

**SECTION I**  
**GOVERNMENT OF YUKON**  
**FINANCIAL STATEMENTS**  
**(unaudited)**

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GOVERNMENT OF YUKON

Statement of Financial Position  
as at March 31, 2007

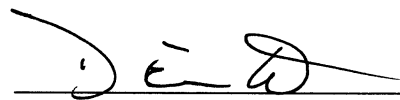
|   | 2007                     | 2006                     |
|---|--------------------------|--------------------------|
|   | (thousands of dollars)   |                          |
| <b>Financial assets</b>                           |                          |                          |
| Cash and cash equivalents (Note 3)                | \$ 190,393               | \$ 130,784               |
| Temporary investments                             | -                        | 4,971                    |
| Due from Canada (Note 4)                          | 47,457                   | 55,869                   |
| Accounts receivable (Note 5)                      | 15,353                   | 9,455                    |
| Advances to Territorial corporations (Note 6)     | 27,721                   | 30,436                   |
| Loans receivable (Note 7)                         | 18,375                   | 23,643                   |
| Land held for sale (Note 8)                       | 12,123                   | 12,046                   |
|   | <u>311,422</u>           | <u>267,204</u>           |
| <b>Liabilities</b>                                |                          |                          |
| Due to Canada (Note 4)                            | 11,835                   | 12,436                   |
| Accounts payable and accrued liabilities (Note 9) | 68,486                   | 59,640                   |
| Unearned revenues                                 | 2,644                    | 3,549                    |
| Post-employment benefits (Note 10)                | 49,731                   | 45,730                   |
| Retirement benefits (Note 11)                     | 37,512                   | 35,750                   |
| Long-term debt                                    | -                        | 3,726                    |
| Capital lease obligations (Note 12)               | 5,963                    | 6,831                    |
|   | <u>176,171</u>           | <u>167,662</u>           |
| <b>Net financial resources</b>                    | <u><b>135,251</b></u>    | <u><b>99,542</b></u>     |
| <b>Non-financial assets</b>                       |                          |                          |
| Tangible capital assets (Note 14)                 | 894,337                  | 838,566                  |
| Less deferred capital contributions (Note 15)     | (489,517)                | (455,627)                |
| Inventories of supplies                           | 4,038                    | 4,220                    |
| Prepaid expenses                                  | 1,750                    | 1,671                    |
|   | <u>410,608</u>           | <u>388,830</u>           |
| <b>Accumulated surplus</b>                        | <u><b>\$ 545,859</b></u> | <u><b>\$ 488,372</b></u> |

Contingencies, contractual obligations and guarantees  
(Notes 18, 20, 21, 22, and 23)

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

Approved:

  
David Hrycan, CMA  
Deputy Minister of Finance

  
Dennis Fentie  
Minister of Finance

GOVERNMENT OF YUKON  
**Statement of Operations**  
**for the year ended March 31, 2007**

|   | 2007                             |                          | 2006                     |
|---|----------------------------------|--------------------------|--------------------------|
|   | Main<br>Estimates<br>(Note 1(b)) | Actual                   | Actual                   |
|   | (thousands of dollars)           |                          |                          |
| <b>Revenues (Schedule A)</b>                      |                                  |                          |                          |
| From Canada                                       |                                  |                          |                          |
| Formula Financing grant                           | \$ 505,918                       | \$ 516,819               | \$ 494,140               |
| Other grants                                      | 52,727                           | 92,897                   | 89,993                   |
| Contributions and service agreements              | 50,014                           | 42,170                   | 39,082                   |
| Taxes and general revenues                        | 86,427                           | 98,586                   | 87,765                   |
| Funding and service agreements with other parties | 21,564                           | 20,178                   | 17,775                   |
| Amortization of deferred capital contributions    | 14,701                           | 13,794                   | 13,522                   |
|   | <u>731,351</u>                   | <u>784,444</u>           | <u>742,277</u>           |
| <b>Expenses (Note 16 and Schedule B)</b>          | 709,701                          | 727,460                  | 668,482                  |
| Recovery of prior years' expenses                 | -                                | 503                      | 1,146                    |
| <b>Surplus for the year</b>                       | <u><b>\$ 21,650</b></u>          | <b>57,487</b>            | <b>74,941</b>            |
| Accumulated surplus at beginning of year          |                                  | <u>488,372</u>           | <u>413,431</u>           |
| Accumulated surplus at end of year                |                                  | <u><b>\$ 545,859</b></u> | <u><b>\$ 488,372</b></u> |

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

GOVERNMENT OF YUKON

Statement of Change in Net Financial Resources  
for the year ended March 31, 2007

|  | 2007                     |                   | 2006             |
|--|--------------------------|-------------------|------------------|
|  | Main                     |                   |                  |
|  | Estimates<br>(Note 1(b)) | Actual            | Actual           |
|  | (thousands of dollars)   |                   |                  |
| Surplus for the year                               | \$ 21,650                | \$ 57,487         | \$ 74,941        |
| Effect of change in tangible capital assets        |                          |                   |                  |
| Acquisitions                                       | (79,045)                 | (88,952)          | (86,429)         |
| Capital contributions received and deferred        | 32,262                   | 47,684            | 41,299           |
| Amortization of tangible capital assets            | 31,952                   | 32,719            | 31,958           |
| Amortization of deferred capital contributions     | (14,701)                 | (13,794)          | (13,522)         |
| Loss (gain) on disposal of tangible capital assets | 1,076                    | 99                | (608)            |
| Proceeds on disposal of tangible capital assets    | -                        | 271               | 3,252            |
| Write-down of tangible capital assets              | -                        | 92                | 498              |
| Write-down of deferred capital contributions       | -                        | -                 | (96)             |
|  | <u>(28,456)</u>          | <u>(21,881)</u>   | <u>(23,648)</u>  |
| Effect of change in other non-financial assets     |                          |                   |                  |
| Decrease (increase) in inventories of supplies     | -                        | 182               | (80)             |
| Decrease (increase) in prepaid expenses            | -                        | (79)              | 90               |
|  | <u>-</u>                 | <u>103</u>        | <u>10</u>        |
| Increase (decrease) in net financial resources     | <u>\$ (6,806)</u>        | <u>35,709</u>     | <u>51,303</u>    |
| Net financial resources at beginning of year       |                          | <u>99,542</u>     | <u>48,239</u>    |
| Net financial resources at end of year             |                          | <u>\$ 135,251</u> | <u>\$ 99,542</u> |

