

GOVERNMENT OF YUKON

Statement of Financial Position  
as at March 31, 2003

	2003	2002
	(thousands of dollars)	
<b>ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 1,072	\$ 30,272
Temporary investments (Note 5)	-	11,046
Due from Canada (Note 6)	80,878	39,437
Accounts receivable (Note 7)	13,829	10,310
Inventories	3,148	3,666
Advances to Territorial corporations (Note 8)	38,612	39,062
Loans receivable (Note 9)	23,694	25,535
Land held for sale (Note 10)	22,114	25,396
Tangible capital assets, at a nominal value of one dollar (Note 11)	-	-
	<u>\$ 183,347</u>	<u>\$ 184,724</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 4)	\$ 2,516	\$ 4,072
Due to Canada (Note 6)	6,350	4,845
Accounts payable and accrued liabilities (Note 12)	41,695	43,777
Deferred revenues	9,020	8,223
Post-employment benefits (Note 13)	40,908	32,522
Long-term debt (Note 14)	8,161	8,296
	<u>108,650</u>	<u>101,735</u>
Contingencies, commitments and guarantees (Notes 10, 21, 23, 24, 25, 26 and 27)		101,735
<b>SURPLUS</b>		
Accumulated surplus		
Surplus	67,695	43,804
Dedicated funds (Note 15)	2,000	34,500
	<u>69,695</u>	<u>78,304</u>
Restricted funds (Note 16)	5,002	4,685
	<u>\$ 183,347</u>	<u>\$ 184,724</u>

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

Approved:



Bruce McLennan, CMA  
Deputy Head of the Department of Finance



Dennis Fentie  
Minister of Finance

GOVERNMENT OF YUKON

Statement of Operations and Accumulated Surplus  
for the year ended March 31, 2003

	2003		2002
	Main Estimates (Note 20)	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
Grant from Canada (Note 15)	\$ 346,004	\$ 381,821	\$ 348,646
Taxes and general revenues	72,760	72,273	73,390
Transfer payments from Canada	21,730	19,889	25,831
Recoveries (Schedule B)			
Operations and maintenance	31,007	30,284	28,318
Capital	33,661	33,017	26,829
	<u>505,162</u>	<u>537,284</u>	<u>503,014</u>
Expenditures (Note 17 and Schedule C)			
Operations and maintenance	436,635	448,912	424,551
Capital	104,497	95,271	100,119
	<u>541,132</u>	<u>544,183</u>	<u>524,670</u>
Recovery of prior years' expenditures	-	772	838
Deficit for the year	<u>\$ (35,970)</u>	(6,127)	(20,818)
Accumulated surplus at beginning of year		78,304	99,122
Adjustment to accumulated surplus, beginning of year - change in accounting policy (Note 3)		<u>(2,482)</u>	-
Accumulated surplus at beginning of year, restated		<u>75,822</u>	99,122
Accumulated surplus at end of year		<u>\$ 69,695</u>	<u>\$ 78,304</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, 2003

	2003	2002
	(thousands of dollars)	
<b>Operating activities</b>		
Deficit for the year	\$ (6,127)	\$ (20,818)
Non-cash items included in deficit for the year		
Write-down of temporary investments	-	46
Provision for doubtful loans receivable and accounts receivable	(86)	926
Provision for write-down of land held for sale	3,026	-
Gain on sale of lots	(289)	(184)
Provision for post-employment benefits	8,386	-
Adjustment due to change in accounting policy (Note 3)	(2,482)	-
Changes in non-cash operating activities		
Decrease (increase) in temporary investments	11,046	(1,872)
Decrease (increase) in due from Canada	(41,441)	44,561
Decrease (increase) in accounts receivable	(3,432)	1,312
Decrease (increase) in inventories	518	(512)
Increase (decrease) in due to Canada	1,505	(749)
Increase (decrease) in accounts payable and accrued liabilities	(2,082)	5,488
Increase (decrease) in deferred revenues	797	(376)
Cash flows (used in) from operating activities	<u>(30,661)</u>	<u>27,822</u>
<b>Investing activities</b>		
Investment in land held for sale	(2,929)	(2,290)
Proceeds from sale of land held for sale	20	199
Advances to Territorial corporations	-	(5,360)
Repayment of advances from Territorial corporations	450	250
Loans advanced	(511)	(1,804)
Loans repaid	5,804	4,712
Increase (decrease) in restricted funds	318	(570)
Cash flows from (used in) investing activities	<u>3,152</u>	<u>(4,863)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(135)	(127)
Cash flows used in financing activities	<u>(135)</u>	<u>(127)</u>
Net (decrease) increase in cash and cash equivalents	(27,644)	22,832
Cash and cash equivalents		
Beginning of year	26,200	3,368
End of year (Note 4)	<u>\$ (1,444)</u>	<u>\$ 26,200</u>
<b>Supplemental information</b>		
Interest paid in the year	\$ 666	\$ 690
Interest received in the year	1,602	1,997

