

GOVERNMENT OF YUKON

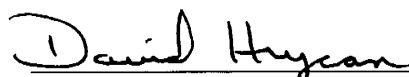
**Consolidated Statement of Financial Position
as at March 31, 2010**

	2010	2009
	(thousands of dollars)	
Financial assets		
Cash and cash equivalents (Note 3)	\$ 82,365	\$ 78,972
Temporary investments (Note 4)	59,259	111,449
Due from Government of Canada (Note 5)	63,900	61,220
Accounts receivable (Note 6)	15,623	14,158
Advances to Territorial corporations (Note 10 (b))	25,000	-
Portfolio investments (Note 7)	25,592	24,114
Loans receivable (Note 8)	54,219	64,213
Inventories held for sale (Note 9)	13,456	6,900
Investment in government business enterprises (Note 10(a))	153,502	143,772
	<u>492,916</u>	<u>504,798</u>
Liabilities		
Due to Government of Canada (Note 5)	20,329	17,396
Accounts payable and accrued liabilities (Note 11)	96,719	78,753
Unearned revenues (Note 12)	48,793	25,058
Post-employment benefits (Note 13)	71,027	64,583
Retirement benefits (Note 14)	15,530	15,902
Long-term debt (Note 15)	20,832	18,104
Capital lease obligations (Note 16)	2,632	3,879
	<u>275,862</u>	<u>223,675</u>
Net financial resources	<u>217,054</u>	<u>281,123</u>
Non-financial assets		
Tangible capital assets (Note 18)	1,065,069	978,042
Less: Deferred capital contributions (Note 19)	(572,289)	(531,917)
Inventories of supplies	8,042	7,258
Prepaid expenses	1,961	1,540
	<u>502,783</u>	<u>454,923</u>
Accumulated surplus	<u>\$ 719,837</u>	<u>\$ 736,046</u>

Contingencies, contractual obligations and guarantees
(Notes 10(c), 22, 24, 25, 26, 27, and 29)

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

Approved:



David Hrycan, FCMA
Deputy Minister of Finance



Dennis Fentie
Minister of Finance

GOVERNMENT OF YUKON

**Consolidated Statement of Operations and Accumulated Surplus
for the year ended March 31, 2010**

	2010		2009
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada	\$ 753,329	\$ 732,585	\$ 682,475
Taxes and general revenues	109,423	113,854	111,069
Income from investment in government business enterprises	7,229	17,275	7,491
Funding and service agreements with other parties	28,224	24,336	26,727
Amortization of deferred capital contributions	17,563	17,631	16,134
	<u>915,768</u>	<u>905,681</u>	<u>843,896</u>
Expenses (Note 20)			
Health and social services	244,394	263,838	238,155
Community and transportation	189,775	205,690	187,889
Education	151,531	152,463	145,756
General government	139,872	120,446	111,096
Natural resources	87,195	83,412	68,702
Justice	54,071	58,177	48,861
Business, tourism and culture	40,882	38,859	35,626
Interest on loans	1,628	1,363	1,494
Adjustments	(11,843)	-	-
	<u>897,505</u>	<u>924,248</u>	<u>837,579</u>
Recovery of prior years' expenses	-	2,358	812
Surplus (deficit) for the year	<u>\$ 18,263</u>	<u>(16,209)</u>	<u>7,129</u>
Accumulated surplus at beginning of year		<u>736,046</u>	<u>728,917</u>
Accumulated surplus at end of year		<u>\$ 719,837</u>	<u>\$ 736,046</u>

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

GOVERNMENT OF YUKON

**Consolidated Statement of Change in Net Financial Resources
for the year ended March 31, 2010**

	2010		2009
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Surplus (deficit) for the year	\$ 18,263	\$ (16,209)	\$ 7,129
Effect of change in tangible capital assets			
Acquisitions	(100,729)	(131,201)	(71,296)
Capital contributions received and deferred	23,596	58,044	41,682
Amortization of tangible capital assets	38,350	43,578	39,852
Amortization of deferred capital contributions	(16,923)	(17,631)	(16,134)
(Gain)/loss on disposal of tangible capital assets	-	(99)	957
Proceeds on disposal of tangible capital assets	-	307	190
Write-down of tangible capital assets	-	387	-
Write-down of deferred capital contributions	-	(40)	4
	<u>(55,706)</u>	<u>(46,655)</u>	<u>(4,745)</u>
Effect of change in other non-financial assets			
Increase in inventories of supplies	-	(784)	(1,959)
Increase in prepaid expenses	-	(421)	(2)
	-	<u>(1,205)</u>	<u>(1,961)</u>
(Decrease) increase in net financial resources	<u>\$ (37,443)</u>	<u>(64,069)</u>	<u>423</u>
Net financial resources at beginning of year		<u>281,123</u>	<u>280,700</u>
Net financial resources at end of year		<u>\$ 217,054</u>	<u>\$ 281,123</u>

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

GOVERNMENT OF YUKON
Consolidated Statement of Cash Flow
for the year ended March 31, 2010

	2010	2009
	(thousands of dollars)	
Operating transactions		
Cash received from:		
Government of Canada	\$ 753,812	\$ 711,638
Taxes and general revenues	115,871	111,105
Funding and service agreements with other parties	23,635	27,787
Interest from investments and loans	4,759	7,680
	898,077	858,210
Cash paid for:		
Salary, wages and benefits	402,160	378,016
Materials, utilities and contract services	303,656	266,050
Transfer payments	149,378	141,189
Interest on loans	1,394	1,518
Interest on capital leases	404	546
	856,992	787,319
Cash provided by operating transactions	41,085	70,891
Capital transactions		
Acquisition of tangible capital assets	(126,981)	(69,928)
Contributions received for acquisition	54,298	35,227
Proceeds on sale of tangible capital assets	307	190
	(72,376)	(34,511)
Cash used for capital transactions	(72,376)	(34,511)
Investing transactions		
Decrease in temporary investments	52,190	8,565
Decrease in portfolio investments	50	1,622
Investment in inventories held for sale	(7,334)	(7,588)
Proceeds from sale of inventories held for sale	13,388	8,422
Advances to Territorial corporations	(25,000)	-
Advances of loans receivable	(8,251)	(18,566)
Repayment of loans receivable	8,161	7,278
	33,204	(267)
Cash provided by (used for) investing transactions	33,204	(267)
Financing transactions		
Repayment of capital lease obligations	(1,247)	(1,105)
Proceeds from long-term debt	4,252	-
Repayment of long-term debt	(1,525)	(1,429)
	1,480	(2,534)
Cash provided by (used for) financing transactions	1,480	(2,534)
Increase in cash and cash equivalents	3,393	33,579
Cash and cash equivalents at beginning of year	78,972	45,393
Cash and cash equivalents at end of year (Note 3)	\$ 82,365	\$ 78,972

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

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

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) Budget

The Budget figures fully consolidate, on a line-by-line basis, the Main Estimates approved in the Legislative Assembly, which consists of the estimates of the Government departments and the Yukon Housing Corporation, with the budgets of Yukon College and the Yukon Hospital Corporation as approved by the respective board of trustees. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Legislative Assembly.