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

GOVERNMENT OF YUKON

**Statement of Cash Flows  
for the year ended March 31, 2007**

|  | 2007                   | 2006              |
|--|------------------------|-------------------|
|  | (thousands of dollars) |                   |
| <b>Operating transactions</b>                            |                        |                   |
| Cash received from:                                      |                        |                   |
| Canada   | \$ 655,900             | \$ 640,605        |
| Taxes and general revenues                               | 83,282                 | 80,554            |
| Funding and service agreements with other parties        | 14,326                 | 20,795            |
| Interest from investments and loans                      | 8,487                  | 4,486             |
|  | <u>761,995</u>         | <u>746,440</u>    |
| Cash paid for:   |                        |                   |
| Salary, wages and benefits                               | 279,546                | 267,846           |
| Transfer payments  | 171,749                | 140,522           |
| Other expenses   | 219,360                | 211,618           |
| Interest on loans and capital leases                     | 1,143                  | 1,336             |
|  | <u>671,798</u>         | <u>621,322</u>    |
| Cash provided by operating transactions                  | <u>90,197</u>          | <u>125,118</u>    |
| <b>Capital transactions</b>                              |                        |                   |
| Acquisition of tangible capital assets                   | (93,879)               | (81,513)          |
| Contributions received for acquisition                   | 55,434                 | 38,003            |
| Proceeds on sale of tangible capital assets              | 271                    | 595               |
| Cash used for capital transactions                       | <u>(38,174)</u>        | <u>(42,915)</u>   |
| <b>Investing transactions</b>                            |                        |                   |
| Decrease (increase) in temporary investments             | 4,971                  | (4,971)           |
| Investment in land held for sale                         | (6,190)                | (6,977)           |
| Proceeds from sale of land held for sale                 | 8,436                  | 9,166             |
| Repayment of advances from Territorial corporations      | 900                    | -                 |
| Loans advanced   | (1,436)                | (1,078)           |
| Loans repaid   | 2,345                  | 1,227             |
| Cash provided by (used for) investing transactions       | <u>9,026</u>           | <u>(2,633)</u>    |
| <b>Financing transactions</b>                            |                        |                   |
| Repayment of long-term debt                              | (572)                  | -                 |
| Repayment of capital lease obligations                   | (868)                  | (906)             |
| Cash used for financing transactions                     | <u>(1,440)</u>         | <u>(906)</u>      |
| <b>Increase in cash and cash equivalents</b>             | <b>59,609</b>          | <b>78,664</b>     |
| Cash and cash equivalents at beginning of year           | <u>130,784</u>         | <u>52,120</u>     |
| <b>Cash and cash equivalents at end of year (Note 3)</b> | <b>\$ 190,393</b>      | <b>\$ 130,784</b> |

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

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

1. **Authority and operations**

(a) Authority

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

(b) Main Estimates

The Main Estimates comparative figures are from the Main Estimates approved in the Legislative Assembly in 2006. These figures do not reflect changes arising from the Supplementary Estimates approved later in the year by the Legislative Assembly.

(c) Investments

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

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

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

2. **Significant accounting policies**

(a) Financial statements

These financial statements are prepared on a non-consolidated basis for the purpose of determining the financial resources realistically available to the Government to meet its program responsibilities.

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

(b) Basis of accounting

Revenues

Revenues are recorded on an accrual basis.

## GOVERNMENT OF YUKON

### Notes to Financial Statements March 31, 2007

Grants from the Government of Canada are recognized as revenues when entitlement for the transfer occurs. The Government receives a Formula Financing grant from the Government of Canada. Pursuant to Bill C-13, the *Budget Implementation Act, 2006*, the exact amount of the grant for 2006/2007 is specified in the legislation. For future years 2007/2008 to 2013/2014, the Government of Canada has, under Bill C-52, the *Budget Implementation Act, 2007*, restored the Formula Financing grant to a principle based arrangement. Health and social transfers are received in accordance with the *Federal-Provincial Fiscal Arrangements Act (Canada)*. Adjustments for health and social transfers are made in the year they are known.

The Government receives funds from the Government of Canada and other sources under various 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 the Government of Canada on behalf of the Government under a tax collection agreement and are remitted to the Government monthly. The remittances are based on the Government of Canada's Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are final. The Government recognizes income tax revenues based on the estimates made by the Government of Canada, adjusted for known factors. Any adjustments upon finalization are reflected in the accounts in the year they are identified.

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

#### Expenses

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

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

#### Assets

##### Financial assets

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

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.



GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

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

**Non-financial assets**

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

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

**Liabilities**

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

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

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

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

**(c) Tangible capital assets**

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

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

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

The value of works of art, historical treasures, all intangibles and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recorded as tangible capital assets. The existence of historical treasures and the total estimated value of works of art are disclosed in Note 14 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 - 50 years         |
| Pavement                             | \$250,000 | 26 years              |
| Bridges                              | \$250,000 | 30 - 50 years         |
| Airport runways                      | \$50,000  | 26 - 50 years         |

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

**(d) Post-employment benefits**

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

**(e) Retirement benefits**

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

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

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

(f) Environmental liabilities

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

(g) Measurement uncertainty

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

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.