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

GOVERNMENT OF YUKON

Statement of Tangible Capital Assets  
for the year ended March 31, 2003

	Land	Buildings	Equipment	Vehicles	Computer hardware and software	Other*	2003 Total	2002 Total (Restated)**
	(thousands of dollars)							
Cost of tangible capital assets, opening	\$ 3,808	\$ 325,662	\$ 56,922	\$ 9,432	\$ 17,477	\$ 3,449	\$ 416,750	\$ 403,857
Acquisitions	220	29,935	1,441	965	1,288	-	33,849	13,606
Disposals	-	(1,768)	(1,487)	(426)	(13)	(67)	(3,761)	(713)
Cost of tangible capital assets, closing	4,028	353,829	56,876	9,971	18,752	3,382	446,838	416,750
Accumulated amortization, opening	-	121,182	29,880	5,422	10,784	1,981	169,249	156,019
Amortization expense	-	9,308	3,032	850	1,600	171	14,961	13,885
Write-downs	-	-	-	-	-	-	-	-
Disposals	-	(1,768)	(1,192)	(364)	(13)	(50)	(3,387)	(655)
Accumulated amortization, closing	-	128,722	31,720	5,908	12,371	2,102	180,823	169,249
Net book value	4,028	225,107	25,156	4,063	6,381	1,280	266,015	247,501
Work-in-progress	-	2,235	-	-	754	-	2,989	28,399
	<b>\$ 4,028</b>	<b>\$ 227,342</b>	<b>\$ 25,156</b>	<b>\$ 4,063</b>	<b>\$ 7,135</b>	<b>\$ 1,280</b>	<b>\$ 269,004</b>	<b>\$ 275,900</b>

\* Includes portable classrooms, land fixtures and leasehold improvements.

\*\* During the year, the value of the airports' assets, excluding the airport runways, which were transferred from Canada was established and included in the opening balances of all categories.

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2003**

1. **Authority and operations**

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.

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. Financial statements of the Yukon Housing Corporation, the Yukon Liquor Corporation, the Yukon Development Corporation and the Compensation Fund (Yukon) are reported on separately.

Net cost of operations of the Yukon Housing Corporation is included in the transfer payment to the Corporation. Yukon Liquor Corporation's net income, less acquisition of capital assets and related amortization, is included in revenues. Income of the Yukon Development Corporation and the Compensation Fund (Yukon) is retained within the entities and is, therefore, not reflected in these financial statements.

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 unless the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The exceptions are as follows:

Income taxes, levied under the *Income Tax Act* (Yukon), are collected by Canada under a tax collection agreement and are remitted to the Government monthly. The remittances are based on estimates for the taxation year, which are periodically adjusted until the income tax assessments for that year are completed. The remittances for the taxation year are recognized as revenues of the fiscal year in which the taxation year ends, together with known income tax adjustments arising in the fiscal year.

Revenue from general property tax, assessed on a calendar year basis, is recognized in the fiscal year in which the calendar year ends.

## GOVERNMENT OF YUKON

### Notes to Financial Statements March 31, 2003

#### Expenditures

Operations, maintenance and capital expenditures are recorded on an accrual basis. Transfer payments are recorded as expenditures when paid or when the terms of a contractual transfer agreement have been met.

Lease payments under capital and operating leases are recorded respectively as capital and operations and maintenance expenditures.

Expenditures are recovered from Canada and other sources under various cost-sharing agreements including reconstruction of the Alaska Highway, social assistance and occupational training. The amounts are recorded as recoverable in the year in which the related expenditures are incurred. Any adjustments upon finalization are reflected in the accounts in the year of adjustment.

Recovery of prior years' expenditures 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 expenditures for the current year.

#### Assets

Temporary investments are valued at the lower of cost and market value.

Inventories consist primarily of fuel and lubricants, repair parts, stationery and office supplies, highway materials, and engineering, building and maintenance supplies, and are valued at the lower of cost and replacement value. Other materials and supplies are charged to expenditures at the time of acquisition.

Loans receivable are stated at principal amounts. 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. Interest revenue is recognized on an accrual basis until such time that the collectibility of either principal or interest is not reasonably assured.

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

Tangible capital assets are charged to expenditures at the time of acquisition or construction and are shown on the statement of financial position at a nominal value of one dollar.

#### Liabilities

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

Deferred revenues are cash received for which goods and services have not been provided by year-end, and are comprised of remittances of income taxes for the first three months of the following taxation year together with motor vehicle licence fees and other items for the following fiscal year.

## GOVERNMENT OF YUKON

### Notes to Financial Statements March 31, 2003

#### (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, 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 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.

#### (d) Grant and transfer payments from Canada

The grant is subject to the terms of a financial agreement with Canada and is receivable in monthly instalments. Periodic adjustments, as they become known, are made to the grant when income taxes, Canada Health and Social Transfer contributions and certain operating revenues and recoveries collected by the Government differ from the estimated amounts which were used to determine the grant for the fiscal year. Further adjustments are made in accordance with escalation and tax effort adjustment clauses in the agreement. Other adjustments may arise out of new federal initiatives or unforeseen events.

