrapolation of an actuarial valuation for funding purposes conducted as at March 31, 2008 using best estimate assumptions accepted by the Members' Services Board of the Legislative Assembly.

(c) Territorial Court Judiciary Pension Plan

The Territorial Court Judiciary Pension Plan 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).

The judiciary registered pension plan is a contributory defined benefit pension plan. In this plan, benefits are accumulated at an annual amount of 2% multiplied by the number of years of credited service multiplied by the annual average of the member's highest five consecutive years of earnings. A member's credited service is limited to a maximum of 35 years. The judiciary retirement compensation arrangement was established for the purpose of providing benefits to members with respect to pensionable service earnings that are in excess of the maximum pension limits of the judiciary registered pension plan as required by the *Income Tax Act* (Canada). Pursuant to the *Territorial Court Judiciary Pension Plan Act* (Yukon), the pension fund assets for these two plans are held separate and distinct from the Government's operations, and are managed by an investment manager.

The supplementary judiciary pension plan is supplemental to benefits provided under the judiciary registered pension plan and the judiciary retirement compensation arrangement. The *Territorial Court Judiciary Pension Plan Act* (Yukon) stipulates that no contributions are to be made to this plan, and no fund is to be maintained for the plan. In this plan, the annual amount of pension payable to a member equals 3% of the average annualized pensionable earnings of a member over the 24 months during which pensionable earnings are highest multiplied by the number of years of credited service, subject to a maximum of 70% of those earnings, minus actual benefits accumulated under the judiciary registered pension plan and the judiciary retirement compensation arrangement.

Actuarial valuations for the Plan for accounting and funding purposes were conducted using the membership data as at March 31, 2008.

(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 defined benefit plans. The extended health care plan is self-insured. An actuarial valuation of these benefits was conducted as of April 1, 2007. 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.

GOVERNMENT OF YUKON

**Notes to Financial Statements
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Effective May 1, 2008, the Government made the following changes to the plans for new retirees:

- reduced the amount of life insurance after the third year following retirement from 25% of final salary to \$25,000; and
- changed the level of its contributions for the extended health benefit costs as indicated in the tables below.

<u>Years of Service</u>	<u>Government Contribution of Benefit Costs</u>
Less than 10 years (previously less than 5 years)	0%
10 years, but less than 15 years (previously 5 years, but less than 10 years)	15%
15 years, but less than 20 years (previously 10 years, but less than 15 years)	35%
20 years, but less than 25 years (previously 15 years, but less than 20 years)	50%
25 or more years (previously 20 or more years)	65%

These changes resulted in a reduction in the accrued benefit obligation as at April 1, 2008 by \$6,176,000. The Government recognized the reduction in the accrued benefit obligation as a negative past service cost in the fiscal year 2008/2009.

The accrued benefit liability for the above retirement benefits as of March 31, 2009 was as follows:

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 23,364	\$ 27,029
Territorial Court Judiciary Pension Plan	3,742	3,329
Life insurance retirement benefit	1,083	1,214
Legislative Assembly Retirement Allowances Plan	<u>(1,581)</u>	<u>(2,584)</u>
	<u>\$ 26,608</u>	<u>\$ 28,988</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

16. **Capital lease obligations**

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	\$ 1,930	\$ 2,292
Building lease obligation payable monthly until the year 2012, with imputed interest rate of 11.0%. The building is to be transferred to the Government for \$1.00 at the end of the lease term.	1,609	2,181
Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.	<u>340</u>	<u>511</u>
	<u>\$ 3,879</u>	<u>\$ 4,984</u>

Interest expense related to capital lease obligations for the year was \$546,000 (2008 - \$672,000) at an imputed average interest rate of 12.6% (2008 – 12.6%).

The following is a schedule of future minimum lease payments under the capital lease obligations.