3. **Cash and cash equivalents**

|   | 2007                   | 2006              |
|---|------------------------|-------------------|
|   | (thousands of dollars) |                   |
| Short-term investments                    | \$ 100,732             | \$ 71,270         |
| Funds held for the Government by trustees | 73,519                 | 44,654            |
| Bank balances                             | 16,076                 | 14,795            |
| Cash on hand                              | 66                     | 65                |
|   | <u>\$ 190,393</u>      | <u>\$ 130,784</u> |

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2007

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

|   | <u>2007</u>            | <u>2006</u>      |
|---|------------------------|------------------|
|   | (thousands of dollars) |                  |
| Due from Government of Canada   |                        |                  |
| Cost-sharing agreements and projects<br>delivered on behalf of the Government of Canada | \$ 44,648              | \$ 49,507        |
| Income tax receivable   | 2,782                  | -                |
| Grant receivable  | -                      | 6,333            |
| Other   | <u>27</u>              | <u>29</u>        |
|   | <u>\$ 47,457</u>       | <u>\$ 55,869</u> |
| Due to Government of Canada   |                        |                  |
| Public Service Pension Plan contribution payable  | \$ 3,799               | \$ 4,074         |
| RCMP  | 3,446                  | 3,367            |
| Payroll deductions payable  | 3,323                  | 3,305            |
| Other   | <u>1,267</u>           | <u>1,690</u>     |
|   | <u>\$ 11,835</u>       | <u>\$ 12,436</u> |

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

5. **Accounts receivable**

|   | <u>2007</u>            | <u>2006</u>     |
|---|------------------------|-----------------|
|   | (thousands of dollars) |                 |
| Taxes, interest and other revenue receivables | \$ 12,396              | \$ 7,331        |
| Less valuation allowances                     | <u>(921)</u>           | <u>(1,144)</u>  |
|   | 11,475                 | 6,187           |
| Due from Territorial corporations             | <u>3,878</u>           | <u>3,268</u>    |
|   | <u>\$ 15,353</u>       | <u>\$ 9,455</u> |

6. **Advances to Territorial corporations**

|                           | <u>2007</u>            | <u>2006</u>      |
|---------------------------|------------------------|------------------|
|                           | (thousands of dollars) |                  |
| Yukon Housing Corporation |                        |                  |
| Working capital advances  | <u>\$ 27,721</u>       | <u>\$ 30,436</u> |

The advances are interest free and have various repayment terms.

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

7. **Loans receivable**

|  | <u>2007</u>            | <u>2006</u>      |
|--|------------------------|------------------|
|  | (thousands of dollars) |                  |
| Due from Yukon Housing Corporation for lands agreements, due in periodic instalments to the year 2012, bearing interest at 0.0%                              | \$ 6,054               | \$ 7,375         |
| Debenture loans to municipalities, due in varying annual amounts to the year 2030, bearing interest rates ranging from 4.0% to 11.4%                         | 4,729                  | 8,114            |
| Local improvement loans, due in varying annual amounts to the year 2035, bearing interest rates ranging from 2.3% to 8.9%                                    | 3,321                  | 3,105            |
| Business development assistance loans, due in varying annual amounts with varying terms, bearing interest rates ranging from 0.0% to 12.0%                   | 2,363                  | 3,332            |
| Domestic well loans, due in varying annual amounts to the year 2022, bearing interest rates ranging from 2.3% to 4.5%  | 1,066                  | 738              |
| Loan to Yukon Housing Corporation, due in periodic instalments to the year 2014, bearing interest at 0.0%  | 1,039                  | 1,345            |
| Agreements for sale of land, due in varying annual amounts over a three or five year term to the year 2012, bearing interest rates ranging from 4.8% to 8.5% | 1,013                  | 971              |
| Loan to Yukon Housing Corporation, due in periodic instalments to the year 2021, bearing interest at 0.0%  | 219                    | 234              |
| Energy infrastructure development loan due in periodic instalments bearing interest at 6.4%  | 205                    | 205              |
| Energy conservation loans due in varying annual amounts with varying rates of interest   | 156                    | 157              |
| Loan to Yukon Government Fund Limited, with no repayment terms, bearing interest at 0.0%   | 116                    | 116              |
| Less valuation allowances  | <u>(1,906)</u>         | <u>(2,049)</u>   |
|  | <u>\$ 18,375</u>       | <u>\$ 23,643</u> |

GOVERNMENT OF YUKON

Notes to Financial Statements  
March 31, 2007

8. **Land held for sale**

|                        | <u>2007</u>            | <u>2006</u>      |
|------------------------|------------------------|------------------|
|                        | (thousands of dollars) |                  |
| Raw land               | \$ 45                  | \$ 45            |
| Land under development | 5,751                  | 7,684            |
| Developed land         | <u>6,327</u>           | <u>4,317</u>     |
|                        | <u>\$ 12,123</u>       | <u>\$ 12,046</u> |

9. **Accounts payable and accrued liabilities**

|  | <u>2007</u>            | <u>2006</u>      |
|--|------------------------|------------------|
|  | (thousands of dollars) |                  |
| Accrued liabilities                          | \$ 30,467              | \$ 25,310        |
| Accounts payable                             | 29,280                 | 28,164           |
| Contractors' holdbacks and security deposits | 5,486                  | 3,575            |
| Due to Territorial corporations              | <u>3,253</u>           | <u>2,591</u>     |
|  | <u>\$ 68,486</u>       | <u>\$ 59,640</u> |

10. **Post-employment benefits**

|                                 | <u>2007</u>            | <u>2006</u>      |
|---------------------------------|------------------------|------------------|
|                                 | (thousands of dollars) |                  |
| Severance benefits              | \$ 39,567              | \$ 38,219        |
| Sick leave obligation           | 14,929                 | 14,420           |
| Vacation leave obligation       | <u>11,917</u>          | <u>11,511</u>    |
| Accrued benefit obligation      | 66,413                 | 64,150           |
| Unrecognized net actuarial loss | <u>(16,682)</u>        | <u>(18,420)</u>  |
| Accrued benefit liability       | <u>\$ 49,731</u>       | <u>\$ 45,730</u> |

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

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

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

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

Expenses related to post-employment benefits for the year ended March 31, 2007 were \$9,055,000 (2006 - \$5,392,000). Benefits paid by the Government from the post-employment benefits liability during the year amounted to \$5,054,000 (2006 - \$4,044,000). Post-employment benefits are not funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation.