Transfer payments are received from Canada in accordance with the *Federal-Provincial Fiscal Arrangements Act*. Adjustments are made in accordance with the arrangements in the year they are known.

#### (e) Post-employment benefits

Post-employment benefits are expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include severance benefits and accumulated sick, vacation, compensatory and personal leave and travel bonus benefits that are paid in cash when the employee terminates. The Government recognizes the obligation for these benefits as a liability and uses an actuary to estimate the amount of the obligation.

#### (f) Retirement benefits

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government's contributions are recorded as expenditures on a current basis and represent the total pension obligations of the Government.

Retirement benefits to Members of the Legislative Assembly and judges are valued on an actuarial basis. Actuarial valuations of these benefits are performed triennially using the projected benefit method prorated on services. Actuarial gains and losses are amortized over the estimated average remaining service lives of the participants. The Government administers and accounts for the plan assets of the Legislative Assembly Retirement Allowances Plan as a trust asset. As the Government is not required to maintain a fund for the Territorial Court Judiciary Pension Plan, there are no assets for this fund. The accrued benefit liability for these plans, which is calculated as the accrued benefit obligation less plan assets, if any, adjusted by unamortized actuarial gains or losses, is included in accrued liabilities.

# GOVERNMENT OF YUKON

## Notes to Financial Statements March 31, 2003

### (g) Measurement uncertainty

The preparation of financial statements in accordance with these accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures 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. Some of the more significant management estimates relate to the grant from Canada, the obligation for post-employment benefits and contingencies.

### 3. Change in accounting policy

During the year, the Government adopted, on a retroactive basis, the recommendations issued by the Canadian Institute of Chartered Accountants with respect to accounting for retirement benefits for members of the Legislative Assembly. The recommendations also require a change in the discount rate used to value pension benefit obligations and service costs from an estimated long-term rate to a market-based interest rate.

The effect of this change in accounting policy has been recorded on a retroactive basis with a charge to opening accumulated surplus and no restatement of prior financial statements. The effect on the opening accumulated surplus was a reduction of \$2,482,000.

### 4. Cash and cash equivalents/Bank indebtedness

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Short-term investments	\$ 1,008	\$ 30,211
Cash on hand	<u>64</u>	<u>61</u>
	1,072	30,272
Bank indebtedness	<u>(2,516)</u>	<u>(4,072)</u>
	<u>\$ (1,444)</u>	<u>\$ 26,200</u>

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.



GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

5. Temporary investments

	2003		2002	
	Market Value	Book Value	Market Value	Book Value
	(thousands of dollars)			
Mid-term notes	\$ -	\$ -	\$ 5,125	\$ 5,120
Commercial paper	-	-	4,976	4,987
Government of Canada coupons	-	-	945	983
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,046</u>	<u>\$ 11,090</u>

Temporary investments during the year had a weighted average effective yield of 3.5%, (2002 – 2.9%) per annum.

6. Due from/to Canada

	2003	2002
	(thousands of dollars)	
Due from Canada		
Cost-sharing agreements and projects delivered on behalf of Canada	\$ 40,908	\$ 35,835
Federal grant receivable	39,947	3,587
Other	23	15
	<u>\$ 80,878</u>	<u>\$ 39,437</u>
Due to Canada		
RCMP	\$ 3,430	\$ 2,801
Superannuation contribution payable	1,735	-
Income tax payable	825	-
Devolution funding repayable	-	1,322
Other	360	722
	<u>\$ 6,350</u>	<u>\$ 4,845</u>

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

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

7. Accounts receivable

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 10,317	\$ 10,393
Less valuation allowances	<u>(3,452)</u>	<u>(3,292)</u>
	6,865	7,101
Due from Territorial corporations	6,098	2,400
Prepaid expenses	<u>866</u>	<u>809</u>
	<u>\$ 13,829</u>	<u>\$ 10,310</u>

8. Advances to Territorial corporations

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Yukon Housing Corporation		
Working capital advances	<u>\$ 38,612</u>	<u>\$ 39,062</u>

The advances are interest free and have various repayment terms.

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Notes to Financial Statements  
March 31, 2003

9. Loans receivable

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Debenture loans to municipalities, due in varying annual amounts to the year 2026, bearing interest rates ranging from 5.0% to 13.3%	\$ 9,855	\$ 11,430
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 13.6%	4,427	4,996
Loan to Yukon Housing Corporation, due in equal annual instalments to the year 2028, bearing interest at 0.0%	3,505	3,642
Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2007, bearing interest at 0.0%	2,973	2,719
Local improvement loans, due in varying annual amounts to the year 2031, bearing interest rates ranging from 2.3% to 13.5%	2,217	1,946
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014, bearing interest at 0.0%	1,651	1,804
Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021, bearing interest at 0.0%	280	297
Energy infrastructure development loan, due in periodic instalments to the year 2005, bearing interest at 6.4%	205	205
Energy conservation loans due in varying annual amounts with varying rates of interest	182	184
Loan to Yukon Government Fund Limited, with no repayment terms, bearing interest at 0.0%	116	115
Agreements for sale, due in varying annual amounts over a three or five year term to the year 2006, bearing interest rates ranging from 5.0% to 8.5%	117	29
Less valuation allowances	<u>(1,834)</u>	<u>(1,832)</u>
	<u>\$ 23,694</u>	<u>\$ 25,535</u>

