



Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

2011

Volume I

**Summary Report
and Financial
Statements**

Canada^{ca}

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ERRATUM

Subsequent to the tabling of the *Public Accounts of Canada*, a correction was made in Volume I, Section 3, Revenues, Expenses and Accumulated Deficit, Table 3.7, Major Transfer Payments by Province and Territory on page 3.11. The revised information is highlighted.


To His Excellency

The Right Honourable David Johnston,
C.C., C.M.M., C.O.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, 2011.

All of which is respectfully submitted.



Tony Clement, P.C., M.P.
*President of the Treasury Board and Minister
for the Federal Economic Development
Initiative for Northern Ontario*

Ottawa, November 3, 2011

To The Honourable Tony Clement, P.C., M.P.
*President of the Treasury Board and
Minister for the Federal Economic
Development Initiative for Northern Ontario*

Sir:

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, 2011, to be laid by you before the
House of Commons.

Respectfully submitted,



Rona Ambrose, P.C., M.P.
Receiver General for Canada

Ottawa, November 3, 2011

To The Honourable Rona Ambrose, P.C., M.P.
Receiver General for Canada

Madam:

I have the honour to submit the *Public Accounts of
Canada* for the year ended March 31, 2011.

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 three volumes:

Volume I—The financial statements of Canada on
which the Auditor General has expressed an opinion and
provided his observations; a discussion and analysis of the
financial statements and a ten-year comparison of financial
information; analyses of revenues and expenses, and of as-
set and liability accounts; and various other statements;

Volume II—Details of the financial operations of
the Government, segregated by ministry; and

Volume III—Additional information and analyses.

Respectfully submitted,



François Guimont
Deputy Receiver General for Canada

Ottawa, November 3, 2011

VOLUME I

2010-2011

PUBLIC ACCOUNTS OF CANADA

Table of contents

Section

- Introduction
- 1. Financial Statements Discussion and Analysis
- 2. Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada
- 3. Revenues, Expenses and Accumulated Deficit
- 4. Consolidated Accounts
- 5. Accounts Payable and Accrued Liabilities
- 6. Interest-Bearing Debt
- 7. Cash and Accounts Receivable
- 8. Foreign Exchange Accounts
- 9. Loans, Investments and Advances
- 10. Non-Financial Assets
- 11. Contractual Obligations and Contingent Liabilities
- 12. 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 annually by the Receiver General, as required by section 64 of the *Financial Administration Act*. It covers the fiscal year of the Government, which ends on March 31.

The information contained in the report originates from two sources of data:

- the summarized financial transactions presented in the accounts of Canada, maintained by the Receiver General; and
- the detailed records, maintained by departments and agencies.

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 three volumes.

Volume I presents the audited financial statements of the Government, as well as additional financial information and analyses;

Volume II presents the financial operations of the Government, segregated by ministry; and

Volume III presents supplementary information and analyses.

SECTION 1

2010-2011

PUBLIC ACCOUNTS OF CANADA

Financial Statements Discussion and Analysis

CONTENTS

	<i>Page</i>
Financial statements discussion and analysis	1.2
Introduction	1.2
2010-2011 financial highlights	1.2
Discussion and analysis	1.3
Economic highlights	1.3
The budgetary balance	1.5
Revenues	1.6
Expenses	1.7
Comparison of actual results to budget projections	1.8
Accumulated deficit	1.9
Risks and uncertainties	1.14
Ten year comparative financial information	1.15
Detailed statement of operations and accumulated deficit	1.15
Detailed statement of financial position	1.16
Statement of change in net debt	1.17
Statement of cash flow	1.18
Detailed statement of non-budgetary transactions and of non-financial assets	1.19
Detailed statement of foreign exchange, unmatured debt and cash transactions	1.20
Glossary of terms	1.21

NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in the *Annual Financial Report* prepared by the Department 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/>.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

Introduction

The *Public Accounts of Canada* is a major accountability report of the Government of Canada. This section, together with the other sections in this volume and in Volumes II and III of the *Public Accounts of Canada*, provides detailed supplementary information in respect of matters reported in the audited financial statements in Section 2 of this volume. Further discussion and analysis of the Government's financial results can be found in the *Annual Financial Report of the Government of Canada – Fiscal Year 2010-2011*, available on the Department of Finance's website.

The financial statements have been prepared under the joint direction of the Minister of Finance, the President of the Treasury Board and the Receiver General for Canada. Responsibility for the integrity and objectivity of the financial statements rests with the Government. A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.

2010-2011 Financial Highlights

- The Government posted a budgetary deficit of \$33.4 billion for the fiscal year ended March 31, 2011, compared to a budgetary deficit of \$55.6 billion in 2009-2010. Roughly half of the \$33.4-billion deficit was attributable to actions taken under Canada's Economic Action Plan, which has provided significant additional support to Canadians in the form of personal income tax reductions, enhanced Employment Insurance (EI) benefits, investments in infrastructure and support for housing, support for industries and communities, and actions to improve access to financing.
- The \$33.4-billion deficit in 2010-2011 was \$2.8 billion lower than forecast in the June 2011 budget. Revenues were \$1.5 billion higher than forecast, while program expenses were \$1.2 billion lower than forecast.
- The accumulated deficit (the difference between total liabilities and total assets) stood at \$550.3 billion at March 31, 2011. The accumulated deficit-to-GDP (gross domestic product) ratio was 33.9 percent, down 0.1 percentage point from a year earlier. The accumulated deficit-to-GDP ratio at March 31, 2011 stood at less than half of its peak of 68.4 percent at March 31, 1996.
- As reported by the Organisation for Economic Co-operation and Development (OECD), Canada's total government net debt-to-GDP ratio stood at 30.4 percent in 2010. This is the lowest level among Group of Seven (G-7) countries, which the OECD estimates recorded an average net debt of 71.4 percent of GDP in that same year.

Discussion and Analysis

Economic Highlights ⁽¹⁾

Throughout 2010 and into early 2011, the global economy continued its recovery from the deepest and most synchronized recession since the 1930s. During this time, global financial market conditions improved and commodity prices rebounded. However, in more recent months the global economic recovery has slowed and downside risks have grown. Weakening global economic growth, particularly in the U.S. and Europe, combined with ongoing concern about sovereign debt in Europe, have led to increasing volatility in global equity, bond and foreign exchange markets.

Reflecting Canada's strong economic and fiscal fundamentals, together with the impact of Canada's Economic Action Plan and significant monetary policy stimulus, the Canadian economy has had the strongest recovery to date among G-7 countries. Economic activity in Canada is now about 1.8 percent above its pre-recession level, while employment is 1.0 percent higher. Indeed, Canada is the only G-7 country to have recovered both all of the GDP and all of the employment lost during the recession.

Throughout 2010, growth in Canada was fuelled by a strong rebound in consumer and business expenditures, reflecting in part the positive impact of Canada's Economic Action Plan, low interest rates and strong fundamentals. Growth in real consumer spending on goods and services has averaged more than 3 percent in 2010. Business investment in machinery and equipment has been even stronger, growing on average by more than 17 percent per quarter. In the first half of 2011, domestic demand in Canada remained strong, with consumption and business investment continuing to expand. In particular, business investment in machinery and equipment grew by more than 16 percent in the first half of 2011. The strength of the domestic economy, however, has been dampened by weak demand for Canadian exports, particularly from the U.S.

The economic recovery has underpinned a strong rebound in Canada's labour market. By July 2011, the economy had created about 600,000 jobs relative to its trough in July 2009—more than offsetting the jobs lost in Canada during the global economic downturn. Canada's labour market recovery has also been widespread, with virtually all provinces having recorded employment gains over the recovery. Furthermore, most of the jobs created have been full-time and in relatively high-wage industries.

The level of economic activity in 2010 was considerably higher than in 2009. Real GDP increased by 3.2 percent in 2010. Nominal GDP (the broadest single measure of the Government's tax base) increased by 6.3 percent as a result of the increase in real GDP together with a significant rebound in global commodity prices.

⁽¹⁾ This section incorporates data available up to and including August 31, 2011. However, fiscal results in the following section cover the period from April 1, 2010 to March 31, 2011.

Canada's Economic Action Plan

In Budget 2009, the Government introduced Canada's Economic Action Plan (EAP) in response to the worst economic and financial crisis since the 1930s. The EAP was designed to support economic growth and to protect jobs and incomes affected by the downturn, and its implementation has been effective at shielding Canadians from the worst of the global recession. The EAP has:

- Reduced taxes permanently.
- Helped the unemployed through enhanced EI benefits and training programs.
- Prevented layoffs by enhancing the EI work-sharing program.
- Made significant investments in infrastructure and provided additional support to the housing sector through the Home Renovation Tax Credit.
- Advanced Canada's knowledge economy by improving infrastructure at colleges and universities and supporting research and technology.
- Supported industries and communities most affected by the global downturn.
- Improved access to and the affordability of financing for Canadian households and businesses.

These measures have been implemented across a large number of departments, agencies and Crown corporations, often in partnership with other levels of government.

Because the stimulus in the EAP was designed to provide temporary support to the economy, the vast majority of initiatives announced in Budget 2009 ended as planned on March 31, 2011. Four provincial, territorial and municipal infrastructure programs were extended to October 31, 2011 in order to provide the federal government's partners an additional construction season to complete projects that faced delays.

Progress in Implementing Canada's Economic Action Plan

	2010-2011 Impact of EAP
	(accrual basis – in billions of dollars)
Reducing the tax burden for Canadians.....	3.2
Helping the unemployed.....	5.0
Building infrastructure to create jobs.....	5.1
Advancing Canada's knowledge economy and creating better jobs.....	1.4
Supporting industries and communities.....	1.8
Total federal support	16.5

Note: Totals may not add due to rounding.

Actions taken during the second year of the EAP account for approximately \$16.5 billion of the 2010-2011 deficit of \$33.4 billion. Of the amounts recorded under the EAP, revenue reductions account for \$5.9 billion, while expenditure measures account for \$10.6 billion.