11. **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. The Government contributes \$2.14 for every dollar contributed by the employee. If an employee's annual salary is greater than \$126,500 (2006 - \$120,300), the portion of the employee's salary above this amount is subject to an employer contribution of \$7.00 (2006 - \$7.20) for every dollar contributed by the employee. The Government's contributions to the Public Service Pension Plan during the year and recorded as expenses were \$24,049,000 (2006 - \$23,707,000).

(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.

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, 2007 is calculated using best estimate assumptions accepted by the Members' Services Board of the Legislative Assembly.

GOVERNMENT OF YUKON

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(c) Territorial Court Judiciary Pension Plan

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

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

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

An actuarial valuation for the Plan was performed for accounting purposes using the membership data as at March 31, 2006. 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) 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, 2007, the Government paid approximately 65% of the extended health care benefit costs and 100% of the life insurance premium for participating retirees (Note 25(b)). An actuarial valuation of these benefits was conducted as of March 31, 2006. There are no plan assets.



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The accrued benefit liability for the above retirement benefits as of March 31, 2007 was as follows:

|   | <u>2007</u>            | <u>2006</u>      |
|---|------------------------|------------------|
|   | (thousands of dollars) |                  |
| Accrued benefit liability (asset) (Schedule D)  |                        |                  |
| Extended health care retirement benefit         | \$ 34,607              | \$ 31,949        |
| Territorial Court Judiciary Pension Plan        | 3,126                  | 2,867            |
| Life insurance retirement benefit               | 1,166                  | 1,114            |
| Legislative Assembly Retirement Allowances Plan | <u>(1,387)</u>         | <u>(180)</u>     |
|   | <u>\$ 37,512</u>       | <u>\$ 35,750</u> |

12. **Capital lease obligations**

|  | <u>2007</u>            | <u>2006</u>     |
|--|------------------------|-----------------|
|  | (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. | \$ 2,694               | \$ 3,154        |
| Building lease obligation payable monthly until the year 2013, with imputed interest rate of 13.5%.  | 2,608                  | 2,884           |
| Building lease obligation payable monthly until the year 2010, with imputed interest rate of 13.3%.  | <u>661</u>             | <u>793</u>      |
|  | <u>\$ 5,963</u>        | <u>\$ 6,831</u> |

Interest expense related to capital lease obligations for the year was \$783,000 (2006 - \$976,000) at an imputed average interest rate of 12.6% (2006 - 10.9%). The following is a schedule of future minimum lease payments under the capital lease obligations.

|   | (thousands of dollars) |
|---|------------------------|
| 2008                                      | \$ 2,164               |
| 2009                                      | 2,164                  |
| 2010                                      | 2,164                  |
| 2011                                      | 2,042                  |
| 2012                                      | 1,273                  |
| Thereafter                                | <u>755</u>             |
| Total minimum lease payments              | 10,562                 |
| Less: amount representing executory costs | (2,069)                |
| amount representing rental of land        | (538)                  |
| amount representing interest              | <u>(1,992)</u>         |
|   | <u>\$ 5,963</u>        |

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

13. **Financial instruments**

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

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

|                           | 2007                   |            | 2006            |            |
|---------------------------|------------------------|------------|-----------------|------------|
|                           | Carrying Amount        | Fair Value | Carrying Amount | Fair Value |
|                           | (thousands of dollars) |            |                 |            |
| Loans receivable          | \$ 18,375              | \$ 18,375  | \$ 23,643       | \$ 23,643  |
| Capital lease obligations | 5,963                  | 6,796      | 6,831           | 8,147      |

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

14. **Tangible capital assets**

|                                | 2007                   | 2006              |
|--------------------------------|------------------------|-------------------|
|                                | Net Book Value         | Net Book Value    |
|                                | (thousands of dollars) |                   |
| Land                           | \$ 6,066               | \$ 5,387          |
| Buildings                      | 289,084                | 272,604           |
| Equipment and vehicles         | 30,061                 | 30,751            |
| Computer hardware and software | 8,322                  | 7,229             |
| Transportation infrastructure  | 548,809                | 513,625           |
| Other                          | 11,995                 | 8,970             |
| (Schedule C)                   | <u>\$ 894,337</u>      | <u>\$ 838,566</u> |

The Government owns and/or maintains various historical sites. The Government also holds works of art with a total estimated value of \$3.5 million (2006 - \$3.4 million).

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Leased capital assets are reported as part of the respective asset category. These leased assets are amortized on a straight-line basis over the lease term or estimated economic life. The amortization expense for the year was \$635,000 (2006 - \$960,000). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

|                               | <u>2007</u>            | <u>2006</u>     |
|-------------------------------|------------------------|-----------------|
|                               | (thousands of dollars) |                 |
| Buildings (cost)              | \$ 8,820               | \$ 8,820        |
| Less accumulated amortization | <u>(2,539)</u>         | <u>(1,904)</u>  |
|                               | <u>\$ 6,281</u>        | <u>\$ 6,916</u> |

**15. Deferred capital contributions**

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

|  | <u>2007</u>            | <u>2006</u>       |
|--|------------------------|-------------------|
|  | (thousands of dollars) |                   |
| Deferred capital contributions, beginning of year        | \$ 455,627             | \$ 428,529        |
| Add: Assets transferred or funded during the year        | 47,684                 | 41,299            |
| Less: Disposal and write-down                            | -                      | (583)             |
| Write-down   | -                      | (96)              |
| Amortization   | <u>(13,794)</u>        | <u>(13,522)</u>   |
| Deferred capital contributions, end of year (Schedule C) | <u>\$ 489,517</u>      | <u>\$ 455,627</u> |

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Notes to Financial Statements  
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16. **Expenses by object**

|                                   | <u>2007</u>            | <u>2006</u>       |
|-----------------------------------|------------------------|-------------------|
|                                   | (thousands of dollars) |                   |
| Personnel                         | \$ 286,076             | \$ 270,514        |
| Transfer payments                 | 178,948                | 146,043           |
| Contract and special services     | 98,794                 | 96,026            |
| Materials, supplies and utilities | 71,843                 | 70,389            |
| Amortization expenses             | 32,719                 | 31,958            |
| Communication and transportation  | 24,143                 | 22,276            |
| Other                             | 34,937                 | 31,276            |
|                                   | <u>\$ 727,460</u>      | <u>\$ 668,482</u> |

