

GOVERNMENT OF YUKON  
**Consolidated Statement of Financial Position**  
as at March 31, 2006

	2006	2005
		(Restated - Note 3)
	(thousands of dollars)	
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 144,193	\$ 67,311
Temporary investments (Note 5)	8,192	1,937
Due from Canada (Note 6)	57,359	71,549
Accounts receivable (Note 7)	10,693	12,867
Loans receivable (Note 8)	53,446	55,086
Inventories held for sale (Note 9)	12,494	19,389
Investment in government business enterprises (Note 10(a))	136,081	133,248
	422,458	361,387
<b>Liabilities</b>		
Due to Canada (Note 6)	12,466	11,945
Accounts payable and accrued liabilities (Note 11)	64,656	59,387
Deferred revenues	7,116	5,155
Post-employment benefits (Note 12)	49,918	48,394
Retirement benefits (Note 13)	31,926	29,381
Long-term debt (Note 14)	27,156	29,524
Capital lease obligations (Note 15)	6,831	10,393
	200,069	194,179
<b>Net financial resources</b>	<b>222,389</b>	<b>167,208</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 17)	871,185	821,571
Less deferred capital contributions (Note 18)	(453,137)	(428,529)
Inventories of supplies	5,018	4,905
Prepaid expenses	1,163	1,021
	424,229	398,968
<b>Accumulated surplus</b>	<b>\$ 646,618</b>	<b>\$ 566,176</b>

Contingencies, contractual obligations and guarantees  
(Notes 10, 21, 23, 24, 25 and 27)

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

Approved:



Bruce McLennan, CMA  
Deputy Minister of Finance



Dennis Fentie  
Minister of Finance

GOVERNMENT OF YUKON

Consolidated Statement of Operations  
for the year ended March 31, 2006

	2006		2005
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Revenues (Schedule A)			
From Canada	\$ 602,109	\$ 631,608	\$ 558,062
Taxes and general revenues	85,683	86,076	78,927
Investment income	4,724	8,041	25,342
Funding and service agreements with other parties	27,751	23,551	19,514
Amortization of deferred capital contributions	14,222	13,541	13,102
	<u>734,489</u>	<u>762,817</u>	<u>694,947</u>
Expenses (Note 19)			
Health and social services	179,078	184,867	173,299
Community and transportation	173,449	141,317	154,201
Education	128,151	126,254	121,453
General government	90,370	95,570	94,879
Natural resources	64,182	59,968	56,885
Justice	39,884	40,188	38,620
Business, tourism and culture	35,735	33,033	30,505
Interest on loans	3,042	2,324	2,542
	<u>713,891</u>	<u>683,521</u>	<u>672,384</u>
Recovery of prior years' expenses	-	1,146	587
Surplus for the year	<u>\$ 20,598</u>	<u>80,442</u>	<u>23,150</u>
Accumulated surplus at beginning of year (Note 3(a))		572,712	549,562
Prior year adjustment (Note 3(b))		<u>(6,536)</u>	<u>(6,536)</u>
Accumulated surplus at beginning of year, restated		<u>566,176</u>	<u>543,026</u>
Accumulated surplus at end of year		<u>\$ 646,618</u>	<u>\$ 566,176</u>

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

GOVERNMENT OF YUKON

Consolidated Statement of Change in Net Financial Resources  
for the year ended March 31, 2006

	2006		2005
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3)
	(thousands of dollars)		
Surplus for the year	\$ 20,598	\$ 80,442	\$ 23,150
Effect of change in tangible capital assets			
Acquisitions	(86,647)	(89,611)	(50,193)
Capital contributions received	26,700	38,828	25,912
Amortization of tangible capital assets	31,698	36,037	36,264
Amortization of deferred capital contributions	(14,222)	(13,541)	(13,102)
Gain on sale of tangible capital assets	-	(594)	(51)
Proceeds on sale of tangible capital assets	-	3,416	1,524
Write-down of tangible capital assets	-	555	-
Write-down of deferred capital contributions	-	(96)	-
	<u>(42,471)</u>	<u>(25,006)</u>	<u>354</u>
Effect of change in other non-financial assets			
(Increase) in inventories of supplies	-	(113)	(528)
(Increase) decrease in prepaid expenses	-	(142)	43
	<u>-</u>	<u>(255)</u>	<u>(485)</u>
Increase (decrease) in net financial resources	<u>\$ (21,873)</u>	<u>55,181</u>	<u>23,019</u>
Net financial resources at beginning of year (Note 3(a))		173,744	150,725
Prior year adjustment (Note 3(b))		<u>(6,536)</u>	<u>(6,536)</u>
Net financial resources at beginning of year, restated		<u>167,208</u>	<u>144,189</u>
Net financial resources at end of year		<u>\$ 222,389</u>	<u>\$ 167,208</u>

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

GOVERNMENT OF YUKON

**Consolidated Statement of Cash Flows  
for the year ended March 31, 2006**

	2006	2005
		(Restated - Note 3(a))
	(thousands of dollars)	
<b>Operating transactions</b>		
Cash received from:		
Canada	\$ 649,542	\$ 549,483
Taxes and general revenues	88,781	89,486
Funding and service agreements with other parties	26,432	18,085
	764,755	657,054
Cash paid for:		
Salary, wages and benefits	304,696	281,042
Transfer payments	96,628	97,876
Other expenses	234,730	236,166
	636,054	615,084
Cash provided by operating transactions	128,701	41,970
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(84,543)	(48,371)
Contributions received for acquisition	35,509	20,617
Proceeds on sale of tangible capital assets	759	1,526
	(48,275)	(26,228)
Cash used for capital transactions	(48,275)	(26,228)
<b>Investing transactions</b>		
Increase in temporary investments	(6,255)	(46)
Investment in land held for sale	(6,985)	(5,738)
Proceeds from sale of land held for sale	10,121	7,675
Loans advanced	(7,712)	(8,461)
Loans repaid	10,562	12,713
	(269)	6,143
Cash provided by investing transactions	(269)	6,143
<b>Financing transactions</b>		
Repayment of capital lease obligations	(906)	(913)
Repayment of long-term debt	(2,369)	(1,179)
	(3,275)	(2,092)
Cash used for financing transactions	(3,275)	(2,092)
<b>Increase in cash and cash equivalents</b>	<b>76,882</b>	<b>19,793</b>
Cash and cash equivalents at beginning of year	67,311	47,518
<b>Cash and cash equivalents at end of year (Note 4)</b>	<b>\$ 144,193</b>	<b>\$ 67,311</b>
Supplemental information		
Interest paid in the year	\$ 4,485	\$ 3,652
Interest received in the year	7,220	4,493

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

# GOVERNMENT OF YUKON

## Notes to Consolidated Financial Statements March 31, 2006

### 1. Authority and operations

#### (a) Authority

The Government of Yukon (the Government) operates under the authority of the *Yukon Act* (Canada). All disbursements for operations and loans are authorized by the Yukon Legislative Assembly.