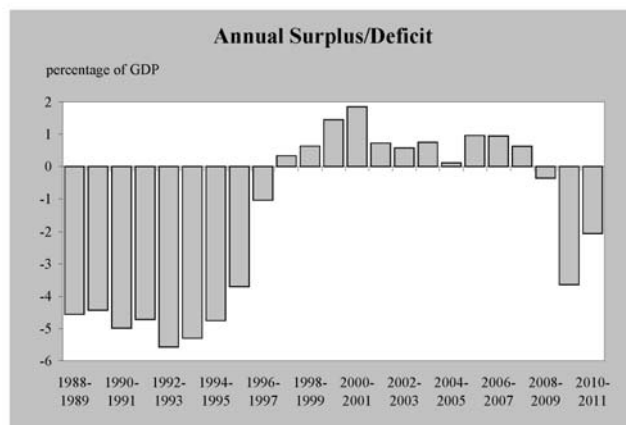
The \$16.5 billion of EAP measures in 2010-2011 are recorded on an accrual basis. This amount is lower than the cash value of the EAP due largely to investments in federal assets (for which budgetary costs are amortized over a number of years) and loans to third parties (for which budgetary costs are only recorded to the extent there is a risk of loss). The seven reports to Canadians on the EAP have focused on the cash value of the EAP because this is the best measure for assessing the impact of the stimulus on the economy.

The Government has reported regularly to Canadians on the implementation of the EAP. Canadians can learn more about individual elements of the EAP at www.actionplan.gc.ca.

The Budgetary Balance

The Government posted a budgetary deficit of \$33.4 billion in 2010-2011, reflecting the impact of the global economic recession and the stimulus measures introduced to help mitigate its impact.

The following graph shows the Government's budgetary balance since 1988-1989. To enhance the comparability of results over time and across jurisdictions, the budgetary balance and its components are presented as a percentage of GDP. The budgetary deficit stood at 2.1 percent of GDP in 2010-2011, down from 3.6 percent a year earlier, and down 3.5 percentage points from its most recent peak of 5.6 percent in 1992-1993.



The 2010-2011 budgetary deficit of \$33.4 billion compares to a deficit of \$55.6 billion in 2009-2010. Revenues were up \$18.5 billion, or 8.5 percent, from the prior year. Over half of this increase was attributable to growth in personal income tax revenues, which grew by \$9.5 billion, or 9.1 percent. The remaining growth in revenues was largely attributable to increases in other revenues and Goods and Services Tax (GST) revenues, which increased by \$6.5 billion and \$1.4 billion, respectively.

2010-2011 Financial Highlights

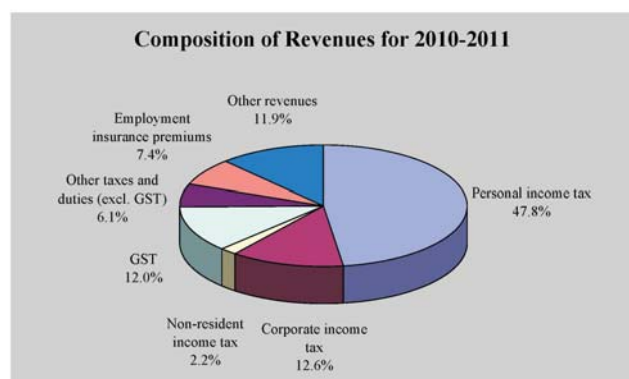
	2010-2011	2009-2010
	(in billions of dollars)	
Statement of Operations		
Revenues.....	237.1	218.6
Expenses—		
Program expenses.....	239.6	244.8
Public debt charges.....	30.9	29.4
Total expenses.....	270.5	274.2
<i>Annual deficit</i>	<i>33.4</i>	<i>55.6</i>
<i>Percentage of GDP.....</i>	<i>2.1%</i>	<i>3.6%</i>
Statement of Financial Position		
Liabilities—		
Interest-bearing debt.....	801.8	762.8
Other.....	119.1	120.5
Total liabilities.....	920.9	883.3
Financial assets.....	304.0	300.8
<i>Net debt.....</i>	<i>616.9</i>	<i>582.5</i>
Non-financial assets.....	66.6	63.4
<i>Accumulated deficit</i>	<i>550.3</i>	<i>519.1</i>
<i>Percentage of GDP.....</i>	<i>33.9%</i>	<i>34.0%</i>

Note: Totals may not add due to rounding.

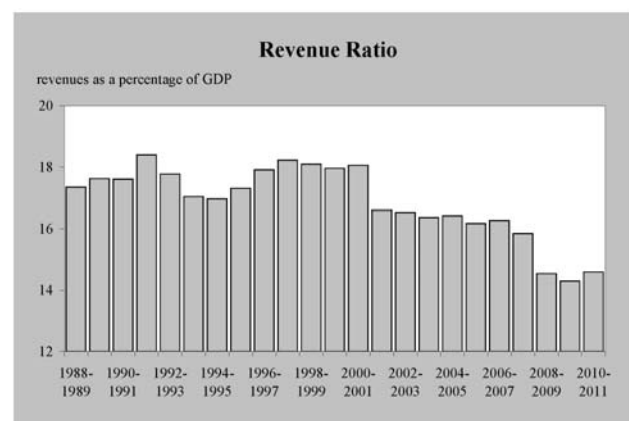
Expenses were down \$3.7 billion, or 1.4 percent, from the prior year. Program expenses decreased by \$5.2 billion, largely reflecting one-time assistance to the automotive industry and Harmonized Sales Tax (HST) transitional assistance to the provinces of Ontario and British Columbia in 2009-2010, as well as a decline in EI benefit payments. Public debt charges increased by \$1.5 billion, or 5.0 percent, from the prior year, reflecting a higher stock of interest-bearing debt.

Revenues

The largest source of federal revenues is personal income tax revenues, which accounted for 47.8 percent of total revenues in 2010-2011. Corporate income tax revenues accounted for 12.6 percent of revenues in 2010-2011, down from 13.9 percent in 2009-2010, due to a lower general tax rate and one-time factors which temporarily increased corporate income tax revenues in 2009-2010. EI premium revenues represented 7.4 percent of revenues in 2010-2011. In 2010-2011, other taxes and duties made up 18.1 percent of total revenues, with 12.0 percent coming from the GST. Other revenues made up 11.9 percent of total revenues in 2010-2011, up 2.0 percentage points from a year earlier, due mainly to an increase in the net profits of enterprise Crown corporations.



The revenue ratio - revenues as a percentage of GDP - compares the total of all federal revenues to the size of the economy. This ratio is influenced by changes in statutory tax rates and by economic developments. The ratio stood at 14.6 percent in 2010-2011, up 0.3 percentage points from 2009-2010, reflecting the economic recovery and the expiration of the Home Renovation Tax Credit. However, the ratio has been declining gradually since 2001-2002, and is down significantly from an average of 18 percent over the period 1996-1997 to 2000-2001. This decline is due primarily to tax reduction measures.



Revenues Compared to 2009-2010

The following table compares revenues for 2010-2011 to 2009-2010.

Revenues

	Change			
	2010-11	2009-10	Absolute	%
	(in millions of dollars)			
Income tax revenues—				
Personal	113,457	103,947	9,510	9.1
Corporate	29,969	30,361	-392	-1.3
Non-resident.....	5,137	5,293	-156	-2.9
Total.....	148,563	139,601	8,962	6.4
Other taxes and duties—				
Goods and services tax	28,379	26,947	1,432	5.3
Energy taxes	5,342	5,178	164	3.2
Customs import duties	3,520	3,490	30	0.9
Other excise taxes and duties	5,662	4,958	704	14.2
Total.....	42,903	40,573	2,330	5.7
Employment insurance premiums ..	17,501	16,761	740	4.4
Other revenues.....	28,124	21,665	6,459	29.8
Total revenues	237,091	218,600	18,491	8.5

Total revenues increased by \$18.5 billion in 2010-2011, primarily reflecting growth in personal income tax revenues, GST revenues, other excise taxes and duties, EI premium revenues and other revenues. These increases were partially offset by lower corporate and non-resident income tax revenues.

Personal income tax revenues increased by \$9.5 billion, or 9.1 percent, in 2010-2011. This increase reflected growth in personal income, combined with the expiration of the Home Renovation Tax Credit on January 31, 2010.

Corporate income tax revenues decreased by \$0.4 billion, or 1.3 percent, in 2010-2011, despite strong gains in corporate profits. This decrease primarily reflects a lower general tax rate and one-time factors which boosted 2009-2010 revenues.

Non-resident income tax revenues were down \$0.2 billion, or 2.9 percent, in 2010-2011, stemming from large reassessments of prior-year revenues, partially offset by growth in revenues from the current taxation year.

Other taxes and duties increased by \$2.3 billion, or 5.7 percent, from the prior year, driven by a \$1.4-billion, or 5.3-percent, increase in GST revenues, reflecting higher consumption as the economy recovered. Other excise taxes and duties increased by \$0.7 billion, or 14.2 percent, energy taxes increased by \$0.2 billion, or 3.2 percent, and customs import duties increased by \$30 million, or 0.9 percent.

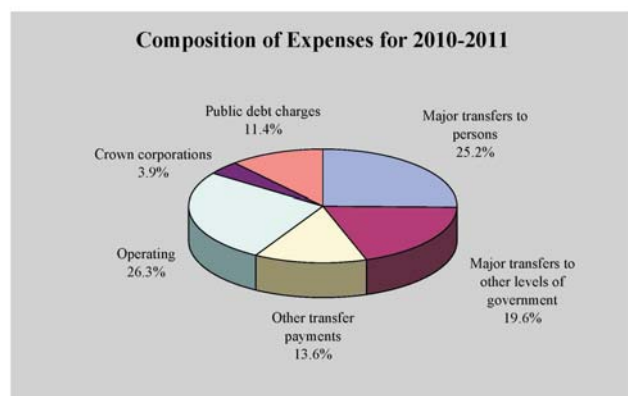
EI premium revenues increased by \$0.7 billion, or 4.4 percent, from the previous year, reflecting lower unemployment and the EI premium rate of \$1.78 per \$100 of insurable earnings for 2011.