(c) Investments

The *Financial Administration Act* (Yukon) allows the Government to invest money from the consolidated revenue fund in the following investments:

- securities that are obligations of, or guaranteed by, the Government of Canada or a province;
- fixed deposits, notes, certificates and other short-term paper of, or guaranteed by, a bank including swapped deposit transactions in the currency of the United States of America;
- commercial paper issued by a company incorporated under the laws of the Government of Canada or a province, the securities of which are rated in the highest rating category by at least two recognized security rating institutions.

The duration of the securities held depends on cash projections but usually averages under a year in length.

2. **Significant accounting policies**

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity and method of consolidation

The consolidated financial statements include the accounts of all government sector entities and government not-for-profit organizations.

Government sector entities include departments and government-controlled corporations. Government not-for-profit organizations comprise government-controlled education and health institutions.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2010

The accounts of government sector entities and not-for-profit organizations, except for those that are commercial in nature and are classified as government business enterprises, are consolidated using the full consolidation method. With the full consolidation method, revenue and expense transactions, capital, investing and financing transactions, and related assets and liability accounts between consolidated entities have been eliminated.

The accounts of government business enterprises are consolidated using the modified equity method. Under the modified equity method of consolidation, the accounting policies of consolidated entities are not adjusted to conform with those of the government organizations that are consolidated using the full consolidation method. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated.

All accounts of the government reporting entity are consolidated using the financial information for the year ended March 31, 2010. As for the organizations that use a fiscal year-end other than March 31, the Government used their interim financial statements as at March 31, 2010.

Trusts administered by the Government on behalf of other parties (Note 21) are excluded from the government reporting entity.

The organizations comprising the government reporting entity, categorized by the consolidation method are as follows:

Full consolidation:

- Government of Yukon departments
- Yukon College
- Yukon Hospital Corporation
- Yukon Housing Corporation

Modified equity:

- Yukon Development Corporation
- Yukon Liquor Corporation

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

Grants from the Government of Canada are recognized as revenues when entitlement for the transfer occurs. The Government receives a Formula Financing grant 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 transfer revenues are made in the year they are known.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2010

The Government receives funds from the Government of Canada and other sources under various transfers including infrastructure funding such as the reconstruction of the Alaska Highway. These capital transfers are made for the purpose of acquiring assets that will provide government services for many years in the future. As a result, 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 authorized and recipients have met eligibility criteria.

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

Assets

Financial assets

Cash and cash equivalents include cash on hand, balances with banks, 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, provincial treasury bills and promissory notes and Government of Canada treasury bills with terms of maturity of more than 90 days but less than one year from the date of acquisition. When the market value of temporary investments has declined below the carrying value, they are carried at market value.

Portfolio investments are long-term investments and 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. The Government periodically re-estimates the expected cash flows, and any impact from changes is recorded as part of the discount or premium amortization and is included in investment income. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements March 31, 2010

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.

Inventories held for sale include land that has been developed by the Government, housing units and supplies held for eventual sale. Land held for sale comprises the costs of acquiring, planning and developing serviced lots. The lots are valued at cost, except, when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to net recoverable value to recognize the loss. Gains or losses on the sale of lots are recognized at the time of sale. Housing units and supplies held for sale are recorded at the lower of cost and net realizable value.

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, highway materials that are tracked through revolving funds and medical supplies of the Yukon Hospital Corporation. 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 yet been 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 Consolidated Financial Statements
March 31, 2010**

(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
Mobile radio system infrastructure	\$100,000	15 years
Leasehold improvements	\$50,000	Shorter of the lease term or useful economic life
Sewage and water systems	\$50,000	50 years
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 Consolidated Financial Statements
March 31, 2010**

(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, territorial court judges, and the employees of Yukon College and the Yukon Hospital Corporation 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 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 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 Consolidated Financial Statements
March 31, 2010**

Some of the more significant management estimates relate to portfolio 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. **Cash and cash equivalents**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Bank balances	\$ 58,142	\$ 44,029
Short-term investments	20,715	23,401
Funds held for the Government by trustees	3,432	13,131
Cash on hand	76	61
Bank line of credit	-	(1,650)
	<u>\$ 82,365</u>	<u>\$ 78,972</u>

4. **Temporary investments**

	<u>2010</u>		<u>2009</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(thousands of dollars)			
Bankers' acceptances	\$ 45,989	\$ 45,993	\$ 82,673	\$ 82,598
Provincial treasury bills and promissory notes	12,271	12,267	8,982	8,946
Government of Canada treasury bills	999	999	-	-
Bearer deposit notes	-	-	19,917	19,905
	<u>\$ 59,259</u>	<u>\$ 59,259</u>	<u>\$ 111,572</u>	<u>\$ 111,449</u>

Temporary investments during the year had a weighted average effective yield of 0.7% (2009 – 2.7%) per annum.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

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

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 57,644	\$ 53,944
Income tax receivable	5,319	6,996
Other	<u>937</u>	<u>280</u>
	<u>\$ 63,900</u>	<u>\$ 61,220</u>
Due to Government of Canada		
RCMP	\$ 10,503	\$ 8,132
Public Service Pension Plan contribution payable	4,372	4,125
Payroll deductions payable	4,106	4,053
Other	<u>1,348</u>	<u>1,086</u>
	<u>\$ 20,329</u>	<u>\$ 17,396</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.