#### (b) Budget

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

#### (c) Investments

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

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

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

### 2. Significant accounting policies

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

#### (a) Reporting entity and method of consolidation

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

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

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, 2006

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.

The entities that are deemed to be government partnerships are accounted for using the proportionate consolidation method. Under the proportionate consolidation method, the Government's pro rata share of each of the assets, liabilities, revenues and expenses, which are subject to shared control, is combined on a line-by-line basis. Inter-entity revenue and expense transactions and related asset and liability balances are eliminated to the extent of those pro rata amounts.

All accounts of the government reporting entity are consolidated using the financial information for the year ended March 31, 2006. 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, 2006.

Trusts administered by the Government on behalf of other parties (Note 20) are excluded from the government reporting entity.

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

Full consolidation:

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

Proportionate consolidation:

- 19596 Yukon Inc.

Modified equity:

- Yukon Development Corporation
- Yukon Liquor Corporation
- Yukon Government Fund Limited

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

Grants from Canada are recognized as revenues when entitlement for the transfer occurs. The Government receives a Formula Financing grant from Canada pursuant to Bill C-24, *An Act to amend the Federal-Provincial Fiscal Arrangements Act and to make consequential amendments to other Acts (fiscal equalization payments to the provinces and funding to the territories)* (Canada). The legislation specifies the exact entitlement amount for 2004/2005 and 2005/2006. For future years, Yukon's Formula Financing grant is to be determined as a proportion of the aggregate quantum for the three territories specified in the legislation. Health and social transfers are received in accordance with the *Federal-Provincial Fiscal Arrangements Act* (Canada). Adjustments for health and social transfer revenues are made in the year they are known.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2006

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

Income taxes, levied under the *Income Tax Act* (Yukon), are collected by Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on 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 Canada, adjusted for known factors. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

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

#### Expenses

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

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

#### Assets

##### Financial assets

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. Interest revenue is recognized on an accrual basis until such time that the collectibility of either principal or interest is not reasonably assured.

Inventories held for sale include land that has been developed by the Government, repossessed houses and other supplies held for eventual sale. Land held for sale comprises the costs of acquiring, planning and developing serviced lots. The lots are valued at cost, except, when there has been a loss in value that is other than a temporary decline, in which case the lots are written down to recognize the loss. Gains or losses on the sale of lots are recognized at the time of sale. Repossessed houses and other supplies 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, and engineering, building and maintenance supplies, and are valued at the lower of cost and replacement value. Other materials and supplies are expensed at the time of acquisition.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2006

#### Liabilities

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

Deferred revenues are cash received for which goods and services have not been provided by year-end, and are comprised of motor vehicle licence fees and other items for the following fiscal year.

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

#### (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 Canada or where the original costs are not readily available, estimated costs have been extrapolated back in time in a systematic and rational manner to approximate the appropriate transfer value of the assets at the time of transfer.

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

The value of works of art, historical treasures and transferred crown lands are not recorded as tangible capital assets. The existence of historical treasures and the total estimated value of works of art are disclosed in Note 17 of these financial statements.

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

Asset category	Threshold	Estimated useful life
Land	Nil	N/A
Land improvements and fixtures	\$50,000	up to 50 years
Buildings	\$50,000	40 - 50 years
Portable classrooms/housing trailers	\$50,000	20 years
Heavy equipment	\$10,000	7 - 30 years
Operating equipment	\$10,000	7 - 25 years
Vehicles	\$10,000	6 - 15 years
Computer hardware	\$10,000	5 years
Computer software	\$100,000	7 years
Leasehold improvements	\$50,000	Lease term
Highways	\$250,000	30 to 50 years
Pavement	\$250,000	26 years
Bridges	\$250,000	30 to 50 years
Airport runways	\$50,000	26 to 50 years

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



## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2006

#### (d) Post-employment benefits

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

#### (e) Retirement benefits

The Government's employees participate in the Public Service Pension Plan administered by the Government of Canada. The Government accounts for contributions to this pension plan as a defined contribution plan; therefore, the Government's contributions represent its total pension obligations. 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 valued on an actuarial basis. Actuarial valuations of these benefits are performed using the projected benefit method prorated on services. Pension expenses for these plans are recognized as members render services. Actuarial gains and losses are amortized on a straight-line basis over the estimated average remaining service lives of the participants. The accrued benefit liability for these plans is calculated as the accrued benefit obligation less plan assets, if any, adjusted by unamortized actuarial gains or losses.

#### (f) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated or is likely obligated to incur such costs. If the likelihood of the Government's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements (Note 25). Accrued environmental liabilities are reported as part of accrued liabilities.

#### (g) Measurement uncertainty

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

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

3. **Restatement**

(a) Reporting change – government reporting entity

Effective the fiscal year 2005/2006, the Government has adopted the Canadian Institute of Chartered Accountants' Public Sector Accounting Board recommendations for the government reporting entity by expanding its reporting entity to include the accounts of controlled government not-for-profit organizations. These additional accounts, Yukon College and the Yukon Hospital Corporation, are consolidated using the full consolidation method (see Note 2(a)).

The change has been applied retroactively and, as a result of the change, the accumulated surplus as at April 1, 2004 has increased by \$13.3 million and the surplus for the year ended March 31, 2005 decreased by \$183,000. The following is a summary of the effect of the reporting change on the 2004/2005 consolidated financial statements.

	March 31, 2005		
	As previously reported	Reporting change	As restated
	(thousands of dollars)		
Revenues	\$ 687,427	\$ 7,520	\$ 694,947
Less: expenses	664,681	7,703	672,384
Add: recovery of prior years' expenses	587	-	587
Surplus for the year	23,333	(183)	23,150
Accumulated surplus, beginning of year	536,263	13,299	549,562
Accumulated surplus, end of year	\$ 559,596	\$ 13,116	\$ 572,712
Increase in net financial resources	\$ 22,988	\$ 31	\$ 23,019
Net financial resources, beginning of year	145,249	5,476	150,725
Net financial resources, end of year	\$ 168,237	\$ 5,507	\$ 173,744

If the change had not been made, the accumulated surplus as at March 31, 2006 would have been \$13.5 million less and the surplus for the year for the year ended March 31, 2006 would have been \$425,000 less.