	(thousands of dollars)
2010	\$ 2,164
2011	2,043
2012	1,273
2013	<u>755</u>
Total minimum lease payments	6,235
Less: amount representing executory costs	(1,263)
amount representing rental of land	(319)
amount representing interest	<u>(774)</u>
	<u>\$ 3,879</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

17. **Financial instruments**

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

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

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands of dollars)			
Portfolio investments	\$ 24,114	\$ 21,960	\$ -	\$ -
Long-term investments	-	-	30,148	27,896
Loans receivable	29,056	29,056	20,076	20,076

The estimated fair value for portfolio and long-term investments is calculated using a probability-weighted discounted cash flow valuation technique. The valuation technique takes into consideration the specific attributes of each class of note and general market observations including available information relating to the expected risk and return profile of the notes in comparison to market returns.

The portfolio investments are not current in nature and therefore are recorded at a discount to their face value. This discount will be eliminated over time as the investments move closer to their maturity dates. During the period January 21 to March 31, 2009, \$226,000 of discount was eliminated resulting in a March 31, 2009 carrying value of \$24,114,000.

Since the above valuation approach and assumptions are based on market information available at March 31, 2009, the fair value of portfolio investments may change materially in future periods as a result of fluctuations in the major elements of the valuation methodology. These changes are, however, not expected to result in a significant impact on the Government's future operations.

The carrying value, at the lower of cost or net recoverable value, is estimated to be the fair value of loans receivable due to the nature of these loans. The carrying value of these loans receivable should not be seen as the realizable value on immediate settlement of the loans due to the uncertainty associated with such a settlement.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

18. **Tangible capital assets**

	<u>2009</u>	<u>2008</u>
	Net Book Value	Net Book Value
		(Restated – Note 3)
	(thousands of dollars)	
Land	\$ 6,671	\$ 6,075
Buildings	245,975	245,463
Equipment and vehicles	31,142	29,848
Computer hardware and software	9,816	9,262
Transportation infrastructure	593,856	570,461
Other	<u>20,328</u>	<u>17,885</u>
(Schedule C)	<u>\$ 907,788</u>	<u>\$ 878,994</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$4.8 million (2008 - \$4.3 million).

Leased 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 \$653,000 (2008 restated - \$653,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2009</u>	<u>2008</u>
		(Restated – Note 3)
	(thousands of dollars)	
Buildings (cost)	\$ 9,549	\$ 9,549
Less accumulated amortization	<u>(4,173)</u>	<u>(3,520)</u>
	<u>\$ 5,376</u>	<u>\$ 6,029</u>

No interest was capitalized during the year.

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

19. **Deferred capital contributions**

Where the fair value has been capitalized for tangible capital assets that were transferred from a third party such as Government of Canada, an offset is recorded as a deferred capital contribution. Funding received from a third party for the acquisition, development, construction or betterment of tangible capital assets is also treated as a deferred capital contribution. The most significant of these assets are highways, bridges and airport infrastructure. The deferred capital contribution is recognized as revenue over the useful life of the related asset.

	<u>2009</u>	<u>2008</u> (Restated– Note 3)
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 479,127	\$ 458,241
Add: Assets transferred or funded during the year	39,264	34,082
Less: Disposal and write-down	4	(16)
Amortization	<u>(14,755)</u>	<u>(13,180)</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 503,640</u>	<u>\$ 479,127</u>

20. **Expenses by object**

	<u>2009</u>	<u>2008</u> (Restated– Note 3)
	(thousands of dollars)	
Personnel	\$ 333,590	\$ 297,760
Transfer payments	207,401	195,352
Contract and special services	125,425	110,002
Materials, supplies and utilities	69,672	76,381
Amortization expenses	34,352	33,019
Communication and transportation	26,832	24,967
Other	<u>28,566</u>	<u>31,678</u>
	<u>\$ 825,838</u>	<u>\$ 769,159</u>

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

21. **Trust assets**

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

The largest such trust account, the Compensation Fund (Yukon) has a fiscal year end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. The remaining trust assets are invested primarily in long-term bonds, bankers' acceptances, bearer's deposit notes and the Government of Canada treasury bills.