Other revenues increased by \$6.5 billion, or 29.8 percent, in 2010-2011. This growth was driven by an increase in the net profits of enterprise Crown corporations, due mainly to a decrease in ex-

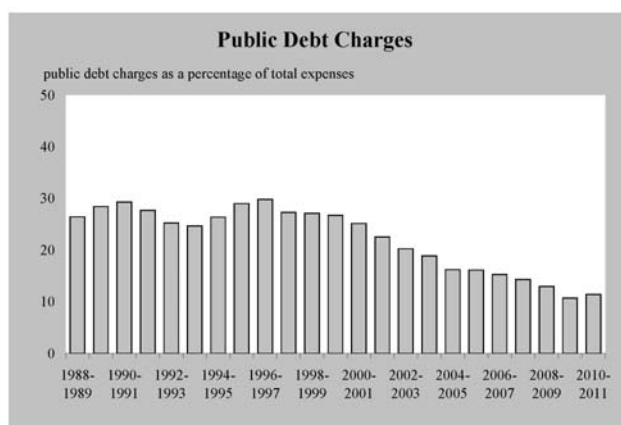
penses associated with provisions for credit losses and claims, unrealized gains on derivatives held under the Insured Mortgage Purchase Program (IMPP) administered by Canada Mortgage and Housing Corporation (CMHC), gains realized on the Government's sale of common shares in General Motors as part of the automaker's initial public offering in November 2010, and foreign exchange gains.

Expenses

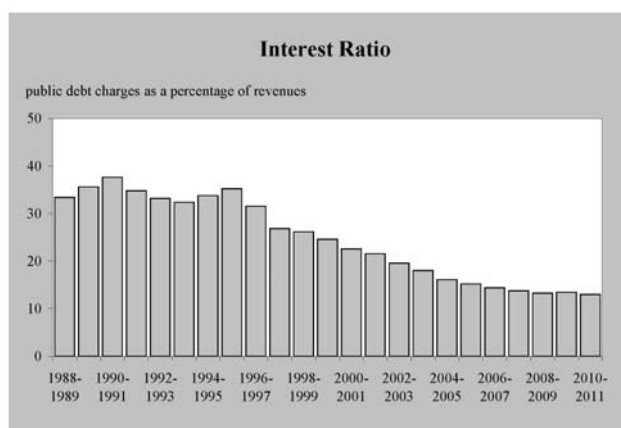
The largest component of expenses in 2010-2011 was operating expenses, which accounted for 26.3 percent of total expenses. These expenses cover more than 100 government departments and agencies, including National Defence. The second largest component of expenses was major transfers to persons, which made up 25.2 percent of total expenses. This category consists of elderly benefits, EI benefits, the Canada Child Tax Benefit and the Universal Child Care Benefit. Major transfers to other levels of government (Canada Health Transfer and Canada Social Transfer, fiscal arrangements and other transfers, transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement) made up 19.6 percent of total expenses in 2010-2011. Other transfer payments, which include transfers to individuals, businesses, and other organizations and groups, made up 13.6 percent of expenses, while Crown corporations accounted for 3.9 percent of expenses. Public debt charges made up the remaining 11.4 percent of total expenses in 2010-2011.



There has been a large shift in the composition of total expenses since the early 1990s. Public debt charges were the largest component for most of the 1990s, given the large and increasing stock of interest-bearing debt and high average effective interest rates on that stock of debt. Since reaching a high of nearly 30 percent of total expenses in 1996-1997, the share of public debt charges in total expenses has fallen over 18 percentage points, reflecting reductions in the stock of interest-bearing debt and a decline in interest rates.



The interest ratio (public debt charges as a percentage of revenues) has been decreasing in recent years, falling from 37.6 percent in 1990-1991 to 13.5 percent in 2009-2010. The ratio fell an additional 0.5 percentage points in 2010-2011, reaching 13.0 percent. This means that, in 2010-2011, the Government spent 13 cents of every revenue dollar on public debt charges. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.



Expenses Compared to 2009-2010

Total expenses amounted to \$270.5 billion in 2010-2011, down \$3.7 billion, or 1.4 percent, from 2009-2010.

The following table compares total expenses for 2010-2011 to 2009-2010.

Expenses

		Change		
	2010-11	2009-10	Absolute	%
	(in millions of dollars)			
Transfer payments—				
Major transfers to persons—				
Elderly benefits	35,629	34,653	976	2.8
Employment insurance benefits . .	19,850	21,586	-1,736	-8.0
Children’s benefits	12,656	12,340	316	2.6
Total	68,135	68,579	-444	-0.6
Major transfer payments to other levels of government—				
Federal transfer support for health and other social programs	37,210	35,678	1,532	4.3
Fiscal arrangements and other transfers	19,512	24,611	-5,099	-20.7
Quebec abatement	-3,751	-3,299	-452	13.7
Total	52,971	56,990	-4,019	-7.1
Other transfer payments	36,820	39,892	-3,072	-7.7
Total transfer payments	157,926	165,461	-7,535	-4.6
Other program expenses—				
Crown corporations	10,547	10,428	119	1.1
Ministries	71,119	68,895	2,224	3.2
Total other program expenses	81,666	79,323	2,343	3.0
Program expenses	239,592	244,784	-5,192	-2.1
Public debt charges	30,871	29,414	1,457	5.0
Total expenses	270,463	274,198	-3,735	-1.4

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

Major transfers to persons decreased by \$0.4 billion in 2010-2011, due to a decline in EI benefit payments. EI benefits decreased by \$1.7 billion in 2010-2011, due mainly to a decrease in regular benefits, reflecting a lower unemployment rate. This decrease was partially offset by a \$1.0-billion increase in elderly benefits, reflecting growth in the elderly population and increases in consumer prices, to which benefits are fully indexed. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by \$0.3 billion, reflecting enhancements to the National Child Benefit Supplement and the Canada Child Tax Benefit which took effect in July 2009 as part of Canada's Economic Action Plan.

Major transfers to other levels of government decreased by \$4.0 billion over the previous year, reflecting the one-time impact of \$5.9 billion in transitional assistance to the provinces of Ontario and British Columbia in 2009-2010 as a result of their decision to adopt the HST, partially offset by legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization and a total of \$0.5 billion in transfer protection payments to the provinces to prevent declines in the Canada Health

Transfer, the Canada Social Transfer and Equalization transfers between 2009-2010 and 2010-2011. The Quebec Abatement, which is netted against major transfers to other levels of government, increased by \$0.5 billion in 2010-2011, resulting in a corresponding decrease in transfer payments. The Quebec Abatement is a recovery from the Province of Quebec for an additional tax point transfer (16.5 points) above and beyond the Canada Health Transfer and Canada Social Transfer tax point transfers. The \$0.5-billion increase in this recovery was due to an increase in the value of personal income tax points in 2010-2011 compared to 2009-2010.

Other transfer payments, which include transfers to Aboriginal peoples, assistance to farmers, students and businesses, support for research and development, and foreign aid and international assistance, decreased by \$3.1 billion, or 7.7 percent, over the prior year. This decrease mainly reflects one-time assistance to the automotive industry in 2009-2010, partially offset by increases in transfers across a number of departments and the revaluation of the Government's liability to Ontario for the province's one-third participation in the value of the Government's common shares in General Motors.

Other program expenses increased from \$79.3 billion in 2009-2010 to \$81.7 billion in 2010-2011, up \$2.3 billion, or 3.0 percent. This spending component consists of operating expenses of Crown corporations, departments and agencies, including National Defence, as well as expenses related to the ongoing assessment of the Government's liabilities. The \$2.3-billion increase reflects past service costs associated with amendments made to veteran future benefit programs which expand eligibility for certain allowances provided to injured veterans and provide access to all veteran benefit programs for veterans suffering from amyotrophic lateral sclerosis, as well as an increase in the estimated cost of the Government's environmental liabilities.

Public debt charges increased by \$1.5 billion, or 5.0 percent, reflecting a higher stock of interest-bearing debt.

Comparison of Actual Results to Budget Projections

Comparison to June 2011 Budget Plan

The 2010-2011 deficit was \$2.8 billion lower than the \$36.2-billion deficit forecast in the June 2011 budget. Revenues were \$1.5 billion higher than expected, largely reflecting higher-than-expected corporate income tax and other revenues. Program expenses were \$1.2 billion lower than forecast, reflecting lower-than-expected year-end accrual adjustments.

Comparison of 2010-2011 Outcomes to June 2011 Budget

	Projection	Actual	Difference
	(in billions of dollars)		
Revenues	235.6	237.1	1.5
Expenses —			
Program expenses	240.8	239.6	-1.2
Public debt charges	30.9	30.9	0.0
Total expenses	271.7	270.5	-1.2
Annual deficit	36.2	33.4	-2.8

Note: Totals may not add due to rounding.

Comparison to March 2010 Budget Plan

The 2010-2011 budgetary deficit was \$15.8 billion lower than the \$49.2 billion deficit forecast in the March 2010 budget, partly due to stronger-than-expected economic growth in 2010. Specifically, Budget 2010 projected an expansion of 4.9 percent in nominal GDP in 2010, while the actual expansion was 6.3 percent.

Revenues were \$4.2 billion, or 1.8 percent, higher than forecast in the March 2010 budget, reflecting higher-than-projected revenues from income taxes (\$0.6 billion higher than projected), other taxes and duties (\$1.9 billion higher than projected), and other revenues (\$1.9 billion higher than projected), which were only slightly offset by lower-than-projected EI premium revenues (\$0.1 billion lower than projected). The higher-than-projected other taxes and duties mainly reflects higher-than-projected consumption of goods subject to the GST and excise taxes. The higher-than-projected other revenues primarily reflects higher profits of enterprise Crown corporations, including unrealized gains on derivatives held under the IMPP administered by CMHC, and gains realized on the Government's sale of common shares in General Motors.

For 2010-2011, total expenses were \$11.6 billion lower than projected in the March 2010 budget, with program expenses \$11.1 billion lower than forecast and public debt charges \$0.5 billion lower than forecast.

Major transfers to persons were \$3.9 billion lower than projected, largely due to lower-than-projected elderly and EI benefits. Elderly benefits were \$1.0 billion lower than forecast, due to lower-than-projected growth in the number of recipients and lower-than-expected maximum benefit growth. EI benefits were \$2.8 billion lower than forecast, due mainly to lower-than-expected regular benefits, reflecting a better labour market outcome.