(b) Prior year adjustment - correction of an accounting error

In 2005/2006, it has been determined that the value of certain capital assets of the Yukon Development Corporation should have been recorded at the amount permitted to be approved through the rate base by the regulator and not recorded at their original cost. The effect of the correction of this accounting error on the accounts of the Yukon Development Corporation was a reduction of January 1, 2004 retained earnings by \$6,536,000, an increase of the net income for the year ended December 31, 2004 by \$183,000, and a reduction of property, plant and equipment as at December 31, 2004 by \$6,353,000. The effect of this adjustment for the Corporation's net income for the fiscal year ended December 31, 2005 was \$145,000.

The Government consolidates the accounts of the Yukon Development Corporation, a government business enterprise, using the modified equity method (see Note 2(a)); therefore, the effect of this accounting error on the Government's consolidated financial statements was an overstatement of investment in government business enterprises (financial assets) and accumulated surplus in the previous years. The Government has recorded this adjustment by reducing the fiscal year 2004/2005 opening accumulated surplus and financial assets by \$6,536,000.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

4. **Cash and cash equivalents**

	<u>2006</u>	<u>2005</u> (Restated – Note 3(a))
	(thousands of dollars)	
Short-term investments	\$ 75,611	\$ 45,335
Funds held for the Government by trustees	44,654	-
Bank balances	23,860	21,901
Cash on hand	<u>68</u>	<u>75</u>
	<u>\$ 144,193</u>	<u>\$ 67,311</u>

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

In March 2006, Canada transferred \$40 million to a trust account held on behalf of the Government under the Northern Strategy initiative. As at March 31, 2006, the funds were held in trust in its entirety.

5. **Temporary investments**

	<u>2006</u>		<u>2005</u>	
	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>
	(Restated – Note 3(a))			
	(thousands of dollars)			
Commercial paper	\$ 4,971	\$ 4,975	\$ -	\$ -
Bankers' acceptance	1,900	1,900	1,937	1,937
Term deposits	<u>1,321</u>	<u>1,321</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,192</u>	<u>\$ 8,196</u>	<u>\$ 1,937</u>	<u>\$ 1,937</u>

Commercial paper and bankers' acceptance have terms of maturity of less than one year from the date of acquisition. Term deposits have terms of maturity ranging from 374 days to 611 days from the date of acquisition. Temporary investments during the year had a weighted average effective yield of 3.14% (2005 – 2.2%) per annum.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

6. Due from/to Canada

	<u>2006</u>	<u>2005</u> (Restated – Note 3(a))
	(thousands of dollars)	
Due from Canada		
Cost-sharing agreements and projects delivered on behalf of Canada	\$ 50,742	\$ 56,414
Federal grant receivable	6,333	14,808
Other	284	327
	<u>\$ 57,359</u>	<u>\$ 71,549</u>
Due to Canada		
Public Service Pension Plan contribution payable	\$ 4,074	\$ 3,685
RCMP	3,367	3,381
Payroll deductions payable	3,325	3,205
Other	1,700	1,674
	<u>\$ 12,466</u>	<u>\$ 11,945</u>

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

7. Accounts receivable

	<u>2006</u>	<u>2005</u> (Restated – Note 3(a))
	(thousands of dollars)	
Taxes, interest and other revenue receivables	\$ 9,147	\$ 10,322
Less valuation allowances	<u>(1,443)</u>	<u>(1,407)</u>
	7,704	8,915
Due from Territorial corporations	<u>2,989</u>	<u>3,952</u>
	<u>\$ 10,693</u>	<u>\$ 12,867</u>

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

8. Loans receivable

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Yukon Housing Corporation mortgages receivable, due in varying annual amounts to the year 2022, bearing interest rates ranging from 0.0% to 8.3%	\$ 33,213	\$ 36,536
Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 5.0% to 11.4%	8,114	8,871
Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2011, bearing interest rates ranging from 4.8% to 8.5%	8,042	5,742
Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 13.6%	3,332	3,474
Local improvement loans, due in varying annual amounts to the year 2035, bearing interest rates ranging from 2.3% to 8.9%	3,105	2,957
Others	1,216	599
Less valuation allowances	<u>(3,576)</u>	<u>(3,093)</u>
	<u>\$ 53,446</u>	<u>\$ 55,086</u>

9. Inventories held for sale

	<u>2006</u>	<u>2005</u>
		(Restated – Note 3(a))
	(thousands of dollars)	
Land held for sale		
Raw land	\$ 45	\$ 45
Land under development	7,684	5,479
Developed land	<u>4,317</u>	<u>13,230</u>
	12,046	18,754
Other	<u>448</u>	<u>635</u>
	<u>\$ 12,494</u>	<u>\$ 19,389</u>

Land held for sale is affected by the Yukon First Nations land claims negotiations. At March 31, 2006, \$200,000 (2005 - \$3,400,000) of developed land is included in the scope of existing land claims. Recovery of costs of the land selected in land claims settlements is to be provided for by Canada as per provisions of the Bilateral Agreement of June 24, 1993.

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

10. Investment in government business enterprises

(a) Summary financial statements

Summary financial statements of the government entities accounted for by the modified equity method are provided below. The Yukon Development Corporation and the Yukon Government Fund Limited have a fiscal year end of December 31. In the fiscal year 2004/2005, to conform to the Government's fiscal year end, the interim financial statements from January 1, 2004 to March 31, 2005 (15 months) were used to account for the Yukon Development Corporation and the Yukon Government Fund Limited. In the current year, these entities are reported based on a twelve month accounting period. The Yukon Liquor Corporation has a fiscal year end of March 31.

	Yukon Development Corporation	Yukon Government Fund Limited	Yukon Liquor Corporation	2006 Total	2005 Total (Restated – Note 3(b))
(thousands of dollars)					
<b>Balance Sheet</b>					
<b>Assets</b>					
Current	\$ 14,616	\$ 9,095	\$ 3,050	\$ 26,761	\$ 29,634
Investments	3,175	-	-	3,175	3,397
Capital assets	150,689	-	2,374	153,063	153,712
Other	9,804	28	-	9,832	17,275
	<u>\$ 178,284</u>	<u>\$ 9,123</u>	<u>\$ 5,424</u>	<u>\$ 192,831</u>	<u>\$ 204,018</u>
<b>Liabilities</b>					
Current	\$ 3,349	\$ 6	\$ 2,458	\$ 5,813	\$ 16,313
Long-term debt	22,372	7,750	-	30,122	30,426
Other	20,107	116	592	20,815	24,031
Equity	132,456	1,251	2,374	136,081	133,248
	<u>\$ 178,284</u>	<u>\$ 9,123</u>	<u>\$ 5,424</u>	<u>\$ 192,831</u>	<u>\$ 204,018</u>
<b>Statement of Operations and Equity</b>					
Revenues	\$ 27,390	\$ 738	\$ 11,500	\$ 39,628	\$ 63,327
Expenses	24,823	482	6,282	31,587	37,985
Surplus	2,567	256	5,218	8,041	25,342
Remitted to the Government	-	-	(5,208)	(5,208)	(5,595)
Equity, beginning of year, as previously reported	136,425	995	2,364	139,784	120,037
Prior year adjustment (Note 3(b))	(6,536)	-	-	(6,536)	(6,536)
Equity, beginning of year, restated	129,889	995	2,364	133,248	113,501
Equity, end of year	<u>\$ 132,456</u>	<u>\$ 1,251</u>	<u>\$ 2,374</u>	<u>\$ 136,081</u>	<u>\$ 133,248</u>