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

10. Land held for sale

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Raw land	\$ 45	\$ 45
Land under development	9,517	13,879
Finished land	<u>12,552</u>	<u>11,472</u>
	<u>\$ 22,114</u>	<u>\$ 25,396</u>

Land held for sale is affected by the Yukon First Nations land claims negotiations. At March 31, 2003, \$4.4 million (2002 - \$2.7 million) of finished land is included in the scope of existing land claims. Recovery of costs of the land selected in land claims settlements is to be provided for by Canada as per provisions of the Bilateral Agreement of June 24, 1993.

11. Tangible Capital Assets

Tangible capital assets are buildings, roads, equipment, etc. whose life extends beyond the fiscal year and are intended to be used on an ongoing basis for delivering services.

The Government is in the process of accumulating information on all of its tangible capital assets. As each asset category is completed, cost and amortization information will be presented in the statement of tangible capital assets. For example, infrastructure costs for roads and bridges have yet to be determined.

In the statement of tangible capital assets, tangible capital assets are reported at cost. Tangible capital assets transferred from Canada are reported at their fair market value at the date of transfer or, if it is not available, at the appraised value at various appraisal dates. 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	\$50,000	40 years
Portable classrooms/housing trailers	\$50,000	20 years
Land improvements and fixtures	\$50,000	20 years
Heavy equipment	\$10,000	7 - 30 years
Operating equipment	\$10,000	7 - 25 years
Vehicles	\$10,000	6 - 15 years
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Leasehold improvements	\$50,000	Lease term

Tangible capital assets under construction or development are reported as work-in-progress with no amortization until the asset is placed in service. The Government owns and/or maintains various historical sites. The Government also holds works of art with a total insured value of \$2 million. Works of art and historical treasures are not included in the Statement of Tangible Capital Assets.

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

12. **Accounts payable and accrued liabilities**

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Accrued liabilities	\$ 23,990	\$ 22,714
Accounts payable	13,037	14,544
Due to Territorial corporations	3,055	3,433
Contractors' holdbacks and security deposits	<u>1,613</u>	<u>3,086</u>
	<u>\$ 41,695</u>	<u>\$ 43,777</u>

13. **Post-employment benefits**

The actuarial obligation for sick and vacation leave and severance benefits is calculated using the projected benefit method pro-rated on service. The obligation for compensatory and personal leave and travel bonus benefits is calculated assuming all employees would cash in those benefits on valuation date. In projecting the accrued obligation for these benefits as at March 31, 2003, the actuary used, as economic assumptions, the liability discount rate of 7.0%, the annual rates of general salary increases of 3.0% and the annual rate of inflation of 3.0%.

Expenses related to post-employment benefits for the year ended March 31, 2003 were \$11,335,000 (2002 - \$2,485,000). At March 31, 2002 the Government limited the post-employment benefits liability to the level established for the previous year. The effect of this capping of the liability was an understatement of expenditures for the year ended March 31, 2002 by \$7,195,000. At March 31, 2003, the Government fully recognized the post-employment benefits liability based on the actuarial valuation. The current year's expenses of \$11,335,000 include the expenses that are applicable to the previous year. Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$2,948,000 (2002 - \$2,485,000).

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Notes to Financial Statements  
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14. Long-term debt

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Loan from Yukon Housing Corporation, repayable in monthly blended payments until the year 2028, bearing interest at an annual rate of 7.0%	\$ 4,384	\$ 4,445
Loans from Canada, repayable in annual instalments with maturities up to the year 2008, bearing fixed interest rates ranging from 6.1% to 11.1%	3,742	3,786
Other debentures, repayable in semi-annual instalments with maturities up to the year 2004, bearing a fixed interest rate of 13.0%	<u>35</u>	<u>65</u>
	<u>\$ 8,161</u>	<u>\$ 8,296</u>

Principal repayment and interest requirements over the next five years on outstanding loans are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(thousands of dollars)		
2004	\$ 116	\$ 667	\$ 783
2005	70	658	728
2006	75	653	728
2007	652	648	1,300
2008	3,240	464	3,704

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Notes to Financial Statements  
March 31, 2003

15. Grant from Canada

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Formula Financing grant entitlement	\$ 366,278	\$ 348,347
Adjustments in respect of:		
Census one-time	15,187	-
Formula financing escalators	(1,524)	238
Tax effort adjustment	(2,949)	2,753
Own source revenues and recoveries	<u>5,326</u>	<u>(1,875)</u>
Formula Financing grant	382,318	349,463
Less oil and gas revenue offset	<u>(497)</u>	<u>(817)</u>
Grant from Canada per Schedule of Revenues (Schedule A)	<u>\$ 381,821</u>	<u>\$ 348,646</u>

The Government receives a grant from Canada according to an agreed formula. The current Formula Financing Agreement with Canada is in effect for the period April 1, 1999 to March 31, 2004.