Major transfers to other levels of government were \$3.8 billion lower than forecast, reflecting the accrual of 2010-2011 HST transitional assistance payments to the provinces of Ontario and British Columbia in 2009-2010. In the March 2010 budget forecast, these transfer payments were expensed in annual instalments over the 2009-2010 to 2011-2012 period, consistent with the payment schedules set out in the agreements. In the process of finalizing the 2009-2010 financial statements, it was determined that the total amount of transitional assistance should be expensed in 2009-2010 as the provinces had met all eligibility criteria to receive the transfers.

Other transfer payments were \$2.6 billion lower than forecast, while other program expenses were \$0.8 billion lower than forecast, reflecting lower-than-expected spending by departments, agencies and Crown corporations.

Public debt charges were \$0.5 billion lower than forecast, reflecting lower-than-expected interest rates.

Comparison of 2010-2011 Outcomes to March 2010 Budget

	Budget	Actual	Difference
(in millions of dollars)			
Revenues			
Income tax revenues	147,980	148,563	583
Other taxes and duties	40,965	42,903	1,938
Employment insurance premiums	17,630	17,501	-129
Other revenues	26,274	28,124	1,850
Total revenues	232,849	237,091	4,242
Expenses—			
Program expenses			
Major transfers to persons	72,026	68,135	-3,891
Major transfer payments to other levels of government	56,812	52,971	-3,841
Other transfer payments	39,414	36,820	-2,594
Other program expenses	82,454	81,666	-788
Total program expenses	250,706	239,592	-11,114
Public debt charges	31,341	30,871	-470
Total expenses	282,047	270,463	-11,584
Annual deficit	49,198	33,372	-15,826

Accumulated Deficit

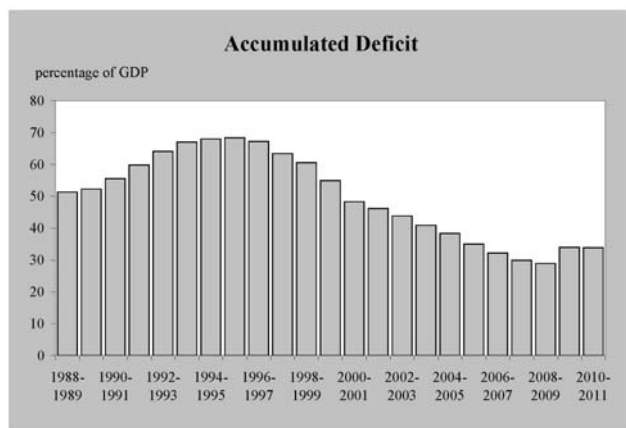
The accumulated deficit is the difference between the Government's total liabilities and total assets. The annual change in the accumulated deficit represents the annual budgetary balance plus any gains or losses recognized in other comprehensive income. Other comprehensive income represents certain unrealized gains and losses on financial instruments reported by enterprise Crown corporations and other government business enterprises. Based on the accounting standards of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, other comprehensive income is not included in the Government's annual budgetary balance, but is instead recorded directly to the Government's Statement of Accumulated Deficit and Statement of Change in Net Debt.

Accumulated Deficit

	2010-2011	2009-2010	Difference
(in millions of dollars)			
Accumulated deficit at beginning of year	519,097	463,710	55,387
Annual deficit	33,372	55,598	-22,226
Other comprehensive income	-2,142	-211	-1,931
Accumulated deficit at end of year	550,327	519,097	31,230

The accumulated deficit increased by \$55.4 billion in 2009-2010 and by \$31.2 billion in 2010-2011, reflecting the impact of the global economic recession and the stimulus measures introduced to help mitigate its impacts. The \$31.2-billion increase in the accumulated deficit in 2010-2011 reflects the \$33.4-billion budgetary deficit, partially offset by \$2.1 billion in other comprehensive income. A significant portion of the \$2.1 billion in other comprehensive income relates to unrealized gains resulting from the increase in value of the Government's holdings of General Motors common shares.

The accumulated deficit stood at 33.9 percent of GDP at March 31, 2011, less than half of its post-World War II peak of 68.4 percent at March 31, 1996.



As noted above, the accumulated deficit is the difference between the Government's total liabilities and total assets. Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Total assets include both financial and non-financial assets, the latter consisting primarily of capital assets. The following sections provide more detail on each of these components.

Statement of Financial Position

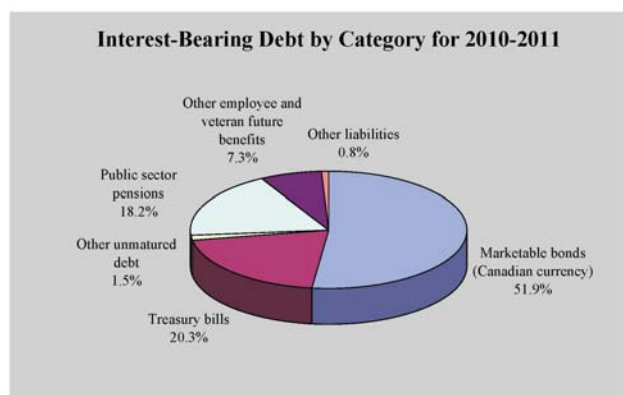
	2010-2011	2009-2010	Difference
	(in millions of dollars)		
Liabilities			
Accounts payable and accrued liabilities	119,060	120,525	-1,465
Interest-bearing debt—			
Unmatured debt	591,155	559,126	32,029
Pension and other future benefits	204,341	197,070	7,271
Other liabilities	6,315	6,587	-272
Total	801,811	762,783	39,028
Total liabilities	920,871	883,308	37,563
Financial assets			
Cash and accounts receivable	96,907	101,205	-4,298
Foreign exchange accounts	48,507	46,950	1,557
Loans, investments and advances ⁽¹⁾	158,549	152,681	5,868
Total financial assets	303,963	300,836	3,127
Net debt	616,908	582,472	34,436
Non-financial assets	66,581	63,375	3,206
Accumulated deficit	550,327	519,097	31,230

⁽¹⁾ Includes \$2.1 billion in other comprehensive income (\$0.2 billion in other comprehensive income in 2009-2010) reported by enterprise Crown corporations and other government business enterprises.

Interest-Bearing Debt

Interest-bearing debt includes unmaturing debt, or debt issued on the credit markets, obligations for pensions and other future benefits, and other liabilities. Unmatured debt, which includes fixed-coupon marketable bonds, Real Return Bonds, treasury bills,

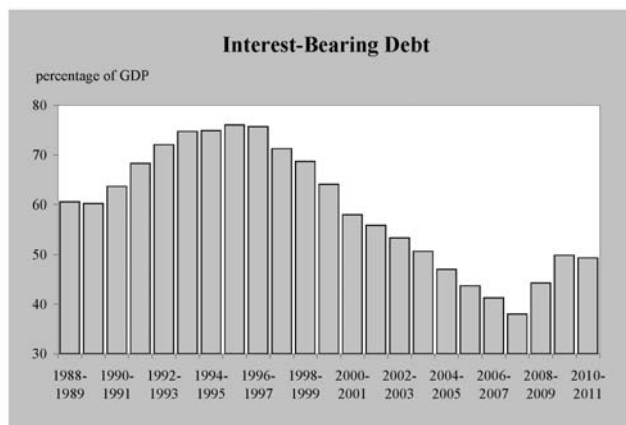
retail debt (Canada Savings Bonds and Canada Premium Bonds), foreign-currency-denominated debt, as well as bonds issued to the Canada Pension Plan and obligations related to capital leases, amounted to 73.7 percent of interest-bearing debt at March 31, 2011. Liabilities for pensions and other future benefits include obligations for federal public sector pension plans and other employee and veteran future benefits. Obligations for federal public sector pension plans made up 18.2 percent of interest-bearing debt and other employee and veteran future benefits accounted for an additional 7.3 percent of interest-bearing debt. The remaining 0.8 percent of interest-bearing debt represents other interest-bearing liabilities of the Government, which include deposit and trust accounts and other specified purpose accounts. The share of total interest-bearing debt represented by unmaturing debt had been declining since the mid-1990s, as the Government was able to retire some of this debt. This trend reversed in 2008-2009 due to the increase in financial requirements stemming from the Government's Economic Action Plan, as well as an increase in borrowings under the consolidated borrowing framework introduced in 2008. Under the consolidated borrowing framework, the Government finances all of the borrowing needs of CMHC, the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market.



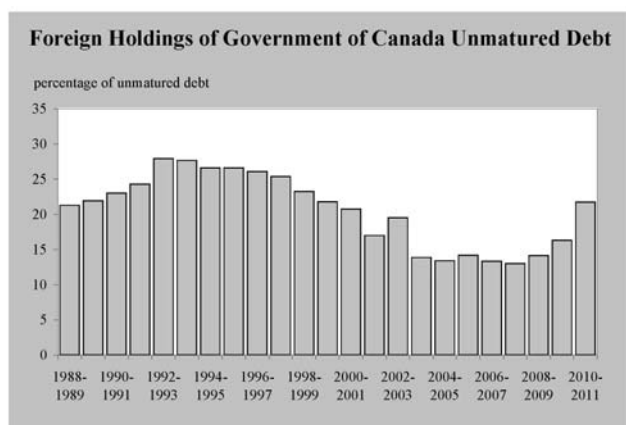
At March 31, 2011, interest-bearing debt totalled \$801.8 billion, up \$39.0 billion from March 31, 2010. The increase was largely attributable to an increase in unmaturing debt, primarily reflecting financing requirements associated with the budgetary deficit.

The Bank of Canada and the Department of Finance manage the Government's debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management objectives and principles are tabled annually in Parliament through the Department of Finance's *Debt Management Strategy*. Further details on the federal public sector pension plans are contained in Section 6 of this volume.

Interest-bearing debt stood at 49.4 percent of GDP in 2010-2011, down from 49.9 percent in 2009-2010, and down over 26 percentage points from a high of 76.1 percent in 1995-1996.



Foreign holdings of the Government's unmatured debt were estimated at \$128.5 billion at March 31, 2011, representing approximately 22 percent of the Government's total unmatured debt.