Investments of Compensation Fund (Yukon) are valued at fair value. Investments of the remainder of the trust accounts are valued at the lower of cost and market. Any other assets held under administration such as property, securities and valuables are reflected in trust accounts only upon conversion to cash.

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 129,219	\$ 144,590
Federal Gas Tax Funds under the New Deal	13,963	10,736
Forest Sector Fund	5,175	5,028
Crime Prevention and Victim Services	3,498	2,953
Land Title Office – Assurance Fund	3,349	3,135
Lottery Commission	2,838	2,984
Water Resources Bonds	2,516	2,583
Historic Resources Trust Fund	1,230	1,230
Public Guardian Trust	935	566
Other	<u>2,297</u>	<u>2,196</u>
	<u>\$ 165,020</u>	<u>\$ 176,001</u>

GOVERNMENT OF YUKON

Notes to Financial Statements
March 31, 2009

22. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2009:

	Expiry Date	2010	2011 – 2025	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2009	2025	\$ 50,247	\$ 11,599	\$ 61,846
(recoverable amount)		(33,977)	(4,523)	(38,500)
RCMP policing agreement	2012	17,834	37,289	55,123
Mobile radio network system	2025	1,744	50,256	52,000
Faro mine site	2012	6,988	14,612	21,600
(recoverable amount)		(6,988)	(14,612)	(21,600)
Building/office space leases	2016	8,496	9,416	17,912
Mobile communications system	2010	9,462	-	9,462
Medivac services	2010	5,447	-	5,447
Yukon Hospital Corporation	2011	2,970	2,049	5,019
Yukon College	2016	950	2,240	3,190
Miscellaneous operational commitments	2011	10,899	3,800	14,699
		<u>\$ 74,072</u>	<u>\$ 112,126</u>	<u>\$ 186,198</u>

23. **Overexpenditure**

During the year, three (2008 – none) departments exceeded their vote with a total of \$1,973,000 (2008 - \$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 overexpended are as follows:

Operation and maintenance	
Health and Social Services	\$ 1,415
Environment	150
Capital	
Justice	408

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, two (2008 – one) departments exceeded the authorized amounts as follows:

Operations and maintenance grants	
Health and Social Services	
- Child care subsidies	38
- Pioneer utility grant	28
- Adoption subsidies	19
Education	
- Student accommodation (boarding subsidy)	2

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

24. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$17.8 million (2008 - \$19.2 million) and debts of the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$7.0 million (2008 - \$7.6 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, 2009, on a consolidated basis, the Yukon Development Corporation had total debts of \$32.7 million (2008 - \$18.7 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. It is expected that no significant costs will be incurred by the Government with respect to these guarantees and debts.

25. **Land claims**

Between February 1995 and March 31, 2009, 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 Government signed a bilateral funding agreement with the Government of Canada on June 24, 1993 that provides for funding towards the Government's additional implementation costs. Costs funded by this agreement include boards and councils established under the Yukon First Nation Final Agreements and implementation projects and activities. In 2003/2004 the bilateral funding agreement was amended to include the federal Northern Affairs Program implementation funding and the council and commission funding that came to Yukon as part of the Northern Affairs Program Devolution Transfer Agreement.

The Government incurred expenses of \$5.0 million during the year (2008 - \$5.3 million) with cumulative expenditures of approximately \$55.2 million (2008 - \$50.1 million), of which \$55.1 million (2008 - \$49.6 million) was funded by the Government of Canada.

26. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2009 the Government estimated the total claimed amount to be about \$3.1 million (2008 - \$4.0 million). No provision for claims has been made in these financial statements as it is not likely that any future event will confirm that a liability has been incurred at the date of the financial statements.

GOVERNMENT OF YUKON

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The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5 million, which is to be used for providing insurance and risk management services to Government departments. Any expenses relating to property and liability losses incurred by the Government are to be paid out of this fund. The Government carries no insurance policy for its property losses, but carries a legal liability insurance policy with a \$2 million deductible. The Government had unpaid claims against the fund in the amount of \$1,133,000 as at March 31, 2009 (2008 - \$863,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2009 was \$3.9 million (2008 - \$3.9 million). (See also Schedule 6 of the Supplementary Financial Information.)

