



Government  
of Canada

Gouvernement  
du Canada

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Prepared by the  
Receiver General for Canada

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# Public Accounts of Canada

# 2001

## Volume I

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Summary Report  
and Financial  
Statements

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Canada 

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To Her Excellency

The Right Honourable Adrienne Clarkson,  
C.C., C.M.M., C.D.,  
Governor General and  
Commander-in-Chief of Canada

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2001.

All of which is respectfully submitted.



Lucienne Robillard,  
President of the Treasury Board

Ottawa, September 19, 2001

To The Honourable Lucienne Robillard,  
President of the Treasury Board

Madam:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2001, to be laid by you before the House of Commons.

Respectfully submitted,



Alfonso Gagliano,  
Receiver General for Canada

Ottawa, September 19, 2001

To The Honourable Alfonso Gagliano,  
Receiver General for Canada

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2001.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in two volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion; the observations by the Auditor General on the financial statements of Canada; a ten-year summary of the Government's financial transactions; analyses of revenues and expenditures, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

The audited financial statements contained in Volume I are for the year ended March 31, 2001.

Respectfully submitted,



Janice Cochrane,  
Deputy Receiver General for Canada

Ottawa, September 19, 2001

# VOLUME I

**2000-2001**

***PUBLIC ACCOUNTS OF CANADA***

## **Table of contents**

### **Section**

- Introduction
- 1. Financial Statements of the Government of Canada and Reports and Observations of the Auditor General
- 2. Supplementary Financial Information
- 3. Revenues, Expenditures and Accumulated Deficit
- 4. Consolidated Accounts
- 5. Accounts Payable, Accruals and Allowances
- 6. Interest-Bearing Debt
- 7. Cash and Accounts Receivable
- 8. Foreign Exchange Accounts
- 9. Loans, Investments and Advances
- 10. Other Information Related to the Financial Statements
- 11. Index

# INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

## Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in two volumes.

**Volume I** presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: audited financial statements of the Government of Canada;

SECTION 2: ten-year summary of the Government's financial transactions;

SECTION 3: review of revenues, expenditures and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of accounts payable, accruals and allowances;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of cash and accounts receivable;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances; and,

SECTION 10: analysis of other information related to the financial statements.

**Volume II** is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

# SECTION 1

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## **Financial Statements of the Government of Canada and Reports and Observations of the Auditor General**

### CONTENTS

	<i>Page</i>
Preface .....	1.2
Statement of responsibility .....	1.4
Report of the Auditor General .....	1.5
Financial statements—	
Statement of transactions .....	1.7
Statement of revenues, expenditures and accumulated deficit .....	1.8
Statement of assets and liabilities .....	1.9
Statement of changes in financial position .....	1.10
Notes to the financial statements of the Government of Canada .....	1.11
Supplementary statement and report of the Auditor General—	
Debt Servicing and Reduction Account .....	1.25
Supplementary information—	
Observations of the Auditor General .....	1.28

### **NOTE TO READER**

An overview of the financial operations of the Government of Canada is provided in the **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

The **Annual Financial Report** is available on the Internet at <http://www.fin.gc.ca/>. Copies can also be obtained by contacting the Department of Finance Distribution Centre at (613) 995-2855.

## PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, financial requirements and changes in financial position for the year. A supplementary statement reports transactions under the *Debt Servicing and Reduction Account Act*.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund"; second, that the balance of the Fund, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of four statements and accompanying notes.

The first is the **Statement of Transactions**, which shows the extent to which cash coming in to the Government exceeded cash going out, and the resulting net reduction in borrowing. For the purposes of this statement, cash is defined as the CRF balance at March 31, unadjusted for outstanding cheques, warrants and deposits on that date. The financial transactions are classified into the following categories:

- Budgetary transactions are all transactions with outside parties which enter into the calculation of the annual surplus or deficit of the Government, that is, tax and non-tax revenues, together with expenditures.
- Non-budgetary transactions are all transactions in assets and liabilities, other than those related to foreign exchange and unmatured debt.
- Foreign exchange transactions are all transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar), the net position of the Government with respect to the International Monetary Fund, and unmatured debt payable in foreign currencies.

- Unmatured debt transactions show decreases or increases in unmatured debt, that is, the net change in amounts owing for marketable bonds, Treasury bills, Canada savings and Canada premium bonds and special non-marketable bonds and notes. They exclude unmatured debt payable in foreign currencies.

The second is the **Statement of Revenues, Expenditures and Accumulated Deficit**, which presents the Government's revenues, expenditures and surplus for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The third is the **Statement of Assets and Liabilities**, which discloses the Government's cash balances and investments, and amounts owing to and by the Government at the end of the year. It differs in some ways from a conventional private sector balance sheet. Two major differences concern items that are not reported on this statement: capital assets, having been accounted for as expenditures when acquired, and tax revenues receivable since tax revenues are generally reported on a cash basis. The difference, therefore, between total liabilities and total assets is simply the aggregate of annual budgetary surpluses and deficits determined in accordance with the accounting policies of the Government.

The fourth is the **Statement of Changes in Financial Position**, which provides information on the Government's cash provided by operating, investing and foreign exchange activities, and how the cash was used to repay financing. For the purposes of this statement, cash is defined as the CRF balance at March 31, adjusted for outstanding cheques, warrants and deposits on that date.

In addition to the financial statements, a supplementary statement provides details of transactions under the *Debt Servicing and Reduction Account Act*. The Act calls for certain revenues, including the goods and services tax (GST), to be used to service the public debt and not to fund new program spending.

Other sections in this volume, together with Volume II of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The report of the Auditor General on the financial statements does not extend to this supplementary information.



## STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are generally prepared on an accrual basis of accounting; two notable exceptions are that capital assets are charged to budgetary expenditures at the time of acquisition or construction and tax revenues are generally reported on a cash basis. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized record of the Government's financial transactions, and obtains additional information as required, from departments, agencies, Crown corporations and other government business enterprises to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act* and section 9 of the *Debt Servicing and Reduction Account Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Canada.



FRANK CLAYDON  
*Secretary of the Treasury Board and  
Comptroller General of Canada*



KEVIN G. LYNCH  
*Deputy Minister of Finance*



JANICE COCHRANE  
*Deputy Receiver General for  
Canada*



## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the House of Commons:

### OPINION ON THE FINANCIAL STATEMENTS

I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 2001 and the statements of revenues, expenditures and accumulated deficit, changes in financial position and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2001 and the results of its operations, the changes in its financial position, and its financial requirements for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

### OTHER MATTERS FOR PARLIAMENT'S ATTENTION

In forming my opinion as to the fair presentation of these financial statements in accordance with the Government's stated accounting policies, I decided to draw Parliament's attention to two matters.

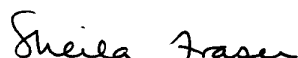
*Compliance with the Employment Insurance Act.* I continue to be concerned about the size and rate of growth of the balance in the Employment Insurance Account. Employment Insurance premiums and benefits are included in the revenues and expenditures, respectively, reported in the Government's statement of revenues, expenditures and accumulated deficit. Under the *Employment Insurance Act*, a separate accounting of these revenues and expenditures must also be made. This is presented in the financial statements of the Account included in Section 4 of this Volume. The balance in the Account increased by about \$8 billion during the year to \$36 billion at March 31, 2001 which is well in excess of \$15 billion, the maximum amount considered necessary by the Chief Actuary of Human Resources Development Canada. The *Act* requires that in setting premiums, the Employment Insurance Commission ensure, to the extent possible, that the rate levels provide enough funding to cover program costs and remain relatively stable throughout a business cycle. Although recent amendments to the *Act* have suspended these requirements for 2002 and 2003, they remain in effect for the year ended March 31, 2001. The Commission did not provide an adequate justification for the size and rate of growth of the Account balance. Accordingly, I am unable to conclude that the intent of the *Employment Insurance Act* has been observed in setting the 2001 premium rates.

**Transfers to Foundations.** I am becoming increasingly concerned about the Government's practice of creating various foundations to achieve its public policy objectives and transferring significant amounts of public money to them long before – in some cases more than 10 years before – the money is actually used for the ultimate intended purposes. During the past five years, the Government has transferred some \$7 billion to such foundations. It has recorded these amounts as expenditures (almost \$2 billion in the year ended March 31, 2001), even though most of the \$7 billion, including interest, is still in the bank accounts and investments of the foundations. Under the Government's stated accounting policies, an expenditure is recorded when funds are transferred to these foundations or, in certain circumstances, is accrued if they are transferred shortly after the year end. In my view, these accounting policies did not contemplate situations in which the funds would not be used for the ultimate intended purposes within the year of transfer or shortly thereafter. In our November 1999 Report, we noted other concerns we have about the accountability and governance arrangements for these foundations. I will provide a follow-up on the status of these concerns in my April 2002 Report.

In my view, when the Government creates foundations to achieve its public policy objectives and they are, or should be, accountable to it, the Government should record transfers to them as expenditures only when the money has been actually used for the ultimate intended purpose. This would result in a better reflection of the economic substance of the Government's activities in its financial statements. I have this year given an opinion on the Government's financial statements without reservation. However, as the Government introduces full accrual accounting as the basis of preparing next year's financial statements, I urge the Government – in accordance with recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board – to also change its stated accounting policies as they relate to these foundations. I also urge the Government to address my concerns about the accountability and governance arrangements for the foundations.

#### **ADDITIONAL INFORMATION**

Additional information and comments on the financial statements and this report are included in my observations at the end of Section I, Volume 1 of the *Public Accounts of Canada*.



Sheila Fraser, FCA  
*Auditor General of Canada*

Ottawa, Canada  
July 23, 2001

## GOVERNMENT OF CANADA

Statement of Transactions  
for the Year Ended March 31, 2001

(in millions of dollars)

	2001	2000
<b>BUDGETARY TRANSACTIONS—</b>		
Revenues .....	178,590	165,708
Expenditures .....	-161,442	-153,410
Surplus for the year .....	17,148	12,298
<b>NON-BUDGETARY TRANSACTIONS—</b>		
Net requirement from loans, investments and advances .....	-1,698	-195
Net source from pension and other accounts .....	1,303	6,968
Net source or requirement (-) from other transactions .....	2,238	-4,505
Net source from non-budgetary transactions .....	1,843	2,268
Net source of funds (excluding foreign exchange transactions) .....	18,991	14,566
<b>NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS.....</b>	<b>-8,776</b>	<b>-6,826</b>
Total source of funds .....	10,215	7,740
<b>NET REQUIREMENT FOR UNMATURED DEBT TRANSACTIONS.....</b>	<b>-10,003</b>	<b>-4,021</b>
Increase in cash .....	212	3,719
<b>CASH IN BANK AT BEGINNING OF YEAR<sup>(1)</sup> .....</b>	<b>13,025</b>	<b>9,306</b>
<b>CASH IN BANK AT END OF YEAR<sup>(1)</sup> .....</b>	<b>13,237</b>	<b>13,025</b>

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

In this statement, a positive amount indicates a source of funds and a negative amount indicates a requirement for funds.

<sup>(1)</sup> Cash in bank excludes outstanding cheques, warrants and deposits.

## GOVERNMENT OF CANADA

Statement of Revenues, Expenditures and Accumulated Deficit  
for the Year Ended March 31, 2001

(in millions of dollars)

	2001		2000	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
<b>REVENUES (Note 3)</b>				
<b>TAX REVENUES —</b>				
<b>Income tax —</b>				
Personal .....	88,528	82,305	84,824	79,378
Corporation .....	28,212	28,212	23,170	23,170
Other income tax revenues .....	4,312	4,312	3,499	3,499
	<b>121,052</b>	<b>114,829</b>	<b>111,493</b>	<b>106,047</b>
<b>Other taxes and duties —</b>				
Goods and services tax .....	27,891	24,990	25,637	22,790
Energy taxes .....	4,805	4,805	4,757	4,757
Customs import duties .....	2,807	2,807	2,105	2,105
Other excise taxes and duties .....	3,514	3,514	3,234	3,234
	<b>39,017</b>	<b>36,116</b>	<b>35,733</b>	<b>32,886</b>
<b>Employment insurance premiums .....</b>	<b>18,731</b>	<b>18,731</b>	<b>18,512</b>	<b>18,512</b>
<b>TOTAL TAX REVENUES .....</b>	<b>178,800</b>	<b>169,676</b>	<b>165,738</b>	<b>157,445</b>
<b>NON-TAX REVENUES —</b>				
Return on investments .....	6,205	6,144	5,403	5,251
Other non-tax revenues .....	7,345	2,770	6,876	3,012
<b>TOTAL NON-TAX REVENUES .....</b>	<b>13,550</b>	<b>8,914</b>	<b>12,279</b>	<b>8,263</b>
<b>TOTAL REVENUES .....</b>	<b>192,350</b>	<b>178,590</b>	<b>178,017</b>	<b>165,708</b>
<b>EXPENDITURES (Note 4)</b>				
<b>TRANSFER PAYMENTS —</b>				
Old age security benefits, guaranteed income supplement and spouse's allowance .....	23,667	24,256	22,856	23,410
Other levels of government .....	23,724	23,724	23,243	23,243
Employment insurance benefits .....	11,444	11,444	11,301	11,301
Canada child tax benefits .....	6,811		6,000	
Other transfer payments .....	26,405	23,503	21,382	18,535
<b>TOTAL TRANSFER PAYMENTS .....</b>	<b>92,051</b>	<b>82,927</b>	<b>84,782</b>	<b>76,489</b>
<b>CROWN CORPORATION EXPENDITURES .....</b>	<b>4,665</b>	<b>2,903</b>	<b>4,344</b>	<b>2,953</b>
<b>OTHER PROGRAM EXPENDITURES —</b>				
National Defence .....	10,135	9,696	10,574	10,201
All other departments and agencies .....	26,257	23,822	24,372	22,120
<b>TOTAL OTHER PROGRAM EXPENDITURES .....</b>	<b>36,392</b>	<b>33,518</b>	<b>34,946</b>	<b>32,321</b>
<b>TOTAL PROGRAM EXPENDITURES .....</b>	<b>133,108</b>	<b>119,348</b>	<b>124,072</b>	<b>111,763</b>
<b>PUBLIC DEBT CHARGES .....</b>	<b>42,094</b>	<b>42,094</b>	<b>41,647</b>	<b>41,647</b>
<b>TOTAL EXPENDITURES .....</b>	<b>175,202</b>	<b>161,442</b>	<b>165,719</b>	<b>153,410</b>
<b>SURPLUS .....</b>	<b>17,148</b>	<b>17,148</b>	<b>12,298</b>	<b>12,298</b>
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR .....</b>	<b>564,526</b>	<b>564,526</b>	<b>576,824</b>	<b>576,824</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 5) .....</b>	<b>547,378</b>	<b>547,378</b>	<b>564,526</b>	<b>564,526</b>

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

<sup>(1)</sup> The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures and expenditures and tax credits related to the tax system included in revenues.

## GOVERNMENT OF CANADA

Statement of Assets and Liabilities  
at March 31, 2001

(in millions of dollars)

	2001	2000
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES —</b>		
Accounts payable and accrued liabilities .....	25,028	20,551
Interest and matured debt .....	9,107	8,353
Allowance for employee benefits .....	5,558	7,924
Allowance for guarantees .....	3,951	3,920
<b>TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES.....</b>	<b>43,644</b>	<b>40,748</b>
<b>INTEREST-BEARING DEBT —</b>		
Unmatured debt—		
Payable in Canadian currency —		
Marketable bonds.....	294,973	293,927
Treasury bills .....	88,700	99,850
Canada savings and Canada premium bonds .....	26,099	26,489
Non-marketable bonds and notes.....	3,473	3,552
	<b>413,245</b>	<b>423,818</b>
Payable in foreign currencies .....	33,158	32,588
Total unmatrued debt (Note 6) .....	<b>446,403</b>	<b>456,406</b>
Pension and other accounts —		
Public sector pensions (Note 7) .....	129,185	128,346
Due to Canada Pension Plan (Note 8) .....	6,391	6,217
Other pension and other accounts .....	7,253	6,963
Total pension and other accounts .....	<b>142,829</b>	<b>141,526</b>
<b>TOTAL INTEREST-BEARING DEBT.....</b>	<b>589,232</b>	<b>597,932</b>
<b>TOTAL LIABILITIES.....</b>	<b>632,876</b>	<b>638,680</b>
<b>ASSETS</b>		
<b>CASH AND ACCOUNTS RECEIVABLE —</b>		
Cash in bank.....	13,237	13,025
Cash in transit .....	6,956	5,386
	<b>20,193</b>	<b>18,411</b>
Less outstanding cheques and warrants.....	4,599	3,900
Total cash .....	<b>15,594</b>	<b>14,511</b>
Accounts receivable (net of allowance for doubtful accounts of \$1,318 million (\$1,373 million in 2000)) .....	3,592	3,805
<b>TOTAL CASH AND ACCOUNTS RECEIVABLE.....</b>	<b>19,186</b>	<b>18,316</b>
<b>FOREIGN EXCHANGE ACCOUNTS (Note 9) .....</b>	<b>50,270</b>	<b>41,494</b>
<b>LOANS, INVESTMENTS AND ADVANCES —</b>		
Enterprise Crown corporations and other government business enterprises (Notes 10 and 13) .....	10,085	10,562
National governments, including developing countries and international organizations (Note 11) .....	7,541	7,316
Provincial and territorial governments and other loans, investments and advances .....	5,661	4,379
Portfolio investments .....	1,240	1,240
	<b>24,527</b>	<b>23,497</b>
Less allowance for valuation .....	8,485	9,153
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>	<b>16,042</b>	<b>14,344</b>
<b>TOTAL ASSETS.....</b>	<b>85,498</b>	<b>74,154</b>
<b>ACCUMULATED DEFICIT (Note 5) .....</b>	<b>547,378</b>	<b>564,526</b>

The accompanying notes are an integral part of these statements.  
Details (unaudited) can be found in other sections of this volume.

## GOVERNMENT OF CANADA

Statement of Changes in Financial Position  
for the Year Ended March 31, 2001<sup>(1)</sup>

(in millions of dollars)

	2001	2000
<b>OPERATING ACTIVITIES —</b>		
Surplus for the year .....	17,148	12,298
Expenditures not requiring cash:		
Interest on pension and other accounts .....	10,832	10,541
Government contribution for employee benefits .....	328	2,371
Provision for valuation of assets and liabilities .....	-5,887	-4,588
	22,421	20,622
Net payments from pension and other accounts .....	-7,111	-4,010
Net change in accounts receivable, accounts payable and accruals .....	4,960	-3,337
<b>CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>20,270</b>	<b>13,275</b>
<b>INVESTING ACTIVITIES —</b>		
Net increase (-) or decrease in loans, investments and advances .....	-408	1,390
<b>CASH REQUIRED FOR (-) OR PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>-408</b>	<b>1,390</b>
<b>FOREIGN EXCHANGE ACTIVITIES —</b>		
Net increase or decrease (-) in foreign currency borrowings .....	570	-3,412
Net increase in foreign exchange accounts .....	-8,776	-6,826
<b>CASH REQUIRED FOR FOREIGN EXCHANGE ACTIVITIES .....</b>	<b>-8,206</b>	<b>-10,238</b>
<b>TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES .....</b>	<b>11,656</b>	<b>4,427</b>
<b>FINANCING ACTIVITIES —</b>		
Net decrease in Canadian currency borrowings .....	10,573	609
<b>CASH USED FOR FINANCING ACTIVITIES .....</b>	<b>10,573</b>	<b>609</b>
<b>Net increase in cash .....</b>	<b>1,083</b>	<b>3,818</b>
<b>CASH AT BEGINNING OF YEAR .....</b>	<b>14,511</b>	<b>10,693</b>
<b>CASH AT END OF YEAR .....</b>	<b>15,594</b>	<b>14,511</b>

The accompanying notes are an integral part of these statements.

Details (unaudited) can be found in other sections of this volume.

<sup>(1)</sup> The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.

## Notes to the Financial Statements of the Government of Canada

### 1. Summary of Significant Accounting Policies

#### Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all departments, agencies, corporations and funds are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment and an allowance for valuation which includes their annual net profits and losses. In addition, any amounts receivable from or payable to these corporations are reported. More details on enterprise Crown corporations and other government business enterprises are provided in Note 10.

The Canada Pension Plan is not part of the reporting entity because it is under joint control of the Government and participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, as well as from the income earned on investments. More details on the Canada Pension Plan are provided in Note 8.

#### Basis of accounting

The Government reports revenues and expenditures on both a gross and net basis. On the net basis, certain expenditures are deducted from revenues and certain revenues are deducted from expenditures as described in Notes 3 and 4.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. With the implementation of a new corporate tax processing system during 2001, corporate tax refunds are allocated to the year in which the assessment of the return is normally processed. Cases of tax refunds that are significant and have been appealed to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the Canada child tax benefit program are charged in the period to which they relate.

Non-tax revenues are reported on an accrual basis.

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid, when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.

Expenditures include provisions to reflect changes in the value of assets or liabilities at their economic value, amortization of deferred costs and payments made under the terms of capital leases.

The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.

Financial obligations to outside organizations or individuals are recorded as liabilities if the underlying event occurred prior to or at year end. Liabilities are recorded at the estimated amount ultimately payable, with such estimates being revised on an annual basis.

Premiums and discounts on public debt are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as part of public debt charges.

#### Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenditures when the economic value of these loans is reduced due to their concessionary terms.

#### Sovereign loans

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has provided allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral or bilateral agreements.



## **Gold reserves**

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of four major currencies. More details on gold reserves are provided in Note 9.

## **Employee benefits**

Employees' entitlements to severance and pension benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. For pensions, when actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the employees. More details on public sector pensions are provided in Note 7.

## **Contingent liabilities**

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expenditure recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. The Government applies exceptions to this policy in respect to claims related to the Government's arrangements with First Nations and to claims for significant tax refunds. More details on contingent liabilities are provided in Note 14.

Comprehensive Aboriginal land claims are reported in the notes to the financial statements until such time as a settlement has been ratified by the involved First Nation and provincial or territorial government, and approved by Cabinet, after which they are recorded as liabilities. Other Aboriginal claims that are not being pursued through the courts are recorded as liabilities only after being reviewed and accepted by the Government as valid claims. Aboriginal claims that are being pursued through the courts are reported in the notes to the financial statements until a court decision is made or Cabinet approval to negotiate an out-of-court settlement has been granted, after which they are recorded as liabilities.

Claims for significant tax refunds are reported in the notes to the financial statements until all appeals to the Federal Court of Canada or the Supreme Court of Canada have been exhausted or are not expected to be pursued. After this time they are recorded as liabilities.

## **Foreign currency translation**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31.

## **Use of estimates and measurement uncertainty**

The preparation of financial statements in accordance with stated accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates subject to measurement uncertainty in these financial statements include valuation allowances for loans including sovereign debt, investments and advances, borrowings of Crown corporations and other government business enterprises, employee benefits, pension obligations described in Note 7, future payments related to contingent liabilities, transfer payments to other levels of government, and liabilities under provincial and territorial tax collection agreements.

## **Changes in Accounting Policies in 2002**

The Government intends to change its basis of accounting from the current modified accrual basis to the full accrual basis for the preparation of its financial statements. The main changes will include the recording of capital assets as non-financial assets on the Statement of Assets and Liabilities and the recording of tax revenues on the accrual basis. These changes will be done without restatement of the financial statements of 2001, but will require the restatement of the opening balance of the accumulated deficit of the Government as of April 1, 2001.

## **Comparative information**

Comparative figures have been reclassified to conform to the current year's presentation.

## 2. Spending and Borrowing Authorities

### i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Some approvals are given in the form of annually approved limits through appropriation acts. Other approvals come from other legislation in the form of statutory spending authority for specific purposes (for example, old age security). During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	2001	2000
Annual spending limits voted by Parliament .....	56,282	52,638
Expenditures permitted under other legislation .....	107,631	100,869
Total expenditures authorized .....	163,913	153,507
Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts .....	4,060	3,946
Total used .....	159,853	149,561
Effect of consolidating certain accounts and provision for valuation .....	1,589	3,849
Net total expenditures .....	161,442	153,410

The use of budgetary expenditure authorities as reported in the preceding table differs from the total net expenditures reported in the Statement of Revenues, Expenditures and Accumulated Deficit. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. In addition, the authorities exclude the general provision for valuation of assets and liabilities, which is authorized by section 63 of the *Financial Administration Act*.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$53,899 million (\$49,987 million in 2000) was authorized for loans, investments and advances. A net amount of \$1,712 million was used (\$26 million was repaid in 2000), an amount of \$399 million lapsed (\$22 million in 2000) and an amount of \$51,788 million is available for use in subsequent years (\$49,991 million in 2000).

Details (unaudited) about the source and disposition of authorities are provided in Volume II (Part I) of the *Public Accounts of Canada*.

### ii. Overexpenditure of spending authorities

During the year, Finance vote 15 – Transfer Payments to the Territorial Governments; and Canadian Heritage vote 15 – Payments to the Canada Council, were each overexpended by less than \$50 million.

Details (unaudited) of the overexpended votes can be found in the ministerial sections of Volume II (Part I) of the *Public Accounts of Canada*.

### iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous fiscal years. This authority was not used in fiscal year 2000-2001 and remains available for future years.

## 3. Revenues

In the Statement of Revenues, Expenditures and Accumulated Deficit, revenues and expenditures are reported on both a gross and net basis. The difference between the two is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, and expenditures and tax credits related to the tax system. Gross and net transactions are presented in the following tables.

### i. Personal income tax

The following table presents details of personal income tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	2001	2000
Gross personal income tax .....	88,528	84,824
Less transfer payments:		
Canada child tax benefit payments .....	6,811	6,000
Old Age Security benefit repayments .....	-588	-554
Net personal income tax .....	82,305	79,378

Details (unaudited) can be found in Section 3 of this volume.

## ii. Other taxes and duties

The following table presents details of the revenues from the goods and services tax (GST), as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	2001	2000
GST and HST received .....	60,853	56,383
Less:		
Refunds .....	27,958	25,741
Rebates .....	2,207	2,194
GST paid and accrued by		
ministries .....	1,022	1,012
Transfer of HST to provinces .....	1,775	1,799
Gross GST .....	27,891	25,637
Less other transfer payments—		
Quarterly tax credits .....	2,901	2,847
Net GST .....	24,990	22,790

Additional details (unaudited) can be found in Section 3 of this volume.  
For further details (audited) see the Debt Servicing and Reduction Account Statement of Transactions in this Section.

## iii. Non-tax revenues

The following table presents details of non-tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	2001	2000
Gross return on investments		
Loans, investments and advances .....	2,945	2,732
Foreign exchange accounts .....	3,041	2,086
Other .....	219	585
	6,205	5,403
Less:		
Other program expenditures—		
Revenues netted against expenditures .....	14	91
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations .....	47	61
Net return on investments .....	6,144	5,251
Gross other non-tax revenues .....	7,345	6,876
Less:		
Other program expenditures—		
Revenues netted against expenditures .....	2,860	2,534
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations .....	1,715	1,330
Net other non-tax revenues .....	2,770	3,012

Details (unaudited) can be found in Section 3 of this volume.

## iv. Significant transaction

## Radio spectrum licences

During the year, Industry Canada recorded cash receipts of \$1,482 million from the auction of licences for access to the radio spectrum for Personal Communications Services. This amount has been recorded as deferred revenue and classified within accounts payable and accrued liabilities. It will be recognized as other non-tax revenue on a straight-line basis over the ten year term of the licences.

## 4. Expenditures

Expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit are as follows:

## i. By type of resources acquired or disbursements made

	(in millions of dollars)	
Standard Object	2001	2000
(1) Personnel .....	20,418	18,390
(2) Transportation and communications ..	2,181	1,896
(3) Information .....	405	327
(4) Professional and special services ....	4,871	4,467
(5) Rentals .....	1,172	1,117
(6) Purchased repair and		
maintenance .....	1,869	1,577
(7) Utilities, materials and		
supplies .....	2,086	1,916
(8) Acquisition of land, buildings		
and works .....	861	679
(9) Acquisition of machinery and		
equipment .....	3,794	3,741
(12) Other subsidies and payments .....	3,400	5,180
	41,057	39,290
Less:		
(13) Revenues netted against		
expenditures .....	2,874	2,625
Revenues of consolidated		
Crown corporations .....	1,762	1,391
Net total—Other program and		
Crown corporation		
expenditures .....	36,421	35,274
(10) Gross transfer payments .....	92,051	84,782
Less tax credits and		
repayments .....	9,124	8,293
Net transfer payments .....	82,927	76,489
Total net program		
expenditures .....	119,348	111,763
(11) Public debt charges .....	42,094	41,647
Total net expenditures .....	161,442	153,410

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

ii. *Transfer payments to other levels of government*

	(in millions of dollars)	
	2001	2000
Canada health and social transfer . . . . .	13,500	14,891
Fiscal arrangements . . . . .	12,467	10,721
Other . . . . .	217	56
Alternative payments for standing programs <sup>(1)</sup> . . . . .	-2,460	-2,425
Total expenditures . . . . .	23,724	23,243

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

(1) This amount represents reduced transfer payments to one province where that province and the Federal Government have entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

iii. *Other transfer payments by ministry*

	(in millions of dollars)	
	2001	2000
Agriculture and Agri-Food . . . . .	1,822	1,518
Canada Customs and Revenue Agency . . . . .	1,681	183
Finance . . . . .	2,140	750
Foreign Affairs and International Trade . . . . .	2,358	2,114
Health . . . . .	1,302	1,161
Human Resources Development . . . . .	1,995	2,008
Indian Affairs and Northern Development . . . . .	4,448	4,185
Industry . . . . .	2,079	2,971
Veterans Affairs . . . . .	1,463	1,402
Other ministries and provisions . . . . .	4,215	2,243
Total net expenditures . . . . .	23,503	18,535

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

iv. *Other program expenditures by ministry excluding National Defence*

	(in millions of dollars)	
	2001	2000
Canada Customs and Revenue Agency . . . . .	2,780	2,731
Fisheries and Oceans . . . . .	1,275	1,127
Foreign Affairs and International Trade . . . . .	1,369	1,335
Health . . . . .	1,427	2,053
Human Resources Development . . . . .	1,721	1,687
Industry . . . . .	1,958	1,779
Public Works and Government Services . . . . .	2,133	1,833
Solicitor General . . . . .	3,013	2,920
Treasury Board . . . . .	4,165	1,096
Other ministries and provisions . . . . .	3,981	5,559
Total net expenditures . . . . .	23,822	22,120

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

v. *Public debt charges*

	(in millions of dollars)	
	2001	2000
Interest on—		
Unmatured debt . . . . .	25,334	25,598
Pension and other accounts . . . . .	11,017	10,711
Amortization of discounts on Canada and Treasury bills . . . . .	4,921	4,716
Amortization of premiums, discounts and commissions on all other debt . . . . .	701	503
Servicing costs and costs of issuing new borrowings . . . . .	121	119
Total public debt charges . . . . .	42,094	41,647

Details (unaudited) can be found in Section 3 of this volume.

vi. *Significant transactions**Canada Foundation for Innovation*

In October 2000 and March 2001, the Government announced additional funding for the Canada Foundation for Innovation. Legislation authorizing the payment received parliamentary approval in June 2001. The Government has recorded a liability of \$1,250 million at March 31, 2001 and charged other transfer payments.

*Fuel Rebate Program*

In the October 2000 Economic Statement and Budget Update, the Government proposed that relief for higher heating expenses be provided by one time payments to those individuals who qualify for the Goods and Services Tax credit for January 2001 based on their 1999 income tax returns. Parliament was dissolved for the general election before the legislation implementing the proposal was passed. Since Parliament was not in session and was unlikely to be recalled in time to approve timely payments, the Minister of National Revenue was authorized, by Order in Council, to make *ex gratia* payments to recipients described as eligible individuals. In 2001, the Government has charged *ex gratia* payments totaling \$1,459 million to other transfer payments.

## 5. Accumulated Deficit

The Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the retained earnings of the consolidated Crown corporations included in the accumulated deficit:

	(in millions of dollars)	
	2001	2000
Accumulated deficit excluding consolidated accounts. . . . .	582,433	591,502
Consolidated accounts—		
Employment Insurance Account . . . . .	-35,178	-27,399
Western Grain Stabilization Account . . . . .	1,085	1,085
Other insurance accounts . . . . .	-305	-296
Other consolidated accounts . . . . .	-314	-304
	547,721	564,588
Consolidated Crown corporations . . . . .	-343	-62
Accumulated deficit. . . . .	547,378	564,526

Details (unaudited) can be found in Section 4 of this volume.

## 6. Unmatured Debt and Other Financial Instruments

### i. Unmatured debt

The following table presents maturity of debt issues and interest rates by currency and type at face value.

	(in millions of dollars)							
Maturing year	Marketable bonds			Canada savings and Canada premium bonds <sup>(2)</sup>	Non-marketable bonds and notes <sup>(3)</sup>	Notes <sup>(4)</sup>		Total
	Canadian \$	Foreign <sup>(1)</sup> currency expressed in Canadian \$	Treasury bills			US \$ expressed in Canadian \$	Foreign currency expressed in Canadian \$	
2002 . . . . .	32,300	1,576	88,700	1,762	83	7,228	844	132,493
2003 . . . . .	35,096	4,729		1,619	16			41,460
2004 . . . . .	34,841	152		2,303	22		102	37,420
2005 . . . . .	28,634	3,153		2,676	17		1,576	36,056
2006 . . . . .	20,791	2,364		1,632	240		625	25,652
2007 and subsequent . . . . .	143,825	9,190		16,424	3,095		2,125	174,659
	295,487	21,164	88,700	26,416	3,473	7,228	5,272	447,740
Less Government's holdings of unmatured debt <sup>(5)</sup> . . . . .	514	506		317				1,337
	294,973	20,658	88,700	26,099	3,473	7,228	5,272	446,403
Nature of interest rate <sup>(6)</sup>	Fixed <sup>(7)</sup>	Fixed	Variable	Variable	Fixed	Variable	Fixed <sup>(8)</sup>	
Effective weighted average annual interest rates including swaps . . . . .	7.06	5.84	5.31	5.42	10.10	5.10	4.15	
Range of interest rates . . . . .	4.00-15.50	4.875-9.70	4.58-6.33	3.85-6.50	4.51-17.51	4.40-6.58	0.70-6.54	

Details (unaudited) can be found in Section 6 of this volume.

(1) Includes marketable bonds that were issued in US dollars and in other currencies.

(2) Includes \$22,213 million of Canada saving bonds that are redeemable on demand.

(3) Non-marketable bonds and notes are comprised of \$3,403 million of bonds issued to the Canada Pension Plan, of \$61 million of promissory notes issued to the Medical Equipment Trust, and of \$9 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health Care.

(4) Foreign currency notes are comprised of Canada notes and Euro medium-term notes issued in US dollars and other foreign currencies.

(5) Includes \$372 million of securities held for retirement of unmatured debt.

(6) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(7) Includes real return bonds which have a variable component based on the consumer price index.

(8) Includes medium-term notes which have variable rates.

ii. *Derivative financial instruments and foreign currency contracts*

(a) *Swap agreements*

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and other currencies. The Government has entered into interest rate and cross currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into

US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government swap positions are held to maturity.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gain or loss due to fluctuations in the foreign exchange value of the swaps is presented as a liability on the Statement of Assets and Liabilities and recognized as a gain or loss on foreign exchange in the Statement of Revenues, Expenditures and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31, 2001 are as follows:

Maturing year	(in millions of dollars)			
	2001		2000	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2001.....				28
2002.....	723	1,617	685	1,486
2003.....		3,456		3,222
2004.....	50	3,624	50	3,042
2005.....		4,480		4,140
2006.....		2,134		1,793
2007 and subsequent .....	1,932	9,541	1,776	7,274
	2,705	24,852	2,511	20,985

(b) *Credit risk to swap agreements*

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Moody's or Standard & Poor's. The financial institutions must have a credit rating equivalent to AA- or better for swaps with remaining maturity terms between 3 and 10.5 years and A or better for terms of up to 3 years.

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any significant credit loss with respect to its swap agreements.

The following table presents the notional amounts of the swap agreements by ratings assigned by Standard & Poor's:

Standard & Poor's	(in millions of dollars)	
	2001	2000
AAA .....	1,420	1,085
AA+ .....	3,579	3,308
AA .....	4,318	5,008
AA- .....	14,282	9,578
A+ .....	3,958	4,517
	27,557	23,496

(c) *Foreign currency contracts*

The Government has entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involve the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen). These hedges are presently being unwound and only forward sales against the US dollar are outstanding as of March 31, 2001.

As at March 31, 2001 the notional value of these outstanding forward currency contracts is \$2,308 million in forward sale contracts (\$2,299 million in forward sale contracts and \$58 million in forward purchase contracts in 2000) and the unrealized gain which is not recognized in the financial statements is \$24 million (\$16 million in 2000). All forward currency transactions have a maximum term of about 12 months or less. The Government manages its exposure to forward currency contract counterparties by dealing principally with financial institutions having a credit rating from recognized credit rating agencies of at least AA-.

## iii. Fair values of financial instruments

## (a) Financial assets and liabilities

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market

exists. Fair values of instruments with a short life span or of a non-negotiable nature are assumed to approximate carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instruments be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to unpredictability of future events.

Financial assets and liabilities	(in millions of Canadian dollars)					
	2001			2000		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
<b>Financial Assets</b>						
Cash . . . . .	15,594	15,594		14,511	14,511	
Accounts receivable . . . . .	3,592	3,592		3,805	3,805	
Foreign exchange accounts . . . . .	50,270	51,281	1,011	41,494	42,005	511
Loans investments and advances excluding investments in enterprise Crown corporations . . . .	12,367	13,553	1,186	11,616	12,188	572
<b>Liabilities</b>						
Accounts payable, accruals and allowances . . . . .	43,644	43,644		40,748	40,748	
Unmatured debt . . . . .	446,403	474,367	-27,964	456,406	479,316	-22,910
Pension and other accounts . . . . .	136,438	128,347	8,091	135,309	124,077	11,232
Due to Canada Pension Plan . . . . .	6,391	6,391		6,217	6,217	
Net fair value in excess of carrying value . . . . .			-17,676			-10,595

Comparative figures have been reclassified to conform to the current year's presentation.

Fair values are determined using the following methods and assumptions:

The carrying values of short-term financial instruments are assumed to approximate their fair values due to their short-term maturity. These include cash, accounts receivable, accounts payable, accruals and allowances, and the amount due to Canada Pension Plan.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are generally established by using their carrying values. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are used to reduce the carrying value of these items to amounts that approximate their estimated realizable value.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars, Euro medium-term notes and Canada notes, fair values are established using market quotes or the discounted cash flow calculated using year end market interest and exchange rates. Fair values of other instruments comprising the unmaturing debt are deemed to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension liabilities are assumed to approximate the actuarial value of the pension obligations net of the fair values of the pension plan assets which are established at market value for investments and at a discounted net present value for other plan assets.

*(b) Derivative financial instruments and foreign currency contracts*

The following table presents the fair value of derivative financial instruments and foreign currency contracts with contractual or notional principal amounts outstanding at March 31:

	(in millions of dollars)			
	2001		2000	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps .....	27,557	-1,049	23,496	-253
Foreign currency contracts—				
Forward sales .....	2,308	24	2,299	16
Forward purchases .....			58	

Fair values of the swap and forward currency contract agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap or forward

currency contract agreements by using year end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated.

## 7. Public Sector Pensions

The Government is responsible for defined benefit pension plans covering substantially all of its full-time employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Crown corporations) as well as federally appointed judges and Members of Parliament. Pension benefits are generally calculated by reference to highest earnings for a specified period of time. They are related to years of service and are indexed to inflation.

Until March 31, 2000, separate market invested funds were not set aside to provide for payment of these pension benefits. Pursuant to the *Public Sector Pension Investment Board Act* that received Royal assent on September 14, 1999, beginning on April 1, 2000, new employer and employee contributions to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans are transferred to the Public Sector Pension Investment Board. The Board is a separate corporate body created on April 1, 2000. Its goal is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

Actuarial valuations are performed triennially for funding purposes and are updated annually for accounting purposes, using management's best estimates and the projected benefit method pro-rated on services. In these annual calculations, pension obligations are estimated by projecting benefits expected to be paid in the future and calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, work-force composition, retirement rates and mortality rates. The accounting assumption for the long-term rate of inflation used in the valuation is 2 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$14,400 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$14,800 million. Pension adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years, which will affect expenditures in those years.

Pension plan assets include marketable investments and receivables from employees for past service elections. The investments are valued at market related values, whereby fluctuations in market value are averaged over a five-year period, and receivables for past service elections are discounted to approximate their fair value.



The pension liability at March 31 includes the following components:

	(in millions of dollars)	
	2001	2000
Accrued benefit obligation <sup>(1)</sup> .....	124,044	117,114
Less: Pension plan assets .....	3,202	426
	<u>120,842</u>	<u>116,688</u>
Unamortized estimation adjustments .....	8,343	11,658
Pension liability .....	<u>129,185</u>	<u>128,346</u>

Comparative figures have been reclassified to conform to the current year's presentation.

<sup>(1)</sup> Includes \$6,200 million for impending transfers to new separate plans.

During the year, Canada Post Corporation and three smaller corporations implemented their own pension plans and their employees ceased to be members of the Public Service pension plan. An amount of about \$1,300 million was transferred to the pension plans of these corporations during the year and an additional estimated amount of \$6,200 million is expected to be transferred within the next two years. These transactions are considered a partial settlement of the Public Service pension plan. The net cost of this partial settlement is estimated at \$28 million, of which a loss of \$215 million is recognized in the current year and charged to the pension related expenditure and a gain of \$187 million will be amortized as an estimation adjustment in the expected rate of return affecting the Canadian Forces and the Royal Canadian Mounted Police pension plans. Unamortized estimation adjustments of \$510 million were also written off as a result of this partial plan settlement.

The pension interest expenditure calculated on the average actuarial obligation is reported as part of public debt charges and is presented net of the expected return on plan assets. The interest rate used in the calculation is derived from a weighted average between the expected rate of return on plan assets (6.5 percent) and the average Government long-term bond rate (9.0 percent in 2001 and 9.3 percent in 2000). The total pension related expenditure includes the following components:

	(in millions of dollars)	
	2001	2000
Employer contributions <sup>(1)</sup> .....	2,264	2,362
Pension plan amendment costs .....	9	822
Partial plan settlement costs recognized in year .....	215	
Write off of unamortized estimation adjustments .....	-510	
Statutory payments under various acts .....	85	91
Amortization of estimation adjustments .....	-2,459	-2,501
Net pension costs .....	<u>-396</u>	<u>774</u>
Pension interest expenditure <sup>(2)</sup> .....	10,151	9,982
Total pension related expenditure .....	<u>9,755</u>	<u>10,756</u>

Details (unaudited) can be found in Section 6 of this volume.

<sup>(1)</sup> The 1999-2000 amount is net of \$254 million already recorded in pension related expenditure of previous years.

<sup>(2)</sup> The 2000-2001 amount is net of \$89 million of expected return on pension plan assets.

## 8. Due to Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan (the Plan) are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. As administrator, the Government's authority to spend is limited to the Plan's net assets of \$45,688 million (\$41,261 million in 2000).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board.

The Plan's deposit with the Receiver General for Canada of \$6,391 million (\$6,217 million in 2000) is reported as the Government's liability to the Plan at March 31 and represents the balance in the Account.

Additional information (unaudited) and the audited financial statements of the Plan are included in Section 6 of this volume. Additional information on the funding of the Plan may be obtained from the *Seventeenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## 9. Foreign Exchange Accounts

### i. Foreign exchange accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations.

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	2001	2000
International reserves held in the Exchange Fund Account . . . . .	47,845	38,630
International Monetary Fund—		
Subscriptions . . . . .	12,814	12,390
	60,659	51,020
Less:		
International Monetary Fund—		
Notes payable . . . . .	8,840	8,005
Special drawing rights allocations . . . . .	1,549	1,521
	10,389	9,526
Total foreign exchange accounts . . . . .	50,270	41,494

Details (unaudited) can be found in Section 8 of this volume.

### ii. Gold reserves

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is in the form of gold: 1.2 million fine ounces (1.5 million fine ounces in 2000). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$69.55 per fine ounce (\$68.33 in 2000), which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of four major currencies (the Euro, US dollar, Pound sterling and Japanese yen). This valuation results in a recorded value of \$83 million (\$102 million in 2000), which is much lower than the market value of \$487 million (\$602 million in 2000) using a value of \$406.21 per fine ounce (\$401.12 in 2000).

Further details are provided in the financial statements of the Exchange Fund Account in Section 8 of this volume.

## 10. Crown Corporations and Other Government Business Enterprises

The Government wholly owns forty-two corporations. Some of these Crown corporations rely on the Government for most of their financing. There are twenty-two such corporations (twenty in 2000) whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

Other Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Corporation.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and accountable to either Parliament or to a Minister. These are referred to as other government business enterprises. The major other government business enterprises include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal, Quebec and Vancouver.

For enterprise Crown corporations and other government business enterprises, in addition to recording the Government's investment in these corporations as described below, the Government reports any amounts receivable from or payable to these corporations and records an allowance for valuation which includes the annual net profits and losses of the corporations. Their assets and liabilities are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations.

Details of enterprise Crown corporations and other government business enterprises are included in Section 9 of this volume.

The following table presents the Government's recorded financial assets for enterprise Crown corporations and other government business enterprises. Of this amount, \$3,554 million (\$3,619 million in 2000) represents investments in capital stock and contributed capital of the corporations. The balance represents loans and advances made by the Government.

	(in millions of dollars)	
	2001	2000
Canada Mortgage and Housing Corporation . . . . .	5,877	6,101
Farm Credit Corporation . . . . .	1,747	1,973
Export Development Corporation . . . . .	983	983
Business Development Bank of Canada . . . . .	626	561
Other . . . . .	852	944
Total . . . . .	10,085	10,562

Details (unaudited) can be found in Section 9 of this volume.

Financial results for the enterprise Crown corporations and other government business enterprises are summarized as follows:

	(in millions of dollars)	
	2001	2000
Assets (including capital assets and deferred charges of \$6,524 (\$6,273 in 2000)) . . . . .	115,300	106,022
Liabilities . . . . .	107,568	99,517
Net equity . . . . .	7,732	6,505
Revenues . . . . .	19,740	17,984
Expenses . . . . .	16,650	15,329
Net income for the year . . . . .	3,090	2,655
Other changes in equity		
Dividends <sup>(1)</sup> . . . . .	-1,990	-1,792
Other . . . . .	127	-145
	1,227	718
Opening net equity . . . . .	6,505	5,787
Closing net equity . . . . .	7,732	6,505
Contractual commitments . . . . .	6,767	8,561
Contingent liabilities . . . . .	1,864	1,946

Details (unaudited) can be found in Section 9 of this volume.

<sup>(1)</sup> Amounts reported as dividends include \$1,951 million (\$1,766 million in 2000) from the Bank of Canada.

*The President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* provides further information on the business and activities of all parent Crown corporations and their wholly-owned subsidiaries, as well as information on all Crown corporations and other corporate interests of Canada.

## 11. National Governments, including Developing Countries and International Organizations

### i. Loans to developing countries

Loans to national governments of \$3,136 million (\$3,138 million in 2000) include loans to developing countries. The Government has provided allowances on these loans taking into consideration their collectability and any concessionary terms.

Details (unaudited) can be found in Section 9 of this volume.

### ii. Loans, investments and advances to international organizations

Loans, investments and advances to international organizations, including development banks and their related funds, total \$4,405 million (\$4,178 million in 2000). The Government has provided allowances on these loans, investments and advances based on their collectability and any concessionary terms.

Details (unaudited) can be found in Section 9 of this volume.

## 12. Contractual Commitments

The nature of government activity results in some large multi-year contracts and obligations. Major contractual commitments that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2001	2000
Transfer payment agreements . . . . .	16,411	14,749
Acquisition of property and equipment, and goods and services . . . . .	8,239	7,449
Benefit plans for veterans . . . . .	6,635	6,142
Operating and capital leases . . . . .	4,317	3,546
International organizations . . . . .	1,038	1,220
Pension liability under Continuation Acts . . . . .	125	145
	36,765	33,251

Details (unaudited) can be found in Section 10 of this volume.

Estimated expenditures against these commitments in future years are as follows:

Year	(in millions of dollars)
2002 .....	9,018
2003 .....	7,421
2004 .....	5,545
2005 .....	4,910
2006 .....	4,278
2007 and subsequently .....	5,593
	36,765

Details (unaudited) can be found in Section 10 of this volume.

*i. Transfer payment agreements*

Included in the transfer payment agreements commitments of \$16,411 million (\$14,749 million in 2000) is an amount of \$8,589 million (\$8,592 million in 2000) related to various contractual obligations of the Government through Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,700 million per year. Uncertainty in forecasting makes estimates beyond the year 2006 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2006.

*ii. Benefit plans for veterans*

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,350 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2006 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only the period to 2006.

*iii. Operating and capital leases*

Capital leases have various terms up to 50 years. Of the total of \$4,317 million (\$3,546 million in 2000) in operating and capital leases, \$2,086 million (\$2,384 million in 2000) represents future payments for capital leases. Of this, \$1,122 million (\$1,304 million in 2000) is imputed interest and executory costs.

### 13. Insurance Programs

Three enterprise Crown corporations, whose financial affairs are not consolidated with these financial statements, operate insurance programs for the Government. In the event the corporations have insufficient funds, the Government will have to provide financing.

Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 2001 amounted to \$339,479 million (\$327,037 million in 2000). At March 31, 2001, the Corporation has a surplus of \$455 million (\$184 million surplus in 2000). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 2001 was \$200,700 million (\$189,400 million in 2000). The Fund has a surplus of \$896 million at March 31, 2001 (\$525 million in 2000). Canada Mortgage and Housing Corporation also operates the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act*. Guarantees in force as at March 31, 2001 totalled approximately \$34,217 million (\$27,709 million in 2000). As at March 31, 2001 the fund has a surplus of \$70 million (\$58 million in 2000). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Corporation (EDC) provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 2001 was \$11,225 million (\$11,100 million in 2000). EDC set aside an allowance of \$465 million as at March 31, 2001 (\$353 million in 2000) to cover the cost of current and expected future claims. The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Details (unaudited) can be found in Section 10 of this volume.

### 14. Contingent Liabilities

Contingent liabilities which may become actual liabilities, are classified into three categories: guarantees by the Government, international organizations, and claims and pending and threatened litigation. The Government is confident that any ultimate settlement on these contingent liabilities will be for amounts significantly lower than those being disclosed.

*i. Guarantees by the Government*

Guarantees by the Government at March 31, 2001 amounted to \$52,648 million net of an allowance of \$3,951 million (\$49,434 million net of an allowance of \$3,920 million in 2000). The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations and other government business enterprises when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. All other loan guarantees are reported as contingencies.

*ii. International Organizations*

Contingent liabilities related to international organizations at March 31, 2001 amounted to \$19,477 million (\$17,504 million in 2000). The Government has callable share capital in certain international organizations that could require payments to those agencies.

*iii. Claims and pending and threatened litigation*

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable. Certain large and significant claims are described below:

*Aboriginal and comprehensive land claims:* The Government is aware of claims with pleading amounts in excess of \$200,000 million and other potential claims that are under research by First Nations. A reliable estimate of potential liability cannot be made at this time.

*Significant tax refunds:* There are \$1,123 million (\$802 million in 2000) in claims or litigation relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 2001.

Further details (unaudited) can be found in Section 10 of this volume.

## **15. Environmental Liabilities**

While estimates of total radioactive and non-radioactive waste clean-up costs for Canada have ranged as high as \$30,000 million, much of this amount is clearly the responsibility of other levels of government and the private sector. Progress has been made in the identification and cataloguing of suspected contaminated sites, however, the process of assessing the nature and level of contamination on these sites, and the consequent preparation and costing of a remediation plan, is technically challenging and time consuming. While reasonable estimates of the costs attributable to the Government are not yet available, the Government will continue to work toward the determination and recognition of environmental liabilities in accordance with generally accepted accounting principles.

## SUPPLEMENTARY STATEMENT

In the February 1991 Budget, the Government introduced measures aimed at improving its financial and economic position. These measures included proposals for a *Debt Servicing and Reduction Account Act*. On June 18, 1992, the Act was passed by Parliament with implementation for the 1991-92 fiscal year.

The *Debt Servicing and Reduction Account Act* calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending. Transactions in respect of this Act are reported in the following statement.

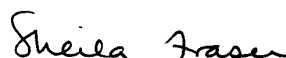
## REPORT OF THE AUDITOR GENERAL ON THE STATEMENT OF TRANSACTIONS OF THE DEBT SERVICING AND REDUCTION ACCOUNT

To the House of Commons:

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 2001. This financial statement is the responsibility of the Government of Canada. My responsibility, as required by section 9 of the *Debt Servicing and Reduction Account Act*, is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 2001 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada set out in Note 2 to the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I report that, in my opinion, these stated accounting policies have been applied on a basis consistent with that of the preceding year.



Sheila Fraser, FCA  
*Auditor General of Canada*

Ottawa, Canada  
July 23, 2001

# Debt Servicing and Reduction Account Statement of Transactions for the Year Ended March 31, 2001

(in thousands of dollars)

	2001	2000
Goods and services tax and harmonized sales tax received .....	60,853,241	56,382,962
Less: Refunds .....	27,958,411	25,740,951
Rebates .....	2,206,524	2,194,154
Amounts paid and accrued		
by ministries .....	1,022,110	1,011,290
Quarterly tax credits .....	2,901,708	2,846,993
Transfer of harmonized sales tax to provinces. ....	1,775,151	1,799,367
	35,863,904	33,592,755
Net goods and services tax. ....	24,989,337	22,790,207
Penalties and interest received		
for goods and services tax (net of interest paid) .....	119,083	103,648
Gain on wind-up of interest in Crown Corporations .....	36,402	
Gifts to the Crown .....	114	285
Proceeds credited to the Account .....	25,144,936	22,894,140
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3) .....	30,716,610	30,536,407
Less amount in excess of the Account's balance (Note 4) .....	5,571,674	7,642,267
	25,144,936	22,894,140
Account balance, end of year .....	NIL	NIL

The accompanying notes are an integral part of this statement.

## Notes to the Statement of Transactions of the Debt Servicing and Reduction Account

### 1. Authority and Objective

On June 18, 1992, the *Debt Servicing and Reduction Account Act* received Royal Assent. Section 8 of the Act requires that the *Public Accounts of Canada* for 1991-92 and each subsequent year contain a statement setting out the transactions in that year with respect to the Debt Servicing and Reduction Account (the Account).

On March 20, 1997, the *Debt Servicing and Reduction Account Act* was amended to reflect changes to the *Federal-Provincial Fiscal Arrangements Act* implementing Sales Tax Harmonization Agreements with concerned provinces, which became effective April 1, 1997.

The objective of the *Debt Servicing and Reduction Account Act* is to apply certain Government revenues against charges associated with the public debt. These revenues

include goods and services tax, certain gains on disposals of investments in Crown corporations, and gifts to the Crown. The transactions recorded in the Account have been paid into or charged against the Consolidated Revenue Fund, and the Account is consolidated in the financial statements of the Government.

### 2. Significant Accounting Policies

The significant accounting policies are based on the terms and conditions contained in the *Debt Servicing and Reduction Account Act*. These accounting policies are consistent with the accounting policies of the Government of Canada.

#### i. Goods and services tax (GST)

The Government generally reports the GST and the HST (harmonized sales tax) in the period in which they are received. GST and HST received are reported net of Input Tax Credits claimed by registrants.

Refunds and rebates are generally reported in the year in which they are paid and are reported net of GST and HST collected by registrants. GST quarterly tax credits are charged in the period to which they relate. Transfers of HST to concerned provinces are calculated in accordance with applicable agreements.

*ii. Other amounts credited to the Account*

Penalties and interest are generally reported in the period in which they are received. Gain on sale of shares in Crown corporations, gain on disposal of shares or interest on wind-up of Crown corporations and gifts to the Crown are recorded in the year in which the transactions or events that give rise to these revenues occur.

*iii. Public debt expenditures charged to the Account*

Public debt expenditures charged to the Account include costs incurred by the Government during the year in servicing, issuing, repayment, discharge or settlement of a debt, under the authority of a Borrowing Authority Act.

### 3. Public Debt Expenditures Chargeable to the Account

Public debt expenditures chargeable to the Account are calculated as follows:

	(in thousands of dollars)	
	2001	2000
Public debt charges . . . . .	42,094,509	41,647,288
Less: amounts unrelated to a Borrowing Authority Act—		
Interest on unmatured debt <sup>(1)</sup> . . . . .	360,597	400,153
Interest on pension and other accounts. . . . .	11,017,302	10,710,728
Public debt expenditures chargeable to the Account . . . . .	30,716,610	30,536,407

<sup>(1)</sup> Interest on unmatured debt is related to special non-marketable bonds held by the Canada Pension Plan Investment Fund and the Canada Pension Plan Account.

### 4. Amounts in Excess of the Account's Balance

Public debt expenditures charged to the Account exceed the amount available in the Account balance for these charges. Under these circumstances, only the amount necessary to bring the Account balance to nil is charged to the Account as required under section 6 of the *Debt Servicing and Reduction Account Act*.

### 5. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.



**SUPPLEMENTARY INFORMATION  
OBSERVATIONS OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA  
FOR THE YEAR ENDED MARCH 31, 2001**

**MAIN POINTS**

The purpose of these Observations is to explain in more detail the meaning of my report on the Financial Statements of the Government of Canada for the year ended March 31, 2001. The main points I discuss here are as follows:

*The Observations explain my Report on the Government's financial statements and my audit of them.*

- The balance in the Employment Insurance Account stood at \$36 billion on March 31, 2001, which is well in excess of \$15 billion, the maximum amount considered necessary by the Chief Actuary of Human Resources Development Canada. The Employment Insurance Commission did not provide an adequate justification for the size and rate of growth of the Account balance. Accordingly, I am unable to conclude that the intent of the *Employment Insurance Act* has been observed in setting the 2001 premium rates.
- In the past five years, the Government has recorded as expenditures some \$7 billion in transfers to various foundations it created to achieve its public policy objectives, even though most of the \$7 billion, including interest, is still in the foundations' bank accounts and investments. I am concerned that the Government's accounting policy for transfers does not adequately consider situations wherein the funds are not used for their ultimate intended purpose within the year or shortly thereafter. I am also very concerned about several accountability and governance issues with these foundations.
- I am concerned that the Government created and provided \$50 million in funding to a corporation to carry out a sustainable development technology initiative before Parliament had explicitly approved either the initiative or the funding.
- This is the final year that the Government will present its financial statements on a modified accrual basis of accounting. Beginning next year, it will prepare them on a full accrual basis. Departments are in the process of accumulating necessary information. This includes, for example, capital asset values, estimates of environmental obligations, accruals of taxes receivable, and accruals of liabilities for Aboriginal claims. This task for the Government's financial community is a challenging one and though departments are making progress, they still have much to do.

I believe strongly that the Government's financial statements, included in these Public Accounts, and the Annual Financial Report published separately by the Minister of Finance are extremely important accountability documents. They must be credible, understandable, useful, and timely. I will encourage the Government to present the economic substance of its activities and transactions in its financial statements. I will also bring Parliament's attention to any instances that come to my attention wherein the Government has deviated from accepted parliamentary process.

## THE OTHER MATTERS FOR PARLIAMENT'S ATTENTION INCLUDED IN MY AUDIT REPORT

### Compliance with the *Employment Insurance Act*

One of my roles as a legislative auditor is to review the Government's compliance with parliamentary authority to raise taxes and other revenues and to spend public money. Further details on this compliance aspect of my mandate are provided in the section of these Observations that describe the meaning of my report.

Employment Insurance premiums and benefits are included in the revenues and expenditures, respectively, reported in the Government's Statement of Revenues, Expenditures and Accumulated Deficit. Under the *Employment Insurance Act*, a separate accounting of these revenues and expenditures must be made. This is presented in the financial statements of the Employment Insurance Account, in Section 4 of this Volume.

The *Act* also requires that in setting premiums, the Employment Insurance Commission ensure, to the extent possible, that the rate levels provide enough funding to cover program costs and that they remain relatively stable throughout a business cycle. This provision of the *Act* was in effect for the Government's fiscal year ended March 31, 2001.

In my report on the Account's financial statements, I draw attention to the size and continued growth of the balance in the Account. It increased by about \$8 billion during the year and amounted to \$36 billion at March 31, 2001. That balance is well in excess of \$15 billion, the maximum amount considered necessary by the Chief Actuary of Human Resources Development Canada.

The Commission did not provide an adequate justification for the size and rate of growth of the Account balance. Therefore, in my report on the Account's financial statements, I stated that I was unable to conclude that the intent of the *Act* had been observed in setting the 2001 premium rates.

Recent amendments to the *Act* suspended the rate-setting requirements for 2002 and 2003. The Government has indicated that the requirements were suspended so that it could undertake a review of the premium-rate-setting process. Those amendments could preclude meaningful consultations with employees and employers, and Canadians generally, on the Employment Insurance premiums to be established for 2002 and 2003. I therefore encourage the Government to complete that review expeditiously to ensure the transparency of the rate-setting process.

*I have been unable to conclude that the Employment Insurance Commission has complied with the intent of the law in setting the 2001 premium rates.*

### Transfers to Foundations

*Background.* Since April, 1997 the Government has created at least nine significant organizations, or foundations, to carry out certain of its public policy objectives. Six of them were announced in 2000 alone. The Government has transferred some \$7 billion in cash to these foundations and has recorded the transfers as expenditures in the financial statements. At March 31, 2001, most of the \$7 billion, including interest, was still in the foundations' bank accounts and investments, yet to be distributed to the ultimate intended recipients or used for the ultimate intended purpose of this Government spending.

This growth in the number of foundations and the amount of public money entrusted to them is having an increasingly significant effect on the Government's financial statements. We have therefore looked closely at this situation in this year's audit and have further developed our views of the accounting followed for transfers to the foundations. Table 1 provides details on the foundations and the Government's transfers to them.

Foundation	Government Expenditures on Foundations Recorded in Fiscal Year Ended March 31						Table 1 Foundations' Cash and Investments
	1997	1998	1999	2000	2001	Total	March 31, 2001 <sup>1</sup>
	(\$ millions)						
Canada Foundation for Innovation <sup>4</sup>	800		200	900	1,250 <sup>2</sup>	3,150	3,041 <sup>2</sup>
Aboriginal Healing Foundation <sup>3</sup>		350				350	324
Canada Millennium Scholarship Foundation <sup>4</sup>		2,500				2,500	2,493
Canadian Foundation for Climate and Atmospheric Sciences <sup>3</sup>				60		60	62
Genome Canada <sup>3</sup>				160	140 <sup>2</sup>	300	306 <sup>2</sup>
Green Municipal Enabling Fund <sup>5</sup>				25		25	26
Green Municipal Investment Fund <sup>5</sup>				100		100	105
Foundation for Sustainable Development Technology in Canada <sup>3</sup>					100 <sup>2</sup>	100	100 <sup>2</sup>
Canada Health Infoway Inc. <sup>3</sup>					500	500	500
Total	800	2,850	200	1,245	1,990	7,085	6,957
Note:							
<ol style="list-style-type: none"> <li>1. These balances are at the date of the latest annual report where March 31, 2001 financial statements are not yet available. It is estimated that interest of \$0.6 billion was earned on the \$7.1 billion transferred, \$0.6 billion has been paid to ultimate recipients or used for the ultimate purpose, and \$0.1 billion has been paid in administration costs, leaving the balance of \$7.0 billion at March 31, 2001.</li> <li>2. The amount shown for 2001 was not actually received by the foundation at March 31, 2001. However, because it is reflected at that date as an account payable by the Government, we have reflected the amount as an asset of the foundation.</li> <li>3. The foundation was created under the <i>Canada Corporations Act</i>.</li> <li>4. The foundation was created under separate legislation.</li> <li>5. The fund is not a separate corporate entity; it is administered by an existing organization.</li> </ol>							

There are many delivery vehicles the Government could have chosen to achieve its objectives, including departments, special operating agencies, Crown corporations, existing private sector organizations that carry out similar activities, or these foundations. Government officials explained to me that the foundation vehicle was chosen for the following reasons:

- ◆ Because they are intended to be at arm's length from the Government, foundations can attract funding from the private sector.
- ◆ Funding agreements allow the foundations to operate independent of the day-to-day involvement of the Government, including its rules and regulations. In this way, they are expected to achieve greater efficiency, flexibility, citizen participation, and client satisfaction.
- ◆ The foundations have the freedom to take reasonable risks and adopt innovative ways of achieving, in a more cost-effective way, the Government's objectives for which they are responsible.