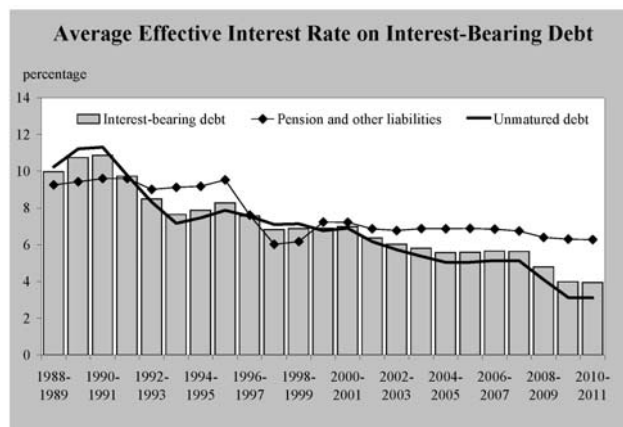


The average effective interest rate on the Government's interest-bearing debt in 2010-2011 was 3.9 percent, down from 4.0 percent in 2009-2010. The average effective interest rate on unmatured debt in 2010-2011 was 3.1 percent, while the average effective interest rate on pension and other liabilities was 6.3 percent. The average effective interest rate was higher on pension and other liabilities than on unmatured debt because the unfunded pension liability is primarily credited with interest at rates that are calculated as though the amounts in the plans were invested in a notional portfolio of Government of Canada 20-year bonds held to maturity, whereas unmatured debt includes both short- and long-term securities. During 2010-2011, short-term interest rates remained near the historical low levels of the previous year.

The debt structure of interest-bearing debt is usually described in terms of its fixed-rate share (that is the proportion that does not mature or need to be repriced within one year). It is calculated on a net basis by excluding components of the debt that are matched with financial assets of the same term, which therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corre-

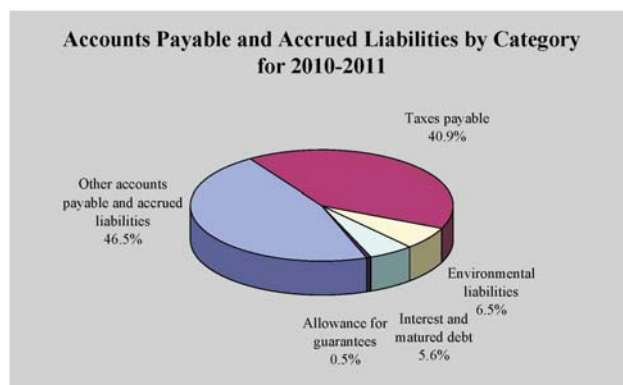
sponding loans to Crown corporations; Government of Canada debt securities held by the Bank of Canada; matched assets related to the IMPP; and the debt offset by Receiver General cash and deposit balances.

The fixed-rate share of interest-bearing debt fell slightly from 63.3 percent in 2009-2010 to 63.1 percent in 2010-2011.



Accounts Payable and Accrued Liabilities

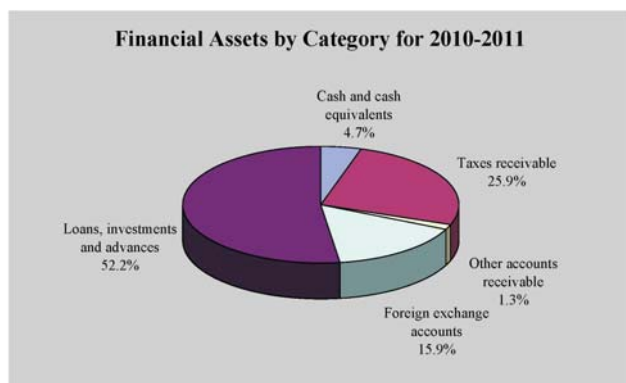
The following chart shows accounts payable and accrued liabilities by category for 2010-2011.



At March 31, 2011, accounts payable and accrued liabilities amounted to \$119.1 billion, down \$1.5 billion from March 31, 2010. The decrease is largely attributable to a \$2.9-billion decrease in other accounts payable and accrued liabilities, primarily reflecting the payment of \$3.8 billion in HST transitional assistance to the provinces of Ontario and British Columbia accrued in 2009-2010. This decrease was partially offset by a \$1.1-billion increase in environmental liabilities. Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites as well as estimated costs related to the Government's obligations associated with future asset restoration costs.

Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable, foreign exchange accounts, and loans, investments and advances. The Government's foreign exchange accounts include foreign currency deposits, investments in gold, and subscriptions and loans to the International Monetary Fund (IMF). Proceeds of the Government's foreign currency borrowings are held in the Exchange Fund Account to provide foreign currency liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the annual *Report on the Management of Canada's Official International Reserves*. The Government's loans, investments and advances include its investments and loans in enterprise Crown corporations, loans to national governments mainly for financial assistance and development of export trade, and loans under the Canada Student Loans Program.



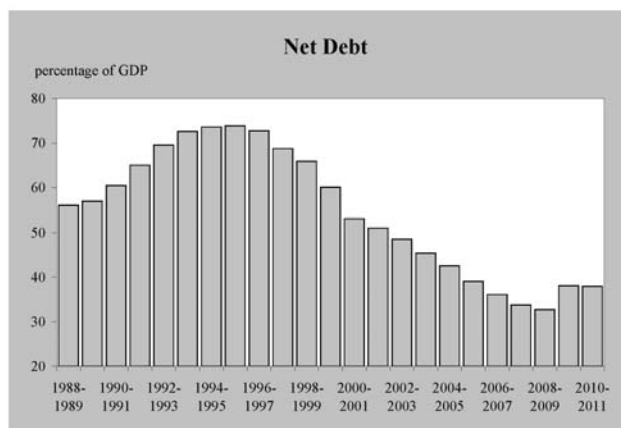
At March 31, 2011, financial assets amounted to \$304.0 billion, up \$3.1 billion from March 31, 2010. Within financial assets, cash and cash equivalents decreased by \$14.1 billion, taxes receivable increased by \$9.6 billion, foreign exchange accounts increased by \$1.6 billion, and the Government's loans, investments and advances in enterprise Crown corporations and other government business enterprises increased by \$6.2 billion. The decrease in cash and cash equivalents over the prior year mainly reflects the unwinding of special liquidity facilities introduced by the Bank of Canada during the financial crisis to support the efficient functioning of the Canadian financial system. With improved conditions in financial markets, the Government's cash balances were reduced by the end of 2010-2011. The increase in taxes receivable largely reflects the Government's administration of the HST in Ontario and British Columbia as of July 1, 2010. The increase in foreign exchange accounts is largely attributable to an increase in loans issued to the IMF to provide temporary resources to IMF member countries requiring balance of payments assistance. The \$6.2-billion increase in loans, investments and advances in enterprise Crown corporations and other government business enterprises is due mainly to net profits recorded by these corporations and enterprises during 2010-2011.

Since the accumulated deficit reached its peak of \$562.9 billion at March 31, 1997, financial assets have increased by \$203.6 billion due to higher levels of cash and cash equivalents and accounts receivable (up \$44.1 billion), an increase in the foreign exchange accounts (up \$21.7 billion) and an increase in loans, investments and advances (up \$137.7 billion). The increase in cash and cash equivalents and accounts receivable is largely attributable to growth in taxes receivable, broadly in line with the growth in the applicable tax bases. The increase in the foreign exchange accounts reflects a decision by the Government in the late 1990s to increase its liquidity in these accounts. The increase in loans, investments and advances is attributable to several factors including the accumulation of net profits from enterprise Crown corporations, the Government taking over the financing of the Canada Student Loans Program from the chartered banks in 2000, and, more recently, the issuance of direct loans to Crown corporations under the Government's consolidated borrowing framework implemented in 2008.

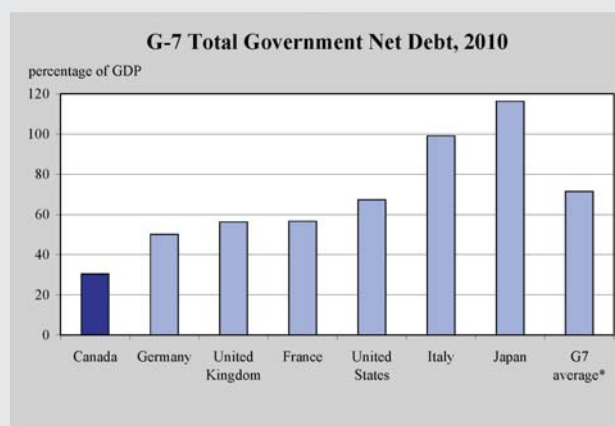
Net Debt

The Government's net debt – its total liabilities less financial assets – stood at \$616.9 billion at March 31, 2011. Net debt was 38.0 percent of GDP, down 0.1 percentage point from a year earlier, and down 35.9 percentage points from its peak of 73.9 percent at March 31, 1996.

This ratio measures debt relative to the ability of the country's taxpayers to finance it. Total liabilities are reduced only by financial assets as non-financial assets cannot normally be converted to cash to pay off the debt without disrupting government operations.



Canada Has the Lowest Total Government Net Debt Among G-7 Countries



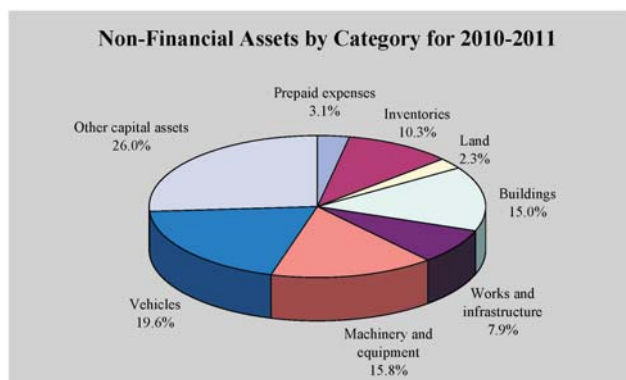
Sources: OECD Economic Outlook, No. 89 (May 2011).
*Weighted by GDP on a Purchasing Power Parity (PPP) basis.

Canada's total government net debt-to-GDP ratio stood at 30.4 percent in 2010. According to the OECD, this is by far the lowest level amongst G-7 countries, which the OECD estimates recorded a weighted average net debt of 71.4 percent of GDP in that same year.

