

GOVERNMENT OF YUKON

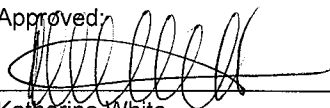
Consolidated Statement of Financial Position  
as at March 31, 2018

	2018	2017
	(thousands of dollars)	
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 32,336	\$ 31,160
Temporary investments (Note 4)	163,158	214,497
Due from Government of Canada (Note 5)	76,298	57,983
Accounts receivable (Note 6)	17,060	18,223
Portfolio investments (Note 7)	33,277	27,086
Advances to Territorial corporations (Note 11(b)(c))	39,200	39,200
Loans receivable (Note 9)	66,574	73,726
Inventories for resale (Note 10)	66,782	52,950
Investment in government business enterprises (Note 11(a))	189,878	183,499
	<u>684,563</u>	<u>698,324</u>
<b>Liabilities</b>		
Due to Government of Canada (Note 5)	37,243	43,387
Accounts payable and accrued liabilities (Note 12)	135,383	121,834
Environmental liabilities (Note 13)	39,672	38,731
Unearned revenues (Note 14)	27,374	28,292
Post-employment benefits and compensated absences (Note 15)	127,131	119,377
Retirement benefits (Note 16)	23,106	21,826
Borrowings (Note 17)	40,803	43,633
Liabilities for leased tangible capital assets (Note 18)	6,220	7,192
	<u>436,932</u>	<u>424,272</u>
<b>Net financial assets</b>	<u>247,631</u>	<u>274,052</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 20)	1,592,400	1,513,303
Inventories of supplies	11,687	11,174
Prepaid expenses	2,144	2,560
	<u>1,606,231</u>	<u>1,527,037</u>
<b>Accumulated surplus</b>	<u>\$ 1,853,862</u>	<u>\$ 1,801,089</u>

Contingencies, contractual rights and obligations, commitments and guarantees  
(Notes 11(d)(e), 13, 16(d)(e), 23, 24, 26, 27, and 28)

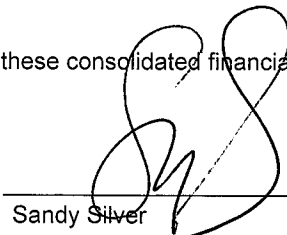
The accompanying notes and schedules are an integral part of these consolidated financial statements.

Approved:



Katherine White

Deputy Minister of Finance



Sandy Silver

Minister of Finance

GOVERNMENT OF YUKON

**Consolidated Statement of Operations and Accumulated Surplus  
for the year ended March 31, 2018**

	2018		2017
	Budget (Note 1(b))	Actual	Actual
	(thousands of dollars)		
Revenues (Schedule A)			
From Government of Canada	\$ 1,125,772	\$ 1,108,394	\$ 1,059,292
Taxes and general revenues	151,513	157,298	161,205
Funding and service agreements with other parties	47,192	47,304	47,304
Income from investment in government business enterprises (Note 11(a))	14,832	14,683	15,856
	<u>1,339,309</u>	<u>1,327,679</u>	<u>1,283,657</u>
Expenses (Note 21)			
Health and social services	385,031	388,433	371,165
Community and transportation	293,294	280,103	280,241
Education	218,672	209,365	204,488
General government	165,904	163,069	154,131
Natural resources	117,173	109,967	123,487
Justice	74,759	75,237	72,056
Business, tourism and culture	51,619	47,541	47,830
Interest on loans	2,044	2,072	2,270
Adjustments	(2,417)	-	-
	<u>1,306,079</u>	<u>1,275,787</u>	<u>1,255,668</u>
Recovery of prior years' expenses	-	963	4,603
Surplus for the year	<u>\$ 33,230</u>	<u>52,855</u>	<u>32,592</u>
Accumulated surplus at beginning of year		1,801,089	1,769,170
Other comprehensive loss of government business enterprises (Note 11(a))		(82)	(673)
Accumulated surplus at end of year		<u>\$ 1,853,862</u>	<u>\$ 1,801,089</u>

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

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**Consolidated Statement of Change in Net Financial Assets  
for the year ended March 31, 2018**

	2018		2017
	Budget	Actual	Actual
	(Note 1(b))		
	(thousands of dollars)		
Surplus for the year	\$ 33,230	\$ 52,855	\$ 32,592
Effect of change in tangible capital assets			
Acquisitions	(180,416)	(145,620)	(150,886)
Amortization of tangible capital assets	66,820	65,832	62,187
(Gain) loss on disposal of tangible capital assets	1	(163)	(331)
Proceeds on disposal of tangible capital assets	168	469	442
Write-down of tangible capital assets	-	385	820
Other budgetary adjustments	8,641	-	-
	<u>(104,786)</u>	<u>(79,097)</u>	<u>(87,768)</u>
Effect of change in other non-financial assets			
Acquisition of inventories of supplies	-	(24,205)	(20,583)
Consumption of inventories of supplies	-	23,692	20,261
Decrease in prepaid expenses	-	416	214
	<u>-</u>	<u>(97)</u>	<u>(108)</u>
Decrease in net financial assets	<u>\$ (71,556)</u>	<u>(26,339)</u>	<u>(55,284)</u>
Net financial assets at beginning of year		274,052	330,009
Other comprehensive loss of government business enterprises (Note 11(a))		<u>(82)</u>	<u>(673)</u>
Net financial assets at end of year		<u>\$ 247,631</u>	<u>\$ 274,052</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, 2018

	2018	2017
	(thousands of dollars)	
<b>Operating transactions</b>		
Surplus for the year	\$ 52,855	\$ 32,592
Non-cash items included in surplus for the year:		
Amortization of tangible capital assets	65,832	62,187
Amortization of discount / premium on portfolio investments	-	(2,867)
Loans receivable valuation adjustment	(320)	(15)
Bad debt expense	32	30
Write-down of tangible capital assets	385	820
Gain on sale of land inventory	(832)	(590)
Gain on disposal of tangible capital assets	(163)	(331)
Share of government business enterprises' income	(6,461)	(7,360)
Change in non-cash assets and liabilities	(784)	16,405
Cash provided by operating transactions	<u>110,544</u>	<u>100,871</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(145,699)	(145,609)
Proceeds on disposal of tangible capital assets	469	442
Cash used for capital transactions	<u>(145,230)</u>	<u>(145,167)</u>
<b>Investing transactions</b>		
Net proceeds from temporary investments	51,339	13,370
Proceeds from portfolio investments	26,463	42,628
Acquisition of portfolio investments	(32,654)	(3,305)
Repayments of loans receivable	17,162	18,650
Issuance of loans receivable	(4,691)	(10,297)
Investment in land inventory	(17,691)	(8,185)
Cash provided by investing transactions	<u>39,928</u>	<u>52,861</u>
<b>Financing transactions</b>		
Proceeds from borrowings	996	-
Repayment of borrowings	(4,090)	(3,837)
Repayment of liabilities for leased tangible capital assets	(972)	(914)
Cash used for financing transactions	<u>(4,066)</u>	<u>(4,751)</u>
<b>Cash and cash equivalents increase</b>	<b>1,176</b>	<b>3,814</b>
Cash and cash equivalents at beginning of year	<u>31,160</u>	<u>27,346</u>
<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>\$ 32,336</b>	<b>\$ 31,160</b>
Interest received in the year	\$ 11,216	\$ 8,075
Interest paid in the year	\$ 2,289	\$ 2,503

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

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

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 are based on the Consolidated Budget of the Government Reporting Entity as published in the Government's 2017/2018 Operation & Maintenance and Capital Estimates.

(c) Investments

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

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

2. **Significant accounting policies**

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(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.

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.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2018**

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, 2018. 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, 2018.

Trusts administered by the Government on behalf of other parties (Note 22) are excluded from the government reporting entity.

The organizations comprising the government reporting entity, categorized by the consolidation method, and their specific operating authority are as follows:

Full consolidation:

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

Authority for operations:

*Financial Administration Act*  
*Yukon College Act*  
*Hospital Act*  
*Housing Corporation Act*

Modified equity:

Yukon Development Corporation  
Yukon Liquor Corporation

*Yukon Development Corporation Act*  
*Liquor Act*

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

Grants from the Government of Canada are recognized as revenues when entitlement for the transfer occurs. The Government receives a Formula Financing grant and the Canada health and the Canada social transfers from the Government of Canada in accordance with the *Federal-Provincial Fiscal Arrangements Act* (Canada) which expires in 2018/19. The Formula Financing grant is principle-based and the Canada health transfer and the Canada social transfer are simple equal cash per capita grants. Adjustments for health and social transfers are made in the year they are known.

Government transfers are recognized as revenue when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as unearned revenue when transfer stipulations give rise to a liability. Transfer revenues are recognized as the stipulation liabilities are settled.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2018

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

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

#### Expenses

Expenses are recorded on an accrual basis. Transfer payments are recorded as expenses when authorized and recipients have met eligibility criteria.