The Government has recorded transfers to the foundations as expenditures in its financial statements, and it has therefore been able to report a smaller surplus (or larger deficit) each fiscal year since 1996-1997. It is a clearly stated Government strategy that spending initiatives will be introduced only when the Government is reasonably certain that it has the necessary resources to do so, and the availability of resources does not become apparent until near the end of the fiscal year. This is an appropriate and prudent practice. But it has been suggested that

*The creation and funding of foundations should not be driven by a desire to achieve a particular accounting result.*

accounting rules are leading to the choice of the foundations – and their funding – as the delivery vehicle for those spending initiatives. In my view, decisions as to the vehicles to be used to deliver Government objectives and the amount and timing of their funding should be based on sound economic and policy analysis; they should not be based on the goal of achieving a desired accounting result such as reducing the reported annual surplus. In other words, decisions as to whether an initiative is affordable and how to account for it are quite distinct and should be made on different bases.

In order to record the transfers as an expenditure in the fiscal year, the legislation to create the foundations or to provide additional funding to existing foundations must receive royal assent in the year, or early in the next fiscal year. For such foundations as the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation, an announcement was made in the February Budget; legislation was introduced in March or April; and royal assent was granted before Parliament recessed in mid-June for the summer.

In cases where the Government did not use legislation, it sometimes was instrumental in creating a not-for-profit corporation under the *Canada Corporations Act*. Funds were transferred to the corporation as soon as it had been created. This removed from the controls required under the *Financial Administration Act* public money that will not be received by the ultimate intended recipients or used for the ultimate intended purpose for years to come. For such corporations as the Foundation for Sustainable Development Technology in Canada and Canada Health Infoway Inc., a limited group of directors had signing authority over millions of dollars of taxpayer-funded investments before a full board of directors was established and operating. While the use of the funds is subject to a detailed funding agreement between the Government and the newly created corporation – including a clause that prohibits the funding of projects until a full board is established – we noted that if the corporation were dissolved for some reason, its remaining assets would be liquidated. They would not be returned to the Government, but would be distributed to prior recipients of funding or to organizations with similar objectives.

***Accountability and governance of the foundations.*** In Chapter 23 of our November 1999 Report, we recognized that the foundations have potential benefits. We were told of the competence, dedication, and sense of public service exhibited by those then involved in managing the foundations. However, we noted that while enthusiasm, client good will, and the determination of foundation appointees to gain public confidence and to make the foundations succeed might offset weak accountability and governance structures in the short term, alone they were not enough to ensure long-term success.

Many of the foundations we examined had been put together in an ad hoc way that placed accountability to Parliament at risk unnecessarily. We noted that Parliament had limited means – in some cases, no means – of holding the Government to account for the federal functions the foundations performed or the federal objectives they were to achieve. Since Treasury Board Secretariat (TBS) had not tracked or evaluated trends, successes, or issues emerging from the establishment of the foundations, we recommended that it assess the appropriateness of the use of the foundations, what they had cost, and how effective or responsive they had been. I plan to publish a report on the progress made since that time in my April 2002 Report.

I am concerned that these huge amounts of public money are provided up front to foundations when there is such limited assurance of proper controls and accountability and the funds are not to be spent by them for years and years to come. Government officials explained to me that providing up-front funding – together with iron-clad agreements that even in the event of dissolution, any remaining funds held by the foundations would not be returned to the Government – demonstrates to the foundations and its partners that no matter what happens, the funding for these initiatives will be there. And it will not be subject to changes in the objectives of future governments.

*The practice of funding foundations years before they need the money, as well as the accountability arrangements for them, deserve a thorough debate in Parliament.*

In my view, this limits the flexibility of future parliaments and governments to respond to changing circumstances and priorities. The up-front funding of – and accountability arrangements for – foundations therefore deserve a thorough debate in Parliament before any further public money is transferred to them.

**Accounting for transfers to the Foundations.** I believe that the basis of accounting used by the Government did not envision these transfers to the foundations. The recognition of transfers as expenditures was based on the fact that funds spent in a given year had been received by the ultimate intended recipient or used for the ultimate intended purpose in that year, or shortly thereafter. In fact, TBS's own policy on transfer payments indicates that payments should not be made in advance of need. However, it should be noted that this policy also provides for exceptions, subject to approval by the Treasury Board – and such approval was granted for the transfers to the foundations.

*Accounting for transfers to the foundations does not reflect the economic substance of Government spending.*

The ultimate intended purpose of the \$7 billion in Government initiatives is to encourage innovation, help with the costs of post-secondary education, and so on, by providing grants to qualified recipients in the most effective way. The actual payment of those grants to the intended recipients is the real economic event that takes place, not the transfer to the distribution agent. Consequently, economic substance would be better presented in the Government's financial statements by recording expenditures in the years the grants are provided by the conduit foundations to the ultimate intended recipients, or used by the foundations directly for the government's ultimate intended purposes.

And, in fact, TBS requires this of departments, stating that their "financial statements should present the economic substance of transactions and events even though their legal form may suggest a different treatment"<sup>1</sup>.

In the National Accounts, transfers between the Government and the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation are considered intragovernmental transfers. Cash transfers are accounted for as expenditures only when disbursed to the ultimate intended recipients by those foundations.

Further, I question whether, in substance, some of these foundations are truly at "arm's length" from the Government given the following considerations<sup>2</sup>:

- Most foundations are legally obliged to achieve Government policy objectives as their prime mandate.
- The chairperson and a minority of the board of directors are, in many cases, appointed by the Government (in some cases, though, the minority is a slim one - 7 of 15 directors). There is significant Government influence in the appointment of the remaining directors.
- In some cases, the Government created the foundations through its own legislation and all or most of their funding comes solely from the Government.
- The legislation often prescribes things like the location of the foundations' head office, prohibitions on borrowing money and application of an official languages policy to the foundations as though they were federal institutions.
- In some foundations not created by legislation, the Government selects the initial board members and drafts the foundations' letters patent and by-laws; changes to those by-laws must be approved by the Government.

<sup>1</sup> Paragraph 2.6 of the TBS Financial Information Strategy Accounting Manual.

<sup>2</sup> It should be noted that while some of these considerations apply variously to other grants and contributions programs, it is their collective applicability to the foundations that raises questions about the arm's-length relationship.

- In most cases, detailed funding agreements between the Government and the foundations establish what criteria the foundations must use for support to recipients, how the funds are to be invested, and how any remaining funds are to be distributed in the event of dissolution.
- In many cases, there is a clear Government presence in the promotion and marketing of significant grants made to recipients.

**Summary and conclusion.** I have raised several concerns that are summarized below:

1. Creation of some foundations and additional funding to existing ones requires approval by Parliament before the Government's financial statements are finalized to achieve a desired accounting result.
2. Public money is sometimes put at undue risk because it is transferred to the foundations years in advance of need, contrary to the Government's policy for most transfer payments.
3. In most cases, were a foundation to be dissolved for some reason, any remaining funds would not return to the Government.
4. Parliament has limited means of holding the Government or the foundations accountable for the federal functions they are to achieve.
5. This new vehicle for achieving Government objectives limits the flexibility of future governments and parliaments to respond to changing circumstances and priorities.
6. The accounting for transfers to the foundations does not present the economic substance of Government spending.
7. Summary-level information on the Government's activities as they relate to some of the foundations is presented inconsistently between the National Accounts and the Public Accounts.
8. Although many of the foundations are intended to be at arm's length from the Government, it is questionable whether they actually are.

Because of these concerns, I seriously considered whether I would qualify my opinion on the Government's financial statements or draw Parliament's attention to this serious matter in a separate paragraph of my report. I have chosen the latter option.

I cannot state unequivocally that the Government has not complied with objective accounting standards established by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB). Objective accounting standards promulgated by PSAB cannot anticipate all the new things governments will do, and the Government's own stated accounting policies allow it the latitude to record these transfers as expenditures of the year in which the foundations were announced. However, PSAB does recommend that financial statements be prepared to present the substance of transactions and events.

In light of questions and concerns raised about the accounting by governments in Canada for transactions such as those involving the foundations, PSAB has initiated two projects to clarify accounting standards in these areas. The Government should closely monitor progress on these two projects, due to the amount of public money involved with the foundations and the resultant distorting effects of its current accounting policies.

I urge the Government to change its policies as they relate to the foundations in next year's financial statements to properly account for the substance of these transactions. This change

***The Government should present the substance of transfers to the foundations in its 2002 financial statements that will be prepared on a full accrual basis of accounting.***

should be consistent with other changes to introduce accrual accounting next year. As noted later in these Observations, accrual accounting will present the use of resources by the Government in its financial statements rather than the current presentation of the cash used to acquire resources. The change I am suggesting goes hand in hand with the move to accrual accounting.

The change I am suggesting for the foundations can also be made in accordance with existing PSAB standards. Naturally, the change would be re-visited at the time PSAB completes its work. However, because the change introduced by the Government would reflect the underlying economic substance of transactions with the foundations, it is unlikely further material modifications to accounting policies would be necessary.

## MATTERS REQUIRING ATTENTION THAT ARE NOT INCLUDED IN MY AUDIT REPORT

### The Canada Foundation for Sustainable Development Technology<sup>3</sup>

*I have serious concerns with the events surrounding a \$100 million grant to the Canada Foundation for Sustainable Development Technology.*

**Background.** Included in “other transfer payments” on the Statement of Revenues, Expenditures and Accumulated Deficit is a \$100 million transfer payment to the Foundation for Sustainable Development Technology in Canada<sup>4</sup>. An equivalent amount is included in accounts payable and accrued liabilities on the Statement of Assets and Liabilities.

On May 29, 2001 I was asked to appear before the Standing Senate Committee on Energy, the Environment and Natural Resources to discuss Bill C-4, introduced to establish the Foundation. In my opening statement to the Committee, I expressed concern about the process followed in the transfer of \$100 million to fund this initiative. I stated that my Office had not yet audited the transfer; our eventual audit would cover whether appropriate authority for this transfer was in place at the time it was made and whether the transfer was accounted for properly. I did not question, however, the fact that the ministers of both Natural Resources and Environment have the authority to undertake this type of activity under existing programs through the *Energy Efficiency Act* and the *Department of Environment Act*.

In my audit of the Government’s financial statements, I have now examined this transaction. At the date of completing these Observations, \$50 million of the \$100 million account payable had actually been paid to the Corporation. Assuming, in the normal course of expected events, the ultimate completion of the Supplementary Estimates process and the resulting *Appropriation Act* for 2001-2002, I have found that the legal interpretation of the authority used for those payments is acceptable. I have found that the \$100 million transaction was accounted for as a liability and expenditure in accordance with the stated accounting policies of the Government of Canada, as set out in Note 1 to the financial statements. However, my audit of this transaction raised several concerns that I would like to bring to Parliament’s attention.

3 In these Observations, the Canada Foundation for Sustainable Development and Technology — established by Bill C-4 — is referred to as “the Foundation”. The Foundation for Sustainable Development Technology in Canada — established under the *Canada Corporations Act* — is referred to as “the Corporation”.

4 Ibid.

**The process used to create the Foundation.** Table 2 shows a chronology of the events related to the Foundation.

<b>Canada Foundation for Sustainable Development Technology Chronology of events</b>		<b>Table 2</b>
<b>Date</b>	<b>Event</b>	
February 28, 2000	The Sustainable Development Technology Fund was proposed in the February 2000 Budget.	
October 4, 2000	Bill C-46 to create the Foundation was introduced but died on the order paper due to the election call.	
February 2, 2001	Bill C-4 was given first reading in the House of Commons. The Bill proposed the creation of the Canada Foundation for Sustainable Development Technology and proposed that any corporation incorporated under Part II of the <i>Canada Corporations Act</i> , continue as the Foundation.	
March 8, 2001	A not-for-profit corporation named the Foundation for Sustainable Development Technology in Canada was established by four Canadian citizens under Part II of the <i>Canada Corporations Act</i> .	
March 26, 2001	A funding agreement was signed between the Government and the Corporation. The funding agreement sets out the duties of the Corporation, the determination of eligible recipients of funding, and the criteria for selection of projects, as well as other governance matters.	
March 31, 2001	The Government's fiscal year ended. Bill C-4 had passed second reading, and third reading debate commenced in the House of Commons on April 5, 2001.	
April 9, 2001	\$25 million was paid to the Corporation by Natural Resources Canada.	
April 11, 2001	\$25 million was paid to the Corporation by Environment Canada.	
June 14, 2001	Bill C-4 was given royal assent as the <i>Canada Foundation for Sustainable Development Technology Act</i> . It is anticipated that this Fall, the Corporation will cease to exist and the entity will continue as the Foundation.	

The Corporation created by four Canadian citizens – and not the Foundation proposed in the Bill - would have been able to carry out the Government's objectives as outlined in the February 2000 Budget even if Bill C-4 had not received royal assent. The Senate Committee reacted very strongly to this as well as to the process used by the Government to create the Foundation. Appended to its Report to the Senate at Third Reading of the Bill was the following statement:

“The actions of the Government of Canada in creating a private sector corporation as a stand-in for the Foundation now proposed in Bill C-4, and the depositing of \$100 million of taxpayers' money with that corporation, without the prior approval of Parliament, is an affront to members of both Houses of Parliament. The Committee requests that the Speaker of the Senate notify the Speaker of the House of Commons of the dismay and concern of the Senate with this circumvention of the parliamentary process.”

This statement was the subject of a motion that was discussed in the Senate until the beginning of the summer adjournment. Further debate on the motion was adjourned until September 2001, when the Senate would reconvene.

***The responsible Senate Committee reported that the Government's actions were: “...an affront to members of both Houses of Parliament... [and a] circumvention of the parliamentary process”.***



The four Canadian citizens who created the Corporation had signing authority, for several months, over a corporate bank account that received an initial investment of \$50 million in public money before Parliament had approved either the transfer or the sustainable development technology initiative. It should also be noted that the funding agreement between the Government and the Corporation – as well as the Corporation's letters patent – provides that in the event of dissolution or winding-up of the Corporation, its remaining assets will not return to the Government. They would be distributed to recipients of prior funding that are still carrying on sustainable development technology projects.

As I stated earlier in these Observations, while the funding agreement prohibits the funding of projects before a full board of directors is established, this \$50 million of public money is not subject to the controls of the *Financial Administration Act*. I have also been unable to discover why it was necessary to make, in advance of parliamentary approval of Bill C-4, such a large transfer of funds to the Corporation to enable it to set up its offices and committees and to hire staff. In my view, a much smaller amount would have been sufficient.

I emphasize that my comments are not directed at these four individuals and in no way reflect on their honesty and integrity.

***A spending authority for minor and unforeseen expenses was used to pay \$50 million to the Corporation.***

***The authorities used to fund the Foundation.*** Table 3 provides an analysis of the authorities used – and that will be used - to pay the \$100 million to the Corporation and the Foundation. I have concluded, provisionally, that Environment Canada and Natural Resources Canada made the two \$25 million payments in April 2001, using an acceptable legal interpretation of parliamentary authorities. My conclusion is provisional on the assumption that Parliament will approve the Supplementary Estimates, as described in Table 3.

<b><i>Canada Foundation for Sustainable Development Technology Authorities Used</i></b>		<b><i>Table 3</i></b>
<b>Date</b>	<b>Event</b>	
March 22, 2001	A temporary transfer of \$25 million is approved by Treasury Board to Vote 10 of each of Environment Canada and Natural Resources Canada from Treasury Board Vote 5, the Government Contingencies Vote.	
March 30, 2001	<i>Appropriation Act # 1</i> receives royal assent, providing interim supply to the Government.	
April 5, 2001	A Treasury Board Decision letter is sent to each department authorizing the \$25 million transfer to its Vote 10, from Treasury Board Vote 5.	
April 9, 2001	\$25 million is paid to the Corporation and charged to Natural Resources Canada Vote 10.	
April 11, 2001	\$25 million is paid to the Corporation and charged to Environment Canada Vote 10.	
June 14, 2001	<i>Appropriation Act #2</i> receives royal assent, providing Environment Canada with 2001-2002 spending authority for Vote 10 in the amount of \$2.85 million for the "grants listed in the Estimates...." and providing Natural Resources Canada with 2001-2002 spending authority for Vote 10 in the amount of \$0.6 million for the "grants listed in the Estimates...."	

December, 2001 (This is a projection as anticipated by TBS.)	<i>Appropriation Act #3</i> (the actual number will depend on the number of supplementary estimates required by the Government for 2001-2002) is expected to receive royal assent and to provide supplementary spending authority of \$50 million to Vote 10 of each of Environment Canada and Natural Resources Canada. The full amount for the Canada Foundation for Sustainable Development Technology is expected to be listed separately in the grants section for these two departments. Upon approval, Treasury Board Vote 5 is expected to be replenished for the \$25 million advanced to each of these two departmental votes in April 2001.
January, 2002 (after <i>Appropriation Act # 3</i> has received royal assent)	\$25 million is expected to be paid to the Foundation by each of Natural Resources Canada and Environment Canada and charged to the Vote 10 of each.

The Government Contingencies Vote authorizes the Government to “supplement other appropriations for payroll and other requirements and to provide for miscellaneous minor and unforeseen expenses not otherwise provided for ...”<sup>5</sup>. It is likely that Parliament will approve the Supplementary Estimates, retroactively authorizing the two \$25 million payments to the Corporation and the replenishment of the Government Contingencies Vote. However, I question whether it was appropriate for the Government to use a general contingency vote to provide \$50 million in temporary authority so the departments could make the grant payments to the Corporation, all before Bill C-4 received royal assent.

The Government Contingencies Vote has been used in the past to supplement other departmental grants and contributions votes. And in the Supplementary Estimates, the Government discloses in detail how Vote 5 was used. However, given the recent phenomenon of creating foundations, as I described earlier, and the size of the transfers, it may be appropriate that the practice of making significant grants under temporary authority from Vote 5 be reviewed.

I also question Government statements that the Corporation had to be established and the funds transferred to it quickly or the spending authority for the initiative would lapse. Parliament had not granted any spending authority for 2000-2001; therefore, there was no spending authority to lapse.

Finally, should Parliament not approve the Supplementary Estimates and thereby not give retroactive approval of the spending authority for the \$50 million already paid to the Corporation, my reading of Vote 10 for both Environment Canada and Natural Resources Canada leads me to conclude that these two \$25 million payments could not be charged to that Vote. This is because the grants to the Corporation do not fit within any of the classes of grants currently described in the Estimates of those departments. In addition, significant grants that are not part of a class of grants and contributions programs are required to be listed separately in Estimates documents. These two \$25 million grants are significant and are non-recurring transfers that are not part of an existing grants and contributions program of either Environment Canada or Natural Resources Canada.

So, should Parliament not approve the Supplementary Estimates, the Government would be required to seek the return of the \$50 million from the Corporation, since no money may be paid out of the Consolidated Revenue Fund without the authority of Parliament. At the same time, the Government is bound by the terms of the funding agreement with the Corporation. Any action to recover the funds would put the Government in breach of that agreement.

***Parliament will not explicitly authorize the spending authority used for the first \$50 million in payments to the Corporation until December 2001, when the next 2001-2002 Supplementary Estimates are normally approved.***

In my view, should Parliament not approve the Supplementary Estimates, other expenditures under more generally worded votes that received a transfer of spending authority from Vote 5 would not be in violation of those Votes' wording.

**Conclusion.** In conclusion, I find this series of transactions very troubling. The Senate Committee stated that traditional parliamentary process has been circumvented by the creation of this not-for-profit corporation. The transfer of a large sum of public money – much larger than in my view was necessary – to the Corporation before Parliament had approved either the initiative or the funding, was inappropriate. Furthermore, I can determine no compelling reason for the haste in which this occurred. While the Government obviously attempted to carry out this initiative before the fiscal year ended, I can only presume that it went through an unusual series of events around March 31, 2001 simply to achieve a desired accounting result. In its desire to record the expenditure in the 2000-2001 fiscal year, the Government did the following to legitimize this accounting entry:

1. Worked with four Canadians to ensure that a Corporation existed at March 31, 2001 to which a liability could be recorded.
2. Signed a funding agreement with the Corporation in the last week of the fiscal year to demonstrate its commitment to pay the \$100 million.
3. Paid \$50 million to the Corporation as early as possible in the new fiscal year, notwithstanding that Parliament had not yet explicitly approved either the initiative itself or its funding.

I certainly hope that in the rest of my tenure as Auditor General of Canada, I will not see another such series of events carried out to achieve a desired accounting result.

#### **The Financial Information Strategy (FIS): The move to full accrual accounting**

For a number of years, the Government has been implementing FIS, which has three components: the implementation of new financial systems; the adoption of full accrual accounting; and the provision of improved financial information to managers. My Office continues to fully support this important initiative.

My Office's work to date indicates that while the Government has made significant progress, it needs to do further work to fully meet its objectives for FIS. In my December 2001 Report, I will discuss the Government's progress in implementing the new financial systems and providing improved financial information. Here, in these Observations, I will focus solely on the adoption of full accrual accounting.

This will be the last year that the Government will prepare its financial statements on a modified accrual accounting basis. Beginning in 2001-2002, it will move to full accrual accounting in accordance with the recommendations of PSAB. It should be noted that the 2000-2001 amounts shown for comparison in next year's financial statements will not change from those reported in this Section of *Public Accounts* Volume I, except the restatement of the Accumulated Deficit for the opening impact of the accounting policy changes.

The move to full accrual accounting means that for the first time, the Government's financial statements will include tangible capital assets, assets for purchased or developed software, environmental liabilities, taxes receivable, prepaid expenses, and revised methods of accounting for Aboriginal claims. These amount to tens of billions of dollars of assets and

*The financial statements that will appear in next year's Public Accounts will be fundamentally different; they will be based on full accrual accounting principles.*

liabilities not previously valued and recorded on the Government's audited financial statements. More changes, such as recording inventories and changing the accounting policy for employees future benefits, will be implemented in 2002-2003.

I caution readers that the following discussion is not based on any detailed audit work performed by my Office. In this year's audit, we concentrated on the 2000-2001 financial statements and had conversations with departments only about their progress toward the move to full accrual accounting. Now that the 2000-2001 audit is completed, we will begin our audit of the information departments are capturing for full accrual accounting.

The Government has made significant progress in issuing policy guidance over the past year. TBS has issued Accounting Standards (TBAS) and an Accounting Manual with examples of the kinds of accounting entries that will be required. The Assistant Comptroller General's accounting policy committee, which includes representatives from Finance, TBS, and my Office, meets regularly to review progress. Based on my discussions with departments, however, they still have a significant amount of work to do to be ready for my audit of the accrual accounting balances at April 1, 2001, which will begin immediately, and my audit of the accrual accounting balances at March 31, 2002 which will begin next year.

As we have noted in previous Report chapters on FIS, departmental finance staff will be under severe pressure during this time. They have their normal functions to fulfil, such as getting government payments out, depositing and accounting for public money received, and the myriad others asked of them. But in addition, many of them are dealing with the trials and tribulations of implementing new and complex accrual accounting systems. On top of all this comes full accrual accounting and my audit of it; the financial community in the Government has generally not had to deal, until now, with the complexities of accrual accounting. TBS recognizes this and is attempting to strengthen the financial community and its understanding of accrual accounting, but it will take time for that community to be comfortable with this fundamental change.

While the move to full accrual accounting will affect all Government departments and agencies, some of them are more crucial to its successful implementation. In next year's audit, I will pay particular attention to the more significant accrual accounting balances described below.

**Tangible capital assets.** In this year's audit, my Office conducted an initial review of departments' readiness to record tangible capital assets. This review and our ongoing consultations indicate that the Government has done a significant amount of work in this area. Many departments have chosen to rely on the Book Value Calculator developed by the Chief Appraiser of Public Works and Government Services Canada, and we have agreed that this is a reasonable approach. While we have not yet begun our audit, we note that some significant challenges remain. At this writing, for example, National Defence has not yet fully determined its opening balances, but departmental officials had assured me that this work would be completed by the fall. Further, discussions with officials in certain departments indicated that the implementation of the policy on capitalization of software was proving to be a challenge.

**Environmental liabilities.** Departments have been reporting some of their environmental liabilities to TBS for several years now, in accordance with the draft Policy on Accounting for Costs and Liabilities Related to Contaminated Sites. Preliminary inquiries in a small sample of departments indicate that progress is being made in assessing identified contaminated sites. In addition, the Government initiated the Federal Contaminated Sites Assessment Initiative to help departments estimate the liabilities associated with contaminated sites. A report by TBS

*All departments and agencies have a lot of work to do to achieve the objective of implementing full accrual accounting.*

on the initiative anticipates that the Government will be able to make a reasonable estimate of the total liability based on the contaminated sites assessed, but that it will not be possible to develop this estimate until March 31, 2002. Given the challenge inherent in arriving at this estimate, I emphasize the importance of assessing enough sites to allow for a suitable estimate of the liability in time for the 2001-2002 deadline.

**Accrual of tax revenue.** Accrual accounting for tax revenue represents a fundamental change for the Government, from the cash basis of accounting it now uses to a method based, to the extent that it is possible, on assessments. This change is a significant challenge for the Canada Customs and Revenue Agency (CCRA). It has a small team responsible for the implementation of accrual accounting for tax revenue. The team works under the direction of a steering committee of officials from CCRA, the Department of Finance, and TBS. My officials work closely with these committee members. The CCRA team has made a lot of progress but still has much to do. The process it is currently using to apply the accrual methodology is a mostly manual one, and this has made it difficult for the team to meet various target objectives and dates.

**Aboriginal claims.** The move to accrual accounting for contingent liabilities will mean a change in how the Government records its liability for Aboriginal claims. The change will affect the amounts recorded for comprehensive claims, for claims being pursued through the courts, and for claims being pursued through Indian and Northern Affairs Canada (INAC). In previous observations, my Office has expressed concerns about INAC's ability to meet the 2001-2002 deadline for quantifying these liabilities. The Department has made progress during the current year but still has further work to meet the 2001-2002 deadline.

#### **Departmental financial statements**

As part of its FIS and modern comptrollership initiatives, the Government is moving forward with developing departmental financial statements. The TBAS for Departmental and Agency Financial Statements governs how they are to be prepared.

Under that TBAS, departments and agencies as defined in section 2 of the *Financial Administration Act* will be required to produce annual financial statements for the year ending March 31, 2002. This applies to some 90 departments and agencies.

Under the TBAS, departments will not record certain significant liabilities and costs - for instance, their environmental liabilities; allowances for loans, investments, and advances; employee termination benefits; contingent liabilities; and services provided by other departments without charge. In my view, without these liabilities, costs, and asset valuation allowances, the proposed departmental financial statements will not provide reliable information on departments' program costs or on their financial position.

Further, while the TBAS calls for departments to include their financial statements in their departmental performance reports, TBS has decided not to require them in the reports for 2001-2002. Given my concerns about the reliability of departmental financial statements were the TBAS in its present form to be applied, I concur with the decision to defer publishing the statements until these issues are resolved.

In my view, producing departmental financial statements that are auditable and present fairly the departments' financial position, results of operations, and cash flows is an important goal. Published financial statements should be meaningful to readers and should not provide misleading information. TBS and departments still need to do a significant amount of work to realize that goal fully.

***The TBS policy on departmental financial statements needs to be revised before the statements are published as a reliable source of accountability information.***

### Previous years' observations not yet resolved

Table 4 provides a summary of previous years' observations that have not yet been resolved. The foregoing has addressed the matters related to full accrual accounting that were raised in previous years and they are therefore not included in the table.

<i>Previous years' observations not yet resolved</i>			<i>Table 4</i>
Observation	Year raised	Description of issue	
Offsetting Child Tax Benefit disbursements against revenues – "netting"	1992, 1994, 1999, 2000	The Government has offset disbursements under the Canada Child Tax Benefit program against personal income tax revenues. In the financial statements, the disbursements are shown on both a gross and a net basis. However, these disbursements are more properly classified as program spending and should only be reported on a gross basis.	
Statement of Transactions of the Debt Servicing and Reduction Account	1997, 1999, 2000	The Debt Servicing and Reduction Account applies specific revenues against charges associated with public debt. However, the very nature of the Consolidated Revenue Fund ensures that all revenues are deposited into it and all expenditures coming from it are authorized by Parliament. As a result, there is no need to issue a separate audited statement; disclosure in notes to the statements would suffice. Also, the accrual basis of accounting for tax revenue will require a significant amount of effort in the CCRA, because the <i>Debt Servicing and Reduction Account Act</i> requires that the Account's financial statements be prepared on a cash basis.	
Simplified and useful financial statements	1999, 2000	The Annual Financial Report should be revised so that it is more useful and understandable to a wider variety of users.	
Dictating accounting treatment in legislation	2000	The legislation in 1999 and 2000 authorizing the CHST Supplement in those years contained wording that appeared to dictate the accounting treatment to be followed.	

### MY AUDIT REPORT EXPLAINED

This section of my Observations discusses the messages that I convey in my audit report, how I arrive at the audit opinion included in my report, and what my audit provides and does not provide. I have structured my report to highlight key messages. This year, my report contains three main sections.

#### The audit opinion in my report

Normally, my audit opinion consists of three paragraphs, and an additional paragraph of explanation when I reserve my opinion.

**My responsibility.** The introductory paragraph of my opinion lists the financial statements it covers. It is important to note that my audit opinion covers only the financial statements and related notes contained in Section 1 of Volume I of the *Public Accounts of Canada*. It does not extend to the more detailed information presented in other sections of Volume I, or to Volume II.

*The Government's responsibility for the financial statements includes fully explaining them to the Public Accounts Committee.*

The introductory paragraph concludes by confirming that the financial statements are the responsibility of the Government, and that my responsibility is to form an opinion on the financial statements as required by section 6 of the *Auditor General Act*. My audit responsibilities are explained, but what are - or should be - the Government's responsibilities?

At the beginning of Section 1 of Public Accounts Volume I is the Statement of Responsibility signed by the three deputy ministers responsible for the Public Accounts. The Statement gives a good summary of their roles, but those roles go much further. These officials must be able to fully explain the important messages in the financial statements. They must be able to explain why the numbers have changed from one year to the next. And they must be able to explain any variances from the Budget and the Estimates that have previously been provided to Parliament and Canadians. These explanations should be made to Parliament through the House of Commons Standing Committee on Public Accounts. The Committee should have the opportunity to hear these explanations, and to understand the story the financial statements tell and the significance of the messages in my report and the Observations.

***The scope of my audit.*** In the second paragraph of my opinion, I state that my audit of the Government's financial statements has been conducted according to Canadian generally accepted auditing standards prescribed by the Canadian Institute of Chartered Accountants. (I follow those standards to ensure that my audit is conducted with appropriate rigour and professionalism.) I indicate in the same paragraph that I perform my audit procedures to assess whether the financial statements are free of material misstatement.

I further explain that my audit includes assessing the reasonableness of significant estimates made by the Government. There is a good deal of judgment required in preparing and auditing financial statements of an entity the size of the Government of Canada. Many of the significant amounts reported in the financial statements, such as allowances for the valuation of various assets and liabilities, are estimates made by the Government. When considering whether misstatements exist in these estimates, I determine for each estimate a range of values that I believe would be reasonable. If the Government's estimate falls within that range, I conclude that the estimate is reasonable.

Finally, in the scope paragraph, I note that my audit includes assessing the Government's accounting policies and evaluating the overall presentation of the financial statements. To make that assessment, I must base my judgments on independent standards. The standards that I continue to use are those recommended by PSAB. The Government's stated accounting policies are based on those recommendations, and my opinion, in turn, is expressed in terms of those stated accounting policies.

***My opinion.*** My opinion is not a statement of fact; it expresses my professional judgment. The opinion paragraph states my conclusions as to whether the financial statements present information fairly in accordance with the Government's stated accounting policies, and whether those policies were applied on the same basis as in the preceding year.

My opinion on each of these aspects of the Government's financial statements for 2001 does not include any reservations. Readers are therefore entitled to conclude that the amounts shown in the financial statements are fairly stated within the limits of materiality in accordance with the Government's stated accounting policies set out in Note 1 to the financial statements. Readers may also conclude that the accounting policies used by the Government to prepare the financial statements are the same policies as were used last year.

***Although my opinion on the financial statements is free of reservations, I have underscored two serious concerns in my audit report.***

### **Other matters in my report**

In the “other matters” section of my report, I raise important issues that concerned me during my audit and that I want to bring to Parliament’s attention. The issues I have raised this year are not reservations of my opinion; the financial statements of the Government of Canada are presented fairly in accordance with its stated accounting policies. In my view, however, these other matters are of such importance to Parliament, other readers and to the future financial reporting of the Government that they warrant direct mention in my report. This is the first time an Auditor General has ever included such matters in an audit report on the Government’s summary financial statements. A more detailed discussion of these issues was provided earlier in these Observations.

### **Additional information in my report**

It is often difficult in a short-form audit report to summarize the rationale and circumstances behind a reservation or other matter. My report therefore refers readers to these Observations for additional information.

### **How I arrive at my opinion**

Before beginning my audit, I make a judgment based on the Government’s total expenditures, as to what dollar magnitude (materiality) of misstatements in the financial statements would change or influence the decision of a person who relied on them and had reasonable knowledge of the Government and its activities. That dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. For this year’s audit, I set materiality at approximately one half of one percent of total gross expenditures of \$175 billion.

To be in a position to render my audit opinion, Canadian generally accepted auditing standards require that I have reasonable assurance that my audit will reveal any misstatements aggregating to more than my predetermined level of materiality. In planning my audit, I accept some small amount of risk that my audit procedures will fail to detect whether the financial statements are materially misstated. I accept this minimal risk because it is cost-effective to do so. In conducting my audit, however, I perform specific audit procedures that reduce this risk to a level I consider acceptable. These procedures include, for example, testing a sample of transactions and account balances, performing analyses, confirming year-end balances with third parties, and reviewing significant internal controls as necessary.

If I conclude, after completing these audit procedures, that in the aggregate the financial statements are free of material misstatement, I report that the information is presented fairly. If I conclude that the statements contain material misstatements but the overall usefulness of the statements is not impaired, I describe the nature and extent of my concerns. I then go on to say that information is presented fairly except for the issues noted in my reservations.

Matters that come to my attention during the audit that are significant but do not result in a reservation of my opinion are raised in my report as other matters.

Finally, in all of my audit work on these financial statements, I also take account of the basic requirement that the Government comply with parliamentary authorities to spend, borrow, and raise revenues.



*My audit of these financial statements does not address all value for money issues including authority and control matters; my periodic Reports to Parliament should be reviewed for those.*

### **What my audit report provides and does not provide**

To summarize, my report on the Government's financial statements provides my opinion on whether they present information fairly. It sets out any other matter I believe should be brought to Parliament's attention. An auditor's report enhances the credibility of reported financial results or, in some cases, may alert readers to problems or issues in the financial statements that need to be resolved. In describing what my report provides to readers, however, it is important to highlight what it does not do. It does not address the issue of the economical, efficient and effective use of resources by the Government; that aspect of our work is separate from our audit of the Government's financial statements.

Furthermore, my audit of the Government's financial statements is neither extensive enough nor specifically designed to provide assurance as to the integrity of each of the Government's many and varied systems of internal control, nor as to its compliance with the spending limits on each of its several hundred individual appropriations. My Office conducts additional work in each of these areas on a cyclical basis in departments and Crown corporations. I consider the results of all of that work in developing my report on the Government's financial statements. If the work has identified issues that I believe are significant to the users of the financial statements, I will mention them in my report as other matters, or in my Observations, as I did this year.

Finally, my audit of the Government's financial statements is not designed to, and my report does not, provide assurance that all the transactions of the Government are in compliance with laws and regulations. In previous reports to the House of Commons, my Office has reported different cases of non-compliance with authorities. We continue to audit compliance, and I will report to Parliament any significant cases of non-compliance that come to my attention.

### **CONCLUSION**

*Two of my priorities are to ensure that the Government's financial statements are credible and reflect the economic substance of transactions and events, and to speak out if I see any instances of actions that erode Parliament's control over the Government.*

I believe strongly that the Government's financial statements, included in these *Public Accounts*, and the *Annual Financial Report* published separately by the Minister of Finance are extremely important accountability documents. They must be credible, understandable, useful, and timely. My predecessor said this continually and I subscribe fully to that ideal.

One of my priorities during my term as Auditor General will be to encourage the Government to present in its financial statements the economic substance of transactions and events. Although I am not their auditor, I will continue to watch closely the nine foundations noted in these Observations - and any new foundations created in the future by the Government - to ensure that they are reflected properly in the Government's financial statements.

Another of my priorities as Parliament's auditor will be to report any deviations from accepted parliamentary process that come to my attention and that could result in the erosion of Parliament's control over the Government. I will raise such issues in my Observations and my periodic Reports.

Finally, I will continue to monitor the Government's FIS closely, including its efforts to prepare its financial statements on a full accrual basis of accounting in accordance with the recommendations of PSAB.

In all of this, I will work closely with the House of Commons Standing Committee on Public Accounts. The Committee plays an invaluable role in ensuring that the Government considers my recommendations and observations seriously. The matters I have raised in these Observations only serve to heighten the importance of this Committee's work.

# SECTION 2

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Supplementary Financial Information

### CONTENTS

	<i>Page</i>
Introduction . . . . .	2.2
Supplementary information—	
Summary statement of transactions . . . . .	2.2
Detailed statement of revenue transactions . . . . .	2.3
Detailed statement of expenditure transactions . . . . .	2.4
Other levels of government . . . . .	2.4
Statement of accumulated deficit . . . . .	2.4
Statement of assets and liabilities . . . . .	2.5
Detailed statement of non-budgetary transactions . . . . .	2.6
Detailed statement of foreign exchange, unmatured debt and cash transactions. . . . .	2.7

## SUPPLEMENTARY FINANCIAL INFORMATION

### Introduction

This section provides a ten year comparative summary of the Government's financial transactions, reflects the accounting policies explained in Note 1 to the audited financial statements in Section 1 of this volume.

The "Summary Statement of Transactions" (Table 2.1) provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

**TABLE 2.1**

GOVERNMENT OF CANADA  
SUMMARY STATEMENT OF TRANSACTIONS<sup>(1)</sup>  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Budgetary transactions</b>										
Revenues .....	122,032	120,380	115,984	123,323	130,301	140,896	153,162	155,671	165,708	178,590
Expenditures .....	-156,389	-161,401	-157,996	-160,785	-158,918	-149,793	-149,684	-152,787	-153,410	-161,442
Surplus or deficit (-) for the year .....	-34,357	-41,021	-42,012	-37,462	-28,617	-8,897	3,478	2,884	12,298	17,148
<b>Non-budgetary transactions</b>										
Loans, investments and advances .....	-539	417	524	368	2,752	124	2,034	538	-195	-1,698
Pension and other accounts .....	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968	1,303
Other transactions .....	-2,628	110	5,396	2,593	1,036	3,173	3,388	1,045	-4,505	2,238
Net source from non-budgetary transactions .....	2,557	6,524	12,162	11,620	11,434	10,162	9,251	8,607	2,268	1,843
Source of funds or financial requirements (-) .....	-31,800	-34,497	-29,850	-25,842	-17,183	1,265	12,729	11,491	14,566	18,991
<b>Net source or requirements (-) from foreign exchange transactions</b> .....	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776
Total source of funds or financial requirements (-) .....	-29,777	-28,749	-31,978	-27,267	-21,887	-6,494	10,574	5,791	7,740	10,215
<b>Net source or requirements (-) from unmatured debt transactions</b> .....	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021	-10,003
Change in cash in bank <sup>(2)</sup> .....	-1,795	2,107	-744	-244	6,662	811	1,013	-1,073	3,719	212
<b>Cash in bank at beginning of year</b> .....	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025
<b>Cash in bank at end of year</b> .....	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237

Details can be found in other sections of this volume.

<sup>(1)</sup> Consistent with the Statement of Transactions in Section 1 of this volume.

<sup>(2)</sup> Cash decrease (-)

TABLE 2.2

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF REVENUE TRANSACTIONS  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Tax revenues—</b>										
<b>Income tax—</b>										
Personal .....	61,222	58,283	51,427	56,329	60,167	63,282	70,787	72,488	79,378	82,305
Corporation .....	9,359	7,206	9,444	11,604	15,955	17,020	22,496	21,575	23,170	28,212
Other income tax revenues .....	1,534	1,462	1,593	1,769	2,105	2,847	2,974	2,901	3,499	4,312
	<i>72,115</i>	<i>66,951</i>	<i>62,464</i>	<i>69,702</i>	<i>78,227</i>	<i>83,149</i>	<i>96,257</i>	<i>96,964</i>	<i>106,047</i>	<i>114,829</i>
<b>Other taxes and duties—</b>										
Goods and services tax .....	15,168	14,868	15,696	16,786	16,375	18,079	19,461	20,684	22,790	24,990
Energy taxes .....	3,441	3,437	3,640	3,824	4,404	4,467	4,638	4,716	4,757	4,805
Customs import duties .....	3,999	3,811	3,652	3,575	2,969	2,676	2,766	2,359	2,105	2,807
Other excise taxes and duties .....	2,588	3,964	3,647	2,904	2,856	3,876	3,995	3,640	3,234	3,514
	<i>25,196</i>	<i>26,080</i>	<i>26,635</i>	<i>27,089</i>	<i>26,604</i>	<i>29,098</i>	<i>30,860</i>	<i>31,399</i>	<i>32,886</i>	<i>36,116</i>
<b>Employment insurance premiums .....</b>	<i>15,394</i>	<i>17,535</i>	<i>18,233</i>	<i>18,928</i>	<i>18,510</i>	<i>19,816</i>	<i>18,802</i>	<i>19,363</i>	<i>18,512</i>	<i>18,731</i>
<b>Total tax revenues .....</b>	<b>112,705</b>	<b>110,566</b>	<b>107,332</b>	<b>115,719</b>	<b>123,341</b>	<b>132,063</b>	<b>145,919</b>	<b>147,726</b>	<b>157,445</b>	<b>169,676</b>
<b>Non-tax revenues—</b>										
<b>Return on investments—</b>										
Bank of Canada .....	1,844	1,806	1,452	1,571	1,841	1,310	1,509	1,704	1,766	2,027
Canada Mortgage and Housing Corporation .....	753	800	719	706	680	632	610	591	561	544
Farm Credit Corporation .....	215	226	211	199	208	171	169	133	87	61
Exchange Fund Account .....	2,900	3,209	2,916	1,816	1,138	1,423	1,499	1,770	1,934	2,879
Interest on bank deposits .....	192	169	128	155	370	229	326	380	460	586
Other return on investments .....	617	628	716	574	238	445	314	413	443	47
	<i>6,521</i>	<i>6,838</i>	<i>6,142</i>	<i>5,021</i>	<i>4,475</i>	<i>4,210</i>	<i>4,427</i>	<i>4,991</i>	<i>5,251</i>	<i>6,144</i>
<b>Other non-tax revenues .....</b>	<i>2,806</i>	<i>2,976</i>	<i>2,510</i>	<i>2,583</i>	<i>2,485</i>	<i>4,623</i>	<i>2,816</i>	<i>2,954</i>	<i>3,012</i>	<i>2,770</i>
<b>Total non-tax revenues .....</b>	<b>9,327</b>	<b>9,814</b>	<b>8,652</b>	<b>7,604</b>	<b>6,960</b>	<b>8,833</b>	<b>7,243</b>	<b>7,945</b>	<b>8,263</b>	<b>8,914</b>
<b>Total net revenues .....</b>	<b>122,032</b>	<b>120,380</b>	<b>115,984</b>	<b>123,323</b>	<b>130,301</b>	<b>140,896</b>	<b>153,162</b>	<b>155,671</b>	<b>165,708</b>	<b>178,590</b>

**TABLE 2.3**

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF EXPENDITURE TRANSACTIONS  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Transfer payments—</b>										
Old age security benefits, guaranteed income supplement and spouse's allowance.....	18,393	19,106	19,903	20,511	21,034	21,606	22,225	22,781	23,410	24,256
Other levels of Government <sup>(1)</sup> .....	24,865	26,544	26,947	26,313	26,076	22,162	20,504	25,523	23,243	23,724
Employment insurance benefits .....	18,126	19,065	17,626	14,815	13,476	12,380	11,842	11,884	11,301	11,444
Family allowances and Child tax Credits <sup>(2)</sup> .....	2,821	2,194	7							
Other transfer payments .....	17,389	18,125	18,459	19,993	18,154	17,460	22,476	18,735	18,535	23,503
<b>Total transfer payments .....</b>	<b>81,594</b>	<b>85,034</b>	<b>82,942</b>	<b>81,632</b>	<b>78,740</b>	<b>73,608</b>	<b>77,047</b>	<b>78,923</b>	<b>76,489</b>	<b>82,927</b>
<b>Crown corporation expenditures .....</b>	<b>5,252</b>	<b>6,219</b>	<b>5,298</b>	<b>5,003</b>	<b>4,321</b>	<b>3,578</b>	<b>2,548</b>	<b>3,497</b>	<b>2,953</b>	<b>2,903</b>
<b>Other program expenditures—</b>										
National Defence .....	10,901	10,939	11,282	10,693	9,935	8,661	8,879	8,781	10,201	9,696
All other departments and agencies .....	17,468	20,384	20,492	21,411	19,017	18,973	20,279	20,192	22,120	23,822
<b>Total other program expenditures .....</b>	<b>28,369</b>	<b>31,323</b>	<b>31,774</b>	<b>32,104</b>	<b>28,952</b>	<b>27,634</b>	<b>29,158</b>	<b>28,973</b>	<b>32,321</b>	<b>33,518</b>
<b>Total program expenditures .....</b>	<b>115,215</b>	<b>122,576</b>	<b>120,014</b>	<b>118,739</b>	<b>112,013</b>	<b>104,820</b>	<b>108,753</b>	<b>111,393</b>	<b>111,763</b>	<b>119,348</b>
<b>Public debt charges .....</b>	<b>41,174</b>	<b>38,825</b>	<b>37,982</b>	<b>42,046</b>	<b>46,905</b>	<b>44,973</b>	<b>40,931</b>	<b>41,394</b>	<b>41,647</b>	<b>42,094</b>
<b>Total net expenditures .....</b>	<b>156,389</b>	<b>161,401</b>	<b>157,996</b>	<b>160,785</b>	<b>158,918</b>	<b>149,793</b>	<b>149,684</b>	<b>152,787</b>	<b>153,410</b>	<b>161,442</b>

<sup>(1)</sup> The detailed breakdown can be found in Table 2.3a.

<sup>(2)</sup> The Child Tax Benefit Program was introduced in January 1993 to replace the Child Tax Credits and the Family Allowances Program.

**TABLE 2.3a**

GOVERNMENT OF CANADA  
OTHER LEVELS OF GOVERNMENT  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Canada health and social transfer <sup>(1)</sup> .....						14,911	12,421	16,018	14,891	13,500
Fiscal arrangements .....	9,935	8,664	10,101	8,870	9,405	9,418	10,000	11,645	10,721	12,467
Canada Assistance Plan .....	6,099	6,686	7,236	7,266	7,191	105	24	8	56	
Education support .....	2,142	2,887	2,378	2,486	2,365	-41	5			
Alternative payments for standing programs .....						-2,014	-2,108	-2,150	-2,425	-2,460
Other .....	6,689	8,307	7,232	7,691	7,115	-217	162	2		217
<b>Total .....</b>	<b>24,865</b>	<b>26,544</b>	<b>26,947</b>	<b>26,313</b>	<b>26,076</b>	<b>22,162</b>	<b>20,504</b>	<b>25,523</b>	<b>23,243</b>	<b>23,724</b>

<sup>(1)</sup> The Canada health and social transfer was introduced in 1996-97 to replace the Canada Assistance Plan, Education support and Insurance and medical care.

**TABLE 2.4**

GOVERNMENT OF CANADA  
STATEMENT OF ACCUMULATED DEFICIT  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Accumulated deficit—Beginning of year .....</b>	<b>390,820</b>	<b>425,177</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,708</b>	<b>576,824</b>	<b>564,526</b>
Deficit or surplus (-) for the year .....	34,357	41,021	42,012	37,462	28,617	8,897	-3,478	-2,884	-12,298	-17,148
<b>Accumulated deficit—End of year .....</b>	<b>425,177</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,708</b>	<b>576,824</b>	<b>564,526</b>	<b>547,378</b>

TABLE 2.5

GOVERNMENT OF CANADA  
STATEMENT OF ASSETS AND LIABILITIES<sup>(1)</sup>

(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>LIABILITIES</b>										
<b>ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—</b>										
Accounts payable and accrued liabilities . . . . .	13,550	13,144	16,977	20,325	21,181	19,265	22,364	24,509	20,551	25,028
Interest and matured debt . . . . .	6,576	5,866	6,465	4,831	7,403	10,402	10,419	9,791	8,353	9,107
Allowance for employee benefits . . . . .	3,050	3,285	3,555	3,910	4,290	5,180	6,729	6,926	7,924	5,558
Allowance for guarantees . . . . .	4,020	4,555	4,930	5,540	5,440	5,253	4,188	4,090	3,920	3,951
<b>Total accounts payable, accruals and allowances . . . . .</b>	<b>27,196</b>	<b>26,850</b>	<b>31,927</b>	<b>34,606</b>	<b>38,314</b>	<b>40,100</b>	<b>43,700</b>	<b>45,316</b>	<b>40,748</b>	<b>43,644</b>
<b>INTEREST-BEARING DEBT —</b>										
<b>Unmatured debt—</b>										
Payable in Canadian currency—										
Marketable bonds . . . . .	158,051	178,412	203,392	225,679	252,700	282,498	294,583	295,752	293,927	294,973
Treasury bills . . . . .	152,300	162,050	166,000	164,450	166,100	135,400	112,300	96,950	99,850	88,700
Canada savings and										
Canada premium bonds . . . . .	34,589	33,365	30,418	30,460	30,460	32,470	29,769	27,662	26,489	26,099
Non-marketable bonds . . . . .	3,501	3,505	3,497	3,488	3,478	3,468	3,456	4,063	3,552	3,473
	348,441	377,332	403,307	424,077	452,738	453,836	440,108	424,427	423,818	413,245
Payable in foreign currencies . . . . .	3,444	5,409	10,668	16,921	16,809	23,016	27,183	36,000	32,588	33,158
	351,885	382,741	413,975	440,998	469,547	476,852	467,291	460,427	456,406	446,403
<b>Pension and other accounts—</b>										
Public sector pensions . . . . .	81,881	87,911	94,097	101,033	107,882	114,205	117,457	122,407	128,346	129,185
Due to Canada Pension Plan . . . . .	3,181	2,839	2,728	3,406	3,636	3,718	4,205	5,427	6,217	6,391
Other . . . . .	3,234	3,543	3,710	4,755	5,322	5,782	5,872	6,724	6,963	7,253
	88,296	94,293	100,535	109,194	116,840	123,705	127,534	134,558	141,526	142,829
<b>Total interest-bearing debt . . . . .</b>	<b>440,181</b>	<b>477,034</b>	<b>514,510</b>	<b>550,192</b>	<b>586,387</b>	<b>600,557</b>	<b>594,825</b>	<b>594,985</b>	<b>597,932</b>	<b>589,232</b>
<b>TOTAL LIABILITIES . . . . .</b>	<b>467,377</b>	<b>503,884</b>	<b>546,437</b>	<b>584,798</b>	<b>624,701</b>	<b>640,657</b>	<b>638,525</b>	<b>640,301</b>	<b>638,680</b>	<b>632,876</b>
<b>ASSETS</b>										
<b>CASH AND ACCOUNTS RECEIVABLE —</b>										
Cash in bank . . . . .	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237
Cash in transit . . . . .	2,902	2,931	3,313	3,241	4,189	4,062	4,530	5,432	5,386	6,956
	3,676	5,812	5,450	5,134	12,744	13,428	14,909	14,738	18,411	20,193
Less outstanding cheques and warrants . . . . .	2,695	3,228	4,015	3,751	3,700	3,253	3,218	4,045	3,900	4,599
<b>Total cash . . . . .</b>	<b>981</b>	<b>2,584</b>	<b>1,435</b>	<b>1,383</b>	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,693</b>	<b>14,511</b>	<b>15,594</b>
Accounts receivable . . . . .	3,768	3,816	3,902	3,796	5,469	3,762	3,471	3,967	3,805	3,592
<b>Total cash and accounts receivable . . . . .</b>	<b>4,749</b>	<b>6,400</b>	<b>5,337</b>	<b>5,179</b>	<b>14,513</b>	<b>13,937</b>	<b>15,162</b>	<b>14,660</b>	<b>18,316</b>	<b>19,186</b>
<b>FOREIGN EXCHANGE ACCOUNTS—</b>										
International reserves held in the Exchange Fund										
Account . . . . .	17,148	10,879	13,156	14,356	18,908	26,726	28,198	31,855	38,630	47,845
International Monetary Fund—Subscriptions . . . . .	4,797	7,599	8,443	9,433	8,580	8,295	8,194	13,048	12,390	12,814
Less International Monetary Fund—Notes payable										
and special drawing rights allocations . . . . .	5,400	7,681	8,674	9,439	8,434	8,208	7,424	10,235	9,526	10,389
<b>Total net foreign exchange accounts . . . . .</b>	<b>16,545</b>	<b>10,797</b>	<b>12,925</b>	<b>14,350</b>	<b>19,054</b>	<b>26,813</b>	<b>28,968</b>	<b>34,668</b>	<b>41,494</b>	<b>50,270</b>
<b>LOANS, INVESTMENTS AND ADVANCES—</b>										
Enterprise Crown corporations and other										
government business enterprises . . . . .	18,150	19,543	19,283	18,218	14,663	13,842	12,601	11,052	10,562	10,085
Portfolio Investments . . . . .	4,461	4,374	4,374	4,374	1,300	1,300	1,241	1,241	1,240	1,240
National governments including developing										
countries . . . . .	3,535	3,382	3,434	3,282	3,221	3,074	2,859	3,336	3,138	3,136
International organizations . . . . .	5,179	5,436	5,691	5,480	5,565	5,617	4,010	4,219	4,177	4,405
Provincial and territorial governments . . . . .	819	1,086	1,111	876	709	554	318	48	1	-36
Other . . . . .	3,158	2,973	3,072	3,267	3,657	3,988	4,047	4,738	4,379	5,697
	35,302	36,794	36,965	35,497	29,115	28,375	25,076	24,634	23,497	24,527
Less allowance for valuation . . . . .	14,396	16,305	17,000	15,900	12,270	11,654	10,389	10,485	9,153	8,485
<b>Total loans, investments and advances . . . . .</b>	<b>20,906</b>	<b>20,489</b>	<b>19,965</b>	<b>19,597</b>	<b>16,845</b>	<b>16,721</b>	<b>14,687</b>	<b>14,149</b>	<b>14,344</b>	<b>16,042</b>
<b>TOTAL ASSETS . . . . .</b>	<b>42,200</b>	<b>37,686</b>	<b>38,227</b>	<b>39,126</b>	<b>50,412</b>	<b>57,471</b>	<b>58,817</b>	<b>63,477</b>	<b>74,154</b>	<b>85,498</b>
<b>ACCUMULATED DEFICIT . . . . .</b>	<b>425,177</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,708</b>	<b>576,824</b>	<b>564,526</b>	<b>547,378</b>

<sup>(1)</sup> These figures reflect the reclassification of amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Act*. Figures previous to 1997-98 have been recast on an estimated basis.

TABLE 2.6

GOVERNMENT OF CANADA  
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS  
(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Loans, investments and advances —</b>										
Enterprise Crown corporations and other government business enterprises—										
Business Development Bank of Canada .....	-10				-50	-50		-50	-108	-65
Canada Deposit Insurance Corporation .....	-560	-1,300	-66	991	533	772	460	395		
Canada Mortgage and Housing Corporation .....	65	238	105	240	571	325	230	410	223	224
Canadian National Railway System .....	15	16	17	19	2,360					
Export Development Corporation .....			-25	-38	-132					
Farm Credit Corporation .....	-159	71	-68	-35	214	-197	580	836	236	226
Other .....	-73	-412	297	-112	59	-29	-29	-43	139	92
	-722	-1,387	260	1,065	3,555	821	1,241	1,548	490	477
Other loans, investments and advances —										
Portfolio investments .....		88			3,074		59			
National governments including developing countries ..	-59	152	-52	152	61	147	215	-476	198	2
International organizations .....	-281	-256	-255	211	-86	-52	1,607	-209	41	-228
Provincial and territorial governments .....	118	-268	-25	235	167	155	236	270	47	37
Other .....	-486	179	-99	-195	-389	-331	-59	-691	361	-1,318
	-708	-105	-431	403	2,827	-81	2,058	-1,106	647	-1,507
Total loans, investments and advances .....	-1,430	-1,492	-171	1,468	6,382	740	3,299	442	1,137	-1,030
Allowance for valuation .....	891	1,909	695	-1,100	-3,630	-616	-1,265	96	-1,332	-668
Total loans, investments and advances after allowance for valuation .....	-539	417	524	368	2,752	124	2,034	538	-195	-1,698
<b>Pension and other accounts —</b>										
Public sector pensions (net) .....	5,742	6,030	6,186	6,936	6,849	6,323	3,252	4,950	5,938	839
Due to Canada Pension Plan (net) .....	-278	-342	-111	678	230	82	487	1,222	791	174
Other .....	260	309	167	1,045	567	460	90	852	239	290
Total pension and other accounts .....	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968	1,303
<b>Other transactions —</b>										
Cash in transit .....	-706	-29	-382	72	-948	127	-468	-902	46	-1,570
Outstanding cheques and warrants .....	-1,327	533	787	-264	-51	-447	-35	827	-144	699
Accounts receivable .....	-913	355	65	-449	-1,673	1,707	291	-496	162	213
Provincial and territorial tax collection agreements account .....	-241	-747	-151	870	1,058	352	-551	1,267	-1,402	-824
Other liabilities .....	559	-2	5,077	2,364	2,650	1,434	4,151	349	-3,167	3,720
Total other transactions .....	-2,628	110	5,396	2,593	1,036	3,173	3,388	1,045	-4,505	2,238
<b>Net non-budgetary transactions after allowance for valuation .....</b>	<b>2,557</b>	<b>6,524</b>	<b>12,162</b>	<b>11,620</b>	<b>11,434</b>	<b>10,162</b>	<b>9,251</b>	<b>8,607</b>	<b>2,268</b>	<b>1,843</b>
Source/requirement (-)										

TABLE 2.7

## GOVERNMENT OF CANADA

## DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Foreign exchange transactions—</b>										
International reserves held in the Exchange Fund										
Account .....	1,918	6,269	-2,277	-1,200	-4,552	-7,818	-1,472	-3,657	-6,775	-9,215
International Monetary Fund—Subscriptions .....	-232	-2,802	-844	-990	853	285	101	-4,854	658	-424
	<i>1,686</i>	<i>3,467</i>	<i>-3,121</i>	<i>-2,190</i>	<i>-3,699</i>	<i>-7,533</i>	<i>-1,371</i>	<i>-8,511</i>	<i>-6,117</i>	<i>-9,639</i>
Less International Monetary Fund—Notes payable .....	-275	-2,181	-841	-586	851	174	766	-2,693	634	-835
Special drawing rights allocations .....	-62	-100	-152	-179	154	52	18	-118	75	-28
	<i>-337</i>	<i>-2,281</i>	<i>-993</i>	<i>-765</i>	<i>1,005</i>	<i>226</i>	<i>784</i>	<i>-2,811</i>	<i>709</i>	<i>-863</i>
Total foreign exchange transactions .....	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776
<b>Unmatured debt transactions—</b>										
Marketable bonds .....	14,499	19,781	27,142	25,142	28,660	32,744	15,788	9,575	-866	-773
Treasury bills .....	13,150	9,750	3,950	-1,550	1,650	-30,700	-23,100	-15,350	2,900	-11,150
Canada savings and										
Canada premium bonds .....	1,339	-1,224	-2,947	43		2,010	-2,701	-2,107	-1,173	-390
Non-marketable bonds .....	9	4	-8	-9	-10	-10	-12	607	-511	-79
Canada notes and loans .....	-7	-7			310	1,811	-456	-404	-208	527
Canada bills .....	-1,008	2,552	3,097	3,397	-2,061	1,450	920	815	-4,163	1,862
Total unmaturred debt transactions .....	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021	-10,003
<b>Cash in bank at end of year—</b>										
In Canadian currency .....	677	2,774	2,032	1,817	8,479	9,254	10,293	9,275	12,982	13,208
In foreign currencies .....	97	107	105	76	76	112	86	31	43	29
Total cash in bank .....	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237
Source/requirement (—)										



# SECTION 3

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Revenues, Expenditures and Accumulated Deficit

### CONTENTS

	<i>Page</i>
Revenues .....	3.2
Accounting for revenues .....	3.2
Tax revenues .....	3.5
Non-tax revenues .....	3.7
Expenditures .....	3.8
Accounting for expenditures .....	3.8
Government spending .....	3.10
Expenditures by standard object .....	3.13
Expenditures under statutory authorities .....	3.13
Accumulated deficit .....	3.15

## REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenditures and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 3.1**  
REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

(in millions of dollars)

	2000-2001		1999-2000	
	Gross	Net	Gross	Net
<b>Revenues—</b>				
Tax revenues .....	178,800	169,676	165,738	157,445
Non-tax revenues .....	13,550	8,914	12,279	8,263
<b>Total revenues, Table 3.2 .....</b>	<b>192,350</b>	<b>178,590</b>	<b>178,017</b>	<b>165,708</b>
<b>Expenditures—</b>				
Transfer payments .....	92,051	82,927	84,782	76,489
Crown corporation expenditures .....	4,665	2,903	4,344	2,953
Other program expenditures .....	36,392	33,518	34,946	32,321
<b>Total program expenditures .....</b>	<b>133,108</b>	<b>119,348</b>	<b>124,072</b>	<b>111,763</b>
Public debt charges .....	42,094	42,094	41,647	41,647
<b>Total expenditures, Table 3.6 .....</b>	<b>175,202</b>	<b>161,442</b>	<b>165,719</b>	<b>153,410</b>
<b>Surplus for the year .....</b>	<b>17,148</b>	<b>17,148</b>	<b>12,298</b>	<b>12,298</b>
<b>Accumulated deficit, beginning of year .....</b>	<b>(564,526)</b>	<b>(564,526)</b>	<b>(576,824)</b>	<b>(576,824)</b>
<b>Accumulated deficit, end of year, Table 3.12 .....</b>	<b>(547,378)</b>	<b>(547,378)</b>	<b>(564,526)</b>	<b>(564,526)</b>

## REVENUES

Revenues consist of all tax and non-tax amounts which enter into the calculation of the annual surplus or deficit of the Government.

### Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. With the implementation of a new corporate tax processing system during 2001, corporate tax refunds are allocated to the year in which the assessment of the return is normally processed. Cases of tax refunds that are significant and have been appealed to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the Canada child tax benefit program are charged in the period to which they relate.

Tax revenues for a fiscal year include receipts credited to the Receiver General for Canada by the Bank of Canada and the char-

tered banks by March 31 and amounts received in federal government offices by March 31, but not deposited until April or not credited to the Receiver General until April. Tax revenues also include amounts received in the mail on the first working day of April, except when it is clear that it was the remitter's intention to discharge an obligation arising in the new fiscal year.

Although a taxpayer's income tax liability relates to a taxation year, collection of individual and corporation income taxes by pay-roll deductions and instalment payments results in a distribution of receipts throughout the year. Similarly, the GST and other excise taxes and duties are received on a regular basis throughout the year.

Non-tax revenues are reported on an accrual basis.

Table 3.2 presents external revenues by main classification on both a gross and net basis. "Gross revenues" report all external revenues including:

- revenues netted against expenditures where, as authorized by Parliament, certain revenues which are associated with the recovery of certain costs are credited to program spending. In such cases, Parliament votes such funds net of authorized revenues;

— tax credits and repayments where certain tax credits are related to expenditures but are determined through the Income Tax System; and

— revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

“Net revenues” exclude the above three categories.