The Formula Financing grant calculation was finalized using July 1 population statistics released by Statistics Canada on September 25, 2003. This resulted in increased Formula Financing grant revenue of \$23.7 million.

On March 28, 2001, the Government reached an agreement with Canada on outstanding formula financing issues. This agreement resulted in the Government receiving a one-time retroactive payment of approximately \$36 million. As at March 31, 2001, the Government created dedicated funds with the \$36 million. As at March 31, 2003, \$2 million were set aside as dedicated funds.

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Canada winter games infrastructure fund	\$ 2,000	\$ 8,000
Contingency reserve	-	15,000
Yukon permanent fund	-	10,000
Endowment funds	<u>-</u>	<u>1,500</u>
	<u>\$ 2,000</u>	<u>\$ 34,500</u>

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

16. Restricted funds

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Road and Airport Equipment Reserve Fund	\$ 2,639	\$ 2,255
Vehicle Fleet Revolving Fund	1,377	1,483
Health Investment Fund	341	191
Recycling Fund	286	335
Property Management Revolving Fund	249	249
Queen's Printer Revolving Fund	110	172
	<u>\$ 5,002</u>	<u>\$ 4,685</u>

17. Expenditures by object

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Operations and maintenance		
Personnel	\$ 212,855	\$ 195,911
Transfer payments	95,808	93,204
Contract and special services	74,620	71,094
Materials, supplies and utilities	40,434	39,423
Communication and transportation	17,383	16,329
Other	7,812	8,590
	<u>\$ 448,912</u>	<u>\$ 424,551</u>
Capital		
Building and infrastructure	\$ 62,448	\$ 67,833
Transfer payments	18,908	20,886
Equipment	6,484	7,027
Other	7,431	4,373
	<u>\$ 95,271</u>	<u>\$ 100,119</u>



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Notes to Financial Statements  
March 31, 2003

18. Pension plans

(a) Public Service Superannuation Plan

The Government's employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Government contributes at a rate of 2.14 times the employee's contribution. The Government's contributions to the Public Service Superannuation Plan during the year and recorded as expenditures were \$17,454,000 (2002 - \$16,575,000).

(b) Legislative Assembly Retirement Allowances Plan

The Legislative Assembly Retirement Allowances Plan is a contributory defined benefit pension plan. In addition to retirement allowances, the plan also contains a provision for payment of lump sum death and severance allowances. These benefits are based on service and/or earnings. The Government administers the Legislative Assembly Retirement Allowances Fund, and reports the Fund as a trust asset external to the Government of Yukon reporting entity (Note 19).

The *Legislative Assembly Retirement Allowances Act* (Yukon) stipulates that actuarial valuations of the obligation for these benefits 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. These assumptions reflect the best estimates of expected long-term rates and short-term forecasts accepted by the Members' Services Board of the Legislative Assembly. The last completed actuarial valuation was as at March 31, 2002. The accrued benefit obligation shown for 2003 is based on an extrapolation of that 2002 valuation.

(c) Territorial Court Judiciary Pension Plan

The *Territorial Court Judiciary Pension Plan Act* (Yukon) was enacted in May 2001, with an effective date of September 18, 1998. The Territorial Court Judiciary Pension Plan is a non-contributory defined benefit pension plan, and the Government is not required to maintain a fund for this plan.

The actuarial report was prepared at March 31, 2002. The accrued benefit obligation shown for 2003 is based on an extrapolation of that 2002 valuation.

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

The following presents the financial position of the Government's pension plans at March 31, 2003. Pension plan assets are valued at the lower of cost and market.

	Legislative Assembly Retirement Allowance Plan	Territorial Court Judiciary Pension Plan
	(thousands of dollars)	
Accrued benefit obligation		
Obligation at beginning of year	\$ 15,981	\$ 1,871
Current service costs	718	109
Interest cost on benefit obligation	959	134
Benefits paid	(608)	-
Accrued benefit obligation at end of year	<u>\$ 17,050</u>	<u>\$ 2,114</u>
Pension plan assets		
Value at beginning of year	\$ 13,498	\$ -
Actual return on plan assets	964	-
Government contributions	3,143	-
Member contributions	63	-
Benefits paid	(608)	-
Value at end of year	<u>\$ 17,060</u>	<u>\$ -</u>
Funded status – plan surplus (deficit)	\$ 10	\$ (2,114)
Unamortized net actuarial (gain) loss	(146)	23
Accrued benefit liability	<u>\$ (136)</u>	<u>\$ (2,091)</u>
Net pension expense		
Current service costs (net of member contributions)	\$ 647	\$ 109
Interest cost on benefit obligation	959	134
Expected return on plan assets	(810)	-
Amortization of net actuarial gain	-	(2)
	<u>\$ 796</u>	<u>\$ 241</u>
Assumptions		
Expected long-term rate of return on assets	6.0%	N/A
Discount rate on projected benefit obligation	6.0%	7.0%
Inflation	3.0%	3.5%
Rate of compensation increase	* 3.0%	** 3.5%
Amortization period (expected average remaining service life)	8 years	4 years

\* Annual rates of increase in indemnities and expense allowances. No salary increases are assumed.