6. **Accounts receivable**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 11,335	\$ 11,051
Less valuation allowances	<u>(977)</u>	<u>(1,326)</u>
	10,358	9,725
Due from Territorial corporations	<u>5,265</u>	<u>4,433</u>
	<u>\$ 15,623</u>	<u>\$ 14,158</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

7. **Portfolio investments**

On March 31, 2010 the Government held portfolio investments in floating rate notes with a carrying value of \$25.6 million as a result of a restructuring process related to previous investments in asset-backed commercial paper. Upon the restructuring, on January 21, 2009, the Government received notes with a face value of \$36.3 million of various classes issued by a trust referred to as the "Master Asset Vehicle II" (MAV II).

As the Government's investments in MAV II notes are not current in nature, these investments are classified as portfolio investments. The investments were recorded at a discount to their face value. This discount is amortized over time as the investments move closer to their maturity dates. During the year \$1,528,000 of discount was amortized resulting in a March 31, 2010 carrying value of \$25,592,000. The \$1,528,000 amortized discount was recognized as current year revenue from portfolio investments.

The Government held the following investments in MAV II notes:

	2010		2009	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Master Asset Vehicle II (MAV II)				
Class A-1 Notes	\$ 15,726	\$ 12,180	\$ 15,777	\$ 11,421
Class A-2 Notes	16,455	12,054	16,455	11,516
Class B Notes	2,986	1,248	2,986	1,098
Class C Notes	1,089	110	1,089	79
	<u>\$ 36,256</u>	<u>\$ 25,592</u>	<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 pay quarterly interest at a rate equivalent to a bankers' acceptance rate minus 0.5%. Class B notes accrue interest at the same rate as A-1 and A-2 notes but will not pay interest until after the principal and interest on Class A-1 and A-2 notes have been fully paid. Class C notes accrue interest at a bankers' acceptance rate plus 20% but will not pay interest until after the principal and interest on Class B notes have been fully paid. A one-time principal repayment of \$51,000 attributable to excluded securities was made on the Class A-1 notes and was received in two distributions that occurred during the year.

All notes are backed by a combination of structured and traditional assets. Class A-1 and A-2 notes were assigned a rating of "A" by DBRS Limited ("DBRS"). In August 2009, DBRS downgraded the rating of the Class A-2 from "A" to "BBB (low)" and maintained the trend of Under Review with Negative Implications which had been in place since April 24, 2009. On February 9, 2010, DBRS removed the Under Review with Negative Implications trend from the Class A-2 notes and maintained the rating at "BBB" (low)". Class B and C notes are not rated.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

8. **Loans receivable**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Yukon Housing Corporation mortgages receivable, secured by registered charges against real property, chattel mortgages and general security agreements, due in varying annual amounts to the year 2025 bearing interest rates ranging from 0% to 7.15%, net of allowance for doubtful accounts of \$504,000 (2009 - \$1,784,000)	\$ 38,689	\$ 42,789
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2015 bearing interest rates ranging from 3.00% to 7.25%	6,206	11,925
Local improvement loans, due in varying annual amounts to the year 2036, bearing interest rates ranging from 0.50% to 8.21%	3,801	3,723
Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 4.00% to 9.25%	3,478	4,011
Other, net of allowance for doubtful accounts of \$1,906,000 (2009 - \$1,905,000)	<u>2,045</u>	<u>1,765</u>
	<u>\$ 54,219</u>	<u>\$ 64,213</u>

9. **Inventories held for sale**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Land held for sale		
Undeveloped land	\$ 465	\$ 465
Land under development	9,163	4,379
Developed land	<u>3,385</u>	<u>959</u>
	13,013	5,803
Other	<u>443</u>	<u>1,097</u>
	<u>\$ 13,456</u>	<u>\$ 6,900</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

10. **Investment in government business enterprises**

(a) Summary financial statements

Summary financial statements of the government entities accounted for by the modified equity method are provided below. The Yukon Development Corporation has a fiscal year-end of December 31. The Yukon Liquor Corporation has a fiscal year-end of March 31.

	Yukon Development Corporation	Yukon Liquor Corporation	2010 Total	2009 Total
(thousands of dollars)				
<u>Balance Sheet</u>				
Assets				
Current	\$ 28,014	\$ 6,342	\$ 34,356	\$ 13,832
Capital assets	208,811	1,326	210,137	191,728
Other	38,392	-	38,392	31,809
	<u>\$ 275,217</u>	<u>\$ 7,668</u>	<u>\$ 282,885</u>	<u>\$ 237,369</u>
Liabilities				
Current	\$ 27,462	\$ 5,328	\$ 32,790	\$ 11,476
Long-term debt	34,200	-	34,200	32,743
Other	61,379	1,014	62,393	49,378
Equity	152,176	1,326	153,502	143,772
	<u>\$ 275,217</u>	<u>\$ 7,668</u>	<u>\$ 282,885</u>	<u>\$ 237,369</u>
<u>Statement of Operations and Equity</u>				
Revenues	\$ 35,883	\$ 15,594	\$ 51,477	\$ 45,581
Expenses	25,908	8,292	34,200	38,049
Surplus	9,975	7,302	17,277	7,532
Remitted to the Government	-	(7,547)	(7,547)	(7,070)
Equity, beginning of year	142,201	1,571	143,772	143,310
Equity, end of year	<u>\$ 152,176</u>	<u>\$ 1,326</u>	<u>\$ 153,502</u>	<u>\$ 143,772</u>

Equity represents the Government's investment in the government business enterprises.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Liquor Corporation	2010 Total	2009 Total
(thousands of dollars)				
Government of Yukon:				
Advance receivable from	\$ 25,000	\$ -	\$ 25,000	\$ -
Accounts receivable from	155	2,932	3,087	2,964
Accounts payable to	898	3	901	942
Long-term obligations to	1,178	-	1,178	1,887
Revenues from	153	8,885	9,038	8,540
Expenses to	14,735	14	14,749	20,305

Advance receivable from Yukon Development Corporation

In December 2009, the Government entered into a loan advance agreement with the Yukon Development Corporation (YDC) and advanced the principal sum of \$25 million to YDC in order to assist in the Carmacks-Stewart transmission project and the Mayo hydro enhancement project, which are being carried out by the Yukon Energy Corporation, YDC's wholly-owned subsidiary. The initial term of the loan advance was June 22, 2010. Pursuant to the agreement, the Government and YDC agreed to extend the loan for a second term, with a maturity date of September 20, 2010. Subsequently, on August 11, 2010, YDC repaid the \$25 million. The per annum interest rate applicable to the principal amount during the first term was the three month banker's acceptance rate on December 14, 2009 plus 70 basis points (1.01%). The per annum interest rate during the second term was the three month banker's acceptance rate on June 15, 2010 plus 50 basis points (1.29%).