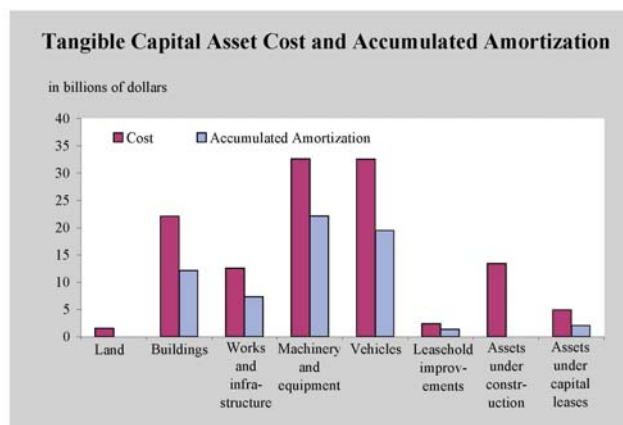
International comparisons of net debt are made on a total government, National Accounts basis, which for Canada includes the net debt of federal, provincial/territorial and local governments, as well as the net assets held in the Canada Pension Plan and Quebec Pension Plan.

Non-Financial Assets

Non-financial assets include the net book value of the Government's tangible capital assets, which include land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.



At March 31, 2011, non-financial assets stood at \$66.6 billion, up \$3.2 billion from a year earlier, primarily due to an increase in tangible capital assets. At March 31, 2011, roughly 60 percent of the original cost of the Government's depreciable tangible capital assets had been amortized, compared to 59 percent a year earlier. Depreciable tangible capital assets exclude land, and assets under construction, which are not yet available for use.



Cash Flow

The annual surplus or deficit is presented on an accrual basis of accounting, recognizing revenue in the period it is earned and expenses when incurred, regardless of when the associated cash is received or paid. In contrast, the Government's net cash flow measures the difference between cash coming in to the Government and cash going out.

In 2010-2011, the Government had a total cash requirement of \$46.4 billion before financing activities, compared to a total cash requirement of \$71.9 billion before financing activities in 2009-2010. Operating activities resulted in a net cash requirement of \$41.7 billion in 2010-2011, compared to a net cash requirement of \$37.5 billion in 2009-2010. Cash used for capital investment activities increased by \$0.8 billion, from \$6.8 billion in 2009-2010 to \$7.6 billion in 2010-2011. The Government's other investing activities provided cash totalling \$2.9 billion in 2010-2011, compared to a cash requirement of \$27.6 billion in 2009-2010. This change reflects the wind-down of purchases of insured mortgage pools through CMHC under the IMPP in 2009-2010.

Cash Flow

	2010-2011	2009-2010
	(in millions of dollars)	
Cash used by operating activities	-41,665	-37,452
Cash used by capital investment activities	-7,614	-6,839
Cash provided or used (-) by investing activities	2,872	-27,614
<i>Total cash used before financing activities</i>	<i>-46,407</i>	<i>-71,905</i>
Cash provided by financing activities	32,280	53,370
Net decrease in cash	-14,127	-18,535
Cash and cash equivalents at beginning of year	28,450	46,985
Cash and cash equivalents at end of year	14,323	28,450

The Government financed this financial requirement of \$46.4 billion by increasing market debt by \$32.3 billion and by decreasing its balance of cash and cash equivalents by \$14.1 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds.

Risks and Uncertainties

As noted in the budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic conditions – particularly to changes in economic growth, inflation and interest rates.

Current risks to the fiscal outcome in 2011-2012 come primarily from the increased uncertainty surrounding the global economic outlook, as well as uncertainty as to how economic developments will translate into spending and tax revenues.

Global economic growth, particularly in the United States, slowed during the first half of 2011. Moreover, this slowing of global growth comes against the backdrop of ongoing concerns about the sovereign debt situation in Europe, and the downgrading of U.S. debt by Standard & Poor's. These developments have led to a sharp increase in volatility in global financial markets, which is further weighing on global growth.

Canada is not immune from global economic developments. However, the Government adopted prudent planning assumptions in Budget 2011 by adjusting down the level of nominal GDP projected by private-sector economists by \$10 billion. As a result, fiscal results to date have been broadly consistent with the conservative 2011-2012 projections set out in Budget 2011.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. As published in the June 6, 2011 budget, these show, for example, that:

- A one-year, 1-percentage-point decrease in real GDP growth would lower the budgetary balance by \$3.3 billion in the first year, \$3.6 billion in the second year, and \$2.3 billion in the fifth year.
- A one-year, 1-percentage-point decrease in GDP inflation would lower the budgetary balance by \$1.6 billion in the first year, \$1.6 billion in the second year, and \$1.2 billion in the fifth year.
- A sustained 100-basis-point increase in interest rates would lower the budgetary balance by \$0.8 billion in the first year, \$1.7 billion in the second year, and \$2.1 billion in the fifth year.

While these generalized rules of thumb provide good estimates of the sensitivity of the budgetary balance with respect to small economic changes, it is important to note that some of the estimated relationships would change in response to large economic changes.

TEN YEAR COMPARATIVE FINANCIAL INFORMATION

This part provides a ten year comparison of financial information based on the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

TABLE 1.1

GOVERNMENT OF CANADA DETAILED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

(in millions of dollars)

	Year ended March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES—										
TAX REVENUES—										
Income tax revenues—										
Personal	86,972	89,530	92,957	98,521	103,691	110,477	113,063	116,024	103,947	113,457
Corporate	24,242	22,222	27,431	29,956	31,724	37,745	40,628	29,476	30,361	29,969
Non-resident	2,925	3,291	3,142	3,560	4,529	4,877	5,693	6,298	5,293	5,137
	<i>114,139</i>	<i>115,043</i>	<i>123,530</i>	<i>132,037</i>	<i>139,944</i>	<i>153,099</i>	<i>159,384</i>	<i>151,798</i>	<i>139,601</i>	<i>148,563</i>
Other taxes and duties—										
Goods and services tax	25,292	28,248	28,286	29,758	33,020	31,296	29,920	25,740	26,947	28,379
Energy taxes	4,848	4,935	4,952	5,054	5,076	5,128	5,139	5,161	5,178	5,342
Customs import duties	3,040	3,278	2,887	3,091	3,330	3,704	3,903	4,036	3,490	3,520
Other excise taxes and duties	3,953	4,896	5,240	4,954	4,730	5,189	5,245	4,869	4,958	5,662
	<i>37,133</i>	<i>41,357</i>	<i>41,365</i>	<i>42,857</i>	<i>46,156</i>	<i>45,317</i>	<i>44,207</i>	<i>39,806</i>	<i>40,573</i>	<i>42,903</i>
Total tax revenues	151,272	156,400	164,895	174,894	186,100	198,416	203,591	191,604	180,174	191,466
EMPLOYMENT INSURANCE PREMIUMS.....	17,637	17,870	17,546	17,307	16,535	16,789	16,558	16,887	16,761	17,501
OTHER REVENUES—										
Crown corporations	4,751	5,301	5,917	6,825	7,198	7,503	6,504	7,760	7,622	12,937
Other programs	7,817	7,620	8,142	11,742	10,356	11,544	13,895	15,105	12,396	13,378
Net foreign exchange	2,453	3,379	2,090	1,175	2,014	1,714	1,872	1,736	1,647	1,809
Total other revenues	15,021	16,300	16,149	19,742	19,568	20,761	22,271	24,601	21,665	28,124
TOTAL REVENUES	183,930	190,570	198,590	211,943	222,203	235,966	242,420	233,092	218,600	237,091
EXPENSES—										
TRANSFER PAYMENTS—										
Old age security benefits, guaranteed income supplement and spouse's allowance	24,641	25,692	26,902	27,871	28,992	30,284	31,955	33,377	34,653	35,629
Major transfer payments to other levels of government—										
Canada health and social transfer	17,300	21,100	22,341	28,031						
Canada health transfer					19,000	20,140	21,474	22,759	24,820	26,031
Canada social transfer					8,225	8,500	9,872	10,568	10,858	11,179
Fiscal arrangements	12,188	11,397	10,004	13,467	12,977	13,740	15,178	15,807	16,789	17,577
Quebec abatement	-3,247	-2,839	-3,295	-3,350	-3,327	-3,884	-3,328	-3,643	-3,299	-3,751
Other major transfers	375	987	342	3,807	3,940	4,018	2,956	1,024	7,822	1,935
	<i>26,616</i>	<i>30,645</i>	<i>29,392</i>	<i>41,955</i>	<i>40,815</i>	<i>42,514</i>	<i>46,152</i>	<i>46,515</i>	<i>56,990</i>	<i>52,971</i>
Employment insurance benefits	13,726	14,496	15,058	14,748	14,417	14,084	14,298	16,308	21,586	19,850
Children's benefits	7,471	7,823	8,062	8,688	9,200	11,214	11,894	11,901	12,340	12,656
Other transfer payments	17,546	20,673	22,945	25,453	24,893	26,844	27,032	30,192	39,892	36,820
Total transfer payments	90,000	99,329	102,359	118,715	118,317	124,940	131,331	138,293	165,461	157,926
OTHER PROGRAM EXPENSES—										
Crown corporations	6,085	6,551	6,566	8,907	7,195	7,211	7,340	8,066	10,428	10,547
Ministries	40,146	40,799	44,751	48,740	49,701	56,118	60,827	61,498	68,895	71,119
Total other program expenses	46,231	47,350	51,317	57,647	56,896	63,329	68,167	69,564	79,323	81,666
Total program expenses	136,231	146,679	153,676	176,362	175,213	188,269	199,498	207,857	244,784	239,592
PUBLIC DEBT CHARGES	39,651	37,270	35,769	34,118	33,772	33,945	33,325	30,990	29,414	30,871
TOTAL EXPENSES	175,882	183,949	189,445	210,480	208,985	222,214	232,823	238,847	274,198	270,463
ANNUAL SURPLUS OR DEFICIT (-)	8,048	6,621	9,145	1,463	13,218	13,752	9,597	-5,755	-55,598	-33,372
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	519,994	511,946	505,325	496,180	494,717	481,499	467,268	457,637	463,710	519,097
OTHER COMPREHENSIVE INCOME OR LOSS (-) ...						479	34	-318	211	2,142
ACCUMULATED DEFICIT AT END OF YEAR	511,946	505,325	496,180	494,717	481,499	467,268	457,637	463,710	519,097	550,327

TABLE 1.2

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FINANCIAL POSITION
(in millions of dollars)