17. **Trust assets**

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

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

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

|  | <u>2007</u>            | <u>2006</u>       |
|--|------------------------|-------------------|
|  | (thousands of dollars) |                   |
| Compensation Fund (Yukon)                | \$ 148,776             | \$ 140,214        |
| Federal Gas Tax Funds under the New Deal | 7,725                  | 4,509             |
| Forest Sector Fund                       | 4,321                  | 3,168             |
| Lottery Commission                       | 2,902                  | 2,814             |
| Land Title Office – Assurance Fund       | 2,872                  | 2,654             |
| Crime Prevention and Victim Services     | 2,707                  | 2,453             |
| Water Resources Bonds                    | 2,583                  | 2,582             |
| Historic Resources Trust Fund            | 1,189                  | 1,177             |
| Public Guardian Trust                    | 552                    | 736               |
| Other                                    | 2,210                  | 2,481             |
|  | <u>\$ 175,837</u>      | <u>\$ 162,788</u> |

GOVERNMENT OF YUKON

Notes to Financial Statements  
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18. **Contractual obligations**

The Government has entered into agreements for, or is contractually obligated for, the following payments subsequent to March 31, 2007.

|                                       | Expiry<br>Date | 2008                   | 2009 –<br>2019   | Total             |
|---------------------------------------|----------------|------------------------|------------------|-------------------|
|                                       |                | (thousands of dollars) |                  |                   |
| Capital projects                      |                |                        |                  |                   |
| - in progress at March 31, 2007       | 2019           | \$ 21,505              | \$ 11,191        | \$ 32,696         |
| (recoverable amount)                  |                | (15,400)               | (4,148)          | (19,548)          |
| RCMP policing agreement               | 2012           | 13,172                 | 56,760           | 69,932            |
| Northern housing trust grants         | 2008           | 25,734                 | -                | 25,734            |
| Building/office space leases          | 2016           | 7,150                  | 14,295           | 21,445            |
| Yukon Hospital Corporation            | 2015           | 1,406                  | 13,862           | 15,268            |
| Miscellaneous operational commitments | 2009           | 7,565                  | 4,183            | 11,748            |
|                                       |                | <u>\$ 61,132</u>       | <u>\$ 96,143</u> | <u>\$ 157,275</u> |

19. **Overexpenditure**

During the year, one (2006 - two) department exceeded their vote by a total of \$82,000 (2006 - \$1,714,000). Overexpenditure of a vote contravenes subsection 17(2) of the *Financial Administration Act* (Yukon) which specifies that "a vote does not authorize any payment to be made in excess of the amount specified in the vote".

(thousands of dollars)

The votes that were overexpended are as follows:

|                            |       |
|----------------------------|-------|
| Operations and maintenance |       |
| Community Services         | \$ 82 |

The *Appropriation Acts* (Yukon) state that the Government is not to expend grant payments except in accordance with the Act. During the year, one (2006 – four) department exceeded the authorized amounts as follows:

|                                      |     |
|--------------------------------------|-----|
| Operations and maintenance grants    |     |
| Health and Social Services           |     |
| - Adoption subsidies                 | 8   |
| - Federal child benefit - Whitehorse | 3   |
| - Yukon seniors' income supplement   | 4   |
| - Pioneer utility grant              | 18  |
| - Medical travel subsidies           | 621 |
| - Bursaries – health professional    | 80  |

GOVERNMENT OF YUKON

**Notes to Financial Statements  
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20. **Guarantees**

The Government has guaranteed repayment of loans payable by the Yukon Housing Corporation of \$20.4 million (2006 - \$21.7 million), debts of the Yukon Development Corporation of \$20.6 million (2006 - \$22.4 million) and business loans totalling \$176,000 (2006 - \$348,000). The Government is also liable for the debt of the Yukon Government Fund Limited in the amount of \$0.5 million (2006 - \$7.8 million). In addition, the Government has guaranteed an operating demand overdraft facility to the Yukon Housing Corporation of up to \$11.0 million and to the Yukon Energy Corporation of up to \$10.0 million. It is expected that no significant costs will be incurred by the Government with respect to these guarantees.

21. **Land claims**

Between February 1995 and March 31, 2007, eleven Yukon First Nation Final and Self-government Agreements came into effect. The Government of Canada's negotiating mandate expired prior to the completion of the remaining three Yukon agreements. Settlements for these outstanding claims would not result in a general liability to the Government as they are to be funded by the Government of Canada. The Government would, however, be responsible for any financial obligations it might agree to during the negotiations.

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

The Government expended \$4.4 million during the year (2006 - \$7.4 million) with cumulative expenditures of approximately \$45.0 million (2006 - \$40.6 million), of which \$42.1 million (2006 - \$39.5 million) was funded by Canada.

22. **Contingencies**

In the normal course of operations, the Government is subject to legal claims. At March 31, 2007 the Government estimated the total claimed amount to be about \$2.2 million (2006 - \$2.4 million). No provision for claims has been made in these financial statements as it is not likely that any future event will confirm that a liability has been incurred at the date of the financial statements.

The Government established a Risk Management Revolving Fund in December 2004, with a limit of \$5 million, which is to be used for providing insurance and risk management services to Government departments. Any expenses relating to property and liability losses incurred by the Government are to be paid out of this fund. The Government carries no insurance policy for its property losses, but carries a legal liability insurance policy with a \$2 million deductible. The Government had unpaid claims against the fund in the amount of \$562,000 as at March 31, 2007 (2006 - \$438,000). This amount is reported as part of the Government's accrued liabilities. The fund balance as at March 31, 2007 was \$3.1 million (2006 - \$2.1 million). (See also Schedule 6 of the Supplementary Financial Information.)

GOVERNMENT OF YUKON

**Notes to Financial Statements  
March 31, 2007**

23. **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, 2007, the Government was aware of 55 sites where the Government is obligated or is likely obligated to incur such costs. Of the 55 sites, nine are airports and 19 are highway maintenance camps, the majority of which are awaiting assessment. 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 \$687,000, which has been recorded as a liability and reported as part of accrued liabilities. The Government is committed to assess all sites in a systematic manner.