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

(b) Inter-entity balances and transactions

	Yukon Development Corporation	Yukon Government Fund Limited	Yukon Liquor Corporation	2006 Total	2005 Total
					(Restated – Note 3(a))
	(thousands of dollars)				
Government of Yukon:					
Accounts receivable from	\$ 153	\$ -	\$ 1,324	\$ 1,477	\$ 1,883
Loans receivable from	-	116	-	116	116
Accounts payable to	973	11	111	1,095	2,387
Long-term obligations to	3,550	1,286	-	4,836	6,536
Revenues from	214	-	1,223	1,437	1,389
Expenses to	9,041	153	1	9,195	11,459

(c) Commitments

Yukon Development Corporation

The Yukon Energy Corporation (YEC), the wholly-owned subsidiary of the Yukon Development Corporation, has provided an option to two Yukon First Nations to acquire up to a \$14,470,000 "indirect interest" in the Mayo-Dawson transmission line system project. The option agreement provides for issuance by YEC of a long-term debt instrument repayable over 40 years, bearing interest equal to YEC's blended cost of capital, including a component limited to YEC's realized return on equity. The option expires on January 4, 2007. The option was not exercised as at March 31, 2006.

On March 30, 2005, the Government announced the continuation of the Rate Stabilization Fund from April 1, 2005 until 2007 with the Yukon Development Corporation required by OIC 2005/49 to contribute up to \$9 million of internally generated funds before April 1, 2007. At March 31, 2006, the Yukon Development Corporation had contributed \$5.9 million towards the Fund.

Yukon Government Fund Limited

On January 4, 1999 the Yukon Government Fund Limited finalized a Confidential Offering Memorandum for filing with the Business Immigration Division, Department of Citizenship and Immigration Canada. The offering expired on March 31, 1999. The company obtained \$15 million from investors, of which \$7,250,000 has been repaid. \$5,250,000 (2005 - \$10,500,000) has been loaned to 19596 Yukon Inc. The company has committed to use the remaining proceeds of the offering to invest in eligible businesses in the Yukon.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

The \$7,750,000 due to investors is repayable as follows:

	(thousands of dollars)
2007	\$ 7,250
2008	250
2009	<u>250</u>
	<u>\$ 7,750</u>

(d) Guarantees

The Government has guaranteed debts of the Yukon Development Corporation of \$22.4 million (2005 - \$24.1 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Energy Corporation of up to \$10.0 million. The Government does not expect that any significant costs will be incurred with respect to these guarantees.

(e) Contingencies

The Yukon Energy Corporation (YEC) completed the construction of the Mayo to Dawson city transmission line project during 2003. Subsequent to energization of the line, YEC and the general contractor notified each other that they have numerous claims arising out of the agreement and the construction of the line. These claims total several million dollars on a net basis. As at March 31, 2006, no legal action had been commenced.

In April 2005, the contractor provided YEC with some additional information. Management of YEC is reviewing this information and anticipates further documentation will be required before YEC's exposure to the contractor's claims can be fully assessed.

11. **Accounts payable and accrued liabilities**

	<u>2006</u>	<u>2005</u>
		(Restated – Note 3(a))
		(thousands of dollars)
Accounts payable	\$ 29,508	\$ 25,461
Accrued liabilities	28,831	27,607
Contractors' holdbacks and security deposits	3,684	1,823
Due to Territorial corporations	<u>2,633</u>	<u>4,496</u>
	<u>\$ 64,656</u>	<u>\$ 59,387</u>



GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2006**

12. **Post-employment benefits**

	2006	2005
		(Restated – Note 3(a))
		(thousands of dollars)
Severance benefits	\$ 42,166	\$ 26,099
Sick leave obligation	14,661	12,710
Vacation leave obligation	11,511	9,585
Unrecognized net actuarial loss	(18,420)	-
	\$ 49,918	\$ 48,394

Severance benefits are paid on termination of service or upon retirement.

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

The actuarial obligation for sick and vacation leave and severance benefits is calculated using the projected benefit method prorated on service. In projecting the accrued obligation for these benefits as at March 31, 2006, the actuary assumed a discount rate of 5.75% and general salary increases of 2.5%. Commencing in the fiscal year 2006/2007, the net actuarial loss will be amortized over the expected average remaining service life of the active employees of 10.6 years.

Expenses related to post-employment benefits for the year ended March 31, 2006 were \$6,043,000 (2005 - \$5,704,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$4,336,000 (2005 - \$4,311,000).

13. **Retirement benefits**

(a) Public Service Pension Plan

The employees of the Yukon Government and the Yukon Housing Corporation participate in the Public Service Pension Plan administered by the Government of Canada. In this plan, employees accumulate pension benefits at 2% per year of pensionable service based on their five consecutive years of highest paid services. The Government contributes at a basic rate of 2.14 times the employee's contribution. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$23,897,000 (2005 - \$26,088,000).

(b) Legislative Assembly Retirement Allowances Plan

The Legislative Assembly Retirement Allowances Plan is a contributory defined benefit pension plan. In addition to retirement allowances, the plan also contains a provision for payment of lump sum death and severance allowances. These benefits are based on service and/or earnings. The Members' Services Board of the Legislative Assembly is responsible, pursuant to the *Legislative Assembly Retirement Allowances Act* (Yukon), for the administration of the Plan.

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2006

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

The *Legislative Assembly Retirement Allowances Act* stipulates that actuarial valuations for funding purposes must be performed at least triennially. An actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases and member turnover and mortality. The assumptions used in a valuation for funding purposes are based on the actuary's best estimates with margins for conservatism. The most recent valuation was conducted as at March 31, 2005 based on March 31, 2005 membership data. The accrued benefit obligation as at March 31, 2006 is calculated using best estimate assumptions accepted by the Members' Services Board of the Legislative Assembly (Schedule C).