	As at March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
LIABILITIES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—										
Other accounts payable and accrued liabilities	31,424	32,909	36,905	46,045	48,263	50,730	47,000	49,379	58,284	55,342
Taxes payable	34,284	33,549	33,040	35,650	38,402	41,388	49,010	50,845	48,251	48,648
Environmental liabilities	3,051	3,378	3,564	5,624	5,861	6,062	6,669	6,342	6,602	7,745
Interest and matured debt	10,409	9,558	8,933	8,104	7,875	7,516	7,182	6,919	6,853	6,733
Allowance for guarantees	4,076	3,802	2,770	2,317	1,031	815	602	514	535	592
Total accounts payable and accrued liabilities ..	83,244	83,196	85,212	97,740	101,432	106,511	110,463	113,999	120,525	119,060
INTEREST-BEARING DEBT—										
<i>Unmatured debt—</i>										
<i>Payable in Canadian currency—</i>										
Marketable bonds	292,500	287,133	277,780	265,798	261,134	257,482	253,550	295,186	367,962	416,080
Treasury bills	94,039	104,411	113,378	127,199	131,597	134,074	116,936	192,275	175,849	162,980
Retail debt	23,966	22,584	21,330	19,080	17,342	15,175	13,068	12,532	11,855	10,141
Bonds for Canada Pension Plan	3,391	3,371	3,427	3,393	3,102	1,743	1,042	523	452	27
	<i>413,896</i>	<i>417,499</i>	<i>415,915</i>	<i>415,470</i>	<i>413,175</i>	<i>408,474</i>	<i>384,596</i>	<i>500,516</i>	<i>556,118</i>	<i>589,228</i>
Payable in foreign currencies	27,032	21,141	20,542	16,286	14,085	10,372	9,498	10,381	8,243	7,628
Cross-currency swap revaluation	865	1,495	363	-922	-2,258	-1,091	-1,420	3,690	-4,233	-5,091
Unamortized discounts and premiums on market debt	-2,602	-5,256	-5,610	-6,342	-6,780	-6,659	-6,213	-4,751	-5,092	-4,485
Obligation related to capital leases	2,619	2,664	2,774	2,932	2,927	3,096	4,236	4,184	4,090	3,685
Other unamortized debt										190
Total unamortized debt	441,810	437,543	433,984	427,424	421,149	414,192	390,697	514,020	559,126	591,155
<i>Pension and other future benefits—</i>										
Public sector pensions	126,921	125,708	127,560	129,579	131,062	134,726	137,371	139,909	142,843	146,135
Other employee and veteran future benefits	38,280	38,844	39,367	41,549	43,369	45,123	47,901	50,311	54,227	58,206
Total pension and other future benefits	165,201	164,552	166,927	171,128	174,431	179,849	185,272	190,220	197,070	204,341
Due to Canada Pension Plan	6,770	7,093	7,483	2,771	151	54	106	90	175	23
Other liabilities	5,971	6,642	6,488	5,909	5,342	5,157	5,789	5,833	6,412	6,292
Total interest-bearing debt	619,752	615,830	614,882	607,232	601,073	599,252	581,864	710,163	762,783	801,811
TOTAL LIABILITIES	702,996	699,026	700,094	704,972	702,505	705,763	692,327	824,162	883,308	920,871
FINANCIAL ASSETS										
CASH AND ACCOUNTS RECEIVABLE—										
Cash and cash equivalents	11,398	16,528	20,572	20,615	21,149	22,696	13,729	46,985	28,450	14,323
Taxes receivable	45,605	43,597	47,953	53,477	59,113	66,492	65,902	71,911	69,063	78,626
Other accounts receivable	2,939	2,603	2,476	2,254	2,581	3,398	3,247	3,251	3,692	3,958
Total cash and accounts receivable	59,942	62,728	71,001	76,346	82,843	92,586	82,878	122,147	101,205	96,907
FOREIGN EXCHANGE ACCOUNTS—										
<i>International reserves held in the Exchange Fund</i>										
Account	48,667	44,849	41,247	39,114	40,936	44,673	42,904	51,194	53,701	54,041
International Monetary Fund—Subscriptions	12,821	12,942	12,185	11,240	10,673	11,106	10,752	12,011	9,823	9,792
International Monetary Fund—Loans									337	1,139
Less: International Monetary Fund—Notes payable and special drawing rights allocations	9,442	8,841	9,119	9,483	10,782	11,601	11,357	11,496	16,911	16,465
Total foreign exchange accounts	52,046	48,950	44,313	40,871	40,827	44,178	42,299	51,709	46,950	48,507
LOANS, INVESTMENTS AND ADVANCES—										
<i>Enterprise Crown corporations and other government business enterprises</i>										
Other loans, investments and advances	11,952	12,858	14,594	17,625	20,584	23,683	30,167	104,049	129,523	135,673
	13,744	14,920	19,184	20,543	21,305	21,411	20,702	21,044	23,158	22,876
Total loans, investments and advances	25,696	27,778	33,778	38,168	41,889	45,094	50,869	125,093	152,681	158,549
TOTAL FINANCIAL ASSETS	137,684	139,456	149,092	155,385	165,559	181,858	176,046	298,949	300,836	303,963
NET DEBT	565,312	559,570	551,002	549,587	536,946	523,905	516,281	525,213	582,472	616,908
NON-FINANCIAL ASSETS										
Tangible capital assets	45,727	47,037	47,748	48,210	48,355	49,036	51,175	53,326	55,054	57,668
Inventories	6,438	6,113	6,134	5,525	5,875	5,988	6,248	6,348	6,192	6,830
Prepaid expenses	1,201	1,095	940	1,135	1,217	1,613	1,221	1,829	2,129	2,083
TOTAL NON-FINANCIAL ASSETS	53,366	54,245	54,822	54,870	55,447	56,637	58,644	61,503	63,375	66,581
ACCUMULATED DEFICIT	511,946	505,325	496,180	494,717	481,499	467,268	457,637	463,710	519,097	550,327

TABLE 1.3

GOVERNMENT OF CANADA
STATEMENT OF CHANGE IN NET DEBT
(in millions of dollars)

	Year ended March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NET DEBT AT BEGINNING OF YEAR	571,737	565,312	559,570	551,002	549,587	536,946	523,905	516,281	525,213	582,472
CHANGE IN NET DEBT DURING THE YEAR—										
ANNUAL SURPLUS (-) OR DEFICIT	-8,048	-6,621	-9,145	-1,463	-13,218	-13,752	-9,597	5,755	55,598	33,372
CHANGE DUE TO TANGIBLE CAPITAL ASSETS—										
Acquisition of tangible capital assets	4,487	5,051	4,535	4,619	4,046	4,789	5,957	6,249	7,136	8,061
Amortization of tangible capital assets	-2,583	-3,341	-3,502	-3,696	-3,904	-3,807	-3,954	-4,176	-4,418	-4,756
Proceeds from disposal of tangible capital assets	-56	-288	-91	-144	-146	-202	-440	-608	-297	-447
Net loss (-) or gain on disposal of tangible capital assets, including adjustments	-336	-112	-231	-317	149	-99	576	686	-693	-244
<i>Total change due to tangible capital assets</i>	<i>1,512</i>	<i>1,310</i>	<i>711</i>	<i>462</i>	<i>145</i>	<i>681</i>	<i>2,139</i>	<i>2,151</i>	<i>1,728</i>	<i>2,614</i>
CHANGE DUE TO INVENTORIES	-153	-325	21	-609	350	113	260	100	-156	638
CHANGE DUE TO PREPAID EXPENSES	264	-106	-155	195	82	396	-392	608	300	-46
NET DECREASE (-) OR INCREASE IN NET DEBT DUE TO OPERATIONS	-6,425	-5,742	-8,568	-1,415	-12,641	-12,562	-7,590	8,614	57,470	36,578
OTHER COMPREHENSIVE INCOME (-) OR LOSS ...						-479	-34	318	-211	-2,142
NET DECREASE (-) OR INCREASE IN NET DEBT	-6,425	-5,742	-8,568	-1,415	-12,641	-13,041	-7,624	8,932	57,259	34,436
NET DEBT AT END OF YEAR	565,312	559,570	551,002	549,587	536,946	523,905	516,281	525,213	582,472	616,908

TABLE 1.4

GOVERNMENT OF CANADA
STATEMENT OF CASH FLOW

(in millions of dollars)