The *Environment Act (Yukon) – Solid Waste Regulations* include requirements for closure and abandonment of a dump. Twenty-three of the 55 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, 2007, a liability in the amount of \$535,000 has been recorded for these sites using the method recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

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.

Based on a consultant's report prepared in October 2006, the Government estimates the contingent environmental liabilities for all the sites mentioned above could total \$8 million.

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

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**Notes to Financial Statements  
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24. **Related parties**

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

|                               | <u>2007</u>            | <u>2006</u>      |
|-------------------------------|------------------------|------------------|
|                               | (thousands of dollars) |                  |
| Revenues from:                |                        |                  |
| Yukon Housing Corporation     | \$ 2,685               | \$ 4,526         |
| Yukon Liquor Corporation      | 1,187                  | 1,223            |
| Compensation Fund (Yukon)     | 1,063                  | 989              |
| Yukon Lotteries Commission    | 645                    | 637              |
| Yukon Development Corporation | 572                    | 214              |
| Yukon College                 | 171                    | 109              |
| Yukon Hospital Corporation    | 30                     | 19               |
|                               | <u>\$ 6,353</u>        | <u>\$ 7,717</u>  |
| Expenses to:                  |                        |                  |
| Yukon Hospital Corporation    | \$ 36,258              | \$ 30,170        |
| Yukon College                 | 18,599                 | 17,702           |
| Yukon Development Corporation | 8,236                  | 7,399            |
| Compensation Fund (Yukon)     | 6,834                  | 4,980            |
| Yukon Housing Corporation     | 4,186                  | 3,742            |
| Yukon Legal Services Society  | 1,510                  | 1,511            |
| Yukon Arts Centre Corporation | 961                    | 1,043            |
| Yukon Human Rights Commission | 451                    | 451              |
| Yukon Liquor Corporation      | 15                     | -                |
|                               | <u>\$ 77,050</u>       | <u>\$ 66,998</u> |

25. **Subsequent events**

(a) Carmacks-Stewart transmission project

In April 2007, the Government made a commitment to the Yukon Energy Corporation to fund up to \$10 million for Stage One of the Carmacks-Stewart transmission project, which involves the construction of a power line from Carmacks to Pelly Crossing. The Government's funds are to be applied to those Stage One capital costs not already committed for funding by Minto Explorations Ltd. and the Yukon Development Corporation, the Yukon Energy Corporation's parent company. The Yukon Energy Corporation estimates that the power line will be constructed and operational by the latter part of the 2008 calendar year.



GOVERNMENT OF YUKON

**Notes to Financial Statements  
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(b) Plan amendment – retiree extended health care costs

Effective May 2007, the Government changed the level of its contributions for the retiree extended health care costs. Until April 2007, the Government contributed approximately 65% of the benefit costs (Note 13(f)). Under the new contribution structure, the Government contributes a percentage of the cost depending on the years of service provided by the retiree as indicated in the table below. This change resulted in a reduction in the accrued benefit obligation as at April 1, 2007 by \$9,619,000. The Government intends to recognize the reduction in the accrued benefit obligation as a negative past service cost in the fiscal year 2007/2008.

|                                  |     |
|----------------------------------|-----|
| Less than 5 years                | 0%  |
| 5 years, but less than 10 years  | 15% |
| 10 years, but less than 15 years | 35% |
| 15 years, but less than 20 years | 50% |
| 20 or more years                 | 65% |

(c) Investments in Asset Backed Commercial Paper

In August 2007, the Government learned that its \$36.5 million worth of investments in the Asset Backed Commercial Paper (ABCP) from two trusts, purchased in July and August of 2007 and maturing on August 31 and September 4, 2007, would not be redeemed upon maturity. Due to extreme volatility in the global credit markets, the ABCP market experienced a sudden, rapid exodus of investors, and certain banks and other lenders responsible for providing bank liquidity facilities were refusing to provide funds during this market disruption.

On August 16, 2007, a consortium representing banks, asset providers and investors agreed in principle to a long-term proposal and an interim agreement regarding the ABCP. The restructuring proposal calls for the conversion of the ABCP into long-term floating rate notes that will pay interest monthly or quarterly and can be sold on the open market or be held to maturity. In the interim, holders of the ABCP will continue to re-invest maturing investments.

It is still too early to determine the final outcome of the situation and the resulting financial impact to the Government, if any. The Government is actively monitoring the situation. The Government does not currently expect the ABCP market situation to have an impact on its future cash flow needs.

26. **Comparative figures**

Certain comparative figures for 2006 have been reclassified to conform with the 2007 presentation.

## GOVERNMENT OF YUKON

Schedule A

**Schedule of Revenues  
for the year ended March 31, 2007**

|   | 2007                             |                   | 2006              |
|---|----------------------------------|-------------------|-------------------|
|   | Main<br>Estimates<br>(Note 1(b)) | Actual            | Actual            |
|   | (thousands of dollars)           |                   |                   |
| From Canada                                       |                                  |                   |                   |
| Formula Financing grant                           | \$ 505,918                       | \$ 516,819        | \$ 494,140        |
| Other grants                                      | 52,727                           | 92,897            | 89,993            |
| Contributions and service agreements              | 50,014                           | 42,170            | 39,082            |
|   | <u>608,659</u>                   | <u>651,886</u>    | <u>623,215</u>    |
| Taxes and general revenues                        |                                  |                   |                   |
| Income taxes                                      | 44,080                           | 48,415            | 43,200            |
| Other taxes                                       | 19,426                           | 20,797            | 19,700            |
| Licences, permits and fees                        | 7,362                            | 9,556             | 8,717             |
| Interest - bank and other                         | 2,191                            | 8,015             | 4,200             |
| Yukon Liquor Corporation - net income             | 5,886                            | 6,243             | 5,208             |
| Gain on sale of lots                              | 126                              | 1,788             | 847               |
| Oil and gas resource revenue                      | 6,016                            | 1,777             | 4,146             |
| Aviation operations                               | 661                              | 772               | 707               |
| Fines   | 408                              | 406               | 386               |
| Other revenues                                    | 271                              | 817               | 654               |
|   | <u>86,427</u>                    | <u>98,586</u>     | <u>87,765</u>     |
| Funding and service agreements with other parties | 21,564                           | 20,178            | 17,775            |
| Amortization of deferred capital contributions    | 14,701                           | 13,794            | 13,522            |
|   | <u>\$ 731,351</u>                | <u>\$ 784,444</u> | <u>\$ 742,277</u> |