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

The Territorial Court Judiciary Pension Plan is a defined benefit pension plan. In this plan, benefits are accrued at an annual rate of 3% based on the judges' highest two consecutive years of pensionable earnings. Until December 31, 2005, the plan's benefit costs were offset by benefits paid under the Public Service Pension Plan and the Retirement Compensation Arrangement. As of January 31, 2006, pursuant to the proclamation of the *Territorial Court Judiciary Pension Plan Act* (Yukon), the Government withdrew the fund for the territorial judges from the Public Service Pension Plan and assumed the administrative responsibility of the pension fund as well as pension payments under the plan. The fund asset is managed by an investment manager.

An actuarial valuation for the plan was performed for accounting purposes using the membership data as at March 31, 2006 (Schedule C). A valuation for funding purposes for the registered pension plan component of the plan was conducted as at January 31, 2006. The next valuation for funding purposes will be done as at March 31, 2008.

#### (d) Yukon College Employees' Pension Plan

The Yukon College Employee's Pension Plan is a contributory defined benefit pension plan. The pension plan fund provides mandatory pension benefits for all full-time employees and optional benefits for part-time employees of Yukon College. 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 *Federal Pension Benefits Standards Act*, and is indexed in accordance with the change in the Consumer Price Index for the 12 months ending September 30<sup>th</sup>. The College is responsible for any unfunded pension liability and contributes the balance of the costs of the plan as determined by the actuary. The College has contracted with external organizations to provide the service of trustee, administrator, and investment manager for the pension plan.

The actuarial valuation for funding purposes for the plan was performed as of June 30, 2005. The valuation pointed out that the surplus on an ongoing basis had increased since the last valuation as of June 30, 2004 from \$3,220,000 to \$4,446,000; however the deficit on a solvency basis has increased since the last valuation from \$752,800 to \$2,638,000. In order to address this solvency deficit, the Government entered into a contribution agreement with the College in April 2006, which is to provide \$1,251,600 per year to the College for five years. The first \$1,251,600 was paid to the College in April 2006. With this funding, the College has fully paid up any outstanding payments to the Plan. In addition, since July 1, 2005, the members' contributions have been increased by 10% and the College contributions to 253% of members' contributions as recommended by the June 30, 2005 actuarial report.

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

(e) Yukon Hospital Corporation Employees' Pension Plan

The Yukon Hospital Corporation Employees Defined Benefit Pension Plan is administered by the Corporation's Board of Trustees. Contributions to the plan are required from both the employees and the Corporation.

A separate pension fund is maintained to hold plan assets. Yukon Hospital Corporation has contracted with external organizations to provide trustee and investment management services for the fund. Pension fund assets are invested in balanced pooled funds of the investment manager.

The Yukon Hospital Corporation adopted a measurement date of December 31 in respect of its pension obligations. Consequently, both benefit obligations and plan assets are measured as of December 31 for presentation as of March 31 (Schedule C). The pension plan had a funding deficit of \$2,461,200 as at December 31, 2005 valued on a going-concern basis. As at December 31, 2005 the pension plan had a deficit of \$9.3 million if valued on a solvency basis.

In the event that a pension plan has a deficit on a solvency basis, the Federal *Pension Benefits Standards Act* and Regulations requires that the pension plan sponsor contribute an amount necessary to fund both the current service cost of the pension plan, and the amortization of any deficit over a period not exceeding five years. In the case of the Yukon Hospital Corporation pension plan, the deficit of approximately \$9.3 million as at December 31, 2005, measured on a solvency basis, means that the accrued benefit asset of \$2,114,300 as at March 31, 2006, measured on a going-concern basis, may be considered to be "impaired" and thus has not been reflected in these financial statements. In order to address this solvency deficit, the Government is planning to provide financial assistance to the Corporation.

(f) Extended health care and life insurance retirement benefits

The Government provides optional extended health care benefits to retired employees as well as life insurance coverage to eligible retirees. They are both defined benefit plans. The extended health care plan is self-insured. As at March 31, 2006, the Government paid approximately 65% of the extended health care benefit costs and 100% of the life insurance premium for participating retirees. An actuarial valuation of these benefits was conducted as of March 31, 2006 (Schedule C). There are no plan assets.

The retirement benefit liabilities of the Government as of March 31, 2006 were as follows:

	2006	2005
		(Restated – Note 3(a))
		(thousands of dollars)
Accrued retirement benefit liabilities		
Extended health care retirement benefit	\$ 31,949	\$ 28,928
Territorial Court Judiciary Pension Plan	2,867	2,608
Life insurance retirement benefit	1,114	1,021
Legislative Assembly Retirement Allowances Plan	(180)	76
Yukon College Employees' Pension Plan	(3,824)	(3,252)
	\$ 31,926	\$ 29,381

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

14. Long-term debt

	<u>2006</u>	<u>2005</u> (Restated – Note 3(a))
	(thousands of dollars)	
Mortgages, with a variety of terms, secured by fixed charges against housing projects, repayable in blended monthly payments with maturities up to the year 2023, bearing fixed interest rates ranging from 3.9% to 12.5%.	\$ 17,763	\$ 18,635
Canada Mortgage and Housing Corporation loans, repayable in blended annual payments with maturities up to the year 2028, bearing fixed interest rates ranging from 5.0% to 13.3%.	3,985	4,194
Loans from Canada, repayable in annual instalments with maturities up to the year 2008, bearing fixed interest rates ranging from 9.0% to 11.1%.	3,726	3,726
Loans from the Yukon Government Fund Limited, repayable 60 months after advance with maturities up to the year 2007, bearing a fixed interest rate of 7.7% calculated and compounded semi-annually and payable monthly.	1,286	2,573
Flexible term note payable to the Yukon Development Corporation, bearing interest rate at 7.5% repayable in annual instalments, based on the annual energy savings realized, secured by a general security agreement on building improvements with a net book value of \$566,000 (2005 - \$566,000).	<u>396</u>	<u>396</u>
	<u>\$ 27,156</u>	<u>\$ 29,524</u>

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

	(thousands of dollars)	
2007	\$	3,200
2008		4,452
2009		1,389
2010		1,462
2011		1,567
Thereafter		<u>15,086</u>
	<u>\$</u>	<u>27,156</u>

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

Debt authority

Canada, pursuant to subsection 23(2) of the *Yukon Act* (Canada), has approved the Government borrowing up to \$138 million.