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

#### Assets

##### Financial assets

Cash and cash equivalents include cash on hand, balances with banks, and short-term investments that have terms to maturity of less than 90 days from the date of acquisition.

Temporary investments include treasury bills, GICs, term deposits, and funds that include short term debt securities of Canadian governments and corporate issuers with terms to maturity of 90 days or more but 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 accounted for by the cost method and include floating rate notes and funds that include bonds and equities. These investments are expected to be realized or have terms to maturity greater than one year from the date of acquisition. 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.

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**Notes to Consolidated Financial Statements**  
**March 31, 2018**

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

Inventories for resale include land that has been developed by the Government and supplies held for eventual sale. Land is comprised of the costs of acquiring, planning and developing lots. The lots are valued at cost, except, when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to net recoverable value to recognize the loss. 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 associated stipulations that gave rise to a liability as of year-end.

Liabilities for leased tangible capital assets are recorded with a corresponding asset at the lower of the present value of the minimum lease payments, excluding the portion relating to executory costs, and the fair value of the asset. The present value is based on the Government's borrowing rate at the time the obligation is incurred.

The contingencies of the Government are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is considered likely to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed.



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**Notes to Consolidated Financial Statements**  
**March 31, 2018**

(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. Interest costs on loans that are directly attributable to the acquisition of tangible capital assets are capitalized.

The value of works of art, historical treasures, all intangibles, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recorded as tangible capital assets. Historical treasures and works of art are expensed when they are acquired.

Tangible capital assets that are held and available for use by the Government are generally amortized on a straight-line basis over their estimated useful life of the asset as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Land	N/A
Buildings	
Buildings	40 - 50 years
Leasehold improvements	Shorter of the lease term or useful economic life
Equipment and vehicles	
Heavy equipment	7 - 30 years
Operating equipment	5 - 25 years
Vehicles	6 - 20 years
Computer hardware and software	
Computer hardware	5 years
Computer software	Expected usage of the system before overhaul
Transportation infrastructure	
Forestry access roads	10 years
Highways	As determined by the Department of Highways and Public Works to a maximum of 75 years
Pavement/surfaces	
Bridges	
Airport runways	
Other	
Portable classrooms/housing trailers	25 years
Land improvements and fixtures	up to 50 years
Sewage and water systems	up to 50 years
Mobile radio system infrastructure	15 years

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

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**Notes to Consolidated Financial Statements**  
**March 31, 2018**

(d) Post-employment benefits and compensated absences

Post-employment benefits are expected to be provided after employment but before retirement to employees. These benefits include severance benefits, accumulated sick and vacation leave benefits that are paid in cash when employment is terminated. Compensated absences are benefits such as sick leave and vacation leave that are paid to employees during their employment. The Government recognizes the obligation for these benefits as a liability and uses actuaries to estimate the amount of the obligation. Expenses related to post-employment benefits and compensated absences are recognized in the period in which the employee's service is rendered and the benefits are earned. The accrued benefit liability for these benefits 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 service, 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. Plan assets are valued at the fair market value.

(f) Environmental liabilities

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2018**

(g) Measurement uncertainty

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

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

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

(h) Accounting policy changes

Effective April 1, 2017 the government has prospectively adopted the following standards: PS 3210 Assets, PS 3320 Contingent Assets, PS 3380 Contractual Rights, PS 3420 Inter-entity Transactions and PS 2200 Related Party Disclosures. These standards only impact note disclosures as reflected in Note 23.

3. **Cash and cash equivalents**

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Bank balances	\$ 30,836	\$ 26,424
Short-term investments	1,429	4,662
Cash on hand	<u>71</u>	<u>74</u>
	<u>\$ 32,336</u>	<u>\$ 31,160</u>

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Notes to Consolidated Financial Statements  
March 31, 2018

4. **Temporary investments**

	2018		2017	
	Market Value	Carrying Value	Market Value	Carrying Value
	(thousands of dollars)			
Term deposits and GICs	\$ 160,672	\$ 160,672	\$ 212,970	\$ 212,970
Floating rate notes	1,616	1,611	654	652
Treasury bills	635	632	876	875
Other	244	243	-	-
	<u>\$ 163,167</u>	<u>\$ 163,158</u>	<u>\$ 214,500</u>	<u>\$ 214,497</u>

The term deposits and GICs held during the year had a weighted average effective yield of 1.31% (2017 – 1.14%) per annum and the remaining temporary investments had a weighted average effective yield of 1.01% (2017 – 1.0%) per annum.

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

	2018	2017
	(thousands of dollars)	
Due from Government of Canada		
Cost-sharing agreements and projects delivered on behalf of the Government of Canada	\$ 75,976	\$ 56,514
Other	322	1,469
	<u>\$ 76,298</u>	<u>\$ 57,983</u>
Due to Government of Canada		
Income tax payable	\$ 12,158	\$ 16,011
RCMP	7,843	6,377
Payroll taxes payable	7,490	5,106
Public Service Pension Plan contribution payable	6,308	7,609
Type II mine sites	1,852	6,602
Other	1,592	1,682
	<u>\$ 37,243</u>	<u>\$ 43,387</u>

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

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Notes to Consolidated Financial Statements  
March 31, 2018

6. Accounts receivable

	2018	2017
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 14,338	\$ 18,045
Less valuation allowances	<u>(1,320)</u>	<u>(2,001)</u>
	13,018	16,044
Due from Territorial corporations that are not fully consolidated	<u>4,042</u>	<u>2,179</u>
	<u>\$ 17,060</u>	<u>\$ 18,223</u>

7. Portfolio investments

	2018		2017	
	Face Value	Carrying Value	Face Value	Carrying Value
	(thousands of dollars)			
Marketable securities	\$ 33,273	\$ 33,273	\$ 27,065	\$ 27,065
Other	<u>265</u>	<u>4</u>	<u>282</u>	<u>21</u>
	<u>\$ 33,538</u>	<u>\$ 33,277</u>	<u>\$ 27,347</u>	<u>\$ 27,086</u>

Marketable Securities

Marketable securities include investments held by Yukon College as well as designated investments (see Note 8) set aside within the Consolidated Revenue Fund for use in meeting certain post-employment and retirement benefit obligations for Members of the Legislative Assembly. The investments are managed by third parties.

Other

On March 31, 2018 the Government held portfolio investments in Master Asset Vehicle II Class C floating rate notes with a carrying value of \$4,000 (2017 - \$21,000) as a result of a restructuring process related to previous investments. During the year, \$17,000 of the Class C floating rate notes were redeemed.

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Notes to Consolidated Financial Statements  
March 31, 2018

8. **Designated assets**

The Government has designated a portion of its assets for the purpose of meeting the obligations under Part 3 (Supplemental Plan) of the *Legislative Assembly Retirement Allowances Act* (Yukon) as well as the "Severance allowance" section of the *Legislative Assembly Act* (Yukon).

Designated assets are included in cash and cash equivalents, temporary investments and portfolio investments as follows:

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Cash and cash equivalents	\$ 58	\$ 138
Temporary investments (market value \$2,495,000; 2017 – \$1,530,000)	2,487	1,527
Portfolio investments – marketable securities (market value \$30,589,000; 2017 – \$30,466,000)	<u>29,700</u>	<u>27,065</u>
	<u>\$ 32,245</u>	<u>\$ 28,730</u>

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Notes to Consolidated Financial Statements  
March 31, 2018

9. Loans receivable

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Yukon Housing Corporation mortgages receivable, secured by registered charges against real property, chattel mortgages or general security agreements, due in varying annual amounts to the year 2029 (2017 – 2033) bearing interest rates ranging from 0% to 4.50% (2017 – 0% to 5.00%), net of allowance for subsidies and valuation of \$277,000 (2017 – \$280,000) and a provision in the amount of \$435,000 (2017 – \$694,000) for loans with concessionary terms.	\$ 42,473	\$ 46,680
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2023 (2017 – 2022) bearing interest at 5.00% (2017 – 5.00%).	9,774	13,564
Local improvement loans, due in varying annual amounts to the year 2041 (2017 – 2041), bearing interest rates ranging from 0.50% to 5.25% (2017 – 0.50% to 6.00%).	5,597	4,774
Debenture loans to municipalities, due in varying annual amounts to the year 2030 (2017 – 2030), bearing interest rates ranging from 2.72% to 6.38% (2017 – 2.72% to 6.38%).	3,343	3,608
Other, net of allowance for doubtful accounts of \$476,000 (2017 – \$476,000).	5,387	5,100
	<u>\$ 66,574</u>	<u>\$ 73,726</u>

10. Inventories for resale

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Land		
Undeveloped land	\$ 603	\$ 603
Land under development	54,888	37,190
Developed land	<u>11,177</u>	<u>15,060</u>
	66,668	52,853
Other	<u>114</u>	<u>97</u>
	<u>\$ 66,782</u>	<u>\$ 52,950</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