**TABLE 3.2**  
**EXTERNAL REVENUES BY MAIN CLASSIFICATION**

(in millions of dollars)

	2000-2001						1999-2000	
	Gross revenues <sup>(1)</sup>	Revenues netted against expenditures	Other revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations <sup>(2)</sup>	Net revenues <sup>(1)</sup>	Gross revenues <sup>(1)</sup>	Net revenues <sup>(1)</sup>
<b>Tax revenues—</b>								
Income tax—								
Personal .....	88,528			6,223		82,305	84,824	79,378
Corporation .....	28,212					28,212	23,170	23,170
Other income tax revenues .....	4,312					4,312	3,499	3,499
	<b>121,052</b>			<b>6,223</b>		<b>114,829</b>	<b>111,493</b>	<b>106,047</b>
Employment insurance premiums .....	<b>18,731</b>					<b>18,731</b>	<b>18,512</b>	<b>18,512</b>
Other taxes and duties—								
Goods and services tax, Table 3.4 .....	27,891			2,901		24,990	25,637	22,790
Energy taxes —								
Excise tax—Gasoline .....	4,307					4,307	4,284	4,284
Excise tax—Aviation gasoline and diesel fuel .....	498					498	473	473
	<b>4,805</b>					<b>4,805</b>	<b>4,757</b>	<b>4,757</b>
Customs import duties .....	2,807					2,807	2,105	2,105
Other excise taxes and duties—								
Excise duties .....	3,477					3,477	3,412	3,412
Miscellaneous excise taxes and duties .....	37					37	(178)	(178)
	<b>3,514</b>					<b>3,514</b>	<b>3,234</b>	<b>3,234</b>
	<b>39,017</b>			<b>2,901</b>		<b>36,116</b>	<b>35,733</b>	<b>32,886</b>
Total tax revenues .....	178,800			9,124		169,676	165,738	157,445
<b>Non-tax revenues—</b>								
Return on investments, Table 3.5 .....	6,205	14			47	6,144	5,403	5,251
Other non-tax revenues—								
Refunds of previous years' expenditures .....	592					592	559	559
Sales of goods and services—								
Rights and privileges .....	1,565	995	(2)			572	1,678	765
Lease and use of public properties .....	410	383				27	16	7
Services of a regulatory nature .....	304	282	(16)			38	99	45
Services of a non-regulatory nature .....	252	193				59	120	54
Sales of goods and information products .....	222	168				54	323	46
Other fees and charges .....	616	85				531	1,239	565
Proceeds from the disposal of surplus Crown assets .....	111					111	43	43
Domestic coinage .....	182					182	170	170
Miscellaneous non-tax revenues .....	3,091	620	152		1,715	604	2,629	758
	<b>7,345</b>	<b>2,726</b>	<b>134</b>		<b>1,715</b>	<b>2,770</b>	<b>6,876</b>	<b>3,012</b>
Total non-tax revenues .....	13,550	2,740	134		1,762	8,914	12,279	8,263
Total revenues <sup>(3)</sup> .....	192,350	2,740	134	9,124	1,762	178,590	178,017	165,708

<sup>(1)</sup> Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

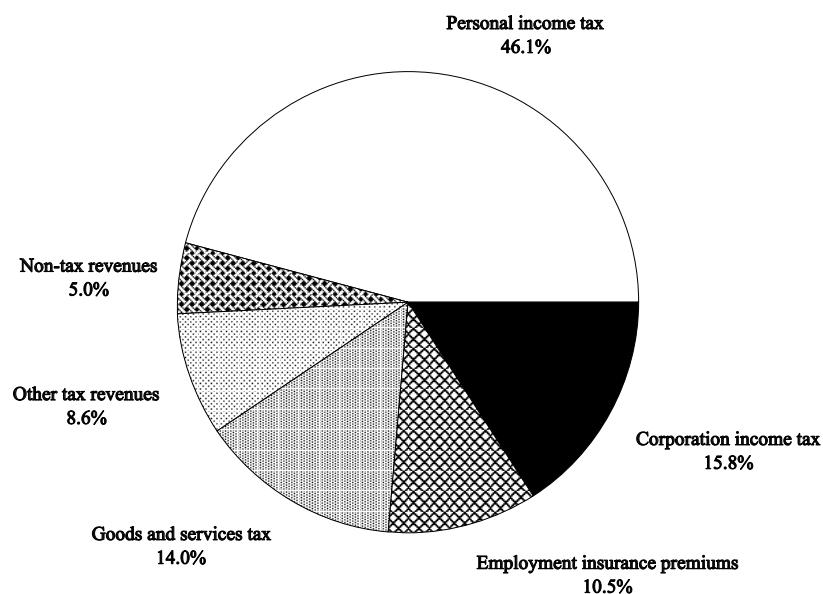
<sup>(2)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

<sup>(3)</sup> Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

Chart 3A presents total net revenues by main classification for the current fiscal year while Chart 3B compares total net revenues for the last ten fiscal years.

### CHART 3A

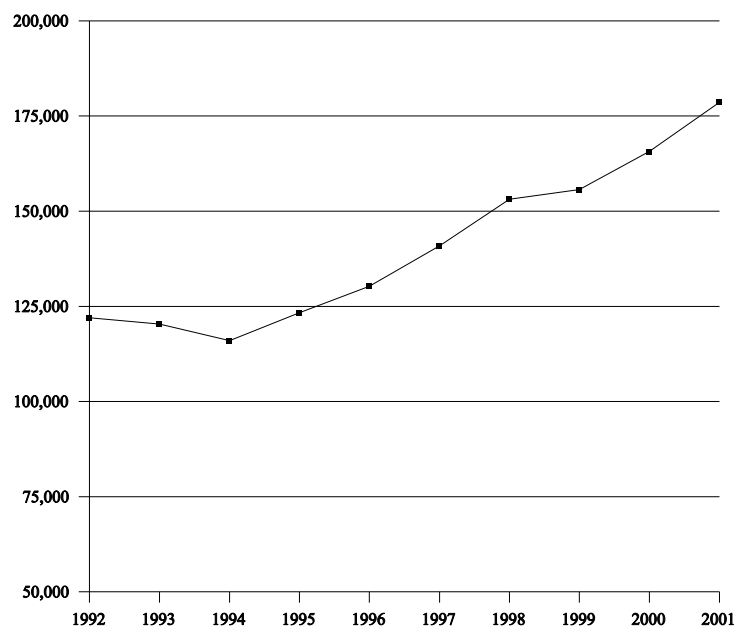
#### TOTAL NET REVENUES BY MAIN CLASSIFICATION FOR THE YEAR ENDED MARCH 31, 2001



### CHART 3B

#### TOTAL NET REVENUES FOR THE YEAR ENDED MARCH 31

(in millions of dollars)



On a day-to-day basis, organizations within the Government transact with each other and thus contribute to gross amounts of revenues and expenditures. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.3 provides details of internal revenue transactions and shows the total of revenues from both internal and external sources. The total gross revenues of

\$195,906 million include the total revenues from all sources. Revenues of consolidated Crown corporations, revenues netted against expenditures and tax credits and repayments are deducted to arrive at net total revenues of \$178,842 million from all sources. The inter-departmental revenues of \$252 million are deducted from the net total revenues to report the net external revenues of \$178,590 million which are detailed in Table 4a in Section I of Volume II (Part I).

**TABLE 3.3**  
**REVENUES FROM ALL SOURCES**

(in millions of dollars)

	Gross revenues	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures External revenues	Internal revenues	Less other revenues netted against expenditures	Less tax credits and repayments	Net revenues
External transactions .....	192,350	1,762	2,740		134	9,124	178,590
Internal transactions by main classification—							
Other taxes and duties .....							
Return on investments .....	104						104
Refunds of previous years' expenditures .....	16						16
Sales of goods and services—							
Rights and privileges .....	21			17			4
Lease and use of public properties .....	1						1
Services of a regulatory nature .....	84			84			
Services of a non-regulatory nature .....	1,597			1,577			20
Sales of goods and information products .....	276			276			
Other fees and charges .....	62			51			11
Proceeds from the disposal of surplus Crown assets .....	31						31
Miscellaneous non-tax revenues .....	1,364			1,299			65
Total internal transactions .....	3,556			3,304			252
Total revenues .....	195,906	1,762	2,740	3,304	134	9,124	178,842

## Tax Revenues

Tax revenues include personal and corporation income taxes, other income tax revenues, employment insurance premiums, and other taxes and duties.

### Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

### Corporation income tax

Corporation income tax is levied on corporation income under the provisions of the *Income Tax Act*.

### Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

### Employment insurance premiums

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues.

### Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff* and include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

*Goods and services tax*

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the exception of basic groceries,

most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.4.

**TABLE 3.4**  
GOODS AND SERVICES TAX (GST) <sup>(1)</sup>

(in thousands of dollars)

	2000-2001	1999-2000
GST and HST received (Canada Customs and Revenue Agency) .....	60,814,436	56,322,393
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food .....	2,679	5,855
Canada Customs and Revenue Agency .....		676
Canadian Heritage .....	360	5,685
Citizenship and Immigration .....	4	5
Environment .....	3,125	3,082
Finance .....	9	858
Fisheries and Oceans .....	2,121	2,950
Foreign Affairs and International Trade .....	3	2
Governor General .....	12	11
Health .....	247	253
Human Resources Development .....	97	225
Indian Affairs and Northern Development .....	542	405
Industry .....	3,061	2,779
Justice .....	68	89
National Defence .....	2,613	3,621
Natural Resources .....	1,279	1,264
Parliament .....		57
Privy Council .....	2	41
Public Works and Government Services .....		4,659
Solicitor General .....	875	1,845
Transport .....	21,678	25,633
Treasury Board .....		546
Veterans Affairs .....	29	28
	38,804	60,569
Total GST and HST received .....	60,853,240	56,382,962
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (Canada Customs and Revenue Agency) .....	1,007,980	999,094
refunds paid (Canada Customs and Revenue Agency) .....	27,958,411	25,740,951
rebates paid (Canada Customs and Revenue Agency) .....	2,206,524	2,194,154
harmonized sales tax—Transfer to provinces .....	1,775,151	1,799,367 <sup>(2)</sup>
GST in transit related to departments which implemented the Financial Information Strategy .....	14,130	12,196
Gross GST received from outside parties .....	27,891,044	25,637,200
Less: quarterly tax credits paid (Canada Customs and Revenue Agency) .....	2,901,708	2,846,993
Net GST received from outside parties .....	24,989,336	22,790,207

<sup>(1)</sup> Reported in: — Note 3 to the audited financial statements (Section 1 of this volume).  
— Statement of Transactions of the Debt Servicing and Reduction Account (Section 1 of this volume).  
— Statement of revenues in each ministerial section (Volume II-Part I).

<sup>(2)</sup> Includes harmonized sales tax payable to provinces.

*Energy taxes*

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

*Customs import duties*

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff*.

*Other excise taxes and duties*

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners.

### 3.6 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

## Non-Tax Revenues

Non-tax revenues include return on investments and other non-tax revenues.

## Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses. A comparative analysis of return on investments is presented in Table 3.5.

**TABLE 3.5**  
**RETURN ON INVESTMENTS <sup>(1)</sup>**

(in millions of dollars)

	2000-2001	1999-2000
Consolidated accounts—		
Atomic Energy of Canada Limited .....	1	1
Cash and accounts receivable—		
Interest on bank deposits .....	586	460
Foreign exchange accounts—		
Exchange Fund Account .....	2,879	1,934
International Monetary Fund—Subscriptions .....	162	152
	3,041	2,086
Loans, investments and advances—		
Enterprise Crown corporations—		
Business Development Bank of Canada .....	9	6
Canada Mortgage and Housing Corporation .....	544	562
Farm Credit Corporation .....	61	87
Other—		
Bank of Canada .....	2,027	1,766 <sup>(2)</sup>
Miscellaneous .....	63	64
	2,704	2,485
Portfolio investments .....	20	18
National governments including developing countries .....	167	160
International organizations .....	40	54
Provincial and territorial governments .....	5	6
Other loans, investments and advances .....	9	9
	2,945	2,732
Other accounts—		
Esso Ltd—Norman Wells Project profits .....	104	61
Other .....	8	5
	112	66
Total ministerial net return on investments .....	6,685	5,345
Exchange Fund Account adjustment .....	(554)	(1)
Net gain on exchange .....	192	
Accrual of non-tax revenues .....	(75)	(67)
Total net return on investments .....	6,248	5,277
Return on investments internal to the Government .....	(104)	(26)
Total net return on investments from outside parties .....	6,144	5,251
External revenues netted against expenditures .....	14	91
Consolidated Crown corporations .....	47	61
Total gross return on investments from outside parties .....	6,205	5,403

<sup>(1)</sup> Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

<sup>(2)</sup> On an accrual basis, the revenues for 1999-2000 are 1,811 millions of dollars.

## Other non-tax revenues

Other non-tax revenues are comprised of proceeds from the disposal of surplus Crown assets and sales of goods and services, refunds of previous years' expenditures, domestic coinage, and

miscellaneous non-tax revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

## EXPENDITURES

Expenditures consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

## Accounting for Expenditures

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid, when the recipient has fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for

payment receives parliamentary approval prior to the completion of the financial statements. Capital leases are recorded as expenditures over the lease term as payments are due. Expenditures include provision to reflect changes in the value of assets or liabilities at their economic value, and amortization of deferred costs.

Table 3.6 presents external expenditures by type on both a gross and a net basis. The difference between gross and net expenditures is revenues netted against expenditures, revenues of consolidated Crown corporations netted against expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues netted against expenditures.

**TABLE 3.6**  
EXTERNAL EXPENDITURES BY TYPE

(in millions of dollars)

	2000-2001					1999-2000	
	Gross expenditures <sup>(1)</sup>	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations <sup>(2)</sup>	Net expenditures <sup>(1)</sup>	Gross expenditures <sup>(1)</sup>	Net expenditures <sup>(1)</sup>
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance .....	23,667		(589)		24,256	22,856	23,410
Employment insurance benefits .....	11,444				11,444	11,301	11,301
Other levels of government—							
Canada health and social transfer .....	13,500				13,500	14,891	14,891
Fiscal arrangements .....	12,467				12,467	10,721	10,721
Canada Assistance Plan .....						56	56
Alternative payments for standing programs .....	(2,460)				(2,460)	(2,425)	(2,425)
Other .....	217				217		
Total other levels of government .....	23,724				23,724	23,243	23,243
Canada child tax benefits .....	6,811		6,811			6,000	
	65,646		6,222		59,424	63,400	57,954
Other transfer payments—							
Agriculture and Agri-Food .....	1,822				1,822	1,518	1,518
Canada Customs and Revenue Agency .....	4,583		2,902		1,681	717	717
Finance .....	2,140				2,140	750	750
Foreign Affairs and International Trade .....	2,358				2,358	2,114	2,114
Health .....	1,302				1,302	1,161	1,161
Human Resources Development .....	1,995				1,995	2,008	2,008
Indian Affairs and Northern Development .....	4,448				4,448	4,185	4,185
Industry .....	2,079				2,079	2,971	2,971
Veterans Affairs .....	1,463				1,463	1,402	1,402
Other .....	4,215				4,215	4,556	1,709
Total other transfer payments .....	26,405		2,902		23,503	21,382	18,535
Total transfer payments .....	92,051		9,124		82,927	84,782	76,489
Crown corporation expenditures .....	4,665			1,762	2,903	4,344	2,953
Other program expenditures—							
Canada Customs and Revenue Agency .....	2,830	50			2,780	2,789	2,731
Fisheries and Oceans .....	1,320	45			1,275	1,168	1,127
Foreign Affairs and International Trade .....	1,462	93			1,369	1,408	1,335
Health .....	1,459	32			1,427	2,108	2,053
Human Resources Development .....	2,118	397			1,721	2,025	1,687
Industry .....	2,093	135			1,958	1,901	1,779
National Defence .....	10,135	439			9,696	10,574	10,201
Public Works and Government Services .....	2,305	172			2,133	1,968	1,833
Solicitor General .....	3,882	869			3,013	3,707	2,920
Treasury Board .....	4,199	34			4,165	1,097	1,096
Other .....	4,589	608			3,981	6,201	5,559
Total other program expenditures .....	36,392	2,874			33,518	34,946	32,321
Total program expenditures .....	133,108	2,874	9,124	1,762	119,348	124,072	111,763
Public debt charges, Table 3.9 .....	42,094				42,094	41,647	41,647
Total expenditures <sup>(3)</sup> .....	175,202	2,874	9,124	1,762	161,442	165,719	153,410

(1) Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

(2) Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

(3) Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

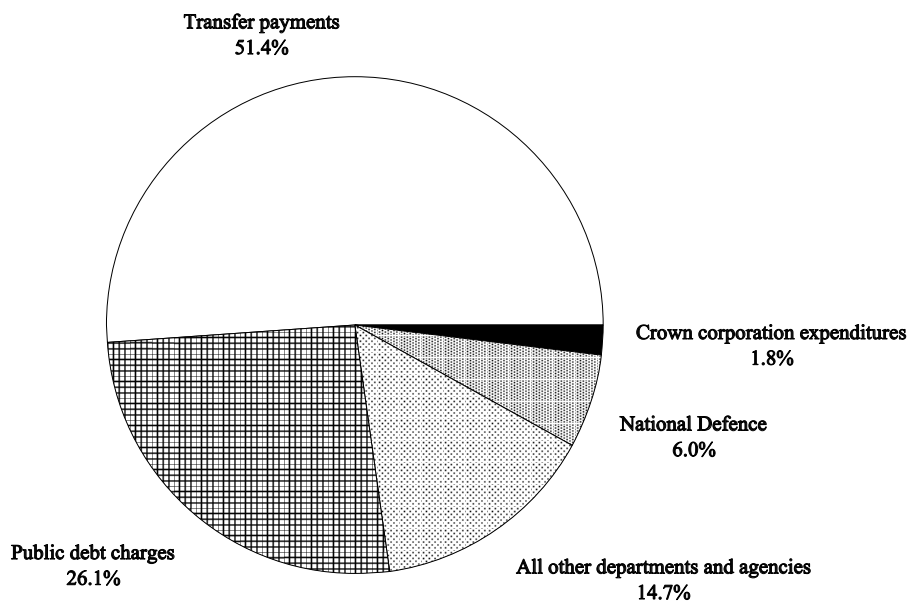
## 3.8 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT



Chart 3C presents total net expenditures by type for the current fiscal year, while Chart 3D compares total net expenditures for the last ten fiscal years.

### CHART 3C

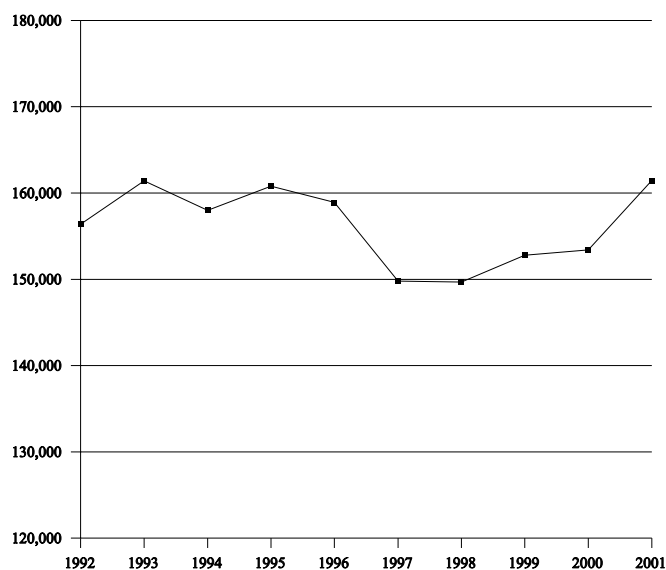
TOTAL NET EXPENDITURES BY TYPE FOR THE YEAR ENDED MARCH 31, 2001



### CHART 3D

TOTAL NET EXPENDITURES FOR THE YEAR ENDED MARCH 31

(in millions of dollars)



On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenditures recorded in the accounts. In preparing the financial statements, these "internal transactions" are eliminated

so as to report on the basis of transactions with outside parties only. Table 3.7 provides details of internal expenditure transactions and shows the total of expenditures transacted by the Government with all sources.

**TABLE 3.7**  
**EXPENDITURES BY SOURCE**

(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Net expenditures
				External revenues	Internal revenues	
External transactions .....	175,202	9,124	1,762	2,874		161,442
Internal transactions —						
Canada Customs and Revenue Agency .....	183				83	100
Canadian Heritage .....	26				19	7
Environment .....	35				33	2
Foreign Affairs and International Trade .....	10				6	4
Industry .....	57				53	4
National Defence .....	42				19	23
Public Works and Government Services .....	1,759				1,740	19
Solicitor General .....	109				89	20
Transport .....	36				30	6
Treasury Board .....	42				38	4
Other .....	101				38	63
Total internal transactions .....	2,400				2,148	252
Total expenditures .....	177,602	9,124	1,762	2,874	2,148	161,694

## Government Spending

Government spending consists of four major types:

- transfer payments;
- Crown corporation expenditures;
- other program expenditures; and,
- public debt charges.

### Transfer payments

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under two main programs:

- fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
- Canada Health and Social Transfers are replacing the Canada Assistance Plan and Established Program Financing as a major means for providing the federal share of social programs administered by the provinces;

- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

Table 3.8 presents a comparative analysis by province of certain transfer payments.

**TABLE 3.8**  
**CERTAIN TRANSFER PAYMENTS BY PROVINCE**

(in millions of dollars)

	Old age security benefits <sup>(1)</sup>	Employment insurance benefits	Fiscal arran- gements	Alternative payments for standing programs	Canada health and social transfer	Insurance and medical care		Canada Assistance Plan	Other	Canada child tax benefits	Total
						Extended health care	Insured health				
Newfoundland . . . . .	496	743	1,163		307				17		2,726
	<i>483</i>	<i>732</i>	<i>1,061</i>		<i>317</i>						<i>2,593</i>
Prince Edward Island . . . . .	129	165	262		77				5		638
	<i>825</i>	<i>161</i>	<i>257</i>		<i>78</i>			<i>1</i>			<i>1,322</i>
Nova Scotia . . . . .	695	584	1,315		527				31		3,152
	<i>680</i>	<i>548</i>	<i>1,195</i>		<i>532</i>						<i>2,955</i>
New Brunswick . . . . .	847	640	1,152		420				25		3,084
	<i>126</i>	<i>616</i>	<i>1,217</i>		<i>426</i>						<i>2,385</i>
Quebec . . . . .	6,476	3,470	5,084	(2,460)	4,288				239		17,097
	<i>6,226</i>	<i>3,498</i>	<i>3,834</i>	<i>(2,425)</i>	<i>4,345</i>			<i>14</i>			<i>15,492</i>
Ontario . . . . .	8,519	2,838	7		5,005				380		16,749
	<i>8,186</i>	<i>2,884</i>	<i>7</i>		<i>5,224</i>			<i>30</i>			<i>16,331</i>
Manitoba . . . . .	1,005	335	1,265		638				37		3,280
	<i>983</i>	<i>329</i>	<i>1,274</i>		<i>640</i>						<i>3,226</i>
Saskatchewan . . . . .	967	298	178		553				33		2,029
	<i>950</i>	<i>254</i>	<i>544</i>		<i>556</i>						<i>2,304</i>
Alberta . . . . .	3,058	736	4		1,642				98		5,538
	<i>1,797</i>	<i>846</i>	<i>4</i>		<i>1,219</i>			<i>11</i>			<i>3,877</i>
British Columbia . . . . .	1,881	1,380	3		2,491				132		5,887
	<i>2,973</i>	<i>1,441</i>	<i>3</i>		<i>2,490</i>						<i>6,907</i>
Total provinces . . . . .	24,073	11,189	10,433	(2,460)	15,948				997		60,180
	<i>23,229</i>	<i>11,309</i>	<i>9,396</i>	<i>(2,425)</i>	<i>15,827</i>			<i>56</i>			<i>57,392</i>
Northwest Territories . . . . .	20	25	327		7				1		380
	<i>18</i>	<i>30</i>	<i>545</i>		<i>21</i>						<i>614</i>
Nunavut . . . . .		8	593		25				1		627
		<i>2</i>	<i>539</i>		<i>22</i>						<i>563</i>
Yukon Territory . . . . .	11	23	572		20				1		627
	<i>11</i>	<i>25</i>	<i>318</i>		<i>21</i>						<i>375</i>
International . . . . .	155	2									157
	<i>156</i>	<i>2</i>									<i>158</i>
Sub-total . . . . .	24,259	11,247	11,925	(2,460)	16,000				1,000		61,971
	<i>23,414</i>	<i>11,368</i>	<i>10,798</i>	<i>(2,425)</i>	<i>15,891</i>			<i>56</i>			<i>59,102</i>
Provision for valuation . . . . .		197	542		(2,500)						(1,761)
		<i>(67)</i>	<i>(77)</i>		<i>(1,000)</i>						<i>(1,144)</i>
Total (Net) . . . . .	24,259	11,444	12,467	(2,460)	13,500				1,000		60,210
	<i>23,414</i>	<i>11,301</i>	<i>10,721</i>	<i>(2,425)</i>	<i>14,891</i>			<i>56</i>			<i>57,958</i>
Add tax credits and repayments . . . . .	(592)									6,811	6,219
	<i>(558)</i>									<i>6,000</i>	<i>5,442</i>
Total (Gross) . . . . .	23,667	11,444	12,467	(2,460)	13,500				1,000	6,811	66,429
	<i>22,856</i>	<i>11,301</i>	<i>10,721</i>	<i>(2,425)</i>	<i>14,891</i>			<i>56</i>		<i>6,000</i>	<i>63,400</i>

Amounts in roman type are 2000-2001 transfer payments.

Amounts in *italic* type are 1999-2000 transfer payments.

<sup>(1)</sup> Includes the guaranteed income supplement and the spouse's allowance.

**Crown corporation expenditures**

Crown corporation expenditures include the net expenditures (expenditures less revenues) of consolidated Crown corporations and the expenditures related to enterprise Crown corporations.

**Other program expenditures**

Other program expenditures include defence spending, as well as Government administration and specific services delivered to the public. This spending covers the operating and capital costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system, to name just a few.

**Public debt charges**

Public debt charges include the interest on unmatured debt and on pension and other accounts, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 7) of Volume II (Part I) and the total net expenditures of the public debt indicated in Table 3.6. The reconciling items include the expenditures of the consolidated specified purpose accounts and the provision for valuation and other items.

**TABLE 3.9**  
**PUBLIC DEBT CHARGES <sup>(1)</sup>**

(in millions of dollars)

	2000-2001	1999-2000
Unmatured debt—		
Interest on:		
Marketable bonds . . . . .	22,956	23,528
Canada savings and Canada premium bonds . . . . .	1,740	1,320
Bonds for Canada Pension Plan . . . . .	361	400
Promissory Note - TD Trust Company . . . . .	1	20
Promissory notes - Montreal Trust Company . . . . .	3	
Canada notes . . . . .	34	41
Euro medium term notes . . . . .	239	289
	25,334	25,598
Amortization of premiums, discounts and commissions on:		
Treasury bills . . . . .	4,576	4,376
Marketable bonds . . . . .	675	465
Canada bills . . . . .	345	340
Canada savings and Canada premium bonds . . . . .	26	38
	5,622	5,219
Servicing costs and costs of issuing new borrowings . . . . .	121	119
Total public debt charges related to unmatured debt . . . . .	31,077	30,936
Pension and other accounts—		
Interest on:		
Public sector pensions—Superannuation accounts . . . . .	13,029	12,593
Canada Pension Plan . . . . .	337	267
Government Annuities Account . . . . .	30	38
Deposit and trust accounts . . . . .	63	59
Other specified purpose accounts . . . . .	251	229
	13,710	13,186
Other accounts . . . . .	81	104
Total public debt charges related to pension and other accounts . . . . .	13,790	13,290
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account . . . . .	1,565	1,068
Agricultural Commodities Stabilization Accounts . . . . .	<sup>(2)</sup>	<sup>(2)</sup>
Other . . . . .	17	16
Total public debt charges related to consolidated specified purpose accounts . . . . .	1,581	1,084
Total public debt charges <sup>(3)</sup> . . . . .	46,448	45,310
Provision for valuation and other items . . . . .	(2,773)	(2,579)
	43,675	42,731
Less: total public debt charges related to consolidated specified purpose accounts . . . . .	1,581	1,084
Total net/gross public debt charges with outside parties <sup>(1)</sup> . . . . .	42,094	41,647

<sup>(1)</sup> A summary is provided in Table 2a in Section 1 of Volume II (Part I).

<sup>(2)</sup> Less than \$500,000.

<sup>(3)</sup> Additional details are provided in Section 9 of Volume II (Part II).

**3. 12 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT**

## Expenditures by Standard Object

Table 3.10 presents total expenditures by standard object on both a gross and net basis for the current fiscal year.

**TABLE 3.10**  
TOTAL EXPENDITURES BY STANDARD OBJECT  
(in millions of dollars)

	Total expenditures	Less:		Total external expenditures
		Internal expenditures	Internal revenues netted against expenditures	
Personnel .....	20,418			20,418
Transportation and communications .....	2,276	10	85	2,181
Information .....	423	2	16	405
Professional and special services .....	5,589	75	643	4,871
Rentals .....	1,340	18	150	1,172
Purchased repair and maintenance .....	1,977	11	97	1,869
Utilities, materials and supplies .....	2,116	3	27	2,086
Acquisition of land, buildings and works .....	1,001	15	125	861
Acquisition of machinery and equipment .....	3,814	2	18	3,794
Transfer payments .....	92,051			92,051
Public debt charges .....	42,094			42,094
Other subsidies and payments .....	4,503	116	987	3,400
<b>Total gross expenditures .....</b>	<b>177,602</b>	<b>252</b>	<b>2,148</b>	<b>175,202</b>
<b>Add:</b>				
Employment Insurance Account .....	1,289	133	1,156	
Internal expenditures .....		252		(252)
<b>Less:</b>				
Revenues netted against expenditures—				
External revenues .....	2,874			2,874
Internal revenues .....	3,304	252	3,304	(252)
Revenues of consolidated Crown corporations .....	1,762			1,762
Tax credits and repayments .....	9,124			9,124
Cost credited to non-tax revenues .....	133	133		
	(15,908)		(2,148)	(13,760)
<b>Total net expenditures .....</b>	<b>161,694</b>	<b>252</b>		<b>161,442</b>

## Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total net expenditures each year.

Table 3.11 presents a comparative summary of these statutory expenditures. The table also discloses the reconciling items between total ministerial expenditures under statutory authorities and total net statutory expenditures. The reconciling items include the statutory expenditures of the consolidated specified purpose accounts and the provision for valuation. External revenues netted against expenditures have been added to the total net statutory expenditures to obtain the total gross statutory expenditures with outside parties.

**TABLE 3.11**  
**EXPENDITURES UNDER STATUTORY AUTHORITIES**

(in millions of dollars)

	2000-2001	1999-2000
Public debt charges .....	46,448	45,310
Old age security payments ( <i>Old Age Security Act</i> ) .....	18,840	18,089
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	13,500	12,392
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	10,951	9,899
Guaranteed income supplement payments ( <i>Old Age Security Act</i> ) .....	5,031	4,934
Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i> .....	3,021	
Payment to the Canada Health and Social transfer Supplement Trust for Health Care ( <i>Budget implementation Act, 1999</i> ) .....	2,500	3,500
Payment to a trust to provide funding to provinces for purchase and installation of medical diagnostic and treatment equipment under the <i>Canada Health Care, Early Childhood Development and Other Social Services Funding Act</i> .....	1,000	
Payments in respect of the judgement in favour of individuals infected with Hepatitis C (pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i> ) .....		855
Interests and other payments under the <i>Canada Student Financial Assistance Act</i> .....	533	510
Grants to the Trustees of Registered Education Savings Plan pursuant to Part III.I of the <i>Department of Human Resources Development Act</i> .....	434	334
Payments (encashments of notes) to the International Financial Institution Fund Accounts ( <i>International Development (Financial Institutions) Assistance Act</i> and previous years' Appropriation Acts) .....	412	
Spouse's allowance payments ( <i>Old Age Security Act</i> ) .....	388	391
Payments (encashments of notes) to International Development Association ( <i>Bretton Woods and Related Agreements Act</i> and previous years' Appropriation Acts) .....	366	349
Superannuation, supplementary retirement benefits, death benefits and other pensions— <sup>(1)</sup>		
Public Service—		
Government's matching contributions to the Public Service Superannuation Account .....	1,496	1,590
Government's contribution as employer to the Employment Insurance Account .....	298	259
Government's matching contributions to the Canada and the Quebec Pension Plans .....	347	253
Government's matching contributions to the Death Benefit Account .....	12	7
	2,153	2,109
Less: recoveries from revolving funds .....	66	66
	2,087	2,043
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account .....	521	572
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	11	12
Government's contribution as employer to the Employment Insurance Account .....	82	85
Government's matching contribution to the Canada and the Quebec Pension Plans .....	82	85
Government's matching contribution to the Death Benefit Account .....	2	3
	698	757
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account .....	174	159
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	9	18
Government's contribution as employer to the Employment Insurance Account .....	21	25
Government's matching contribution to the Canada and the Quebec Pension Plans .....	25	18
	229	220
All other statutory expenditures .....	3,942	(57)
Total ministerial expenditures under statutory authorities .....	110,380	99,526
Consolidated specified purpose accounts—		
Employment Insurance Account .....	11,029	11,463
Agricultural Commodities Stabilization Accounts .....		5
Other .....	1,487	(338)
Total expenditures of consolidated specified purpose accounts .....	12,516	11,130
Provision for valuation and other items .....	(8,403)	(7,159)
Total net statutory expenditures with outside parties .....	114,493	103,497
External revenues netted against expenditures .....	2,874	2,625
Total gross statutory expenditures with outside parties .....	117,367	106,122

(1) Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.

### 3. 14 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

## ACCUMULATED DEFICIT

The accumulated deficit account represents the net accumulation of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account reflecting changes in accounting policies introduced over the years. The accumulated deficit is equal to the excess of recorded liabilities over total assets.

A Statement of Revenues, Expenditures and Accumulated Deficit is published in Section 1 of this volume.

Table 3.12 presents a ten year comparative statement of the accumulated deficit, in terms of total liabilities and total assets. Chart 3E presents the accumulated deficit for the last ten fiscal years.

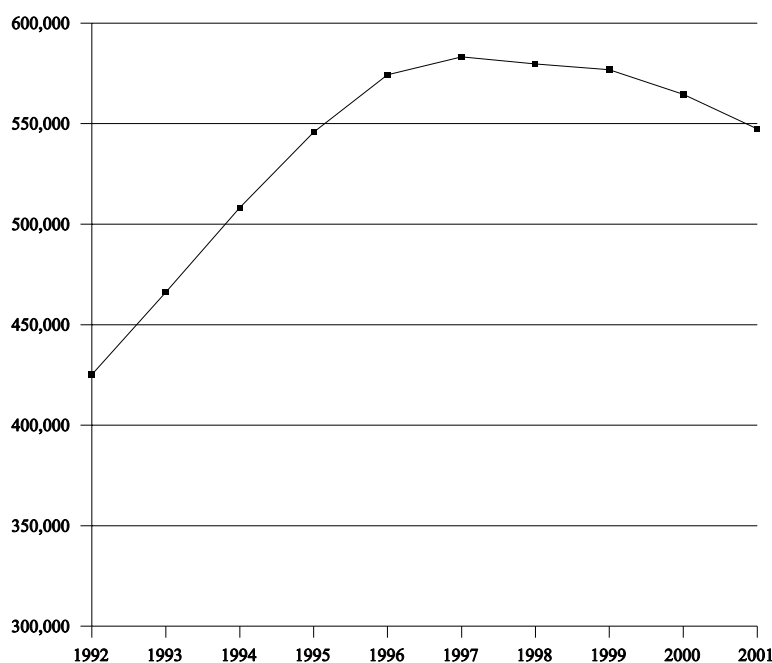
**TABLE 3.12**  
STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS

(in millions of dollars)

At March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase (Decrease)
2001 .....	632,876	85,498	547,378	(17,148)
2000 .....	638,680	74,154	564,526	(12,298)
1999 .....	640,301	63,477	576,824	(2,884)
1998 .....	638,525	58,817	579,708	(3,478)
1997 .....	640,657	57,471	583,186	8,897
1996 .....	624,701	50,412	574,289	28,617
1995 .....	584,798	39,126	545,672	37,462
1994 .....	546,437	38,227	508,210	42,012
1993 .....	503,884	37,686	466,198	41,021
1992 .....	467,377	42,200	425,177	66,357

**CHART 3E**  
ACCUMULATED DEFICIT AT MARCH 31

(in millions of dollars)



# SECTION 4

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Consolidated Accounts

### CONTENTS

	<i>Page</i>
Consolidated Crown corporations. . . . .	4.3
Summary financial statements of consolidated Crown corporations. . . . .	4.3
Contingent liabilities of consolidated Crown corporations. . . . .	4.8
Financial assistance under budgetary appropriations to consolidated Crown corporations . . . . .	4.9
Consolidated specified purpose accounts. . . . .	4.10
Major Accounts—	
Western Grain Stabilization Account . . . . .	4.12
Employment Insurance Account . . . . .	4.13
Insurance Accounts . . . . .	4.13
Other Specified Purpose Accounts . . . . .	4.14
Supplementary statement—	
Employment Insurance Account . . . . .	4.17



## CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies. The most significant difference between GAAP and the Government basis of accounting is that under GAAP, non-financial assets such as buildings, machinery, equipment and inventories are reflected as assets and amortized over their respective lives or as they are consumed or used. The Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

### Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Physical assets and deferred charges are assets such as property, plant and equipment and inventories that are accounted for under generally accepted accounting principles by most corporations which differ from those of the Government. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are the inflow of cash, receivables and other consideration arising in the course of ordinary activities of a corporation, normally the sale of goods, the rendering of services and the use by others of enterprise resources yielding interest, royalties and dividends. Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are the outflow or reduction of assets or incurrence of liabilities resulting from a corporation's ordinary revenue generating or service delivery activities. Expenses are segregated between third parties and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the Crown corporation. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Adjustments include prior period adjustments and other items affecting equity as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on wholly-owned subsidiaries that are unconsolidated with their parent corporation, but consolidated directly in the financial statements of the Government. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2001. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2001 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

Crown corporations <sup>(1)</sup>	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Third parties	Government and Crown corporations		
Atomic Energy of Canada Limited . . . . .	135,867	1,590	683,265	820,722
Canada Council . . . . .	299,504	2,795	24,011	326,310
Canada Lands Company Limited — Old Port of Montreal Corporation Inc. . . . .	5,615	46	9,823	15,484
Canada Mortgage and Housing Corporation — Minister's Account . . . . .				
Canadian Broadcasting Corporation . . . . .	104,336	185,790	1,203,908	1,494,034
Canadian Dairy Commission — Dairy Support Operation Financed by the Government of Canada . . . .		6,949		6,949
Canadian Film Development Corporation . . . . .	18,751	41,798	5,188	65,737
Canadian Museum of Civilization . . . . .	31,218	5,019	14,935	51,172
Canadian Museum of Nature . . . . .	6,143	2,166	36,295	44,604
Canadian Race Relations Foundation . . . . .	3,237	24,000	91	27,328
Canadian Tourism Commission . . . . .	9,726	33,159	1,091	43,976
Cape Breton Growth Fund Corporation . . . . .	18,112	15	46	18,173
Defence Construction (1951) Limited . . . . .	3,841	2,546	1,282	7,669
Enterprise Cape Breton Corporation . . . . .	9,852	2,806	447	13,105
Federal Bridge Corporation Limited, The <sup>(2)</sup> . . . . .	19,784	10,310	43,498	73,592
International Development Research Centre . . . . .	43,762	13,439	7,221	64,422
Marine Atlantic Inc . . . . .	12,519		224,288	236,807
National Arts Centre Corporation . . . . .	9,558	716	17,279	27,553
National Capital Commission . . . . .	78,644	15,912	450,405	544,961
National Gallery of Canada . . . . .	7,725	3,227	11,796	22,748
National Museum of Science and Technology . . . . .	2,337	3,490	9,522	15,349
Queens Quay West Land Corporation . . . . .	11,257			11,257
Standards Council of Canada . . . . .	2,803	584	1,124	4,511
VIA Rail Canada Inc . . . . .	87,477	22,215	522,301	631,993
Total . . . . .	922,068	378,572	3,267,816	4,568,456
Conversion to the Government accounting basis for consolidation purposes . . . . .			3,267,816	3,267,816
Total on the Government accounting basis . . . . .	922,068	378,572		1,300,640

<sup>(1)</sup> All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc.<sup>(2)</sup> The financial information of the Federal Bridge Corporation Limited are consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and the Seaway International Bridge Corporation Limited.

Liabilities			Equity of Canada	Total liabilities and equity
Borrowings	Third parties Other	Government and Crown corporations		
	676,703	61,030	82,989	820,722
	109,634	38	216,638	326,310
	8,639	6,855	(10)	15,484
	726,687	658,687	108,660	1,494,034
	6,949			6,949
	24,736	4,335	36,666	65,737
	16,133	14,727	20,312	51,172
	37,984	6,890	(270)	44,604
	602		26,726	27,328
	34,396	53	9,527	43,976
	7	173	17,993	18,173
	4,507	572	2,590	7,669
	8,759	428	3,918	13,105
	14,201	6,227	53,164	73,592
	26,613	37,653	156	64,422
	6,053	229,040	1,714	236,807
	11,674	15,751	128	27,553
	58,664	2,050	484,247	544,961
	8,147	12,163	2,438	22,748
	3,562	10,264	1,523	15,349
	9,699	45,800	(44,242)	11,257
	2,138	747	1,626	4,511
	106,754	495,178	30,061	631,993
	1,903,241	1,608,661	1,056,554	4,568,456
	954,018	1,348,550	965,248	3,267,816
	949,223	260,111	91,306	1,300,640

TABLE 4.2

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

Crown corporations	Revenues			
	Third parties	Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited .....	635,303	133,862	16,784	785,949
Canada Council .....	25,845	127,431	2,106	155,382
Canada Lands Company Limited — Old Port of Montreal Corporation Inc. ....	14,606	12,610		27,216
Canada Mortgage and Housing Corporation — Minister's Account. ....		1,953,825		1,953,825
Canadian Broadcasting Corporation .....	585,889	809,578	151,487	1,546,954
Canadian Dairy Commission — Dairy Support Operation Financed by the Government of Canada. ....		65,497		65,497
Canadian Film Development Corporation .....	28,438	147,365	501	176,304
Canadian Museum of Civilization. ....	13,940	47,126	3,308	64,374
Canadian Museum of Nature .....	2,298	22,874	550	25,722
Canadian Race Relations Foundation .....	2,027			2,027
Canadian Tourism Commission. ....	3,767	45,820	485	50,072
Cape Breton Growth Fund Corporation .....	258	3,015	15,000	18,273
Defense Construction (1951) Limited. ....	60		21,890	21,950
Enterprise Cape Breton Corporation. ....	511	33,614		34,125
Federal Bridge Corporation Limited, The. ....	10,299	27,966	141	38,406
International Development Research Centre .....	13,096	89,069	33,143	135,308
Marine Atlantic Inc. ....	62,229	33,410	20,289	115,928
National Arts Centre Corporation .....	24,007	24,955	5,148	54,110
National Capital Commission .....	39,883	97,305	3,141	140,329
National Gallery of Canada. ....	9,020	36,525		45,545
National Museum of Science and Technology .....	3,497	21,349	1,513	26,359
Queens Quay West Land Corporation. ....	910	3,000		3,910
Standards Council of Canada .....	4,041	4,717	751	9,509
VIA Rail Canada Inc. ....	239,862	171,103	53,128	464,093
Total .....	1,719,786	3,912,016	329,365	5,961,167
Conversion to the Government accounting basis for consolidation purposes. ....	316,289	(54,131)	(257,209)	4,949
Total on the Government accounting basis .....	2,036,075	3,857,885	72,156	5,966,116

The accompanying notes to Table 4.1 are an integral part of this table.

Expenses			Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Third parties	Government and Crown corporations	Total				Dividends	Capital	
706,143	67,960	774,103	11,846	72,202	(1,059)			82,989
141,685		141,685	13,697	202,974			(33)	216,638
27,172		27,172	44	(54)				(10)
1,851,805	102,020	1,953,825						
1,369,558	29,452	1,399,010	147,944	(43,284)			4,000	108,660
65,497		65,497						
169,759	2,165	171,924	4,380	32,286				36,666
50,202	7,805	58,007	6,367	13,945				20,312
23,443	2,377	25,820	(98)	(28)	(144)			(270)
2,148		2,148	(121)	26,846	1			26,726
32,021	12,631	44,652	5,420				4,107	9,527
268	13	281	17,992				1	17,993
22,548		22,548	(598)	3,188				2,590
34,368	101	34,469	(344)	4,262				3,918
38,566		38,566	(160)	49,923			3,401	53,164
136,961		136,961	(1,653)	1,809				156
112,609		112,609	3,319	(41,254)	39,649			1,714
53,005	2,492	55,497	(1,387)	1,515				128
92,580	5,317	97,897	42,432	439,040	1,598		1,177	484,247
39,657	5,699	45,356	189	2,249				2,438
24,302	1,016	25,318	1,041	482				1,523
3,864		3,864	46	(44,288)				(44,242)
9,482	38	9,520	(11)	1,637				1,626
398,163	1,541	399,704	64,389	(34,661)	333			30,061
5,405,806	240,627	5,646,433	314,734	688,789	40,378		12,653	1,056,554
1,860	54,990	56,850	(51,901)	(860,316)	(40,378)		(12,653)	(965,248)
5,407,666	295,617	5,703,283	262,833	(171,527)				91,306

## Contingent Liabilities of Consolidated Crown Corporations

Table 4.3 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.3

### CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS

(in thousands of dollars)

	March 31, 2001
<u>Agent Crown corporations</u>	
Canada Lands Company Limited —	
Old Port of Montreal Corporation Inc. . . . .	514
Canada Mortgage and Housing Corporation —	
Minister's Account—Miscellaneous litigations . . . . .	1,000
Canadian Film Development Corporation—Loan guarantees . . . . .	920
Defence Construction (1951) Limited—Contract disputes . . . . .	7,860
International Development Research Centre . . . . .	800
National Capital Commission—Miscellaneous litigations and agreements . . . . .	50,768
	61,862
<u>Non-agent Crown corporation</u>	
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations . . . . .	6,739
Total . . . . .	68,601

The accompanying notes to Table 4.1 are an integral part of this table.

## Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.4 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

**TABLE 4.4**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited . . . . .	121,150	121,150	
Canada Lands Company Limited — Old Port of Montreal Corporation Inc . . . . .	12,610	12,610	
Canada Mortgage and Housing Corporation <sup>(2)</sup> . . . . .	1,905,524	1,905,524	
Canadian Broadcasting Corporation . . . . .	902,165	801,180	100,985
Canadian Dairy Commission . . . . .	2,955	2,955	
Canadian Film Development Corporation . . . . .	92,745	92,745	
Canadian Museum of Civilization . . . . .	52,121	52,121	
Canadian Museum of Nature . . . . .	24,184	24,184	
Enterprise Cape Breton Corporation . . . . .	33,614	33,614	
National Capital Commission . . . . .	97,305	62,555	34,750
National Gallery of Canada . . . . .	36,459	33,459	3,000
National Museum of Science and Technology . . . . .	23,849	23,849	
	<i>3,304,681</i>	<i>3,165,946</i>	<i>138,735</i>
<u>Non-agent Crown corporations</u>			
Canada Council . . . . .	127,430	127,430	
Federal Bridge Corporation Limited, The . . . . .	33,847	33,847	
International Development Research Centre . . . . .	88,483	88,483	
Marine Atlantic Inc. . . . .	38,560	38,560	
National Arts Centre Corporation . . . . .	24,837	24,837	
Standards Council of Canada . . . . .	5,446	5,446	
Queens Quay West Land Corporation . . . . .	3,000	3,000	
VIA Rail Canada Inc. . . . .	231,603	231,603	
	<i>553,206</i>	<i>553,206</i>	
Total . . . . .	<i>3,857,887</i>	<i>3,719,152</i>	<i>138,735</i>

(1) Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.

(2) Includes budgetary appropriations for Government programs known as the "Minister's Account".

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenditures which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenditures.

The transactions of these accounts are reported with revenues and expenditures, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.5 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.5. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.5

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/2000	Receipts and other credits		Payments and other charges		March 31/2001
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Major Accounts—						
Agriculture and Agri-Food—						
Western Grain Stabilization Account .....	27,018,443	141,015	16,679			27,176,137
Less: interest-bearing loans .....	1,112,000,000					1,112,000,000
	(1,084,981,557)	141,015	16,679			(1,084,823,863)
Human Resources Development—						
Employment Insurance Account, Table 4.6 .....	27,175,233,078	18,731,701,849	1,862,101,164	11,185,401,403	1,289,078,188	35,294,556,500
Total major accounts .....	26,090,251,521	18,731,842,864	1,862,117,843	11,185,401,403	1,289,078,188	34,209,732,637
Insurance Accounts—						
Finance—						
Investors' Indemnity Account .....	45,303					45,303
Health—						
Health Insurance Supplementary Account .....	28,387					28,387
Natural Resources—						
Atomic Energy Control Board—						
Nuclear Liability Reinsurance Account .....	550,321	1,600				551,921
Transport—						
Ship-Source Oil Pollution Fund .....	295,522,359	14,028	16,578,930	7,306,163		304,809,154
Total insurance accounts .....	296,146,370	15,628	16,578,930	7,306,163		305,434,765
Other Specified Purpose Accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund .....	318,313,585 <sup>(1)</sup>	12,523,315				330,836,900
Less: interest-bearing loans .....	277,514,751					277,514,751
	40,798,834	12,523,315				53,322,149
Agricultural Commodities						
Stabilization Accounts .....	253,604	3,010	7,186			263,800
	41,052,438	12,526,325	7,186			53,585,949



TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2000	Receipts and other credits		Payments and other charges		March 31/2001
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Canadian Heritage—						
National Archives of Canada—						
Donations . . . . .	241,386	26,616			13,405	254,597
National Battlefields Commission—						
Trust Fund Account . . . . .	360,865	108,956	21,035			490,856
National Library—						
Special Operating Account . . . . .	220,396					220,396
Parks Canada Agency—						
New Parks and Historic Sites Accounts . . . . .	1,770,538	1,570,748	10,000,000	7,655,542	4,751,468	934,276
	2,593,185	1,706,320	10,021,035	7,655,542	4,764,873	1,900,125
Citizenship and Immigration—						
50th Anniversary of the Canadian						
Citizenship Act Celebrations . . . . .	81,011			76,715		4,296
Environment—						
Endangered Species—Donations . . . . .	104,112					104,112
Fish Habitat Restoration						
Account . . . . .	251,136	221,900		125,142		347,894
	355,248	221,900		125,142		452,006
Finance—						
Canadian Commercial Bank and Northland						
Bank Holdback Account . . . . .	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish						
Account . . . . .	365,193	414,749		264,931		515,011
Foreign Affairs and						
International Trade—						
Canadian Landmine Action Fund . . . . .	32,033	42,038		58,750		15,321
Governor General—						
Rideau Hall—Donations . . . . .		82,500		75,000		7,500
Health—						
Canadian Institutes of Health Research						
(previously Medical Research Council)—						
Donations for Research . . . . .	1,476,459	3,519,262		3,188,997		1,806,724
Human Resources Development—						
Canadian Centre for Occupational Health						
and Safety—Donations . . . . .	81,021					81,021
Indian Affairs and Northern Development—						
Environmental Studies						
Research Fund . . . . .	134,754		20,437		128,000	27,191
Industry—						
Prime Minister Awards . . . . .	160,435	201,527		301,153		60,809
National Research Council of Canada—						
H. L. Holmes Fund . . . . .	51,424				51,424	
	211,859	201,527		301,153	51,424	60,809
National Defence—						
Corporate sponsorships						
and donations . . . . .	(40,300)		40,300			
Natural Resources—						
Environmental Studies						
Research Fund . . . . .	941,165		647,418		700,000	888,583
Privy Council—						
Canadian Centre for						
Management Development—						
Donations . . . . .		13,787				13,787
Canadian Transportation Accident						
Investigation and Safety						
Board—						
Flight Recorder Software						
Systems Account . . . . .	201,307	43,738		245,045		

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2000	Receipts and other credits		Payments and other charges		March 31/2001
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
National Round Table on the Environment and Economy—Donations . . .	197,852	51,044		175,122		73,774
	399,159	94,782		420,167		73,774
Public Works and Government Services—						
Seized Property Proceeds						
Account . . . . .	12,940,175	12,499,528		2,446,526	14,691,355	8,301,822
Solicitor General—						
Royal Canadian Mounted Police						
Pipe Band (NCR) . . . . .	10,500	475			10,975	
Transport—						
Fines for the Transportation of Dangerous Goods . . . . .	96,873	37,000				133,873
Total other specified purpose accounts . . . . .	306,954,237	31,360,193	10,736,376	14,612,923	20,346,627	314,091,256
Total . . . . .	26,693,352,128	18,763,218,685	1,889,433,149	11,207,320,489	1,309,424,815	34,829,258,658

<sup>(1)</sup> The opening balance has been adjusted to reclassify an entry of \$165 million.

## Western Grain Stabilization Account

The purpose of the *Western Grain Stabilization Act* was to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, domestic mustard seed, canola, flax seed, triticale, mixed grain, sunflower seed, buckwheat, peas, lentils, favabeans and canary seed as well as any other prescribed seed that was produced in the designated area and was a grain for which a grade has been established and designated as "Canada Western" by regulation under the *Canada Grain Act*.

This account recorded funds which were received from:

- (a) levies paid by participating producers—levy rate ranging from 1 percent to 4 percent were applied to a participant's grain sales proceeds not exceeding \$60,000 per year;
- (b) Government contributions were equal to levies paid by producers plus an additional 2 percent of the participant's eligible grain sales proceeds of all participants on which the levy was paid by participants;
- (c) interest on the amount that was standing to the credit of the Account at rates and in accordance with the terms and conditions which were determined by the Minister of Finance; and,

- (d) advances from the Consolidated Revenue Fund, pursuant to section 45 of the *Western Grain Stabilization Act* when the balance in the Account was not sufficient for the payment of the stabilization payments and other amounts required to be charged to the Account pursuant to section 44 of the *Western Grain Stabilization Act*.

Treatment of the Account's deficit upon termination of the Western Grain Stabilization Account is subject to the provision of subsection 24(3) of the *Farm Income Protection Act*: "The Governor in Council may, by order, fix the day on which the Western Grain Stabilization Account continued pursuant to subsection (1) shall be closed." The *Western Grain Stabilization Act* has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Payments and other charges to outside parties of «nil» (-\$38 thousand in 2000) are reported and presented in the Statement of Revenues, Expenditures and Accumulated Deficit. This amount represents recoveries of overpayments to producers when the program was active.

## Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and support measures under Part II of the Act; (c) repayments of overpayments made by the Commission under the Labor Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The Act also provides that the following be charged to the Account: (a) benefits, support measures and financial assistance provided under Part II of the Act; (b) contributions to provinces under the Labour Market Development Agreements; (c) costs of administering the Act including administration costs transferred to provinces; and, (d) interest on advances made by the Minister of Finance.

Employee premium rates for each \$100 of insurable earnings were \$2.40 from April 1, 2000 to December 31, 2000 and \$2.25 from January 1, 2001 to March 31, 2001. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

Receipts and other credits from outside parties of \$18,732 million (\$18,512 million in 2000) are reported as revenues, while payments and other charges to outside parties of \$11,185 million (\$11,538 million in 2000) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,862 million (\$1,436 million in 2000), and payments and other charges of \$1,289 million (\$1,311 million in 2000), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Table 4.6 presents a statement of the transactions in the Employment Insurance Account. Notwithstanding the accounting policies of the Government, the data in Table 4.6, except for administration costs, are presented on a cash basis. This method is used to permit a direct reconciliation of data with the accounts of Canada and the data in Table 4.5. For the purpose of presentation in the financial statements of the Government of Canada, adjusting entries have been brought to these accounts in order to conform to the stated accounting policies.

The Employment insurance benefits as reported in Table 4.6 (\$11,091 million) differ from the benefits (\$11,444 million) reported in the Statement of Revenues, Expenditures and Accumulated Deficit (Section 1 of this volume). The difference is attributed to further adjustments due to the provision for valuation of \$197 million and the employment insurance benefits recovery of \$156 million through the Income Tax System.

**TABLE 4.6**

### TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	2000-2001	1999-2000
<b>RECEIPTS AND OTHER CREDITS—</b>		
Premiums—		
Employers and employees .....	18,988	18,839
Penalties .....	41	41
Interest earned .....	1,565	1,068
	<b>20,594</b>	<b>19,948</b>
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits .....	10,201	10,611
Transfers to the provinces -		
Part II .....	890	832
Administration costs .....	1,289	1,311
Administration cost transferred to provinces .....	94	95
	<b>12,474</b>	<b>12,849</b>
Net change .....	8,120	7,099
Balance at beginning of year .....	27,175	20,076
Balance at end of year .....	<b>35,295</b>	<b>27,175</b>

## Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$15.6 thousand (\$1.5 thousand in 2000) are reported as revenues, while payments and other charges to outside parties of \$7.3 million (\$1.2 million in 2000) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$17 million (\$16 million in 2000), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to \$50,000 by Treasury Board Submission No. 817667 dated December 12, 1991.

Section 58 of the Act states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

### **Health Insurance Supplementary Account**

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

### **Nuclear Liability Reinsurance Account**

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

### **Ship-Source Oil Pollution Fund**

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

### **Other Specified Purpose Accounts**

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$31 million (\$38 million in 2000) are reported as revenues, while payments and other charges to outside parties of \$15 million (\$44 million in 2000) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$11 million (\$12 million in 2000), and payments and other charges of \$20 million (\$2 million in 2000) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### **Crop Reinsurance Fund**

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance may authorise an advance of additional funds to cover these obligations. These advances are recovered without interest from future revenues from the provinces.

Receipts and other credits from outside parties of \$13 million (\$15 million in 2000) are reported as revenues, while payments and other charges to outside parties of «nil» («nil» in 2000) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

### **Agricultural Commodities Stabilization Accounts**

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

The following accounts are active solely for the collection of accounts receivable as the programs have already terminated:

- (a) hogs;
- (b) feeder cattle;
- (c) slaughter cattle;
- (d) feeder calves;
- (e) home-raised lambs;
- (f) ewe flock;
- (g) white pea beans;
- (h) kidney/cranberry beans;
- (i) other coloured beans;
- (j) honey;
- (k) onions;
- (l) apples; and,
- (m) sugar beets.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

**National Archives of Canada—Donations**

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts required for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

**National Battlefields Commission—Trust Fund Account**

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

**National Library—Special Operating Account**

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all monies received for the purpose of the National Library by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

**Parks Canada Agency—New Parks and Historic Sites Accounts**

This account was established pursuant to the *Parks Canada Agency Act* to record payments to be used to acquire lands or property required to establish any national park, national historic site or other protected heritage area that has not yet attained full operation status, and to make any related contributions.

**50th Anniversary of the Canadian Citizenship Act Celebrations**

This account was established to record deposits of donations received from the private sector to support celebrations of the 50th anniversary of the *Canadian Citizenship Act*. The funds received will be used to produce educational and promotional material.

**Endangered Species—Donations**

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to endangered species.

**Fish Habitat Restoration Account**

This account was established pursuant to subsection 79(2) of the *Fisheries Act*, for a specified purpose; this purpose being:

Québec: Together with the “Fondation de la faune du Québec” and the Department of Leisure, Fish and Game of Quebec, the restoration of wildlife habitats, notably wetlands, water levels control, acquisition of shorelands, restoration of spawning grounds damaged by encroachment on the St. Lawrence River and release of trout and other fish species in these spawning grounds being restored;

Northwest Territories: To promote the conservation of fish or fish habitat in the waters of/or adjacent to the Northwest Territories. It may include the design, construction or operation of an aquarium at Iqaluit or the funding or conduct of programs approved by the Department of Environment Canada related to sewage waste treatment and disposal in relation to the Northwest Territories; and,

Manitoba: To promote the conservation of fish or fish habitat in or adjacent to the Winnipeg River System.

**Canadian Commercial Bank and Northland Bank Holdback Account**

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year, no claims have been received for potential payments from the holdback.

**Supplementary Fines Fish Account**

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2) (f) of the Act.

**Canadian Landmine Action Fund**

This account was established to record monies received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

**Rideau Hall Donations**

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

**Canadian Institutes of Health Research (previously Medical Research Council)—Donations for Research**

This account, continued in the accounts of Canada pursuant to section 29 of the *Canadian Institutes of Health Research Act*, records donations and contributions received from organizations and individuals for biomedical research.

### **Canadian Centre for Occupational Health and Safety—Donations**

This account was established pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

### **Indian Affairs and Northern Development—Environmental Studies Research Fund**

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

### **Prime Ministers Awards**

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence.

### **H.L. Holmes Fund**

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to Post-Doctoral students to study at world famous Graduate Schools or Research Institutes under outstanding research persons.

### **Corporate Sponsorships and Donations**

This account was established by National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events consistent with the Department's mandate but not funded from its appropriations. The funds received will be used to defray the events' associated expenditures in accordance with Treasury Board policy.

### **Natural Resources—Environmental Studies Research Fund**

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

### **Canadian Centre for Management Development—Donations**

This account was established under the authority provided by section 5(h) of the *Canadian Centre for Management Development Act* in order to account for funds provided to the Canadian Centre for Management Development as a gift to further the objects of the Centre.

### **Flight Recorder Software System Account**

This account was established to record cash contributions and expenditures related to a cost sharing agreement with other government safety organizations who have acquired a software system which was developed by the Canadian Transportation Accident Investigation and Safety Board for use in aircraft accident investigations for the purpose of advancing aviation safety.

### **National Round Table on the Environment and Economy—Donations**

This account was established to record payments, grants and donations received from third parties, and expenses associated with National Round Table on the Environment and Economy programs and activities.

### **Seized Property Proceeds Account**

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

### **Royal Canadian Mounted Police Pipe Band (NCR)**

This account was established to administer sponsorship funds to support the Royal Canadian Mounted Police Pipe Band.

### **Fines for the Transportation of Dangerous Goods**

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

## SUPPLEMENTARY STATEMENT

### Employment Insurance Account

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Account have been prepared by management of the Canada Employment Insurance Commission in accordance with the significant accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and the estimates of importance in these financial statements are Management's responsibility.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and Regulations, as well as the *Financial Administration Act* and Regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the financial statements and reports to the Minister of Human Resources Development.

The financial statements of the Employment Insurance Account are an integral part of the *Public Accounts of Canada*, which are tabled in Parliament and referred to the Standing Committee on Public Accounts for examination purposes.

ALAN WINBERG  
Assistant Deputy Minister  
Financial and Administrative Services  
Human Resources Development Canada

CLAIRE M. MORRIS  
Chairperson of the Canada  
Employment Insurance Commission

July 20, 2001

#### AUDITOR'S REPORT

#### TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 2001 and the statement of operations and accumulated surplus for the year then ended. These financial statements are the responsibility of the management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

I wish to draw your attention to the continuing concerns that I have with the size and the rate of growth of the accumulated surplus. As described in Note 5 to the financial statements, the *Employment Insurance Act* lays out the requirements for setting premiums. Although recent amendments to the Act have suspended these requirements for 2002 and 2003, they remain in effect for the year ended March 31, 2001. The accumulated surplus increased by about \$8 billion during the year to \$36 billion at March 31, 2001 which is well in excess of \$15 billion, the maximum amount considered necessary by the Chief Actuary of Human Resources Development Canada. The Employment Insurance Commission was unable to provide an adequate justification for the size and the rate of growth of the accumulated surplus. Accordingly, I am unable to conclude that the intent of the *Employment Insurance Act* has been observed in setting the 2001 premium rates.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 20, 2001

**Employment Insurance Account—Continued**

BALANCE SHEET AS AT MARCH 31, 2001  
(in thousands of dollars)

ASSETS	2001	2000	LIABILITIES	2001	2000
Balance of the account with Receiver			Unredeemed warrants . . . . .	86,812	118,608
General for Canada . . . . .	35,630,446	27,524,998	Amounts payable (Note 4) . . . . .	319,034	265,596
Premiums receivable . . . . .	848,000	836,000	Accrued benefits (Note 11) . . . . .	507,672	310,635
Due from claimants				913,518	694,839
(Note 3 and 11) . . . . .	399,691	536,359	Accumulated surplus (Note 5) . . . . .	35,964,619	28,202,518
				36,878,137	28,897,357
	36,878,137	28,897,357			

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

Approved by:

ALAN WINBERG  
*Assistant Deputy Minister*  
*Financial and Administrative Services*  
*Human Resources Development Canada*

CLAIRE M. MORRIS  
*Chairperson of the Canada*  
*Employment Insurance Commission*

STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2001  
(in thousands of dollars)

	2001	2000
Revenue		
Premiums (Note 6) . . . . .	18,999,354	18,825,140
Interest on the balance of the		
account with Receiver General		
for Canada (Note 7) . . . . .	1,564,825	1,067,726
Penalties . . . . .	75,735	74,192
	20,639,914	19,967,058
Expenses		
Benefits and support		
measures (Note 8		
and Schedule) . . . . .	11,443,868	11,280,005
Administration costs (Note 9) . . . . .	1,407,995	1,406,067
Provision for bad debts . . . . .	25,950	55,584
	12,877,813	12,741,656
Surplus for the year . . . . .	7,762,101	7,225,402
Accumulated surplus at the		
beginning of the year . . . . .	28,202,518	20,977,116
Accumulated surplus at the end of		
the year (Note 5) . . . . .	35,964,619	28,202,518

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



**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2001

1. Authority, objective and responsibilities

The Canada Employment Insurance Commission, a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The Commission is co-managed by the Government, workers and employers. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments to be received from higher income claimants.