(c) Contractual obligations

Yukon Development Corporation

In February 2010, the Yukon Energy Corporation (YEC), the wholly-owned subsidiary of the Yukon Development Corporation, entered into contracts totalling \$11.7 million for the construction of the transmission line from Pelly Crossing to Stewart Crossing. Work is scheduled to be completed during the fiscal year 2010/2011. In addition, YEC entered into an agreement for the construction of a new hydroelectric powerhouse and related facilities in Mayo. The agreement has a target price of \$77.7 million payable over the course of construction which is to be completed by March 31, 2012.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

(d) Subsequent event

Yukon Development Corporation

Subsequent to the financial statement date, in June 2010, the Yukon Development Corporation (YDC) issued 30-year bonds in the amount of \$100 million at a fixed coupon rate of 5.0% per annum in order to partially finance the Mayo hydro enhancement project, the Carmacks-Stewart transmission project and other miscellaneous projects. The Government indicated its plan to assist YDC by contributing towards a portion of principal and interest payments up to \$52.5 million. This amount will be reduced on a pro rata basis by any revenues from new industrial customers connecting to the Carmacks-Stewart transmission line.

11. **Accounts payable and accrued liabilities**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Accrued liabilities	\$ 54,018	\$ 44,612
Accounts payable	34,484	27,284
Contractors' holdbacks and security deposits	6,441	5,125
Due to Territorial corporations	<u>1,776</u>	<u>1,732</u>
	<u>\$ 96,719</u>	<u>\$ 78,753</u>

12. **Unearned revenues**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Unspent transfer payments from Government of Canada	\$ 42,573	\$ 20,017
Motor vehicle fees for future years	2,358	2,064
Other	<u>3,862</u>	<u>2,977</u>
	<u>\$ 48,793</u>	<u>\$ 25,058</u>

13. **Post-employment benefits**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Severance benefits	\$ 48,905	\$ 45,930
Sick leave obligation	20,291	19,472
Vacation leave obligation	<u>17,096</u>	<u>16,158</u>
Accrued benefit obligation	86,292	81,560
Unrecognized net actuarial loss	<u>(15,265)</u>	<u>(16,977)</u>
Accrued benefit liability	<u>\$ 71,027</u>	<u>\$ 64,583</u>

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2010**

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, 2010, 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. The Government is conducting an actuarial valuation of post-employment benefits at March 31, 2010. The information from this valuation will be reflected in the 2010/2011 financial statements.

Expenses related to post-employment benefits for the year ended March 31, 2010 were \$13,162,000 (2009 - \$12,290,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$6,981,000 (2009 - \$7,393,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

14. Retirement benefits

(a) Public Service Pension Plan

The employees of the Yukon Government and the Yukon Housing Corporation 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 2009, the Government contributed \$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. Effective January 1, 2010, the Government contributes \$1.94 for every dollar contributed by the employee, and \$8.90 for every dollar contributed by the employee for the portion of the employee's salary above \$139,500. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$29,705,000 (2009 - \$28,666,000).

(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

**Notes to Consolidated Financial Statements
March 31, 2010**

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, 2010 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) Yukon College Employees' Pension Plan

The Yukon College Employee's Pension Plan is a contributory defined benefit pension plan. The College's pension plan provides for defined retirement benefits based on an employee's years of service and average final earnings. For any unfunded pension liability, the College is contributing the balance of the costs of the plan as determined by the actuary. The College has contracted with external organizations to provide the services of trustee, administrator, and investment manager for the pension plan.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2010**

The College's pension information included in these consolidated financial statements is based on the measurement date of June 30, 2009. An actuarial valuation for accounting purposes was performed as of June 30, 2009. The next actuarial valuation for accounting purposes will be performed as of June 30, 2010. An actuarial valuation for funding purposes was performed as of June 30, 2007, which established Yukon College's required contributions as 246% of employee contributions. The next actuarial valuation for funding purposes will be performed as of June 30, 2010.

The College had a funded status of \$1,976,000 surplus at the measurement date determined on a going concern basis. As at June 30, 2007, the pension plan had a surplus of \$2.7 million if valued on the basis that the pension plan was terminated/wound up as at June 30, 2007. Since the solvency ratio of the plan was 106% at June 30, 2007, there is no solvency shortfall. The Government has provided a funding commitment to the College to cover increased pension costs up to 2016 to a maximum of \$2,240,000.

(e) Yukon Hospital Corporation Employees' Pension Plan

The Yukon Hospital Corporation Employees' Pension Plan is a contributory defined benefit pension plan, which provides defined retirement benefits based on the length of service and final average earnings of an employee, and is administered by the Corporation's Board of Trustees. A separate pension fund is maintained to hold plan assets. The Yukon Hospital Corporation has contracted with external organizations to provide trustee and investment management services for the fund.

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect of its pension obligations. Consequently, both benefit obligations and plan assets are measured as of December 31 for presentation in the financial statements as of March 31. An actuarial valuation for accounting purposes was performed as of December 31, 2009. The funded status of the pension plan, which was a deficit of \$614,000, presented in these financial statements has been determined on the basis that the pension plan remains a going-concern. The pension plan had a deficit of \$12.0 million if valued on the basis that the pension plan were terminated as at December 31, 2009.

The solvency ratio of the plan is 79%. Since it is less than 100%, to be in accordance with the *Federal Pension Benefits Standards Act, 1985*, the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined as quarterly payments of \$413,000 per year over five years starting in 2010. During the fiscal year 2009/2010, the Corporation contributed \$4,113,000 to the plan, of which \$1,980,000 related to solvency deficiency payments for 2009. Also during the fiscal year, the Government contributed \$1,943,000 to fund these payments.