11. 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	2018 Total	2017 Total
	(thousands of dollars)			
<b>Assets</b>				
Current	\$ 17,048	\$ 5,794	\$ 22,842	\$ 18,736
Capital assets	438,285	2,077	440,362	445,312
Regulatory deferral (Note 11 (f))	33,442	-	33,442	26,423
Other	8,449	-	8,449	5,181
	<u>\$ 497,224</u>	<u>\$ 7,871</u>	<u>\$ 505,095</u>	<u>\$ 495,652</u>
<b>Liabilities</b>				
Current	\$ 15,567	\$ 4,439	\$ 20,006	\$ 11,160
Long-term debt	173,654	-	173,654	176,536
Regulatory deferral (Note 11 (f))	17,916	-	17,916	18,869
Contributions in aid of construction	93,495	-	93,495	95,780
Other	8,791	1,355	10,146	9,808
Equity	<u>187,801</u>	<u>2,077</u>	<u>189,878</u>	<u>183,499</u>
	<u>\$ 497,224</u>	<u>\$ 7,871</u>	<u>\$ 505,095</u>	<u>\$ 495,652</u>
Revenues	\$ 56,145	\$ 18,233 <sup>1</sup>	\$ 74,378	\$ 71,618
Expenses	<u>57,596</u>	<u>9,537</u>	<u>67,133</u>	<u>63,657</u>
(Deficit) Surplus	(1,451)	8,696	7,245	7,961
Net movement in regulatory deferral (Note 11(f))	7,438	-	7,438	7,895
Other comprehensive (loss) gain	(128)	46	(82)	(673)
Remitted to the Government	-	(8,222)	(8,222)	(8,496)
Equity, beginning of year	<u>181,942</u>	<u>1,557</u>	<u>183,499</u>	<u>176,812</u>
Equity, end of year	<u>\$ 187,801</u>	<u>\$ 2,077</u>	<u>\$ 189,878</u>	<u>\$ 183,499</u>

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

Other comprehensive income of the Yukon Liquor Corporation resulted from the actuarial gain (loss) on its employee non-pension benefit liability.

<sup>1</sup> Yukon Liquor Corporation revenue is shown as net of cost of goods sold of \$21,357 (2017 - \$20,507).



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(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Liquor Corporation	2018 Total	2017 Total
	(thousands of dollars)			
Government of Yukon:				
Accounts receivable from	\$ 88	\$ 2,321	\$ 2,409	\$ 989
Advance receivable	39,200	-	39,200	39,200
Accounts payable to	1,404	2	1,406	2,066
Long-term obligations to	85	-	85	117
Revenues from	50	8,523	8,573	9,304
Expenses to	19,806 <sup>1</sup>	3	19,809	20,081

<sup>1</sup> Includes cost of electricity of \$11,510,000 (2017 – \$10,333,000) purchased by the Government from an unrelated third party. This unrelated party buys electricity from the Yukon Development Corporation's wholly owned subsidiary, Yukon Energy Corporation.

(c) Advance receivable

Yukon Development Corporation

The Government entered into loan agreements with the Yukon Development Corporation ("YDC") and advanced a total of \$39,200,000 in order to assist in the development of the Whitehorse diesel – natural gas conversion project, which was completed by the Yukon Energy Corporation, YDC's wholly owned subsidiary. The loan term that commenced on April 1, 2016 ended on March 31, 2018. The per annum interest rate was set based on the one-year CDOR plus 30 basis points in effect on April 1 each year. The rate of interest on the loans was 1.514% (2017 – 1.382%). The Government and YDC entered into a new loan agreement effective March 30, 2018. The initial term of the loan is to March 31, 2023 and pursuant to the agreement, the loan may be extended for two additional five year terms upon mutual consent of the parties. The per annum interest rate will be set based on one-year CDOR plus 40 basis points in effect on April 1 each year. The rate of interest effective March 30, 2018 is 2.501%. The new loan agreement requires principal repayments of \$1 million on March 31 each year and full repayment of any principal outstanding at the end of each loan term if the loan is not extended.

GOVERNMENT OF YUKON

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(d) Commitments

Yukon Development Corporation

In June 2010, the Yukon Development Corporation ("YDC") issued 30-year bonds in the amount of \$100 million at a fixed coupon rate of 5.0% per annum in part to finance the grant from the Yukon Development Corporation Fund and ratepayers' future contributions towards the construction of the Mayo B hydro enhancement and the Carmacks-Stewart transmission phase II projects. In the Memorandum of Understanding ("the MOU") between the Government and YDC dated March 10, 2011, the Government agreed to provide YDC with financial assistance to a maximum of \$2,625,000 annually from April 1, 2011, to March 31, 2042, based on a prescribed formula where, depending on the annual financial results of YDC, the Government funding will be reduced or eliminated. In 2017/2018, the Government paid \$2,625,000 (2017 – \$2,625,000) to YDC based on the MOU.

The Government authorized the continuation of the Interim Electrical Rebate program to March 31, 2019. This rebate program provides subsidies to non-government residential customers. It was initially implemented in 2009 as an Interim replacement of the Rate Stabilization Fund. During the fiscal year 2017/2018, the Government provided \$3,500,000 (2017 – \$3,460,000) to YDC for this purpose. The Government is committed to fund up to \$3,500,000 in the fiscal year 2018/2019.

As at March 31, 2018, the Yukon Energy Corporation, the wholly-owned subsidiary of YDC, had contractual obligations or future purchases of products or services in the amount of \$4,500,000 (2017 – \$6,300,000).

In November 2017, the Yukon Energy Corporation ("YEC") entered into a Power Purchase Agreement (PPA) with Victoria Gold Corporation and Stratagold Corporation (collectively known as VGC Group). The PPA details the rights and obligations of each party in an agreement to permit VGC Group to connect its industrial mine site in the Mayo district to YEC's grid. Power sales to VGC are estimated to contribute \$100 million in additional revenues to YEC over the expected ten year mine life. The agreement commits VGC to covering the full costs of connecting to YEC's main line, YEC's negotiating expenses and required system improvements. YEC expects to incur \$119,000 in monthly fixed costs related to the agreement, which will be collected through a monthly fixed rate charge from VGC.

The PPA was conditional upon approval by the Yukon Utilities Board ("YUB") and the confirmation of VGC receipt of financing to move on to the next phase of construction. On March 6, 2018, the YUB accepted the PPA as presented and specifically approved those provisions related to required investment and rate schedule impacts. Additionally, on March 8, 2018, VGC advised YEC that they had achieved the condition precedent related to the requirement for mine construction financing.

The mine is expected to connect to the grid by approximately mid 2019.

Yukon Liquor Corporation

In the normal course of operations, the Yukon Liquor Corporation enters into multi-year arrangements for the provision of freight and other services. The total commitments as at March 31, 2018 for future years ending on March 31, 2019 are \$1,012,000 (March 31, 2017 for 2018 – \$323,000).

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(e) Contingencies

Yukon Development Corporation

At March 31, 2016, the Yukon Energy Corporation ("YEC"), Yukon Development Corporations' wholly owned subsidiary, had a claim from a contractor in the amount of \$4,000,000 plus interest and legal costs. During 2016, the judge awarded the plaintiff \$1,682,000 of which \$1,308,000 has already been accrued for in the financial statements. YEC was also required to reimburse the plaintiff for its legal costs and interest. YEC has recognized an estimate for this amount as a liability in the Consolidated Statement of Financial Position. Legal costs and interest were paid in 2017. YEC has appealed the decision. The outcome of the appeal is not determinable at this time and no estimate of appeal settlement has been recognized in the financial statements.

YEC has not recognized a provision for asset retirement obligations for the closure and restoration obligations for certain generation, transmission and distribution assets. YEC anticipates maintaining and operating these assets for an indefinite period, making the dates of retirement of the assets indeterminate. The significant uncertainties around the timing of any potential future cash outflows are such that a reasonable estimate of the liability is not possible at this time. A provision will be recognized when the timing of the retirement of these assets can be reasonably estimated.

(f) Regulatory Deferral Accounts

Yukon Development Corporation

Regulatory deferral accounts in YDC's financial statements are accounted for differently than they would be in the absence of rate regulation. Where regulatory decisions dictate, YDC defers certain expenses or revenues as regulatory deferral account debit balances or regulatory deferral account credit balances and recognizes them in the net movement in regulatory deferral account balances as it collects or refunds amounts through future customer rates. Any adjustments to these regulatory deferral accounts are recognized in the net movement in regulatory deferral account balances in the period that the Yukon Utilities Board ("YUB") renders a subsequent decision. All amounts maintained as regulatory deferral account debit balances and regulatory deferral account credit balances are expected to be recovered or settled and are assessed on an annual basis by comparing the rates approved by the YUB to the current balances.

The net movement in regulatory deferral account balances is included in income from investment in government business enterprises in the Government's consolidated statement of operations and accumulated surplus.