The *Employment Insurance Act*, which came into effect in July 1996, authorizes the Government of Canada to enter into labour market development agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. With the exception of Ontario, agreements with all provinces and territories have been entered into and implemented.

Responsibility sharing varies from one agreement to the other. In some cases, the provinces and territories have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

2. Significant accounting policies

The Employment Insurance Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Employment Insurance Account are also presented in Volume 1 of the *Public Accounts of Canada*.

a) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

b) Revenue - Premiums

Premiums are based on an estimate of the amount to be collected that relates to the year and include adjust-

ments between actual and estimated premiums of previous years.

c) Expenses - Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants while they look for work. Income benefits represent the amounts paid and to be paid to claimants for the period relating to the financial year, less benefit overpayments established by the Commission during the year.

Employment benefits and support measures (or benefits under Part II of the Act) provide financial assistance, namely grants or contributions, to eligible persons to help them re-integrate into the labour market and to third parties to help them provide employment assistance services to unemployed workers. These expenses include the direct costs, excluding administration costs, of financial and employment assistance programs and related measures provided to eligible persons and third parties. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories for the design and delivery of programs similar to the employment benefits and support measures.

Claimants with higher income levels than those stated in the Act have to repay benefits received. Estimated benefit repayments received or to be received from those claimants are deducted from benefits and support measures.

d) Administration costs

The costs of administering the Act are based on an estimate of costs incurred by the Commission for the Employment Insurance Account and, with the applicable provinces and territories for the labour market development agreements.

e) Asset and liability valuation

The carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year.

f) Cash flow statement

It is management's opinion that a cash flow statement for the Account is not necessary since information concerning operating activities, and their effects on the balance of the account with Receiver General for Canada, are readily apparent in the Statement of Operations and Accumulated Surplus. The Account is not involved in any investing or financing activities.

**Employment Insurance Account—Continued**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2001—Continued

## 3. Due from claimants

	2001	2000
	(in thousands of dollars)	
Benefit overpayments to be received .....	364,216	374,686
Amounts of penalties to be received .....	245,015	231,615
	609,231	606,301
Less: allowance for doubtful accounts .....	285,432	307,957
	323,799	298,344
Estimated benefit repayments to be received from higher income claimants .....	75,892	238,015
	399,691	536,359

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totaling \$264 million were established (\$279 million in 1999-2000).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totaling \$76 million (\$74 million in 1999-2000).

During 2000-2001, the Commission recovered \$290 million (\$295 million in 1999-2000). Uncollectable benefit overpayments and penalties written off during the year amounted to \$48 million (\$46 million in 1999-2000).

The Commission establishes an allowance for doubtful accounts by aging the balance of the accounts receivable outstanding and by applying varying percentages based on past recovery experience to the aging categories so determined.

## 4. Amounts payable

	2001	2000
	(in thousands of dollars)	
To Canada		
Employment benefits and support measures .....	116,603	70,350
Administration costs .....	114,285	114,371
Amounts paid to provinces related to Labour Market Development Agreements .....	70,444	61,649
Tax deductions from warrants .....	10,050	11,763
Recoupments from warrants .....	5,230	4,272
	316,612	262,405
To provinces		
Recoupments from warrants .....	1,262	1,637
Quebec tax deductions from warrants .....	1,160	1,554
	2,422	3,191
	319,034	265,596

## 5. Accumulated surplus

In accordance with section 66 of the Act, the Employment Insurance Commission sets the premium rate each year, with the approval of the Governor in Council and on the recommendation of the Minister of Human Resources Development and the Minister of Finance. The rate shall, to the extent possible, ensure that there will be enough revenue over a business cycle to pay the amounts authorized to be charged to the Account, while maintaining relatively stable rate levels throughout the business cycle.

As at March 31, 2001, the accumulated surplus of the Employment Insurance Account amounted to \$36.0 billion (\$28.2 billion as at March 31, 2000), an increase of \$7.8 billion (\$7.2 billion in 1999-2000) over the previous year.

For the following calendar years, premium rates for each \$100 of insurable earnings were:

	2001	2000	1999
	(in dollars)		
For employees .....	2.25	2.40	2.55
For employers (calculated at 1.4 times the employee rate) .....	3.15	3.36	3.57

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2001—Continued

**6. Premiums**

Premiums are based on an estimate of insurable earnings for each calendar year. Calculation of insurable earnings is based on a formula using many factors such as the previous calendar year's total insurable earnings, the growth in the number of paid workers and in the average monthly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may occur. For example, in the calendar year 2000, a variation of one percentage point in insurable earnings would result in a change of \$196 million in premiums (\$197 million in 1999).

Actual amounts for insurable earnings and premiums for calendar years 2000 and 2001 will be known only when the Canada Customs and Revenue Agency has processed all employer declarations of premiums for these years. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in the year for the previous years had the effect of increasing premiums by \$144 million (increase of \$23 million in 1999-2000).

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 2000, the total amount of reductions is estimated at \$520 million (\$485 million in 1999). Actual reductions for the calendar year 1999 were \$507 million (\$525 million in 1998). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Employment Insurance Account to the insured persons.

**7. Interest on the balance of the Account with Receiver General for Canada**

Pursuant to Section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Employment Insurance Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest shall be credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account. The interest rate on the balance of the account is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 4.17 percent to 5.14 percent during the year (3.92 percent to 4.65 percent in 1999-2000).

**8. Estimated overpayments and underpayments of benefits**

The Commission applies a selective rather than universal application of the internal control procedures because of the large number of claimants to be monitored and the need for prompt service. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ended March 31, 2001, these undetected overpayments and underpayments are estimated to be \$424 million and \$186 million respectively (\$514 million and \$137 million for the 12 months ended March 31, 2000). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

There is not a direct link between the overpayments established during the year (as indicated in Note 3) and the estimated overpayments and underpayments of benefits for the same period.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2001—*Concluded*

## 9. Administration costs

	2001	2000
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance		
Income Benefits .....	547,947	594,618
Service Delivery		
Support .....	347,600	321,470
Corporate services .....	277,667	235,647
Human Resources		
Investment .....	146,369	164,592
	1,319,583	1,316,327
Add: administration costs incurred by provinces and territories .....	94,679	94,895
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards .....	(6,267)	(5,155)
	1,407,995	1,406,067

The administration costs of the Act are based on an estimate of costs incurred by the Commission during the year. This estimate is based on a formula allocating the expenses between the Department of Human Resources Development and the Employment Insurance Account. The formula takes into consideration the source of funding - from the Employment Insurance Account or from the Consolidated Revenue Fund - in the allocation of expenses. In addition, the administration costs incurred by the provinces and the territories to administer the labour market development agreements are included in the administration costs for the year.

## 10. Related party transactions

The administration costs include \$111 million (\$108 million in 1999-2000) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$109 million (\$104 million in 1999-2000) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Employment Insurance Account based on memorandums of understanding.

The Employment Insurance Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of business. For example, as indicated in Note 7, the interest revenue earned on the balance of the account with Receiver General for Canada represents a related party transaction.

## 11. Subsequent events

Legislative amendments to the *Employment Insurance Act* received Royal Assent on May 10, 2001.

These amendments include the elimination of the intensity rule, which was put in place to discourage repeated use of employment insurance by reducing the benefit rate of frequent claimants. Retroactive to October 1, 2000, all claimants receive at least 55 percent of their average weekly insurable earnings. For 2000-2001, the estimated impact of this amendment resulted in an increase in liabilities and expenses of \$112 million.

Benefit repayment provisions (clawback), which discourage higher income claimants from repeatedly collecting benefits, were amended to exempt first-time claimants and those receiving maternity, parental and sickness benefits. In addition, the maximum repayment is now limited to 30 percent of a person's net income in excess of \$48,750 (compared to \$39,000 in previous years). These measures are retroactive to taxation year 2000. For 2000-2001, the estimated impact of these amendments resulted in a decrease in assets and an increase in expenses of \$205 million.

Other amendments include changes to the rules for parents re-entering the workforce (retroactive to October 1, 2000), and alignment of the Employment Insurance Fishing Regulations with the enhanced maternity and parental benefits (retroactive to December 31, 2000). The estimated impact of these latter amendments is insignificant for 2000-2001.

The premium rate-setting process defined in Section 66 of the Act was suspended. For the years 2002 and 2003, the Governor in Council, rather than the Canada Employment Insurance Commission, will set the premium rate while the government undertakes a review of the premium rate-setting process.

## 12. Reclassification

Some 1999-2000 figures have been reclassified to conform to the current year's presentation.

**Employment Insurance Account—Concluded**

SCHEDULE OF BENEFITS  
AND SUPPORT MEASURES  
FOR THE YEAR ENDED MARCH 31, 2001  
(in thousands of dollars)

	2001	2000
Part I—Income benefits		
Regular .....	7,409,960	7,543,331
Fishing .....	264,399	231,921
Worksharing .....	10,975	10,230
	7,685,334	7,785,482
Special benefits		
Maternity .....	751,574	722,522
Sickness .....	591,169	530,361
Parental .....	495,197	463,633
Adoption .....	6,725	6,746
	1,844,665	1,723,262
	9,529,999	9,508,744
Part II—Employment benefits and support measures		
Employment benefits		
Skills development .....	356,713	381,108
Self-employment .....	75,752	84,493
Job creation partnerships .....	54,123	72,603
Targeted wage subsidies .....	38,715	60,224
	525,303	598,428
Support measures		
Employment assistance .....	259,789	250,929
Labour market partnerships .....	249,754	284,709
Research and innovation .....	13,167	10,394
	522,710	546,032
Transfer payments to provinces and territories .....	890,838	835,851
	1,938,851	1,980,311
Benefits and support measures .....	11,468,850	11,489,055
Less: benefit repayments received or to be received from higher income claimants .....	24,982	209,050
	11,443,868	11,280,005

**Benefit rates — Income Benefits**

Benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. Starting in 2000, the benefit rate can be increased to a maximum of 80 percent of average insurable earnings or \$413 per week (75 percent in 1999) for claimants who are in a low-income family with children.

# SECTION 5

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Accounts Payable, Accruals and Allowances

### CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities .....	5.4
Interest and matured debt. ....	5.12
Allowance for employee benefits .....	5.12
Allowance for guarantees .....	5.13

## ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Accounts Payable, Accruals and Allowances". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board in the *Financial Administration Act*.

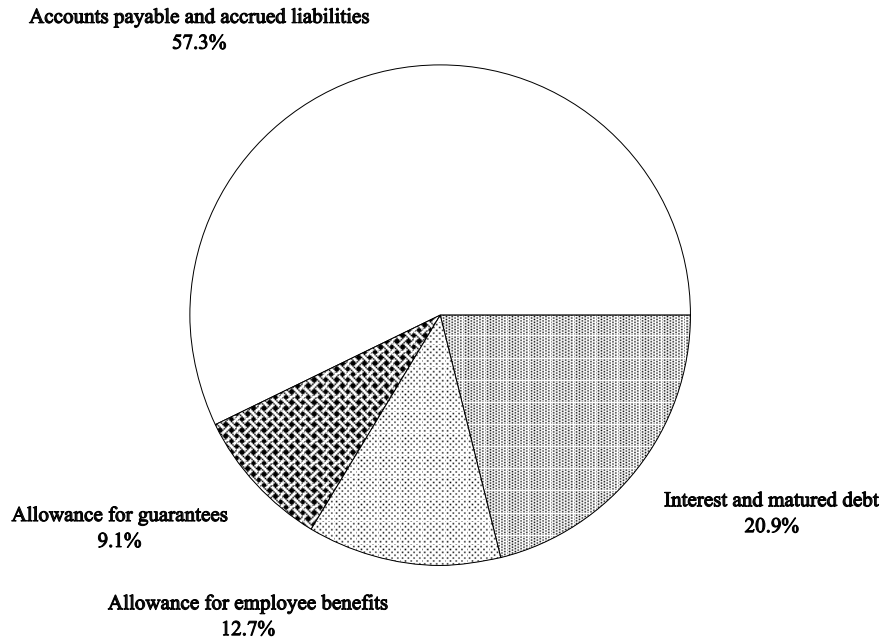
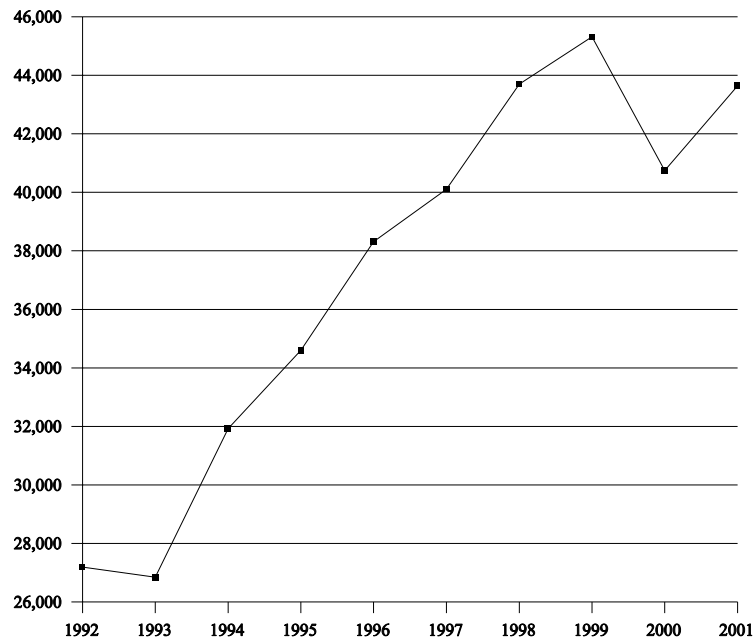
Table 5.1 presents the year-end balances of accounts payable, accruals and allowances by category. Chart 5A presents accounts payable, accruals and allowances by category at March 31, while Chart 5B compares accounts payable, accruals and allowances for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 5.1**  
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

	April 1/2000	March 31/2001
	\$	\$
Accounts payable and accrued liabilities, Table 5.2. ....	20,551,106,282	25,028,269,107
Interest and matured debt, Table 5.5. ....	8,352,501,885	9,106,971,603
Allowance for employee benefits. ....	7,611,000,000	5,329,535,757
Add: consolidation adjustment <sup>(1)</sup> . ....	312,787,000	228,449,000
	7,923,787,000	5,557,984,757
Allowance for guarantees, Table 5.6. ....	3,920,000,000	3,951,000,000
Total. ....	40,747,395,167	43,644,225,467

<sup>(1)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

**CHART 5A****ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES BY CATEGORY AT MARCH 31, 2001****CHART 5B****ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES AT MARCH 31**  
(in millions of dollars)



## Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous payroll deductions, deferred revenues, cross-currency swap revaluation account, suspense accounts and other accounts.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

**TABLE 5.2**  
**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	April 1/2000	March 31/2001
	\$	\$
Accounts payable.....	17,250,290,684	20,059,127,399
Add: consolidation adjustment <sup>(1)</sup> .....	817,323,000	718,466,000
	<i>18,067,613,684</i>	<i>20,777,593,399</i>
Notes payable to international organizations, Table 5.3 .....	1,402,441,331	981,243,689
Provincial and territorial tax collection agreements account, Table 5.4 .....	1,038,809,630	214,947,553
Miscellaneous payroll deductions .....	39,687,476	3,674,634
Deferred revenues .....	421,970,789	2,136,324,629
Cross-currency swap revaluation account .....	(466,503,134)	866,814,731
Suspense accounts.....	44,857,006	46,932,035
Other .....	2,229,500	738,437
Total.....	20,551,106,282	25,028,269,107

<sup>(1)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

**Notes payable to international organizations**

Share capital subscriptions, and loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

**TABLE 5.3**  
**NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS**

	April 1/2000	Receipts and other credits		Payments and other charges		March 31/2001
		Note issuances	Revaluation <sup>(1)</sup>	Note encashments	Revaluation <sup>(1)</sup>	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development .....	14,786,892	10,672,102	1,641,952	6,424,686		20,676,260
International Development Association .....	643,529,334	202,333,333		365,726,000		480,136,667
Multilateral Investment Guarantee Agency .....	4,649,864		407,111			5,056,975
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank .....	19,443,613		1,700,171			21,143,784
Caribbean Development Bank .....	7,221,153		265,221			7,486,374
Inter-American Development Bank .....	15,593,208		1,074,706	3,981,549		12,686,365
International financial institutions—						
African Development Fund .....	246,472,782	40,000,000		286,472,782		
Asian Development Fund .....	271,852,632	43,064,726		91,482,000		223,435,358
Caribbean Development Bank—Special .....	37,931,447			1,966,608		35,964,839
Global Environment Facility Trust Fund .....	93,823,000	37,500,000		15,492,000		115,831,000
Inter-American Development Bank—Fund for Special Operations .....	8,598,646			4,591,244		4,007,402
International Fund for Agriculture Development .....	38,538,760	22,836,835		6,556,930		54,818,665
Montreal Protocol Fund .....		5,498,439		5,498,439		
	697,217,267	148,900,000		412,060,003		434,057,264
<b>Total .....</b>	<b>1,402,441,331</b>	<b>361,905,435</b>	<b>5,089,161</b>	<b>788,192,238</b>		<b>981,243,689</b>

<sup>(1)</sup> Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

### **Provincial and territorial tax collection agreements account**

This account records both income taxes collected by the Government of Canada on behalf of provinces and territories pursuant to the *Federal-Provincial Fiscal Arrangements Act* and harmonized sales tax and sales taxes pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, under the *Excise Tax Act*, the Government is also empowered to enter into agreements with provincial governments, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax.

The Government of Canada entered into agreements with provinces and territories (excluding Quebec), to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government also entered into agreements with the provinces of Nova Scotia, New Brunswick and Newfoundland, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax. Furthermore, the Government also entered into agreements with the First Nations, to collect sales taxes, and to make payments to them with respect to such agreements.

Because the *Public Accounts of Canada* reports information on an April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents detailed information of the transactions, accumulated balances and the net position of the revenues collected and the payments made to the provinces and territories on a tax year basis for corporation and personal income taxes as well as for harmonized sales tax and sales taxes.

TABLE 5.4

## PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1998 .....	32,391,145,135	149,771,453	10,217,539	32,530,699,049
Less: payments to provinces and territories—				
Newfoundland .....	582,986,362			582,986,362
Prince Edward Island .....	143,298,946			143,298,946
Nova Scotia .....	1,080,334,105		311,944	1,080,646,049
New Brunswick .....	848,733,976			848,733,976
Ontario .....	16,741,390,663		1,000	16,741,391,663
Manitoba .....	1,548,899,598			1,548,899,598
Saskatchewan .....	1,379,208,664			1,379,208,664
Alberta .....	4,458,871,953	287,244		4,458,584,709
British Columbia .....	5,650,284,615	59,700	59,700	5,650,284,615
Yukon .....	36,100,654	403,094		35,697,560
Northwest Territories .....	65,708,169	483,435	10,341	65,235,075
Nunavut .....	(4,268,168)		9,939	(4,258,229)
	32,531,549,537	1,233,473	392,924	32,530,708,988
Net collections (overpayments) of personal income taxes for 1998 .....	(140,404,402)	151,004,926	10,610,463	(9,939)
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1999 .....	35,025,583,000		1,422,971,200	33,602,611,800
Less: payments to provinces and territories—				
Newfoundland .....	600,054,000		23,476,129	623,530,129
Prince Edward Island .....	147,696,000	3,540,087		144,155,913
Nova Scotia .....	1,115,340,395	3,114,161	50,665,546	1,162,891,780
New Brunswick .....	866,198,000	4,559,866	18,069,473	879,707,607
Ontario .....	17,245,360,334	2,014,669,825	2,278,649,938	17,509,340,447
Manitoba .....	1,623,836,000	129,531,584	73,741,156	1,568,045,572
Saskatchewan .....	1,409,295,000	57,123,837	20,805,524	1,372,976,687
Alberta .....	4,635,222,243	449,839,966	317,725,324	4,503,107,601
British Columbia .....	5,779,558,536	85,761,391	56,378,582	5,750,175,727
Yukon .....	36,415,950	1,228,022	1,405,181	36,593,109
Northwest Territories .....	62,719,860	9,011,744	1,186,639	54,894,755
Nunavut .....	15,923,564	3,005,012	3,251,301	16,169,853
First Nations .....	1,295,000	3,549	769,619	2,061,070
	33,538,914,882	2,761,389,044	2,846,124,412	33,623,650,250
Net collections (overpayments) of personal income taxes for 1999 .....	1,486,668,118	2,761,389,044	4,269,095,612	(21,038,450)
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2000 .....	6,320,288,000	30,793,073,000	848,433,000	36,264,928,000
Less: payments to provinces and territories—				
Newfoundland .....	113,196,365	17,753,549	523,665,650	619,108,466
Prince Edward Island .....	28,890,000		116,674,000	145,564,000
Nova Scotia .....	222,906,226	15,662,398	1,030,054,660	1,237,298,488
New Brunswick .....	172,599,083	16,130,142	758,682,161	915,151,102
Ontario .....	3,386,523,000	298,478	15,530,839,370	18,917,063,892
Manitoba .....	322,257,000		1,409,597,000	1,731,854,000
Saskatchewan .....	278,947,230	38,706,904	1,115,251,483	1,355,491,809
Alberta .....	890,102,962	37,966,820	3,734,036,254	4,586,172,396
British Columbia .....	1,159,302,493	199,822,570	5,067,247,196	6,026,727,119
Yukon .....	7,135,951	696,012	30,630,936	37,070,875
Northwest Territories .....	11,706,148	1,629,027	55,914,301	65,991,422
Nunavut .....	4,398,174	1,985,009	17,395,468	19,808,633
First Nations .....	323,750		1,694,841	2,018,591
	6,598,288,382	330,650,909	29,391,683,320	35,659,320,793
Net collections (overpayments) of personal income taxes for 2000 .....	(278,000,382)	31,123,723,909	30,240,116,320	605,607,207

TABLE 5.4

## PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2001 .....		6,307,658,000	100,308,000	6,207,350,000
Less: payments to provinces and territories—				
Newfoundland .....		1,277,877	116,784,791	115,506,914
Prince Edward Island .....			28,287,000	28,287,000
Nova Scotia .....		3,318,048	244,525,267	241,207,219
New Brunswick .....		3,056,779	180,195,206	177,138,427
Ontario .....			3,611,925,000	3,611,925,000
Manitoba .....			337,167,000	337,167,000
Saskatchewan .....		13,417,533	233,949,520	220,531,987
Alberta .....		41,992,853	718,909,853	676,917,000
British Columbia .....		34,884,456	1,217,290,071	1,182,405,615
Yukon .....		239,021	6,610,921	6,371,900
Northwest Territories .....		327,470	12,597,137	12,269,667
Nunavut .....		374,021	4,202,522	3,828,501
First Nations .....			350,028	350,028
		98,888,058	6,712,794,316	6,613,906,258
Net collections (overpayments) of personal income taxes for 2001 .....		6,406,546,058	6,813,102,316	(406,556,258)
<b>Total personal income taxes on hand .....</b>	<b>1,068,263,334</b>	<b>40,442,663,937</b>	<b>41,332,924,711</b>	<b>178,002,560</b>
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1997 .....	2,207,857,459	3,887,540		2,211,744,999
Less: payments to provinces and territories—				
Newfoundland .....	70,851,056			70,851,056
Prince Edward Island .....	23,474,787			23,474,787
Nova Scotia .....	158,003,788			158,003,788
New Brunswick .....	183,666,184			183,666,184
Quebec .....	10,696,431			10,696,431
Ontario .....	33,137,772			33,137,772
Manitoba .....	243,683,195			243,683,195
Saskatchewan .....	250,402,844			250,402,844
Alberta .....	12,227,439			12,227,439
British Columbia .....	1,202,499,908			1,202,499,908
Yukon .....	9,053,919			9,053,919
Northwest Territories .....	31,396,853	6,041,717		25,355,136
Nunavut .....	(2,656,029)	3,315,364		(5,971,393)
	2,226,438,147	9,357,081		2,217,081,066
Net collections (overpayments) of corporation income taxes for 1997 .....	(18,580,688)	13,244,621		(5,336,067)
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1998 .....	2,000,521,034		66,022	2,000,455,012
Less: payments to provinces and territories—				
Newfoundland .....	81,040,255			81,040,255
Prince Edward Island .....	18,428,951			18,428,951
Nova Scotia .....	171,546,436			171,546,436
New Brunswick .....	167,519,927			167,519,927
Quebec .....	11,424,918			11,424,918
Ontario .....	40,059,377			40,059,377
Manitoba .....	261,723,097			261,723,097
Saskatchewan .....	249,341,643			249,341,643
Alberta .....	11,666,935			11,666,935
British Columbia .....	942,034,595			942,034,595
Yukon .....	8,566,916			8,566,916
Northwest Territories .....	35,193,000		1,908,962	37,101,962
	1,998,546,050		1,908,962	2,000,455,012
Net collections (overpayments) of corporation income taxes for 1998 .....	1,974,984		1,974,984	

TABLE 5.4

## PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1999 .....	2,405,324,000	97,430,927	203,395,000	2,299,359,927
Less: payments to provinces and territories—				
Newfoundland .....	76,959,000	30,347,882	706,540	47,317,658
Prince Edward Island .....	26,583,000		3,121,422	29,704,422
Nova Scotia .....	192,563,000		23,646,272	216,209,272
New Brunswick .....	192,890,000	10,789,912	1,011,391	183,111,479
Quebec .....			18,694,117	18,694,117
Ontario .....			56,121,542	56,121,542
Manitoba .....	254,020,000		85,161,199	339,181,199
Saskatchewan .....	264,641,000	37,885,774	1,310,120	228,065,346
Alberta .....		328,261	23,553,113	23,224,852
British Columbia .....	1,167,636,000	111,849,001	8,110,681	1,063,897,680
Yukon .....	9,874,000	2,087,437	129,413	7,915,976
Northwest Territories .....	13,490,374		72,012,362	85,502,736
Nunavut .....	1,664,626	1,250,978		413,648
	2,200,321,000	194,539,245	293,578,172	2,299,359,927
Net collections (overpayments) of corporation income taxes for 1999 .....	205,003,000	291,970,172	496,973,172	
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2000 .....	(31,555,000)	2,796,182,000		2,764,627,000
Less: payments to provinces and territories—				
Newfoundland .....	7,610,000		97,720,000	105,330,000
Prince Edward Island .....	2,338,000		29,935,000	32,273,000
Nova Scotia .....	18,525,333		230,153,000	248,678,333
New Brunswick .....	16,588,667		199,990,667	216,579,334
Manitoba .....	25,670,000		326,741,000	352,411,000
Saskatchewan .....	26,148,000		338,749,000	364,897,000
British Columbia .....	86,168,000		1,056,609,000	1,142,777,000
Yukon .....	738,000		9,583,000	10,321,000
Northwest Territories .....	2,214,000		28,232,000	30,446,000
Nunavut .....	296,000		3,777,000	4,073,000
	186,296,000		2,321,489,667	2,507,785,667
Net collections (overpayments) of corporation income taxes for 2000 .....	(217,851,000)	2,796,182,000	2,321,489,667	256,841,333
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2001 .....		48,467,000	6,192,000	42,275,000
Less: payments to provinces and territories—				
Newfoundland .....			7,224,000	7,224,000
Prince Edward Island .....			3,428,000	3,428,000
Nova Scotia .....			24,968,000	24,968,000
New Brunswick .....			18,973,333	18,973,333
Manitoba .....			33,604,000	33,604,000
Saskatchewan .....			27,616,000	27,616,000
British Columbia .....			105,722,000	105,722,000
Yukon .....			760,000	760,000
Northwest Territories .....			10,026,000	10,026,000
Nunavut .....			54,000	54,000
			232,375,333	232,375,333
Net collections (overpayments) of corporation income taxes for 2001 .....		48,467,000	238,567,333	(190,100,333)
<b>Total corporation income taxes on hand .....</b>	<b>(29,453,704)</b>	<b>3,149,863,793</b>	<b>3,059,005,156</b>	<b>61,404,933</b>

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1997 .....	1,195,397,794	37,372,618		1,232,770,412
Less: payments to provinces and territories—				
Newfoundland .....	282,787,806		756,266	283,544,072
Nova Scotia .....	506,467,031		2,911,826	509,378,857
New Brunswick .....	406,142,957		383,532	406,526,489
	<i>1,195,397,794</i>		<i>4,051,624</i>	<i>1,199,449,418</i>
Net collections (overpayments) of harmonized sales tax for 1997 .....		37,372,618	4,051,624	33,320,994
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1998 .....	1,650,523,910	272,112	21,752,881	1,629,043,141
Less: payments to provinces and territories—				
Newfoundland .....	391,124,465	676,885		390,447,580
Nova Scotia .....	698,615,070		153,112	698,768,182
New Brunswick .....	560,784,375	1,876,201		558,908,174
	<i>1,650,523,910</i>	<i>2,553,086</i>	<i>153,112</i>	<i>1,648,123,936</i>
Net collections (overpayments) of harmonized sales tax for 1998 .....		2,825,198	21,905,993	(19,080,795)
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1999 .....	1,714,382,186	39,316,344	8,133,000	1,745,565,530
Less: payments to provinces and territories—				
Newfoundland .....	406,147,040		256,945	406,403,985
Nova Scotia .....	726,194,515		3,577,463	729,771,978
New Brunswick .....	582,040,631		534,075	582,574,706
	<i>1,714,382,186</i>		<i>4,368,483</i>	<i>1,718,750,669</i>
Net collections (overpayments) of harmonized sales tax for 1999 .....		39,316,344	12,501,483	26,814,861
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2000 .....	296,572,711	1,591,977,789	71,580,999	1,816,969,501
Less: payments to provinces and territories—				
Newfoundland .....	70,199,801	1,595,982	367,261,312	435,865,131
Nova Scotia .....	125,334,326	10,455,393	695,911,867	810,790,800
New Brunswick .....	101,038,584	3,554,624	528,804,610	626,288,570
	<i>296,572,711</i>	<i>15,605,999</i>	<i>1,591,977,789</i>	<i>1,872,944,501</i>
Net collections (overpayments) of harmonized sales tax for 2000 .....		1,607,583,788	1,663,558,788	(55,975,000)
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2001 .....		347,064,194	24,313,683	322,750,511
Less: payments to provinces and territories—				
Newfoundland .....		1,235,948	78,468,756	77,232,808
Nova Scotia .....		10,174,888	154,206,911	144,032,023
New Brunswick .....		3,362,847	114,388,527	111,025,680
		<i>14,773,683</i>	<i>347,064,194</i>	<i>332,290,511</i>
Net collections (overpayments) of harmonized sales tax for 2001 .....		361,837,877	371,377,877	(9,540,000)
<b>Total harmonized sales tax on hand .....</b>		<b>2,048,935,825</b>	<b>2,073,395,765</b>	<b>(24,459,940)</b>
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1998 .....	554,678			554,678
Less: payments to First Nations .....	554,678			554,678
Net collections (overpayments) of First Nations Sales Tax Agreements for 1998 .....				

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1999.....	1,189,034			1,189,034
Less: payments to First Nations .....	1,189,034			1,189,034
Net collections (overpayments) of First Nations Sales Tax Agreements for 1999.....				
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2000.....	243,856	1,279,673		1,523,529
Less: payments to First Nations .....	243,856		1,279,673	1,523,529
Net collections (overpayments) of First Nations Sales Tax Agreements for 2000.....		1,279,673	1,279,673	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2001.....		285,708		285,708
Less: payments to First Nations .....			285,708	285,708
Net collections (overpayments) of First Nations Sales Tax Agreements for 2001.....		285,708	285,708	
<b>Total First Nations Sales Tax Agreements taxes on hand .....</b>		<b>1,565,381</b>	<b>1,565,381</b>	
Total .....	1,038,809,630	45,643,028,936	46,466,891,013	214,947,553

**Miscellaneous payroll deductions**

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

**Deferred revenues**

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year. It also includes licence fees received for which access to the radio spectrum is being provided in subsequent years.

**Cross-currency swap revaluation account**

This account records the unrealized gains or losses due to fluctuations in the foreign exchange value of the cross-currency swaps.

**Suspense accounts**

Accounts in which transactions are recorded temporarily, pending their ultimate disposition.

**Other**

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.



## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized premiums, discounts and commissions on unmatured debt.

Table 5.5 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

**TABLE 5.5**  
**INTEREST AND MATURED DEBT**

	April 1/2000	March 31/2001
	\$	\$
Interest due .....	3,318,794,259	4,550,770,377
Interest accrued .....	7,192,887,758	6,589,244,930
Matured debt .....	196,931,431	138,041,036
	10,708,613,448	11,278,056,343
Less: unamortized discounts on Canada bills .....	50,098,740	65,035,156
unamortized discounts on Treasury bills .....	1,731,107,977	1,460,048,403
unamortized discounts and premiums on marketable bonds .....	530,439,733	625,243,156
unamortized commissions on Canada savings and Canada premium bonds .....	44,465,113	20,758,025
	2,356,111,563	2,171,084,740
Total .....	8,352,501,885	9,106,971,603

### Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

### Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

### Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to non-tax revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

### Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

### Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

### Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenditures. Discounts and premiums are amortized to expenditures over the life of the bonds.

### Unamortized commissions on Canada savings and Canada premium bonds

This account records the portion of the commissions on outstanding Canada savings bonds and Canada premium bonds which has not yet been charged to expenditures. Commissions are amortized to expenditures over the life of the bonds.

### Allowance for Employee Benefits

This account records allowances for amounts owing for earned and unpaid annual vacation leave and compensation time, for employee benefits payable upon termination of employment and for unsigned pay adjustments.

## Allowance for Guarantees

This category of accounts payable, accruals and allowances includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.6 presents a summary of the balances for the accounts in this category of accounts payable, accruals and allowances.

**TABLE 5.6**  
**ALLOWANCE FOR GUARANTEES**

	April 1/2000	March 31/2001
	\$	\$
Allowance for loan guarantees .....	705,000,000	584,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations .....	38,640,172,000	41,464,201,000
Less: borrowings expected to be repaid by these enterprise Crown corporations .....	35,425,172,000	38,097,201,000
	<i>3,215,000,000</i>	<i>3,367,000,000</i>
Total .....	3,920,000,000	3,951,000,000

### Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

### Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent enterprise Crown corporations expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

# SECTION 6

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Interest-Bearing Debt

### CONTENTS

	<i>Page</i>
Unmatured debt—	
Marketable bonds .....	6.4
Treasury bills .....	6.9
Canada savings and Canada premium bonds .....	6.10
Non-marketable bonds and notes .....	6.12
Canada bills .....	6.13
Canada notes .....	6.14
Euro medium-term notes .....	6.15
Interest rates .....	6.16
Maturity of Government debt .....	6.17
Statement of all borrowing transactions on behalf of Her Majesty .....	6.17
Pension and other accounts—	
Public sector pensions .....	6.18
Canada Pension Plan .....	6.29
Other—	
Government Annuities Account .....	6.30
Confederation Bridge .....	6.31
Pilot Training Program—MILIT-AIR Inc .....	6.31
Deposit and trust accounts .....	6.32
Other specified purpose accounts .....	6.38
Supplementary statements—	
Canada Pension Plan .....	6.51
Government Annuities Account .....	6.60
Royal Canadian Mounted Police (Dependants) Pension Plan .....	6.64

## INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year, while Chart 6B compares interest-bearing debt for the last ten fiscal years.

The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

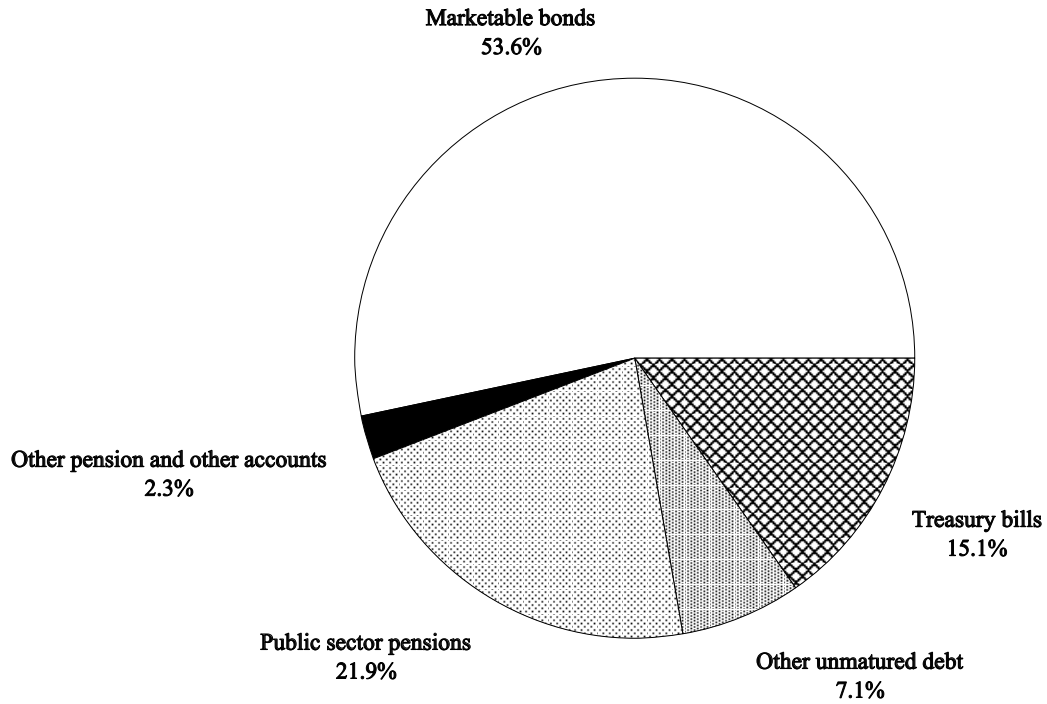
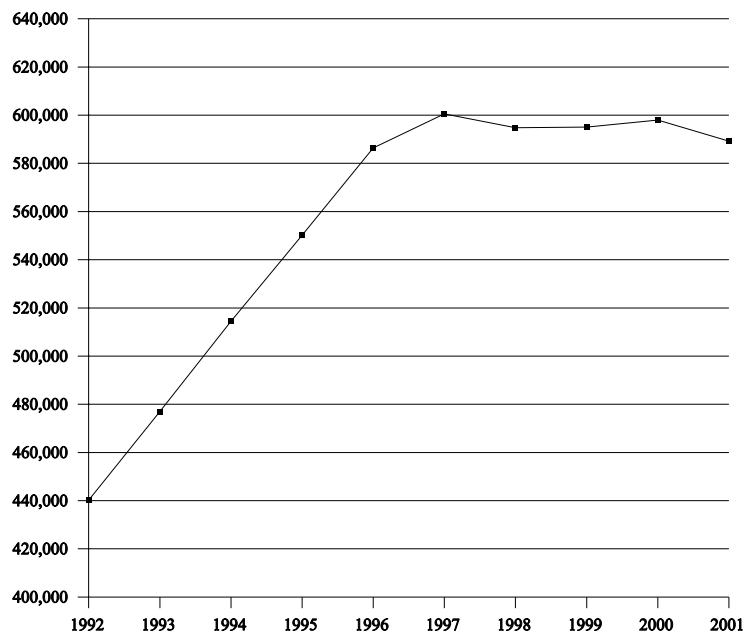
**TABLE 6.1**  
**INTEREST-BEARING DEBT**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Unmatured debt <sup>(1)</sup> —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2.....	293,926,643,450	45,650,860,063	44,604,756,000	294,972,747,513
Treasury bills, Table 6.3.....	99,850,000,000	174,300,000,000	185,450,000,000	88,700,000,000
Canada savings and Canada premium bonds, Table 6.4.....	26,489,009,901	2,958,862,552	3,348,767,748	26,099,104,705
Non-marketable bonds and notes, Table 6.5.....	3,552,256,979	2,333,531,378	2,412,150,859	3,473,637,498
	423,817,910,330	225,243,253,993	235,815,674,607	413,245,489,716
Payable in foreign currencies—				
Marketable bonds, Table 6.2.....	21,412,658,600	1,928,366,398	2,682,959,905	20,658,065,093
Canada bills, Table 6.6.....	6,007,777,494	31,399,331,095	30,179,459,405	7,227,649,184
Canada notes, Table 6.7.....	1,052,856,000	662,799,000	135,632,000	1,580,023,000
Euro medium-term notes, Table 6.8.....	4,115,168,312	185,836,308	608,921,851	3,692,082,769
	32,588,460,406	34,176,332,801	33,606,973,161	33,157,820,046
Total—Unmatured debt.....	456,406,370,736	259,419,586,794	269,422,647,768	446,403,309,762
Pension and other accounts—				
Public sector pensions, Table 6.13—				
Superannuation accounts.....	147,109,722,299	16,523,251,585	20,060,760,187	143,572,213,697
Allowance for pension adjustments.....	(18,764,000,000)	10,402,000,000	6,025,000,000	(14,387,000,000)
	128,345,722,299	26,925,251,585	26,085,760,187	129,185,213,697
Due to Canada Pension Plan, Table 6.25—				
Canada Pension Plan Account.....	6,217,506,584	24,976,648,007	24,803,629,251	6,390,525,340
Other—				
Government Annuities Account.....	545,891,115	30,618,974	68,921,125	507,588,964
Confederation Bridge.....	785,613,204		15,438,639	770,174,565
Pilot Training Program—MILIT-AIR Inc. ....	703,000,000	37,349,842	31,091,318	709,258,524
Deposit and trust accounts, Table 6.26.....	1,214,355,629	1,037,585,871	914,494,554	1,337,446,946
Other specified purpose accounts, Table 6.29.....	3,714,106,194	2,114,172,897	1,899,394,982	3,928,884,109
	6,962,966,142	3,219,727,584	2,929,340,618	7,253,353,108
Total—Pension and other accounts.....	141,526,195,025	55,121,627,176	53,818,730,056	142,829,092,145
Total.....	597,932,565,761	314,541,213,970	323,241,377,824	589,232,401,907

<sup>(1)</sup> This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2001

**CHART 6B**INTEREST-BEARING DEBT AT MARCH 31  
(in millions of dollars)

## UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

### Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2001.

**TABLE 6.2**  
**MARKETABLE BONDS**

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 2000-2001							
2000—May 1	9.75	Feb 1/90-Feb 15/90	A30	1,575,000,000		1,575,000,000	
July 1	10.5	Mar 15/90-Mar 29/90					
		June 21/90-Aug 1/90	A32	2,900,000,000		2,900,000,000	
July 1	15	July 1/81	J70	175,000,000		175,000,000	
Sept 1	11.5	May 1/90-Nov 1/90	A33	1,200,000,000		1,200,000,000	
Sept 1	7.5	June 1/95-July 4/95					
		Sept 1/95	A81	7,600,000,000		7,600,000,000	
Dec 1	5	June 15/98-Sept 15/98	WP56	7,000,000,000		7,000,000,000	
Dec 15	9.75	Dec 15/78	J22	500,000,000		500,000,000	
2001—Feb 1	15.75	June 1/81-July 31/81	J66	425,000,000		425,000,000	
Mar 1	10.5	Sept 20/90-Oct 1/90					
		Dec 15/90-Feb 1/91	A37	3,175,000,000		3,175,000,000	
Mar 1	7.5	Oct 2/95-Dec 1/95					
		Jan 4/96-Mar 1/96	VR22	9,400,000,000		9,400,000,000	
				33,950,000,000		33,950,000,000	
Maturing 2001-2002							
2001—May 1	13	May 1/80-Oct 1/80					
		Feb 1/81	J42	1,325,000,000			1,325,000,000
June 1	4.5	Dec 15/98-Mar 15/99	WT78	7,000,000,000		1,649,758,000	5,350,242,000
June 1	9.75	Feb 21/91-Mar 1/91					
		Mar 28/91-May 16/91	A40	3,550,000,000		841,900,000	2,708,100,000
Sept 1	7	June 3/96-July 2/96					
		Sept 3/96-Dec 2/96	VX99	10,600,000,000			10,600,000,000
Oct 1	9.5	Oct 1/76-Dec 1/76					
		Apr 1/78-May 15/78					
		July 1/78	J2	987,387,000		73,810,000	913,577,000
Dec 1	5.25	June 15/99-Sept 15/99	WW08	7,000,000,000			7,000,000,000
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000			3,850,000,000

TABLE 6.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
2002—Feb 1	8.75	Feb 1/77	J7	213,000,000			213,000,000
Mar 15	15.5	Mar 31/82-May 1/82	J79	350,000,000		10,905,000	339,095,000
				34,875,387,000		2,576,373,000	32,299,014,000
Maturing 2002-2003							
2002—Apr 1	8.5	Nov 14/91-Dec 15/91					
		Mar 1/92-May 1/92					
		July 15/92	A47	5,450,000,000			5,450,000,000
May 1	10	May 1/79-June 1/79					
		July 15/79	J25	1,842,675,000		11,917,000	1,830,758,000
June 1	5.75	Dec 1/99-Mar 15/2000	XA78	7,200,000,000			7,200,000,000
Sept 1	5.5	Mar 3/97-June 2/97					
		Sept 2/97-Dec 1/97	WE00	10,200,000,000			10,200,000,000
Dec 1	6	June 15/2000-Sept 15/2000	XC35		7,100,000,000		7,100,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,316,764,000		94,870,000	1,221,894,000
2003—Feb 1	11.75	Feb 1/80-June 1/80					
		Aug 1/80-Feb 1/83					
		Apr 27/83-June 21/83					
		July 12/83	J35	2,402,300,000		308,498,000	2,093,802,000
				28,411,739,000	7,100,000,000	415,285,000	35,096,454,000
Maturing 2003-2004							
2003—June 1	7.25	Sept 25/92-Oct 26/92					
		Nov 20/92-Jan 18/93					
		Feb 15/93	A57	6,900,000,000			6,900,000,000
June 1	5.75	Nov 24/2000-Mar 16/2001	XE90		7,000,000,000		7,000,000,000
Sept 1	5.25	Mar 2/98-June 1/98					
		Sept 1/98-Dec 1/98	WN09	9,700,000,000			9,700,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	558,907,000			558,907,000
Dec 1	7.5	May 21/93-July 1/93					
		Aug 16/93-Sept 28/93					
		Nov 15/93	A61	8,800,000,000			8,800,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79					
		Mar 21/79-Aug 15/79	J24	1,976,867,000		95,000,000	1,881,867,000
				27,935,774,000	7,000,000,000	95,000,000	34,840,774,000
Maturing 2004-2005							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	541,000,000			541,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
		Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
Sept 1	5	Mar 1/99-June 1/99					
		Aug 16/99-Oct 1/99	WU42	10,850,000,000			10,850,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	710,892,000		125,306,000	585,586,000
Dec 1	9	July 15/94-Aug 15/94					
		Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000
2005—Mar 1	12	Oct 15/83-Nov 8/83					
		Dec 15/83-Feb 1/84					
		Feb 21/84-Dec 15/84	H9	1,312,925,000		255,856,000	1,057,069,000
				29,014,817,000		381,162,000	28,633,655,000
Maturing 2005-2006							
2005—Sept 1	12.25	Aug 1/83-Sept 1/83					
		Sept 27/83-Apr 10/85	H6	1,080,355,000		15,000,000	1,065,355,000
Sept 1	6	Nov 15/99-Feb 15/2000					
		May 15/2000-Aug 15/2000	WY63	5,600,000,000	5,500,000,000		11,100,000,000
Dec 1	8.75	Apr 3/95-May 15/95					
		Aug 15/95-Nov 15/95	A79	8,000,000,000			8,000,000,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84					
		Mar 19/85	H18	975,000,000		349,024,000	625,976,000
				15,655,355,000	5,500,000,000	364,024,000	20,791,331,000

TABLE 6.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
Maturing 2006-2007							
2006—Sept 1	5.75	Nov 14/2000-Feb 12/2001	XD18		5,000,000,000		5,000,000,000
Oct 1	14	June 1/84-July 11/84					
		Aug 1/84	H26	985,000,000		26,900,000	958,100,000
Dec 1	7	Feb 15/96-Mar 29/96					
		May 15/96-Aug 15/96	VU50	9,100,000,000			9,100,000,000
2007—Mar 1	13.75	June 19/84	H30	325,000,000		6,450,000	318,550,000
				10,410,000,000	5,000,000,000	33,350,000	15,376,650,000
Maturing 2007-2008							
2007—June 1	7.25	Oct 1/96-Nov 15/96					
		Feb 17/97-May 15/97	WB60	9,500,000,000			9,500,000,000
Oct 1	13	Aug 22/84-Sept 12/84	H36	700,000,000		89,259,000	610,741,000
2008—Mar 1	12.75	Oct 1/84-Oct 24/84	H41	750,000,000			750,000,000
				10,950,000,000		89,259,000	10,860,741,000
Maturing 2008-2009							
2008—June 1	6	Aug 15/97-Nov 17/97					
		Feb 16/98-May 15/98	WH31	9,200,000,000			9,200,000,000
June 1	10	Dec 15/85-Sept 1/87					
		Feb 1/88-Apr 14/88					
		June 1/88-July 21/88					
		Oct 15/88-Dec 15/88					
		Feb 23/89-June 1/89	H74	3,257,854,000			3,257,854,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	644,753,000		16,796,000	627,957,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000			400,000,000
				13,502,607,000		16,796,000	13,485,811,000
Maturing 2009-2010							
2009—June 1	5.5	Aug 17/98-Nov 16/98					
		Feb 15/99-May 17/99	WR13	9,400,000,000			9,400,000,000
June 1	11	Oct 1/85-Oct 23/85					
		Oct 15/87	H68	672,831,000			672,831,000
Oct 1	10.75	June 12/85-July 1/85					
		Sept 1/85-Sept 1/88	H63	1,077,311,000		321,800,000	755,511,000
2010—Mar 1	9.75	Mar 15/86	H79	300,000,000			300,000,000
				11,450,142,000		321,800,000	11,128,342,000
Maturing 2010-2011							
2010—June 1	9.5	Apr 10/86-July 1/87					
		July 1/89-Aug 10/89					
		Oct 1/89-Dec 15/89					
		Feb 1/90	H81	2,474,254,000			2,474,254,000
June 1	5.5	Aug 3/99-Nov 1/99					
		Feb 1/2000-Mar 20/2000	WX80	10,400,000,000			10,400,000,000
Oct 1	8.75	Apr 28/86	H85	251,543,000		67,730,000	183,813,000
2011—Mar 1	9	July 3/86-Sept 2/86					
		Oct 23/86-Dec 15/86					
		May 1/87-Mar 15/88	H87	1,792,314,000		536,040,000	1,256,274,000
				14,918,111,000		603,770,000	14,314,341,000
Maturing 2011-2012							
2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	679,140,000		9,750,000	669,390,000
June 1	6	May 1/2000-Aug 1/2000					
		Oct 30/2000-Jan 29/2001	XB51		10,100,000,000		10,100,000,000
				679,140,000	10,100,000,000	9,750,000	10,769,390,000
Maturing 2013-2014							
2014—Mar 15	10.25	Mar 15/89-Mar 30/89					
		Mar 15/90-July 1/90					
		Aug 1/90-Feb 21/91	A23	3,150,000,000		25,000,000	3,125,000,000
Maturing 2015-2016							
2015—June 1	11.25	May 1/90-May 31/90					
		Oct 1/90-Nov 15/90	A34	2,350,000,000		22,884,000	2,327,116,000



TABLE 6.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
Maturing 2019-2020 2019—Dec 31	10.186	Mar 23/90	M1	8,436,324			8,436,324
Maturing 2020-2021 2021—Mar 15	10.5	Dec 15/90-Jan 9/91 Feb 1/91	A39	1,800,000,000		3,000,000	1,797,000,000
Maturing 2021-2022 2021—June 1	9.75	May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91	A43	4,650,000,000		214,754,000	4,435,246,000
Dec 1	4.25 <sup>(2)</sup>	Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-June 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	L25	5,903,256,377 10,553,256,377	147,244,054 147,244,054	214,754,000	6,050,500,431 10,485,746,431
Maturing 2022-2023 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	2,550,000,000		151,000,000	2,399,000,000
Maturing 2023-2024 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000			8,200,000,000
Maturing 2025-2026 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	8,900,000,000			8,900,000,000
Maturing 2026-2027 2026—Dec 1	4.25 <sup>(2)</sup>	Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 6/96-Mar 12/97 June 9/97-Sept 8/97 Dec 8/97-Mar 9/98 June 8/98-Sept 8/98 Dec 7/98	VS05	5,665,005,918	141,301,408		5,806,307,326
Maturing 2027-2028 2027—June 1	8	May 1/96-Aug 1/96 Nov 1/96-Feb 3/97 May 1/97-Aug 1/97 Nov 3/97	VW17	9,600,000,000			9,600,000,000
Maturing 2029-2030 2029—June 1	5.75	Feb 2/98-May 1/98 Nov 2/98-May 3/99 Oct 15/99-Apr 24/2000 Oct 16/2000	WL43	8,200,000,000	3,800,000,000		12,000,000,000

TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
Maturing 2031-2032							
2031—Dec 1	(2) 4	Mar 8/99-June 8/99 Sept 7/99-Dec 6/99 Mar 6/2000-June 5/2000 Sept 5/2000-Dec 11/2000 Mar 5/2001	WV25	1,711,132,831	1,530,764,601		3,241,897,432
				294,440,903,450	40,319,310,063	39,273,207,000	295,487,006,513
Less: Government's holdings				514,260,000	5,331,550,000	5,331,549,000	514,259,000
Total marketable bonds (Canadian currency)				293,926,643,450	45,650,860,063	44,604,756,000	294,972,747,513
Payable in foreign currencies—							
2000—May 30	6.5	May 30/95		2,174,100,000		2,174,100,000	
2001—May 30	6.5	May 30/96		1,449,400,000	126,900,000		1,576,300,000
2002—July 15	6.125	July 15/97		1,449,400,000	126,900,000		1,576,300,000
2003—Feb 19	5.625	Feb 19/98		2,898,800,000	253,800,000		3,152,600,000
2003—June 30 <sup>(3)</sup>	9.5	Feb 5/2001			151,947,438		151,947,438
2004—Nov 30	6.375	Nov 30/99		2,898,800,000	253,800,000		3,152,600,000
2005—July 21	6.375	July 21/95		2,174,100,000	190,350,000		2,364,450,000
2006—Aug 28	6.75	Aug 28/96		1,449,400,000	126,900,000		1,576,300,000
2007—Oct 3	(4)	Oct 3/97		462,358,600	40,481,100		502,839,700
2008—July 7	4.875	July 7/98		2,832,800,000		2,901,696	2,829,898,304
2008—Nov 5	(4)	Nov 5/98		3,623,500,000	317,250,000		3,940,750,000
2010—Jan 15 <sup>(3)</sup>	8.6	Feb 5/2001			248,889,889		248,889,889
2016—Dec 15 <sup>(3)</sup>	8.25	Feb 5/2001			60,284,017		60,284,017
2018—June 30 <sup>(3)</sup>	9.7	Feb 5/2001			25,346,904		25,346,904
2019—June 1 <sup>(3)</sup>	8.8	Feb 5/2001			5,517,050		5,517,050
				21,412,658,600	1,928,366,398	2,177,001,696	21,164,023,302
Less: Government's holdings and securities held for the retirement of unmatured debt <sup>(5)</sup>						505,958,209	505,958,209
Total marketable bonds (foreign currencies)				21,412,658,600	1,928,366,398	2,682,959,905	20,658,065,093
Total				315,339,302,050	47,579,226,461	47,287,715,905	315,630,812,606

(1) This column includes the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

(2) The rate of return of this issue is linked to the Consumer Price Index for Canada.

(3) Assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited.

(4) The rate of interest was variable throughout the year.

(5) These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation. They include an amount of \$134 million in government's holdings.

## Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- issued in Canadian currency only;
- issued every 2 weeks;
- common terms: 3 months, 6 months and 12 months;
- transferable; and,
- bought and sold on the open market.

The balance at March 31, 2001 consists of \$4,000 million in odd issue bills; \$27,800 million in three-month bills; \$20,000 million in six-month bills; and, \$36,900 million in 364-day bills.

Table 6.3 presents a monthly summary of Treasury bill issues and redemptions.

**TABLE 6.3**  
**TREASURY BILLS**  
(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 2000 .....	7,200	3,300	3,300	13,800	7,400	3,400	10,250	21,050	(7,250)
May .....	6,000	3,000	3,000	12,000	7,600	3,200	2,900	13,700	(1,700)
June .....	5,800	2,600	2,600	11,000	8,200	3,100	3,300	14,600	(3,600)
July .....	5,800	2,600	2,600	11,000	8,000	3,500	3,700	15,200	(4,200)
August .....	9,900	4,300	9,300	23,500	9,400	7,200	4,000	20,600	2,900
September .....	6,400	2,800	2,800	12,000	5,800	3,500	8,900	18,200	(6,200)
October .....	6,400	2,800	2,800	12,000	5,800	3,100	3,400	12,300	(300)
November .....	6,400	2,800	2,800	12,000	6,400	2,800	3,200	12,400	(400)
December .....	6,400	2,800	2,800	12,000	6,700	2,600	3,100	12,400	(400)
January, 2001 .....	7,300	3,100	3,100	13,500	6,400	2,700	3,500	12,600	900
February .....	8,200	3,400	3,400	15,000	6,400	2,900	3,600	12,900	2,100
March .....	12,300	5,100	9,100	26,500	9,600	2,800	7,100	19,500	7,000
Balance at April 1, 2000 .....	88,100	38,600	47,600	174,300	87,700	40,800	56,950	185,450	(11,150)
Balance at March 31, 2001 .....									99,850
									88,700

## Canada Savings and Canada Premium Bonds

Canada savings and Canada premium bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- not subject to call before maturity;
- term to maturity of seven years or more;

- Canada savings bonds are redeemable on demand by the holder, with accrued interest calculated to the end of the previous month (no interest is paid if redeemed during the first 3 months following the date of issue); and,
- Canada premium bonds are redeemable in full or partially on any annual anniversary of the issue date and during the 30 days thereafter by the holder, with accrued interest if applicable.

Table 6.4 presents a summary of the balances and transactions for Canada savings and Canada premium bonds.

**TABLE 6.4**  
CANADA SAVINGS AND CANADA PREMIUM BONDS

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
				\$	\$	\$	\$
Canada Savings Bonds—							
2001—Nov 1	5.25-5.5	1989-90	S44	1,941,961,812		180,215,550	1,761,746,262
2002—Nov 1	5.25-5.5	1990-91	S45	1,771,096,610		152,422,866	1,618,673,744
2003—Nov 1	5.25-5.5	1991-92	S46	2,525,724,740		222,579,672	2,303,145,068
2004—Nov 1	5.25-5.5	1992-93	S47	2,931,005,556		255,250,656	2,675,754,900
2005—Nov 1	5.25-5.5	1993-94	S48	1,785,795,865		153,462,071	1,632,333,794
2006—Nov 1	5.25-5.5	1994-95	S49	2,673,183,388		281,602,401	2,391,580,987
2007—Nov 1	4.4-5.2	1995-96	S50	1,751,732,795		258,158,351	1,493,574,444
2008—Nov 1	6-6.5	1996-97	S51	2,811,228,898		183,837,901	2,627,390,997
2007—Nov 1	5-5.25	1997-98	S52	2,928,182,934		276,002,542	2,652,180,392
2007—Dec 1	5-5.25	1997-98	S53	15,854,797		1,483,031	14,371,766
2008—Nov 1	4.4-5.2	1998-99	S54	1,300,802,741		248,212,333	1,052,590,408
2008—Dec 1	4.4-5.2	1998-99	S55	85,578,216		9,311,140	76,267,076
2009—Jan 1	4.4-5.2	1998-99	S56	17,310,506		2,908,701	14,401,805
2009—Feb 1	4.4-5.2	1998-99	S57	10,635,623		1,250,203	9,385,420
2009—Mar 1	3.85-5.2	1998-99	S58	21,042,472		4,935,436	16,107,036
2009—Apr 1	4.6-5.2	1999-2000	S59	16,841,264		1,130,759	15,710,505
2009—Nov 1	4.4-5.2	1999-2000	S60 <sup>(1)</sup>	1,116,419,946		393,668,704	722,751,242
2009—Dec 1	4.4-5.2	1999-2000	S61	85,442,471		20,571,036	64,871,435
2010—Jan 1	4.4-5.2	1999-2000	S62	31,644,902		9,467,273	22,177,629
2010—Feb 1	4.4-5.2	1999-2000	S63	21,558,530		6,383,110	15,175,420
2010—Mar 1	3.85-5.2	1999-2000	S64	32,215,613		5,724,185	26,491,428
2010—Apr 1	4.6-5.2	1999-2000	S65	70,000	31,378,810		31,448,810
2010—Nov 1	4.85	2000-2001	S66 <sup>(1)</sup>		846,356,353		846,356,353
2010—Dec 1	4.85	2000-2001	S67		53,523,187		53,523,187
2011—Jan 1	4.85	2000-2001	S68		31,043,026		31,043,026
2011—Feb 1	4.4	2000-2001	S69		29,103,992		29,103,992
2011—Mar 1	3.85	2000-2001	S70		14,355,206		14,355,206
2011—Apr 1	3.65	2000-2001	S71		32,100		32,100
				23,875,329,679	1,005,792,674	2,668,577,921	22,212,544,432

TABLE 6.4

CANADA SAVINGS AND CANADA PREMIUM BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
				\$	\$	\$	\$
Canada Premium Bonds—							
2007—Mar 1	6-6.25	1997-98	P1	82,430,066		2,399,826	80,030,240
2008—Mar 1	4.35-4.75	1997-98	P2	23,475,683		4,054,212	19,421,471
2008—Nov 1	4.75-5	1998-99	P3	1,645,491,673		264,469,576	1,381,022,097
2008—Dec 1	4.25-4.5	1998-99	P4	136,195,055		13,627,051	122,568,004
2009—Jan 1	4.25-4.5	1998-99	P5	28,214,701		3,498,066	24,716,635
2009—Feb 1	4.25-4.75	1998-99	P6	24,662,258		2,652,109	22,010,149
2009—Mar 1	4.5-5	1998-99	P7	79,444,541		7,958,724	71,485,817
2009—Apr 1	4.75	1999-2000	P8	91,541,370		26,567,360	64,974,010
2009—Nov 1	5-5.4	1999-2000	P9	582,080,064		94,590,065	487,489,999
2009—Dec 1	5-5.4	1999-2000	P10	160,553,787		19,860,743	140,693,044
2010—Jan 1	5-5.4	1999-2000	P11	48,350,250		4,755,791	43,594,459
2010—Feb 1	5-5.5	1999-2000	P12	39,030,158		2,135,210	36,894,948
2010—Mar 1	5.25-5.75	1999-2000	P13	81,928,187	1,373,563		83,301,750
2010—Apr 1	5.25	1999-2000	P14	188,600	119,605,634		119,794,234
2010—Nov 1	5.5	2000-2001	P15		710,980,098		710,980,098
2010—Dec 1	5.5	2000-2001	P16		141,798,431		141,798,431
2011—Jan 1	5.5	2000-2001	P17		180,166,574		180,166,574
2011—Feb 1	5.25	2000-2001	P18		433,435,356		433,435,356
2011—Mar 1	4.35	2000-2001	P19		39,498,022		39,498,022
2011—Apr 1	4.35	2000-2001	P20		124,700		124,700
				3,023,586,393	1,626,982,378	446,568,733	4,204,000,038
				26,898,916,072	2,632,775,052	3,115,146,654	26,416,544,470
Less: Government's holdings—							
Canada savings bonds held on account of employees .....				3,671		94	3,765
Canada savings bonds held on account of the Payroll Savings Plan .....				242,601,500	326,087,500	194,009,000	110,523,000
Consolidation adjustment <sup>(2)</sup> .....				167,301,000		39,612,000	206,913,000
				409,906,171	326,087,500	233,621,094	317,439,765
Total .....				26,489,009,901	2,958,862,552	3,348,767,748	26,099,104,705

(1) Includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

(2) Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

## Non-Marketable Bonds and Notes

Non-marketable bonds and notes are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Fund or to the Canada Health and Social Transfer (CHST) Supplement Trust for Health Care or to the Medical Equipment Trust (MET). They have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less for the CPP bonds and 3 years or less for the CHST or MET notes;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these non-marketable bonds and notes.