	2006	2005
	(thousands of dollars)	
Debt of the consolidated entities:		
Government business enterprises		
Yukon Development Corporation, long-term debt	\$ 22,372	\$ 24,135
Yukon Government Fund Limited, term loans	7,750	15,000
	30,122	39,135
Fully and proportionately consolidated entities		
Yukon Housing Corporation, mortgages payable	17,763	18,635
Yukon Housing Corporation, CMHC loans	3,985	4,194
Government of Yukon, long-term debt	3,726	3,726
	25,474	26,555
Total debt	55,596	65,690
Authorized borrowing limit	138,000	138,000
Available borrowing capacity	\$ 82,404	\$ 72,310

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2006**

15. **Capital lease obligations**

	2006	2005
	(thousands of dollars)	
Building lease obligation payable monthly until the year 2012, with imputed interest rate of 11.0%. The building is to be transferred to the Government for \$1.00 at the end of the lease term.	\$ 3,154	\$ 3,567
Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.	2,884	3,110
Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.	793	903
Building lease obligation payable monthly until the year 2012, with imputed interest rate of 6.0%	-	2,813
	\$ 6,831	\$ 10,393

Interest expense related to capital lease obligations for the year was \$976,000 (2005 - \$1,140,000) at an imputed average interest rate of 10.9% (2005 - 10.9%). The following is a schedule of future minimum lease payments under the capital lease obligations.

	(thousands of dollars)
2007	\$ 2,156
2008	2,156
2009	2,156
2010	2,156
2011	2,038
Thereafter	2,028
Total minimum lease payments	12,690
Less: amount representing executory costs	(2,473)
amount representing rental of land	(642)
amount representing interest	(2,744)
	\$ 6,831

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

16. Financial instruments

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

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

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands of dollars)			
Long-term investments				
Mortgages receivable, net of valuation allowance	\$ 31,686	\$ 32,191	\$ 35,290	\$ 34,504
Loans receivable, net of valuation allowance	21,760	21,760	19,796	19,796
	<u>\$ 53,446</u>	<u>\$ 53,951</u>	<u>\$ 55,086</u>	<u>\$ 54,300</u>
Long-term debt				
Mortgages payable	\$ 17,763	\$ 18,916	\$ 18,635	\$ 19,435
CMHC loans	3,985	4,291	4,194	4,450
Loans from Canada	3,726	3,899	3,726	4,026
Other	1,682	1,682	2,969	2,969
	<u>\$ 27,156</u>	<u>\$ 28,788</u>	<u>\$ 29,524</u>	<u>\$ 30,880</u>
Capital lease obligations	<u>\$ 6,831</u>	<u>\$ 8,147</u>	<u>\$ 10,393</u>	<u>\$ 12,179</u>

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

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

GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements**  
**March 31, 2006**

17. **Tangible capital assets**

	2006	2005
	Net Book Value	Net Book Value
		(Restated – Note 3(a))
	(thousands of dollars)	
Land	\$ 6,838	\$ 6,776
Buildings	297,590	281,896
Equipment and vehicles	35,196	33,969
Computer hardware and software	8,966	7,705
Transportation infrastructure	513,625	485,604
Other	8,970	5,621
(Schedule B)	\$ 871,185	\$ 821,571

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$3.4 million (2005 - \$2.3 million).

Leased capital assets are reported as part of the respective asset category. These leased assets are amortized on a straight-line basis over the lease term or estimated economic life. The amortization expense for the year was \$960,000 (2005 - \$960,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	2006	2005
	(thousands of dollars)	
Buildings (cost)	\$ 8,820	\$ 12,071
Less accumulated amortization	(1,904)	(1,920)
	\$ 6,916	\$ 10,151

18. **Deferred capital contributions**

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

	2006	2005
	(thousands of dollars)	
Deferred capital contributions, beginning of year	\$ 428,529	\$ 415,757
Add: Assets transferred or funded during the year	38,828	25,912
Less: Disposal	(583)	(38)
Write-down	(96)	-
Amortization	(13,541)	(13,102)
Deferred capital contributions, end of year (Schedule B)	\$ 453,137	\$ 428,529



GOVERNMENT OF YUKON

**Notes to Consolidated Financial Statements  
March 31, 2006**

19. **Expenses by object**

	2006	2005
		(Restated – Note 3(a))
	(thousands of dollars)	
Personnel	\$ 306,658	\$ 292,723
Contract and special services	101,550	99,905
Transfer payments	98,358	99,983
Materials, supplies and utilities	80,783	78,823
Amortization expenses	36,037	36,264
Communication and transportation	22,737	21,773
Interest on long-term debt and capital lease obligations	3,300	3,682
Other	34,098	39,231
	\$ 683,521	\$ 672,384

20. **Trust assets**

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

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

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

	2006	2005
		(Restated – Note 3(a))
	(thousands of dollars)	
Compensation Fund (Yukon)	\$ 140,214	\$ 137,781
Federal Gas Tax Funds under the New Deal	4,509	-
Forest Sector Fund	3,168	2,078
Land Title Office – Assurance Fund	2,654	2,470
First Nations Health Program	2,588	2,507
Water Resources Bonds	2,582	2,895
Crime Prevention and Victim Services	2,453	2,165
Lottery Commission	2,340	2,283
Historic Resources Trust Fund	1,177	1,148
Public Guardian Trust	736	1,117
Other	2,481	1,913
	\$ 164,902	\$ 156,357

GOVERNMENT OF YUKON

Notes to Consolidated Financial Statements  
March 31, 2006

21. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2006.

	Expiry Date	2007	2008 – 2016	Total
(thousands of dollars)				
Capital projects				
- in progress at March 31, 2006	2008	\$ 53,527	\$ 5,360	\$ 58,887
(recoverable amount)		(37,763)	(5,210)	(42,973)
RCMP policing agreement	2012	12,073	66,020	78,093
Building/office space leases	2016	7,748	18,563	26,311
Miscellaneous operational commitments	2008	5,777	2,118	7,895
		<u>\$ 41,362</u>	<u>\$ 86,851</u>	<u>\$ 128,213</u>

22. **Over-expenditure**

During the year, two (2005 - two) departments exceeded their votes with a total of \$1,714,000 (2005 - \$6,988,000). Over-expenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that "a vote does not authorize any payment to be made in excess of the amount specified in the vote".