GOVERNMENT OF YUKON

Schedule B

**Schedule of Expenses  
for the year ended March 31, 2007**

|  | 2007                             | Actual 2007       |                      |                   |                          | 2006               |                   |
|--|----------------------------------|-------------------|----------------------|-------------------|--------------------------|--------------------|-------------------|
|  | Main<br>Estimates<br>(Note 1(b)) | Personnel         | Transfer<br>Payments | Other             | Amortization<br>Expenses | Total<br>(Note 16) | Actual            |
|  | (thousands of dollars)           |                   |                      |                   |                          |                    |                   |
| Health and Social Services                       | \$ 182,021                       | \$ 62,636         | \$ 69,842            | \$ 67,135         | \$ 2,716                 | \$ 202,329         | \$ 183,087        |
| Education  | 123,243                          | 66,833            | 27,518               | 26,688            | 5,144                    | 126,183            | 119,915           |
| Highways and Public Works                        | 120,585                          | 33,295            | 315                  | 62,795            | 19,259                   | 115,664            | 114,313           |
| Community Services                               | 73,542                           | 18,105            | 39,594               | 18,292            | 855                      | 76,846             | 60,771            |
| Justice  | 40,756                           | 17,431            | 3,767                | 19,027            | 738                      | 40,963             | 40,191            |
| Energy, Mines and Resources                      | 43,358                           | 18,733            | 3,860                | 13,493            | 100                      | 36,186             | 38,275            |
| Public Service Commission                        | 25,995                           | 27,299            | 50                   | 2,669             | 10                       | 30,028             | 23,927            |
| Executive Council Office                         | 21,016                           | 10,409            | 11,261               | 2,015             | 11                       | 23,696             | 20,113            |
| Environment                                      | 22,552                           | 13,553            | 1,500                | 7,191             | 155                      | 22,399             | 21,721            |
| Tourism and Culture                              | 21,820                           | 6,819             | 7,465                | 6,672             | 612                      | 21,568             | 19,705            |
| Economic Development                             | 17,155                           | 4,010             | 8,438                | 3,853             | 2                        | 16,303             | 13,600            |
| Finance  | 5,596                            | 4,183             | 741                  | 382               | 4                        | 5,310              | 5,860             |
| Yukon Housing Corporation (Transfer Payment)     | 4,847                            | -                 | 3,815                | -                 | -                        | 3,815              | 3,371             |
| Yukon Legislative Assembly                       | 4,196                            | 1,781             | -                    | 971               | 7                        | 2,759              | 3,658             |
| Women's Directorate                              | 1,004                            | 512               | 332                  | 175               | -                        | 1,019              | 892               |
| Elections Office                                 | 749                              | 108               | -                    | 554               | -                        | 662                | 257               |
| Yukon Development Corporation (Transfer Payment) | 450                              | -                 | 450                  | -                 | -                        | 450                | -                 |
| Office of the Ombudsman                          | 459                              | 369               | -                    | 71                | -                        | 440                | 417               |
| Interest on Loans                                | 357                              | -                 | -                    | 357               | -                        | 357                | 360               |
| Restricted Funds                                 | -                                | -                 | -                    | (2,623)           | 3,106                    | 483                | (1,951)           |
|  | <b>\$ 709,701</b>                | <b>\$ 286,076</b> | <b>\$ 178,948</b>    | <b>\$ 229,717</b> | <b>\$ 32,719</b>         | <b>\$ 727,460</b>  | <b>\$ 668,482</b> |

GOVERNMENT OF YUKON

Schedule C

**Schedule of Tangible Capital Assets  
for the year ended March 31, 2007**

|   | Land            | Buildings         | Equipment<br>and<br>Vehicles | Computer<br>Hardware and<br>Software | Transportation<br>Infrastructure | Other <sup>1</sup> | 2007<br>Total     | 2006<br>Total     |
|---|-----------------|-------------------|------------------------------|--------------------------------------|----------------------------------|--------------------|-------------------|-------------------|
| (thousands of dollars)                                |                 |                   |                              |                                      |                                  |                    |                   |                   |
| Cost of tangible capital assets, opening <sup>2</sup> | \$ 5,387        | \$ 434,951        | \$ 74,404                    | \$ 23,653                            | \$ 663,641                       | \$ 12,019          | \$ 1,214,055      | \$ 1,135,824      |
| Acquisitions <sup>2</sup>                             | 679             | 27,881            | 4,142                        | 2,992                                | 49,827                           | 3,431              | 88,952            | 86,429            |
| Write-downs   | -               | (29)              | (14)                         | -                                    | (49)                             | -                  | (92)              | (498)             |
| Disposals   | -               | -                 | (1,979)                      | (195)                                | -                                | -                  | (2,174)           | (7,700)           |
| Cost of tangible capital assets, closing              | <u>6,066</u>    | <u>462,803</u>    | <u>76,553</u>                | <u>26,450</u>                        | <u>713,419</u>                   | <u>15,450</u>      | <u>1,300,741</u>  | <u>1,214,055</u>  |
| Accumulated amortization, opening                     | -               | 162,347           | 43,653                       | 16,424                               | 150,016                          | 3,049              | 375,489           | 348,004           |
| Amortization expense                                  | -               | 11,372            | 4,477                        | 1,870                                | 14,594                           | 406                | 32,719            | 31,958            |
| Disposals   | -               | -                 | (1,638)                      | (166)                                | -                                | -                  | (1,804)           | (4,473)           |
| Accumulated amortization, closing                     | <u>-</u>        | <u>173,719</u>    | <u>46,492</u>                | <u>18,128</u>                        | <u>164,610</u>                   | <u>3,455</u>       | <u>406,404</u>    | <u>375,489</u>    |
| Net book value (Note 14)                              | <u>\$ 6,066</u> | <u>\$ 289,084</u> | <u>\$ 30,061</u>             | <u>\$ 8,322</u>                      | <u>\$ 548,809</u>                | <u>\$ 11,995</u>   | <u>\$ 894,337</u> | <u>\$ 838,566</u> |
| Work-in-progress                                      |                 | \$ 14,211         | \$ -                         | \$ 2,442                             | \$ 59,837                        | \$ 2,509           | \$ 78,999         | \$ 80,347         |
| Deferred capital contributions (Note 15)              |                 | \$ 65,232         | \$ 958                       | \$ 1,996                             | \$ 416,742                       | \$ 4,589           | \$ 489,517        | \$ 455,627        |