\*\* Increase to \$178,000 on April 1, 2003, assumed rate thereafter.

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

19. **Trust assets**

The Government administers trust accounts on behalf of third parties which are not included in the Government's assets. Trust assets are invested primarily in short-term and long-term bonds. Investments 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>2003</u>	<u>2002</u>
	(thousands of dollars)	
Legislative Assembly Retirement Allowances (Note 18(b))	\$ 17,060	\$ 13,498
Lottery Commission	2,743	2,799
Land Title Office – Assurance Fund	2,135	2,006
Crime Prevention and Victim Services	2,080	2,244
Historic Resources Trust Fund	1,069	1,027
Public Administrator	783	775
Public Service Group Insurance Benefit	367	352
Other	1,416	1,300
	<u>\$ 27,653</u>	<u>\$ 24,001</u>

20. **Main Estimates**

The Main Estimates comparative figures are from the Main Estimates approved in the Legislative Assembly in 2002. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Legislative Assembly.

21. **Commitments**

At March 31, 2003 the Government had outstanding contractual obligations of \$29.2 million (2002 - \$37.1 million) for major capital projects. At that date, the estimated expenditures on these capital projects over the next three years were \$85.3 million (2002 - \$139.2 million), of which \$43.3 million (2002 - \$69.3 million) is 100% recoverable.

At March 31, 2003 the Government had annual building lease commitments of \$6.9 million consisting of \$5.7 million for rental costs and \$1.2 million for operating costs. These leases are generally for three year terms.

The Government entered into a twenty year policing services contract with the RCMP in 1992. The estimated expenditure under this contract for 2003/2004 is \$10.9 million.

In February 2003, the Government entered into a three-year air medical evacuation contract with Alkan Air Ltd. At March 31, 2003 the Government's minimum obligation under this contract was \$4.2 million with an estimated expenditure for 2003/2004 of \$2.5 million.

## GOVERNMENT OF YUKON

### Notes to Financial Statements March 31, 2003

#### 22. Overexpenditure

During the year, two (2002 - two) departments exceeded their votes with an aggregate total of \$7,949,000 (2002 - \$803,000). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that "a vote does not authorize any payment to be made in excess of the amount specified in the vote".

The votes that were overexpended are as follows:

	(thousands of dollars)
Operations and maintenance	
Public Service Commission	\$ 7,945
Office of the Ombudsman	4

#### 23. Guarantees

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$24.7 million (2002 - \$25.5 million), debts of the Yukon Development Corporation of \$43.5 million (2002 - \$44.4 million) and business loans totalling \$1.0 million (2002 - \$1.1 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Housing Corporation of up to \$11.0 million and to the Yukon Energy Corporation of up to \$10.0 million. It is expected that no significant costs will be incurred by the Government with respect to these guarantees.

#### 24. Transfer of programs from Canada

On October 29, 2001, Canada and the Government signed the Yukon Northern Affairs Program Devolution Transfer Agreement, in which both parties agreed to transfer from Canada to the Government the resources and responsibilities associated with the Northern Affairs Program of the Department of Indian Affairs and Northern Development. The programs and responsibilities being transferred include land, water, forestry and mineral resources. The effective date of the transfer is April 1, 2003. As of that effective date, Canada is to provide to the Government on-going funding estimated at \$33.7 million to the Government as well as one-time and transitional funding of, at a minimum, \$23.2 million over the five years beginning the fiscal year 2003/2004.

#### 25. Land claims

The Government, with Canada and the various Yukon First Nations, is engaged in the negotiation of aboriginal land claims (final) and self-government agreements. On February 14, 1995, Federal and Yukon legislation came into force giving effect to four Yukon First Nation Final Agreements, which incorporated the provisions of the Umbrella Final Agreement (UFA) and specific provisions for each First Nation, and four Self-Government Agreements. The UFA is a framework document signed by the Council for Yukon Indians, Canada, and the Government. Two more Yukon First Nation Final and Self-Government Agreements came into effect on October 1, 1997, another came into effect on September 15, 1998, and the latest came into effect on April 1, 2002. Negotiations are proceeding with the remaining six First Nations on an individual basis. As well, the Government, with Canada, has engaged in land claims negotiations with one transboundary First Nation and anticipates further transboundary negotiations. Any settlement of these claims will not result in a liability to the Government as they are to be funded by Canada.