	(thousands of dollars)
The votes that were over-expended are as follows:	
Operations and maintenance	
Public Service Commission	\$ 1,712
Women's Directorate	1
Capital	
Public Service Commission	1

The *Appropriation Acts* (Yukon) states that the Government is not to expend grant payments in excess of the amounts specified in the Acts. During the year, four (2005 – four) departments exceeded the authorized amounts as follows:

Operations and maintenance grants	
Community Services	
- Home owner grants	\$ 40
Education	
- Post secondary student grants	95
Environment	
- Canadian Cooperative Wildlife Health Centre	1
Health and Social Services	
- Adoption subsidies	34
- Alcohol and drug – education and prevention	2
- Social assistance - Whitehorse	18
- Pioneer utility grant	143
- Medical travel subsidies	11
- Federal child benefit – region	1

## GOVERNMENT OF YUKON

### Notes to Consolidated Financial Statements March 31, 2006

#### 23. Land claims

Between February 1995 and March 31, 2006, eleven Yukon First Nation Final and Self-government Agreements came into effect. 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 Canada. The Government would, however, be responsible for any financial obligations it might agree to during the negotiations.

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

The Government expended \$7.4 million during the year (2005 - \$4.0 million) with cumulative expenditures of approximately \$40.6 million (2005 - \$33.3 million), of which \$39.5 million (2005 - \$32.2 million) was funded by Canada.

#### 24. Contingencies

In the normal course of operations, the Government is subject to legal claims. At March 31, 2006 the Government estimated the total claimed amount to be about \$2.4 million (2005 - \$5.3 million). No provision for claims has been made in these financial statements.

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5 million, which is to be used for providing insurance and risk management services to the Government departments. Any expenses relating to property and liability losses incurred by the Government are to be paid out of this fund. The Government carries no insurance policy for its property losses, but carries a legal liability insurance policy with a \$2 million deductible. The Government had unpaid claims against the fund in the amount of \$438,000 as at March 31, 2006 (2005 - \$428,000). This amount is reported as part of the Government's accrued liabilities.

#### 25. Environmental liabilities

The Government recognizes that there are costs related to the remediation of environmentally contaminated sites for which the Government is responsible. As at March 31, 2006, the Government was aware of 54 sites where the Government is obligated or is likely obligated to incur such costs. Of the 54 sites, nine are airports and 19 are highway maintenance camps, the majority of which are awaiting assessment dependent on funding availability. Consequently, costs to remedy any possible contaminations on these sites cannot be reasonably estimated. Quantifiable portions of remediation costs for some of the sites that have been at least partially assessed are currently estimated at \$630,000, of which \$600,000 has been recorded as a liability and reported as part of accrued liabilities.

The *Environment Act* (Yukon) – *Solid Waste Regulations* include requirements for closure and abandonment of a dump. Twenty-three of the 54 sites identified above are active or decommissioned landfill sites that are outside incorporated communities, and therefore are the responsibility of the Government. As at March 31, 2006, the Government was unable to confirm a reasonable amount of the liability for these solid waste landfills using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board; therefore, no liability has been recorded for these sites.

# GOVERNMENT OF YUKON

## Notes to Consolidated Financial Statements March 31, 2006

One site on the Commissioner's Land has been formally designated as contaminated under the *Environment Act* (Yukon) and the *Contaminated Sites Regulation*. The Government is not a Responsible Party for this site but may incur some future environmental liability as the landowner. As the likelihood of the Government's obligation to incur any remediation costs is not determinable at this point, no liability has been recorded for this site.

Pursuant to the Devolution Transfer Agreement, Canada retained responsibility for the clean-up of waste sites that were identified on lands transferred effective April 1, 2003. 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. The Government is not aware of any financial obligations in relation to these mine sites.

### 26. Related parties

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

	<u>2006</u>	<u>2005</u>
	(thousands of dollars)	
Transfer payments		
Yukon Legal Services Society	\$ 1,511	\$ 1,593
Yukon Arts Centre Corporation	1,043	883
Yukon Human Rights Commission	<u>451</u>	<u>515</u>
	<u>\$ 3,005</u>	<u>\$ 2,991</u>

### 27. Subsequent events

In April 2006, in order to aid the financial restructuring of the Town of the City of Dawson (Dawson), the Government wrote off \$3.3 million of its loans receivable from Dawson and consolidated Dawson's remaining long-term debt of \$1.5 million, including a bank loan, into a 25-year loan at 4% interest rate with a single payment due annually.

### 28. Comparative figures

Certain comparative figures for 2005 have been reclassified to conform with the 2006 presentation.

GOVERNMENT OF YUKON

Schedule A

**Consolidated Schedule of Revenues by Source  
for the year ended March 31, 2006**

	2006		2005
	Budget (Note 1(b))	Actual	Actual (Restated - Note 3(a))
	(thousands of dollars)		
From Canada			
Formula Financing grant	\$ 494,140	\$ 494,140	\$ 470,996
Other grants	46,065	90,067	34,790
Contributions and service agreements	61,904	47,401	52,276
	<u>602,109</u>	<u>631,608</u>	<u>558,062</u>
Taxes and general revenues			
Income taxes	42,686	43,200	43,031
Other taxes	19,785	19,641	18,996
Licences, permits and fees	8,138	9,109	8,520
Interest - bank and other	1,734	4,934	1,602
Oil and gas resource revenue	9,016	4,146	2,184
Hospital revenues	2,207	1,477	1,286
Gain on sale of lots	141	847	634
Aviation operations	729	707	646
Fines	408	386	435
Equipment lease	-	-	521
Land and mineral leases and royalties	-	-	250
Other revenues	839	1,629	822
	<u>85,683</u>	<u>86,076</u>	<u>78,927</u>
Investment income			
Yukon Liquor Corporation	4,724	5,218	5,346
Yukon Development Corporation	-	2,567	19,543
Yukon Government Fund Limited	-	256	453
	<u>4,724</u>	<u>8,041</u>	<u>25,342</u>
Funding and service agreements with other parties	27,751	23,551	19,514
Amortization of deferred capital contributions	14,222	13,541	13,102
	<u>\$ 734,489</u>	<u>\$ 762,817</u>	<u>\$ 694,947</u>