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12. **Accounts payable and accrued liabilities**

	2018	2017
	(thousands of dollars)	
Accounts payable	\$ 66,085	\$ 56,135
Accrued liabilities	49,127	42,805
Contractors' holdbacks and security deposits	17,898	19,908
Due to Territorial corporations that are not fully consolidated	2,273	2,986
	<u>\$ 135,383</u>	<u>\$ 121,834</u>

13. **Environmental liabilities**

(a) Contaminated sites and other environmental liabilities

The Government has recorded environmental liabilities of \$25,386,000 (2017 – \$23,499,000). These liabilities consist of estimated costs related to the remediation of contaminated sites as well as estimated costs associated with other liabilities related to these sites. The liabilities are determined on a site-by-site basis and are based on preliminary environmental assessments or estimation for those sites where an assessment has not been conducted. The amount recorded is based on management's best estimates utilizing the information available at the financial statement date. The amount of liabilities becomes determinable over a continuum of events and activities as information becomes available. As a result, the actual amount of liabilities to remediate these sites could vary significantly.

As at March 31, 2018, the Government was aware of 98 sites (2017 – 95 sites) where the Government is obligated or is likely obligated to incur such costs. During the year remediation work was undertaken at 12 sites, including the Marwell Tar Pit.

One of the 98 sites, Marwell Tar Pit, has been formally designated as contaminated under the *Environment Act* (Yukon) and the *Contaminated Sites Regulation*. The Government is not a "responsible party" as defined by the *Environment Act* (Yukon) and determined by the *Contaminated Sites Regulation*. The Government of Canada was the landowner when the contamination occurred. In September 2010, the Government and the Government of Canada entered into an agreement to remediate the site over 11 years with a total estimated cost of \$6,800,000, of which the Government is to fund 30% or \$2,040,000 and the Government of Canada \$4,760,000. As at March 31, 2018, \$1,489,000 (2017 – \$1,596,000) was recorded as a liability for this site, which is part of the \$25,386,000 noted above.

(b) Landfill sites

There are 28 active, decommissioned or abandoned landfill sites that are outside incorporated communities and, therefore, are the responsibility of the Government. The Government is the sole operator of these landfills. Twenty-three of these sites are subject to the *Environment Act* (Yukon) – *Solid Waste Regulations* which includes requirements for closure and abandonment of a dump. The remaining five sites are old abandoned dumps which are not subject to the *Solid Waste Regulations*.

A liability is recognized as the landfill site's capacity is used with usage measured on a volumetric basis. As at March 31, 2018, the net present value of total expenditures for closure and post-closure care is estimated to be \$10,765,000 (2017 – \$11,768,000) and a liability in the amount of \$9,286,000 (2017 – \$10,232,000) has been recorded for these sites. The amount remaining to be recognized in the future is \$1,479,000 (2017 – \$1,536,000). No assets are designated for settling these liabilities.

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In calculation of the above liability, the remaining landfill life was estimated to be from zero to 49 years. Solid waste permits issued under the *Solid Waste Regulations* specify 25 years of post-closure monitoring; therefore, 25 years is used as an estimated length of time needed for post-closure care. A discount rate of 3.32% (2017 – 3.20%) was used for the net present value calculation for active and closed landfill sites.

(c) Type II sites

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

On April 10, 2015 Veris Gold Corporation abandoned the Ketza River mine site ("the site"). The site is identified as a Type II mine site in the Devolution Transfer Agreement ("DTA") between the Government and the Government of Canada. The Government has provided notice to the Government of Canada pursuant to the DTA that the site has been abandoned by its owner/operator. Once a Type II site becomes abandoned the DTA requires that an Independent Assessor assess the condition of the site and develop a remediation plan. The Government is responsible for the cost of this assessment. Under the DTA, the Government of Canada accepted financial responsibility for the remediation of impacts attributable to activities that were permitted by the Government of Canada. The Government will be financially responsible for remediation of impacts of activities it permitted after devolution. The Government's costs, if any, may be offset by the security bond it holds. The financial obligations related to the assessment required under the DTA are estimated to be \$5,000,000 and remediation costs, if any, which are the Government's responsibility, are currently undeterminable.

The following table presents the total estimated amounts of these liabilities as at March 31, 2018.

	2018		2017	
	Number of sites	Estimated Liability	Number of sites	Estimated Liability
	(thousands of dollars)			
Liabilities for contaminated sites <sup>1</sup>				
Highway maintenance camps and airports	36	\$ 11,519	36	\$ 11,680
Other storage tanks and buildings	53	10,478	50	8,293
Marwell Tar Pit	1	1,489	1	1,596
Other	8	1,900	8	1,930
	98	25,386	95	23,499
Landfill sites	28	9,286	28	10,232
Type II sites	1	5,000	1	5,000
	127	\$ 39,672	124	\$ 38,731

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

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14. **Unearned revenues**

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Liability portion of government transfers	\$ 20,605	\$ 23,340
Motor vehicle fees for future years	3,134	2,949
Other	<u>3,635</u>	<u>2,003</u>
	<u>\$ 27,374</u>	<u>\$ 28,292</u>

The liability portion of government transfers represents transfer payments from the Government of Canada, which have funding stipulations that gave rise to a liability as of year-end.

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

(a) The Government of Yukon and Yukon Housing Corporation

Employees of the Government of Yukon and the Yukon Housing Corporation receive severance benefits that are paid on termination of service or upon retirement based on the number of years worked, the level of the pay at the time of termination or retirement and the category of employment. In addition, if an employee has at least five years of continuous service, a cash-in of sick leave will be paid. The cash-in amount is calculated as 1/3 of unused sick leave credits to a maximum of 60 days multiplied by the daily pay rate at termination or retirement.

The actuarial obligation for sick and vacation leave payouts and severance benefits is calculated using the projected benefit method prorated on service. The Government and the Yukon Housing Corporation have conducted actuarial valuations of post-employment benefits at March 31, 2016. March 31, 2018 amounts are based on an extrapolation of March 31, 2016 amounts. These post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The Government and the Yukon Housing Corporation also account for compensated absences liabilities in accordance with Canadian public sector accounting standards. Compensated absences include special leave benefits and educational leave benefits.

Members of the Yukon Legislative Assembly receive a severance benefit in accordance with the *Legislative Assembly Retirement Allowance Act, 2007* (Yukon). The accrued benefit obligation is calculated actuarially using the projected benefit method prorated on service. The valuation included in these financial statements is based on membership data as of March 31, 2017. The Government has designated a portion of its assets for the purpose of meeting this obligation (Note 8).

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(b) Yukon College

Yukon College's cost of benefit plans, other than pensions, including severance benefits, sick leave and managers' accrued leave, payable upon termination of employment, death or retirement, is actuarially determined using the projected accrued benefit method prorated on employment services. These post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. The actuarial valuation of the accrued benefit liability was performed as at June 30, 2016.

Yukon College accrues vacation leave and other compensated absences for employees as earned.

(c) Yukon Hospital Corporation

Employees of the Yukon Hospital Corporation are entitled to specified severance, special leave and sick leave benefits as provided for under union contracts and conditions of employment. There are no segregated assets for these post-employment benefits.

The Yukon Hospital Corporation accrues vacation leave as earned. This liability is included in accounts payable and accrued liabilities.

The accrued liabilities for the above benefits as of March 31, 2018 were as follows:

	2018	2017
	(thousands of dollars)	
Post-employment benefits and compensated absences liability		
Government of Yukon employees	\$ 114,642	\$ 107,450
Yukon College	7,353	6,988
Yukon Hospital Corporation	2,711	2,890
Yukon Housing Corporation	2,067	1,835
Members of Yukon Legislative Assembly	358	214
	<u>\$ 127,131</u>	<u>\$ 119,377</u>
(Schedule D)		

16. **Retirement benefits**

(a) Public Service Pension Plan

The Government's employees participate in the Public Service Pension Plan administered by the Government of Canada. In this plan, employees accumulate pension benefits up to a maximum period of 35 years at 2% per year of pensionable service based on the average of their five consecutive years of highest paid services. In December 2012, the Government of Canada passed legislation to create a new group of plan members for the employees who join the plan on or after January 1, 2013. This group of plan members is eligible to retire with an unreduced public service pension benefit at age 65 with at least two years of pensionable service (or at age 60 with at least 30 years of service) while the old group of members is eligible to retire with an unreduced public service pension benefit at age 60 with at least two years of pensionable service (or at age 55 with at least 30 years of service).

## GOVERNMENT OF YUKON

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The above changes also resulted in the two groups paying different rates of contributions to the plan. In the calendar year 2017, the Government contributed \$1.01 for every dollar contributed by the old group of plan members and \$1.00 for the new group of plan members. For the portion of the employee's salary above \$163,100, the Government contributed \$7.74 for every dollar contributed by both groups of plan members. In the calendar year 2018, the Government contributes \$1.01 for every dollar contributed by the old group of plan members and \$1.00 for the new group of plan members. For the portion of the employee's salary above \$164,700, the Government contributes \$3.20 for every dollar contributed by both groups of plan members.