(f) 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. The accrued benefit obligation as at March 31, 2010 is based on an extrapolation of an actuarial valuation conducted as at April 1, 2007. An actuarial valuation as at March 31, 2010 is currently in progress. The information from this valuation will be reflected in the financial statements for the year ended March 31, 2011. 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 Consolidated Financial Statements
March 31, 2010

The accrued benefit liability for the above retirement benefits as of March 31, 2010 was as follows:

	2010	2009
	(thousands of dollars)	
Accrued benefit liability (asset) (Schedule D)		
Extended health care retirement benefit	\$ 25,164	\$ 23,364
Territorial Court Judiciary Pension Plan	3,881	3,742
Life insurance retirement benefit	1,131	1,083
Legislative Assembly Retirement Allowances Plan	(1,159)	(1,581)
Yukon College Employees' Pension Plan	(6,654)	(5,943)
Yukon Hospital Corporation Employees' Pension Plan	(6,833)	(4,763)
	<u>\$15,530</u>	<u>\$ 15,902</u>

15. **Long-term debt**

	2010	2009
	(thousands of dollars)	
Mortgages, with a variety of terms, secured by fixed charges against housing projects, repayable in blended monthly payments with maturities up to the year 2029, bearing fixed interest rates ranging from 2.65% to 12.50%.	\$ 13,444	\$ 14,598
Demand construction facility loan payable to Canadian Imperial Bank of Commerce, to be used for financing the costs of the new staff residence and medical services facility with estimated costs of up to \$17 million. Interest is calculated at prime rate per annum, payable in advance. The demand construction loan will be repaid in full from the proceeds of the demand term instalment loan upon substantial completion of the facility, which is projected to be January 2011.	4,252	-
Canada Mortgage and Housing Corporation loans, repayable in blended annual payments with maturities up to the year 2028, bearing fixed interest rates ranging from 5.00% to 13.25%.	2,928	3,228
Flexible term note payable to the Yukon Development Corporation, bearing interest rate at 7.5% repayable in annual instalments, based on the annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$387,000 (2009 - \$417,000).	208	278
	<u>\$ 20,832</u>	<u>\$ 18,104</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

Principal repayment requirements over the next five years on outstanding long-term debt are as follows:

(thousands of dollars)

2011	\$	5,886
2012		1,671
2013		1,718
2014		1,770
2015		1,857
Thereafter		<u>7,930</u>
	\$	<u>20,832</u>

Debt authority

Effective May 1, 2009, the Government of Canada, pursuant to subsection 23(2) of the *Yukon Act* (Canada), approved the Government's maximum borrowing be increased from \$138 million to \$300 million.

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises		
Yukon Development Corporation, long-term debt	<u>\$ 34,200</u>	<u>\$ 32,743</u>
Fully consolidated entities		
Yukon Housing Corporation, mortgages payable	13,444	14,598
Yukon Hospital Corporation, CIBC demand construction loan	4,252	-
Yukon Housing Corporation, CMHC loans	<u>2,928</u>	<u>3,228</u>
	<u>20,624</u>	<u>17,826</u>
Total debt	54,824	50,569
Credit facilities	28,500	28,500
Authorized borrowing limit	<u>300,000</u>	<u>138,000</u>
Available borrowing capacity	<u>\$ 216,676</u>	<u>\$ 58,931</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

16. **Capital lease obligations**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	\$ 1,517	\$ 1,930
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.	970	1,609
Building lease obligation payable monthly until the year 2011, with imputed interest rate of 13.3%.	<u>145</u>	<u>340</u>
	<u>\$ 2,632</u>	<u>\$ 3,879</u>

Interest expense related to capital lease obligations for the year was \$404,000 (2009- \$546,000) at an imputed average interest rate of 12.6% (2009 – 12.6%).

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

	(thousands of dollars)
2011	\$ 2,043
2012	1,273
2013	755
2014	-
2015	<u>-</u>
Total minimum lease payments	4,071
Less: amount representing executory costs	(859)
amount representing rental of land	(210)
amount representing interest	<u>(370)</u>
	<u>\$ 2,632</u>

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2010**

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:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Portfolio investments				
Master Asset Vehicle II	<u>\$ 25,592</u>	<u>\$ 28,815</u>	<u>\$ 24,114</u>	<u>\$ 21,960</u>
Loans receivable				
Mortgages receivable, net of valuation allowance	\$ 38,689	\$ 38,087	\$ 42,789	\$ 29,721
Other loans receivable, net of valuation allowance	<u>15,530</u>	<u>15,447</u>	<u>21,424</u>	<u>21,524</u>
	<u>\$ 54,219</u>	<u>\$ 53,534</u>	<u>\$ 64,213</u>	<u>\$ 51,245</u>
Long-term debt				
Mortgages payable	\$ 13,444	\$ 13,887	\$ 14,598	\$ 15,013
Demand construction loan	4,252	4,201	-	-
CMHC loans	2,928	3,154	3,228	3,674
Other	<u>208</u>	<u>245</u>	<u>278</u>	<u>374</u>
	<u>\$ 20,832</u>	<u>\$ 21,487</u>	<u>\$ 18,104</u>	<u>\$ 19,061</u>

The estimated fair value for portfolio 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.

Since the above valuation approach and assumptions are based on market information available at March 31, 2010, 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 estimated fair values of mortgages receivable were determined using the present value of future cash flows discounted at the March 31, 2010 average market rate for mortgages and loans with similar maturities. Until settled, the fair value of mortgages will fluctuate based on changes in interest rates. The Government believes that unrealized losses are short term in nature and the carrying amount of mortgages will be fully recovered.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2010**

The carrying value, at the lower of cost or net recoverable value, is estimated to be the fair value of other 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.

The estimated fair value for long-term debt is calculated by discounting the expected future cash flows at year-end market interest rates for equivalent terms to maturity.

18. Tangible capital assets

	<u>2010</u> Net Book Value	<u>2009</u> Net Book Value
	(thousands of dollars)	
Land	\$ 9,391	\$ 9,211
Buildings	353,426	307,165
Equipment and vehicles	38,258	35,553
Computer hardware and software	13,234	11,929
Transportation infrastructure	616,558	593,856
Other	<u>34,202</u>	<u>20,328</u>
(Schedule C)	<u>\$ 1,065,069</u>	<u>\$ 978,042</u>

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$5.5 million (2009 - \$4.9 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 \$635,000 (2009 - \$635,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Buildings (cost)	\$ 8,820	\$ 8,820
Less accumulated amortization	<u>(4,444)</u>	<u>(3,809)</u>
	<u>\$ 4,376</u>	<u>\$ 5,011</u>

No interest was capitalized during the year.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

19. **Deferred capital contributions**

Where the fair value has been capitalized for tangible capital assets that were transferred from a third party such as the 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>2010</u>	<u>2009</u>
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 531,917	\$ 506,365
Add: Assets transferred or funded during the year	58,044	41,682
Less: Amortization	(17,632)	(16,134)
Write-down	<u>(40)</u>	<u>4</u>
Deferred capital contributions, end of year (Schedule C)	<u>\$ 572,289</u>	<u>\$ 531,917</u>