The Government signed a bilateral funding agreement with 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. The Government expended \$3.6 million during the year (2002 - \$3.6 million) with cumulative expenditures of approximately \$23.3 million (2002 - \$19.7 million), of which \$22.5 million (2002 - \$19.0 million) was funded by Canada.

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

26. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2003 the Government estimated the total claimed amount to be about \$2.7 million (2002 - \$1.9 million). No liability has been admitted and no provision for claims is included in these financial statements.

27. **Environmental liabilities**

The Government recognizes that there could be a liability for restoration of the environment on the land that is administered and controlled by the Government (Commissioner's Land).

The Government does not actively search for contaminated sites, and is only aware of those that are brought to its attention. Consequently, there may be other as yet unidentified sites.

The Government has been informed of 37 sites on Commissioner's Land where environmental liabilities may exist. Of these, 12 sites are airports and are subject to the airport transfer agreements between the Government and Transport Canada that include remediation of contamination by Transport Canada; the Government is responsible for assessing and identifying areas of potential contamination. 20 sites are highway maintenance camps; these sites are either being assessed or awaiting assessment dependent on funding being available. There are also five other sites. One of these other sites 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 but may incur some future environmental liability as the landowner.

In those cases where the future cost of remediating sites is quantifiable, an estimated liability is accrued. As at March 31, 2003 these costs are not quantifiable, so no liability has been accrued.

Pursuant to the Yukon Northern Affairs Program Devolution Transfer Agreement which was made on October 29, 2001 (Note 24), effective April 1, 2003 the Government assumed administration and regulatory responsibility for nearly 900 waste sites. Canada, however, is to continue assuming the financial responsibility for a majority of those sites that were contaminated while under Canada's control. The Government will assume some potential liability for six sites for which Canada is released from further financial liability, and seven sites where the Government will remediate the sites and then seek reimbursement from Canada under the terms of the Agreement. As at March 31, 2003 the potential liability, if any, for these 13 sites has not been assessed.

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2003

28. **Related parties**

Related party transactions not disclosed elsewhere in the financial statements are as follows:

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Revenues/Recoveries from:		
Compensation Fund (Yukon)	\$ 911	\$ 912
Yukon Liquor Corporation	786	285
Yukon Lotteries Commission	608	552
Yukon Development Corporation	211	197
Yukon College	209	179
Yukon Housing Corporation	198	611
Yukon Hospital Corporation	21	20
Yukon Arts Centre Corporation	1	1
	<u>\$ 2,945</u>	<u>\$ 2,757</u>
Expenditures to:		
Yukon Hospital Corporation	\$ 21,851	\$ 22,749
Yukon College	14,047	14,291
Yukon Development Corporation	10,208	7,282
Compensation Fund (Yukon)	3,288	3,378
Yukon Housing Corporation	2,235	2,970
Yukon Legal Services Society	1,256	1,389
Yukon Arts Centre Corporation	662	574
Yukon Human Rights Commission	374	480
	<u>\$ 53,921</u>	<u>\$ 53,113</u>

29. **Comparative figures**

Certain comparative figures for 2002 have been reclassified to conform with the 2003 presentation.

GOVERNMENT OF YUKON

Schedule A

Schedule of Revenues  
for the year ended March 31, 2003

	2003		2002
	Main Estimates (Note 20)	Actual	Actual
	(thousands of dollars)		
Grant from Canada (Note 15)	\$ 346,004	\$ 381,821	\$ 348,646
Taxes and general revenues			
Income taxes	34,735	36,248	38,080
Other taxes	16,936	16,225	15,195
Licences, permits and fees	6,140	6,828	5,394
Yukon Liquor Corporation - net income	4,796	4,391	4,920
Oil and gas resource revenue	6,013	3,828	4,361
Liquor taxes	2,220	2,418	2,340
Aviation operations	746	728	809
Interest - bank and other	705	635	1,344
Fines	276	436	268
Gain on sale of lots	-	289	185
Other revenues	193	247	494
	<u>72,760</u>	<u>72,273</u>	<u>73,390</u>
Transfer payments from Canada			
Canada health and social transfer	21,730	19,889	25,831
	<u>\$ 440,494</u>	<u>\$ 473,983</u>	<u>\$ 447,867</u>