**TABLE 6.5**

### NON-MARKETABLE BONDS AND NOTES

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 2000-2001 .....	22,971,000	1,300,000,000	1,322,971,000	
Maturing 2001-2002 .....	17,622,000			17,622,000
2002-2003 .....	17,414,000			17,414,000
2003-2004 .....	17,259,000			17,259,000
2004-2005 .....	16,661,000			16,661,000
2005-2006 .....	239,955,000			239,955,000
2006-2007 .....	1,352,282,000			1,352,282,000
2007-2008 .....	699,981,000			699,981,000
2008-2009 .....	519,360,000			519,360,000
2009-2010 .....	71,112,000			71,112,000
2010-2011 .....	425,010,000			425,010,000
2011-2012 .....	15,763,000			15,763,000
2012-2013 .....	11,118,000			11,118,000
	3,426,508,000	1,300,000,000	1,322,971,000	3,403,537,000
Canada Health and Social Transfer Supplement Trust for Health Care—				
Maturing 2001-2002 .....	125,748,979		121,073,538	4,675,441
Maturing 2003-2004 .....		33,531,378	28,888,049	4,643,329
	125,748,979	33,531,378	149,961,587	9,318,770
Medical Equipment Trust—				
Maturing 2001-2002 .....		1,000,000,000	939,218,272	60,781,728
Total .....	3,552,256,979	2,333,531,378	2,412,150,859	3,473,637,498

## Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2001.

Table 6.6 presents a monthly summary of Canada bill issues and redemptions.

**TABLE 6.6**  
**CANADA BILLS**

	Issues	Redemptions	Net change
	\$	\$	\$
April, 2000 .....	2,166,773,500	2,599,523,540	(432,750,040)
May .....	2,691,517,834	2,089,986,156	601,531,678
June .....	3,663,568,090	3,917,682,071	(254,113,981)
July .....	2,157,083,203	2,592,079,991	(434,996,788)
August .....	2,047,957,182	2,413,553,454	(365,596,272)
September .....	2,517,908,940	3,027,173,136	(509,264,196)
October .....	2,278,428,314	2,105,883,594	172,544,720
November .....	1,989,450,051	1,787,697,465	201,752,586
December .....	2,860,841,235	2,087,869,783	772,971,452
January, 2001 .....	3,165,952,573	2,698,209,956	467,742,617
February .....	2,092,347,258	2,186,171,722	(93,824,464)
March .....	3,597,950,568	2,673,628,537	924,322,031
	31,229,778,748	30,179,459,405	1,050,319,343
Balance at April 1, 2000 .....			6,007,777,494
Balance before revaluation .....			7,058,096,837
Exchange valuation adjustment at March 31, 2001 .....			169,552,347
Balance at March 31, 2001 .....			7,227,649,184

## Canada Notes

Canada notes are issued by the Government of Canada under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2001.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

**TABLE 6.7**  
**CANADA NOTES**

Maturity date	%	Issue date	Note #	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
				\$	\$	\$	\$
Payable in foreign currencies—							
Matured 2000-2001							
2000—Oct 23	6.029	Oct 23/97	063	36,235,000		36,235,000	
2001—Mar 27	6.188	Mar 27/96	011	7,247,000		7,247,000	
				43,482,000		43,482,000	
Maturing 2001-2002							
2001—Apr 4	6.280	Apr 4/96	024	72,470,000	6,345,000		78,815,000
Apr 25	6.496	Apr 25/96	040	28,988,000	2,538,000		31,526,000
May 7	6.542	May 6/96	041	57,976,000	5,076,000		63,052,000
2002—Feb 5	6.379	Feb 5/97	061	144,940,000	12,690,000		157,630,000
				304,374,000	26,649,000		331,023,000
Maturing 2005-2006							
2006—Mar 20	0.70	Mar 22/2001	066		636,150,000	11,650,000	624,500,000
Maturing 2008-2009							
2009—Mar 23	1.90	Mar 23/99	065	705,000,000		80,500,000	624,500,000
Total				1,052,856,000	662,799,000	135,632,000	1,580,023,000

<sup>(1)</sup> This column includes the translation of Canada notes payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.



## Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2001.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

**TABLE 6.8**  
**EURO MEDIUM -TERM NOTES**

Maturity date	%	Issue date	April 1/2000	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2001
			\$	\$	\$	\$
Payable in foreign currencies—						
Matured 2000-2001						
2000—Oct 2	(2)	Feb 20/98	27,761,851		27,761,851	
2001—Jan 30	5.50	July 30/97	579,760,000		579,760,000	
			607,521,851		607,521,851	
Maturing 2001-2002						
2001—June 12	(2)	June 12/98	37,406,285	3,275,050		40,681,335
2002—Jan 22	(2)	Jan 22/99	434,820,000	38,070,000		472,890,000
			472,226,285	41,345,050		513,571,335
Maturing 2003-2004						
2003—July 16	(2)	July 16/98	94,211,000	8,248,500		102,459,500
Maturing 2004-2005						
2004—Nov 26	(2)	Mar 26/98	717,453,000	62,815,500		780,268,500
Nov 26	(2)	Oct 30/98	493,665,640	43,222,140		536,887,780
Nov 30	(2)	Mar 22/99	127,437,046	11,157,555		138,594,601
Dec 22	(2)	Dec 22/97	110,473,268	9,672,318		120,145,586
			1,449,028,954	126,867,513		1,575,896,467
Maturing 2007-2008						
2007—Nov 19	(2)	Nov 19/97	43,482,000	3,807,000		47,289,000
2008—Jan 31	(2)	July 30/97	63,598,222	5,568,245		69,166,467
			107,080,222	9,375,245		116,455,467
Maturing 2009-2010						
2009—Apr 28	4.50	Mar 30/99-Apr 28/99	1,385,100,000		1,400,000	1,383,700,000
Total			4,115,168,312	185,836,308	608,921,851	3,692,082,769

<sup>(1)</sup> This column includes the translation of Euro notes payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.

<sup>(2)</sup> The rate of interest is variable throughout the year.

## Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1996-97 to 2000-2001 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings and Canada premium bonds, non-mar-

ketable bonds and notes (including the bonds for the Canada Pension Plan and the notes for the Canada Health and Social Transfer Supplement and the Medical Equipment Trust), Canada bills and Foreign currency notes.

**TABLE 6.9**

UNMATURED DEBT AS AT MARCH 31, FROM 1997 TO 2001, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings and Canada premium bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
2001 .....	315,631	6.98	88,700	5.31	26,099	5.42	3,473	10.10	7,228	5.10	5,272	4.15	446,403	6.11
2000 .....	315,339	7.21	99,850	5.31	26,489	5.13	3,552	10.04	6,008	5.87	5,168	4.95	456,406	6.15
1999 .....	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70
1998 .....	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.64
1997 .....	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1996-97 to 2000-2001 inclusively.

**TABLE 6.10**

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended	High	Low	Last issue
March 31	%	%	%
Three-month bills—			
2001 .....	5.75	4.60	4.60
2000 .....	5.28	4.30	5.28
1999 .....	5.64	4.55	4.89
1998 .....	4.65	4.17	4.58
1997 .....	3.19	2.80	3.19
Six-month bills—			
2001 .....	6.01	4.58	4.58
2000 .....	5.56	4.43	5.56
1999 .....	5.81	4.70	4.98
1998 .....	4.94	3.69	4.75
1997 .....	3.71	2.87	3.48
Other bills—			
2001 .....	6.33	4.58	4.58
2000 .....	5.98	4.56	5.94
1999 .....	5.83	4.62	4.97
1998 .....	5.20	3.60	4.96
1997 .....	5.60	2.21	3.92

## Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

**TABLE 6.11**  
MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings and Canada premium bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(million)	%
2002 .....	33,875	7.15	88,700	5.31	1,762	5.50	83	7.35	7,228	5.10	844	5.77	132,493	5.78
2003 .....	39,825	6.79			1,619	5.50	17	14.67					41,460	6.74
2004 .....	34,993	6.67			2,303	5.50	22	10.12			102	5.18	37,420	6.59
2005 .....	31,786	6.96			2,676	5.50	17	13.37			1,576	5.08	36,056	6.77
2006 .....	23,156	7.45			1,632	5.50	240	11.30			625	0.70	25,652	7.20
2007/2011 ...	74,264	6.87			16,424	5.37	3,067	10.04			2,125	3.77	95,880	6.64
2012/2016 ...	16,222	7.68				4.21	27	9.69					16,249	7.68
2017/2021 ...	1,897	10.41											1,897	10.41
2022/2026 ...	29,985	7.90											29,985	7.90
2027/2031 ...	27,406	6.22											27,406	6.22
2032 .....	3,242	4.00											3,242	4.00
	316,651	6.99	88,700	5.31	26,416	5.42	3,473	10.10	7,228	5.10	5,272	4.15	447,740	6.11
Less: Gov- ernment's hold- ings .....	1,020	9.89			317	4.40							1,337	9.35
	315,631	6.98	88,700	5.31	26,099	5.42	3,473	10.10	7,228	5.10	5,272	4.15	446,403	6.11

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise

Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

**TABLE 6.12**  
STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY  
(in millions of dollars)

	April 1/2000	Issues/ Borrowings	Retirements	March 31/2001
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	456,406	259,420	269,423	446,403
Borrowings of enterprise Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	38,640	59,522	56,762	41,400
Total .....	495,046	318,942	326,185	487,803

<sup>(1)</sup> Details can be found in this section.

<sup>(2)</sup> Details can be found in Section 9 (Table 9.6) of this volume.

## PENSION AND OTHER ACCOUNTS

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

### Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but, until March 31, 2000, separate market invested funds were not maintained. Since April 1, 2000, contributions to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans have been transferred to the Public Sector Pension Investment Board. The goal of the Board is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

#### *i. Pension plans*

##### *Employee pension plans*

Basic pensions for the three major employees plans were, up to June 1999, generally based on the best six consecutive years' average earnings and accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. For employees terminating their service on, or after June 17, 1999, basic pensions are now based on the best five consecutive year's average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

Up to January 1, 2000, employee contributions for these benefits were 7.5 percent of pay, less contributions to the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP). Effective January 1, 2000, the total 7.5 percent cap has been removed and plan members now contribute 4 percent on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the CPP/QPP purposes and 7.5 percent on that portion of salary above the YMPE. This rate is applicable until 2004 when it comes up for review.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 2000-2001, the employer contribution rates averaged about 2.6, 3.6 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these three pension plans both by plan members and by the Government as the employer have been credited to newly created Pension Funds. These contributions will be invested in financial markets by the Public Sector Pension Investment Board (PSPIB). The PSPIB operates independently of the Government and plan members but is required by the *Public Sector Pension Investment Board Act* to invest contributions prudently, in the best interests of plan members. It is also required to report the results of its investments in an annual report to Parliament and to the ministers responsible for those three pension plans.

The Superannuation Accounts, which continue to record the transactions that pertain to pre April 2000 service, earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 9.0 percent in 2001 and 9.3 percent in 2000. The Pension Fund Accounts, which record the transactions that pertain to post April 2000 service, are only flow through accounts used to transfer funds to the PSPIB, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

During the year, Canada Post Corporation and three smaller corporations implemented their own pension plans and their employees ceased to be members of the Public Service pension plan. An amount of about \$1,300 million was transferred to the pension plans of these corporations during the year and an additional estimated amount of \$6,200 million is expected to be transferred within the next two years. These transactions are considered a partial settlement of the Public Service pension plan. The net cost of this settlement is estimated at \$28 million, of which a loss of \$215 million is recognized in the current year and charged to the pension related expenditure and a gain of \$187 million is amortized as an estimation adjustment in the expected rate of return affecting the Canadian Forces and the Royal Canadian Mounted Police pension plans. Unamortized estimation ad-

justments of \$510 million were also written off as a result of this partial plan settlement. The amounts of impending transfers are still reflected as a liability in the Public Service Superannuation Account as at March 31<sup>st</sup>.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include Retirement Compensation Arrangements Accounts established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

#### *Members of Parliament retiring allowances*

Members of Parliament are eligible at age 55 to receive a basic pension upon termination of membership and after having contributed to the plan for at least six years. Amendments were made to the *Members of Parliament Retiring Allowances Act* on June 14, 2001. As a result, the basic allowance is now based on the best five year average sessional indemnity and is accrued at a rate of 3 percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually (on January 1st) to the cost of living once recipients reach age 60. The one time cost of this amendment that relates to past service is estimated at \$8.7 million and is charged to the pension related expenditure.

Members' contributions for these benefits are now 7 percent for Members of the House of Commons and for Senators. The Government contributions are made monthly to provide for the cost (net of Members' contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	2001	2000
Members of Parliament		
House of Commons		
Retiring allowances account . . . . .	3.06	3.22
Retirement compensation arrangements . . . . .	6.46	6.72
The Senate		
Retiring allowances account . . . . .	1.85	1.88
Retirement compensation arrangements . . . . .	2.78	2.68

Contributions are credited to the appropriate pension accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

#### *Pension plan for federally appointed judges*

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$54 million.

#### *ii. Actuarial valuations*

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the six major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 1999;

Canadian Forces—March 31, 2000;

Royal Canadian Mounted Police—March 31, 1999;

Members of Parliament—March 31, 1998;

Retirement Compensation Arrangements: December 31, 1998;

Federally appointed judges—March 31, 1998.

As at March 31, 2001, the actuarial valuation report for the Canadian Forces pension plan and the Retirement Compensation Arrangements were not yet tabled before Parliament. The actuarial report of the Members of Parliament pension plan was under preparation.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be credited to the appropriate account in equal instalments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no credits were required to the accounts as a result of actuarial deficits.

As a result of amendments made in September 1999, a comparable provision gives authority to deal with surpluses in the Superannuation Accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the new Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the triennial actuarial review of the Public Service pension plan and the Royal Canadian Mounted Police pension plan which were tabled in Parliament during the year, debit adjustments of \$8,100 million and \$1,900 million were made to the Public Service and the Royal Canadian Mounted Police Superannuation Accounts respectively.

Table 6.13 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division pay-

ments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to the Public Sector Pension Investment Board. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, from the annual adjustment between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

**TABLE 6.13**  
**PUBLIC SECTOR PENSIONS**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.15 .....	86,494,731,024	8,078,163,755	12,998,214,403	81,574,680,376
Allowance for pension adjustments .....	(8,002,000,000)	8,277,000,000	3,113,000,000	(2,838,000,000)
	78,492,731,024	16,355,163,755	16,111,214,403	78,736,680,376
Public Service Pension Fund Account,				
Table 6.16 .....		2,059,024,753	1,962,633,128	96,391,625
Allowance for pension adjustments .....		24,000,000		24,000,000
		2,083,024,753	1,962,633,128	120,391,625
Canadian Forces Superannuation Account,				
Table 6.17 .....	48,410,185,315	4,313,459,941	1,841,244,239	50,882,401,017
Allowance for pension adjustments .....	(10,012,000,000)		2,473,000,000	(12,485,000,000)
	38,398,185,315	4,313,459,941	4,314,244,239	38,397,401,017
Canadian Forces Pension Fund Account,				
Table 6.18 .....		638,967,465	582,365,920	56,601,545
Allowance for pension adjustments .....		5,000,000		5,000,000
		643,967,465	582,365,920	61,601,545
Royal Canadian Mounted Police Superannuation Account,				
Table 6.19 .....	10,712,336,493	968,296,403	2,191,309,830	9,489,323,066
Allowance for pension adjustments .....	(1,624,000,000)	1,900,000,000	408,000,000	(132,000,000)
	9,088,336,493	2,868,296,403	2,599,309,830	9,357,323,066
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.20 .....		215,258,615	206,741,558	8,517,057
Allowance for pension adjustments .....		1,000,000		1,000,000
		216,258,615	206,741,558	9,517,057
Members of Parliament Retiring Allowances Account,				
Table 6.21 .....	303,149,382	35,478,553	15,919,508	322,708,427
Allowance for pension adjustments .....	(36,000,000)	4,000,000	11,000,000	(43,000,000)
	267,149,382	39,478,553	26,919,508	279,708,427
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.22 .....	45,498,686	14,676,056	7,781,248	52,393,494
Allowance for pension adjustments .....	(7,000,000)	11,000,000	1,000,000	3,000,000
	38,498,686	25,676,056	8,781,248	55,393,494
Retirement Compensation Arrangements				
Account, Table 6.23 .....	1,066,142,805	192,135,879	245,321,739	1,012,956,945
Allowance for pension adjustments .....	114,000,000	81,000,000	19,000,000	176,000,000
	1,180,142,805	273,135,879	264,321,739	1,188,956,945
Supplementary Retirement Benefits Account,				
Table 6.24 .....	77,678,594	7,790,165	9,228,614	76,240,145
Allowance for pension adjustments .....	803,000,000	99,000,000		902,000,000
	880,678,594	106,790,165	9,228,614	978,240,145
Total .....	128,345,722,299	26,925,251,585	26,085,760,187	129,185,213,697
SUMMARY—				
Superannuation accounts .....	147,109,722,299	16,523,251,585	20,060,760,187	143,572,213,697
Allowance for pension adjustments .....	(18,764,000,000)	10,402,000,000	6,025,000,000	(14,387,000,000)
Total .....	128,345,722,299	26,925,251,585	26,085,760,187	129,185,213,697

Table 6.14 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Effective April 1, 1997, interest is based on the actuarial obligations under the various plans. The pension interest expenditure represents the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$2,789 million (\$2,611 million in 2000) and net of \$89 million in expected return on pension plan assets.

**TABLE 6.14**  
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES  
(in millions of dollars)

	2000-2001									
	Statutory payments under									
	Government contri- butions	Various acts	Supple- mentary Retire- ment Benefits Act	Pension Plan amend- ment costs	Pension Plan partial settle- ment costs	Amorti- zation of estima- tion adjust- ments <sup>(1)</sup>	Net pension costs	Net pension interest expen- ditures	Total	1999-2000
Public Service Superan- nuation Account . . . . .	208				177	(1,745)	(1,360)	6,284	4,924	7,118
Public Service Pension Fund Account . . . . .	1,288				15	6	1,309	4	1,313	
Canadian Forces Superan- nuation Account . . . . .	14					(1,129)	(1,115)	2,943	1,828	2,570
Canadian Forces Pension Fund Account . . . . .	497					3	500	2	502	
Defence Services Pension Continuation Act . . . . .		3	11				14		14	15
Royal Canadian Mounted Police Superannuation Account . . . . .	12					(160)	(148)	705	557	729
Royal Canadian Mounted Police Pension Fund Account . . . . .	161					1	162		162	
Royal Canadian Mounted Police Continuation Act . . . . .		7	9				16		16	25
Members of Parliament Retiring Allowances Account . . . . .	3			4		(2)	5	22	27	(1)
Members of Parliament Retirement Compensation Arrangements Account . . . . .	8			5		6	19	4	23	10
Retirement Compensation Arrangements (RCA) Account . . . . .	71				23	39	133	96	229	395
Supplementary Retirement Benefits Account . . . . .	2					12	14	91	105	98
Judges Act . . . . .		54					54		54	50
Other (diplomatic services, lieutenant governors, etc.) . . . . .		1					1		1	1
Subtotal . . . . .	2,264	65	20	9	215	(2,969)	(396)	10,151	9,755	11,010
Less: costs already recorded in the allowance for pension adjustments of previous year . . . . .										(254)
Total . . . . .	2,264	65	20	9	215	(2,969)	(396)	10,151	9,755	10,756

<sup>(1)</sup> Includes an amount of \$510 million of unamortized estimation adjustments written off in 2001 as a result of a partial plan settlement.

**Public Service Superannuation Account**

This account is operated under the *Public Service Superannuation Act*.

A debit adjustment of \$8,100 million was made to the account as a result of a triennial actuarial review tabled in 2001.

**TABLE 6.15****PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	86,494,731,024	80,274,543,680
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees .....	119,651,710	498,122,268
Retired employees .....	47,331,221	48,961,431
Public Service corporation employees .....	21,138,121	147,830,169
Employer contributions—		
Government .....	207,710,680	1,589,869,968
Public Service corporations .....	18,499,246	146,991,831
Transfers from other pension funds .....	11,545,247	11,107,218
Interest .....	7,652,287,530	7,403,896,171
	8,078,163,755	9,846,779,056
	94,572,894,779	90,121,322,736
PAYMENTS AND OTHER CHARGES—		
Annuities .....	3,273,397,466	3,207,842,025
Minimum benefits .....	12,948,394	14,475,579
Pension division payments .....	30,414,056	31,635,312
Pension—Transfer value payments .....	161,881,563	237,370,841
Returns of contributions—		
Government employees .....	4,240,528	6,727,077
Public Service corporation employees .....	1,697,027	2,194,330
Transfers to other pension funds .....	142,167,708	126,346,548
Transfers to Canada Post Corporation pension plan .....	1,235,000,000	
Administrative expenses .....	36,467,661	
Actuarial liability adjustment .....	8,100,000,000	
	12,998,214,403	3,626,591,712
Closing balance .....	81,574,680,376	86,494,731,024

**Public Service Pension Fund Account**

This account is used to record the transactions that pertain to post April 2000 service under the *Public Service Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in 2001.

**TABLE 6.16****PUBLIC SERVICE PENSION FUND ACCOUNT**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	Nil	
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees .....	489,200,042	
Retired employees .....	873,360	
Public Service corporation employees .....	89,030,944	
Employer contributions—		
Government .....	1,287,810,313	
Public Service corporations .....	188,683,338	
Transfers from other pension funds .....	3,426,756	
	2,059,024,753	
	2,059,024,753	
PAYMENTS AND OTHER CHARGES—		
Annuities .....	804,321	
Minimum benefits .....	84,566	
Pension division payments .....	54,327	
Pension—Transfer value payments .....	1,947,267	
Returns of contributions—		
Government employees .....	1,895,715	
Public Service corporation employees .....	469,406	
Administrative expenses .....	3,661,932	
	8,917,534	
Receipts and other credits less payments and other charges .....	2,050,107,219	
Transfers to Pension Investment Board .....	1,953,715,594	
Closing balance .....	96,391,625	



### Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 2000-2001 or 1999-2000.

**TABLE 6.17**

#### CANADIAN FORCES SUPERANNUATION ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance .....	48,410,185,315	45,322,358,814
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	7,566,796	144,248,295
Contributions by the Government .....	13,680,109	562,353,766
Interest .....	4,287,369,793	4,167,307,018
Other .....	4,843,243	4,704,410
	4,313,459,941	4,878,613,489
	52,723,645,256	50,200,972,303
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	1,780,810,573	1,731,006,900
Pension division payments .....	35,808,486	37,380,352
Cash termination allowances and returns of contributions .....	17,980,539	21,447,037
Transfers to Public Service Superannuation Account .....	373,674	952,699
Administrative expenses .....	6,270,967	
	1,841,244,239	1,790,786,988
Closing balance .....	50,882,401,017	48,410,185,315

### Canadian Forces Pension Fund Account

This account is used to record the transactions that pertain to post April 2000 service under the *Canadian Forces Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in 2001.

**TABLE 6.18**

#### CANADIAN FORCES PENSION FUND ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance .....	Nil	
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	141,678,230	
Contributions by the Government .....	497,289,235	
	638,967,465	
	638,967,465	
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	369,207	
Pension division payments .....	5,725	
Cash termination allowances and returns of contributions .....	831,441	
Administrative expenses .....	82,596	
	1,288,969	
Receipts and other credits less payments and other charges .....	637,678,496	
Transfers to Pension Investment Board .....	581,076,951	
Closing balance .....	56,601,545	

**Royal Canadian Mounted Police Superannuation Account**

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

A debit adjustment of \$1,900 million was made to the account as a result of a triennial actuarial review tabled in 2001.

**TABLE 6.19****ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	10,712,336,493	9,852,605,444
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	3,435,232	53,604,997
Transfers from other pension funds .....	471,343	471,041
Contributions by the Government .....	11,677,021	158,509,566
Interest .....	952,712,807	912,699,998
	968,296,403	1,125,285,602
	11,680,632,896	10,977,891,046
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	274,401,868	253,708,342
Pension division payments .....	12,106,792	9,563,471
Returns of contributions .....	2,250,731	1,869,034
Cash termination allowance and gratuities .....	47,466	5,714
Transfers to other pension funds .....	75,257	66,006
Administrative expenses .....	2,407,143	
Interest on returns of contributions .....	20,573	341,986
Actuarial liability adjustment .....	1,900,000,000	
	2,191,309,830	265,554,553
Closing balance .....	9,489,323,066	10,712,336,493

**Royal Canadian Mounted Police Pension Fund Account**

This account is used to record the transactions that pertain to post April 2000 service under the *Royal Canadian Mounted Police Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in 2001.

**TABLE 6.20****ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	Nil	
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	53,957,665	
Contributions by the Government .....	161,300,950	
	215,258,615	
	215,258,615	
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	90,461	
Returns of contributions .....	42,622	
Cash termination allowance and gratuities .....	1,096	
Administrative expenses .....	97,234	
	231,413	
Receipts and other credits less payments and other charges .....	215,027,202	
Transfers to Pension Investment Board .....	206,510,145	
Closing balance .....	8,517,057	

### Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.21

#### MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance.....	303,149,382	286,003,360
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current.....	986,482	978,229
Arrears of principal, interest and mortality insurance .....	595,636	76,697
Government contributions—		
Current.....	2,882,101	2,673,500
Interest .....	31,014,334	29,409,145
	35,478,553	33,137,571
	338,627,935	319,140,931
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	15,514,009	15,311,534
Withdrawal allowances .....	155,645	147,881
Interest on withdrawals .....	3,484	1,795
Pension division payments .....	246,370	530,339
	15,919,508	15,991,549
Closing balance .....	322,708,427	303,149,382

### Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

TABLE 6.22

#### MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance.....	45,498,686	39,667,056
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current.....	1,812,679	1,248,721
Government contributions—		
Current.....	7,831,603	7,397,670
Interest .....	5,031,774	4,458,146
	14,676,056	13,104,537
	60,174,742	52,771,593
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	1,113,039	1,017,774
Refundable tax remitted to Canada		
Customs and Revenue Agency .....	6,460,747	5,790,772
Withdrawals.....	207,462	81,963
Pension division payments .....		382,398
	7,781,248	7,272,907
Closing balance .....	52,393,494	45,498,686

## Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were declared surplus as part of a 3 year Government's downsizing initiative ended on March 31, 1998 and who were between age 50 and 54. It pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

TABLE 6.23

### RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	102,689,332	73,395,108	9,898,583	3,908,650	1,335,807	855,473	952,219,083	703,395,255	1,066,142,805	781,554,486
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government employees.....	4,429,215	2,958,526	761,753	654,996	126,749	59,618			5,317,717	3,673,140
Retired employees.....	331,469								331,469	
Public Service corporation employees.....	1,537,277	1,689,695							1,537,277	1,689,695
Employer contributions—										
Government.....	58,993,384	28,288,307	10,458,301	9,252,859	1,393,282	711,039		254,402,208	70,844,967	292,654,413
Public Service corporations.....	18,077,138	16,666,498							18,077,138	16,666,498
Refundable tax.....								1,010,953		1,010,953
Interest.....	11,306,675	8,403,386	1,418,034	557,099	176,323	104,489	83,126,279	62,933,681	96,027,311	71,998,655
	94,675,158	58,006,412	12,638,088	10,464,954	1,696,354	875,146	83,126,279	318,346,842	192,135,879	387,693,354
	197,364,490	131,401,520	22,536,671	14,373,604	3,032,161	1,730,619	1,035,345,362	1,021,742,097	1,258,278,684	1,169,247,840
PAYMENTS AND OTHER CHARGES—										
Annuities.....	736,067	548,733	(576,653) <sup>(1)</sup>	299,487	14,340	2,593	70,548,170	69,523,014	70,721,924	70,373,827
Pension division.....	437,592	507,055	5,434	3,298					443,026	510,353
Transfer value and interest.....	436,897								436,897	
Returns of contributions—										
Government.....	4,065	1,936							4,065	1,936
Public Service corporation employees.....	22,062	16,167							22,062	16,167
Refundable tax.....	36,787,722	27,638,297	5,127,952	4,172,236	677,664	392,219	131,100,427		173,693,765	32,202,752
	38,424,405	28,712,188	4,556,733	4,475,021	692,004	394,812	201,648,597	69,523,014	245,321,739	103,105,035
Closing balance.....	158,940,085	102,689,332	17,979,938	9,898,583	2,340,157	1,335,807	833,696,765	952,219,083	1,012,956,945	1,066,142,805

<sup>(1)</sup> This amount includes an accounting correction of \$669,077 representing the reimbursement of erroneous charges to the RCA account during the period from 1995 to 2000. Had this correction not been necessary, the Actual Benefit Payments for 2000-2001 would be \$92,424.

### Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

**TABLE 6.24**  
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others <sup>(1)</sup>		Total	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance .....	9,169,170	9,169,170	105,416	99,838	68,404,008	61,453,943	77,678,594	70,722,951
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government .....					1,958,654	1,727,268	1,958,654	1,727,268
Matching contributions—								
Government .....					1,769,595	1,721,474	1,769,595	1,721,474
Interest .....			5,854	5,578	4,056,062	3,540,632	4,061,916	3,546,210
			5,854	5,578	7,784,311	6,989,374	7,790,165	6,994,952
	9,169,170	9,169,170	111,270	105,416	76,188,319	68,443,317	85,468,759	77,717,903
PAYMENTS AND OTHER CHARGES—								
Annuities .....	9,169,170		36,061		19,561	39,309	9,224,792	39,309
Returns of contributions .....					3,822		3,822	
	9,169,170		36,061		23,383	39,309	9,228,614	39,309
Closing balance .....		9,169,170	75,209	105,416	76,164,936	68,404,008	76,240,145	77,678,594

<sup>(1)</sup> Includes all federally appointed judges, lieutenant governors and non-career diplomats.

### Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations. Since April 1, 1997, it also records the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

Estimation adjustments of \$2,459 million (\$2,501 million in 2000) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. An amount of \$254 million was recorded in this account in 2000 to offset pension costs charged to expenditures in previous years but recorded in the superannuation accounts in 2000. An amount of \$9 million was credited to this account and charged to expenditures to reflect pension plan amendments made during the year (\$822 million in 2000). To reflect the cost of a partial plan settlement that occurred during the year, an amount of \$215 million was credited to this account and charged to expenditures and unamortized estimation adjustments of \$510 million were written off to this account and reduced expenditures. An amount of \$10,000 million was credited to this account in counterpart to the debit adjustments made in the superannuation accounts following the tabling of actuarial valuations during the year. As well, an amount of \$2,789 million (\$2,611 million in 2000) was debited to this account to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$89 million was recorded in this account to record the expected return on the pension plan assets.

The unamortized estimation adjustment of \$8,343 million (\$11,658 million in 2000) will be amortized to this account and will reduce expenditures in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be \$23,748 million lower than the balance of the superannuation accounts and the market related value of the assets invested in the PSPIB through the Pension Funds. This amount is made of:

	Excess (shortfall) (in millions of dollars)	
	2001	2000
Public Service Pension Plan—		
Public Service Superannuation Account .....	8,227	14,826
Public Service Pension Fund .....	(79)	
	8,148	14,826
Canadian Forces Pension Plan—		
Canadian Forces Superannuation Account .....	16,288	14,819
Canadian Forces Pension Fund .....	(34)	
	16,254	14,819
Royal Canadian Mounted Police Pension Plan—		
Royal Canadian Mounted Police Superannuation Account .....	1,021	2,748
Royal Canadian Mounted Police Pension Fund .....	(8)	
	1,013	2,748
Members of Parliament Retiring Allowances .....	(27)	67
Retirement Compensation Arrangements .....	(542)	(272)
Pension plan for federally appointed judges .....	(1,098)	(937)
Total .....	23,748	31,251

## Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend is limited to the Plan's net assets of \$45,688 million (\$41,261 million in 2000).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Table 6.25 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

**TABLE 6.25**  
**DUE TO CANADA PENSION PLAN**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements .....	41,261,000,000	24,255,995,710	19,828,618,667	45,688,377,043
Less: Receivables, net of liabilities and other accrual accounting adjustments .....	2,353,201,416	2,552,796,703	2,353,201,416	2,552,796,703
Accumulated net income from Canada Pension Plan Investment Board's operations .....	460,000,000		851,590,000	(391,590,000)
	<i>38,447,798,584</i>	<i>21,703,199,007</i>	<i>16,623,827,251</i>	<i>43,527,170,340</i>
Less: transfers to Canada Pension Plan Investment Board .....	1,931,455,000		5,613,966,000	7,545,421,000
Subtotal .....	36,516,343,584	21,703,199,007	11,009,861,251	35,981,749,340
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada .....	3,426,508,000	22,971,000		3,403,537,000
Newfoundland .....	633,656,000	42,645,000	42,645,000	633,656,000
Nova Scotia .....	1,173,077,000	78,277,000	78,277,000	1,173,077,000
Prince Edward Island .....	140,469,000	9,136,000	9,136,000	140,469,000
New Brunswick .....	835,171,000	53,014,000	53,014,000	835,171,000
Quebec <sup>(1)</sup> .....	95,813,000	6,453,000	6,453,000	95,813,000
Ontario .....	13,117,111,000	1,037,872,000	629,209,000	12,708,448,000
Manitoba .....	1,506,431,000	111,459,000		1,394,972,000
Saskatchewan .....	1,340,832,000	87,129,000	75,553,000	1,329,256,000
Alberta .....	3,776,251,000	222,367,000	222,367,000	3,776,251,000
British Columbia .....	4,249,792,000	302,126,000	149,182,000	4,096,848,000
Yukon Territory .....	3,726,000			3,726,000
	<i>30,298,837,000</i>	<i>1,973,449,000</i>	<i>1,265,836,000</i>	<i>29,591,224,000</i>
Canada short-term investment .....		1,300,000,000	1,300,000,000	
	<i>30,298,837,000</i>	<i>3,273,449,000</i>	<i>2,565,836,000</i>	<i>29,591,224,000</i>
Deposit with the Receiver General for Canada <sup>(2)</sup> .....	6,217,506,584	24,976,648,007	24,803,629,251	6,390,525,340

<sup>(1)</sup> The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

<sup>(2)</sup> The amounts differ from the amounts in the Plan's financial statements due to a reclassification in presentation done in the Plan's financial statements.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 7.8 percent and 8.6 percent of pensionable earnings for the 2000 and 2001 calendar years, subject to maximum combined contributions of \$2,660 and \$2,993 respectively;
- (b) income from investments in bonds held by the Fund, from short-term investments in Canada bonds, and from the average daily operating balance deposited with the Receiver General for Canada, and;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the bonds of provincial and territorial governments;
- (f) funds invested during the year in short-term investments in Canada bonds; and,
- (g) funds transferred to the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *Seventeenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

## Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2001, over 91,941 annuitants held 100,443 active contracts, each annuitant receiving an average payment of \$657.55. During the year, 1,041 deferred annuities came into payment and another 355 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2001, there were 6,450 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2000-2001 fiscal year, 7,125 annuities were terminated or adjusted as a result of annuitant deaths: 4,508 group certificates and 2,617 individual contracts. The average age at death for males was 82.2 while the female age at death averaged 86.8. Forty-eight annuitants reached age 100 for a total of 158 centenarians as of March 31, 2001. The two oldest annuitants, females, are 110 years old.

Total income amounted to \$35.8 million, \$35.6 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$89,687. Total disbursements of \$68.4 million originated mainly from the \$67.6 million in payments made under matured annuities. An amount of \$373,575 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$448,590 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$551.9 million was reduced due to a surplus as at April 1, 2000 of \$5.8 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$32.6 million during 2000-2001. Since the actuarial reserves required as of March 31, 2001 were only \$507.8 million, a surplus of \$5.6 million was also transferred to the Consolidated Revenue Fund.



## Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of the Confederation Bridge. Payments of the annual subsidy began on May 31, 1997 and will continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

On April 1, 2000, the fourth payment of the annual subsidy was made in the amount of \$46.9 million. This payment represents payment of principal in the amount of \$15.4 million and interest expense of \$31.5 million. The interest rate is 4.009 percent and the present value of the annual cash payment is \$46.9 million.

As a result, the Government of Canada has a recorded liability of \$770 million offset by deferred subsidies of \$732.5 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The bonds will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 2000-2001 of \$23.5 million.

## Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75 percent semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$709 million, offset by deferred payments. These deferred payments will be amortized over the 21-year period ending on December 30, 2021.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities,

these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.26**  
**DEPOSIT AND TRUST ACCOUNTS**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Guarantee deposits—Board of Arbitration and Review Tribunal .....	809			809
Canadian Dairy Commission—				
Canadian Dairy Commission account .....	5,557,391	314,817,604	347,706,197	(27,331,202)
	5,558,200	314,817,604	347,706,197	(27,330,393)
Canada Customs and Revenue Agency—				
Guarantee deposits .....	12,177,709	5,285,206	1,048,910	16,414,005
Less: securities held in trust .....	1,322,800	25,000	1,020,000	2,317,800
	10,854,909	5,310,206	2,068,910	14,096,205
Temporary deposits received from importers .....	699,835		143,881	555,954
Less: deposits in special bank accounts .....	699,835	143,881		555,954
	10,854,909	5,454,087	2,212,791	14,096,205
Citizenship and Immigration—				
General security deposits .....	415,147		56,951	358,196
Immigration guarantee fund .....	18,622,372	9,951,262	6,964,424	21,609,210
	19,037,519	9,951,262	7,021,375	21,967,406
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization .....	82,000,000			82,000,000
Crown corporations' surplus moneys—				
St Lawrence Seaway Authority, The .....	8,000,000		8,000,000	
Petro-Canada Limited—Cash reserve .....	3,243,288	212,129	3,455,417	
	93,243,288	212,129	11,455,417	82,000,000
Human Resources Development—				
Canada Labour Code—Other .....	107,142	491,381	497,900	100,623
Canada Labour Code—Wage Recovery Appeals .....	400,123	456,107	435,412	420,818
	507,265	947,488	933,312	521,441
Indian Affairs and Northern Development—				
Agent administered Indian minors account .....	894,640	39,041	591,844	341,837
Less: securities held in Peace Hills Trust .....	894,640	591,844	39,041	341,837
		630,885	630,885	
Field British Columbia and Yukon Operations of the Northern Canada Power Commission .....	992,588			992,588
Guarantee deposits .....	19,480,887	3,205,307	5,319,159	17,367,035
Less: securities held in trust .....	16,489,779	4,346,534	1,516,281	13,659,526
	2,991,108	7,551,841	6,835,440	3,707,509
Guarantee deposits—Oil and gas .....	56,472,554	161,982,567	30,095,013	188,360,108
Less: securities held in trust .....	54,737,724	21,078,412	152,627,092	186,286,404
	1,734,830	183,060,979	182,722,105	2,073,704
Guarantee deposits—Reserve resources .....	1,568,251	137,059	938,357	766,953
Less: securities held in trust .....	324,000	324,000		
	1,244,251	461,059	938,357	766,953
	6,962,777	191,704,764	191,126,787	7,540,754
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act .....	19,000			19,000

**TABLE 6.26**  
**DEPOSIT AND TRUST ACCOUNTS—Concluded**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Justice—				
Supreme Court of Canada—				
Security for costs .....	395,783	25,500	74,341	346,942
Tax Court of Canada—				
Security for costs .....	6,249		6,273	(24)
	402,032	25,500	80,614	346,918
Natural Resources—				
Guarantee deposits—Oil and gas .....	366,171,413	62,771,801		428,943,214
Less: securities held in trust .....	365,719,399		62,632,156	428,351,555
	452,014	62,771,801	62,632,156	591,659
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum .....	26,500	1,829,000	162,500	1,693,000
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds .....	2,456,445		1,437,816	1,018,629
Less: securities held in trust .....	2,456,445	1,691,116		765,329
		1,691,116	1,437,816	253,300
Cash .....	9,826,557	6,453,058	9,982,826	6,296,789
Certified cheques .....	80,579	1,044,559	1,070,136	55,002
Less: securities held in trust .....	440,478	463,001		(22,523)
	(359,899)	1,507,560	1,070,136	77,525
Seized property—Cash .....	8,083,878	23,699,245	9,068,145	22,714,978
	17,550,536	33,350,979	21,558,923	29,342,592
Total deposit accounts .....	154,614,040	621,064,614	644,890,072	130,788,582
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account .....	93,228	4,234	54,820	42,642
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.27 .....	808,129,706	288,321,044	119,926,231	976,524,519
Revenue accounts, Table 6.28 .....	139,557,021	84,399,303	85,158,985	138,797,339
	947,686,727	372,720,347	205,085,216	1,115,321,858
Indian estate accounts .....	9,278,725	4,190,119	4,423,671	9,045,173
Indian savings accounts .....	84,243,996	7,182,593	27,563,803	63,862,786
	1,041,209,448	384,093,059	237,072,690	1,188,229,817
National Defence—				
Estates—Armed services .....	556,148	772,717	289,045	1,039,820
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards .....	32,648	1,230	2,000	31,878
Correctional Service—				
Inmates' trust fund .....	8,604,975	29,537,851	28,901,905	9,240,921
Royal Canadian Mounted Police—				
Benefit trust fund .....	2,120,211	190,235	204,649	2,105,797
	10,757,834	29,729,316	29,108,554	11,378,596
Veterans Affairs—				
Administered accounts .....	3,886,916	1,305,971	2,487,142	2,705,745
Estates fund .....	2,508,671	490,715	534,554	2,464,832
Veterans administration and welfare trust fund .....	729,344	125,245	57,677	796,912
	7,124,931	1,921,931	3,079,373	5,967,489
Total trust accounts .....	1,059,741,589	416,521,257	269,604,482	1,206,658,364
Total deposit and trust accounts .....	1,214,355,629	1,037,585,871	914,494,554	1,337,446,946

### **Guarantee deposits—Board of Arbitration and Review Tribunal**

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

### **Canadian Dairy Commission account**

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

### **Guarantee deposits—Canada Customs and Revenue Agency**

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

### **Temporary deposits received from importers**

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

### **General security deposits**

This account was established to record general security deposits from transportation companies in accordance with subsection 92(1) of the *Immigration Act*.

### **Immigration guarantee fund**

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

### **Holdback—Privatization—Canada Development Investment Corporation**

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

### **Crown corporations' surplus moneys**

These accounts were established pursuant to subsection 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

### **Petro-Canada Limited—Cash reserve**

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

On February 5, 2001, all the assets and liabilities of Petro-Canada Limited were transferred to the Government and this account was closed.

### **Canada Labour Code—Other**

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

### **Canada Labour Code—Wage Recovery Appeals**

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

### **Agent administered Indian minors account**

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

### **Field British Columbia and Yukon Operations of the Northern Canada Power Commission**

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

**Guarantee deposits—Indian Affairs and Northern Development**

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

**Guarantee deposits—Oil and gas—Indian Affairs and Northern Development**

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

**Guarantee deposits—Reserve resources**

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

**Trustee Performance Securities—Bankruptcy and Insolvency Act**

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

**Security for costs—Supreme Court of Canada**

This account was established to record security to the value of \$500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

**Security for costs—Tax Court of Canada**

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

**Guarantee deposits—Oil and gas—Natural Resources**

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

**Candidates' and committees' deposits—Election and referendum**

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

**Contractors' security deposits**

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

**Seized property—Cash**

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

**Halifax 1917 explosion pension account**

This account was established by subsection 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

**Indian band funds**

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

**TABLE 6.27****INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	808,129,706	742,080,249
RECEIPTS AND OTHER CREDITS—		
Oil royalties.....	32,163,906	21,272,617
Gas royalties.....	245,175,976	99,060,439
Land and other claim settlements.....		13,600,701
Sundries.....	10,981,162	18,134,874
	288,321,044	152,068,631
	1,096,450,750	894,148,880
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	6,124,652	6,320,300
Transfer pursuant to section 64 of the Indian Act.....	111,592,805	79,087,656
Sundries.....	2,208,774	611,218
	119,926,231	86,019,174
Closing balance.....	976,524,519	808,129,706

**TABLE 6.28****INDIAN BAND FUNDS—REVENUE ACCOUNTS**

	2000-2001	1999-2000
	\$	\$
Opening balance.....	139,557,021	133,008,792
RECEIPTS AND OTHER CREDITS—		
Government interest.....	56,987,458	51,150,942
Land and other claim settlements.....	124,234	16,242,819
Sundries.....	27,287,611	23,459,231
	84,399,303	90,852,992
	223,956,324	223,861,784
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	18,922,777	3,502,193
Transfer pursuant to section 69 of the Indian Act.....	63,054,185	79,137,225
Sundries.....	3,182,023	1,665,345
	85,158,985	84,304,763
Closing balance.....	138,797,339	139,557,021

**Indian estate accounts**

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

**Indian savings accounts**

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

**Estates—Armed services**

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

**Scholastic awards**

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

**Inmates' trust fund**

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

**Benefit trust fund**

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

**Administered accounts**

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

**Estates fund**

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

**Veterans administration and welfare trust fund**

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.29 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.29**  
**OTHER SPECIFIED PURPOSE ACCOUNTS**

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation . . . . .	88,147	6,535,998		6,624,145
Human Resources Development—				
Civil service insurance fund . . . . .	8,340,263	202,435	548,204	7,994,494
National Defence—				
Regular forces death benefit account,				
Table 6.30 . . . . .	185,193,953	29,635,209	25,386,939	189,442,223
Treasury Board—				
Public Service death benefit account,				
Table 6.31 . . . . .	1,707,010,592	214,553,315	122,416,825	1,799,147,082
Veterans Affairs—				
Returned soldiers' insurance fund . . . . .	110,376		45,005	65,371
Veterans insurance fund . . . . .	12,344,468	157,080	1,461,617	11,039,931
	<i>12,454,844</i>	<i>157,080</i>	<i>1,506,622</i>	<i>11,105,302</i>
Total insurance and death benefit accounts . . . . .	1,913,087,799	251,084,037	149,858,590	2,014,313,246
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account . . . . .	18,084	407	7,315	11,176
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund . . . . .	30,380,815	2,668,614	2,088,897	30,960,532
Treasury Board—				
Locally engaged contributory pension				
account . . . . .		74,050	74,050	
Total pension accounts . . . . .	30,398,899	2,743,071	2,170,262	30,971,708
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification . . . . .	223,475			223,475
Commodity Industry Development Fund—Province . . . . .	1,320,091	41,754	555,772	806,073
Net Income Stabilization Account . . . . .	1,546,170,060	720,359,947	638,584,024	1,627,945,983
Shared-cost agreements—Research . . . . .	23,752,762	28,267,109	28,029,475	23,990,396
Canadian Food Inspection Agency—				
Shared-cost agreements . . . . .	1,119,296	1,511,840	1,227,350	1,403,786
Canadian Grain Commission—				
Automated Quality Testing—Private sector . . . . .		1,432,205	1,104,032	328,173
	<i>1,572,585,684</i>	<i>751,612,855</i>	<i>669,500,653</i>	<i>1,654,697,886</i>
Canada Customs and Revenue Agency—				
Deposits/Disbursements—Worker's				
Compensation Board . . . . .	7,491,658	156,803,770	161,710,905	2,584,523



TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Canadian Heritage—				
Miscellaneous projects deposits . . . . .	581,105	381,409	592,634	369,880
Shared-cost/joint project agreements . . . . .	27,987		27,315	672
Canadian Film Development Corporation—				
Advance account . . . . .	25,019,433	22,821,129	32,262,227	15,578,335
Parks Canada Agency—				
Mackenzie King trust account . . . . .	284,202		810	283,392
Miscellaneous projects deposits . . . . .	1,487,887	250,143		1,738,030
	27,400,614	23,452,681	32,882,986	17,970,309
Environment—				
Miscellaneous projects deposits . . . . .	3,605,453	3,077,035	3,625,628	3,056,860
Finance—				
Common school funds—Ontario and Quebec . . . . .	2,677,771			2,677,771
Foreign claims fund . . . . .	179,020			179,020
War claims fund—World War II . . . . .	4,236			4,236
	2,861,027			2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements . . . . .	964,640	947,512	514,956	1,397,196
Miscellaneous projects deposits . . . . .	7,764,154	11,129,172	9,476,766	9,416,560
Sales of seized assets . . . . .	668,636	629,817	494,596	803,857
St-Lawrence Seaway Dredging . . . . .	1,112,267	3,908,336	3,218,411	1,802,192
	10,509,697	16,614,837	13,704,729	13,419,805
Foreign Affairs and International Trade—				
Canada Foundation account . . . . .	321,432	12,035	10,602	322,865
Less: securities held in trust . . . . .	312,226	131,881	125,255	305,600
deposits in a special bank account . . . . .	9,206	130,794	138,853	17,265
		274,710	274,710	
Financial assistance to Canadians abroad . . . . .	56,031	1,099,364	1,064,747	90,648
Funds from non-governmental organizations . . . . .	11,625,120	57,714,669	53,138,179	16,201,610
Shared-cost projects . . . . .	1,457,284	8,743,341	6,099,314	4,101,311
Canadian International Development Agency—				
Shared-cost projects—International conferences . . . . .	29,162			29,162
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements . . . . .	9,155	4,750		13,905
	13,176,752	67,836,834	60,576,950	20,436,636
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities . . . . .	50,000			50,000
Collaborative research projects . . . . .	907,612	1,152,401	907,105	1,152,908
Miscellaneous federal/provincial projects . . . . .	1,927,155	5,724,876	6,335,933	1,316,098
Pan American Health Organization . . . . .	11,370	1,268	13,792	(1,154)
World Health Organization . . . . .	101,635	34,765	12,377	124,023
Canadian Institutes of Health Research <sup>(1)</sup> —				
Dyskinesia and torticollis research . . . . .	84,606	4,279	11,000	77,885
	3,082,378	6,917,589	7,280,207	2,719,760
Human Resources Development—				
Fair wages suspense account . . . . .	5,974		5,064	910
Federal/provincial shared-cost project . . . . .	256,166	14,263,332	11,533,491	2,986,007
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS) . . . . .	1,729,596	570,576		2,300,172
Labour standards suspense account . . . . .	1,334,143	2,996	2,044	1,335,095
Canadian Centre for Occupational Health and Safety—				
PanAsia Research and Development Grants Program . . . . .	525,073		272,215	252,858
	3,850,952	14,836,904	11,812,814	6,875,042

TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Fines—Indian Act.....	378,825	7,977	6,240	380,562
Indian agencies revenue trust bank accounts.....	252,424	4,989,816	5,150,152	92,088
Less: deposits in special bank accounts.....	252,424	5,150,152	4,989,816	92,088
		10,139,968	10,139,968	
Indian band funds—				
Shares and certificates.....	20,000			20,000
Less: securities held in trust.....	20,000			20,000
Indian compensation funds.....	222,340			222,340
Indian moneys suspense account.....	29,266,051	23,157,269	21,585,468	30,837,852
Indian special accounts.....	1,214,699	291,071	206,901	1,298,869
Treaty Land Entitlement (Saskatchewan) Fund.....	31,081,915	13,874,771	13,874,771	32,739,623
		47,471,056	45,813,348	
Industry—				
Canada/Provinces Business Service Centre.....		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act.....	48,789	548		49,337
Petro-Canada Enterprises Inc—Unclaimed shares.....	697,952		361	697,591
Securities in trust—Bankruptcy and Insolvency Act.....	31,266			31,266
Less: securities held in trust.....	31,266			31,266
Shared-cost agreements—Tourism.....	1,062,175	468,602	1,528,527	2,250
Shared-cost/joint project agreements—Research.....	112,188	57,205	38,989	130,404
Shared-cost projects.....	2,003,958	4,243,521	3,507,675	2,739,804
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act.....	3,778,319	3,189,270	1,017,729	5,949,860
Canada Business Corporations Act.....	1,285,926	22,487	11,664	1,296,749
Winding-up Act.....	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account.....	445,761	8,223,599	7,110,049	1,559,311
Canadian Space Agency—				
Radarsat.....	216,774		80,263	136,511
National Research Council of Canada—				
Trust fund.....	16,143,797	17,740,348	14,590,129	19,294,016
Natural Sciences and Engineering Research Council—				
Trust fund.....	1,385,662	517,193	662,610	1,240,245
Social Sciences and Humanities Research Council—				
Queen's Fellowship fund.....	272,387	13,592		285,979
Trust fund.....	250,510	138,795		389,305
Statistics Canada—				
Project deposits.....	3,669,458	77,843,567	76,909,153	4,603,872
Western Economic Diversification—				
Jobs and economic restoration initiative.....	973,654	62,852	1,036,506	
Shared-cost agreements—Port of Churchill.....	3,715,853		855,178	2,860,675
	36,592,822	112,521,579	107,348,833	41,765,568
Justice—				
Federal Court of Canada—				
Federal Court special account.....	16,035,529	6,386,197	4,721,860	17,699,866
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta.....	13,011,138	69,457,651	66,465,800	16,002,989
Wainwright, Alberta.....	585,464	5,634,543	5,191,346	1,028,661
Other activities.....	5,756,268	16,376,589	21,198,280	934,577
United States of America.....	75,375	10,244	96,555	(10,936)
Federal Republic of Germany—				
German Army—Shilo, Manitoba.....	5,621,022	20,297,268	22,694,306	3,223,984
Other activities.....	6,990,493	31,625,417	31,784,047	6,831,863
Netherlands.....	7,811,842	11,683,660	12,730,170	6,765,332

TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2000	Receipts and other credits	Payments and other charges	March 31/2001
	\$	\$	\$	\$
Italian Air Force Training .....		13,222,674	12,255,713	966,961
Joint research and development projects .....		2,301,043	1,445,833	855,210
Non-government agencies .....	2,581,570	442,790,670	427,237,061	18,135,179
North Atlantic Treaty Organization (NATO)— Infrastructure projects .....	6,649,747		20,652	6,629,095
	49,082,919	613,399,759	601,119,763	61,362,915
Natural Resources—				
Continental geoscience division—Ontario Hydro .....	37,515		37,515	
Market development incentive payments—Alberta .....	6,980,426	37,762	838,201	6,179,987
Miscellaneous projects deposits .....	2,449,415	3,064,553	2,187,930	3,326,038
Shared-cost agreements—Research .....	1,423,154	2,224,486	2,312,709	1,334,931
Shared-cost projects .....	4,609,832	4,491,348	4,250,076	4,851,104
	15,500,342	9,818,149	9,626,431	15,692,060
Privy Council—				
Shared-cost projects—Media travel expenses .....		1,922,690	1,552,756	369,934
Public Works and Government Services—				
Crown Corporation Trusts—Donations .....	94,300	709,570	634,070	169,800
Francophone Summits .....	23,798	10,000	27,425	6,373
Interest on bonds—Insurance companies .....		53,462	53,462	
Military purchases excess funds deposit .....	40,696,602		7,498,273	33,198,329
Less: securities held in trust .....	40,696,602	7,498,273		33,198,329
	118,098	8,271,305	8,213,230	176,173
Solicitor General—				
Joint research and development projects .....	516,733	5,446,397	3,771,734	2,191,396
Royal Canadian Mounted Police—				
Joint research and development projects .....	720,052	1,283,443	2,003,495	
Mounted Police Foundation .....	7,173	353,932	304,676	56,429
Seized assets—Canadian funds .....	6,017	613,730	396,183	223,564
Sponsorship Agreement—Contributions .....	413,114	2,263,614	1,398,949	1,277,779
	1,663,089	9,961,116	7,875,037	3,749,168
Treasury Board—				
Credit card—Special project fund .....	1,000,000			1,000,000
Total .....	1,795,638,929	1,850,904,356	1,747,366,130	1,899,177,155
Less: consolidation adjustment <sup>(2)</sup> .....	25,019,433	9,441,433		15,578,000
Total other accounts .....	1,770,619,496	1,860,345,789	1,747,366,130	1,883,599,155
Total other specified purpose accounts .....	3,714,106,194	2,114,172,897	1,899,394,982	3,928,884,109

<sup>(1)</sup> Formerly Medical Research Council.<sup>(2)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate of Northumberland General Insurance Company.

### Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service for the payment of certain death benefits. No new contracts have been entered into since 1954 when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1997, the Department of Human Resources Development assumed the responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2001 were 1,999 and the average age of the policy holders is 83.1 years. During the fiscal year 2000-2001, receipts and other credits consisted of premiums of \$5,139 and, an amount of \$197,296 (charged to expenditures) which was transferred from the Consolidated Revenue Fund in order to balance the assets and actuarial liabilities of the program as of March 31, 2000. Payments and other charges consisted of death benefits for 88 claims, \$517,957 settlement annuities paid to 33 beneficiaries, \$18,209; refunds of 4 cash surrenders, \$12,012; and, premiums refund, \$25.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefit provided under the Act are estimated at \$8,139,020 as of March 31, 2001. The assets as of March 31, 2001 are \$7,994,494. The deficit as of March 31, 2001 is therefore at \$144,526. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, the amount of \$144,526 will be credited to the Account in the fiscal year 2001-2002 from the Consolidated Revenue Fund.

### Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

**TABLE 6.30**

#### REGULAR FORCES DEATH BENEFIT ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance .....	185,193,953	181,679,642
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel .....	11,162,301	11,148,727
Government's contribution .....	1,535,433	2,286,714
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution .....	649,956	629,863
Interest .....	16,287,519	16,452,859
	29,635,209	30,518,163
	214,829,162	212,197,805
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act .....	25,386,939	27,003,852
Closing balance .....	189,442,223	185,193,953

### Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$10,000 (\$5,000 before September 14, 1999) paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$10,000 (\$5,000 before September 14, 1999) death benefit coverage for life has been made.

**TABLE 6.31**

#### PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	2000-2001	1999-2000
	\$	\$
Opening balance.....	1,707,010,592	1,592,985,892
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations .....	53,229,561	60,457,608
Government—		
General.....	6,809,707	6,088,700
Single premium for \$10,000.....	1,282,817	1,297,204
Public Service corporations .....	1,844,903	2,514,655
Interest.....	151,386,327	147,342,497
	214,553,315	217,700,664
	1,921,563,907	1,810,686,556
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General.....	81,499,261	72,684,111
Life coverage for \$10,000.....	40,700,342	30,611,571
Other death benefit payments .....	217,222	380,282
	122,416,825	103,675,964
Closing balance .....	1,799,147,082	1,707,010,592

### Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 2000 of \$15,010 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

### Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2000 of \$125,847 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

### Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

### Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

### Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

### **Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification**

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

### **Commodity Industry Development Fund—Province**

This account was established to record contributions received from provincial governments equal to a maximum of one-half of the premium contributions made under the National Tripartite Stabilization Program for Beef in respect of sales in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

### **Net Income Stabilization Account**

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

For the fiscal year ending March 31, 2001, participant deposits pertained in most part, to the 1999 stabilization year (the period for which a participant filed a 1999 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1999 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The account records the following transactions relating to the Consolidated Revenue Fund:

- (a) Government matching contributions on participant matchable deposits, for the 1999 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger).

### **Shared-cost agreements—Research—Agriculture and Agri-Food**

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

### **Shared-cost agreements—Canadian Food Inspection Agency**

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

### **Automated Quality Testing—Private sector**

The purpose of the account is to develop new, rapid, automated testing methods to determine the quality of grain and to commercialize them. This project is funded at least 50% from the private sector. The authority comes from Treasury Board minute N°. 827824 as at February 10, 2000.

### **Deposits/Disbursements—Worker's Compensation Board**

This account was established under the authority of the *Canada Customs and Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Customs and Revenue Agency to record and forward on weekly basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

### **Miscellaneous projects deposits—Canadian Heritage**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### **Shared-cost/joint project agreements—Canadian Heritage**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### **Advance account—Canadian Film Development Corporation**

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

### **Mackenzie King trust account**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is to be credited to the account at the end of each year, and charged to interest on the public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

### **Miscellaneous projects deposits—Parks Canada Agency**

This account was established to record contributions received from organizations and individuals for various projects.

### **Miscellaneous projects deposits—Environment**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### **Common school funds—Ontario and Quebec**

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

### **Foreign claims fund**

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

### **War claims fund—World War II**

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

### **Federal/provincial cost-sharing agreements**

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

### **Miscellaneous projects deposits—Fisheries and Oceans**

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

### **Sales of seized assets**

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

### **St-Lawrence Seaway Dredging**

This account was established to record monies received for the maintenance dredging services tonnage fees. Monies so received are used to pay for the dredging of the St-Lawrence Ship Channel between Montreal and Cap Gribane.

### **Canada Foundation account**

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

### **Financial assistance to Canadians abroad**

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

### **Funds from non-governmental organizations**

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

### **Shared-cost projects—Foreign Affairs and International Trade**

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

### **Shared-cost projects—International conferences**

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

### **Shared-cost agreements—NAFTA Secretariat, Canadian Section**

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development and administration of common information management systems.

### **Canadian Sports Pool Corporation—Other outstanding liabilities**

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

### **Collaborative research projects**

This account was established to record funds received from client groups for cost shared and joint project research agreements.

### **Miscellaneous federal/provincial projects—Health**

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

### **Pan American Health Organization**

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enteric pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of *S. pneumonia* in support of vaccine development.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

### **World Health Organization**

This account was established to record funds received from the World Health Organization, for scientific projects.

### **Dyskinesia and torticollis research**

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

### **Fair wages suspense account**

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.



### **Federal/provincial shared-cost project—Human Resources Development**

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

### **Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)**

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

### **Labour standards suspense account**

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees.

### **PanAsia Research and Development Grants Program**

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

### **Fines—Indian Act**

Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

### **Indian agencies revenue trust bank accounts**

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

### **Indian band funds—Shares and certificates**

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

### **Indian compensation funds**

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

### **Indian moneys suspense account**

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

### **Indian special accounts**

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) Missing individual—Estate distribution to which a missing individual is entitled is held in this account.
- (b) Quebec fur account—This account records moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tally-men's wages, freight costs, etc.

### **Treaty Land Entitlement (Saskatchewan) Fund**

This account was established to record contributions and payments pertaining to settling of Saskatchewan Indian Nation's land claims. Interest credited on the Province of Saskatchewan deposits was charged to public debt while interest on federal contribution was charged to expenditures of the Department of Indian Affairs and Northern Development.

### **Canada/Provinces Business Service Centre**

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

### **Income from securities in trust—Bankruptcy and Insolvency Act**

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

### **Petro-Canada Enterprises Inc—Unclaimed shares**

This account was established to record the liability to shareholders who have not presented their shares for payment.

### **Securities in trust—Bankruptcy and Insolvency Act**

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

### **Shared-cost agreements—Tourism**

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

As of January 2, 2001, Canadian Tourism Commission is now a Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account will be closed at the beginning of fiscal year 2001-2002.

### **Shared-cost/joint project agreements—Research**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### **Shared-cost projects—Industry**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### **Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act**

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

### **Unclaimed dividends and undistributed assets—Canada Business Corporations Act**

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

### **Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

### **Federal/provincial agreement—Advance account**

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

### **Radarsat**

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

### **Trust fund—National Research Council of Canada**

This account was established by the *National Research Council Act* to record funds received from other governments and organizations outside the accounting entity to cover expenditures made on their behalf.

### **Trust fund—Natural Sciences and Engineering Research Council**

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

### **Queen's Fellowship fund—Social Sciences and Humanities Research Council**

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

### **Trust fund—Social Sciences and Humanities Research Council**

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

**Project deposits—Statistics Canada**

This account was established to record deposits received from outside parties to secure payments for special statistical services.

**Jobs and economic restoration initiative**

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

**Shared-cost agreements—Port of Churchill**

This account was established through a federal-provincial cost-shared program in sharing the dredging costs of the up-grade to the Port of Churchill.

**Federal Court special account**

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

**Foreign governments**

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

The debit balance shown in one of these accounts is the result of a processing delay and will be cleared in the new fiscal year.

**Italian Air Force Training**

This account was established to process advance payments and recover costs related to the Italian Air Force Training Program to conduct low-level flying training at Goose Bay, Labrador.

**Joint research and development projects—National Defence**

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

**Non-government agencies**

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

**North Atlantic Treaty Organization (NATO)—Infrastructure projects**

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

**Continental geoscience division—Ontario Hydro**

This account was established to facilitate a cost sharing agreement between Natural Resources and Ontario Hydro to acquire, compile, process and interpret seismic reflection data recorded in Lake Ontario, Lake Erie, and Lake Huron.

During the year, the account was closed.

**Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for selected programs which encourage the use of natural gas for vehicles.

**Miscellaneous projects deposits—Natural Resources**

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

**Shared-cost agreements—Research—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

**Shared-cost projects—Natural Resources**

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

**Shared-cost projects—Media travel expenses**

This account was established to record money received as pre-payment for services from non-governmental organisations.