The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$36,054,000 (2017 – \$35,510,000).

#### (b) Legislative Assembly Retirement Allowances Plan

The Legislative Assembly Retirement Allowances Plan is a contributory defined benefit pension plan. These benefits are based on service and earnings. The Members' Services Board of the Legislative Assembly is responsible, pursuant to the *Legislative Assembly Retirement Allowances Act* (Yukon), for the administration of the Plan.

The funds are held by an investment manager in two different accounts. The first account holds the assets of the trust fund for the registered pension plan established pursuant to Parts 1 and 2 of the *Legislative Assembly Retirement Allowances Act*. The second account holds the assets of the Government, from which benefits under Part 3 of the *Legislative Assembly Retirement Allowances Act* are paid (Note 8). It is the Government's policy to fully fund Parts 1 and 2 of this pension plan.

The *Legislative Assembly Retirement Allowances Act* stipulates that actuarial valuations for funding purposes must be performed at least triennially. An actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and member turnover and mortality. The assumptions used in a valuation for funding purposes are based on the actuary's best estimates with margins for conservatism and are accepted by the Members' Services Board of the Legislative Assembly. The last actuarial valuation for funding purposes was performed as of March 31, 2017. The accrued benefit obligation as at March 31, 2018 is based on an actuarial valuation performed for accounting purposes using the membership data as of March 31, 2017.

#### (c) Territorial Court Judiciary Pension Plan

The Territorial Court Judiciary Pension Plan is a defined benefit pension plan, which is comprised of a judiciary registered pension plan, a judiciary retirement compensation arrangement and a supplementary judiciary pension plan. In addition to pension payments, these plans also contain a provision for payment of lump sum death and severance allowances. The Plan is administered by the Public Service Commissioner in the meaning assigned by the *Public Service Act* (Yukon).

Pursuant to the *Territorial Court Judiciary Pension Plan Act* (Yukon), the pension fund assets for the judiciary registered pension plan and the judiciary retirement compensation arrangement are held separate and distinct from the Government's operations, and are managed by an investment manager. The *Territorial Court Judiciary Pension Plan Act* stipulates that no contributions are to be made to the supplementary judiciary pension plan, and no fund is to be maintained for this plan.

Actuarial valuations for the Territorial Court Judiciary Pension Plan for accounting and funding purposes were conducted using the membership data as at March 31, 2017.



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(d) Yukon College Employees' Pension Plan

The Yukon College ("the College") Employees' Pension Plan is a contributory defined benefit pension plan. The College's pension plan provides mandatory pension benefits for all full-time employees and optional benefits for part-time employees after 24 months of continuous service. The College's pension plan provides for defined retirement benefits based on an employee's years of service and average final earnings, in accordance with the *Pension Benefits Standards Act, 1985* (Canada). The College has contracted with external organizations to provide the services of trustee, administration, consulting and investment manager for the pension plan. The pension plan assets are held by a trustee and separate financial statements are prepared for the pension plan.

An actuarial valuation for accounting purposes was performed as of June 30, 2017 following Canadian public sector accounting standards. An actuarial valuation for funding purposes was performed as of June 30, 2017, which established Yukon College's required contributions as 132.3% (2017 – 142.3%) of employee contributions.

The actuarial valuation for funding purposes as at June 30, 2017 indicates the College had an actuarial surplus of \$11,237,000 (2016 – \$8,044,000) at the measurement date on a going-concern basis and a deficit of \$9,347,000 (2016 – \$19,310,000) if valued on the basis that the pension plan were terminated/wound up as at June 30, 2017. The solvency ratio of the plan was 92.5% at June 30, 2017 (84.1% at June 30, 2016).

For any unfunded pension liability, the College has obtained a letter of credit in lieu of making solvency payments. The amount of the letter of credit is equal to the amount of solvency payments required as determined by the actuary. The Government has issued letters to a bank guaranteeing that, should there be a requirement to draw upon the letters of credit required by Yukon College to address its solvency deficit in its pension plan, the Government will provide the necessary financial support to address any resulting debt, interest and costs that may be required under the federal pension legislation. This guarantee remains in effect to July 31, 2019. The maximum amount of letters of credit to which this guarantee applies will be \$18,318,000 (2017 – \$13,586,000).

(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.

An actuarial valuation for funding purposes was performed at December 31, 2017, which established Yukon Hospital Corporation's required contribution as 112% (2016 – 138%) of employee contributions. This valuation reported that, as at December 31, 2017, the pension plan had a surplus of \$29,821,000 (2016 – \$21,835,000) on a going concern basis, and a deficit of \$24,006,000 (2016 – \$32,481,000) if valued on the basis that the pension plan were terminated/wound up. The solvency ratio of the plan is 86% (80% at December 31, 2016).

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In accordance with the *Pension Benefits Standards Act, 1985* (Canada), the Corporation is required to make special payments to eliminate the solvency shortfall. The payments have been actuarially determined as monthly payments of \$431,000 over the 2018 year. The Corporation will obtain a conforming letter of credit for a portion of the solvency shortfall for the calendar year and will contribute \$1,123,000 (2017 - \$3,189,000) in cash payments. During the fiscal year, the Corporation entered into letters of credit totaling \$18,905,000 (2017 – \$14,826,000) related to solvency deficiency payments.

An actuarial valuation for accounting purposes was performed as of March 31, 2018 following Canadian public sector accounting standards.

(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 non-pension defined benefit plans. The extended health care plan is self-insured. The accrued benefit obligation as at March 31, 2018 is based on an extrapolation of an actuarial valuation conducted as at March 31, 2016. Extended health care and life insurance retirement benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

The accrued benefit liability for the above retirement benefits as of March 31, 2018 was as follows:

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Accrued benefit liability (asset)		
Extended health care retirement benefit	\$ 50,089	\$ 45,598
Legislative Assembly Retirement Allowances Plan	25,572	24,521
Territorial Court Judiciary Pension Plan	6,448	6,106
Life insurance retirement benefit	2,599	2,222
Yukon College Employees' Pension Plan	(16,653)	(15,476)
Yukon Hospital Corporation Employees' Pension Plan	<u>(44,949)</u>	<u>(41,145)</u>
 (Schedule E)	 <u>\$ 23,106</u>	 <u>\$ 21,826</u>

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17. **Borrowings**

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Yukon Hospital Corporation – loans with a chartered bank. (see below)	\$ 36,539	\$ 39,742
Yukon Housing Corporation – mortgages payable to chartered banks and Canada Mortgage and Housing Corporation (CMHC), secured by fixed charges against housing projects, with net book value of \$2,279,000 (2017 – \$1,218,000), repayable in blended monthly payments with maturities up to the year 2023, bearing fixed interest rates ranging from 1.01% to 11.25%.	2,278	2,750
Yukon College – non-interest bearing loan repayable on demand within 90 days.	996	-
Yukon Housing Corporation – loans payable to chartered banks and CMHC, repayable in blended periodic instalments with maturities up to the year 2028, bearing fixed interest rates ranging from 5.00% to 9.88%.	905	1,024
Yukon Hospital Corporation – flexible term note payable to the Yukon Development Corporation, bearing interest rate at 7.50% 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 \$149,000 (2017 – \$179,000).	85	117
	<u>\$ 40,803</u>	<u>\$ 43,633</u>

Principal repayment requirements over the next five years on outstanding borrowings are as follows:

	(thousands of dollars)
2019	\$ 4,909
2020	3,905
2021	4,007
2022	4,120
2023	4,234
Thereafter	<u>19,628</u>
	<u>\$ 40,803</u>

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Yukon Hospital Corporation – loans with a chartered bank

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Demand term installment loan with the CIBC with interest calculated at a fixed rate of 5.15% per annum for the Watson Lake Hospital construction project. Blended payments of \$160,000 due monthly with the final payment due on December 31, 2026.	\$ 13,478	\$ 14,668
Demand term installment loan with the CIBC with interest calculated at a fixed rate of 4.525% per annum for the Dawson City Hospital construction project. Principal payments of \$100,000 due monthly with the final payment due on April 1, 2028.	12,100	13,300
Demand term installment loan with the CIBC with interest calculated at a fixed rate of 5.23% per annum for the Crocus Ridge construction project. Blended payments of \$117,000 due monthly with the final payment due on March 15, 2028.	10,961	11,774
	<u>\$ 36,539</u>	<u>\$ 39,742</u>

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Borrowing Limit

An Order in Council (P.C. 2012-280) issued pursuant to subsection 23(2) of the *Yukon Act* (Canada) provides authority to the Government and its entities to borrow in aggregate to a maximum of \$400 million. The current *Yukon Borrowing Limits Regulations* came into force on March 8, 2013. These regulations prescribe what constitutes borrowing, the entities whose borrowing must be taken into account, and the manner in which the value of a borrowing is determined.