GOVERNMENT OF YUKON

Schedule B

Schedule of Recoveries  
for the year ended March 31, 2003

	2003		2002
	Main Estimates (Note 20)	Actual	Actual
	(thousands of dollars)		
<b>Operations and maintenance</b>			
Health and Social Services	\$ 15,378	\$ 14,232	\$ 15,254
Executive Council Office	4,722	4,442	2,351
Infrastructure	3,774	3,646	3,873
Education	2,464	2,505	2,460
Justice	1,514	1,471	915
Community Services	1,025	1,118	1,106
Environment	929	1,004	816
Business, Tourism and Culture	240	505	513
Energy, Mines and Resources	134	453	217
Finance	16	107	6
Public Service Commission	45	17	23
Office of the Ombudsman	-	17	(1)
Interest	766	767	785
	<b>\$ 31,007</b>	<b>\$ 30,284</b>	<b>\$ 28,318</b>
<b>Capital</b>			
Infrastructure	\$ 25,708	\$ 29,371	\$ 22,640
Community Services	5,817	4,869	4,184
Energy, Mines and Resources	1,136	1,004	961
Health and Social Services	650	697	1,350
Business, Tourism and Culture	-	277	207
Education	100	112	610
Justice	-	111	56
Environment	-	-	18
Finance	250	-	-
	<b>\$ 33,661</b>	<b>36,441</b>	<b>30,026</b>
Less: Community Services			
land recoveries transferred to			
land held for sale		3,184	3,006
local improvement recoveries			
transferred to loans receivable		240	175
Energy, Mines and Resources			
land recoveries transferred to			
land held for sale		-	16
		<b>\$ 33,017</b>	<b>\$ 26,829</b>



GOVERNMENT OF YUKON

Schedule C

Schedule of Expenditures  
for the year ended March 31, 2003

	2003	Actual 2003			2002	
	Main Estimates (Note 20)	Personnel	Transfer Payments	Other	Total Expenditures (Note 17) Actual	
	(thousands of dollars)					
Operations and maintenance						
Health and Social Services	\$ 137,742	\$ 47,764	\$ 46,128	\$ 49,381	\$ 143,273	\$ 130,760
Education	92,328	60,944	18,620	12,537	92,101	90,357
Infrastructure	66,634	24,979	300	40,469	65,748	67,051
Justice	34,003	14,645	3,117	16,173	33,935	35,321
Community Services	30,838	8,130	20,260	2,513	30,903	30,610
Public Service Commission	11,598	18,907	-	2,041	20,948	11,790
Environment	15,587	10,602	743	4,069	15,414	15,169
Executive Council Office	15,423	9,548	2,625	2,910	15,083	12,416
Business, Tourism and Culture	14,401	5,887	3,056	5,719	14,662	14,625
Energy, Mines and Resources	6,496	4,301	504	2,139	6,944	6,811
Yukon Legislative Assembly	3,346	5,313	-	777	6,090	3,148
Finance	4,866	3,904	656	639	5,199	4,914
Elections Office	200	121	-	499	620	307
Office of the Ombudsman	343	292	-	86	378	328
Yukon Housing Corporation (Transfer Payment)	2,459	-	(201)	-	(201)	623
Interest on Loans	371	-	-	358	358	378
	<b>\$ 436,635</b>	215,337	95,808	140,310	451,455	424,608
Less: Health and Social Services loan payments transferred to long-term debt		-	-	61	61	57
Legislative Assembly adjustment due to change in accounting policy (Note 3)		2,482	-	-	2,482	-
	<b>\$ 212,855</b>	<b>\$ 95,808</b>	<b>\$ 140,249</b>	<b>\$ 448,912</b>	<b>\$ 424,551</b>	

GOVERNMENT OF YUKON

Schedule of Expenditures  
for the year ended March 31, 2003

Schedule C  
Continued

	2003		Actual 2003			2002
	Main Estimates (Note 20)	Personnel	Transfer Payments	Other	Total Expenditures (Note 17)	Actual
	(thousands of dollars)					
Capital						
Infrastructure	\$ 48,123	\$ 4,733	\$ 1,828	\$ 45,120	\$ 51,681	\$ 43,327
Community Services	13,449	863	6,763	8,448	16,074	15,815
Education	10,404	677	1,573	7,422	9,672	14,701
Energy, Mines and Resources	5,058	1,313	1,096	2,330	4,739	5,198
Health and Social Services	2,677	-	461	4,145	4,606	12,345
Business, Tourism and Culture	4,027	671	1,857	1,091	3,619	4,662
Yukon Development Corporation (Transfer Payment)	3,000	-	3,000	-	3,000	-
Yukon Housing Corporation (Transfer Payment)	2,296	-	1,790	-	1,790	1,697
Justice	3,521	80	-	1,546	1,626	1,401
Environment	1,279	194	30	813	1,037	1,475
Executive Council Office	10,350	-	510	160	670	1,942
Finance	280	-	-	102	102	113
Public Service Commission	5	-	-	59	59	34
Yukon Legislative Assembly	20	-	-	19	19	9
Elections Office	3	-	-	12	12	2
Office of the Ombudsman	5	-	-	5	5	5
	<b>\$ 104,497</b>	8,531	18,908	71,272	98,711	102,726
Less: Community Services						
land development costs transferred to land held for sale		402	-	2,485	2,887	2,290
local improvement costs transferred to loans receivable		-	-	511	511	317
Energy, Mines and Resources						
land development costs transferred to land held for sale		-	-	42	42	-
		<b>\$ 8,129</b>	<b>\$ 18,908</b>	<b>\$ 68,234</b>	<b>\$ 95,271</b>	<b>\$ 100,119</b>