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

<sup>2</sup> Includes work-in-progress.

GOVERNMENT OF YUKON

Schedule D

**Schedule of Retirement Benefits  
for the year ended March 31, 2007**

|   |  |   |  |  | 2007      | 2006      |
|---|--|---|--|--|-----------|-----------|
|   | Legislative<br>Assembly<br>Retirement<br>Allowances Plan | Territorial<br>Court<br>Judiciary<br>Pension Plan | Extended<br>Health Care<br>Retirement<br>Benefit | Life<br>Insurance<br>Retirement<br>Benefit | Total     | Total     |
| (thousands of dollars)  |  |   |  |  |           |           |
| Pension and retirement plan assets are valued at fair market value. |  |   |  |  |           |           |
| <b>Accrued benefit obligation</b>                                   |  |   |  |  |           |           |
| Obligation at beginning of year                                     | \$ 16,733  | \$ 4,525  | \$ 29,539  | \$ 1,074                                   | \$ 51,871 | \$ 52,277 |
| Current service costs   | 642  | 328   | 1,306  | 37   | 2,313     | 1,856     |
| Transfer from PSSA  | -  | -   | -  | -  | -         | 2,452     |
| Interest cost on benefit obligation                                 | 1,105  | 312   | 1,767  | 64   | 3,248     | 3,319     |
|   | -  | (193)   | -  | -  | (193)     | (7,232)   |
| Benefits paid   | (665)  | (49)  | (188)  | (45)                                       | (947)     | (801)     |
| Accrued benefit obligation at end of year                           | \$ 17,815  | \$ 4,923  | \$ 32,424  | \$ 1,130                                   | \$ 56,292 | \$ 51,871 |
| <b>Plan assets</b>  |  |   |  |  |           |           |
| Value at beginning of year  | \$ 22,656  | \$ 2,459  | \$ -   | \$ -                                       | \$ 25,115 | \$ 20,355 |
| Actual return on plan assets  | 2,052  | 156   | -  | -  | 2,208     | 2,123     |
| Government contributions  | 722  | 49  | 188  | 45   | 1,004     | 901       |
| Member contributions  | 79   | 59  | -  | -  | 138       | 85        |
| Transfer from PSSA  | -  | -   | -  | -  | -         | 2,452     |
| Benefits paid   | (665)  | (49)  | (188)  | (45)                                       | (947)     | (801)     |
| Value at end of year  | \$ 24,844  | \$ 2,674  | \$ -   | \$ -                                       | \$ 27,518 | \$ 25,115 |
| Funded status - plan deficit (surplus)                              | \$ (7,029)   | \$ 2,249  | \$ 32,424  | \$ 1,130                                   | \$ 28,774 | \$ 26,756 |
| Unamortized net actuarial gain                                      | 5,642  | 877   | 2,183  | 36   | 8,738     | 8,994     |
| Accrued benefit liability (asset) (Note 11)                         | \$ (1,387)   | \$ 3,126  | \$ 34,607  | \$ 1,166                                   | \$ 37,512 | \$ 35,750 |
| <b>Net benefit cost</b>   |  |   |  |  |           |           |
| Current service costs   | \$ 642   | \$ 328  | \$ 1,306   | \$ 37                                      | \$ 2,313  | \$ 1,856  |
| Less: Member contributions  | (79)   | (59)  | -  | -  | (138)     | (85)      |
| Interest cost on benefit obligation                                 | 1,105  | 312   | 1,767  | 64   | 3,248     | 3,319     |
| Expected return on plan assets                                      | (1,477)  | (162)   | -  | -  | (1,639)   | (1,329)   |
| Amortization of net actuarial gain                                  | (676)  | (111)   | (227)  | (4)  | (1,018)   | (84)      |
| Net cost for the year   | \$ (485)   | \$ 308  | \$ 2,846   | \$ 97                                      | \$ 2,766  | \$ 3,677  |

GOVERNMENT OF YUKON

**Schedule of Retirement Benefits  
for the year ended March 31, 2007**

Schedule D  
Continued

|  | Legislative<br>Assembly<br>Retirement<br>Allowances Plan | Territorial<br>Court<br>Judiciary<br>Pension Plan | Extended<br>Health Care<br>Retirement<br>Benefit | Life<br>Insurance<br>Retirement<br>Benefit |
|--|--|---|--|--|
| <b>Assumptions</b>   |  |   |  |  |
| Expected long-term rate of return on assets                          | 6.5%   | 6.5%  | N/A  | N/A  |
| Discount rate on accrued benefit obligation                          | 6.5%   | 6.5%  | 5.75%  | 5.75%                                      |
| Inflation  | 2.5%   | 2.5%  | N/A  | N/A  |
| Rate of compensation increase  | 2.5% <sup>1</sup>  | 2.5%  | 2.5%   | N/A  |
| Health care cost trend rate  | N/A  | N/A   | see below <sup>2</sup>                           | N/A  |
| <b>Amortization period (expected average remaining service life)</b> | <b>8.5 years</b>   | <b>7.2 years</b>                                  | <b>10.6 years</b>                                | <b>10.6 years</b>                          |

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

<sup>2</sup> 11.6% per annum, grading down annually by 2.2% per annum to 5.0% per annum and remaining at that level thereafter.