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Authorized borrowing limit	\$ 400,000	\$ 400,000
Loans of money by government reporting entity:		
Government business enterprises		
Yukon Development Corporation, bonds	100,000	100,000
Yukon Development Corporation, other long-term debt	<u>35,897</u>	<u>38,786</u>
	<u>135,897</u>	<u>138,786</u>
Fully consolidated entities		
Yukon Hospital Corporation, bank loans	36,539	39,742
Yukon Housing Corporation, mortgages payable	2,278	2,750
Yukon College, loan payable	996	-
Yukon Housing Corporation, loans payable	<u>905</u>	<u>1,024</u>
	<u>40,718</u>	<u>43,516</u>
Accrued interest payable	1,272	1,276
Credit facilities used	10,473	2,752
Capital lease obligation	<u>6,220</u>	<u>7,192</u>
Total debt	<u>194,580</u>	<u>193,522</u>
Available borrowing capacity	<u>\$ 205,420</u>	<u>\$ 206,478</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

18. Liabilities for leased tangible capital assets

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2023, with imputed interest rate of 3.7%.	\$ 3,136	\$ 3,682
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.7%.	1,707	1,893
Building lease obligation payable monthly until the year 2025, with imputed interest rate of 3.3%.	1,290	1,488
Equipment lease obligation payable quarterly until the year 2020, with imputed interest rate of 1.9%.	<u>87</u>	<u>129</u>
	<u>\$ 6,220</u>	<u>\$ 7,192</u>

Interest expense related to liabilities for leased tangible capital assets for the year was \$237,000 (2017 – \$240,000) at an imputed average interest rate of 3.1% (2017 – 3.1%).

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

	(thousands of dollars)
2019	\$ 1,786
2020	1,828
2021	1,797
2022	1,863
2023 and thereafter	<u>3,134</u>
Total minimum lease payments	10,408
Less: amount representing executory costs	(2,667)
amount representing rental of land	(944)
amount representing interest	<u>(577)</u>
	<u>\$ 6,220</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

19. **Financial instruments**

The balances in cash and cash equivalents, due to/from Government of Canada, accounts receivable, advances to Territorial corporations, and accounts payable and accrued liabilities have fair values that approximate their carrying amount due to their short term to maturity.

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

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(thousands of dollars)			
Temporary investments	\$ 163,158	\$ 163,167	\$ 214,497	\$ 214,500
Portfolio investments				
Marketable securities	\$ 33,273	\$ 34,162	\$ 27,065	\$ 30,466
Other	4	1	21	26
	\$ 33,277	\$ 34,163	\$ 27,086	\$ 30,492
Loans receivable				
Mortgages receivable, net of valuation allowance	\$ 42,473	\$ 41,926	\$ 46,680	\$ 45,709
Other loans receivable, net of valuation allowance	24,101	24,584	27,046	27,818
	\$ 66,574	\$ 66,510	\$ 73,726	\$ 73,527
Borrowings				
Demand term installment loan	\$ 36,539	\$ 40,763	\$ 39,742	\$ 44,949
Mortgages payable	2,278	1,921	2,750	2,326
Loans payable	1,901	1,981	1,024	1,090
Other	85	67	117	104
	\$ 40,803	\$ 44,732	\$ 43,633	\$ 48,469

An active and established market exists for the temporary and portfolio investments. Consequently the estimated fair value is calculated using observed market data.

Since the above valuation is based on market information available at March 31, 2018, the fair value of the investments may change materially in future periods as a result of fluctuations in the market. However, these changes are not expected to result in a significant impact on the Government's future operations.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

The estimated fair values of loans receivable were determined using the present value of future cash flows discounted at the March 31, 2018 average market rate for mortgages and loans with similar maturities. Until settled, the fair value of loans receivable will fluctuate based on changes in interest rates. The Government believes the carrying amount of loans receivable will be fully recovered.

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

20. **Tangible capital assets**

	<u>2018</u> Net Book Value	<u>2017</u> Net Book Value
	(thousands of dollars)	
Land	\$ 18,836	\$ 18,836
Buildings	729,478	666,571
Equipment and vehicles	78,453	66,440
Computer hardware and software	31,699	29,432
Transportation infrastructure	638,473	636,816
Land improvements and fixtures	35,266	35,677
Sewage and water systems	48,094	49,325
Other	<u>12,101</u>	<u>10,206</u>
(Schedule C)	<u>\$ 1,592,400</u>	<u>\$ 1,513,303</u>

Leased tangible capital assets are reported as part of the respective asset category. These leased assets are amortized on a straight-line basis over the lease term or estimated economic life. The amortization expense for the year was \$1,038,000 (2017 – \$991,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Buildings (cost)	\$ 9,907	\$ 9,907
Operating equipment (cost)	<u>141</u>	<u>141</u>
	10,048	10,048
Less accumulated amortization	<u>(4,349)</u>	<u>(3,311)</u>
	<u>\$ 5,699</u>	<u>\$ 6,737</u>



GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

21. **Expenses by object**

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Personnel	\$ 576,853	\$ 560,307
Government transfers	219,698	212,539
Contract and special services	211,113	232,260
Materials, supplies and utilities	115,809	104,649
Amortization expenses	65,832	62,187
Communication and transportation	43,292	39,391
Rent	33,835	32,560
Interest on long-term debt and capital lease obligations	2,308	2,509
Other	<u>7,047</u>	<u>9,266</u>
	<u>\$ 1,275,787</u>	<u>\$ 1,255,668</u>

22. **Trust assets**

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

The largest such trust account, the Compensation Fund (Yukon) has a fiscal year-end of December 31. Details of the assets of the Compensation Fund (Yukon), principally investments, are available from its financial statements, which are reproduced in Section III of the Public Accounts of the Government. At March 31, 2018, the remaining trust assets were held in bank accounts or invested in term deposits and GICs.

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

	<u>2018</u>	<u>2017</u>
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 226,034	\$ 224,583
Federal Gas Tax Funds under the New Deal	83,711	75,411
Lottery Commission	7,275	6,604
Crime Prevention and Victim Services	6,475	6,213
Forest Sector trust	5,759	5,678
Public Guardian trust	1,805	1,494
Extended health and dental plan trust funds	1,055	1,056
Supreme Court trust	981	981
Other	<u>3,255</u>	<u>3,494</u>
	<u>\$ 336,350</u>	<u>\$ 325,514</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

23. **Contractual rights**

The Government has entered into agreements to receive, or has contractual rights for, the following receipts subsequent to March 31, 2018:

	Expiry Date	2019	2020 – 2030	Total
		(thousands of dollars)		
Contribution and Service Agreements				
Infrastructure Canada	2024	\$ 35,390	\$ 221,777	\$ 257,167
Indigenous and Northern Affairs	2022	33,993	75,978	109,971
CMHC	2030	7,761	25,576	33,337
Health Canada	2021	10,700	12,800	23,500
Employment and Social Development	2023	6,251	13,681	19,932
Canadian Heritage	2022	6,008	12,697	18,705
RCMP: Mobile Radio Network	2025	2,176	13,056	15,232
Other	2020	3,813	1,850	5,663
		<u>\$ 106,092</u>	<u>\$ 377,415</u>	<u>\$ 483,507</u>

24. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2018:

	Expiry Date	2019	2020 – 2045	Total
		(thousands of dollars)		
RCMP policing agreement	2032	\$ 25,312	\$ 379,028	\$ 404,340
Capital projects				
- in progress at March 31, 2018	2020	89,136	8,338	97,474
Building/office space leases	2026	9,459	23,346	32,805
Faro and Mount Nanson mine sites	2020	14,908	14,958	29,866
Northwestel Inc. mobile radio network system	2025	3,796	18,116	21,912
Air Spray (1967) Ltd. Air tanker services	2023	1,977	8,210	10,187
Information Services Corporation	2040	1,230	3,902	5,132
Alkan Air Ltd. medical evacuation contract	2019	3,529	-	3,529
Yukon Hospital Corporation – medical equipment maintenance	2023	1,260	1,496	2,756
Miscellaneous operational commitments	2045	30,720	23,285	54,005
		<u>\$ 181,327</u>	<u>\$ 480,679</u>	<u>\$ 662,006</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2018

25. **Overexpenditure**

During the year, no (2017 – one) departments exceeded their vote (2017 - \$3,117,000). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that “a vote does not authorize any payment to be made in excess of the amount specified in the vote”.

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, no (2017 – two) departments exceeded the authorized amounts.

26. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Energy Corporation, the wholly-owned subsidiary of the Yukon Development Corporation, of \$10,473,000 (2017 – \$0). At March 31, 2018, on a consolidated basis, the Yukon Development Corporation had borrowings of \$134,500,000 (2017 – \$137,300,000) and a credit facility of up to \$29,500,000. While the Government has not issued guarantees for all of these instruments, as the Yukon Development Corporation is an agent of the Government, lenders may have recourse to the Government. Except for the amounts committed as described in note 11(d), it is expected that no significant costs will be incurred by the Government with respect to these guarantees and debts.