GOVERNMENT OF YUKON

Schedule B

**Consolidated Schedule of Tangible Capital Assets  
for the year ended March 31, 2006**

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Transportation Infrastructure	Other <sup>1</sup>	2006 Total (Note 17)	2005 Total (Restated - Note 3(a))
	(thousands of dollars)							
Cost of tangible capital assets, opening (Restated - Note 3 (a))	\$ 6,776	\$ 458,879	\$ 80,825	\$ 25,938	\$ 621,916	\$ 8,479	\$ 1,202,813	\$ 1,156,682
Acquisitions	73	32,503	6,955	3,864	42,489	3,727	89,611	50,193
Write-downs	-	(299)	(36)	(220)	-	-	(555)	-
Disposals	(11)	(3,900)	(3,614)	(1,040)	(764)	(187)	(9,516)	(4,062)
Cost of tangible capital assets, closing	6,838	487,183	84,130	28,542	663,641	12,019	1,282,353	1,202,813
Accumulated amortization, opening (Restated - Note 3(a))	-	176,983	46,855	18,233	136,313	2,858	381,242	347,526
Amortization expense	-	13,975	5,349	2,383	14,018	312	36,037	36,264
Disposals	-	(1,365)	(3,270)	(1,040)	(315)	(121)	(6,111)	(2,548)
Accumulated amortization, closing	-	189,593	48,934	19,576	150,016	3,049	411,168	381,242
Net book value	<b>\$ 6,838</b>	<b>\$ 297,590</b>	<b>\$ 35,196</b>	<b>\$ 8,966</b>	<b>\$ 513,625</b>	<b>\$ 8,970</b>	<b>\$ 871,185</b>	<b>\$ 821,571</b>
Work-in-progress <sup>2</sup>		\$ 31,595	\$ -	\$ 2,515	\$ 43,804	\$ 2,433	\$ 80,347	\$ 47,353
Deferred capital contributions (Note 18)		\$ 59,471	\$ 1,163	\$ 2,039	\$ 389,016	\$ 1,448	\$ 453,137	\$ 428,529

<sup>1</sup> Includes portable classrooms, land improvements and fixtures.

<sup>2</sup> Included in net book value.

GOVERNMENT OF YUKON

Schedule C

Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2006

							2006	2005		
								(Restated - Note 3(a))		
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	Total		
							(thousands of dollars)			
Pension and retirement plan assets are valued at fair market value.										
Accrued benefit obligation										
Obligation at beginning of year	\$ 19,719	\$ 2,609	\$ 28,928	\$ 1,021	\$ 30,646	\$ 23,494	\$ 106,417	\$ 97,886		
Current service costs	649	151	1,024	32	1,479	1,422	4,757	4,298		
Transfer from PSSA	-	2,452	-	-	-	-	2,452	-		
Interest cost on benefit obligation	1,301	164	1,791	63	1,960	1,694	6,973	6,295		
Member contributions	-	-	-	-	575	602	1,177	1,097		
Actuarial (gain) loss	(4,321)	(803)	(2,068)	(40)	2,571	3,288	(1,373)	(498)		
Benefits paid	(615)	(48)	(136)	(2)	(621)	(597)	(2,019)	(2,661)		
Accrued benefit obligation at end of year	\$ 16,733	\$ 4,525	\$ 29,539	\$ 1,074	\$ 36,610	\$ 29,903	\$ 118,384	\$ 106,417		
Plan assets										
Value at beginning of year	\$ 20,355	\$ -	\$ -	\$ -	\$ 32,785	\$ 25,510	\$ 78,650	\$ 69,891		
Actual return on plan assets	2,124	(1)	-	-	3,546	1,276	6,945	8,171		
Employer contributions	715	48	136	2	1,737	833	3,471	2,252		
Member contributions	77	8	-	-	575	602	1,262	1,173		
Transfer from PSSA	-	2,452	-	-	-	-	2,452	-		
Benefits paid	(615)	(48)	(136)	(2)	(621)	(597)	(2,019)	(2,661)		
Actual plan expenses	-	-	-	-	-	(182)	(182)	(176)		
Value at end of year	\$ 22,656	\$ 2,459	\$ -	\$ -	\$ 38,022	\$ 27,442	\$ 90,579	\$ 78,650		
Funded status - plan deficit (surplus)	\$ (5,923)	\$ 2,066	\$ 29,539	\$ 1,074	\$ (1,412)	\$ 2,461	\$ 27,805	\$ 27,767		
Unamortized net actuarial gain (loss)	5,743	801	2,410	40	(1,929)	(4,359)	2,706	(345)		
Unamortized past service costs	-	-	-	-	(483)	-	(483)	(564)		
Employer contribution made after measurement date	-	-	-	-	-	(216)	(216)	-		
Accrued benefit liability (asset) (Note 13)	\$ (180)	\$ 2,867	\$ 31,949	\$ 1,114	\$ (3,824)	\$ (2,114)	\$ 29,812	\$ 26,858		

GOVERNMENT OF YUKON

Consolidated Schedule of Retirement Benefits  
for the year ended March 31, 2006

Schedule C  
Continued

							2006	2005
	Legislative Assembly Retirement Allowances Plan	Territorial Court Judiciary Pension Plan	Extended Health Care Retirement Benefit	Life Insurance Retirement Benefit	Yukon College Employees' Pension Plan	Yukon Hospital Corporation Employees' Pension Plan	Total	(Restated - Note 3(a))  Total
(thousands of dollars)								
Net benefit cost								
Current service costs	\$ 649	\$ 151	\$ 1,024	\$ 32	\$ 2,053	\$ 2,129	\$ 6,038	\$ 4,388
Less: Member contributions	(77)	(8)	-	-	(575)	(602)	(1,262)	(76)
Interest cost on benefit obligation	1,301	164	1,791	63	1,960	1,694	6,973	6,295
Expected return on plan assets	(1,329)	-	-	-	(2,354)	(1,811)	(5,494)	(4,729)
Amortization of past service costs	-	-	-	-	81	-	81	81
Amortization of net actuarial (gain) loss	(84)	-	-	-	-	48	(36)	(2,476)
Net cost for the year	\$ 460	\$ 307	\$ 2,815	\$ 95	\$ 1,165	\$ 1,458	\$ 6,300	\$ 3,483

Assumptions

Expected long-term rate of return on assets	6.5%	6.0%	N/A	N/A	7.0%	7.0%
Discount rate on accrued benefit obligation (March 31, 2006)	6.5%	6.5%	5.75%	5.75%	5.25%	6.25%
Discount rate on accrued benefit obligation (March 31, 2005)	6.5%	6.0%	6.0%	6.0%	6.25%	7.0%
Discount rate on benefit costs	6.5%	6.0%	6.0%	6.0%	6.25%	7.0%
Inflation	2.5%	3.0%	N/A	N/A	2.0%	2.5%
Rate of compensation increase	2.5% <sup>1</sup>	3.0%	see below <sup>2</sup>	N/A	4.0%	4.0%
Health care cost trend rate	N/A	N/A	see below <sup>3</sup>	N/A	N/A	N/A

Amortization period (expected average remaining service life)	8 years	8 years	10 years	8 years	10 years	10 years
---	---------	---------	----------	---------	----------	----------

<sup>1</sup> Annual rates of increase in indemnities and expense allowances. No salary increases are assumed.

<sup>2</sup> 3.0% on January 1, 2006 and 2.5% per annum thereafter.

<sup>3</sup> 13.8% per annum, grading down annually by 2.2% per annum to 5.0% per annum and remaining at that level thereafter.