20. **Expenses by object**

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Personnel	\$ 412,533	\$ 379,906
Contract and special services	162,728	131,066
Transfer payments	151,930	140,623
Materials, supplies and utilities	89,989	86,043
Amortization expenses	43,578	39,852
Communication and transportation	35,141	28,495
Interest on long-term debt and capital lease obligations	1,767	2,040
Other	<u>26,582</u>	<u>29,554</u>
	<u>\$ 924,248</u>	<u>\$ 837,579</u>

21. **Trust assets**

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

The largest such trust account, the Compensation Fund (Yukon) has a fiscal year-end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. 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 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.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

	2010	2009
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 144,833	\$ 129,219
Federal Gas Tax Funds under the New Deal	18,633	13,963
Forest Sector Fund	5,221	5,175
Water Resources Bonds	3,846	2,516
Crime Prevention and Victim Services	3,827	3,498
Land Title Office – Assurance Fund	3,498	3,349
Lottery Commission	2,751	2,838
Historic Resources Trust Fund	1,216	1,230
Public Guardian Trust	1,048	935
Other	2,987	2,352
	<u>\$ 187,860</u>	<u>\$ 165,075</u>

22. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2010:

	Expiry Date	2011	2012 – 2025	Total
		(thousands of dollars)		
Capital projects				
- in progress at March 31, 2010	2019	\$ 55,235	\$ 38,197	\$ 93,432
(recoverable amount)		(27,488)	(7,929)	(35,417)
Mobile radio network system	2025	1,522	50,478	52,000
RCMP policing agreement	2012	20,257	20,865	41,122
Miscellaneous operational commitments	2014	13,084	3,192	16,276
Building/office space leases	2016	8,034	7,693	15,727
Faro mine site	2012	7,773	7,283	15,056
(recoverable amount)		(7,773)	(7,283)	(15,056)
		<u>\$ 70,644</u>	<u>\$ 112,496</u>	<u>\$ 183,140</u>

23. **Overexpenditure**

During the year, one (2009 – three) department exceeded their vote with a total of \$3,700,000 (2009 - \$1,973,000). 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”.

(thousands of dollars)

The vote that was overexpended is as follows:

Operation and maintenance	
Health and Social Services	\$ 3,700

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements
March 31, 2010**

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, two (2009 – two) departments exceeded the authorized amounts as follows:

Operations and maintenance grants

Health and Social Services

- Medical travel subsidies	269
- Child care subsidies	215
- Adoption subsidies	43

Education

- Student accommodation (boarding subsidy)	15
--	----

24. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$6.5 million (2009 - \$7.0 million). At March 31, 2010, on a consolidated basis, the Yukon Development Corporation had total debts of \$34.2 million (2009 - \$32.7 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, 2010, eleven Yukon First Nation Final and Self-government Agreements came into effect. The Government of Canada's negotiating mandate expired prior to the completion of the remaining three Yukon agreements. Settlements for these outstanding claims would not result in a general liability to the Government as they are to be funded by the Government of Canada. The Government would, however, be responsible for any financial obligations it might agree to during the negotiations.

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

The Government incurred expenses of \$4.6 million during the year (2009 - \$5.0 million) with cumulative expenditures of approximately \$58.5 million (2009 - \$55.2 million), of which \$57.4 million (2009 - \$55.1 million) was funded by the Government of Canada.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

26. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2010 the Government estimated the total claimed amount, excluding the claim from the Commission scolaire francophone du Yukon which is described below, to be about \$1.9 million (2009 - \$3.1 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.

In the Statement of Claim filed by the Commission scolaire francophone du Yukon (CSFY) in 2009, the Government was named as defendant. Among its claims for the exclusive management and control of resources for French language schooling, CSFY is seeking payment in the amount of \$2.9 million as it claims that the Government breached previous years' contribution agreements and funding obligations. The claim amount also includes damages for infringing language rights. It is expected that the court's ruling on the claims will be made sometime in 2011. No provision for these claims has been made in these financial statements as the likelihood that the Government has incurred a liability at the date of the financial statements is undeterminable.

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. In 2009/2010, the Government paid \$220,000 (2009 - \$397,000) for general liability claims such as bodily injury and property damage and automobile liability. The Government had unpaid claims against the fund in the amount of \$1,057,000 as at March 31, 2010 (2009 - \$1,133,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2010 was \$4.2 million (2009 - \$3.9 million).

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, 2010, a liability in the amount of \$535,000 (2009 - \$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, 2010, the Government was aware of 41 sites (2009 – 38 sites) where the Government is obligated or is likely obligated to incur such costs. Of the 41 sites, 10 are airports and 21 are highway maintenance camps, the majority of which have been investigated but are still awaiting full environmental assessment. Quantifiable portions of remediation costs for some of the sites that are known to be contaminated are currently estimated at \$7,106,000 (2009 - \$6,789,000), 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 \$3.4 million (2009 - \$2.1 million). The Government is committed to assessing all sites in a systematic manner.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements
March 31, 2010

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. On September 7, 2010, the Government and the Government of Canada entered into an agreement to remediate the site over 10 years with a total estimated cost of \$6.8 million, of which the Government is to fund 30% or \$2 million and the Government of Canada \$4.8 million.

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.

28. **Related parties**

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

	<u>2010</u>	<u>2009</u>
	(thousands of dollars)	
Transfer payments		
Yukon Arts Centre Corporation	\$ 1,645	\$ 904
Yukon Legal Services Society	1,642	1,766
Yukon Human Rights Commission	<u>539</u>	<u>479</u>
	<u>\$ 3,826</u>	<u>\$ 3,149</u>

29. **Subsequent events**

Subsequent to the financial statement date, in June 2010, the Government provided its consent for the Yukon Hospital Corporation to borrow up to \$50 million for the construction of the Watson Lake Hospital and the Dawson City Hospital. The Government indicated its plan to assist the Yukon Hospital Corporation to fund, upon project completion, additional net annual costs incurred by the Corporation as a result of financing these projects. The Yukon Hospital Corporation plans to rent out approximately 1/3 of each of the new building space in order to offset additional costs.

Additional subsequent events are disclosed in Note 10(d) and Note 27.

30. **Comparative figures**

Certain comparative figures for 2009 have been reclassified to conform with the 2010 presentation.

GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source
for the year ended March 31, 2010**

	2010		2009
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
From Government of Canada			
Formula Financing grant	\$ 611,707	\$ 611,707	\$ 564,032
Other grants	71,208	44,170	49,168
Contributions and service agreements	70,414	76,708	69,275
	<u>753,329</u>	<u>732,585</u>	<u>682,475</u>
Taxes and general revenues			
Income taxes	62,472	63,440	66,340
Other taxes	27,065	26,996	25,424
Licences, permits and fees	9,332	12,550	11,016
Investment and interest revenue	4,608	4,017	3,681
Gain on sale of lots	150	1,389	1,467
Income from portfolio investments	-	1,545	266
Hospital revenues	2,927	865	-
Aviation operations	869	826	860
Oil and gas resource revenue	715	444	1,193
Fines	408	393	306
Other revenues	877	1,389	516
	<u>109,423</u>	<u>113,854</u>	<u>111,069</u>
Income from investment in government business enterprises			
Yukon Liquor Corporation	7,229	7,301	6,777
Yukon Development Corporation	-	9,974	762
Yukon Government Fund Limited	-	-	(48)
	<u>7,229</u>	<u>17,275</u>	<u>7,491</u>
Funding and service agreements with other parties	28,224	24,336	26,727
Amortization of deferred capital contributions	17,563	17,631	16,134
	<u>\$ 915,768</u>	<u>\$ 905,681</u>	<u>\$ 843,896</u>

GOVERNMENT OF YUKON

Schedule B

**Consolidated Schedule of Operations by Sector
for the year ended March 31, 2010**

	Health and Social Services		Community and Transportation		Education		General Government ¹		Natural Resources	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(thousands of dollars)									
Revenues										
Formula financing grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,707	\$ 564,032	\$ -	\$ -
Other transfers from										
Government of Canada	26,688	26,621	17,768	9,212	8,495	6,350	43,444	62,882	21,865	10,702
Taxes and general revenues	3,463	2,284	15,436	13,450	1,919	1,524	90,202	89,216	4,622	5,942
Funding and service agreements	6,760	6,955	12,886	15,198	10,708	9,021	1,527	1,665	840	838
Amortization of deferred capital contributions	2,535	2,266	14,352	13,327	197	197	366	331	181	13
Income from investment in government business enterprises	-	-	9,974	762	-	-	7,301	6,729	-	-
	<u>39,446</u>	<u>38,126</u>	<u>70,416</u>	<u>51,949</u>	<u>21,319</u>	<u>17,092</u>	<u>754,547</u>	<u>724,855</u>	<u>27,508</u>	<u>17,495</u>
Expenses										
Personnel	105,458	95,005	52,771	50,063	98,132	93,459	82,433	72,362	39,226	36,259
Other	93,787	89,647	80,049	65,019	36,564	36,295	26,526	27,283	36,529	25,269
Transfer payments	62,480	50,666	48,162	51,509	17,136	14,368	7,952	7,782	7,555	7,184
Amortization expenses	6,092	5,261	25,669	23,401	6,065	6,043	3,425	3,330	494	343
Interest on long-term debt and capital lease obligations	21	30	1,342	1,464	-	-	404	546	-	-
	<u>267,838</u>	<u>240,609</u>	<u>207,993</u>	<u>191,456</u>	<u>157,897</u>	<u>150,165</u>	<u>120,740</u>	<u>111,303</u>	<u>83,804</u>	<u>69,055</u>
Recovery of prior years' expenses	<u>127</u>	<u>82</u>	<u>1,226</u>	<u>90</u>	<u>189</u>	<u>1</u>	<u>594</u>	<u>293</u>	<u>30</u>	<u>121</u>
(Deficit) surplus for the year	<u>\$ (228,265)</u>	<u>\$ (202,401)</u>	<u>\$ (136,351)</u>	<u>\$ (139,417)</u>	<u>\$ (136,389)</u>	<u>\$ (133,072)</u>	<u>\$ 634,401</u>	<u>\$ 613,845</u>	<u>\$ (56,266)</u>	<u>\$ (51,439)</u>

¹ Includes the legislature, tax collection and administration, Formula Financing and other grants from the federal government, liquor profits, general administration and central agency services such as building maintenance, Public Service Commission, finance and IT services to all sectors.

GOVERNMENT OF YUKON

Schedule B
Continued

**Consolidated Schedule of Operations by Sector
for the year ended March 31, 2010**

	Justice		Business, Tourism and Culture		Adjustments ²		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(thousands of dollars)							
Revenues								
Formula financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,707	\$ 564,032
Other transfers from								
Government of Canada	1,628	1,863	990	813	-	-	120,878	118,443
Taxes and general revenues	699	708	184	183	(2,671)	(2,238)	113,854	111,069
Funding and service agreements	476	480	323	351	(9,184)	(7,781)	24,336	26,727
Amortization of deferred capital contributions	-	-	-	-	-	-	17,631	16,134
Income from investment in government business enterprises	-	-	-	-	-	-	17,275	7,491
	<u>2,803</u>	<u>3,051</u>	<u>1,497</u>	<u>1,347</u>	<u>(11,855)</u>	<u>(10,019)</u>	<u>905,681</u>	<u>843,896</u>
Expenses								
Personnel	21,550	20,223	12,963	12,535	-	-	412,533	379,906
Other	31,284	23,502	11,473	10,992	(1,772)	(2,849)	314,440	275,158
Transfer payments	4,332	4,350	14,396	11,934	(10,083)	(7,170)	151,930	140,623
Amortization expenses	1,152	821	681	653	-	-	43,578	39,852
Interest on long-term debt and capital lease obligations	-	-	-	-	-	-	1,767	2,040
	<u>58,318</u>	<u>48,896</u>	<u>39,513</u>	<u>36,114</u>	<u>(11,855)</u>	<u>(10,019)</u>	<u>924,248</u>	<u>837,579</u>
Recovery of prior years' expenses	9	43	183	182	-	-	2,358	812
(Deficit) surplus for the year	<u>\$ (55,506)</u>	<u>\$ (45,802)</u>	<u>\$ (37,833)</u>	<u>\$ (34,585)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,209)</u>	<u>\$ 7,129</u>

² To eliminate transactions between sectors.