### **Crown Corporation Trusts—Donations**

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

### **Francophone Summits**

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

### **Interest on bonds—Insurance companies**

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

### **Military purchases excess funds deposit**

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

### **Joint research and development projects—Solicitor General**

This account was established to record funds received to conduct joint research and development projects.

### **Joint research and development projects—Royal Canadian Mounted Police**

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

### **Mounted Police Foundation**

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenditures related to community policing, educational, promotional and public relations projects throughout Canada.

### **Seized assets—Canadian funds**

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

### **Sponsorship Agreement—Contributions**

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

### **Credit card—Special project fund**

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

## SUPPLEMENTARY STATEMENTS

### Canada Pension Plan

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Human Resources Development Canada in accordance with the accounting policies set out in Note 2 to the financial statements.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on estimates and judgements. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Canada Pension Plan* and regulations, as well as the *Financial Administration Act* and regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources Development.

ALAN WINBERG  
*Assistant Deputy Minister  
Financial and Administrative Services*

CLAIRE M. MORRIS  
*Deputy Minister*

July 18, 2001

#### AUDITOR'S REPORT

##### TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2001 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2001 and the changes in its net assets for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 18, 2001

**Canada Pension Plan —Continued**

## CANADA PENSION PLAN

## STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

	2001	2000
Assets		
Investments		
CPP Investment Fund—At cost (Note 3)		
Provincial and territorial bonds.....	26,188	26,873
Canada bonds.....	3,403	3,426
CPP Investment Board—At fair value (Note 4)		
Canadian equities.....	5,024	1,954
Non-Canadian equities.....	2,131	439
Cash		
Deposit with Receiver General for Canada.....	6,420	6,261
Receivables		
Contributions.....	1,415	1,170
Accrued interest.....	1,139	1,172
Régime des rentes du Québec.....	24	6
Beneficiaries (Note 5).....	46	46
	45,790	41,347
Liabilities		
Accounts payable.....	51	32
Accrued pensions and benefits.....	50	53
CPP Investment Board's liabilities, net of its other assets.....	1	1
	102	86
Net assets.....	45,688	41,261
Net assets, represented by:		
Canada Pension Plan Investment Fund.....	29,591	30,299
Transfers to Canada Pension Plan Investment Board.....	7,546	1,933
Accumulated net income/(loss) from Investment Board's operations.....	(391)	460
Canada Pension Plan Account (Note 6).....	6,420	6,261
Receivables, net of liabilities.....	2,522	2,308
Net assets.....	45,688	41,261

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

Approved by Human Resources Development Canada:

ALAN WINBERG

*Assistant Deputy Minister**Financial and Administrative Services*

CLAIRE M. MORRIS

*Deputy Minister*

**Canada Pension Plan —Continued**

## CANADA PENSION PLAN

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	2001	2000
Net assets, beginning of year . . . . .	41,261	39,100
Increase in assets		
Contributions (Note 7) . . . . .	21,407	17,037
Investment income (Note 8) . . . . .	2,849	4,238
	24,256	21,275
Decrease in assets		
Pensions and benefits (Note 9)		
Retirement . . . . .	13,527	12,919
Survivors . . . . .	2,802	2,669
Disability . . . . .	2,546	2,559
Disabled contributor's child . . . . .	233	245
Death . . . . .	213	222
Orphan . . . . .	198	202
Less: Net overpayments . . . . .	(25)	(17)
	19,494	18,799
Administration costs (Note 10) . . . . .	335	315
	19,829	19,114
Increase in net assets . . . . .	4,427	2,161
Net assets, end of year . . . . .	45,688	41,261

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

# Canada Pension Plan—Continued

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

### 1. Description of the Canada Pension Plan

#### (a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Human Resources Development is responsible for the administration of the *Canada Pension Plan* (the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 6). The CPP Investment Fund (Note 3) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 4). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the *CPP Act*, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

#### (b) Financing

CPP is financed by contributions and investment returns.

Employers and employees pay contributions equally to CPP. Self-employed workers pay the full amount.

CPP was designed initially to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis—that is, combined contributions are planned to increase to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997, 1998, 1999 and 2000, the combined contribution rate was increased by 0.4 percent, 0.4 percent 0.6 percent and 0.8 percent respectively. In 2001, it was increased by 0.8 percent to reach 8.6 percent. The maximum combined contribution for 2001 was \$2,993 (2000 - \$2,660).

The *CPP Act* provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The *Seventeenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* was tabled in the House of Commons in December 1998. Federal and provincial ministers of Finance concluded at the end of the 1999 Triennial Review process that the CPP's financial health is sound and that the 9.9 percent combined employee-employer contribution rate which will be reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

#### (c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, short term and long term investments in bonds and investments in capital markets managed by the CPP Investment Board. The net assets represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2001, the net assets of the Plan are \$45.7 billion (2000 - \$41.3 billion). This amount represents 2.3 times the total of pensions and benefits for the year 2000-2001.

#### (d) Pensions and benefits

Retirement pensions—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum monthly pension payable at age 65 in 2001 is \$775.00 (2000 - \$762.92).



**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001—Continued

**Disability benefits**—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum monthly disability benefit in 2001 is \$935.12 (2000 - \$917.43).

**Survivor's benefits**—A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum monthly benefit payable to a beneficiary in 2001 is \$465.00 (2000 - \$457.75).

**Disabled contributor's child and orphan benefits**—According to the provisions of the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2001 is \$178.42 (2000 - \$174.07).

**Death benefits**—According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2001 is \$2,500 (2000 - \$2,500).

**Pensions and benefits indexation**—As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2001 is 2.5 percent (2000 - 1.6 percent).

## 2. Significant accounting policies

## (a) Basis of presentation

These financial statements present the net assets and the changes in net assets of the Canada Pension Plan. They do not provide information on the actuarial estimates required to meet future obligations of the CPP. The CPP Act does not require that the pensions and benefits be pre-funded.

The financial statements are prepared in accordance with relevant acts and regulations. They have been prepared on the accrual basis of accounting and they include amounts which must, of necessity, be based on management's best estimates and judgements.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

## (b) Valuation of investments

Bonds are shown at cost, which is equal to the face value of the bonds at the time of purchase. This accounting policy has been selected based on the non-marketable, non-transferable nature of the bonds and on consideration of the likelihood of redemption of the provincial and territorial bonds in the foreseeable future. The bonds issued by the provincial and territorial governments are redeemable prior to maturity at market value equivalent at the option of these governments. In the event that the federal Minister of Finance considers the redemption necessary to pay pensions, benefits and administration costs, the bonds would then be redeemed at face value.

CPP Investment Board's investments are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments. Unit values reflect the quoted market prices of the underlying securities.

(c) Contributions to the Plan include CPP contributions collected by the Canada Customs and Revenue Agency (CCRA) for the year, including receivables at year-end. Funds transferred by the CCRA are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year they are known.

## (d) Investment income recognition

Interest income is recorded in the year in which it is earned.

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and represents realized gains and losses on disposal or transfer of investments, unrealized gains and losses on investments held at the end of the year, dividend income, interest income, and distributions from mutual and pooled funds. Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent the change in the difference between fair value and cost of investments at the beginning and end of each year.

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001—Continued

- (e) Pensions and benefits are recorded when payable.
- (f) Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.
- (g) Administration costs are recorded in the year to which they relate.

**3. Investments held by the CPP Investment Fund**

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Beginning in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating

balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same rate as that the province would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets.

All disposals of bonds are made, at maturity date, at face value. Interest earned on the investments is paid semi-annually to the CPP Account. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. The bonds can also be redeemed at the option of the federal Minister of Finance where he considers the redemption necessary to pay pensions, benefits and administration costs. The bonds are then redeemed at face value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2001.

At March 31, 2001, the balance in the Investment Fund was \$29.6 billion at cost (2000 - \$30.3 billion). The estimated fair value of the balance in the Investment Fund, including accrued interest, is \$37.6 billion (2000 - \$37.5 billion). This estimate is calculated by discounting the bonds' contractual cash flows at rates currently available at year-end or similar investments.

The following schedule provides information on the disposals, re-investments and balance of the Investment Fund.

**BONDS, AT COST**  
 (in millions of dollars)

	March 31, 2000	Disposals	Re-investments	March 31, 2001
Newfoundland .....	633	43	43	633
Prince Edward Island .....	140	9	9	140
Nova Scotia .....	1,173	78	78	1,173
New Brunswick .....	836	53	53	836
Quebec .....	96	6	6	96
Ontario .....	13,117	1,038	629	12,708
Manitoba .....	1,507	111		1,396
Saskatchewan .....	1,341	87	75	1,329
Alberta .....	3,776	222	222	3,776
British Columbia .....	4,250	302	149	4,097
Yukon Territory .....	4			4
	26,873	1,949	1,264	26,188
Canada .....	3,426	23		3,403
	30,299	1,972	1,264	29,591

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2001—Continued

The following schedule presents the classification of bonds by maturity dates and the weighted-average annual rate of return on bonds currently held.

	2001		2000	
	(in millions of dollars)			
	Investment at cost	Average yield	Investment at cost	Average yield
Investments maturing				
Within 1 year .....	2,369	15.31%	1,973	12.66%
1 to 5 years .....	9,529	12.84%	9,534	13.79%
Over 5 years .....	17,693	9.38%	18,792	9.84%
Total—Investments .....	29,591		30,299	
Weighted-average yield on investments .....		10.97%		11.27%

#### 4. Investments held by the CPP Investment Board

The Canada Pension Plan Investment Board was established by an act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

The following schedule provides information on the Board's investments as at March 31.

(in millions of dollars)

	2001	2000
Canadian equities, at fair value		
Canadian equities—TSE 3000 .....	3,057	1,954
(Combination of index funds and direct security investments that substan- tially replicate the TSE 300)		
Other Canadian equities .....	1,967	
(Diversified portfolio of pooled fund and direct security invest- ments)		
Total Canadian equities (Cost 2001 - \$5,635; 2000 - \$1,633) ....	5,024	1,954
Non-Canadian equities, at fair value—		
US Equity Index Fund—		
S & P 500 .....	1,070	220
EAFE Equity Index Fund .....	1,061	219
Total non-Canadian equities (Cost 2001 - \$2,407; 2000 - \$400) .....	2,131	439
Total investments .....	7,155	2,393

In accordance with its Investment Policy, 100 percent of the CPP Investment Board's investments are allocated to equities, with at least 70 percent of the book value allocated to Canadian equities and the remainder to non-Canadian equities.

The regulations governing the CPP Investment Board allow the active management of up to 50 percent of Canadian equities, on a book value basis. The regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indices. As at March 31, 2001, approximately 64 percent of Canadian equity investments, on a book value basis, substantially replicated the Toronto Stock Exchange 300 Composite Index.

Under the terms of the Investment Policy, investments in non-Canadian equities should substantially replicate broad market indices. Non-Canadian investments are held in funds that substantially replicate the Morgan Stanley Capital International ("MSCI") EAFE Index and the Standard & Poor's ("S&P") 500 Index. Investments are not hedged against changes in foreign currency exchange rates.

The CPP Investment Board's audited financial statements for the year ended March 31, 2001 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio return.

#### 5. Receivables from beneficiaries

(in millions of dollars)

	2001	2000
Balance of pensions and benefits		
overpayments .....	76	75
Less: allowance for doubtful accounts .....	30	29
	46	46

**Canada Pension Plan—Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001—Continued

Human Resources Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$33 million (2000 - \$30 million) were established and remissions of debts totalling \$8 million (2000 - \$13 million) were granted. A further \$24 million was recovered (2000 - \$24 million).

**6. Canada Pension Plan Account**

The CPP Account was established in the accounts of Canada by the *CPP Act*, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

The balance of the CPP Account includes the Deposit with the Receiver General for Canada and any short-term investments. As at March 31, the Deposit with Receiver General for Canada amounts to \$6,420 million (2000 - \$6,261 million). There were no short-term investments at year-end for 2000 and 2001.

**7. Contributions**

The Department of Finance estimates annual contributions based on a forecast of pensionable earnings. That forecast of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate those earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 2000, would result, in each case, in a change of \$197 million (1999 - \$162 million) in estimated contributions.

The Canada Customs and Revenue Agency (CCRA) transfers contributions to the CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year and on its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 2000 and 2001 will only be known once the CCRA has processed all employers' and self-employed workers' declarations of contributions for 2000 and 2001.

Adjustments, if any, are recorded in the year in which they are known. The CPP received \$357 million in 2000-2001 as an adjustment for 1999 and preceding years (1999-2000 - CPP paid \$138 million for 1998 and preceding years).

**8. Investment income**

(in millions of dollars)

	2001	2000
Interest on bonds held by the CPP Investment Fund. ....	3,326	3,463
Interest on deposit with the Receiver General for Canada at a weighted-average rate of 5.27 percent (4.56 percent in 2000) .....	362	266
Interest on short term investments with Canada, at a weighted- average rate of 5.63 percent (4.71 percent in 2000) .....	12	49
Investment Board net income/(loss) from operations:		
Net unrealized gains/(loss) .....	(1,247)	359
Fund distributions of capital gains and dividends .....	213	9
Net realized gains .....	180	89
Other investment income .....	9	6
Less: Investment and administrative expenses .....	(6)	(3)
	(851)	460
	2,849	4,238

**9. Pensions and benefits mispayments**

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made.

Human Resources Development Canada undertook a study of the extent and nature of pension and benefit mispayments based on the 1999 payment year. It estimated through statistical extrapolation, the most likely value of undetected mispayments to be \$32.4 million (1998 payment year - \$31.3 million). This includes under-payments of \$21.3 million (1998 payment year - \$24.4 million) and overpayments of \$11.1 million (1998 payment year - \$6.9 million).

**Canada Pension Plan—Concluded**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001—*Concluded*

## 10. Administration costs

(in millions of dollars)

	2001	2000
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada) . . . . .	243	242
Collection of contributions (Canada Customs and Revenue Agency) . . . . .	78	58
Cheque issue and computer services (Public Works and Government Services Canada) . . . . .	13	14
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
	<u>335</u>	<u>315</u>

Administration costs of the CPP represent the cost of services received from a number of federal government departments and an agency. Those costs are charged to the CPP in accordance with memoranda of understanding.

## 11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the management of Human Resources Development Canada in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

Management of Human Resources Development Canada recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Management of Human Resources Development Canada is responsible for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing her report thereon.

CLAIRE M. MORRIS  
*Deputy Minister*

ALAN WINBERG  
*Assistant Deputy Minister  
Financial and Administrative Services*

June 29, 2001

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2001 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General of Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard  
Fellow of the Canadian Institute of Actuaries  
Chief Actuary  
Human Resources Development Canada

Hull, Canada  
June 29, 2001

**Government Annuities Account—Continued****AUDITOR'S REPORT**

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2001 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

John Wiersema, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
June 29, 2001

**BALANCE SHEET AS AT MARCH 31, 2001**  
(in thousands of dollars)

ASSETS	2001	2000	LIABILITIES	2001	2000
Deposit with Receiver General for Canada (Note 3) .....	477,617	513,503	Actuarial surplus due to Canada .....	5,646	5,822
Accrued interest due from Canada .....	35,616	38,210	Actuarial liabilities (Note 4) .....	507,784	546,059
Accounts receivable .....	197	168			
	513,430	551,881		513,430	551,881

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

CLAIRE M. MORRIS  
*Deputy Minister*

ALAN WINBERG  
*Assistant Deputy Minister*  
*Financial and Administrative Services*

**Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2001  
(in thousands of dollars)

	2001	2000
Payments and other charges		
Annuity payments.....	67,619	71,374
Premium refunds.....	374	426
Unclaimed annuities.....	449	555
	68,442	72,355
Income		
Interest from Canada .....	35,616	38,210
Premiums (Note 3) .....	90	150
Other.....	107	63
	35,813	38,423
Excess of payments and other charges over income for the year .....	32,629	33,932
Actuarial liabilities, balance at begin- ning of the year .....	546,059	585,813
	513,430	551,881
Actuarial surplus due to Canada .....	5,646	5,822
Actuarial liabilities, balance at end of the year (Note 4) .....	507,784	546,059
Actuarial liabilities are comprised of:		
Deferred annuities, present value.....	42,100	48,716
Matured annuities, present value .....	465,684	497,343
	507,784	546,059

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2001  
(in thousands of dollars)

	2001	2000
Cash flows from operations:		
Payments to annuitants .....	(67,993)	(71,800)
Unclaimed annuities paid to Consolidated Revenue Fund.....	(449)	(555)
Interest received .....	38,210	40,756
Premiums received from annuitants .....	90	150
Other income.....	78	104
	(30,064)	(31,345)
Actuarial surplus remitted to Consolidated Revenue Fund.....	(5,822)	
Decreased in Deposit with Receiver General for Canada .....	(35,886)	(31,345)
Deposit with Receiver General for Canada, balance at beginning of the year .....	513,503	544,848
Deposit with Receiver General for Canada, balance at end of the year .....	477,617	513,503

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2001

## 1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the “Act”), as modified by the *Government Annuities Improvement Act* (the “Improvement Act”).

The purpose of the *Act* was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. The *Improvement Act* discontinued future sales of Government Annuity contracts.

The Account is administered by the Department of Human Resources Development and operates through the Consolidated Revenue Fund.

## 2. Significant accounting policies

## a) Basis of accounting

The accounts of the Government Annuities Account are prepared in accordance with Canadian generally accepted accounting principles.

## b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management’s best estimates, it is reasonably possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

## c) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

## d) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

## e) Interest from Canada

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.



**Government Annuities Account—Concluded**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001—*Concluded*

## f) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

## 3. Premiums

Premiums are deposited with the Receiver General for Canada and earn interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

## 4. Actuarial liabilities

The *Government Annuities Act* and *Regulations* prescribe the basis upon which actuarial values are to be determined. The *Regulations* require the discounting of expected future payments using seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

## 5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

- a) The actuary, being in this case the Chief Actuary employed by the Department of Human Resources Development, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilised to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

- b) The auditor expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The auditor also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

## 6. Related party transactions

The Account does not record the value of administrative services it receives without charge from the Department of Human Resources Development and other government entities. For the year ended March 31, 2001, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.7 million (2000—\$2.3 million).

## 7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

**Royal Canadian Mounted Police (Dependants)  
Pension Plan**

**MANAGEMENT REPORT**

The management of the Royal Canadian Mounted Police (Dependants) Pension Plan is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Plan's results of operations and financial situation and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

N. BEACH  
*Manager*

*Public Works and Government Services Canada  
Specialized Services Division  
Pension Services Directorate*

G. ZACCARDELLI  
*Commissioner*  
*Royal Canadian Mounted Police*

August 16, 2001

**AUDITOR'S REPORT**

TO THE SOLICITOR GENERAL OF CANADA

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Plan as at March 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 2001 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

John Wiersema, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
August 16, 2001

# Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 2001

	2001	2000
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund .....	30,960,532	30,380,815

See accompanying notes to the financial statements.

Approved by:

N. BEACH

Manager

Public Works and Government Services Canada

Specialized Services Division

Pension Services Directorate

G. ZACCARDELLI

Commissioner

Royal Canadian Mounted Police

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
	\$	\$
Increase in assets		
Interest income on amount due from the Consolidated Revenue Fund .....	2,656,932	2,689,236
Contributions from participants .....	11,682	12,877
Increase in assets .....	2,668,614	2,702,113
Less: Benefit payments to widows and children .....	2,088,897	2,012,176
Increase in net assets .....	579,717	689,937
Net assets available for benefits at beginning of year .....	30,380,815	29,690,878
Net assets available for benefits at end of year .....	30,960,532	30,380,815

See accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2001

### 1. Description of the plan

The following brief description of the Royal Canadian Mounted Police (Dependants) Pension Plan is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Plan are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

#### (a) General

The Royal Canadian Mounted Police (Dependants) Pension Plan was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

#### (b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Plan; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Plan prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Plan, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Plan.

#### (c) Interest income

The Government of Canada credits the Plan with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government superannuation accounts.

**Royal Canadian Mounted Police (Dependants)  
Pension Plan—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2001—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Plan.

i) Widow's pensions

The widow is entitled to the pension purchased by the member. In many cases the pension equals approximately 1.5 percent of the member's final pay multiplied by his years of credited service. The pension is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pay, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The *Act* provides that if the Plan is substantially in excess of the amount required to make adequate provision for the prospective payments to be made out of it, the Governor in Council may, by order, increase the benefits provided under Part IV in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Plan upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan.

Increases and decreases in assets are recorded on the accrual basis. Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

(b) Services provided without charge

The Plan does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- accounting and cheque issue from Public Works and Government Services Canada.

3. Pension obligations

The most recent actuarial valuation was performed as at March 31, 1999 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$6,599,000. A portion of this surplus was distributed by annual increases in the basic pension amount of 65 percent effective April 1, 2000, an additional 49 percent effective April 1, 2001, and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount is 886 percent effective April 1, 2000 and 935 percent effective April 1, 2001.

**Royal Canadian Mounted Police (Dependants)  
Pension Plan—Concluded**

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2001—Concluded

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Plan for the payment of increases (averaging somewhat more than the rate of inflation) in the pension benefits. The average ages of the members and widows were estimated to be 77 and 79 years respectively as at March 31, 1999. The expected average remaining lifetime of the widows was about 9 years. The remaining lifetime of the Plan itself was estimated at 40 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future plan yields, mortality rates, proportion of members married, and age of new widows. The current plan yield of 9.05 percent per annum (9.37 percent in 2000) is consistent with the estimated yield (8.89 percent) used for the immediate future in the actuarial valuation. The expected long-term plan yield is estimated to decline to 6.08 percent per annum by the year 2021. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 2001. The actuarial present value of accrued pension benefits as at March 31, 2001 (net of a \$66,000 deduction (\$70,000 in 2000) presenting the present value of participants' future instalment payments) and the principal components of changes in the actuarial present value during the year were estimated as follows:

	2001	2000
Actuarial present value of accrued pension benefits at beginning of year . . . . .	26,239,000	23,092,000
Net interest accrued on benefits . . . . .	2,331,000	2,111,000
Net adjustment arising from experience gains and losses and from valuation changes . . . . .	(448,000)	479,000
Amendments to the Plan including dividend increases . . . . .		2,556,000
Contributions from participants (instalment payments) . . . . .	12,000	13,000
Benefit payments . . . . .	(2,089,000)	(2,012,000)
Actuarial present value of accrued pension benefits at end of year . . . . .	26,045,000	26,239,000

# SECTION 7

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Cash and Accounts Receivable

### CONTENTS

	<i>Page</i>
Cash in bank .....	7.3
Cash in transit .....	7.4
Outstanding cheques and warrants .....	7.5
Accounts receivable .....	7.6

## CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Cash and Accounts Receivable".

Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 7.1**

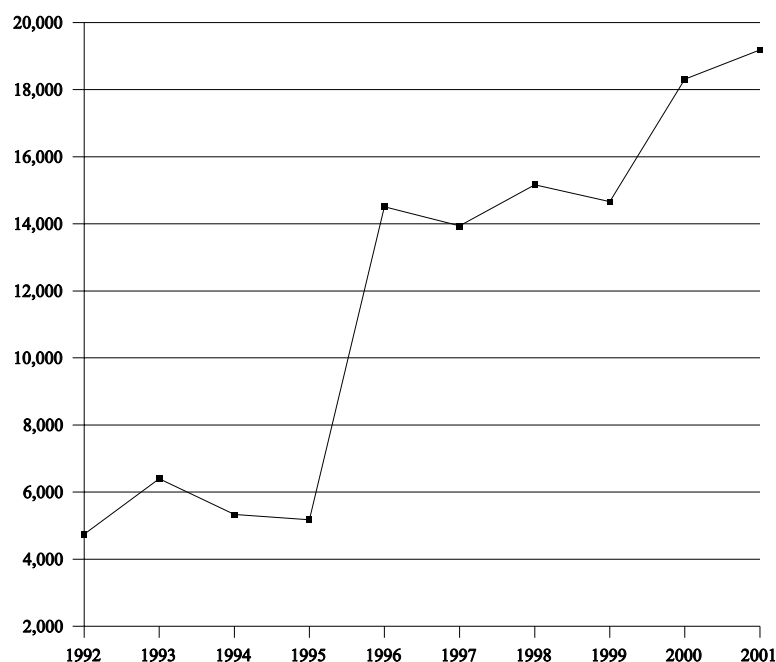
### CASH AND ACCOUNTS RECEIVABLE

	April 1/2000	March 31/2001
	\$	\$
Cash in bank, Table 7.2 .....	13,025,185,830	13,237,289,445
Cash in transit, Table 7.5 .....	5,385,958,799	6,955,850,109
	<i>18,411,144,629</i>	<i>20,193,139,554</i>
Less: outstanding cheques and warrants, Table 7.6 .....	3,900,471,569	4,598,924,669
Total cash .....	14,510,673,060	15,594,214,885
Accounts receivable, Table 7.7 .....	3,805,576,481	3,591,809,804
Total .....	18,316,249,541	19,186,024,689

**CHART 7A**

### CASH AND ACCOUNTS RECEIVABLE AT MARCH 31

(in millions of dollars)



## Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, German marks and Euros.

**TABLE 7.2**

### CASH IN BANK

	April 1/2000 <sup>(1)</sup>	March 31/2001
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3 .....	12,953,397,466	13,178,337,609
Foreign currencies, Table 7.4 .....	43,129,454	29,855,221
Special deposits .....	28,658,910	29,096,615
Total .....	13,025,185,830	13,237,289,445

<sup>(1)</sup> The April 1, 2000 amounts reflect the reclassification of a special deposit of \$27 million which was previously included as "Canadian currency" and a year end adjustment of \$137 million to properly reflect the outstanding "Foreign currency" payments which were previously included in "Special deposits".

### Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

**TABLE 7.3**

### CANADIAN CURRENCY DEPOSITS

(in millions of dollars)

At end of month of	Year ended March 31	
	2001	2000
April .....	5,818	1,849
May .....	12,744	6,840
June .....	8,789	3,088
July .....	4,440	7,688
August .....	10,604	9,248
September .....	2,645	2,538
October .....	7,755	6,458
November .....	12,747	11,536
December .....	4,167	13,929
January .....	8,039	9,119
February .....	13,485	11,090
March .....	13,178	12,953

**TABLE 7.4**

### FOREIGN CURRENCY DEPOSITS (translated into Canadian dollars)

(in millions of dollars)

At end of month of	Year ended March 31	
	2001	2000
April .....	(12)	21
May .....	22	56
June .....	30	14
July .....	34	25
August .....	28	25
September .....	40	51
October .....	44	45
November .....	26	16
December .....	32	21
January .....	39	50
February .....	45	24
March .....	30	43

### Receiver General special deposits

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.



## Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

TABLE 7.5

### CASH IN TRANSIT

	April 1/2000	March 31/2001
	\$	\$
Cash in hands of collectors and in transit .....	5,016,998,799	6,665,957,609
Other cash—Consolidated Crown corporations <sup>(1)</sup> .....	368,960,000	289,892,500
Total .....	5,385,958,799	6,955,850,109

<sup>(1)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

#### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

#### Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

## Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

**TABLE 7.6**  
**OUTSTANDING CHEQUES AND WARRANTS**

	April 1/2000	March 31/2001
	\$	\$
Outstanding cheques. ....	3,776,709,189	4,505,817,272
Imprest account cheques .....	1,924,738	2,477,641
Employment insurance warrants .....	121,837,642	90,629,756
Total.....	3,900,471,569	4,598,924,669

### Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$22,352,566 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

### Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$838,290 was transferred to non-tax revenues.

### Employment insurance warrants

This account records outstanding employment insurance benefit warrants.

## Accounts Receivable

Accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to a Government body for use of its assets, or from the proceeds for provision of services as of March 31, 2001. Non-tax revenues and revenues netted against expenditures are accounted for in the period the transactions or events give rise to the revenues.

Accounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Statement of debts, obligations and claims written off or forgiven).

Accounts receivable for tax revenues are not recorded in the accounts of Canada. However, these amounts are reported on a memorandum basis and details of the balances are included in Section 4 of Volume II Part II.

Table 7.7 presents a summary of the balances for accounts receivable.

**TABLE 7.7**  
**ACCOUNTS RECEIVABLE**

	April 1/2000	March 31/2001
	\$	\$
Non-tax revenues and revenues netted against expenditures <sup>(1)(2)</sup> .....	3,444,681,495	3,229,009,045
Other receivables .....	79,355,986	108,797,759
Accounts receivable of consolidated Crown corporations <sup>(3)</sup> .....	281,539,000	254,003,000
Total .....	3,805,576,481	3,591,809,804

<sup>(1)</sup> Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$1,318 million for 2001 (\$1,373 million for 2000).

<sup>(2)</sup> The April 1, 2000 amount has been restated by \$548 million (net of an allowance for doubtful accounts of \$888 million) with respect to Student Loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*. These amounts are now reported as loans in Table 9.15 of this volume.

<sup>(3)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

### Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It only includes receipts for refunds of old year budgetary expenditures of departments and agencies, and receipts for repayments of loans by Crown corporations, but only if the related payments were issued and charged to the Crown corporations' books as of March 31.

### Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 2001.

**TABLE 7.8**

**LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES  
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

Categories of accounts receivable	2001		2000	
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments . . . . .	527,963		527,963	344,543
Refunds of previous years' expenditures . . . . .	701,168	206,070	495,098	527,471
Rights and privileges . . . . .				826
Services of a regulatory nature . . . . .	10		10	
Other fees and charges . . . . .	52	5	47	
Miscellaneous . . . . .	19,299		19,299	576,017
Revenues netted against expenditures . . . . .	78,542		78,542	36,075
Total long-term accounts receivable . . . . .	1,327,034	206,075	1,120,959	1,484,932

Table 7.9 presents the aging for non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) for the period over which claims at March 31, 2001 have been outstanding.

**TABLE 7.9**

**AGING OF ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES  
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

Categories of accounts receivable	Outstanding days				Total as at March 31, 2001
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments . . . . .	16,422	912	499	14,919	32,752
Refunds of previous years' expenditures . . . . .	95,532	4,731	4,187	96,043	200,493
Rights and privileges . . . . .	2,519	75	39	799	3,432
Lease and use of public property . . . . .	20,608	680	526	3,584	25,398
Services of a regulatory nature . . . . .	15,671	1,713	1,122	21,933	40,439
Services of a non-regulatory nature . . . . .	23,543	2,826	884	1,519	28,772
Sales of goods and information products . . . . .	3,021	258	135	253	3,667
Other fees and charges . . . . .	14,105	189	191	1,272	15,757
Miscellaneous . . . . .	177,853	4,369	4,732	330,069	517,023
Revenues netted against expenditures . . . . .	345,764	42,030	21,708	456,227	865,729
	715,039	57,782	34,023	926,618	1,733,462
Other amounts . . . . .					1,495,547 <sup>(1)</sup>
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) . . . . .					3,229,009

<sup>(1)</sup> This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

# SECTION 8

**2000-2001**

***PUBLIC ACCOUNTS OF CANADA***

## **Foreign Exchange Accounts**

### **CONTENTS**

	<i>Page</i>
International reserves held in the Exchange Fund Account .	8.3
International Monetary Fund—Subscriptions . . . . .	8.3
International Monetary Fund—Notes payable . . . . .	8.3
Special drawing rights allocations . . . . .	8.3
Supplementary statement—	
Exchange Fund Account . . . . .	8.4

## FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

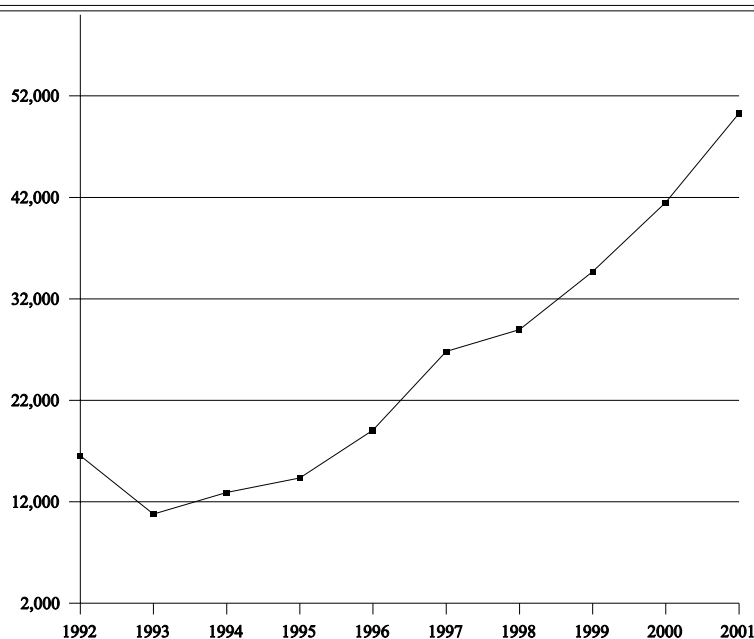
Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$33,158 million as at March 31, 2001 (\$32,588 million as at March 31, 2000); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

**TABLE 8.1**  
**FOREIGN EXCHANGE ACCOUNTS**

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2.....	38,630,439,189	90,732,974,173	81,518,576,813	47,844,836,549
International Monetary Fund—Subscriptions .....	12,389,674,883	423,932,351		12,813,607,234
	51,020,114,072	91,156,906,524	81,518,576,813	60,658,443,783
Less:				
International Monetary Fund—Notes payable.....	8,005,041,103	603,000,000	1,437,946,660	8,839,987,763
Special drawing rights allocations .....	1,521,290,974		27,282,942	1,548,573,916
	9,526,332,077	603,000,000	1,465,229,602	10,388,561,679
Total .....	41,493,781,995	91,759,906,524	82,983,806,415	50,269,882,104

**CHART 8A**

**FOREIGN EXCHANGE ACCOUNTS AT MARCH 31**  
(in millions of dollars)



## International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 2000, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 2001. Gold held by the Account is valued at 35 SDRs per fine ounce (\$69.55 Cdn as at March 31, 2001 and \$68.33 Cdn as at March 31, 2000).

In 2000-2001, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$86,853 million, a net valuation adjustment of \$3,529 million and an adjustment of \$351 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$81,519 million.

**TABLE 8.2**

### INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2001	March 31/2000
US dollar cash on deposits . . . . .	127	159
US dollar short-term deposits . . . . .	7,311	5,913
US dollar investments . . . . .	27,237	22,871
Euro/Deutsche marks short-term deposits . . . . .	167	43
Euro/Deutsche marks investments . . . . .	10,664	8,058
Japanese yen short-term deposits . . . . .	101	
Japanese yen investments . . . . .	1,253	705
Special drawing rights . . . . .	903	778
Gold . . . . .	81	103
Canadian cash on deposits . . . . .	1	
<b>Total . . . . .</b>	<b>47,845</b>	<b>38,630</b>
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (2001, \$27,908 million US; 2000, \$29,418 million US) . . . . .	43,992	42,638
Euro . . . . .	10,392	8,096
Japanese yen . . . . .	1,349	705
Special drawing rights (2001, SDR 610 million; 2000, SDR 610 million) . . . . .	(1,212)	(1,191)
Canadian dollars . . . . .	(7,027)	(12,172)
<b>Total advances from the Consolidated Revenue Fund . . . . .</b>	<b>47,494</b>	<b>38,076</b>
<b>Total net income from January 1 to March 31 . . . . .</b>	<b>351</b>	<b>554</b>
<b>Total . . . . .</b>	<b>47,845</b>	<b>38,630</b>

## International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2000-2001, payments and other charges consisted of a maintenance of value adjustment of \$267 million and a valuation adjustment of \$157 million.

## International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 2000-2001, notes payable to the IMF increased by \$835 million.

## Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 2000-2001, receipts and other credits consisted of a valuation adjustment of \$27 million.

## SUPPLEMENTARY STATEMENT

### Exchange Fund Account

#### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements which conform to those used by Government of Canada. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts of Canada and are referred to the Standing Committee on Public Accounts for their review.

DAVID A. DODGE  
*Governor  
Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister  
Department of Finance*

F. J. MAHONEY  
*Chief Accountant  
Bank of Canada*

#### AUDITOR'S REPORT

#### TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 2000 and the statement of revenue for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 2000 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform to the accounting policies of the Government of Canada.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

John Wiersema, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
March 16, 2001



**Exchange Fund Account—Continued**

BALANCE SHEET AS AT DECEMBER 31, 2000  
(in millions of dollars)

ASSETS	2000		1999		DUE TO THE CONSOLIDATED REVENUE FUND	2000		1999	
	US	CDN	US	CDN		CDN		CDN	
Denominated in US dollars					Advances (Note 9) . . . . .	39,870		29,062	
Cash and short-term deposits . . .	4,240	6,358	3,575	5,160	Net revenue for the year . . . . .	2,529		1,935	
Marketable securities (Note 5) . .	16,089	24,126	11,696	16,881					
	20,329	30,484	15,271	22,041					
Denominated in other foreign currencies									
Cash and short-term deposits (Note 6) . . . . .	146	219	24	35					
Marketable securities (Note 6) . .	7,167	10,747	5,564	8,030					
	7,313	10,966	5,588	8,065					
Denominated in Special Drawing Rights									
Special Drawing Rights (Note 7) . . . . .	579	868	529	764					
Gold and gold loans (Note 8) . .	54	81	88	127					
	633	949	617	891					
Official international reserve assets . . . . .	28,275	42,399	21,476	30,997		42,399		30,997	

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

Approved:

DAVID A. DODGE

*Governor  
Bank of Canada*

KEVIN G. LYNCH

*Deputy Minister  
Department of Finance*

F. J. MAHONEY

*Chief Accountant  
Bank of Canada*

**Exchange Fund Account—Continued**

STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(in millions of Canadian dollars)

	2000	1999
Revenue from investments		
Marketable securities .....	2,292	533
Cash and short-term deposits .....	407	237
Special Drawing Rights .....	36	33
Gold .....	6	14
	2,741	817
Other revenue (loss)		
Gain on sales of gold .....	198	247
Net foreign exchange gains/(losses) ....	(410)	871
	(212)	1,118
Net revenue for the year due to the Consolidated Revenue Fund .....	2,529	1,935

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the *Currency Act*. The Account is empowered to invest in instruments approved by the Minister of Finance in accordance with the *Act*.

2. Significant accounting policies

Significant accounting policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements.

(a) Valuation of assets

The estimated fair market value of cash and short-term deposits, which are recorded at cost and generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts, where applicable, and are reported at the lower of their amortized costs including accrued interest and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and Special Drawing Rights (SDR) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of four major currencies.

Gold and gold loans include accrued interest. Gold and gold loans are carried in the Account at a value of 35 SDR per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

(b) Revenue from investments

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Write downs of securities to their year-end market values (if applicable) are recorded as a charge to investment revenue in the year in which they occur.

(c) Gold

Gold sales and net gains on gold sales are recorded at settlement dates. Interest revenue from gold loans is recorded on an accrual basis and is included in revenue. Premiums received on the sales of call options on gold are recorded in revenue.

(d) Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	Canadian dollars	
	2000	1999
US dollar .....	1.49950	1.44330
Euro .....	1.40860	1.45250
Japanese yen .....	0.01307	0.01416
Special Drawing Rights .....	1.95371	1.97869

Foreign exchange gains or losses result from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on short-term currency swap arrangements with the Bank of Canada and on currency hedges are recorded in revenue as *Net foreign exchange gains (losses)*. See also Note 10.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2000—Continued

*(e)* Disposition of revenue

Revenue for the year is payable to the Consolidated Revenue Fund of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

*(f)* Services received without charge

The Account receives without charge administrative, custodial and fiscal agency services from the Bank of Canada. Costs related to these services are not recognized in the financial statements.

*(g)* Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund. Interest cost related to these advances is not recognized in the financial statements.

**3. Official government operations**

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar, or to meet net government requirements for foreign exchange. During the year 2000, official international reserves increased by US\$ 3,778 million as a result of these operations (an increase of US\$ 2,744 million in 1999). None of these transactions during 2000 and 1999 was aimed at moderating movements in the value of the Canadian dollar.

**4. Risk management and financial instruments**

The role of the EFA as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

To ensure that the EFA asset portfolio is prudently diversified with respect to credit risk, the investment guidelines specify limits on holdings by class of issuer (sovereign, agency, supranational or commercial financial institution) and type of instrument, while there are further limits on exposure to any one issuer or counter-party.

Interest rate and foreign currency risks are minimized by matching the duration structure and the currency of the EFA's assets and the related foreign currency borrowings of the Government of Canada.

**Exchange Fund Account—Continued**

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000—Continued

## 5. Marketable securities denominated in US dollars

Securities	2000			1999		
	Par value	Amortized cost		Par value	Amortized cost	
	US	US	CDN	US	US	CDN
	(in millions of dollars)					
US Government .....	3,022	3,046	4,567	4,617	4,736	6,837
US Federal Agencies .....	4,655	4,611	6,915	3,800	3,762	5,430
Sovereign paper and						
International Institutions .....	8,244	8,146	12,214	3,283	3,251	4,692
Accrued interest .....		286	430		203	292
	15,921	16,089	24,126	11,700	11,952	17,251
Estimated market value						
at year-end .....		16,319	24,471		11,696	16,881

Estimated market values are based on quoted market prices.

At year-end, the value of securities was not written down (versus a write down of US\$ 256 million or C\$ 370 million from their amortized cost in 1999).

Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counter-parties in these transactions. At year-end, a portion of the Account's holdings of US Government securities consisting of US\$ 2,825 million (par value) in Treasury Notes (nil in 1999) was being used in securities lending operations with financial institutions.

## 6. Assets denominated in other foreign currencies

	Cash and Short-term Deposits			
	2000		1999	
	US	CDN	US	CDN
	(in millions of dollars)			
Euro .....	76	114	24	35
Japanese yen .....	70	105		
	146	219	24	35
	Marketable Securities			
	2000		1999	
	US	CDN	US	CDN
	(in millions of dollars)			
Euro .....	6,729	10,091	5,259	7,590
Japanese Government .....	438	656	493	711
Amortized cost at				
year-end .....	7,167	10,747	5,752	8,301
Estimated market value				
at year-end .....	7,174	10,757	5,564	8,030

Estimated market values are based on quoted market prices.

At year-end, the value of securities was not written down (versus a write down of US\$ 188 million or C\$ 271 million from their amortized cost in 1999).

## 7. Special Drawing Rights (SDR)

	2000		1999	
	US	CDN	US	CDN
	(in millions of dollars)			
Held at year-end .....	574	861	526	759
Accrued interest .....	5	7	3	5
	579	868	529	764

## 8. Gold and gold loans

During the year, the Account sold 621,745 fine ounces of gold (681,289 fine ounces in 1999).

	2000		1999	
	US	CDN	US	CDN
	(in millions of dollars)			
Held at year-end				
Gold loans .....	49	74	82	117
Gold .....	5	7	5	8
Accrued interest on				
gold loans .....			1	2
	54	81	88	127

**Exchange Fund Account—Concluded**

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000—*Concluded*

The year-end carrying values and market values (based on London fixings) of gold and gold loans, excluding accrued interest, are:

		2000		1999	
		Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value	—US\$ . . . . .	45.60	54	47.98	87
	—Canadian \$ . . . . .	68.38	81	69.25	125
Market value	—US\$ . . . . .	272.65	323	290.25	524
	—Canadian \$ . . . . .	408.84	484	418.92	756

9. Due to the Consolidated Revenue Fund (CRF)—  
Advances

The Account is funded by advances from the CRF. These were limited to C\$ 40 billion by Order in Council dated December 30, 1999. On March 2, 2000, the Order in Council was revised to read “the aggregate amount of advances outstanding as of December 31 of each calendar year shall not exceed \$ 50,000,000,000”. At year-end, advances from (deposits with) the CRF consisted of:

	2000	1999
	(in millions of Canadian dollars)	
US dollars . . . . .	41,242	41,686
Canadian dollars . . . . .	(10,798)	(19,598)
Euro . . . . .	9,860	7,473
Japanese yen . . . . .	758	708
Special Drawing Rights . . . . .	(1,192)	(1,207)
	<u>39,870</u>	<u>29,062</u>

The proceeds of Canada’s borrowings in foreign currencies and allocations of SDR by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

Canadian dollar advances are required by the Account for the settlement of its purchases of foreign currencies. Sales of foreign currencies result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian dollar advances. Cumulative net sales of foreign currencies can result in overall net deposits of Canadian dollars by the Account with the CRF.

## 10. Commitments

## (a) Currency swaps

The Account enters into short-term currency swap arrangements with the Bank of Canada. The objective of these swaps is to assist the Bank in its cash management operations. The Account sells US dollars for Canadian dollars, with simultaneous agreements to repurchase these US dollars from the Bank on future dates at the same exchange rates in effect at the time the swaps were entered into. The maximum term of the swaps is equivalent to the term of the underlying securities; however, they are generally reversed earlier based on operational requirements of the Bank.

These swaps result in receipts of Canadian dollars by the Account, which are remitted to the Consolidated Revenue Fund. These transactions are reversed when the swaps are unwound.

At year-end, the Account had commitments to repurchase US dollars under swap arrangements with the Bank of Canada of US\$ 1,004 million (US\$ 3,534 million in 1999). The Canadian dollar equivalent at the year-end exchange rate was \$1,506 million (\$5,101 million in 1999).

## (b) Gold options and forward contracts

The Minister of Finance has authorized the sale of call options, as well as forward sales, on part of the Account’s gold holdings.

Under gold options, the Account receives a premium against commitments to sell gold at predetermined prices. No gold is sold unless the holders of the options exercise their rights by the expiry dates. At year-end, the Account had no outstanding commitments to sell gold (50,000 fine ounces of gold under call option contracts with a potential total value of US\$ 14 million in 1999).

Under forward contracts, the Account is committed to sell gold at predetermined prices on future dates. At year-end, the Account had outstanding commitments to sell 20,000 fine ounces of gold (622,000 fine ounces of gold in 1999) for a total value of US\$ 6 million (US\$ 164 million in 1999). The value date of these contracts is February 23, 2001.

# SECTION 9

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

### CONTENTS

	<i>Page</i>
Enterprise Crown corporations and other government business enterprises .....	9.4
Summary financial statements of enterprise Crown corporations and other government business enterprises.....	9.10
Borrowings by agent enterprise Crown corporations ....	9.16
Borrowings by enterprise Crown corporations and other government business enterprises .....	9.17
Maturity and currency of borrowings by enterprise Crown corporations and other government business enterprises .....	9.17
Contingent liabilities of enterprise Crown corporations and other government business enterprises .....	9.18
Financial assistance under budgetary appropriations to enterprise Crown corporations and other government business enterprises.....	9.19
Portfolio investments .....	9.20
National governments including developing countries .....	9.21
International organizations .....	9.27
Provincial and territorial governments .....	9.33
Other loans, investments and advances .....	9.37
Allowance for valuation .....	9.46

## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenues, while net losses are charged to expenditures of the departments holding the loan, investment or advance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

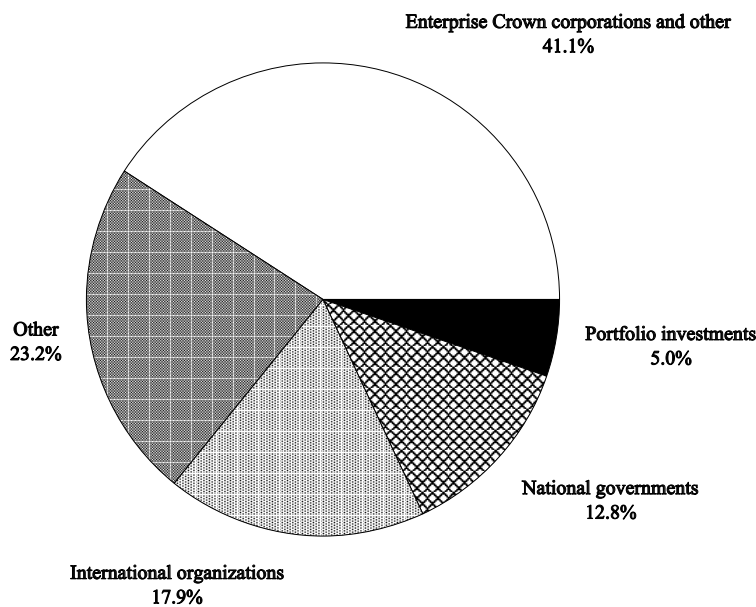
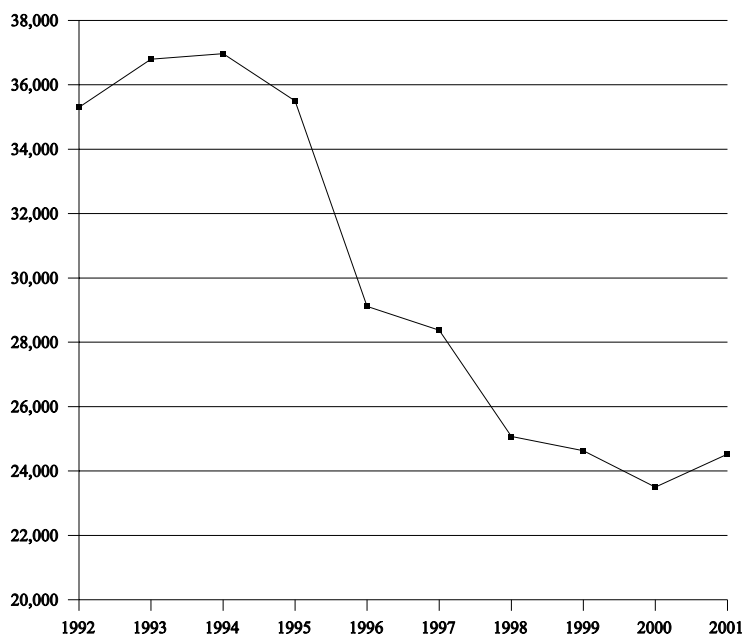
Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

**TABLE 9.1**  
**LOANS, INVESTMENTS AND ADVANCES**

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Enterprise Crown corporations and other				
government business enterprises, Table 9.2 .....	10,562,359,195	398,409,397	875,400,031	10,085,368,561
Portfolio investments, Table 9.11 .....	1,239,917,574	337,106		1,240,254,680
National governments including developing countries,				
Table 9.12 .....	3,138,387,079	303,277,049	305,878,186	3,135,785,942
International organizations, Table 9.13 .....	4,177,856,559	641,282,250	414,506,141	4,404,632,668
Provincial and territorial governments, Table 9.14 .....	1,150,027	518,638,000	555,840,603	(36,052,576)
Other loans, investments and advances, Table 9.15 .....	4,378,064,320	3,032,421,809	1,712,057,186	5,698,428,943
	23,497,734,754	4,894,365,611	3,863,682,147	24,528,418,218
Less: allowance for valuation .....	9,154,309,161	1,227,583,744	559,000,000	8,485,725,417
Total. ....	14,343,425,593	6,121,949,355	4,422,682,147	16,042,692,801

**CHART 9A****LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AT MARCH 31, 2001<sup>(1)</sup>**<sup>(1)</sup> Before the allowance for valuation**CHART 9B****LOANS, INVESTMENTS AND ADVANCES<sup>(1)</sup> AT MARCH 31**  
(in millions of dollars)<sup>(1)</sup> Before the allowance for valuation



## Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are a type of government business enterprises that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded for the reporting entity.

There is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

TABLE 9.2

## ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares .....	303,400,000			303,400,000
Preferred shares .....	230,000,000	65,000,000		295,000,000
Contributed capital .....	28,000,000			28,000,000
	561,400,000	65,000,000		626,400,000
Canada Mortgage and Housing Corporation—				
Capital stock .....	25,000,000			25,000,000
Housing .....	3,944,117,158		102,577,027	3,841,540,131
Real estate .....	87,761,754		3,787,383	83,974,371
Joint projects .....	1,188,700,164		58,945,359	1,129,754,805
Student housing projects .....	265,695,645		8,977,001	256,718,644
Sewage treatment projects .....	553,179,497		46,439,299	506,740,198
Assisted home ownership .....	36,408,504		3,611,214	32,797,290
	6,100,862,722		224,337,283	5,876,525,439
Export Development Corporation .....	983,200,000			983,200,000
Farm Credit Corporation—				
Contributed capital .....	1,168,333,000			1,168,333,000
Notes .....	804,536,714		226,045,919	578,490,795
Farm syndicates loan fund .....	67,032		67,032	
	1,972,936,746		226,112,951	1,746,823,795
Other—				
Bank of Canada .....	5,920,000			5,920,000
Canada Development Investment Corporation .....	395,658,315			395,658,315
Canada Hibernia Holding Corporation—				
Contributed surplus .....	349,975,050		130,000,000	219,975,050
Canada Lands Company Limited .....	36,696,362	43,277,397	30,105,797	49,867,962
Canada Ports Corporation—				
Contributed capital .....	90,000,000		90,000,000	
Canada Post Corporation .....				
Canadian Dairy Commission .....	25,710,000	163,732,000	148,444,000	40,998,000
Cape Breton Development Corporation .....		36,400,000	26,400,000	10,000,000
Ridley Terminals Inc. ....		90,000,000		90,000,000
Royal Canadian Mint—				
Capital stock .....	40,000,000			40,000,000
Loans .....				
	40,000,000			40,000,000
	943,959,727	333,409,397	424,949,797	852,419,327
Total .....	10,562,359,195	398,409,397	875,400,031	10,085,368,561

**Business Development Bank of Canada**

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid dividends of \$8.9 million to the Government.

*Common shares*

This account records the Government's investment in the common shares of the Corporation.

*Preferred shares*

During the year, the Government purchased \$65 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*, bringing total preferred shares purchased to date to \$295 million.

*Contributed capital*

The amount of contributed capital was issued in 1999-2000 in counterpart of the transfer of the Cultural Industries Development Fund to the Corporation.

### Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction of new houses, the repair and modernization of existing houses, and the improvement of housing and living conditions.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$544 million to the Government.

#### Capital stock

The Government's investment in the capital of the Corporation is authorized in the *Canada Mortgage and Housing Corporation Act*.

#### Housing

Advances made for moderate to low income housing bear interest at rates from 4.125 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2001 and September 30, 2037.

#### Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 8.43 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on December 31, 2037.

#### Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with instalments between September 30, 2001 and December 31, 2039.

#### Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between December 31, 2001 and September 30, 2030.

#### Sewage treatment projects

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2001 and March 31, 2023.

#### Assisted home ownership

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.75 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 2003 and December 31, 2008.

### Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by subsection 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

### Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

#### Contributed capital

The Government's contribution to the capital of the Corporation is authorized by subsection 11(1) of the *Farm Credit Corporation Act*.

#### Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the *Act*, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between September 1, 2001 and December 1, 2009, \$378,490,795; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 7.03 percent to 9.17 percent per annum, with final instalments between May 1, 2001 and April 4, 2003, \$200,000,000.

During the year, the Corporation paid interest of \$61 million to the Government.

#### Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to section 8 of the *Farm Syndicates Credit Act*, to enable the Corporation to make loans. Subsection 3(1) of the *Act* allowed the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,

- (c) the purchase or improvement of land on which buildings were or were to be erected for use primarily by the syndicate or its members, in their farming operations.

The *Farm Syndicates Credit Act* was repealed in 1993-94. This account had remained open for repayments.

During the year, the remaining loan was repaid in full and the account was closed.

### Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Corporation paid dividends of \$2,027 million to the Government.

### Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

### Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. The Government appropriated the funds necessary for the Corporation to honour its obligations to fund the Project and has treated this assistance as contributed surplus. Production from Hibernia commenced in late 1997 and, during 1998, the Corporation achieved sufficient cash flow to fund its operations and fulfill its continuing obligations without further Government appropriations.

During the year, the Corporation repaid contributed surplus of \$130 million to the Government.

### Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation is not an agent of Her Majesty, reports through the Minister of Public Works and Government Services and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation conducts its business through Canada Lands Company (CLC) Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value. During the year, new notes have been issued for an amount of \$21.9 million. An amount of \$11.7 million was repaid during the year and an amount of \$21.4 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

### **Canada Ports Corporation**

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council and was dissolved during the year.

The Corporation was an agent of Her Majesty, reported through the Minister of Transport, and was listed in Part II of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid dividends of \$43,375 to the Government.

Under the Interport Loan Fund, the Corporation remitted \$36.4 million in surplus funds to the Government in 2000-2001.

#### *Contributed capital*

Under the authority of the *Canada Ports Corporation Act*, an equity injection of \$90 million was made in Canada Ports Corporation, in 1998-99, to increase its contributed capital for the acquisition of shares in Ridley Terminals Inc., a wholly-owned subsidiary of the Corporation for the purpose of debt restructuring.

The Government's contribution to the capital of the Corporation was authorized under Transport Vote L29c, *Appropriation Act No. 5, 1998-99*.

During the year, the contributed capital of \$90 million was transferred from Canada Ports Corporation to Ridley Terminals Inc.

### **Canada Post Corporation**

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan may be made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*. There are presently no loans outstanding to Canada Post Corporation pursuant to section 29 of the *Canada Post Corporation Act*. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

During the year, the Corporation paid dividends of \$18.9 million to the Government.

### **Canadian Dairy Commission**

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 5.1763 percent to 6.0241 percent per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$2.3 million to the Government.

### **Cape-Breton Development Corporation**

The Corporation was established by the *Cape Breton Development Corporation Act*, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

On June 29, 2000, the *Cape Breton Development Corporation Divestiture Authorization and Dissolution Act*, which provided for the sale of assets, winding up of the affairs of the Corporation and its eventual dissolution, received Royal Assent. The Corporation has initiated the divestiture process announced by the Government. In the meantime, the Corporation is carrying out restructuring activities for which the Government is providing funding support by means of appropriations. As a result, the Corporation is economically dependent on the Government.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000 and the authority remains available to the Corporation for future use. The working capital advances bear interest at the rate in effect as determined by the Minister of Finance.

During the year, the Corporation paid interest of \$31,765 to the Government.

### **Ridley Terminals Inc.**

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the investment of \$90 million made by the Canada Ports Corporation in 1998-99 was transferred to the Government when Ridley Terminals Inc. became a parent Crown corporation at the dissolution of Canada Ports Corporation.

## Royal Canadian Mint

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

### Capital stock

Subsection 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

### Loans

Subsection 20(1) of the *Act* states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$75,000,000.

Subsection 20(3) of the *Act* states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

There are presently no loans outstanding to Royal Canadian Mint pursuant to subsection 20(1) of the *Royal Canadian Mint Act*.

## Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having other year ends, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations financial information on unconsolidated wholly-owned subsidiaries and other government business enterprises. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 2001 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations and other government business enterprises is presented in Table 9.7. The maturity and currency of enterprise Crown corporations and other government business enterprises borrowings are presented in Table 9.8. Contingent liabilities of enterprise Crown corporations and other government business enterprises are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2001 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

## SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
<b>ASSETS AND LIABILITIES</b>						
<b>AS AT MARCH 31, 2001</b>						
<b>Assets</b>						
Financial						
Outside parties	1,390,011	1,169,631	54,601,983	8,327,908	62,282	65,551,815
Government and Crown corporations	1,202,047	35,468,190	6,541,593	8,338	3,378	43,223,546
Total financial assets	2,592,058	36,637,821	61,143,576	8,336,246	65,660	108,775,361
Physical assets and deferred charges	3,773,456	1,232,201	584,996	897,703	36,110	6,524,466
Total assets	6,365,514	37,870,022	61,728,572	9,233,949	101,770	115,299,827
<b>Liabilities</b>						
Outside parties						
Borrowings	246,108		40,875,702	7,619,068	4,536	48,745,414
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	3,048,944	10,689,906	5,704,236	1,543,275	389,915	21,376,276
Government and Crown corporations	227,557	1,636,243	9,875,251	41,465	152,181	11,932,697
Total liabilities	3,522,609	37,840,022	56,455,189	9,203,808	546,632	107,568,260
Equity of Canada	2,842,905	30,000	5,273,383	30,141	(444,862)	7,731,567
Total liabilities and equity	6,365,514	37,870,022	61,728,572	9,233,949	101,770	115,299,827
Contingent liabilities	21,632		1,839,509	2,567		1,863,708
<b>REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY</b>						
<b>FOR THE YEAR ENDED MARCH 31, 2001</b>						
<b>Revenues</b>						
Outside parties	6,429,029		5,277,796	5,062,274	186,654	16,955,753
Government and Crown corporations						
Financial assistance				13,869	64,906	78,775
Other	459,022	1,951,866	294,387			2,705,275
Total revenues	6,888,051	1,951,866	5,572,183	5,076,143	251,560	19,739,803
<b>Expenses</b>						
Outside parties	6,423,409		3,844,683	5,046,001	204,862	15,518,955
Government and Crown corporations	265,094		839,933	6,519	19,915	1,131,461
Total expenses	6,688,503		4,684,616	5,052,520	224,777	16,650,416
Net income/loss(-) for the year	199,548	1,951,866	887,567	23,623	26,783	3,089,387
Equity of Canada, beginning of the year	2,871,756	30,000	4,046,851	28,358	(471,643)	6,505,322
Adjustments	(81,771)		287,809	(21,840)	(2)	184,196
Equity transactions with the Government—						
Dividends	(24,087)	(1,951,866)	(13,844)			(1,989,797)
Capital	(122,541)		65,000			(57,541)
Equity of Canada, end of the year	2,842,905	30,000	5,273,383	30,141	(444,862)	7,731,567

The accompanying notes to Table 9.4 are an integral part of this table.



TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 2001

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises <sup>(1)</sup>	Assets			Total assets
	Financial	Government and Crown corporations	Physical assets and deferred charges	
<b>Competitive, self-sustaining</b>				
Canada Development Investment Corporation .....	16,281	82,000		98,281
Canada Hibernia Holding Corporation .....	35,500	918	401,111	437,529
Canada Lands Company Limited .....	164,261		230,352	394,613
Canada Ports Corporation <sup>(2)</sup> .....				
Canada Post Corporation .....	913,616	978,619	1,761,221	3,653,456
Halifax Port Authority <sup>(3)</sup> .....	4,437	6,224	84,745	95,406
Montreal Port Authority <sup>(3)</sup> .....	43,910	58,020	171,721	273,651
Petro-Canada Limited <sup>(4)</sup> .....				
Prince Rupert Port Authority <sup>(3)</sup> .....	3,865	8,915	78,573	91,353
Ridley Terminals Inc. <sup>(2)</sup> .....	4,460	28	19,565	24,053
Quebec Port Authority <sup>(3)</sup> .....	39,244	275	51,616	91,135
Royal Canadian Mint .....	20,893	3,988	139,951	164,832
Saint John Port Authority <sup>(3)</sup> .....	1,392	18,052	58,413	77,857
St John's Port Authority <sup>(3)</sup> .....	595	7,128	12,931	20,654
Vancouver Port Authority <sup>(3)</sup> .....	43,628	4,290	445,592	493,510
Other Canada Port Authorities <sup>(3)(5)</sup> .....	97,929	33,590	317,665	449,184
<i>Total—Competitive, self-sustaining</i> .....	<i>1,390,011</i>	<i>1,202,047</i>	<i>3,773,456</i>	<i>6,365,514</i>
<b>Bank of Canada</b> .....	<i>1,169,631</i>	<i>35,468,190</i>	<i>1,232,201</i>	<i>37,870,022</i>
<b>Lending and Insurance</b>				
Business Development Bank of Canada .....	5,918,803	25,605	281,110	6,225,518
Canada Deposit Insurance Corporation .....	469,116	434,114	846	904,076
Canada Mortgage and Housing Corporation .....	17,718,790	714,001	58,410	18,491,201
Insurance Programs .....	2,178,087	4,723,831	162,267	7,064,185
Mortgage Backed Securities Guarantee Fund .....	63,542	68,244		131,786
Export Development Corporation .....	21,356,430	332,906	40,632	21,729,968
Farm Credit Corporation .....	6,897,215	242,892	41,731	7,181,838
<i>Total—Lending and insurance</i> .....	<i>54,601,983</i>	<i>6,541,593</i>	<i>584,996</i>	<i>61,728,572</i>
<b>Marketing</b>				
Canadian Commercial Corporation .....	571,958	495	1,024	573,477
Canadian Dairy Commission —				
Marketing operations .....	46,010		79,951	125,961
Canadian Wheat Board, The .....	7,702,666	7,843	797,106	8,507,615
Freshwater Fish Marketing Corporation .....	7,274		19,622	26,896
<i>Total—Marketing</i> .....	<i>8,327,908</i>	<i>8,338</i>	<i>897,703</i>	<i>9,233,949</i>
<b>Other</b>				
Atlantic Pilotage Authority .....	1,958	1,761	2,769	6,488
Cape Breton Development Corporation .....	42,007		29,496	71,503
Great Lakes Pilotage Authority, Ltd. ....	7,656		156	7,812
Laurentian Pilotage Authority .....	5,353		2,963	8,316
Pacific Pilotage Authority .....	5,308	1,617	726	7,651
<i>Total—Other</i> .....	<i>62,282</i>	<i>3,378</i>	<i>36,110</i>	<i>101,770</i>
<b>Total</b> .....	<b>65,551,815</b>	<b>43,223,546</b>	<b>6,524,466</b>	<b>115,299,827</b>

(1) All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd. Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

(2) The Canada Ports Corporation was dissolved on October 31, 2000. Its subsidiary, Ridley Terminals Inc., became a parent Crown corporation on November 1, 2000.