27. **Environmental liabilities**

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

The *Environment Act* (Yukon) – *Solid Waste Regulations* include requirements for closure and abandonment of a dump. There are 23 active or decommissioned landfill sites that are outside incorporated communities, and therefore are the responsibility of the Government. As at March 31, 2009, a liability in the amount of \$535,000 (2008 - \$535,000) has been recorded for these sites using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

In addition to the above landfill sites, as at March 31, 2009, the Government was aware of 38 sites where the Government is obligated or is likely obligated to incur such costs. Of the 38 sites, 9 are airports and 21 are highway maintenance camps, the majority of which are awaiting assessment. Quantifiable portions of remediation costs for some of the sites that are known to be contaminated are currently estimated at \$6,789,000 (2008 - \$3,832,000), which has been recorded as a liability and reported as part of accrued liabilities. As estimates are based on the information available as of the financial statement date, those amounts could result in material changes from one year to the next. The Government estimates the contingent environmental liabilities for the sites that are awaiting assessments to be another \$2.1 million (2008 - \$3.8 million). The Government is committed to assess all sites in a systematic manner.

One site on the Commissioner's Land has been formally designated as contaminated under the *Environment Act* (Yukon) and the *Contaminated Sites Regulation*. The Government is not a Responsible Party for this site. The Government of Canada was the landowner when the contamination occurred. The Government has secured the site to contain the contamination and is currently negotiating with the Government of Canada regarding potential plans to proceed with additional assessment and remediation. There may be a financial implication to the Government depending on the outcome of the negotiations.

Pursuant to the Devolution Transfer Agreement, the Government of Canada retained responsibility for the clean-up of waste sites that were identified on lands transferred effective April 1, 2003. The Government of Canada also accepted financial responsibility for the remediation of impacts attributable to activities that took place prior to April 2003 on the mine sites identified as Type II sites, where they have been abandoned by their owner/operator. The Government is not aware of any financial obligations in relation to these mine sites.

GOVERNMENT OF YUKON

**Notes to Financial Statements
March 31, 2009**

28. **Related parties**

Related party transactions are as follows:

	<u>2009</u>	<u>2008</u>
	(thousands of dollars)	
Revenues from:		
Yukon Liquor Corporation	\$ 8,222	\$ 7,664
Yukon Housing Corporation	1,999	1,836
Compensation Fund (Yukon)	1,758	1,354
Yukon Lotteries Commission	588	644
Yukon Development Corporation	277	424
Yukon College	196	176
Yukon Hospital Corporation	58	25
	<u>\$ 13,098</u>	<u>\$ 12,123</u>
Expenses to:		
Yukon Hospital Corporation	\$ 40,385	\$ 34,276
Yukon College	21,476	20,281
Yukon Development Corporation	18,480	7,335
Yukon Housing Corporation	9,301	6,499
Compensation Fund (Yukon)	6,455	6,023
Yukon Legal Services Society	1,766	1,510
Yukon Arts Centre Corporation	904	842
Yukon Human Rights Commission	479	595
Yukon Liquor Corporation	15	6
	<u>\$ 99,261</u>	<u>\$ 77,367</u>

29. **Comparative figures**

Certain comparative figures for 2008 have been reclassified to conform with the 2009 presentation.

GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues
for the year ended March 31, 2009**

	2009		2008
	Main Estimates (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 564,032	\$ 564,032	\$ 543,595
Other grants	68,026	49,168	53,352
Contributions and service agreements	45,731	62,179	45,232
	<u>677,789</u>	<u>675,379</u>	<u>642,179</u>
Taxes and general revenues			
Income taxes	52,581	66,340	57,358
Other taxes	25,332	25,424	21,821
Licences, permits and fees	8,328	10,654	10,594
Yukon Liquor Corporation - net income	6,122	7,029	6,390
Gain on sale of lots	146	1,467	415
Oil and gas resource revenue	416	1,193	1,163
Aviation operations	793	860	888
Investment and interest revenue	3,617	552	3,620
Fines	408	306	384
Income from portfolio investments	-	266	-
Other revenues	236	257	623
Recovery of bad debts	-	-	1,488
	<u>97,979</u>	<u>114,348</u>	<u>104,744</u>
Funding and service agreements with other parties	18,142	21,912	17,674
Amortization of deferred capital contributions	14,380	14,755	13,180
	<u>\$ 808,290</u>	<u>\$ 826,394</u>	<u>\$ 777,777</u>

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses
for the year ended March 31, 2009**

	2009				Actual 2009			2008
	Main Estimates (Note 1(b))	Personnel	Transfer Payments	Other	Amortization Expenses	Total (Note 20)	Actual (Restated - Note 3)	
	\$	216,166	\$	87,568	\$	73,387	\$	206,843
Health and Social Services		139,290		1,194		76,832		129,977
Highways and Public Works		127,800		29,685		20,934		126,351
Education		86,412		38,760		18,323		75,148
Community Services		45,858		4,350		22,843		44,818
Justice		40,111		4,997		13,173		39,847
Energy, Mines and Resources		26,232		2,187		11,251		24,490
Environment		34,801		-		3,018		23,324
Public Service Commission		21,080		7,901		6,686		21,362
Tourism and Culture		24,795		11,077		2,708		44,560
Executive Council Office		16,027		4,634		3,293		14,269
Economic Development		11,500		10,750		-		-
Yukon Development Corporation (Transfer Payment)		7,383		8,860		-		8,860
Yukon Housing Corporation (Transfer Payment)		7,001		609		1,296		6,113
Finance		5,207		4,756		1,194		6,274
Yukon Legislative Assembly		1,132		361		229		5,954
Women's Directorate		509		-		127		1,152
Office of the Ombudsman		365		226		93		521
Electons Office		-		-		-		319
Interest on Loans		-		-		-		-
Restricted Funds		-		-		(4,892)		2,833
								(2,059)
	\$	811,669	\$	333,590	\$	207,401	\$	250,495
								34,352
								\$ 825,838
								\$ 769,159

(thousands of dollars)

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets
for the year ended March 31, 2009**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2009 Total	2008 Total (Restated - Note 3)						
(thousands of dollars)														
Cost of tangible capital assets, opening ² - restated (Note 3)	\$ 6,075	\$ 418,054	\$ 79,059	\$ 28,652	\$ 750,313	\$ 21,819	\$ 1,303,972	\$ 1,250,257						
Acquisitions ²	596	12,566	5,953	2,333	39,729	3,017	64,194	55,889						
Write-downs	-	-	-	-	-	-	-	(29)						
Disposals	-	(3,028)	(2,333)	-	-	-	(5,361)	(2,145)						
Cost of tangible capital assets, closing	6,671	427,592	82,679	30,985	790,042	24,836	1,362,805	1,303,972						
Accumulated amortization, opening - restated (Note 3)	-	172,591	49,211	19,390	179,852	3,934	424,978	393,779						
Amortization expense	-	11,092	4,573	1,779	16,334	574	34,352	33,019						
Disposals	-	(2,066)	(2,247)	-	-	-	(4,313)	(1,820)						
Accumulated amortization, closing	-	181,617	51,537	21,169	196,186	4,508	455,017	424,978						
Net book value (Note 18)	\$ 6,671	\$ 245,975	\$ 31,142	\$ 9,816	\$ 593,856	\$ 20,328	\$ 907,788	\$ 878,994						
Work-in-progress	\$	15,306	\$	-	\$	4,278	\$	36,372	\$	7,295	\$	63,251	\$	73,563
Deferred capital contributions (Note 19)	\$	30,544	\$	6,141	\$	2,259	\$	461,102	\$	3,594	\$	503,640	\$	479,127

¹ Includes portable classrooms, land improvements and fixtures.