27. **Land claims**

Between February 1995 and March 31, 2018, 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.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2018

#### 28. Contingencies

In the normal course of operations, the Government is subject to legal claims. These claims include items with pleading amounts and items where an amount is not specified. At March 31, 2018, the amounts claimed, excluding the claims from Commission scolaire francophone du Yukon and Northern Cross (Yukon) Ltd., which are described below, is \$6,487,000 (2017 – \$2,070,000). No provision for these claims has been made as it is unlikely or undeterminable that a liability has been incurred at the date of the financial statements.

In the Statement of Claim filed by the Commission scolaire francophone du Yukon (“CSFY”) in 2009, the Government was named as defendant. In addition to other claims, CSFY sought payment in the amount of \$1,954,000. As part of the Yukon Supreme Court’s ruling in 2011, the court ordered the Government to hold \$1,954,000 in trust for CSFY. The case in its entirety was appealed, eventually to the Supreme Court of Canada. In May 2015, the Supreme Court of Canada determined that the trial judge had been biased, with the effect that the trial court’s order for the Government to repay the \$1,954,000 is null and void. Consequently although there are on-going discussions between the parties, no liability has been recorded in relation to this matter.

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

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

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5,000,000, which is to be used for providing limited insurance and risk management services to Government departments. Expenses relating to some of the property and liability losses incurred by the Government are to be paid out of this fund. The Government purchases legal liability and property insurance with a \$2,000,000 deductible. In 2017/2018, the Government paid \$1,057,000 (2017 – \$576,000) for liability claims such as bodily injury, property damage and automobile liability. The Government had unpaid claims against the fund in the amount of \$2,133,000 as at March 31, 2018 (2017 – \$1,066,000). This amount is reported as part of the Government’s accrued liabilities. The fund balance at March 31, 2018 was \$4,400,000 (2017 – \$4,400,000).

In addition to the environmental liabilities discussed in Note 13, there may be other sites that have not yet been identified for which the Government may be obligated to incur remediation costs. No liability has been recognized for these sites as the future costs of remediation and the Government’s obligation to incur these costs are undeterminable at the date of the financial statements.

#### 29. Comparative figures

Certain comparative figures for 2017 have been reclassified to conform with the 2018 presentation.

GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source  
for the year ended March 31, 2018**

	2018		2017
	Budget	Actual	Actual
(thousands of dollars)			
From Government of Canada			
Formula Financing Grant	\$ 919,443	\$ 919,443	\$ 894,506
Other grants	52,101	54,172	51,105
Contributions and service agreements	154,228	134,779	113,681
	<u>1,125,772</u>	<u>1,108,394</u>	<u>1,059,292</u>
Taxes and general revenues			
Income taxes	79,724	80,820	80,781
Other taxes			
Tobacco tax	10,501	11,460	10,221
Fuel oil tax	8,025	8,568	7,971
Liquor tax	4,555	4,791	4,483
General property tax	4,549	4,563	4,582
Insurance premium tax	2,447	2,890	2,821
Grant in lieu of property tax	212	215	211
Licences, permits and fees	15,570	17,010	16,865
Investment and interest revenue	5,272	7,046	6,598
Sale of land	7,660	4,705	15,570
Income from portfolio investments	1,526	3,804	3,195
Hospital revenues	5,950	3,031	2,207
Resource revenue - mineral, oil and gas and forestry	1,610	2,291	2,239
Aviation operations	1,315	1,468	1,368
Fines	483	354	384
Other revenues	2,114	4,282	1,709
	<u>151,513</u>	<u>157,298</u>	<u>161,205</u>
Funding and service agreements with other parties	<u>47,192</u>	<u>47,304</u>	<u>47,304</u>
Income from investment in government business enterprises			
Yukon Liquor Corporation	8,332	8,696	9,012
Yukon Development Corporation	6,500	5,987	6,844
	<u>14,832</u>	<u>14,683</u>	<u>15,856</u>
	<u>\$ 1,339,309</u>	<u>\$ 1,327,679</u>	<u>\$ 1,283,657</u>

GOVERNMENT OF YUKON

Schedule B

**Consolidated Schedule of Operations by Function  
for the year ended March 31, 2018**

	Health and Social Services		Community and Transportation		Education		General Government <sup>1</sup>		Natural Resources	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
(thousands of dollars)										
Revenues										
Formula financing grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919,443	\$ 894,506	\$ -	\$ -
Other transfers from										
Government of Canada	31,643	27,396	48,838	26,058	11,089	13,539	63,874	58,898	28,337	33,683
Taxes and general revenues	12,754	10,826	21,201	31,730	5,263	2,142	117,336	114,382	6,782	7,277
Funding and service agreements	9,875	10,843	18,388	21,610	23,041	18,317	3,781	3,504	2,123	1,375
Income from investments in government business enterprises	-	-	5,987	6,844	-	-	8,696	9,012	-	-
	<u>54,272</u>	<u>49,065</u>	<u>94,414</u>	<u>86,242</u>	<u>39,393</u>	<u>33,998</u>	<u>1,113,130</u>	<u>1,080,302</u>	<u>37,242</u>	<u>42,335</u>
Expenses (Note 21)										
Personnel	160,088	150,831	73,390	71,673	138,740	138,183	106,823	102,465	50,550	49,916
Contracts, materials and other	136,128	125,975	101,829	109,637	40,685	37,787	40,915	38,630	48,820	64,221
Government transfers	88,118	91,478	70,938	62,850	29,501	27,415	9,172	9,340	9,853	8,616
Amortization expenses	10,475	8,322	36,638	36,272	8,376	7,939	5,858	5,430	960	983
Interest on long-term debt and capital lease obligations	1,929	2,063	143	207	-	-	236	239	-	-
	<u>396,738</u>	<u>378,669</u>	<u>282,938</u>	<u>280,639</u>	<u>217,302</u>	<u>211,324</u>	<u>163,004</u>	<u>156,104</u>	<u>110,183</u>	<u>123,736</u>
Recovery of prior years' expenses	42	281	252	358	70	143	425	2,596	16	2
(Deficit) surplus for the year	<u>\$ (342,424)</u>	<u>\$ (329,323)</u>	<u>\$ (188,272)</u>	<u>\$ (194,039)</u>	<u>\$ (177,839)</u>	<u>\$ (177,183)</u>	<u>\$ 950,551</u>	<u>\$ 926,794</u>	<u>\$ (72,925)</u>	<u>\$ (81,399)</u>

<sup>1</sup> 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 government departments and organizations.

GOVERNMENT OF YUKON

Schedule B  
Continued

**Consolidated Schedule of Operations by Function  
for the year ended March 31, 2018**

	Justice		Business, Tourism and Culture		Adjustments <sup>2</sup>		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
(thousands of dollars)								
Revenues								
Formula financing grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919,443	\$ 894,506
Other transfers from								
Government of Canada	4,208	4,237	962	975	-	-	188,951	164,786
Taxes and general revenues	912	962	177	156	(7,127)	(6,270)	157,298	161,205
Funding and service agreements	729	745	300	359	(10,933)	(9,449)	47,304	47,304
Income from investments in government business enterprises	-	-	-	-	-	-	14,683	15,856
	<u>5,849</u>	<u>5,944</u>	<u>1,439</u>	<u>1,490</u>	<u>(18,060)</u>	<u>(15,719)</u>	<u>1,327,679</u>	<u>1,283,657</u>
Expenses (Note 21)								
Personnel	31,155	30,720	16,107	16,519	-	-	576,853	560,307
Contracts, materials and other	36,066	33,822	12,087	12,065	(5,434)	(4,011)	411,096	418,126
Government transfers	5,356	5,109	19,386	19,439	(12,626)	(11,708)	219,698	212,539
Amortization expenses	2,684	2,452	841	789	-	-	65,832	62,187
Interest on long-term debt and capital lease obligations	-	-	-	-	-	-	2,308	2,509
	<u>75,261</u>	<u>72,103</u>	<u>48,421</u>	<u>48,812</u>	<u>(18,060)</u>	<u>(15,719)</u>	<u>1,275,787</u>	<u>1,255,668</u>
Recovery of prior years' expenses	7	27	151	1,196	-	-	963	4,603
(Deficit) surplus for the year	<u>\$ (69,405)</u>	<u>\$ (66,132)</u>	<u>\$ (46,831)</u>	<u>\$ (46,126)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,855</u>	<u>\$ 32,592</u>

<sup>2</sup> To eliminate inter-segment transactions that are measured at the carrying amount.