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	10,265	2,000	12,265	86,016	98,281
	64,918	23,060	87,978	349,551	437,529
	86,753	71,317	158,070	236,543	394,613
55,572	2,728,696	34,627	2,818,895	834,561	3,653,456
7,200	4,669	386	12,255	83,151	95,406
	22,062	911	22,973	250,678	273,651
	812		812	90,541	91,353
64,021	1,808	45	65,874	(41,821)	24,053
12,484	5,386	44,928	62,798	28,337	91,135
31,957	31,832	7,000	70,789	94,043	164,832
	5,993	75	6,068	71,789	77,857
	654	102	756	19,898	20,654
	39,041	42,620	81,661	411,849	493,510
74,874	46,055	486	121,415	327,769	449,184
246,108	3,048,944	227,557	3,522,609	2,842,905	6,365,514
	36,203,779	1,636,243	37,840,022	30,000	37,870,022
5,101,819	180,604	19,791	5,302,214	923,304	6,225,518
	448,504	603	449,107	454,969	904,076
11,672,287	124,955	6,646,644	18,443,886	47,315	18,491,201
	3,543,687	2,624,271	6,167,958	896,227	7,064,185
	54,349	7,308	61,657	70,129	131,786
18,406,369	1,291,912	(17,175)	19,681,106	2,048,862	21,729,968
5,695,227	60,225	593,809	6,349,261	832,577	7,181,838
40,875,702	5,704,236	9,875,251	56,455,189	5,273,383	61,728,572
	543,189	147	543,336	30,141	573,477
	84,816	41,145	125,961		125,961
7,606,922	900,520	173	8,507,615		8,507,615
12,146	14,750		26,896		26,896
7,619,068	1,543,275	41,465	9,203,808	30,141	9,233,949
	1,991		1,991	4,497	6,488
	374,456	152,181	526,637	(455,134)	71,503
	2,905		2,905	4,907	7,812
4,536	6,251		10,787	(2,471)	8,316
	4,312		4,312	3,339	7,651
4,536	389,915	152,181	546,632	(444,862)	101,770
48,745,414	46,890,149	11,932,697	107,568,260	7,731,567	115,299,827

(3) Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.

(4) Petro-Canada Limited was dissolved on February 5, 2001.

(5) Consists of the combined figures of the Canada Port Authorities of Belledune, Fraser River, Nanaimo, North Fraser, Port Alberni, Saguenay, Sept-Îles, Thunder Bay, Toronto, Trois-Rivières and Windsor.

TABLE 9.5

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	Revenues			
	Outside parties	Government and Crown corporations		Total
		Financial assistance <sup>(1)</sup>	Other	
<b>Competitive, self-sustaining</b>				
Canada Development Investment Corporation . . . . .	1,178			1,178
Canada Hibernia Holding Corporation . . . . .	181,823			181,823
Canada Lands Company Limited . . . . .	148,101		3,591	151,692
Canada Ports Corporation . . . . .	15,034		686	15,720
Canada Post Corporation . . . . .	5,643,744		345,394	5,989,138
Halifax Port Authority . . . . .	18,400		190	18,590
Montreal Port Authority . . . . .	58,993		10,279	69,272
Petro-Canada Limited . . . . .	25,400			25,400
Prince Rupert Port Authority . . . . .	5,940		517	6,457
Ridley Terminals Inc. . . . .	4,750			4,750
Quebec Port Authority . . . . .	12,126		532	12,658
Royal Canadian Mint . . . . .	177,491		93,712	271,203
Saint John Port Authority . . . . .	10,285		1,008	11,293
St John's Port Authority . . . . .	3,331		683	4,014
Vancouver Port Authority . . . . .	90,230		490	90,720
Other Canada Port Authorities . . . . .	32,203		1,940	34,143
<i>Total—Competitive, self-sustaining.</i> . . . .	<i>6,429,029</i>		<i>459,022</i>	<i>6,888,051</i>
<b>Bank of Canada</b> . . . . .			<i>1,951,866</i>	<i>1,951,866</i>
<b>Lending and insurance</b>				
Business Development Bank of Canada . . . . .	629,298		20	629,318
Canada Deposit Insurance Corporation . . . . .	184,207		19,048	203,255
Canada Mortgage and Housing Corporation . . . . .	1,124,959		102,020	1,226,979
Insurance Programs . . . . .	818,902		144,460	963,362
Mortgage Backed Securities Guarantee Fund . . . . .	21,144		4,099	25,243
Export Development Corporation . . . . .	1,958,474		22,646	1,981,120
Farm Credit Corporation . . . . .	540,812		2,094	542,906
<i>Total—Lending and insurance</i> . . . . .	<i>5,277,796</i>		<i>294,387</i>	<i>5,572,183</i>
<b>Marketing</b>				
Canadian Commercial Corporation . . . . .	998,869	13,869		1,012,738
Canadian Dairy Commission				
Marketing operations . . . . .	218,126			218,126
Canadian Wheat Board, The . . . . .	3,783,365			3,783,365
Freshwater Fish Marketing Corporation . . . . .	61,914			61,914
<i>Total—Marketing</i> . . . . .	<i>5,062,274</i>	<i>13,869</i>		<i>5,076,143</i>
<b>Other</b>				
Atlantic Pilotage Authority . . . . .	12,032			12,032
Cape Breton Development Corporation . . . . .	76,935	64,906		141,841
Great Lakes Pilotage Authority, Ltd . . . . .	15,285			15,285
Laurentian Pilotage Authority . . . . .	41,607			41,607
Pacific Pilotage Authority . . . . .	40,795			40,795
<i>Total—Other</i> . . . . .	<i>186,654</i>	<i>64,906</i>		<i>251,560</i>
<b>Total</b> . . . . .	<b>16,955,753</b>	<b>78,775</b>	<b>2,705,275</b>	<b>19,739,803</b>

The accompanying notes to Table 9.4 are an integral part of this table.

<sup>(1)</sup> This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Income/or loss(-)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
2,184		2,184	(1,006)	94,568	(2,546)	(5,000)		86,016
71,479	28,572	100,051	81,772	397,779			(130,000)	349,551
143,044	3,335	146,379	5,313	212,230			19,000	236,543
16,456	140	16,596	(876)	26,789	(15,776)	(116)	(10,021)	
5,686,750	218,203	5,904,953	84,185	1,055,935	(286,659)	(18,900)		834,561
12,860	128	12,988	5,602	77,549				83,151
57,177	3,221	60,398	8,874	239,855			1,949	250,678
25,400		25,400		3,950			(3,950)	
21,185		21,185	(14,728)	105,269				90,541
5,601	378	5,979	(1,229)		(40,592)			(41,821)
9,052	(26)	9,026	3,632	24,705				28,337
272,858	3,074	275,932	(4,729)	99,100	(328)			94,043
8,192	251	8,443	2,850	68,940	(1)			71,789
3,011	116	3,127	887	19,011				19,898
58,244	7,014	65,258	25,462	385,668	719			411,849
29,916	688	30,604	3,539	60,408	263,412	(71)	481	327,769
6,423,409	265,094	6,688,503	199,548	2,871,756	(81,771)	(24,087)	(122,541)	2,842,905
			1,951,866	30,000		(1,951,866)		30,000
538,462	2,534	540,996	88,322	783,826		(13,844)	65,000	923,304
12,767	33,149	45,916	157,339	183,583	114,047			454,969
661,220	552,847	1,214,067	12,912	34,404	(1)			47,315
435,271	156,971	592,242	371,120	525,107				896,227
5,489	7,778	13,267	11,976	58,153				70,129
1,796,038	(29,219)	1,766,819	214,301	1,834,561				2,048,862
395,436	115,873	511,309	31,597	627,217	173,763			832,577
3,844,683	839,933	4,684,616	887,567	4,046,851	287,809	(13,844)	65,000	5,273,383
1,006,800	4,155	1,010,955	1,783	28,358				30,141
193,922	2,364	196,286	21,840		(21,840)			
3,783,365		3,783,365						
61,914		61,914						
5,046,001	6,519	5,052,520	23,623	28,358	(21,840)			30,141
11,566		11,566	466	4,031				4,497
93,137	19,915	113,052	28,789	(483,923)				(455,134)
16,411		16,411	(1,126)	6,034	(1)			4,907
41,984		41,984	(377)	(2,093)	(1)			(2,471)
41,764		41,764	(969)	4,308				3,339
204,862	19,915	224,777	26,783	(471,643)	(2)			(444,862)
15,518,955	1,131,461	16,650,416	3,089,387	6,505,322	184,196	(1,989,797)	(57,541)	7,731,567

## Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise Crown corporations made on behalf of Her Majesty. The borrowings are with other organizations than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 2001, an allowance for borrowings expected to be repaid by the Government on behalf of agent enterprise Crown corporations was established at \$560 million.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

## BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/2000	Borrowings and other credits	Repayments and other charges	Balance March 31/2001
Business Development Bank of Canada . . . . .	4,723,442	13,617,661	13,239,284	5,101,819
Canada Mortgage and Housing Corporation . . . . .	10,800,915	5,642,753	4,771,381	11,672,287
Canada Ports Corporation . . . . .	68,715		68,715	
Canada Post Corporation . . . . .	150,455	247	95,130	55,572
Canadian Dairy Commission (Marketing) . . . . .	437	6,750	7,187	
Canadian Wheat Board, The <sup>(1)</sup> . . . . .	542,134		117,331	424,803
Export Development Corporation . . . . .	16,887,805	33,429,539	31,910,975	18,406,369
Farm Credit Corporation . . . . .	5,082,842	6,810,702	6,198,317	5,695,227
Freshwater Fish Marketing Corporation . . . . .	10,920	12,146	10,920	12,146
Petro-Canada Limited . . . . .	338,000		338,000	
Royal Canadian Mint . . . . .	34,507	1,752	4,302	31,957
Total . . . . .	38,640,172	59,521,550	56,761,542	41,400,180
Borrowings expected to be repaid by agent enterprise Crown corporations . . . . .	(38,015,172)	59,521,550	56,826,542	(40,840,180)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities . . . . .	625,000		65,000	560,000

The accompanying notes to Table 9.4 are an integral part of this table.

<sup>(1)</sup> On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*. Borrowings prior to this date are included here. Borrowings subsequent to this date are reported in Table 9.7.

## Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations and other government business enterprises. Borrowings of non-agent Crown corporations and other government business enterprises are not

on behalf of Her Majesty, but may, at times, be guaranteed by the Government. As at March 31, 2001, an allowance for such guaranteed borrowings expected to be repaid by the Government was established at \$2,807 million.

**TABLE 9.7**

### BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2000	Borrowings and other credits	Repayments and other charges	Balance March 31/2001
Borrowings by agent enterprise Crown corporations . . . . .	38,640,172	59,521,550	56,761,542	41,400,180
Borrowings by non-agent enterprise Crown corporations and other government business enterprises —				
Canadian Wheat Board, The <sup>(1)</sup> . . . . .	6,543,674	85,265,520	84,627,075	7,182,119
Laurentian Pilotage Authority . . . . .	4,586	889	939	4,536
Halifax Port Authority <sup>(2)</sup> . . . . .	7,600		400	7,200
Quebec Port Authority <sup>(2)</sup> . . . . .	4,873	12,484	4,873	12,484
Ridley Terminals Inc. . . . .		64,021		64,021
Other Canada Port Authorities <sup>(2)</sup> . . . . .	28,086	47,809	1,021	74,874
Total . . . . .	6,588,819	85,390,723	84,634,308	7,345,234
Borrowings expected to be repaid by other government business enterprises . . . . .	3,998,819	85,173,723	84,634,308	4,538,234
Allowance for borrowings of other government business enterprises expected to be repaid by the Government and reported on the Statement of Assets and Liabilities . . . . .	2,590,000	217,000		2,807,000
Borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises . . . . .	45,228,991	144,912,273	141,395,850	48,745,414

The accompanying notes to Table 9.4 are an integral part of this table.

<sup>(1)</sup> See Note 1 of Table 9.6.

<sup>(2)</sup> The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2001.

**TABLE 9.8**

### MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
2002 . . . . .	16,551,758	7,031,571	23,583,329
2003 . . . . .	5,853,411	66,096	5,919,507
2004 . . . . .	4,901,225	2,045	4,903,270
2005 . . . . .	5,414,467	2,170	5,416,637
2006 . . . . .	2,137,392	33,033	2,170,425
2007 to 2011 . . . . .	5,612,962	200,384	5,813,346
2012 to 2016 . . . . .	928,965	9,935	938,900
Total . . . . .	41,400,180	7,345,234	48,745,414 <sup>(1)</sup>

The accompanying notes to Table 9.4 are an integral part of this table.

<sup>(1)</sup> The borrowings are composed of \$17,789,022 US, HK \$81,567, ¥ 849,798, DM 150,101, NZ dollar \$161,917, Euro 573,966, ZAR (Rand) 11,294, AU \$77,377 and \$29,050,372 CDN.

## Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

**TABLE 9.9**

### CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	March 31, 2001
<u>Enterprise Crown corporations and other government business enterprises</u>	
Canada Hibernia Holding Corporation—Miscellaneous litigations . . . . .	9,149
Canada Mortgage and Housing Corporation—Insurance programs . . . . .	25,000
Canada Ports Corporation—Miscellaneous litigations . . . . .	850
Canadian Commercial Corporation—Miscellaneous litigations . . . . .	2,567
Export Development Corporation—Loan guarantees and loans with recourse . . . . .	1,798,300
Farm Credit Corporation—Loan guarantees . . . . .	16,209
Montreal Port Authority—Miscellaneous litigations . . . . .	188
Vancouver Port Authority—Claims for damages . . . . .	1,400
Other Canada Port Authorities—Miscellaneous litigations . . . . .	10,045
<b>Total . . . . .</b>	<b>1,863,708</b>

The accompanying notes to Table 9.4 are an integral part of this table.

## Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

**TABLE 9.10**

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2001

(in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation <sup>(2)</sup> . . . . .	281,704	281,704	
Canadian Commercial Corporation . . . . .	13,885	13,885	
Canadian Wheat Board, The <sup>(3)</sup> . . . . .	18,208	18,208	
Cape Breton Development Corporation . . . . .	64,906	64,906	
Export Development Corporation <sup>(4)</sup> . . . . .	6,815	6,815	
Total . . . . .	385,518	385,518	

(1) Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

(2) Includes a payment of \$24,494 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

(3) Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

(4) Consists of a payment of \$6,815 from the Department of Foreign Affairs and International Trade as administration expenses.



## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's investments in such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**  
**PORTFOLIO INVESTMENTS**

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Petro-Canada—Finance .....	1,225,167,174			1,225,167,174
Other—				
Co-operative Housing Project—Canadian Heritage— Parks Canada Agency .....		337,106		337,106
Lower Churchill Development Corporation Limited— Natural Resources .....	14,750,000			14,750,000
North Portage Development Corporation— Industry—Western Economic Diversification .....				
Société du parc industriel et portuaire Québec-Sud— Industry—Economic Development Agency of Canada for the Regions of Quebec .....	400			400
	14,750,400	337,106		15,087,506
Total .....	1,239,917,574	337,106		1,240,254,680

### Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 2001, the Government's holding represents 49.4 million shares, approximately 18.13 percent ownership of Petro-Canada.

### Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

### Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to favor and manage the development of an industrial park intended for major industrial projects in the Township of Lévis. In order to achieve this objective, the Corporation may acquire, sell or exchange lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now propose a development alternative to the two levels of government with the amounts gathered from these land disposals.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

### National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

**TABLE 9.12**  
NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Finance—				
Jamaica .....	12,013,889		1,652,778	10,361,111
Bank of Thailand .....	624,836,340	54,706,590		679,542,930
United Kingdom—				
United Kingdom Financial Agreement Act, 1946 .....	36,991,444		36,991,444	
Deferred principal .....	94,990,863			94,990,863
	131,982,307		36,991,444	94,990,863
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation) .....	890,599,096	247,664,498	235,038,881	903,224,713
Developing countries—Canadian International Development Agency—International development assistance .....	1,478,551,771	896,911	32,194,493	1,447,254,189
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable .....	403,676	9,050	590	412,136
Total .....	3,138,387,079	303,277,049	305,878,186	3,135,785,942

### **Jamaica**

A loan has been made to the Government of Jamaica, to provide economic assistance.

The loan agreement has been amended by the following Rescheduling Agreements:

- (a) the Rescheduling Agreement dated October 18, 1985, provided for the deferment of the principal repayment in the amount of \$5,000,000 due on August 9, 1985;
- (b) the Rescheduling Agreement dated June 4, 1987, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1986 and August 9, 1987; and,
- (c) the Rescheduling Agreement dated July 25, 1989, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1988 and August 9, 1989.

### **Bank of Thailand**

Under authority of the *Bretton Woods and Related Agreements Act*, a loan has been made to the Bank of Thailand to a maximum of \$500,000,000 US to provide financial assistance.

The loan has been issued in tranches and each tranche pays interest at the six-month LIBOR rate established by the British Bankers' Association less 0.100 percent. The interest is calculated every six-month period and the principal is repayable over four equal consecutive semi-annual instalments commencing on the seventh interest payment date.

As of March 31, 2001, the Bank of Thailand has borrowed \$431,100,000 US translated into Canadian dollars at the closing rate of exchange (\$1 US/ \$1.5763 Cdn.).

### **United Kingdom**

*United Kingdom Financial Agreement Act, 1946*

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000. During the year, the loan has been repaid in full.

#### *Deferred principal*

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are partially provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/2001
	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	
April 1/2000					
\$	\$	\$	\$	\$	\$
<b>NON-BUDGETARY LOANS</b>					
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 2000 and November 2005:					
Madagascar .....	7,069,167	1,351,828			8,420,995
Mexico .....	507,988		22,367	118,855	366,766
Peru .....	984,229		78,639		905,590
Russia and USSR .....	71,862,699	6,118,676			77,981,375
Sudan .....	1,826,235	155,493			1,981,728
Tanzania .....	18,498,483	1,575,034			20,073,517
	100,748,801	9,201,031	101,006	118,855	109,729,971
(b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:					
Algeria .....	58,679,655	4,663,039	7,890,962		55,451,732
Argentina .....	48,315,388	3,864,956	7,241,071		44,939,273
Cameroun .....	4,511,845	316,571	925,049		3,903,367
China .....	80,777,066	6,652,067	6,380,950		81,048,183
Congo .....	650,961	55,425			706,386
Cuba .....	40,105,014	116,409	8,819,515		39,152,160
Ecuador .....	1,958,177	94,388	990,113		1,062,452
Gabon .....	20,778,169	1,404,528	10,382,875		11,799,822
Jamaica .....	3,730,232	287,487	528,976		3,488,743
Kazakhstan .....	2,203,380	49	2,273,663		
Kenya .....	7,544,979	564,668	1,741,679		6,367,968
Lithuania .....	1,867,144		188,817	57,431	1,620,896
Morocco .....	80,509,391	5,783,190	20,769,371		65,523,210
Romania .....	229,991,711	17,454,792	36,271,700		211,174,803
Russia .....	5,494,468	383,609	1,399,017		4,479,060
Rwanda .....	1,630,489	21,422			1,651,911
Sudan .....	7,730,680	658,221			8,388,901
Venezuela .....	34,111,874	44,047,713	3,897,822		81,920,883
	630,590,623	51,798,014	109,701,580	57,431	622,679,750
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:					
Algeria .....	1,766,869	45	32,538		1,734,376
Argentina .....	25,485,213	10,000	3,099,322		22,395,891
Brazil .....	5,422,499	22,969	871,759		4,573,709
	32,674,581	33,014	4,003,619		28,703,976
Insurance claims paid during the year:					
Cuba .....	30,420,852				30,420,852
Russia .....	15,227,938	781,978			16,009,916
	45,648,790	781,978			46,430,768
Total—Non-budgetary .....	809,662,795	51,798,014	60,066,147	113,806,205	176,286
					807,544,465

	Payments and other charges			Receipts and other credits		
	April 1/2000	Payments or other charges <sup>(1)</sup>		Receipts or other credits <sup>(2)</sup>		March 31/2001
			Revaluation		Revaluation	
	\$	\$	\$	\$	\$	\$
<b>BUDGETARY LOANS<sup>(3)</sup></b>						
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:						
Egypt .....	1,039,901	88,857	45,121	1,149,811		24,068
Madagascar .....	7,904,350		576,586			8,480,936
Poland .....	40,945,107		3,406,532	1,211,006		43,140,633
Tanzania .....	911,713		77,627			989,340
Zambia .....	7,244,812		611,953	2,538		7,854,227
	58,045,883	88,857	4,717,819	2,363,355		60,489,204
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:						
Cameroun .....	879,609		74,893			954,502
Mexico .....	15,536,420		1,272,866	2,057,440		14,751,846
Rwanda .....	3,998,726		432,950			4,431,676
Thailand .....	22,724,245		1,057,893	2,204,022		21,578,116
Zambia .....	445,490		2,000,913			2,446,403
	43,584,490		4,839,515	4,261,462		44,162,543
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:						
Algeria .....	10,094,000			568,000		9,526,000
China .....	463,913,429	22,606,475	41,746,029			528,265,933
Congo .....	3,070,071		261,398			3,331,469
Indonesia .....	46,785,887		3,983,536			50,769,423
	523,863,387	22,606,475	45,990,963	568,000		591,892,825
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun .....	19,991,763		4,579,638			24,571,401
China .....	197,981,136		16,360,948	5,058,473		209,283,611
Egypt .....	13,651,183		492,808	303,082		13,840,909
Gabon .....	14,426,535		1,223,693	191,046		15,459,182
India .....	74,151,054	274,072	6,229,246	236,202		80,418,170
Jamaica .....	10,240,374		857,743	274,468		10,823,649
Kenya .....	9,893,569		841,676	8,506		10,726,739
Morocco .....	143,990,995		12,330,677	3,710,651		152,611,021
Pakistan .....	10,134,315		862,876			10,997,191
Turkey .....	158,594,095		13,503,331			172,097,426
	653,055,019	274,072	57,282,636	9,782,428		700,829,299
Subtotal—Budgetary .....	1,278,548,779	22,969,404	112,830,933	16,975,245		1,397,373,871
Less: budgetary treatment .....	1,197,612,478			60,318	104,020,827	1,301,693,623
Total—Budgetary .....	80,936,301	22,969,404	112,830,933	17,035,563	104,020,827	95,680,248
Total .....	890,599,096	74,767,418	172,897,080	130,841,768	104,197,113	903,224,713
<b>SUMMARY</b>						
Total—Non-budgetary .....	809,662,795	51,798,014	60,066,147	113,806,205	176,286	807,544,465
Total—Budgetary .....	1,278,548,779	22,969,404	112,830,933	16,975,245		1,397,373,871
	2,088,211,574	74,767,418	172,897,080	130,781,450	176,286	2,204,918,336
Less: budgetary treatment .....	1,197,612,478			60,318	104,020,827	1,301,693,623
Total .....	890,599,096	74,767,418	172,897,080	130,841,768	104,197,113	903,224,713

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Concessional non-budgetary loans made prior to April 1, 1987 are partially provided for in the allowance for valuation of assets and are included with budgetary loans in this table. Budgetary loans have been partially valued in the allowance for valuation of assets.

## Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 are partially provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/2000	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2001
	\$	\$	\$	\$
(a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017:				
Egypt .....	44,995,933			44,995,933
(b) 20 year term, 5 year grace period, 5 percent interest per annum, with final repayments between September 2000 and March 2001:				
Turkey .....	238,623		238,623	
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil .....	4,253,977		289,899	3,964,078
Chile .....	11			11
Cuba .....	9,547,012			9,547,012
Malaysia .....	2,150,313		519,759	1,630,554
Turkey .....	1,775,052		300,584	1,474,468
	17,726,365		1,110,242	16,616,123
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	553,606		171,939	381,667
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	211,654		16,667	194,987

	April 1/2000	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2001
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria .....	12,158,005		197,630	11,960,375
Argentina .....	326,665		18,665	308,000
Bolivia .....	932,692		42,395	890,297
Brazil .....	407,790		20,944	386,846
Chile .....	1,783,739		49,031	1,734,708
Colombia .....	486,688		26,308	460,380
Costa Rica .....	2		2	
Dominican Republic .....	5,630,206		236,045	5,394,161
Ecuador .....	6,634,517		304,919	6,329,598
Guatemala .....	2,681,353		100,000	2,581,353
India .....	488,705,710		19,647,069	469,058,641
Indonesia .....	216,634,493		331,010	216,303,483
Malaysia .....	1,986,243		62,935	1,923,308
Malta .....	599,980		25,000	574,980
Mexico .....	48,500		2,773	45,727
Morocco .....	11,631,598		622,816	11,008,782
Myanmar (Burma) .....	8,306,202			8,306,202
Pakistan .....	447,507,534			447,507,534
Paraguay .....	338,071		19,997	318,074
Peru .....	60,854		3,731	57,123
Philippines .....	2,587,128		171,845	2,415,283
Sri Lanka .....	118,856,627		4,329,145	114,527,482
Thailand .....	24,733,312		526,487	24,206,825
Tunisia .....	79,797,711		3,295,729	76,501,982
	1,432,835,620		30,034,476	1,402,801,144
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria .....	34,846,154		622,546	34,223,608
Subtotal .....	1,531,407,955	(2)	32,194,493	1,499,213,462
Less: budgetary treatment .....	52,856,184	896,911		51,959,273
Total .....	1,478,551,771	896,911	32,194,493	1,447,254,189

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

(1) Receipts and other credits may include transactions such as repayments, forgiveness, etc.

(2) This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

The notes payable outstanding at year end of \$981,243,689 (\$1,402,441,331 in 2000) are reported in Table 5.3 (Section 5 of this volume).



TABLE 9.13

## INTERNATIONAL ORGANIZATIONS

	Payments and other charges			Receipts and other credits		March 31/2001
	April 1/2000	Participation or other charges	Revaluation	Reimbursements or		
				other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES						
Capital subscriptions—						
Finance—						
European Bank for Reconstruction and Development . . . . .	207,736,244	17,786,837	19,545,877			245,068,958
International Bank for Reconstruction and Development (World Bank) . . . . .	401,045,764		14,509,897			415,555,661
International Finance Corporation . . . . .	117,897,095		10,322,299			128,219,394
Multilateral Investment Guarantee Agency . . . . .	9,299,727	6,786,463	831,056			16,917,246
	735,978,830	24,573,300	45,209,129			805,761,259
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank . . . . .	99,857,190	4,451,149	3,220,457			107,528,796
Asian Development Bank . . . . .	216,640,377		16,213,317			232,853,694
Caribbean Development Bank . . . . .	24,822,685		1,743,645			26,566,330
Inter-American Development Bank . . . . .	258,916,005		22,335,431			281,251,436
	600,236,257	4,451,149	43,512,850			648,200,256
	1,336,215,087	29,024,449	88,721,979			1,453,961,515
Loans and advances—						
Finance—						
International Monetary Fund—						
Poverty Reduction and Growth Facility . . . . .	769,645,972	113,533,260	14,973,127	52,530,480		845,621,879
Foreign Affairs and International Trade—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization . . . . .	38,082		1,495			39,577
Customs Co-operation Council . . . . .	9,457				11	9,446
Food and Agriculture Organization . . . . .	1,304,460		114,210			1,418,670
General Agreement on Tariffs and Trade . . . . .	47,423		1,862			49,285
International Maritime Organization . . . . .	2,505				84	2,421
International Atomic Energy Agency . . . . .	554,830		48,577			603,407
International Civil Aviation Organization . . . . .	248,717		21,776			270,493
Paris Union of the World Intellectual Property Organization . . . . .	98,128		3,853			101,981
United Nations Educational, Scientific and Cultural Organization . . . . .	1,083,311		94,848			1,178,159
United Nations organizations . . . . .	4,507,634		394,660			4,902,294
World Health Organization . . . . .	224,758		19,678			244,436
	8,119,305		700,959		95	8,820,169
	777,765,277	113,533,260	15,674,086	52,530,480	95	854,442,048
Total—Non-budgetary . . . . .	2,113,980,364	142,557,709	104,396,065	52,530,480	95	2,308,403,563

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	April 1/2000	Payments and other charges		Receipts and other credits		March 31/2001
		Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
<b>BUDGETARY LOANS AND ADVANCES<sup>(1)</sup></b>						
Finance—						
Global Environment Facility .....	10,000,000					10,000,000
International Development Association .....	5,761,771,395	202,333,333				5,964,104,728
	5,771,771,395	202,333,333				5,974,104,728
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank .....	2,593,896			125,000		2,468,896
African Development Fund .....	1,377,741,765	40,000,000	9,517,494			1,427,259,259
Andean Development Corporation .....	2,937,576			125,000		2,812,576
Asian Development Bank—Special .....	27,027,000					27,027,000
Asian Development Fund .....	1,527,630,058	43,064,726				1,570,694,784
Caribbean Development Bank—						
Agricultural Development Fund .....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional .....	5,797,600		507,600			6,305,200
Caribbean Development Bank—Special .....	126,821,345		1,592,595			128,413,940
Central American Bank for Economic Integration .....	1,338,779				76,500	1,262,279
Global Environment Facility Trust Fund .....	141,110,000	37,500,000				178,610,000
Inter-American Development Bank—Fund for Special						
Operations .....	404,676,631	1,233,116	22,928,060			428,837,807
Multilateral Investment Fund .....	11,388,294					11,388,294
International Bank for Reconstruction and						
Development .....	28,988,000		2,538,000			31,526,000
International Fund for Agriculture Development .....	117,494,176	22,836,835				140,331,011
International Monetary Fund .....	15,899,096		1,392,021			17,291,117
Montreal Protocol Fund .....	38,984,969	5,498,439	3,386,257			47,869,665
	3,832,429,185	150,133,116	41,862,027	250,000	76,500	4,024,097,828
Subtotal—Budgetary .....	9,604,200,580	352,466,449	41,862,027	250,000	76,500	9,998,202,556
Less: budgetary treatment .....	7,540,324,385			358,262,809	3,386,257	7,901,973,451
Total—Budgetary .....	2,063,876,195	352,466,449	41,862,027	358,512,809	3,462,757	2,096,229,105
Total .....	4,177,856,559	495,024,158	146,258,092	411,043,289	3,462,852	4,404,632,668
<b>SUMMARY</b>						
Participation .....	11,718,180,944	495,024,158	146,258,092	52,780,480	76,595	12,306,606,119
Less: budgetary treatment .....	7,540,324,385			358,262,809	3,386,257	7,901,973,451
Total .....	4,177,856,559	495,024,158	146,258,092	411,043,289	3,462,852	4,404,632,668

<sup>(1)</sup> Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

## European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2001, Canada had paid-in shares valued at \$155,471,013 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn).

During the year, transactions included participation and a revaluation adjustment.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

## International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2001, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable. The foreign portion of the payments was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn).

During the year, the only transaction was a revaluation adjustment of \$14.5 million.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

## International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2001, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in. The paid-in amounts were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn).

During the year, the only transaction was a revaluation adjustment of \$10.3 million.

## Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2001, Canada has subscribed to 5,225 shares. The total value of these shares is \$56,534,500 US, of which \$10,732,250 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn).

During the year, the transactions included participation and a revaluation adjustment.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$45,802,250 US.

## African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35a, *Appropriation Act No. 3, 2000-2001*).

At year-end, authority had been granted for subscriptions of 6,769 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2001, Canada's participation to the paid-in capital is \$107,528,796 Cdn for 6,769 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn). During the year, transactions included participation and a revaluation adjustment.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$984,917,646 Cdn and \$177,333,450 US for a total value of \$1,264,448,363 Cdn.

## Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2001, Canada's participation to the paid-in capital is \$232,853,694 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn). During the year, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$3,013,775,982 Cdn.

### **Caribbean Development Bank**

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2*, 2000-2001).

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2001, Canada's participation to the paid-in capital is \$26,566,330 Cdn for 2,278 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn). During the year, transactions involving paid-in shares included only an adjustment made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$77,241,625 Cdn.

### **Inter-American Development Bank**

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2001, Canada's participation to the paid-in capital is \$281,251,436 Cdn for 14,397 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5763 Cdn). During the year, transactions involving paid-in shares included only an adjustment made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$6,094,304,742 Cdn.

### **International Monetary Fund—Poverty Reduction and Growth Facility**

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 700 million.

As at March 31, 2001, Canada has lent a total of 518,166,500 SDR to the Poverty Reduction and Growth Facility. Of this amount, 92,623,575 SDR has been repaid. The outstanding balance of 425,542,925 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.98716 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 168,897,586 SDR, which do not appear in Table 9.13.

### **International organizations and associations**

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

### **Global Environment Facility**

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, no transactions were made.

As at March 31, 2001, advances to the GEF amounted to \$10,000,000 Cdn.

### **International Development Association**

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2001, Canada's total participation in IDA amounted to \$5,964,104,728 Cdn.

### **International financial institutions**

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L30 and L30a, *Appropriation Acts No. 1, No. 2 and No. 3, 2000-2001*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

## Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

**TABLE 9.14**  
**PROVINCIAL AND TERRITORIAL GOVERNMENTS**

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
<b>NEWFOUNDLAND—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	1,005,601	9,644,000	15,014,400	(4,364,799)
Municipal Development and Loan Board .....	1,733,206		179,427	1,553,779
Winter capital projects fund .....	2,836,758			2,836,758
	5,575,565	9,644,000	15,193,827	25,738
Industry—				
Atlantic Development Board carry-over projects .....	222,701		24,850	197,851
Atlantic Provinces Power Development Act .....	33,491,979		5,048,302	28,443,677
	33,714,680		5,073,152	28,641,528
Total Newfoundland .....	39,290,245	9,644,000	20,266,979	28,667,266
<b>NOVA SCOTIA—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	(18,149,000)	18,149,000	22,986,000	(22,986,000)
Municipal Development and Loan Board .....	104,420		16,809	87,611
	(18,044,580)	18,149,000	23,002,809	(22,898,389)
Industry—				
Atlantic Development Board carry-over projects .....	421,504		350,124	71,380
Total Nova Scotia .....	(17,623,076)	18,149,000	23,352,933	(22,827,009)
<b>PRINCE EDWARD ISLAND—</b>				
Finance—				
Federal-provincial fiscal arrangements .....	6,329,660	2,940,000	6,522,020	2,747,640
Municipal Development and Loan Board .....	228,637		12,161	216,476
Winter capital projects fund .....	63,079			63,079
	6,621,376	2,940,000	6,534,181	3,027,195
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement .....	3,752,191		684,948	3,067,243
Total Prince Edward Island .....	10,373,567	2,940,000	7,219,129	6,094,438

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(10,237,000)	10,237,000	12,586,000	(12,586,000)
Municipal Development and Loan Board .....	1,215,352 (9,021,648)	10,237,000	144,864 12,730,864	1,070,488 (11,515,512)
Industry—				
Atlantic Provinces Power Development Act .....	10,637,754		1,548,496	9,089,258
Atlantic Canada Opportunities Agency— Special areas and highways agreement .....	1,299,174 11,936,928		225,371 1,773,867	1,073,803 10,163,061
Total New Brunswick .....	2,915,280	10,237,000	14,504,731	(1,352,451)
QUEBEC—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(78,291,500)	115,284,000	147,847,250	(110,854,750)
Municipal Development and Loan Board .....	12,738,941		1,678,920	11,060,021
Total Quebec .....	(65,552,559)	115,284,000	149,526,170	(99,794,729)
ONTARIO—				
Finance—				
Federal-provincial fiscal arrange- ments .....	93,662,000	170,546,000	93,662,000	170,546,000
Total Ontario .....	93,662,000	170,546,000	93,662,000	170,546,000
MANITOBA—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(22,913,000)	38,286,000	1,631,000	13,742,000
Total Manitoba .....	(22,913,000)	38,286,000	1,631,000	13,742,000
SASKATCHEWAN—				
Agriculture and Agri-Food—				
Agricultural service centres .....	183,235		99,373	83,862
Finance—				
Federal-provincial fiscal arrange- ments .....	(10,507,340)	50,633,000	26,479,660	13,646,000
Municipal Development and Loan Board .....	25,563 (10,481,777)	50,633,000	3,640 26,483,300	21,923 13,667,923
Total Saskatchewan .....	(10,298,542)	50,633,000	26,582,673	13,751,785
ALBERTA—				
Finance—				
Federal-provincial fiscal arrange- ments .....	66,917,000		187,002,000	(120,085,000)
Municipal Development and Loan Board .....	565,886		71,384	494,502
Total Alberta .....	67,482,886		187,073,384	(119,590,498)

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements .....	(96,621,000)	96,621,000	30,593,000	(30,593,000)
Municipal Development and Loan Board .....	520,634		75,792	444,842
Total British Columbia .....	(96,100,366)	96,621,000	30,668,792	(30,148,158)
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements .....	(1,212,001)	1,212,000	27,000	(27,001)
Indian Affairs and Northern Development— Government of the Yukon Territory .....	155,593		63,812	91,781
Total Yukon Territory .....	(1,056,408)	1,212,000	90,812	64,780
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrangements .....	539,000	5,086,000	539,000	5,086,000
Total Northwest Territories .....	539,000	5,086,000	539,000	5,086,000
NUNAVUT—				
Finance—				
Federal-provincial fiscal arrangements .....	431,000		723,000	(292,000)
Total Nunavut .....	431,000		723,000	(292,000)
Total .....	1,150,027	518,638,000	555,840,603	(36,052,576)

**Federal-provincial fiscal arrangements**

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These underpayments are non-interest bearing and are paid in subsequent years.

**Municipal Development and Loan Board**

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 2002 and March 1, 2008.

**Winter capital projects fund**

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

**Atlantic Development Board carry-over projects**

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 1 to 6 years at various anniversary amortization dates, with final instalments between July 31, 2001 and April 1, 2006.

**Atlantic Provinces Power Development Act**

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 13 years, with final instalments due between March 31, 2002 and March 31, 2014.



### Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

### Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

Prior to March 31, 2001, the loans beared interest at rates from 6.3519 percent to 9.5757 percent per annum. As of March 31, the remaining loans bear no interest and are repayable in annual instalments, with final instalments between April 1, 2001 and April 1, 2005.

### Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

### Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Second mortgage . . . . .	5,503		1,752	3,751
Capital expenditures . .	44,772		30,439	14,333
Outside parties—				
Capital projects . . . . .	105,318		31,621	73,697
	155,593		63,812	91,781

The loans bear interest at rates from 6.063 percent to 9.500 percent per annum, and are repayable in equal annual instalments over 25 to 35 years, with final instalments between March 17, 2002 and November 24, 2003.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

**TABLE 9.15**  
**OTHER LOANS, INVESTMENTS AND ADVANCES**

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad .....	22,169,974	724,505,413	716,272,507	30,402,880
Personnel posted abroad .....	11,314,359	17,834,932	17,396,623	11,752,668
	33,484,333	742,340,345	733,669,130	42,155,548
National Defence—				
Imprest accounts, standing advances and authorized loans .....	30,227,600	539,569,744	539,716,529	30,080,815
Public Works and Government Services—				
Miscellaneous accountable advances .....	10,432,172		722,892	9,709,280
Miscellaneous accountable imprest and standing advances .....	18,532,993		2,132,163	16,400,830
	28,965,165		2,855,055	26,110,110
Total— Loans and accountable advances .....	92,677,098	1,281,910,089	1,276,240,714	98,346,473
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings .....	3,867,142		1,020,812	2,846,330
Canadian Heritage—				
Cultural property .....				
Citizenship and Immigration—				
Transportation and assistance loans .....	54,201,478	13,904,831	18,031,770	50,074,539
Finance—				
Canadian Commercial Bank .....	50,830,437		2,650,000	48,180,437
Ottawa Civil Service Recreational Association .....	72,943		12,039	60,904
	50,903,380		2,662,039	48,241,341
Fisheries and Oceans—				
Canadian producers of frozen groundfish .....	128,315			128,315
Haddock fishermen .....	1,346,337			1,346,337
	1,474,652			1,474,652
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation) .....	195,609,668	23,119,712	37,986,250	180,743,130
Human Resources Development—				
Direct financing to students .....	1,435,956,666 <sup>(1)</sup>	1,425,887,293	249,297,736	2,612,546,223
Provincial workers' compensation boards .....	10,810,155	81,000		10,891,155
	1,446,766,821	1,425,968,293	249,297,736	2,623,437,378
Indian Affairs and Northern Development—				
Council of Yukon First Nations—Elders (previously Council for Yukon Indians (Elders)) .....	16,372,142	328,014	434,083	16,266,073
First Nations in British Columbia .....	120,540,030	77,081,175		197,621,205
Indian Economic Development Fund .....	560,744		7,759	552,985
Inuit Loan Fund .....	83,858		1,014	82,844
Native claimants .....	358,007,142	28,850,530	57,934,237	328,923,435
Yukon Energy Corporation .....	30,016,429		456,982	29,559,447
	525,580,345	106,259,719	58,834,075	573,005,989

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2000	Payments and other charges	Receipts and other credits	March 31/2001
	\$	\$	\$	\$
Industry—				
Company stock option.....				
Manufacturing, processing and service industries in Canada.....	110,000,000			110,000,000
Atlantic Canada Opportunities Agency—				
Loans to assist industry in the Cape Breton area.....	3,442,816		3,442,816	
Loans to enterprises in Newfoundland and Labrador.....	512,230		30,550	481,680
	3,955,046		3,473,366	481,680
	113,955,046		3,473,366	110,481,680
National Defence—				
Canadian Forces housing projects.....	2,714,643		1,011,425	1,703,218
Pilot Training Program—MILIT-AIR Inc.....	703,000,000		6,718,601	696,281,399
	705,714,643		7,730,026	697,984,617
Natural Resources—				
Hibernia Development Project.....	82,800,000		9,200,000	73,600,000
Nordion International Inc.....	92,174,200	7,825,800	2,000,000	98,000,000
	174,974,200	7,825,800	11,200,000	171,600,000
Public Works and Government Services—				
Confederation Bridge.....	756,038,543		23,505,457 <sup>(2)</sup>	732,533,086
Seized Property Working Capital Account.....	3,395,343	18,374,314	19,948,916	1,820,741
	759,433,886	18,374,314	43,454,373	734,353,827
Solicitor General—Correctional Service—				
Parolees.....	22,264	10,051	16,766	15,549
Transport—				
Hamilton Harbour Commissioners.....	25,000		25,000	
Saint John Harbour Bridge Authority.....	26,974,702		961,852	26,012,850
St. Lawrence Seaway Management Corporation.....	1,152,403		428,646	723,757
	28,152,105		1,415,498	26,736,607
Veterans Affairs—				
Commonwealth War Graves Commission.....	69,423		2,478 <sup>(3)</sup>	66,945
Veterans' Land Act Fund—				
Advances.....	1,268,169		691,283	576,886
Less: allowance for conditional benefits.....				
	1,268,169		691,283	576,886
	1,337,592		693,761	643,831
Subtotal.....	4,061,993,222	1,595,462,720	435,816,472	5,221,639,470
Add: consolidation adjustment <sup>(4)</sup> .....	223,394,000	155,049,000		378,443,000
Total—Other.....	4,285,387,222	1,750,511,720	435,816,472	5,600,082,470
Total.....	4,378,064,320 <sup>(1)</sup>	3,032,421,809	1,712,057,186	5,698,428,943

<sup>(1)</sup> The April 1, 2000 amount relates to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act* previously reported as «Accounts receivable» in Section 7 of this volume.

<sup>(2)</sup> Reflects amortization of the deferred subsidies related to the Confederation Bridge.

<sup>(3)</sup> This amount represents a revaluation adjustment.

<sup>(4)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

### Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$8,859,110; advances for medical expenses, \$1,051,151; advances for workmen's compensation, \$87,707; security and other deposits under Foreign Service Directives, \$572,360; and, school and club debentures, \$1,182,340.

The loans to employees bear interest at rates from 3 percent to 5 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2001 and March 1, 2005.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$100,000,000, as last amended by National Defence Vote L11a, *Appropriation Act No. 3, 1999-2000* and Vote L11b, *Appropriation Act No. 4, 1999-2000*.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

### Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 2001 and June 30, 2006.

### Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L10, *Appropriation Acts No. 1 and No. 2, 2000-2001*, no loans were made during the year. The total loan authority is \$10,000 per year.

### Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 4.54 percent to 15 percent per annum, with final instalments between April 1, 2001 and April 1, 2008, \$45,160,776; and,
- (b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 2001 and April 1, 2008, \$4,913,763.

During the year, loans totalling \$684,477 were written off by Citizenship and Immigration Vote 2a, *Appropriation Act No. 3, 2000-2001*.

### Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

### **Ottawa Civil Service Recreational Association**

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### **Development of export trade**

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges			Receipts and other credits		March 31/2001
	April 1/2000	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	
<b>NON-BUDGETARY LOANS</b>						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001:						
Brazil .....	4,806,659		409,258			5,215,917
Iran .....	26,082,035		1,844,650	10,945,027		16,981,658
South Africa .....	63,981,652		1,548,248	6,326,361		59,203,539
	<i>94,870,346</i>		<i>3,802,156</i>	<i>17,271,388</i>		<i>81,401,114</i>
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:						
Antigua .....	36,628,982		2,550,696	2,676,671		36,503,007
Jordan .....		9,810,013	419,704	587,240		9,642,477
Kyrgyzstan .....	54,511,200		4,162,591	12,666,291		46,007,500
	<i>91,140,182</i>	<i>9,810,013</i>	<i>7,132,991</i>	<i>15,930,202</i>		<i>92,152,984</i>
Total—Non-budgetary .....	186,010,528	9,810,013	10,935,147	33,201,590		173,554,098
<b>BUDGETARY LOANS</b>						
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:						
Antigua .....	5,018,537		338,386	1,173,266		4,183,657
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:						
Spain .....	22,779,699			637,017	792,687	21,349,995
Thailand .....	7,122,798		606,463			7,729,261
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:						
Antigua .....	4,580,602			1,361,708	213,519	3,005,375
Subtotal—Budgetary .....	39,501,636		944,849	3,171,991	1,006,206	36,268,288
Less: budgetary treatment .....	29,902,496	637,017	792,686	606,463		29,079,256
Total—Budgetary .....	9,599,140	637,017	1,737,535	3,778,454	1,006,206	7,189,032
Total .....	195,609,668	10,447,030	12,672,682	36,980,044	1,006,206	180,743,130
<b>SUMMARY</b>						
Total—Non-budgetary .....	186,010,528	9,810,013	10,935,147	33,201,590		173,554,098
Total—Budgetary .....	39,501,636		944,849	3,171,991	1,006,206	36,268,288
Total .....	225,512,164	9,810,013	11,879,996	36,373,581	1,006,206	209,822,386
Less: budgetary treatment .....	29,902,496	637,017	792,686	606,463		29,079,256
Total .....	195,609,668	10,447,030	12,672,682	36,980,044	1,006,206	180,743,130

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

### Direct financing to students

Direct financing to students includes two portfolios of loans:

(a) loans made under the *Canada Student Financial Assistance Act*; and

(b) amounts subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*.

Loans made under the first portfolio are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources Development to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources Development with the concurrence of the Minister of Finance.

The total amount of loans outstanding may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

The total amount of loans outstanding in this portfolio as at March 31, 2001 amounts to \$1,415,271,522.

The second portfolio includes loans outstanding which are amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*, amounting to \$1,197,274,701 as at March 31, 2001 and \$1,435,956,666 as at March 31, 2000. These amounts were previously included in the "Accounts receivable" of the Government and were presented in Section 7 of this volume in 1999-2000 and prior years.

### Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

### Council of Yukon First Nations—Elders (previously Council for Yukon Indians (Elders))

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indian pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L21a, *Appropriation Act No. 3, 2000-2001*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 5 percent to 6 percent per annum.

### First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L20a, *Appropriation Act No. 3, 2000-2001*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

All the loans outstanding at year end are non-interest bearing.

### Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

The loans bear interest at rates from 6.25 percent to 11.25 percent per annum, and are repayable over 1 to 14 years, with final instalments between April 1, 2001 and April 1, 2008.

### **Inuit Loan Fund**

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 9.75 percent to 13 percent per annum, and are repayable over 1 to 7 years, with final instalments between April 1, 2001 and February 2, 2004.

### **Native claimants**

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L20 and L20a, *Appropriation Acts No. 1, No. 2 and No. 3, 2000-2001*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$141,496,599 and \$187,426,836 respectively. Rates are from 5 percent to 11 percent per annum for the interest-bearing portion.

### **Yukon Energy Corporation**

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans for the Flexible Term Note (FTN) bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. Furthermore, interpretation of the FTN relating to the sales of power is currently under discussion between the Department and the Yukon Energy Corporation.

### **Company stock option**

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
  - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
  - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Acts No. 1 and No. 2, 2000-2001*.

### **Manufacturing, processing and service industries in Canada**

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.



During the year, additional loans were authorized by Industry Vote L15, *Appropriation Acts No. 1 and No. 2, 2000-2001*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

### **Loans to assist industry in the Cape Breton area**

Loans have been made for the purpose of promoting the establishment, growth, efficiency and international competitiveness of Canadian industry or to assist them in their financial restructuring and to foster the expansion of Canadian trade to a person engaged or about to engage in a manufacturing, processing or service industry in the Cape Breton area.

During the year, loans totalling \$3,442,816 were written off by Atlantic Canada Opportunities Agency Vote 21a, *Appropriation Act No. 3, 2000-2001* and the account was closed.

### **Loans to enterprises in Newfoundland and Labrador**

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Department.

The remaining loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates.

### **Canadian Forces housing projects**

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 2001 and November 1, 2010.

### **Pilot Training Program—MILIT-AIR Inc.**

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated

to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75 percent semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$709 million, offset by deferred payments. These deferred payments will be amortized over the 21-year period ending on December 30, 2021.

### **Hibernia Development Project**

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

### **Nordion International Inc.**

A \$100 million loan is being made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

During the year, loan payments were made as authorized by Natural Resources Vote L10, *Appropriation Acts No. 1 and No. 2, 2000-2001*.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

### **Confederation Bridge**

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of the Confederation Bridge. Payments of the annual subsidy began on May 31, 1997 and will continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

On April 1, 2000, the fourth payment of the annual subsidy was made in the amount of \$46.9 million. This payment represents payment of principal in the amount of \$15.4 million and interest expense of \$31.5 million. The interest rate is 4.009 per cent and the present value of the annual cash payment is \$46.9 million.

As a result, the Government of Canada has a recorded liability of \$770 million offset by deferred subsidies of \$732.5 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The bonds will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 2000-2001 of \$23.5 million.

### **Seized Property Working Capital Account**

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

### **Parolees**

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$10,164 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### **Hamilton Harbour Commissioners**

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

During the year, the remaining loan was repaid in full and the account was closed.

### **Saint John Harbour Bridge Authority**

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

### **St. Lawrence Seaway Management Corporation**

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.5 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being March 2004.

### **Commonwealth War Graves Commission**

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

## **Veterans' Land Act Fund**

### *Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

### *Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

## **Allowance for Valuation**

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

# SECTION 10

2000-2001

*PUBLIC ACCOUNTS OF CANADA*

## Other Information Related to the Financial Statements

### CONTENTS

	<i>Page</i>
Contractual commitments .....	10.2
Insurance programs of agent enterprise Crown corporations .	10.15
Contingent liabilities .....	10.17
International organizations .....	10.20

## OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to the following:

- contractual commitments;
- insurance programs of agent enterprise Crown corporations;
- contingent liabilities; and,
- international organizations.

### Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. In the case of contractual commitments to international organizations, some will result in future budgetary expenditures while others will result in non-budgetary payments.

Contractual commitments can be classified into five main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating and capital leases, international organizations and benefit and pension plans.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases.

All outstanding contractual commitments of \$10 million or more per project at year end are reported in the case of fixed assets, purchases, operating leases and transfer payment agreements. All capital lease arrangements with total minimum lease payments remaining at year end in excess of \$1 million per

contract are reported. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

While no details are provided in this section, as indicated in Note 12 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,350 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Pension Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *Royal Canadian Mounted Police Pension Continuation Act*. The estimated total obligations of these plans amount to \$45 million and \$80 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

**TABLE 10.1**

### CONTRACTUAL COMMITMENTS

(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3 .....	16,411	8,239	2,231			26,881
Table 10.4 .....			2,086			2,086
Table 10.6 .....				1,038		1,038
Pension plans for veterans .....					6,635	6,635
Liability under continuation acts .....					125	125
Total .....	16,411	8,239	4,317	1,038	6,760	36,765

Table 10.2 summarizes the information presented in Table 10.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 2002 to 2006 inclusive, and a total for amounts due in the year 2007 and subsequently.

**TABLE 10.2****SCHEDULE OF MINIMUM PAYMENTS**

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Commitments under operating and capital lease arrangements	Commitments to international organizations	Benefit and pension plans	Total
2002 .....	4,461	2,375	272	587	1,323	9,018
2003 .....	3,645	1,813	266	347	1,350	7,421
2004 .....	2,960	892	280	42	1,371	5,545
2005 .....	2,690	583	246	29	1,362	4,910
2006 .....	2,234	441	222	27	1,354	4,278
2007 and subsequently .....	421	2,135	3,031	6		5,593
Total .....	16,411	8,239	4,317	1,038	6,760	36,765

**Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases**

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 12 to the audited financial statements in Section 1 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program . . . . .	27,482 <sup>(1)</sup>	27,482	18,893	8,589 <sup>(2)</sup>	1,730	1,723	1,719	1,715	1,702	
Environment—										
Grant—Foundation for Sustainable Development Technology—Calgary . . . .	50	50		50	50					
Health—										
Indian and Northern Health Services . . . . .	981	981	651	330	148	95	53	33	1	
Moose Factory Hospital . . . . .	66	66	51	15	15					
Canadian International Development Agency—										
Geographic Programs . . . . .	302	302	94	208	64	47	41	19	4	33
Partnership Program . . . . .	171	171	128	43	23	10	6	3		1
Country in Transition Program . . . . .	56	56	26	30	4	9	6	6	5	
Multilateral Program . . . . .	118	118	106	12	10					2
Citizenship and Immigration—										
Canada-Quebec Accord . . . . .	599	599	104	495	99	99	99	99	99	
Canada-Manitoba Accord . . . . .	30	30	5	25	5	5	5	5	5	
Canada-British Columbia Accord . . . . .	288	288	48	240	48	48	48	48	48	
Canadian Heritage—										
Contributions—										
Radio-Canada International (CBC) . . . . .	16	16		16	16					
Canada Post Corporation . . . . .	93	93	46	47	47					
2001 World Championships in Athletics—Edmonton, Alberta . . . . .	38	38	19	19	19					
Protocol for Agreements between Canada and the provinces and territorial governments for Minority-Language Education and Second Language Instruction . . . . .	547	547	182	365	182	183				
Completion and full development of French-Language colleges in Ontario . . . . .	18	18	5	13	5	4	4			
School Governance in Ontario . . . . .	52	52	18	34	18	16				
Indian Affairs and Northern Development—										
Comprehensive Land Claims Agreement—										
Indian and Inuit Affairs . . . . .	734	734	387	347	73	74	77	58	45	20
Northern Affairs . . . . .	150	150	123	27	13	11	3			
Alternative Funding Arrangement . . . . .	360	360	271	89	52	33	4			
Financial Transfer Arrangement . . . . .	1,875	1,875	820	1,055	350	343	175	132	55	
Comprehensive Funding Arrangement . . . . .	565	565	165	400	223	44	44	44	45	
Canada First Nations Funding Agreement . . . . .	1,120	1,120	228	892	234	224	198	192	44	
DIAND/First Nations Funding Arrangement . . . . .	562	562	101	461	114	111	109	97	30	
Mushuau Innu Relocation Agreement . . . . .	113	113	68	45	23	22				
Contribution Agreement . . . . .	301	301	40	261	20	39	39	42		121
Grant Agreement . . . . .	227	227	147	80	39	10	10	10	11	

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
Atlantic Canada Opportunities Agency—										
Economic Development Programs—										
Canada /Newfoundland Comprehensive Economic Development Agreement .....	67	67	17	50	23	17	10			
Canada/Newfoundland Agreement on Economic Renewal (TAGS-ER) .....	74	74	64	10	10					
Canada/Newfoundland Agreement for the Economic Development Component of the Canadian Fisheries Adjustment and Restructuring Initiative .....	65	65	31	34	28	6				
Canada/PEI Agreement on Regional Economic Development - 1996-2001 .....	36	36	31	5 <sup>(3)</sup>	5					
Canada/Nova Scotia Co-operation Agreement on Economic Diversification .....	183	183	158	25	13	11	1			
Canada/New Brunswick Regional Economic Development Agreement .....	216	216	184	32	16	16				
Industry—										
Bioniche Life Science Inc. ....	17	17	1	16	5	6	4	1		
Coltec Aerospace Canada Ltd. ....	50	50	4	46	7	10	15	10	4	
Honeywell ASCA Inc. ....	67	67	18	49	16	16	17			
Ifire Technology Inc. ....	30	30	8	22	12	10				
Laboratoires Aétéma Inc. ....	29	29	12	17	3	5	6	3		
Messier-Dowty Inc. ....	26	26	4	22	6	7	7	2		
The Canadian Institute for Advanced Research .....	14	14	4	10	4	3	3			
CAE Electronics .....	73	73	35	38	15	12	6	5		
IBM Canada Ltd. E-commerce software .....	33	33	25	8 <sup>(3)</sup>	8					
Pratt & Whitney Canada Inc. ....	251	251	127	124	72	46	6			
Canarie Inc.—Phase 3 Advanced applications development .....	78	78	7	71	23	30	18			
Aventis Pasteur Ltd—Cancer Vaccines .....	60	60	16	44	5	6	9	9	15	
International Tele- communication Union— ITU operations .....	77	77	43	34	7	7	7	7	6	
Biochem Pharma Inc.— recombinant vaccine technology .....	80	80	8	72	7	12	16	16	21	
Research in Motion—3G and future wireless network .....	34	34	13	21	11	10				
Rolls-Royce Canada Inc.— aero driven stationary .....	53	53	13	40	9	8	12	11		
Economic Development Agency of Canada for the Regions of Quebec—										
Canada Infrastructure Works Agreement-Quebec .....	636	636	619	17	15	2				



TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
Innovation Development										
Entrepreneurship and Export										
Program (IDEA—SME) .....	360	360	275	85	50	23	6	3	3	
Community Futures										
Program (CFP) .....	205	205	127	78	17	16	15	15	15	
Regional Strategic Initiative										
Program .....	299	299	135	164	67	53	27	6	11	
Administration Portuaire de Québec .....	19	19	3	16	10	4	2			
Canadian Support Program for the										
Gaspé Economy .....	15	1		1 <sup>(3)</sup>	1					
Special Fund for the Economic										
Development and Adjustment										
of Quebec fishing communities .....	17	17	13	4 <sup>(3)</sup>	3	1				
National Research Council										
of Canada—										
James Clerk Maxwell Telescope										
Mauna Kea, Hawaii, USA .....	38	38	27	11	1	1	1	1	1	6
Gemini Twin Telescope Project—										
Cerro Pachon, Chile and										
Mauna Kea, Hawaii, U.S.A. ....	94	94	34	60	5	6	6	6	6	31
Tri-University Meson										
Facility (TRIUMF)										
Vancouver, B.C. ....	452	452	176	276	40	41	40	40	19	96
Canada-France-Hawaii Telescope										
Corporation—Mauna Kea, Hawaii .....	104	104	64	40	4	4	4	4	4	20
Natural Resources—										
The Foundation for Sustainable										
Development Technology										
in Canada .....	50	50		50	50					
Development of Renewable										
Energy—Saskatchewan										
Power Corporation .....	12	12		12	1	1	1	1	1	7
Hibernia Development Project—										
Interest Assistance Loan										
Agreement .....	237	221	6	215	46	43	37	32	29	28
Transport—										
Province of Quebec										
Road Agreement .....	271	271	195	76	4	4	4	4	4	56
Western Economic										
Diversification—										
Western Economic										
Diversification Program .....	652	625	434	191	104	48	31	7	1	
Canada-Manitoba Red River Flood										
Assistance										
Province of Manitoba .....	46	46	30	16	16					
Loan/Investment Fund										
Program .....	150	44	30	14	6	2	2	4		
<i>Subtotal</i> .....	<i>42,184</i>	<i>42,021</i>	<i>25,717</i>	<i>16,304</i>	<i>4,369</i>	<i>3,637</i>	<i>2,953</i>	<i>2,690</i>	<i>2,234</i>	<i>421</i>
Consolidated Crown										
Corporations—										
Canadian Film										
Development										
Corporation—										
Financial Assistance to										
producers and distributors .....	43	43		43	43					
Enterprise Cape Breton										
Corporation—										
EDS Systemhouse Inc.—Economic										
Development program .....	13	13	11	2 <sup>(3)</sup>	2					

10.6 OTHER INFORMATION RELATED TO  
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
International Development										
Research Centre—										
Micronutrient Initiative .....	113	113	94	19	19					
The Canada Council for the Arts—										
Future year										
grants .....	43	43		43	28	8	7			
<i>Subtotal</i> .....	<i>212</i>	<i>212</i>	<i>105</i>	<i>107</i>	<i>92</i>	<i>8</i>	<i>7</i>			
<b>Total transfer</b>										
<b>payment agreements</b> .....	<b>42,396</b>	<b>42,233</b>	<b>25,822</b>	<b>16,411</b>	<b>4,461</b>	<b>3,645</b>	<b>2,960</b>	<b>2,690</b>	<b>2,234</b>	<b>421</b>
Fixed assets and purchases—										
Fixed assets—										
Parks Canada—										
Lachine Canal										
Enhancement .....	37	37	22	15	11	3	1			
Grosse-Île Development .....	38	38	19	19	1	1	1	16		
Saguenay Marine Park										
Development .....	36	36	25	11	2	2	2		5	
Gwaii Haanas Development .....	20	20	17	3 <sup>(3)</sup>	2	1				
Fundy Highway 114 Repavement .....	11	11	6	5 <sup>(3)</sup>	4	1				
National Defence—										
CF18 Modernization-Engineering										
change 583 .....	1,080	681	17	664	103	213	162	108	66	12
Military Automated Air Traffic										
System .....	179	73	48	25	13	7	5			
Canadian Search and Rescue										
Helicopter .....	770	693	430	263	169	94				
Tactical Command Control										
and Communication										
System .....	1,929	1,578	1,556	22	14	3	5			
Land Forces Command										
System .....	178	145	122	23	20	3				
Armoured Personnel Carriers .....	2,226	1,950	1,118	832	390	366	55	21		
Leopard thermal										
sight .....	139	114	89	25	25					
Canadian Forces										
Supply System										
upgrade .....	304	219	180	39	28	11				
Canadian Patrol Frigate .....	8,972	29	17	12	8	4				
Tribal Class Update and										
Modernization Project (TRUMP) .....	1,417	72	59	13	11	2				
Canadian Forces										
Utility Tactical										
Helicopter (CFUTTH) .....	1,293	22	12	10	8	2				
M113 Life Extension Project .....	366	284	82	202	44	44	44	27	20	23
Canadian Submarine Capability										
Life Extension .....	812	679	359	320	55	51	52	53	59	50
Evolved Sea Sparrow										
Missile Project .....	514	416	170	246	16	34	35	58	60	43
Defence Message										
Handling System .....	130	45	11	34	15	13	6			
Protected Military Satellite										
Communications—U.S. Department										
of Defence .....	251	218		218	48	58	47	42	10	13
Other Fixed Assets (DND) .....	593	396	161	235	164	52	18	1		