GOVERNMENT OF YUKON

Schedule C

**Consolidated Schedule of Tangible Capital Assets
for the year ended March 31, 2010**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other ¹	2010 Total	2009 Total
(thousands of dollars)								
Cost of tangible capital assets, opening	\$ 9,211	\$ 538,202	\$ 92,766	\$ 36,560	\$ 790,042	\$ 24,836	\$ 1,491,617	\$ 1,427,204
Acquisitions	203	63,405	9,049	3,916	40,168	14,460 ³	131,201	71,296
Write-downs	(23)	(254)	(2)	(108)	-	-	(387)	-
Disposals	-	(363)	(4,190)	(96)	(300)	-	(4,949)	(6,883)
Cost of tangible capital assets, closing	9,391	600,990	97,623	40,272	829,910	39,296 ³	1,617,482	1,491,617
Accumulated amortization, opening	-	231,037	57,213	24,631	196,186	4,508	513,575	479,459
Amortization expense	-	16,785	6,238	2,503	17,466	586	43,578	39,852
Disposals	-	(258)	(4,086)	(96)	(300)	-	(4,740)	(5,736)
Accumulated amortization, closing	-	247,564	59,365	27,038	213,352	5,094	552,413	513,575
Net book value (Note 18)	\$ 9,391	\$ 353,426	\$ 38,258	\$ 13,234	\$ 616,558	\$ 34,202³	\$ 1,065,069	\$ 978,042
Work-in-progress ²		\$ 69,854	\$ -	\$ 4,794	\$ 35,103	\$ 20,263 ³	\$ 130,014	\$ 64,362
Deferred capital contributions (Note 19)		\$ 71,938	\$ 6,169	\$ 2,139	\$ 478,688	\$ 13,355 ³	\$ 572,289	\$ 531,917

¹ Includes portable classrooms, land improvements and fixtures.

² Included in net book value.

³ Includes \$4.4 million of work-in-progress and \$2.9 million of deferred capital contributions for a sewage treatment plant, which the Government plans to transfer to the Town of City of Dawson once it is completed.

GOVERNMENT OF YUKON

Schedule D

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2010**

							2010	2009
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	Total
(thousands of dollars)								
Pension and retirement plan assets are valued at fair market value.								
Accrued benefit obligation								
Obligation at beginning of year	\$ 20,664	\$ 5,921	\$ 22,439	\$ 1,263	\$ 41,257	\$ 37,449	\$ 128,993	\$ 135,030
Current service costs	1,095	309	940	29	3,241	2,439	8,053	8,659
Past service cost	-	-	-	-	-	-	-	(5,545)
Interest cost on benefit obligation	1,354	397	1,333	72	2,414	2,519	8,089	7,782
Actuarial (gain) loss	-	(156)	-	-	(3,348)	3,548	44	(11,669)
Benefits paid	(775)	(190)	(384)	(77)	(1,783)	(1,324)	(4,533)	(5,264)
Accrued benefit obligation at end of year	\$ 22,338	\$ 6,281	\$ 24,328	\$ 1,287	\$ 41,781	\$ 44,631	\$ 140,646	\$ 128,993
Plan assets								
Value at beginning of year	\$ 20,825	\$ 3,084	\$ -	\$ -	\$ 47,353	\$ 34,205	\$ 105,467	\$ 115,188
Actual return on plan assets	3,802	529	-	-	(4,900)	6,035	5,466	(11,204)
Employer contributions	722	190	384	77	2,235	4,307	7,915	6,158
Member contributions	144	57	-	-	851	948	2,000	1,821
Transfers	-	-	-	-	-	-	-	(1,025)
Benefits paid	(775)	(190)	(384)	(77)	(1,783)	(1,324)	(4,533)	(5,264)
Actual plan expenses	-	-	-	-	-	(154)	(154)	(207)
Value at end of year	\$ 24,718	\$ 3,670	\$ -	\$ -	\$ 43,756	\$ 44,017	\$ 116,161	\$ 105,467
Funded status - plan deficit (surplus)	\$ (2,380)	\$ 2,611	\$ 24,328	\$ 1,287	\$ (1,976)	\$ 614	\$ 24,484	\$ 23,526
Unrecognized net actuarial gain (loss)	1,221	1,270	836	(156)	(4,518)	(5,704)	(7,051)	(5,288)
Unrecognized past service costs	-	-	-	-	(160)	(434)	(594)	(833)
Employer contribution made after measurement date	-	-	-	-	-	(1,309)	(1,309)	(1,503)
Accrued benefit liability (asset) (Note 14)	\$ (1,159)	\$ 3,881	\$ 25,164	\$ 1,131	\$ (6,654)	\$ (6,833)	\$ 15,530	\$ 15,902

GOVERNMENT OF YUKON

**Consolidated Schedule of Retirement Benefits
for the year ended March 31, 2010**

Schedule D
Continued

							2010	2009
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	Total
(thousands of dollars)								
Net benefit cost								
Current service costs	\$ 1,095	\$ 309	\$ 940	\$ 29	\$ 3,241	\$ 2,597 ¹	\$ 8,211	\$ 8,798
Less: Member contributions	(144)	(57)	-	-	(851)	(948)	(2,000)	(1,821)
Past service cost	-	-	-	-	-	157	157	(5,388)
Interest cost on benefit obligation	1,354	397	1,333	72	2,414	2,519	8,089	7,782
Expected return on plan assets	(1,356)	(202)	-	-	(3,360)	(2,526)	(7,444)	(8,017)
Amortization of past service costs	-	-	-	-	81	-	81	81
Amortization of net actuarial (gain) loss	195	(118)	(89)	24	-	244	256	(343)
Net cost for the year	\$ 1,144	\$ 329	\$ 2,184	\$ 125	\$ 1,525	\$ 2,043	\$ 7,350	\$ 1,092

Assumptions

Expected long-term rate of return on assets	6.5%	6.5%	N/A	N/A	7.0%	7.0%
Discount rate on accrued benefit obligation	6.5%	6.5%	5.75%	5.75%	6.25%	6.0%
Inflation	2.5%	2.5%	N/A	N/A	2.0%	2.5%
Rate of compensation increase	2.5%	3.0%	N/A	see below ²	4.25%	3.0%
Health care cost trend rate	N/A	N/A	see below ³	N/A	N/A	N/A
Amortization period (expected average remaining service life)	8.5 years	7.7 years	10.4 years	7.6 years	8.1 years	8.7 years

¹ Includes \$158,000 for provision of administrative expenses.

² 1.2% on June 1, 2009, 2.5% per annum thereafter.

³ 12.0% per annum, grading down annually by 1.4% per annum to 5.0% per annum and remaining at that level thereafter.