² Includes work-in-progress.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits
for the year ended March 31, 2009**

	2009				2008			
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Total	Total	Total	Total
(thousands of dollars)								
Pension and retirement plan assets are valued at fair market value.								
Accrued benefit obligation								
Obligation at beginning of year	\$ 18,988	\$ 5,292	\$ 26,001	\$ 1,421	\$ 51,702	\$ 51,702	\$ 56,292	
Current service costs	1,072	290	1,168	36	2,566	2,566	2,172	
Past service cost	404	227	(5,970)	(206)	(5,545)	(5,545)	(9,619)	
Interest cost on benefit obligation	1,300	370	1,555	82	3,307	3,307	2,948	
Actuarial (gain) loss	(327)	(70)	-	-	(397)	(397)	1,014	
Benefits paid	(773)	(188)	(315)	(70)	(1,346)	(1,346)	(1,105)	
Accrued benefit obligation at end of year	\$ 20,664	\$ 5,921	\$ 22,439	\$ 1,263	\$ 50,287	\$ 50,287	\$ 51,702	
Plan assets								
Value at beginning of year	\$ 24,467	\$ 2,907	\$ -	\$ -	\$ 27,374	\$ 27,374	\$ 27,518	
Actual return on plan assets	(2,708)	203	-	-	(2,505)	(2,505)	(258)	
Government contributions	722	105	315	70	1,212	1,212	1,044	
Member contributions	142	57	-	-	199	199	175	
Transfers	(1,025)	-	-	-	(1,025)	(1,025)	-	
Benefits paid	(773)	(188)	(315)	(70)	(1,346)	(1,346)	(1,105)	
Value at end of year	\$ 20,825	\$ 3,084	\$ -	\$ -	\$ 23,909	\$ 23,909	\$ 27,374	
Funded status - plan deficit (surplus)								
Unrecognized net actuarial gain (loss)	\$ (161)	\$ 2,837	\$ 22,439	\$ 1,263	\$ 26,378	\$ 26,378	\$ 24,328	
Accrued benefit liability (asset) (Note 15)	(1,420)	905	925	(180)	230	230	4,660	
	\$ (1,581)	\$ 3,742	\$ 23,364	\$ 1,083	\$ 26,608	\$ 26,608	\$ 28,988	
Net benefit cost								
Current service costs	\$ 1,072	\$ 290	\$ 1,168	\$ 36	\$ 2,566	\$ 2,566	\$ 2,172	
Less: Member contributions	(142)	(57)	-	-	(199)	(199)	(175)	
Past service cost	404	227	(5,970)	(206)	(5,545)	(5,545)	(9,619)	
Interest cost on benefit obligation	1,300	370	1,555	82	3,307	3,307	2,948	
Expected return on plan assets	(1,593)	(188)	-	-	(1,781)	(1,781)	(1,792)	
Amortization of net actuarial (gain) loss	(341)	(123)	(103)	27	(540)	(540)	(1,014)	
Net cost for the year	\$ 700	\$ 519	\$ (3,350)	\$ (61)	\$ (2,192)	\$ (2,192)	\$ (7,480)	

GOVERNMENT OF YUKON

Schedule D
Continued

**Schedule of Retirement Benefits
for the year ended March 31, 2009**

	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit
Assumptions				
Expected long-term rate of return on assets	6.5%	6.5%	N/A	N/A
Discount rate on accrued benefit obligation	6.5%	6.5%	5.75%	5.75%
Discount rate on benefit costs	6.5%	6.5%	5.75%	5.75%
Inflation	2.5%	2.5%	N/A	N/A
Rate of compensation increase	2.5%	3.0%	N/A	see below ¹
Health care cost trend rate	N/A	N/A	see below ²	N/A
Amortization period (expected average remaining service life)	8.5 years	7.7 years	10.4 years	7.6 years

¹ 1.2% on June 1, 2009, 2.5% per annum thereafter.

² 12.0 % per annum, grading down annually by 1.4% per annum to 5.0% per annum and remaining at that level thereafter.