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
Public Works and Government Services— Crown purchase of 401, Burrard Street Vancouver, B.C. (Canada Lands Company).....	58	58	13	45		45				
Crown purchase of Ottawa City Hall.....	72	72	36	36	36					
Matsqui Regional Health Centre— Bird Construction .....	44	44	1	43	17	13	13			
Alaska Highway.....	512	465	429	36	13	23				
Laurier-Taché Garage Repairs .....	48	48	10	38	11	7	10	10		
Library of Parliament— Renovations .....	78	78	10	68	33	20	15			
West Block Renovations .....	88	88	8	80	13	28	28	11		
Renovations to Parliament Hill.....	25	25	8	17	17					
Solicitor General— Correctional Service— Construction of Regional Health Centre Abbotsford, B.C.— Bird Construction Co.....	44	44	1	43	16	16	11			
<i>Subtotal</i> .....	22,264	8,678	5,036	3,642	1,307	1,117	510	347	220	141
Consolidated Crown Corporation— National Capital Commission— Other Capital Projects .....	50	50	37	13	13					
VIA Rail Canada Inc.— Purchase of Locomotives— General Electric Corporation .....	78	78	8	70	70					
<b>Total fixed assets</b> .....	<b>22,392</b>	<b>8,806</b>	<b>5,081</b>	<b>3,725</b>	<b>1,390</b>	<b>1,117</b>	<b>510</b>	<b>347</b>	<b>220</b>	<b>141</b>
Purchases — Environment— Radiosondes and Batteries—Vaisala Inc....	13	13	3	10	3	3	4			
Health— Non-Insured Health Program for First Nations and Inuit people.....	46	46	13	33	9	9	9	6		
Industry— Canadian Space Agency— Mobile Servicing System— SPDM Development— MacDonald Dettwiler Space and Advanced Robotics Ltd.....	173	173	158	15	15					
Radarsat-2 construction— MacDonald Dettwiler Ltd. ....	394	394	227	167	62	54	50	1		
Radarsat 1 operation—SED Systems....	19	19		19	4	5	5	5		
Scientific activities MSS operations — MacDonald Dettwiler Space and Advanced Robotics Ltd. ....	72	72	19	53	36	17				
National Defence— Ammunition .....	33	33	12	21	9	2	10			
Military pilot training—Bombardier Inc. ....	324	291	265	26	26					
Peacock Inc.—NETE Integrated Services .....	130	32	7	25	12	13				
Air Canada—CC-150 Integrated Services .....	134	134	121	13	13					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—Continued

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31						
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	2002	2003	2004	2005	2006	2007 and subse- quently	
Frontec Logistics Corporation— North Warning System support .....	317	317	293	24	24						
Bombardier—NATO Flying Training Centre .....	3,164	2,634	216	2,418	134	137	141	142	144	1,720	
Serco Ltd.—Goose Bay ASD .....	150	150	84	66	30	36					
Consolidated Automatic Test Equip- ment Support Facility—Harris Canada ..	200	200	31	169	17	25	26	27	27	47	
IMP Group Ltd—Cormoran Integrated Services .....	139	139		139			24	33	34	48	
Other purchases (DND) .....	692	678	298	380	207	88	29	13	8	35	
Human Resources											
Development—											
Canada Student											
Financial Assistance Act											
Risk premium—Financial Institutions ...	393	393	333	60	29	20	11				
Service providers—Private											
Institutions .....	137	137	1	136	36	47	53				
Reprofiling of HRDC contribution for the Census—											
Statistics Canada .....	47	47	4	43	10	9	8	8	8		
Purchase of License fee and maintenance—											
Oracle Corporation Canada Inc. ....	36	13	13	(3)							
Public Works and											
Government Services—											
Brookfield LePage Johnson Controls											
Property Management Services											
Calgary, Alta. ....	24	24	14	10	5	5					
Winnipeg, Man. ....	37	37	23	14	7	7					
Québec West .....	137	104	63	41	23	18					
Québec East .....	63	47	28	19	11	8					
Ottawa, Ont. (NCA-1,2,and 3) .....	446	446	276	170	85	85					
Vancouver, B.C. ....	33	33	20	13	7	6					
Greater Toronto Area, Ont. ....	81	81	49	32	16	16					
Greater Ontario Area, Ont. ....	86	86	52	34	17	17					
Subtotal .....	7,520	6,773	2,623	4,150	847	627	370	235	221	1,850	
Consolidated Crown											
Corporations—											
Canadian Broadcasting											
Corporation—											
Sports Rights .....	31	31	19	12	8	4					
National Hockey League .....	179	179	110	69	46	23					
I.O.C.—Olympics .....	240	240	59	181	23	14				144	
Blue Jays Baseball .....	21	21	14	7(3)	7						
Canadian Football League .....	19	19	9	10	5	5					
Air Farce Productions .....	21	21		21	7	7	7				
Stentor—Network Services .....	67	67	48	19	9	10					
Profac Facility and Property											
Management .....	104	104	83	21	21						

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2007 and subse- quently
					2002	2003	2004	2005	2006	
National Capital Commission— Employee take over, Minto, Profac & Lafleur Service Contract .....	34	34	10	24	12	6	5	1		
<i>Subtotal</i> .....	<i>716</i>	<i>716</i>	<i>352</i>	<i>364</i>	<i>138</i>	<i>69</i>	<i>12</i>	<i>1</i>		<i>144</i>
Total purchases .....	8,236	7,489	2,975	4,514	985	696	382	236	221	1,994
<b>Total fixed assets and purchases</b> .....	<b>30,628</b>	<b>16,295</b>	<b>8,056</b>	<b>8,239</b>	<b>2,375</b>	<b>1,813</b>	<b>892</b>	<b>583</b>	<b>441</b>	<b>2,135</b>
Operating leases— Environment— Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C. ....	472	472	61	411	6	5	5	7	7	381
Supercomputer Hardware and Software Lease NEC Corporation .....	85	85	67	18	8	8	2			
Building Lease and operating costs — Carleton University, Ottawa .....	50	50		50		2	2	2	2	42
Foreign Affairs and International Trade— Mitsui Fudosan New York .....	52	52	8	44	3	3	3	3	3	29
Hong Kong Land Limited, Hong Kong .....	53	53	42	11	6	5				
Tower Plaza Associates New York .....	20	20	9	11	1	1	1	2	2	4
Privy Council— Chief Electoral Officer— IBM Canada Ltd. EDP Services .....	14	14	4	10	4	3	3			
National Defence— Société en Commandite Milican .....	176	176	27	149	5	5	5	5	5	124
Edmonton North Armoury— Axor Group Inc. ....	28	28	1	27	1	1	1	1	1	22
Public Works and Government Services— Jean Edmonds Towers, Ottawa .....	170	170	115	55	13	13	13	13	3	
300/330 Sparks Street, Ottawa .....	178	178	143	35	14	14	7			
200 Kent St., Ottawa .....	104	104	72	32	11	11	10			
344 Slater St., Ottawa .....	135	135	11	124	7	7	10	11	11	78
VIA Rail Station—Winnipeg .....	13	13	3	10	1	1	1	1	1	5
320 Queen Street, Ottawa .....	39	39	9	30	4	4	4	4	4	10
340 Laurier Street, Ottawa .....	56	56		56	6	6	6	6	6	26
Barclay Center, Calgary, Alberta Inc. (725844 Alberta) .....	36	36	9	27	4	4	4	4	4	7
Standard Life Assurance Co. Toronto .....	26	26	10	16	4	4	4	4		
Aon Inc. Peterborough, Ont. ....	24	24	11	13	1	1	1	1	1	8
Orlando Corporation, Mississauga, Ont. ...	43	43	2	41	5	5	5	5	5	16
The Exchange Tower Ltd., Toronto .....	28	28	4	24	6	6	6	6		
National Capital Commission 40 Elgin Street, Ottawa .....	13	13	2	11	1	1	1	1	1	6
Amon Corporation—25 Nicholas Street, Ottawa .....	22	22	4	18	2	2	2	2	2	8
The Cadillac Fairview Corporation— 191 Laurier Avenue, Ottawa .....	14	14	3	11	3	3	3	2		
1258898 Ontario Ltd.—400 Cumberland Street, Ottawa .....	26	26	1	25	1	1	1	1	1	20
800 Burrard Street, Vancouver .....	69	69		69			4	7	7	51

10.10 OTHER INFORMATION RELATED TO  
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2001—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					
					2002	2003	2004	2005	2006	2007 and subse- quently
The Hi-Rise Group, Toronto .....	263	263		263			28	12	12	211
Solicitor General—										
Royal Canadian Mounted Police—										
Dispatch radio service—Manitoba										
Telephone Service (MTS)										
Mobility .....	59	59	19	40	6	6	6	6	6	10
<i>Subtotal</i> .....	<i>2,268</i>	<i>2,268</i>	<i>637</i>	<i>1,631</i>	<i>123</i>	<i>122</i>	<i>138</i>	<i>106</i>	<i>84</i>	<i>1,058</i>
Consolidated Crown										
Corporations—										
National Capital										
Commission—										
Chalmers Building										
40 Elgin St., Ottawa .....	144	144	5	139	5	5	5	6	6	112
VIA Rail Canada Inc.—										
Central Station — Montreal .....	51	51	18	33	4	4	4	4	4	13
Union Station — Toronto .....	130	130	2	128	2	2	2	2	2	118
TrizecHahn PVM Inc.—										
Office Space .....	84	84	71	13	5	2	1	1	1	3
Canadian Broadcasting										
Corporation—										
Satellite lease (Telesat) .....	216	216	6	210	15	15	15	14	14	137
Canadian Film Development										
Corporation—										
Office leases .....	12	12		12	3	2	1	1		5
International Development										
Research Centre—										
Office space lease .....	22	22	2	20	3	3	2	3	3	6
Office Maintenance Lease .....	18	18	1	17	2	2	3	3	3	4
Canada Council—										
Operating leases .....	11	11		11	3	3	2	1	1	1
National Gallery of Canada—										
Operating leases .....	12	12	2	10	1		1			8
National Museum of Science										
and Technology—										
Operating leases .....	11	9	2	7 <sup>(3)</sup>	2	2	2	1		
<i>Subtotal</i> .....	<i>711</i>	<i>709</i>	<i>109</i>	<i>600</i>	<i>45</i>	<i>40</i>	<i>38</i>	<i>36</i>	<i>34</i>	<i>407</i>
<b>Total operating</b>										
<b>leases</b> .....	<b>2,979</b>	<b>2,977</b>	<b>746</b>	<b>2,231</b>	<b>168</b>	<b>162</b>	<b>176</b>	<b>142</b>	<b>118</b>	<b>1,465</b>
<b>Grand total</b> .....	<b>76,003</b>	<b>61,505</b>	<b>34,624</b>	<b>26,881</b>	<b>7,004</b>	<b>5,620</b>	<b>4,028</b>	<b>3,415</b>	<b>2,793</b>	<b>4,021</b>

(1) The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment were first reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

(2) The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,589 million), should therefore not be interpreted as the total outstanding commitment at March 31, 2001.

(3) Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

**Capital Leases**

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 12 to the audited financial statements in Section I of this volume. A capital lease is a lease that, transfers substantially all the benefits and risks incident to ownership of the asset to the lessee. Table 10.5 presents commitments under capital lease arrangements in order of maturity. Table 10.5a presents details of purchase options exercised during the year.

**TABLE 10.4****COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS**

(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception date	Total estimated minimum lease payments, full term (excluding executory costs)	Final purchase option price included in total estimated minimum lease payment	Implicit interest rate (%)	Balances at March 31, 2001		
							Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs
Canadian Heritage— Greenwich Centre, Charlottetown <sup>(1)</sup>									
National Defence— Shawinigan Armoury .....	May 12, 1999	20	6,000	11,160		6.72 <sup>(2)</sup>	10,107	4,360	5,747
Public Works and Government Services—									
Guy Favreau Building, Montréal . . .	Jan 1, 1994	25	84,200	227,570	30,000	8.7 <sup>(2)</sup>	170,274	92,210	78,064
240 Sparks St, Ottawa .....	Sept 1, 1977	35	63,700	213,500		9.2 <sup>(2)</sup>	69,642	26,598	43,044
L'Esplanade Laurier, Ottawa .....	Oct 1, 1995	15	46,800	102,929	18,000	10.6 <sup>(2)</sup>	71,260	30,532	40,728
Place du Centre, Hull .....	Feb 17, 1978	30	26,201	96,204	6,000	11.2 <sup>(2)</sup>	26,433	9,333	17,100
Terrasses de la Chaudière, Hull .....	Jan 1, 1993	20	146,084	372,250	54,000	9.6 <sup>(2)</sup>	244,173	116,152	128,021
Government of Canada Building, (GOCB), Cornwall .....	Dec 1, 1994	25	9,200	24,770		9.8 <sup>(2)</sup>	18,496	10,014	8,482
Chatham (GOCB) .....	June 1, 1995	25	4,768	11,745		8.7 <sup>(2)</sup>	8,979	4,617	4,362
Place Vincent Massey, Hull .....	Aug 1, 1996	15	21,000	50,860	15,725	10.5 <sup>(2)</sup>	39,929	19,722	20,207
Canada Place, Edmonton <sup>(3)</sup> .....									
Louis Saint-Laurent, Hull .....	Nov 1, 1996	20	68,900	148,500	15,000	8.2 <sup>(2)</sup>	118,621	55,565	63,056
Block 56, Vancouver .....	May 1, 1995	25	54,100	166,673		11.6 <sup>(2)</sup>	127,227	76,240	50,987
OACI, Montreal .....	Dec 1, 1996	20	100,000	246,600	23,450	10.0 <sup>(2)</sup>	198,230	104,802	93,428
			624,953	1,661,601	162,175		1,093,264	545,785	547,479
Consolidated Crown corporation— Canadian Broadcasting Corporation— Canadian Broadcasting Centre, 250 Front St. W., Toronto .....	Oct 14, 1988	30	485,111	1,257,734		7.53 <sup>(2)</sup>	875,529	498,644	376,885
Canadian Museum of Nature— National Heritage Building Aylmer, Quebec .....	Sept 30, 1996	35	35,040	122,500		9.88 <sup>(2)</sup>	106,750	73,230	33,520
Total .....			1,151,104	3,052,995	162,175		2,085,650	1,122,019	963,631

<sup>(1)</sup> This item has been deleted for fiscal year 2000-2001 as it has since been determined that it did not meet the definition of a capital lease.

<sup>(2)</sup> Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

<sup>(3)</sup> Purchase options exercised during the year (See Table 10.5A)

**TABLE 10.5****COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY**

(in thousands of dollars)

Department and agency	Payments due in											
	2002	2003	2004	2005	2006	2007 to 2011	2012 to 2016	2017 to 2021	2022 to 2026	2027 to 2031	2032 to 2036	Total
National Defence—												
Remaining payments .....	558	558	558	558	558	2,790	2,790	1,737				10,107
Imputed interest .....	387	375	362	349	335	1,431	908	213				4,360
Net commitments .....	171	183	196	209	223	1,359	1,882	1,524				5,747
Public Works and Government Services—												
Remaining payments .....	66,675	66,675	66,675	66,675	66,675	359,924	267,290	132,675				1,093,264
Imputed interest .....	52,345	50,889	49,286	47,517	45,570	189,335	93,301	17,542				545,785
Net commitments .....	14,330	15,786	17,389	19,158	21,105	170,589	173,989	115,133				547,479
Canadian Broadcasting Corporation—												
Remaining payments .....	33,039	33,039	33,039	33,039	33,039	165,194	165,194	165,194	165,194	49,558		875,529
Imputed interest .....	28,292	27,928	27,536	27,113	26,659	125,156	107,252	81,343	43,852	3,513		498,644
Net commitments .....	4,747	5,111	5,503	5,926	6,380	40,038	57,942	83,851	121,342	46,045		376,885
Canadian Museum of Nature—												
Remaining payments .....	3,500	3,500	3,500	3,500	3,500	17,500	17,500	17,500	17,500	17,500	1,750	106,750
Imputed interest .....	3,321	3,302	3,281	3,259	3,233	15,689	14,531	12,632	9,519	4,413	50	73,230
Net commitments .....	179	198	219	241	267	1,811	2,969	4,868	7,981	13,087	1,700	33,520
Summary—												
Remaining payments .....	103,772	103,772	103,772	103,772	103,772	545,408	452,774	317,106	182,694	67,058	1,750	2,085,650
Imputed interest .....	84,345	82,494	80,465	78,238	75,797	331,611	215,992	111,730	53,371	7,926	50	1,122,019
Net commitments .....	19,427	21,278	23,307	25,534	27,975	213,797	236,782	205,376	129,323	59,132	1,700	963,631

**TABLE 10.5a****CAPITAL LEASES-PURCHASE OPTION EXERCISED DURING THE YEAR**

(in thousands of dollars)

Department and agency identification of capital lease	Original lease plan				Values upon exercise of purchase option					
	Total minimum lease payments, including bargain purchase option	implicit interest	executory costs	Net commitments	Total minimum lease payments including purchase option exercised	Implicit interest	Net minimum lease payments	Executory costs	Purchase option exercised	Marker or appropriate value of acquisition
Public Works and Government Services—										
Canada Place, Edmonton .....	192,203	93,752	Nil	98,451	115,483	17,032	98,451	Nil	98,826	N/A
Total .....	192,203	93,752		98,451	115,483	17,032	98,451		98,826	



**International Organizations**

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 12 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans, advances and paid-in share. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 12 to the audited financial statements in Section 1 of this volume.

**TABLE 10.6****INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY**

(in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans.....	453	126	579
Budgetary loans and advances.....	459		459
Total.....	912	126	1,038

## Insurance Programs of Agent Enterprise Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented below has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the *“President of the Treasury Board’s Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada”*.

In Table 10.7, a minus “-” sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year. Information contained in this table is summarized in Note 13 to the financial statement of the Government in Section 1 of this volume.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS  
FOR THE YEAR ENDED MARCH 31, 2001

(in millions of dollars)

	Canada Deposit Insurance Corporation <sup>(1)</sup>		Canada Mortgage and Housing Corporation <sup>(2)(6)</sup>				Export Development Corporation <sup>(3)(4)</sup>	
	2000-2001	1999-2000	Mortgage Insurance Fund	2000-2001	1999-2000	Mortgage-Backed Securities Guarantee Fund	2000-2001	1999-2000
Insurance in force as at reporting date. ....	339,479	327,037	200,700	189,400	34,217	27,709	11,225	11,100
Opening balance of Fund/Allowance .....	298	27	525	196	58	47	(3)	(3)
Revenues for the period—								
Premiums and fees .....	140	135	657	589	15	12	133	128
Investment income .....	35	32	259	241	8	6		
Other revenues .....	21	3	47	49	2	2		
Total revenues .....	196	170	963	879	25	20	133	128
Expenses for the period—								
Loss on/provision for claims .....	-13	-5	351	313			153	140
Interest on loans .....			-43	-89		2		
Administrative and tax .....	21	17	228	302	11	7		
Funds returned to Government .....		1	29	24	2			
Other expenses .....	31		27				-22 <sup>(4)</sup>	-15 <sup>(4)</sup>
Total expenses .....	39	13	592	550	13	9	131	125
Net income/loss (-) for the period— .....	157	157	371	329	12	11	2	3
Closing balance of Fund/Allowance .....	455	184	896	525	70	58	(3)	(3)
Net claims during the period <sup>(5)</sup> .....	62	35	335	384	*	*	42	120
Five year average of net claims paid .....	4	10	315	338	*	*	59	50

\* Not applicable.

(1) The Canada Deposit Insurance (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

(2) Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 2000 disclosed that the Fund had a surplus of \$601 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 2001 amounted to only \$739,000 (\$879,000) at March 31, 2000). Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.

(3) The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. The corporation maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$465 million (\$353 million in 2000). Comparative figures have been restated to conform to the current year's presentation.

(4) For the Export Development Corporation, other expenses represent the foreign exchange gain or loss or loss on the allowance for claims.

(5) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

(6) The opening balance for the Mortgage Insurance Fund and the Mortgage-Backed Securities Guarantees Fund have been restated for Fiscal Year 1999-2000 to reflect an accounting policy change relating to the amortization and deferral of Gain/Loss over the life of the original investment.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. A contingent liability is recorded as an actual liability when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for enterprise Crown corporations and other government business enterprises, all Government organizations are accounted for in the financial statements by consolidation. Enterprise Crown corporations and other government business enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

The contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations and other Government business enterprises". However, in accordance with section 54 of the *Financial Administration Act*, the repayment of all money borrowed on behalf of the Crown is payable out of the Consolidated Revenue Fund and constitute potential obligations of the Government. Therefore, the borrowings of agent enterprise Crown corporations and other government business enterprises are reported with the contingent liabilities of the Government. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include guarantees by the Government for borrowings by non-agent Crown corporations and other government business enterprises made from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. The contingent liabilities of the Government also include potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Also included, are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations and other government business enterprises, are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably and reliably estimated. Losses on loan guarantees are recorded in the accounts through a valuation allowance calculation when it is likely that a payment will be made to honor a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

The following table is summarized in Note 14 to the financial statements of the Government in Section 1 of this volume.

**TABLE 10.8**  
**STATEMENT OF CONTINGENT LIABILITIES**  
**AS AT MARCH 31, 2001**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
GUARANTEES BY THE GOVERNMENT OF		
Borrowings by enterprise Crown corporations which are agents of Her Majesty . . . . .		41,400,180,000 <sup>(3)</sup>
Borrowings by other government business enterprises . . . . .		7,345,234,000 <sup>(4)</sup>
Borrowings by other than enterprise Crown corporations		
From agents		
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing . . . . .	1,700,000,000 <sup>(7)</sup>	311,729,732 <sup>(5)</sup>
From other than agents		
Guarantee programs of the Government		
Canada Student Loans Act . . . . .	10,781,963,150	1,064,072,690
Small Business Loans Act . . . . .	2,948,886,699	1,282,158,732
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act . . . . .	3,000,000,000	302,220,355
Advance Payments for Crops Act . . . . .	1,900,000,000	260,561,079
Guarantees according to the Spring Credit Advance Program . . . . .	1,000,000,000	7,656,118
Atlantic Enterprise Program . . . . .		6,336,566 <sup>(6)</sup>
Enterprise development program . . . . .	1,200,000,000	5,919,521
Fisheries Improvement Loans Act . . . . .	46,595	46,595
Loans to Indians by approved lenders for on-reserve housing . . . . .		937,125,932 <sup>(5)</sup>
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft. . . . .	1,019,075,000	310,714,245
Indian economic development . . . . .	60,000,000 <sup>(8)</sup>	2,522,848 <sup>(5)</sup>
Aboriginal Economic Program . . . . .		4,613,000
Time Air (1982) Ltd . . . . .	10,000,000	792,082
	21,919,971,444	4,184,739,763
Other explicit loan guarantees		
Loans with respect to the <i>Hibernia Development Project Act</i> . . . . .	1,660,000,000	154,900,000
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader . . . . .	275,000,000	122,564,987 <sup>(9)</sup>
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft. . . . .	70,933,500	63,997,780
Loans to Government of Romania. . . . .	27,000,000	24,000,000
Loans to Government of Bulgaria . . . . .	11,000,000	11,000,000
Loans to Ridley Terminals Inc. for operating and capital purposes. . . . .	101,000,000	64,000,000
Loan to Laurentian Pitolage Authority. . . . .	4,000,000	710,109
	2,148,933,500	441,172,876
Insurance programs of the Government		
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees. . . . .	13,000,000,000 <sup>(10)</sup>	1,747,181,167
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> <sup>(11)</sup> . . . . .	1,050,000,000	589,448,079
	14,050,000,000	2,336,629,246

**TABLE 10.8**  
**STATEMENT OF CONTINGENT LIABILITIES**  
**AS AT MARCH 31, 2001—Concluded**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
Other explicit guarantees		
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i> .....		(12)
Guarantees under the <i>Prairie Grain Advance Payments Act</i> .....	1,900,000,000	321,100,000
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada) .....		234,849,859
Guarantees under the <i>Agricultural Marketing Programs Act</i> .....		23,522,543
	1,900,000,000	579,472,402
Total gross guarantees .....	41,718,904,944	56,599,158,019
Less: allowance for losses .....		3,951,000,000
Net exposure under guarantees .....		52,648,158,019
INTERNATIONAL ORGANIZATIONS .....		19,477,448,884 <sup>(13)</sup>
CLAIMS AND PENDING AND THREATENED LITIGATION .....		44,542,009,413 <sup>(2)</sup>
COMPREHENSIVE NATIVE LAND CLAIMS .....		833,000,000 <sup>(14)</sup>
Subtotal .....		117,500,616,316
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS .....		68,601,000
TOTAL <sup>(15)</sup> .....		117,569,217,316

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) Contingencies reported here include those items where it is unlikely or not determinable that a future event will confirm that a liability exists at the date of the financial statements. The amount included for each contingency is the estimated possible loss or where the loss could not be estimated, the face amount of a claim may be used. The Government is confident that any ultimate settlement on these contingent liabilities will be for amounts significantly lower than those being disclosed. As explained in note 14 to the financial statements of the Government in Section 1 of this volume, the total contingency related to outstanding claims is not determinable. An allowance has been recorded in the financial statements for those contingencies where it is likely that a future event will confirm that a liability exists at the date of the balance sheet.

(3) For details, see Table 9.6 in the previous section of this volume.

(4) For details, see Table 9.7 in the previous section of this volume.

(5) The contingent liability amounts related to guaranteed loans for On-Reserve Housing include \$311,266,135 of undisbursed commitment by CMHC and other approved lenders for loans to be advanced by CMHC and the other approved lenders. As well, the contingent liability related to guaranteed loans for Indian Economic Development includes \$2,869,559 of undisbursed commitment to borrowers for IEDG loans, for loans that will be advanced by lenders. These remaining loan advances will be made to the borrowers on the basis of progress made on the project for which they were approved.

(6) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$5,476,200 as at March 31, 2001) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Economic Development Agency of Canada for the Regions of Quebec (\$774,560 as at March 31, 2001). The Department of Industry has responsibility for all capital projects in excess of \$20 million in the Atlantic provinces (\$85,806 as at March 31, 2001).

(7) Department of Indian and Northern Affairs authorized a limit of \$1.7 billion by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Corporation for farming purposes.

(8) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60,000,000. As at March 31, 2001, \$27,011,751 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$2,522,848 leaving a free balance of \$30,465,401 available to issue further guarantees.

(9) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.

(10) The *Export Development Act* specifies that Export Development Corporation (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of \$13 billion. In total, EDC has \$5.0 billion outstanding against this limit, consisting of \$1.7 billion in contingent liabilities, \$2.7 billion in financing, \$500 million in undisbursed loan guarantees and \$100 million in undisbursed loan commitments.

(11) There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

(12) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 2001, date of most recent available information, approximately \$7.3 billion was recorded as a receivable on the books of the Board for such sales. There is no residual contingency (receivables less borrowings) to the government at March 31, 2001.

(13) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. Refer to Table 10.9 for further detail.

(14) Relates to 70 comprehensive native land claims under negotiation, accepted for negotiation or under review. The estimated liability is derived from 13 cases which have progressed to a point where quantification is possible. The remaining 57 cases have not yet been quantified.

(15) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Five departments reported contingent gains as at March 31, 2001 totaling approximately \$156 million.

## International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2001.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 12 and 14 to the financial statements which are included in Section 1 of this volume.

(1)

**TABLE 10.9**  
**INTERNATIONAL ORGANIZATIONS**  
**CONTINGENT LIABILITIES AND COMMITMENTS**  
(in millions of dollars)

	Contingent liabilities <sup>(1)</sup>				Commitments <sup>(1)</sup>		
	Callable share capital	Future callable share capital	Lines of credit	Total	Undisbursed loans and advances	Future paid-in share capital	Total
<b>NON-BUDGETARY SHARE CAPITAL AND LOANS—</b>							
African Development Bank .....	1,264			1,264		31	31
Asian Development Bank .....	3,014			3,014			
Caribbean Development Bank .....	77			77			
Inter-American Development Bank .....	6,094			6,094			
International Bank for Reconstruction and Development (World Bank) .....	7,990			7,990			
Multilateral Investment Guarantee Agency .....	72			72			
European Bank for Reconstruction and Development .....	966			966		95	95
International Monetary Fund .....					361		361
Developing countries—Canada Account .....					92		92
Subtotal .....	19,477			19,477	453	126	579
<b>BUDGETARY LOANS AND ADVANCES—</b>							
African Development Bank .....					118		118
Asian Development Bank .....					(2)		
Caribbean Development Bank—Special .....					(2)		
Inter-American Development Fund .....					(2)		
International Development Association .....					202		202
International Fund for Agricultural Development .....					8 (2)		8
International Monetary Fund .....					42		42
Montreal Protocol Fund .....					(2)		
GEF Trust Fund .....					55		55
Developing countries—Canada Account .....					34		34
Subtotal .....					459		459
<b>Total .....</b>	<b>19,477</b>			<b>19,477</b>	<b>912</b>	<b>126</b>	<b>1,038</b>

(2) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2001 (1\$US = \$1.5763 Cdn; 1\$DR = \$1.98716 Cdn). These amounts represent, in certain cases, notes payable to be issued in future years.

Note : Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 700 million of which SDR 518 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 168.9 million has been paid-in.

# SECTION 11

**2000-2001**

***PUBLIC ACCOUNTS OF CANADA***

**Index**



# INDEX

## A

Accounting for expenditures, 3.8  
 Accounting for revenues, 3.2  
 Accounting policies,  
     summary of significant, 1.11  
 Accounts payable, 5.4  
     accruals and allowances, 1.9, 5.2  
     and accrued liabilities, 1.9, 5.2, 5.4  
     by category, 5.3  
 ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES, 5  
 Accounts receivable, 1.9, 7.2, 7.6  
 ACCOUNTS RECEIVABLE, *see Volume II (Part II), Section 4*  
 Accounts receivable of consolidated Crown corporations, 7.6  
 Accumulated deficit, 1.9, 1.16, 3.15  
     beginning of year, 1.7, 3.2  
     end of year, 1.7, 3.2  
     Statement of, 2.4  
 ACQUISITION OF LAND, BUILDINGS  
     AND WORKS, *see Volume II (Part II), Section 6*  
 ACQUISITION OF MACHINERY AND  
     EQUIPMENT, *see Volume II (Part II), Section 7*  
 Administered accounts, 6.33, 6.36  
 Advance account—Canadian Film Development Corporation,  
     6.39, 6.45  
 African Development Bank, 9.28, 9.29, 9.30  
 African Development Fund, 9.29  
 Agent administered indian minors account, 6.32, 6.34  
 Aging of accounts receivable for non-tax revenues and revenues  
     netted against expenditures, 7.7  
 Agricultural Commodities Stabilization Accounts, 4.10, 4.14  
 Agricultural service centres, 9.34, 9.36  
 Allowance for borrowings of Crown corporations, 5.13  
 Allowance for employee benefits, 1.9, 5.2, 5.12  
 Allowance for loan guarantees, 5.2, 5.13  
 Allowance for pension adjustments, 6.2, 6.20, 6.28  
 Allowance for valuation, 1.9, 9.2, 9.46  
 Andean Development Corporation, 9.29  
 Annuities agents' pension account, 6.38, 6.43  
 Armed services—Estates, 6.33, 6.36  
 Asian Development Bank, 5.5, 9.28, 9.29, 9.30  
 Asian Development Fund, 9.29  
 Assets, 1.9  
 Assets and liabilities, statement of, 1.9, 2.5  
 Atlantic Development Board carry-over projects, 9.33, 9.35  
 Atlantic Provinces Power Development Act, 9.33, 9.35  
 Authorities available from previous years, *see Volume II (Part I),  
     Section 1*  
 Authorities for the spending of proceeds from the disposal of  
     surplus Crown assets, *see Volume II (Part I), Section 1*  
 Authorities granted by statutes other than Appropriation Acts,  
     *see Volume II (Part I), Section 1*  
 Authorities granted in current year Appropriation Acts, *see  
     Volume II (Part I), Section 1*  
 Automated Quality Testing—Private sector, 6.38, 6.44  
 Aviation gasoline and diesel fuel—Excise tax, 3.3

## B

Bank of Canada, 9.5, 9.7  
 Bank of Thailand, 9.21, 9.22  
 Borrowings by agent enterprise Crown corporations, 9.16  
 Borrowings by enterprise Crown corporations and other  
     Government Business Enterprises, 9.17  
 Borrowings expected to be repaid by these enterprise Crown  
     corporations, 5.13  
 Borrowings of agent enterprise Crown corporations, 5.13  
 Budgetary transactions,  
     expenditures, 1.7, 2.2  
     revenues, 1.7, 2.2  
 Business Development Bank of Canada, 9.5

## C

Canada bills, 6.2, 6.13  
 Canada Development Investment Corporation, 9.5, 9.7  
     Canada Hibernia Holding Corporation, 9.5, 9.7  
     Holdback—Privatization, 6.32, 6.34  
 Canada Foundation account, 6.39, 6.46  
 Canada Labour Code—Other, 6.32, 6.34  
 Canada Labour Code—Wage Recovery Appeals, 6.32, 6.34  
 Canada Lands Company Limited, 9.5, 9.7  
 Canada/Manitoba partnership agreement on municipal water  
     infrastructure for rural economic diversification, 6.38, 6.44  
 Canada Mortgage and Housing Corporation, 9.5, 9.6  
 Canada notes, 6.2, 6.14  
 Canada Pension Plan, Due to, 1.9, 1.18, 6.2, 6.29  
 Canada Pension Plan Account, 6.2, 6.29  
 Canada Ports Corporation, 9.5, 9.8  
 Canada Post Corporation, 9.5, 9.8  
 Canada Premium Bonds, 6.11  
 Canada/Provinces Business Service Centre, 6.40, 6.47  
 Canada Savings and Canada Premium Bonds, 1.9, 6.2, 6.10  
 Canada Savings Bonds, 6.10  
 Canadair holdback, *see* Holdback—Privatization  
 Canadian Centre for Management Development—  
     Donations, 4.11, 4.16  
 Canadian Centre for Occupational Health and Safety—  
     Donations, 4.11, 4.16  
 Canadian Commercial Bank, 9.37, 9.39  
 Canadian Commercial Bank and Northland Bank Holdback  
     Account, 4.11, 4.15  
 Canadian currency deposits, 7.3  
 Canadian Dairy Commission, 9.5, 9.8  
     account, 6.32, 6.34  
 Canadian Film Development Corporation—Advance account,  
     6.39, 6.45  
 Canadian Forces housing projects, 9.38, 9.44  
 Canadian Forces Pension Fund Account, 6.20, 6.21, 6.23  
 Canadian Forces Superannuation Account, 6.20, 6.21, 6.23  
 Canadian Institutes of Health Research (previously Medical  
     Research Council)—Donations for Research, 4.11, 4.15  
 Canadian Landmine Action Fund, 4.11, 4.15  
 Canadian producers of frozen groundfish, 9.37, 9.40  
 Canadian Sports Pool Corporation—Other outstanding  
     liabilities, 6.39, 6.46

**C—Concluded**

Candidates' and committees' deposits—Election and referendum, 6.33, 6.35  
 Cape-Breton Development Corporation, 9.5, 9.8  
 Capital leases, 10.12  
 Capital leases-purchase option exercised during the year, 10.13  
 Caribbean Development Bank, 5.5, 9.28, 9.29, 9.31  
 CASH AND ACCOUNTS RECEIVABLE, 7  
 Cash and accounts receivable, 1.9, 7.2  
 Cash in bank, 1.7, 7.2, 7.3  
     at beginning of year, 1.7, 2.2  
     at end of year, 1.7, 2.2, 2.7  
 Cash in hands of collectors and in transit, 7.4  
 Cash in transit, 1.9, 7.2, 7.4  
 Civil service insurance fund, 6.38, 6.42  
 Claims and pending and threatened litigation, 1.24  
 Collaborative research projects, 6.39, 6.46  
 Commitments under capital lease arrangements, in order of maturity, 10.13  
 Commodity Industry Development Fund—Province, 6.38, 6.44  
 Common school funds—Ontario and Quebec, 6.39, 6.45  
 Commonwealth War Graves Commission, 9.38, 9.45  
 Company stock option, 9.38, 9.43  
 Comprehensive development plan agreement, 9.33, 9.36  
 Confederation Bridge, 6.2, 6.31, 9.38, 9.45  
 CONSOLIDATED ACCOUNTS, 4  
 Consolidated Crown corporations, 4.3  
     other cash, 7.4  
 Consolidated specified purpose accounts, 4.10  
 Construction of multi-purpose exhibition buildings, 9.37, 9.39  
 Continental geoscience division—Ontario Hydro, 6.41, 6.49  
 Contingent liabilities, 1.23, 10.17  
     of consolidated Crown corporations, 4.8  
     of enterprise Crown corporations and other Government Business Enterprises, 9.18  
     Statement of, 10.18  
 Contractors' security deposits, 6.33, 6.35  
 Contractual commitments, 1.22, 10.2  
     Schedule of minimum payments, 10.3  
 Co-operative Housing Project, 9.20  
 Corporate Sponsorships and Donations, 4.11, 4.16  
 Corporation income tax, 1.9, 3.3, 3.5  
 Council for Yukon Indians (Elders), 9.37, 9.42  
 Credit card—Special project fund, 6.37, 6.41, 6.50  
 Crop Reinsurance Fund, 4.10, 4.14  
 Cross-currency swap revaluation account, 5.4, 5.11  
 Crown corporations and Other Government Business Enterprises, 1.21  
 Crown corporation expenditures, 1.8, 3.2, 3.12  
 Crown Corporation Trusts—Donations, 6.41, 6.50  
 Crown corporations' surplus moneys, 6.32, 6.34  
     St Lawrence Seaway Authority, The, 6.32  
 Cultural property, 9.37, 9.39  
 Customs import duties, 1.8, 2.3, 3.3, 3.6

**D**

Debt Servicing and Reduction Account, 1.25  
 Deferred revenues, 5.4, 5.11  
 Deficit for the year, 2.2  
     surplus, 1.8, 2.2  
 Dependants' pension fund, 6.38, 6.43  
     plan, 6.64

**D—Concluded**

Deposit accounts, 6.32  
 Deposit and trust accounts, 6.2, 6.32  
 Deposit/Disbursements — Worker's Compensation Board, 6.38, 6.45  
 Detailed statement of  
     expenditure transactions, 2.4  
     foreign exchange, unmatured debt and cash transactions, 2.7  
     non-budgetary transactions, 2.6  
     revenue transactions, 2.3  
 Details of other program expenditures of other ministries, *see Volume II (Part I), Section 1*  
 Details of other transfer payments, *see Volume II (Part I), Section 1*  
 Details of spendable amounts, *see related ministerial section in Volume II (Part I)*  
 Developing countries—International development assistance, 9.21, 9.25  
 Development of export trade, 9.21, 9.23, 9.37, 9.40  
 Direct financing to students, 9.37, 9.42  
 Domestic coinage, 3.3  
 Donations—Canadian Centre for Occupation Health and Safety, 4.11, 4.16  
 Donations for research—Canadian Institutes of Health Research, 4.11, 4.15  
 Due to Canada Pension Plan, 1.9, 1.20, 6.2, 6.29  
 Dyskinesia and torticollis research, 6.39, 6.46

**E**

Election and referendum—Candidates' and committees' deposits, 6.33, 6.35  
 Employment Insurance Account, 4.10, 4.13, 4.17  
 Employment insurance  
     premiums, 1.8, 2.3, 3.3, 3.5  
     warrants, 7.5  
 Endangered Species—Donations, 4.11, 4.15  
 Energy taxes, 1.8, 2.3, 3.3, 3.6  
 Enterprise Crown corporations, 9.2, 9.4  
     and other Government Business Enterprises, 1.9, 9.4, 9.5  
 Environmental liabilities, 1.24  
 Environmental Studies Research Fund,  
     Indian Affairs and Northern Development, 4.11, 4.16  
     Natural Resources, 4.11, 4.16  
 Estates—Armed services, 6.33, 6.36  
 Estates fund, 6.33, 6.37  
 Euro medium term-notes, 6.2, 6.15  
 European Bank for Reconstruction and Development, 5.5, 9.28, 9.30  
 Exchange Fund Account, 8.4  
 Excise duties, 3.3  
 Excise tax  
     aviation gasoline and diesel fuel, 3.3  
     gasoline, 3.3  
 Excise taxes and duties, 1.8, 2.3, 3.3, 3.5  
     miscellaneous, 3.3  
     other, 1.8, 2.3, 3.3, 3.5  
 Expenditures, 1.7, 1.14, 3.2, 3.8  
     by source, 3.10  
     by standard object, 3.13  
     by type, total net, 3.9  
     under statutory authorities, 3.13, 3.14  
 Export Development Corporation, 9.5, 9.6  
 External expenditures by type, 3.8  
 External revenues by main classification, 3.3

## F

Fair wages suspense account, 6.39, 6.46  
 Farm Credit Corporation, 9.5, 9.6  
 Federal Court special account, 6.40, 6.49  
 Federal/provincial agreement—Advance account, 6.40, 6.48  
 Federal/provincial cost-sharing agreements, 6.41, 6.45  
 Federal-provincial fiscal arrangements, 9.33, 9.35  
 FEDERAL-PROVINCIAL SHARED-COST PROGRAMS,  
     *see Volume II (Part II), Section 11*  
 Federal/provincial shared-cost project, 6.41  
     Human Resources Development, 6.39, 6.47  
     Interprovincial Computerized Examination Management  
         System (ICEMS), 6.39, 6.47  
 Fees and charges, other, 3.3  
 Field British Columbia and Yukon Operations of the Northern  
     Canada Power Commission, 6.32, 6.34  
 50th Anniversary of the Canadian Citizenship Act Celebration,  
     4.11, 4.15  
 Financial assistance to Canadians abroad, 6.39, 6.46  
 Financial assistance under budgetary appropriations to  
     consolidated Crown corporations, 4.9  
     enterprise Crown corporations and other Government  
         Business Enterprises, 9.19  
 Financial position of consolidated Crown corporations —  
     Assets and liabilities, 4.4  
 Financial position of enterprise Crown corporations and other  
     Government Business Enterprises—Assets and liabilities, 9.12  
 FINANCIAL STATEMENTS OF DEPARTMENTAL  
     CORPORATIONS, *see Volume II (Part II), Section 2*  
 FINANCIAL STATEMENTS OF REVOLVING FUNDS, *see*  
     *Volume II (Part II), Section 1*  
 FINANCIAL STATEMENTS OF THE GOVERNMENT OF  
     CANADA AND REPORTS AND OBSERVATIONS OF THE  
     AUDITOR GENERAL, 1  
 Financing activities, 1.10  
 Fines—Indian Act, 6.40, 6.47  
 Fines for the Transportation of Dangerous Goods, 4.12, 4.16  
 First Nations in British Columbia, 9.37, 9.42  
 Fish Habitat Restoration Account, 4.11, 4.15  
 Fixed assets, purchases and operating leases, Transfer payment  
     agreements, 10.3  
 Flight Recorder Software Systems Account, 4.11, 4.16  
 Foreign claims fund, 6.39, 6.45  
 Foreign currency deposits, 7.3  
 FOREIGN EXCHANGE ACCOUNTS, 8  
 Foreign exchange accounts, 1.9, 1.21, 8.2  
 Foreign exchange activities, 1.10  
 Foreign exchange transactions, 2.7  
     net requirement for, 1.7  
     net source from, 2.2  
 Foreign governments, 6.40, 6.49  
 Francophone Summits, 6.41, 6.50  
 Funds from non-governmental organizations, 6.39, 6.46

## G

Gasoline—Excise tax, 3.3  
 General security deposits, 6.32, 6.34  
 Global Environment Facility, 9.29, 9.31  
     Trust Fund, 5.5  
 Gold reserves, 1.21  
 Goods and services tax, 1.8, 2.3, 3.3, 3.6  
 Government Annuities Account, 6.2, 6.30, 6.60

## G—Concluded

Government of the Yukon Territory, 9.35, 9.36  
 Government spending, 3.10  
 Guarantee deposits  
     Board of Arbitration and Review Tribunal, 6.32, 6.34  
     Canada Customs and Revenue Agency, 6.32, 6.34  
     Indian Affairs and Northern Development, 6.32, 6.35  
         oil and gas, 6.32, 6.35  
         reserve resources, 6.32, 6.35  
     Natural Resources—Oil and gas, 6.33, 6.35  
 Guarantees by the Government, 1.24

## H

Haddock fishermen, 9.37, 9.40  
 Halifax 1917 explosion pension account, 6.33, 6.35  
 Hamilton Harbour Commissioners, 9.38, 9.45  
 Health Insurance Supplementary Account, 4.10, 4.14  
 Hibernia Development Project, 9.38, 9.44  
 H.L. Holmes Fund, 4.11, 4.16  
 Holdback—Privatization, 6.32, 6.34

## I

Immigration guarantee fund, 6.32, 6.34  
 Imprest account cheques, 7.5  
 Imprest accounts, standing advances and authorized loans,  
     9.37, 9.39  
 Income from securities in trust—Bankruptcy and Insolvency  
     Act, 6.32, 6.35, 6.43  
 Income tax,  
     corporation, 1.8, 2.3, 3.3, 3.5  
     personal, 1.8, 2.3, 3.3, 3.5  
     revenues, other, 1.8, 2.3, 3.3, 3.5  
 Indian  
     agencies revenue trust bank accounts, 6.40, 6.47  
     band funds, 6.36, 6.40  
         capital accounts, 6.30, 6.33, 6.36  
         revenue accounts, 6.30, 6.33, 6.36  
         shares and certificates, 6.40, 6.47  
     compensation funds, 6.40, 6.47  
     economic development fund, 9.37, 9.42  
     estate accounts, 6.33, 6.36  
     moneys suspense account, 6.36, 6.47  
     savings accounts, 6.30, 6.36  
     special accounts, 6.40, 6.47  
 Inmates' trust fund, 6.33, 6.36  
 Insurance accounts, 4.10, 4.13  
 Insurance and death benefit accounts, 6.38, 6.42  
 Insurance companies—Interest on bonds, 6.41, 6.45, 6.50  
 Insurance company liquidation, 6.38, 6.42  
 Insurance programs, 1.23  
 Insurance programs of agent enterprise Crown  
     corporations, 10.15  
     Summary of, 10.16  
 Inter-American Development Bank, 5.5, 9.29, 9.31  
 Interest,  
     accrued, 5.12  
     due, 5.12  
     on bonds—Insurance companies, 6.41, 6.50  
     rates, unmatured debt, 6.16  
 Interest and matured debt, 1.9, 5.2, 5.12

**I—Concluded**

INTEREST-BEARING DEBT, 6  
 Interest-bearing debt, 1.9, 6.2  
     by category, 6.3  
 International Bank for Reconstruction and Development, 9.29  
     (World Bank), 9.28, 9.30  
 International development assistance, 9.25  
 International Development Association, 5.5, 9.29, 9.32  
 International Finance Corporation, 9.28, 9.30  
 International financial institutions, 5.5, 9.29, 9.32  
 International Fund for Agriculture Development, 5.5  
 International Monetary Fund,  
     notes payable, 8.2, 8.3  
     subscriptions, 8.2, 8.3  
     Poverty Reduction and Growth Facility, 9.31  
 International organizations, 1.9, 1.24, 9.2, 9.27, 9.28, 10.14, 10.20  
     commitment summary, 10.14  
     contingent liabilities and commitments, 10.20  
 International organizations and associations, 9.28, 9.31  
 International reserves held in the Exchange Fund Account,  
     8.2, 8.3  
 Inuit loan fund, 9.37, 9.43  
 Investing activities, 1.10  
 Investors' Indemnity Account, 4.10, 4.13  
 Italian Air Forces Training, 6.41, 6.49

**J**

Jamaica, 9.21, 9.22  
 Jobs and economic restoration initiative, 6.40, 6.49  
 Joint research and development projects,  
     National Defence, 6.41, 6.49  
     Royal Canadian Mounted Police, 6.41, 6.50  
     Solicitor General, 6.41, 6.50  
 Judges Act, 6.21

**L**

Labour standards suspense account, 6.39, 6.47  
 Lease and use of public properties, 3.3  
 Liabilities, 1.9  
 LOANS, INVESTMENTS AND ADVANCES, 9  
 Loans, investments and advances, 1.9, 2.6, 9.2, 9.3  
     by category, 9.3  
 Loans and accountable advances, 9.37  
 Loans to assist industry in the Cape Breton area, 9.38, 9.44  
 Loans to enterprises in Newfoundland and Labrador, 9.38, 9.44  
 Locally-engaged contributory pension account, 6.38, 6.43  
 Long-term accounts receivable for non-tax revenues and  
     revenues netted against expenditures, 7.7  
 Lower Churchill Development Corporation Limited, 9.20

**M**

Mackenzie King trust account, 6.39, 6.45  
 Manufacturing, processing and service industries in Canada,  
     9.38, 9.43  
 Market development incentive payments—Alberta, 6.41, 6.49  
 Marketable bonds, 6.2, 6.4  
     payable in Canadian currency, 1.9, 6.2, 6.4  
     payable in foreign currencies, 1.9, 6.2, 6.8  
 Matured debt, 5.12

**M—Concluded**

Maturity and currency of borrowings by enterprise Crown  
     corporations and other Government Business Enterprises, 9.17  
 Maturity of Government, 6.17  
 Medical Research Council—*See* Canadian Institutes of Health  
     Research  
 Members of Parliament Retirement Compensation Arrangements  
     Account, 6.19, 6.20, 6.25  
 Members of Parliament Retiring Allowances Account,  
     6.19, 6.20, 6.25  
 Military purchases excess funds deposit, 6.41, 6.50  
 Ministerial expenditures by standard object, *see* Volume II  
     (Part I), Section 1  
 Ministerial expenditures by type, *see* Volume II (Part I),  
     Section 1  
 Ministerial revenues by main classification, *see* Volume II  
     (Part I), Section 1  
 Ministry summary (of source and disposition of authorities),  
     *see* related ministerial section in Volume II (Part I)  
 Miscellaneous accountable advances, 9.37, 9.39  
 Miscellaneous accountable imprest and standing advances,  
     9.37, 9.39  
 Miscellaneous federal/provincial projects, 6.40, 6.46  
 Miscellaneous non-tax revenues, 3.3  
 Miscellaneous payroll deductions, 5.4, 5.11  
 Miscellaneous projects deposits—  
     Canadian Heritage, 6.39, 6.45  
     Environment, 6.39, 6.45  
     Fisheries and Oceans, 6.39, 6.45  
     Natural Resources, 6.41, 6.49  
     Parks Canada Agency, 6.39, 6.45  
 Missions abroad, 9.37, 9.39  
 Montreal Protocol Fund, 5.5  
 Mounted Police Foundation, 6.41, 6.50  
 Multilateral Investment Guarantee Agency, 5.5, 9.28, 9.30  
 Municipal Development and Loan Board, 9.33, 9.35

**N**

National Archives of Canada—Donations, 4.11, 4.15  
 National Battlefields Commission—Trust Fund Account,  
     4.11, 4.15  
 National governments including developing countries,  
     1.9, 1.22, 9.2, 9.21  
 National Library—Special Operating Account, 4.11, 4.15  
 National Research Council of Canada—Trust Fund,  
     6.40, 6.48  
 National Round Table on the Environment and Economy—  
     Donations, 4.12, 4.16  
 Native claimants, 9.37, 9.43  
 NATO, *see* North Atlantic Treaty Organization  
 Natural Sciences and Engineering Research Council—  
     Trust Fund, 6.40, 6.48  
 Net Income Stabilization Account, 6.38, 6.44  
 New Parks and Historic Site Accounts, 4.11, 4.15  
 Non-budgetary transactions, 1.7, 2.2  
 Non-government agencies, 6.41, 6.49  
 Non-lapsing authorities granted/repealed in the current year,  
     *see* Volume II (Part I), Section 1  
 Non-marketable bonds and notes, 6.2, 6.12  
 Non-tax revenues, 1.14, 2.3, 3.2, 3.3, 3.7  
 Non-tax revenues and revenues netted against expenditures, 7.6  
 Nordion International Inc., 9.38, 9.44

**N—Concluded**

North Atlantic Treaty Organization (NATO),  
     damage claims recoverable, 9.21, 9.26  
     infrastructure projects, 6.41, 6.49  
 North Portage Development Corporation, 9.20, 9.21  
 Notes payable to international organizations, 5.4, 5.5  
 Notes to the financial statements of the Government of  
     Canada, 1.11  
 Nuclear Liability Reinsurance Account, 4.10, 4.14

**O**

Observations by the Auditor General, 1.28  
 Operating activities, 1.10  
 Other accounts payable and accrued liabilities, 5.4, 5.11  
 Other cash—Consolidated Crown corporations, 7.4  
 OTHER GOVERNMENT-WIDE INFORMATION, *see*  
     *Volume II (Part II), Section 12*  
 OTHER INFORMATION RELATED TO THE FINANCIAL  
     STATEMENTS, 10  
 Other information related to the financial statements, 10.2  
 Other level of Government, 2.4  
 Other loans, investments and advances, 1.9, 9.2, 9.37  
 OTHER MISCELLANEOUS INFORMATION, *see Volume II*  
     *(Part II), Section 13*  
 Other non-tax revenues, 1.8, 2.3, 3.3, 3.7  
 Other outstanding liabilities—Canadian Sports Pool Corporation,  
     6.39, 6.46  
 Other program expenditures, 1.8, 3.2, 3.12  
 Other receivables, 7.6  
 Other specified purpose accounts, 4.12, 4.14, 6.2, 6.38  
 Ottawa Civil Service Recreational Association, 9.37, 9.40  
 Outstanding cheques, 7.5  
 Outstanding cheques and warrants, 1.9, 7.2, 7.5

**P**

Pan American Health Organization (SIREVA), 6.39, 6.46  
 Pan Asia Research and Development Grants Program, 6.39, 6.47  
 Parolees, 9.38, 9.45  
 PAYMENTS OF CLAIMS AGAINST THE CROWN, EX GRATIA  
     PAYMENTS AND COURT AWARDS, *see Volume II (Part II),*  
     *Section 10*  
 Pension accounts, 6.38  
 Pension and other accounts, 1.9, 2.6, 6.2, 6.18  
     other, 1.9  
 Personal income tax, 1.8, 3.3, 3.5  
 Personnel posted abroad, 9.37, 9.39  
 Petro-Canada, 9.20  
 Petro-Canada Enterprises Inc.—Shares, 6.40, 6.48  
 Petro-Canada Limited—Cash reserve, 6.32, 6.34  
 Pilot Training Program—MILIT-AIR Inc., 6.2, 6.31, 9.38, 9.44  
 Portfolio investments, 1.9, 9.2, 9.20  
 Preface to the financial statements of the Government of  
     Canada, 1.2  
 Prime Minister Awards, 4.11, 4.16  
 Proceeds from the disposal of surplus Crown assets, 3.3  
 Proceeds from sales, *See Sales of goods and information products*  
 PROFESSIONAL AND SPECIAL SERVICES, *see Volume II*  
     *(Part II), Section 5*  
 Program objective and activity description, *see related ministerial*  
     *section in Volume II (Part I)*

**P—Concluded**

Programs by activity, *see related ministerial section in Volume II*  
     *(Part I)*  
 Project deposits—Statistics Canada, 6.40, 6.49  
 Provincial and territorial governments, 1.9, 9.2, 9.33  
 Provincial and territorial tax collection agreements  
     account, 5.4, 5.6, 5.7  
 Provincial workers' compensation boards, 9.37, 9.42  
 PUBLIC DEBT CHARGES, *see Volume II (Part II), Section 9*  
 Public debt charges, 1.8, 3.2, 3.12  
 Public sector pensions, 1.9, 1.19, 6.2, 6.18, 6.20  
 Public Service death benefit account, 6.38, 6.43  
 Public Service Pension Fund Account, 6.20, 6.21, 6.22  
 Public Service Superannuation Account, 6.20, 6.21, 6.22

**Q**

Queen's Fellowship fund—Social Sciences and Humanities  
     Research Council, 6.40, 6.48

**R**

Radarsat, 6.40, 6.48  
 Recapitulation of external expenditures by standard object, *see*  
     *Volume II (Part I), Section 1*  
 Recapitulation of external expenditures by type, *see Volume II*  
     *(Part I), Section 1*  
 Recapitulation of external revenues by main classification, *see*  
     *Volume II (Part I), Section 1*  
 Receiver General,  
     current deposits, 7.3  
     special deposits, 7.3  
 Refunds of previous years' expenditures, 3.3  
 Regular forces death benefit account, 6.38, 6.42  
 Report of the Auditor General on the financial statements  
     of the Government of Canada, 1.5  
 Retirement Compensation Arrangements (RCA) Account,  
     6.20, 6.26  
 Return on investments, 1.8, 2.3, 3.3, 3.7  
 Returned soldiers' insurance fund, 6.38, 6.43  
 Revenues, *see related ministerial section in Volume II (Part I)*  
 Revenues, 1.7, 1.13, 3.2  
     by main classification, total net, 3.4  
     from all sources, 3.5  
     other income tax, 1.8, 3.3, 3.5  
 REVENUES, EXPENDITURES AND ACCUMULATED  
     DEFICIT, 3  
 Revenues, expenditures and accumulated deficit, 3.2  
 Revenues, expenses and other changes in equity of,  
     consolidated Crown corporations, 4.6  
     enterprise Crown corporations and other Government  
         Business Enterprises, 9.14  
 Rideau Hall Donations, 4.11, 4.15  
 Ridley Terminals Inc., 9.5, 9.8  
 Rights and privileges, 3.3  
 Royal Canadian Mint, 9.5, 9.9  
 Royal Canadian Mounted Police,  
     Benefit Trust Fund, 6.33, 6.36  
     Dependants' Pension Fund, 6.38, 6.43  
     Dependants' Pension Plan, 6.64  
     Pension Fund Account, 6.20, 6.21, 6.24  
     Pipe Band (NCR), 4.12, 4.16  
     Superannuation Account, 6.20, 6.21, 6.24

## S

Saint John Harbour Bridge Authority, 9.38, 9.45  
 St Lawrence Seaway Dredging, 6.39, 6.46  
 St Lawrence Seaway Management Corporation, 9.38, 9.45  
 Sales of goods and information products, 3.3  
 Sales of seized assets, 6.41, 6.46  
 Schedule of minimum payments, 10.3  
 Scholastic awards, 6.33, 6.36  
 Securities held and short-term investments, 6.2  
 Securities held by the Canada Pension Plan Investment Board, 6.21  
 Securities held by the Canada Pension Plan Investment Fund, 6.2, 6.29  
 Securities in trust—Bankruptcy and Insolvency Act, 6.40, 6.48  
 Security for costs,  
     Supreme Court of Canada, 6.33, 6.35  
     Tax Court of Canada, 6.33, 6.35  
 Seized assets,  
     Canadian funds, 6.41, 6.50  
 Seized property—Cash, 6.33, 6.35  
 Seized Property Proceeds Account, 4.12, 4.16  
 Seized Property Working Capital Account, 9.38, 9.45  
 Services of a non-regulatory nature, 3.3  
 Services of a regulatory nature, 3.3  
 Shared-cost agreements,  
     Canadian Food Inspection Agency, 6.38, 6.44  
     NAFTA Secretariat, Canadian Section, 6.39, 6.46  
     Port of Churchill, 6.40, 6.49  
     research, 6.38, 6.40, 6.41, 6.44, 6.49  
     tourism, 6.40, 6.48  
 Shared-cost/joint project agreements, 6.39, 6.44  
     research, 6.40, 6.48  
 Shared-cost projects  
     Canadian Heritage, 6.45  
     Canadian International Development Agency  
         International conferences, 6.39, 6.46  
     Foreign Affairs and International Trade, 6.39, 6.46  
     Industry, 6.40, 6.48  
     Natural Resources, 6.41, 6.49  
 Ship-Source Oil Pollution Fund, 4.10, 4.14  
 Short-term investments in Canada bonds, 6.29  
 Social Sciences and Humanities Research Council—  
     Trust Fund, 6.40, 6.48  
 Société du parc industriel et portuaire Québec-Sud,  
     9.20, 9.21  
 Source and disposition of authorities by type (voted  
     and statutory), *see Volume II (Part I), Section 1*  
 Source and disposition of budgetary authorities by ministry,  
     *see Volume II (Part I), Section 1*  
 Source and disposition of non-budgetary authorities by  
     ministry, *see Volume II (Part I), Section 1*  
 Special areas and highways agreement,  
     Atlantic Canada Opportunities Agency, 9.34, 9.36  
 Special drawing rights allocations, 8.2, 8.3  
 Special Operating Account—National Library, 4.11, 4.15  
 Special project fund — Credit card, 6.41, 6.50  
 Specified purpose accounts,  
     other, 4.12, 4.14, 6.2, 6.38  
 Spending and borrowing authorities, 1.13  
 Sponsorship Agreement—Contributions, 6.41, 6.50  
 Statement of accumulated deficit, 2.4

## S—Concluded

Statement of accumulated deficit in terms of total  
     liabilities and total assets, 3.15  
 Statement of all borrowing transactions on behalf of  
     Her Majesty, 6.17  
 Statement of assets and liabilities, 1.9, 2.5  
 Statement of changes in financial position, 1.10  
     Financing activities, 1.10  
     Foreign exchange activities, 1.10  
     Investing activities, 1.10  
     Operating activities, 1.10  
 Statement of contingent liabilities, 10.18  
 Statement of responsibility, 1.4  
 Statement of revenues, expenditures and accumulated  
     deficit, 1.8  
 Statement of revenues and expenditures, *see Volume II*  
     (Part I), *Section 1*  
 Statement of transactions, 1.7  
 Statement of transactions of the Debt Servicing and  
     Reduction Account, 1.25  
 Summary combined financial statements of enterprise  
     Crown corporations and other Government Business  
     Enterprises by segment, 9.11  
 Summary financial statements of,  
     consolidated Crown corporations, 4.3  
     enterprise Crown corporations and other Government  
     Business Enterprises, 9.10  
 Summary of insurance programs of agent enterprise  
     Crown corporations, 10.15  
 Summary of significant accounting policies, 1.11  
 Summary of transactions in public sector pensions that  
     resulted in charges to expenditures, 6.21  
 Summary statement of transactions, 2.2  
 Superannuation accounts, 6.2, 6.20  
 SUPPLEMENTARY FINANCIAL INFORMATION, 2  
 Supplementary financial information, 2.2  
 Supplementary Fines Fish Account, 4.11, 4.15  
 SUPPLEMENTARY INFORMATION REQUIRED BY THE  
     FINANCIAL ADMINISTRATION ACT, *see Volume II*  
     (Part II), *Section 3*  
 Supplementary Retirement Benefits Account, 6.20, 6.27  
 Surplus for the year, 1.8, 2.2, 3.2  
 Suspense accounts, 5.4, 5.11

## T

Tax revenues, 1.8, 2.3, 3.2, 3.3, 3.5  
 Taxes and duties, other, 3.3  
 Temporary deposits received from importers, 6.32, 6.34  
 Transactions in the Employment Insurance Account, 4.13  
 Transfer payment agreements, fixed assets, purchases and  
     operating leases, 10.3, 10.4  
 TRANSFER PAYMENTS, *see Volume II (Part II), Section 8*  
 Transfer payments, *see related ministerial section in*  
     *Volume II (Part I)*  
 Transfer payments, 1.8, 3.2, 3.10  
     by province, certain, 3.11  
 Transportation and assistance loans, 9.37, 9.39  
 Treasury bills, 1.9, 6.2, 6.9  
     average yields at tender, 6.16  
 Treaty Land Entitlement (Saskatchewan) Fund, 6.40, 6.47  
 Trust accounts, 6.32

**T—*Concluded***

Trust fund

- National Research Council of Canada, 6.40, 6.48
- Natural Sciences and Engineering Research Council,  
6.40, 6.48
- Social Sciences and Humanities Research Council,  
6.40, 6.48

**U**

- Unamortized commissions on Canada savings bonds, 5.12
- Unamortized discounts and premiums on marketable bonds,  
5.12
- Unamortized discounts on
  - Canada bills, 5.12
  - Treasury bills, 5.12
- Unclaimed dividends and undistributed assets
  - Bankruptcy and Insolvency Act, 6.40, 6.48
  - Canada Business Corporations Act, 6.40, 6.48
  - Winding-up Act, 6.40, 6.48
- United Kingdom, 9.21, 9.22
  - Deferred principal, 9.21, 9.22
  - United Kingdom Financial Agreement Act, 1946, 9.21
- Unmatured debt, 1.9, 1.15, 6.2, 6.4
  - and other financial instruments, 1.16
  - as at March 31, from 1997 to 2001, with the average  
rate of interest thereon, 6.16
  - payable in Canadian currency, 1.9, 6.2, 6.4
  - payable in foreign currencies, 1.9, 6.2, 6.8
- Unmatured debt transactions, 2.7
  - net requirement from, 1.7
  - net source from, 2.2

**V**

- Veterans administration and welfare trust fund, 6.33, 6.37
- Veterans insurance fund, 6.38, 6.43
- Veterans' Land Act Fund, 9.38, 9.46

**W**

- War claims fund—World War II, 6.39, 6.45
- Western Grain Stabilization Account, 4.10, 4.12
- Winding-up Act—Unclaimed dividends and undistributed  
assets, 6.40, 6.48
- Winter capital projects fund, 9.33, 9.35
- World Health Organization, 6.39, 6.46

**Y**

- Yukon Energy Corporation, 9.37, 9.43