## Government of Yukon

Schedule C

**Consolidated Schedule of Tangible Capital Assets  
for the year ended March 31, 2018**

	Land	Buildings	Equipment & Vehicles	Computer Hardware & Software	Transportation Infrastructure	Land Improvements & Fixtures	Sewage & Water Systems	Other	2018 Total	2017 Total
	(thousands of dollars)									
Cost of tangible assets, opening	\$ 18,836	\$ 1,026,630	\$ 155,740	\$ 74,445	\$ 1,001,891	\$ 42,743	\$ 55,045	\$ 17,365	\$ 2,392,695	\$ 2,255,486
Acquisitions	-	87,008	21,685	7,983	24,824	677	822	2,621	145,620	150,886
Write-downs	-	-	-	(385)	-	-	-	-	(385)	(820)
Disposals	-	(359)	(4,376)	(880)	-	-	-	-	(5,615)	(12,857)
<sup>20</sup> Cost of tangible assets, closing	18,836	1,113,279	173,049	81,163	1,026,715	43,420	55,867	19,986	2,532,315	2,392,695
Accumulated amortization, opening	-	360,059	89,300	45,013	365,075	7,066	5,720	7,159	879,392	829,951
Amortization expense	-	24,076	9,391	5,331	23,167	1,088	2,053	726	65,832	62,187
Disposals	-	(334)	(4,095)	(880)	-	-	-	-	(5,309)	(12,746)
Accumulated amortization, closing	-	383,801	94,596	49,464	388,242	8,154	7,773	7,885	939,915	879,392
Net book value (Note 20)	<u>\$ 18,836</u>	<u>\$ 729,478</u>	<u>\$ 78,453</u>	<u>\$ 31,699</u>	<u>\$ 638,473</u>	<u>\$ 35,266</u>	<u>\$ 48,094</u>	<u>\$ 12,101</u>	<u>\$ 1,592,400</u>	<u>\$ 1,513,303</u>
Work in progress <sup>1</sup>		\$ 136,655	\$ 399	\$ 6,229	\$ 25,114	\$ 2,221	\$ 2,577	\$ 4,013	\$ 177,208	\$ 149,189

<sup>1</sup> Included in net book value.



GOVERNMENT OF YUKON

Schedule D

**Consolidated Schedule of Post-employment Benefits and Compensated Absences  
for the year ended March 31, 2018**

	Government of Yukon Employees	Members of Yukon Legislative Assembly	Yukon Housing Corporation	Yukon College	Yukon Hospital Corporation	2018 Total	2017 Total
(thousands of dollars)							
Accrued benefit obligation							
Obligation at beginning of year	\$ 114,496	\$ 225	\$ 1,774	\$ 5,509	\$ -	\$ 122,004	\$ 121,924
Current service costs	11,836	128	199	783	-	12,946	12,709
Interest cost on benefit obligation	4,472	14	69	164	-	4,719	4,743
Actuarial (gain) loss	1,620	114	(6)	-	-	1,728	(4,870)
Benefits paid	(10,507)	-	(109)	(670)	-	(11,286)	(12,502)
Accrued benefit obligation at end of year	121,917	481	1,927	5,786	-	130,111	122,004
Unrecognized net actuarial (loss) gain	(7,656)	(123)	140	(302)	-	(7,941)	(7,672)
Accrued benefit liability	114,261	358	2,067	5,484	-	122,170	114,332
Liabilities that are not included in actuarial valuation	381	-	-	1,869	2,711	4,961	5,045
Post-employment benefits and compensated absences (Note 15)	114,642	358	2,067	7,353	2,711	127,131	119,377
Net benefit cost							
Current service cost	11,836	128	199	783	-	12,946	12,709
Interest cost on benefit obligation	4,472	14	69	164	-	4,719	4,743
Amortization of net actuarial (gain) loss	1,344	2	15	40	-	1,401	(950)
Net cost for the year	\$ 17,652	\$ 144	\$ 283	\$ 987	\$ -	\$ 19,066	\$ 16,502

GOVERNMENT OF YUKON

**Consolidated Schedule of Post-employment Benefits and Compensated Absences  
for the year ended March 31, 2018**

Schedule D  
Continued

	Government of Yukon Employees	Members of Yukon Legislative Assembly	Yukon Housing Corporation	Yukon College	Yukon Hospital Corporation
Key Assumptions					
Discount rate on benefit costs	3.50%	4.70%	3.50%	2.75%	N/A
Discount rate on accrued benefit obligation at end of year	3.50%	4.70%	3.50%	2.75%	N/A
Rate of compensation increase	2.60%	2.50%	2.00%	See below <sup>1</sup>	N/A
Amortization period (expected average remaining service life)	12.4 years	6.0 years	11.1 years	9.0 years	N/A

<sup>1</sup> For 10 years 4.25%, thereafter 4.75%

GOVERNMENT OF YUKON

Schedule E

**Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2018**

	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	2018 Total	2017 Total
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(thousands of dollars)

Pension and retirement plan assets are valued at fair market value.

Accrued benefit obligation

Obligation at beginning of year	\$ 32,947	\$ 9,626	\$ 52,508	\$ 3,153	\$ 78,164	\$ 83,061	\$ 259,459	\$ 231,091
Current service costs	1,346	386	2,813	204	4,003	4,882	13,634	12,160
Interest cost on benefit obligation	1,548	537	2,031	122	4,547	5,026	13,811	12,717
Actuarial (gain) loss	(1,849)	669	28,698	(382)	579	(448)	27,267	13,358
Benefits paid	(1,398)	(459)	(1,046)	(131)	(3,553)	(3,457)	(10,044)	(9,867)
Accrued benefit obligation at end of year	32,594	10,759	85,004	2,966	83,740	89,064	304,127	259,459

Plan assets - valued at fair market value

Value at beginning of year	7,787	4,344	-	-	89,781	121,883	223,795	199,126
Actual return on plan assets	320	155	-	-	9,795	5,392	15,662	19,241
Employer contributions	307	289	1,046	131	3,374	4,477	9,624	10,321
Member contributions	165	53	-	-	1,684	2,272	4,174	4,068
Benefits paid	(291)	(459)	(1,046)	(131)	(3,553)	(3,457)	(8,937)	(8,807)
Actual plan expenses	-	-	-	-	-	(226)	(226)	(154)
Value at end of year	8,288	4,382	-	-	101,081	130,341	244,092	223,795

Funded status - plan deficit (surplus)

Unrecognized net actuarial (loss) gain	24,306	6,377	85,004	2,966	(17,341)	(41,277)	60,035	35,664
	1,266	71	(34,915)	(367)	688	(3,672)	(36,929)	(13,838)

Accrued benefit liability (asset) (Note 16)

	\$ 25,572	\$ 6,448	\$ 50,089	\$ 2,599	\$ (16,653)	\$ (44,949)	\$ 23,106	\$ 21,826
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GOVERNMENT OF YUKON

Schedule E  
Continued

**Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2018**

	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	2018 Total	2017 Total
(thousands of dollars)								
Net benefit cost								
Current service cost	\$ 1,346	\$ 386	\$ 2,813	\$ 204	\$ 4,003	\$ 5,182 <sup>1</sup>	\$ 13,934	\$ 12,465
Less: Member contributions	(165)	(53)	-	-	(1,684)	(2,272)	(4,174)	(4,068)
Interest cost on benefit obligation	1,548	537	2,031	122	4,547	5,026	13,811	12,717
Expected return on plan assets	(370)	(236)	-	-	(4,670)	(7,405)	(12,681)	(12,359)
Amortization of net actuarial (gain) loss	106	(3)	693	181	-	142	1,119	993
Net cost for the year	\$ 2,465	\$ 631	\$ 5,537	\$ 507	\$ 2,196	\$ 673	\$ 12,009	\$ 9,748

Key Assumptions

Expected long term rate of return on assets at beginning of year	4.70%	5.50%	N/A	N/A	5.80%	6.50%
Discount rate on benefit costs	4.70%	5.50%	3.50%	3.50%	5.80%	6.00%
Discount rate on accrued benefit obligation at end of year	4.70%	5.25%	3.50%	3.50%	5.80%	6.00%
Inflation rate at end of year	2.00%	2.00%	2.00%	2.00%	2.30%	2.00%
Rate of compensation increase	2.50%	3.00% <sup>2</sup>	see below <sup>3</sup>	see below <sup>3</sup>	4.25%	2.50%
Health care cost trend rate	N/A	N/A	see below <sup>4</sup>	N/A	N/A	N/A
Amortization period (expected average remaining service life)	6.0 years	7.6 years	12.4 years	8.9 years	9.0 years	8.4 years

<sup>1</sup> Includes \$300,000 for provision of administrative expenses.

<sup>2</sup> Based on a rate of compensation increase of 2% at April 1, 2017 and 2018, 3% thereafter.

<sup>3</sup> Based on the annual rates from the Public Service Pension Plan ("PSPP") March 31, 2014 valuation report.

<sup>4</sup> 6.7% per annum for 2018 grading down by level steps to an ultimate rate of 4.0% per annum in year 11.