	Year ended March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OPERATING ACTIVITIES—										
ANNUAL SURPLUS OR DEFICIT (-)	8,048	6,621	9,145	1,463	13,218	13,752	9,597	-5,755	-55,598	-33,372
Items not affecting cash—										
Share of annual profit in enterprise Crown corporations and other government business enterprises	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336	-4,256	-4,773	-2,306	-6,992
Amortization of tangible capital assets	2,583	3,341	3,502	3,696	3,904	3,807	3,954	4,176	4,418	4,756
Net loss or gain (-) on disposal of tangible capital assets, including adjustments.	336	112	231	317	-149	99	-576	-686	693	244
Change in taxes receivable	2,967	2,008	-4,356	-5,524	-5,636	-7,379	590	-6,009	2,848	-9,563
Change in pension and other future benefits	-1,652	-648	2,375	4,201	3,303	5,418	5,423	4,948	6,850	7,271
Change in foreign exchange accounts	-1,776	3,096	4,637	3,442	44	-3,351	1,879	-9,410	4,759	-1,557
Net change in other accounts.	-4,361	-30	1,341	5,810	-1,174	5,080	5,420	11,398	884	-2,452
Cash used (-) or provided by operating activities	3,666	11,542	13,167	8,552	8,469	12,090	22,031	-6,111	-37,452	-41,665
CAPITAL INVESTMENT ACTIVITIES—										
Acquisition of tangible capital assets	-4,487	-5,051	-4,535	-4,619	-4,046	-4,789	-5,957	-6,249	-7,136	-8,061
Proceeds from disposal of tangible capital assets	56	288	91	144	146	202	440	608	297	447
Cash used by capital investment activities	-4,431	-4,763	-4,444	-4,475	-3,900	-4,587	-5,517	-5,641	-6,839	-7,614
INVESTING ACTIVITIES—										
Enterprise Crown corporations and other government business enterprises—										
Equity transactions	2,167	1,814	1,843	1,669	2,012	2,602	2,436	1,495	-3,226	2,818
Issuance of loans and advances	-248	-26	-167	-142	-198	-3,713	-5,052	-132,057	-119,755	-76,579
Repayment of loans and advances	1,052	307	358	334	331	3,894	435	60,688	99,921	76,677
Issuance of other loans, investments and advances.	-6,637	-6,216	-9,569	-8,218	-6,861	-16,969	-6,571	-6,910	-21,174	-5,858
Repayment of other loans, investments and advances.	3,926	4,716	4,929	6,866	5,182	16,475	6,883	5,041	16,620	5,814
Cash provided or used (-) by investing activities	260	595	-2,606	509	466	2,289	-1,869	-71,743	-27,614	2,872
TOTAL CASH GENERATED OR USED (-) BEFORE FINANCING ACTIVITIES	-505	7,374	6,117	4,586	5,035	9,792	14,645	-83,495	-71,905	-46,407
FINANCING ACTIVITIES—										
Issuance of Canadian currency borrowings	258,142	309,420	336,260	335,682	363,824	369,354	343,755	531,668	554,892	553,464
Repayment of Canadian currency borrowings.	-255,931	-305,773	-337,734	-335,969	-366,123	-373,886	-366,493	-415,801	-499,383	-520,569
Issuance of foreign currency borrowings.	23,412	17,297	14,227	13,608	15,859	11,586	11,099	24,500	22,212	8,195
Repayment of foreign currency borrowings.	-29,538	-23,188	-14,826	-17,864	-18,061	-15,299	-11,973	-23,616	-24,351	-8,810
Cash provided or used (-) by financing activities	-3,915	-2,244	-2,073	-4,543	-4,501	-8,245	-23,612	116,751	53,370	32,280
NET INCREASE OR DECREASE (-) IN CASH	-4,420	5,130	4,044	43	534	1,547	-8,967	33,256	-18,535	-14,127
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,818	11,398	16,528	20,572	20,615	21,149	22,696	13,729	46,985	28,450
CASH AND CASH EQUIVALENTS AT END OF YEAR.	11,398	16,528	20,572	20,615	21,149	22,696	13,729	46,985	28,450	14,323

TABLE 1.5

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

	Year ended March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other government business enterprises—										
Loans and advances—										
Canada Mortgage and Housing Corporation	226	218	219	190	200	148	258	-57,470	-10,399	2,693
Business Development Bank of Canada							-1,000	-6,284	-4,961	-978
Farm Credit Canada	578						-3,840	-7,610	-4,481	-1,627
Other		63	-28	2	-67	33	-35	-5	7	10
	804	281	191	192	133	181	-4,617	-71,369	-19,834	98
Investments—										
Share of annual profit	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336	-4,256	-4,773	-2,306	-6,992
Other comprehensive income (-) or loss						-479	-34	318	-211	-2,142
Dividends	2,078	1,881	1,907	1,944	2,027	2,604	2,436	2,095	1,391	2,818
Capital	89	-67	-64	-275	-15	-3		-600	-4,617	
	-312	-1,144	-1,865	-3,184	-3,029	-3,214	-1,854	-2,960	-5,743	-6,316
Total	492	-863	-1,674	-2,992	-2,896	-3,033	-6,471	-74,329	-25,577	-6,218
Less:										
Amount expected to be repaid from future appropriations	-190	43	62	39	63	66	32	-473	-103	-64
Unamortized discounts and premiums							-19	26		-4
Total	682	-906	-1,736	-3,031	-2,959	-3,099	-6,484	-73,882	-25,474	-6,150
Other loans, investments and advances—										
Portfolio investments				1,225	-101			6	2	
National governments, including developing countries	185	828	572	171	158	80	143	-182	235	69
International organizations	-459	-349	-72	-253	-224	-491	-321	-905	-454	-826
Provincial and territorial governments	385	-249	-2,459	-673	14	285	899	217	590	257
Other loans, investments and advances	-2,822	-1,730	-2,681	-1,822	-1,524	-367	-410	-1,005	-4,926	456
Total	-2,711	-1,500	-4,640	-1,352	-1,677	-493	311	-1,869	-4,553	-44
Less: allowance for valuation	-865	-324	-376	6	-915	-387	-398	-1,527	-2,440	-326
Total	-1,846	-1,176	-4,264	-1,358	-762	-106	709	-342	-2,113	282
Total loans, investments and advances	-1,164	-2,082	-6,000	-4,389	-3,721	-3,205	-5,775	-74,224	-27,587	-5,868
PENSION AND OTHER FUTURE BENEFITS—										
Public sector pensions	-2,264	-1,213	1,852	2,019	1,483	3,664	2,645	2,538	2,934	3,292
Other employee and veteran future benefits	612	564	523	2,182	1,820	1,754	2,778	2,410	3,916	3,979
Total pension and other future benefits	-1,652	-649	2,375	4,201	3,303	5,418	5,423	4,948	6,850	7,271
OTHER LIABILITIES—										
Due to Canada Pension Plan	379	323	390	-4,712	-2,620	-97	52	-16	85	-152
Other liabilities	242	672	-154	-579	-567	-185	632	44	579	-120
Total other liabilities	621	995	236	-5,291	-3,187	-282	684	28	664	-272
NON-FINANCIAL ASSETS—										
Tangible capital assets	-1,512	-1,310	-711	-462	-145	-681	-2,139	-2,152	-1,728	-2,614
Inventories	153	325	-21	609	-350	-113	-260	-100	156	-638
Prepaid expenses	-264	106	155	-195	-82	-396	392	-608	-300	46
Total non-financial assets	-1,623	-879	-577	-48	-577	-1,190	-2,007	-2,860	-1,872	-3,206
OTHER TRANSACTIONS—										
Taxes receivable	2,967	2,008	-4,356	-5,524	-5,636	-7,379	590	-6,009	2,848	-9,563
Other accounts receivable	-258	336	127	223	-327	-817	151	-3	-441	-266
Provincial, territorial and Aboriginal tax agreements account	-1,139	-934	2,374	1,103	2,316	410	-1,311	-168	1,438	241
Taxes payable	1,254	-735	-509	2,610	2,752	2,986	7,622	1,835	-2,594	397
Other liabilities	-5,350	1,621	151	8,813	-1,376	1,683	-2,359	1,869	7,682	-2,103
Total other transactions	-2,526	2,296	-2,213	7,225	-2,271	-3,117	4,693	-2,476	8,933	-11,294
TOTAL NON-BUDGETARY TRANSACTIONS AND NON-FINANCIAL ASSETS	-6,344	-319	-6,179	1,698	-6,453	-2,376	3,018	-74,584	-13,012	-13,369

TABLE 1.6

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	-822	3,818	3,602	2,133	-1,822	-3,737	1,769	-8,290	-2,507	-340
International Monetary Fund—Subscriptions	-7	-121	757	945	567	-433	354	-1,259	2,188	31
International Monetary Fund—Loans									-337	-802
	-829	3,697	4,359	3,078	-1,255	-4,170	2,123	-9,549	-656	-1,111
Less: International Monetary Fund—Notes payable	947	623	-336	-453	-1,412	-771	201	14	2,351	416
Special drawing rights allocations		-22	58	89	113	-48	43	-154	-7,766	30
	947	601	-278	-364	-1,299	-819	244	-140	-5,415	446
Total foreign exchange accounts	-1,776	3,096	4,637	3,442	44	-3,351	1,879	-9,409	4,759	-1,557
UNMATURED DEBT—										
Payable in Canadian currency—										
Marketable bonds	-941	-5,367	-9,354	-11,981	-4,664	-3,652	-3,932	41,636	72,776	48,118
Treasury bills	5,339	10,371	8,967	13,821	4,398	2,477	-17,138	75,339	-16,426	-12,869
Retail debt	-2,133	-1,382	-1,254	-2,250	-1,738	-2,167	-2,107	-536	-677	-1,714
Bonds for Canada Pension Plan	-82	-19	56	-35	-291	-1,359	-700	-519	-71	-425
	2,183	3,603	-1,585	-445	-2,295	-4,701	-23,877	115,919	55,602	33,110
Payable in foreign currencies	-6,126	-5,891	-599	-4,256	-2,201	-3,713	-875	883	-2,138	-615
Cross-currency swap revaluation	-2	630	-1,132	-1,285	-1,336	1,167	-329	5,110	-7,923	-858
Unamortized discounts and premiums on										
market debt	-431	-2,654	-354	-732	-438	121	446	1,462	-341	607
Obligation related to capital leases	28	44	111	158	-5	169	1,140	-51	-94	-405
Other unmatured debt										190
Total unmatured debt	-4,348	-4,268	-3,559	-6,560	-6,275	-6,957	-23,495	123,323	45,106	32,029
CASH AND CASH EQUIVALENTS										
AT END OF YEAR—										
In Canadian currency	11,351	16,478	20,559	20,607	21,152	22,701	13,733	46,989	28,124	13,902
In foreign currencies	47	50	13	8	-3	-5	-4	-4	326	421
Total cash and cash equivalents	11,398	16,528	20,572	20,615	21,149	22,696	13,729	46,985	28,450	14,323

GLOSSARY OF TERMS

The following terms are used in this section and throughout the financial statements in Section 2 of this Volume. The definitions are taken from three primary sources:

1. TERMIUM at www.termiumplus.gc.ca/
 2. The *CICA Public Sector Accounting Handbook*.
 3. Glossary of Frequently-Used Terms, Finance Canada.
- **Accounts of Canada –**
The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.
 - **Accrued Benefit Obligation –**
The value of future benefits attributed to services rendered by employees and former employees to the accounting date.
 - **Accumulated Deficit –**
The accumulated net total of all past federal deficits and surpluses since Confederation plus accumulated other comprehensive income. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.
 - **Actuarial Valuation for Accounting Purposes –**
An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.
 - **Allowance –**
Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.
 - **Appropriation –**
Any authority of Parliament to pay money out of the Consolidated Revenue Fund.
 - **Capital Lease –**
A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.
 - **Consolidated Revenue Fund –**
The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.
 - **Consumer Price Index (CPI) –**
A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a “shopping basket” of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is “weighted”, meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.
 - **Contingent Liability –**
A potential debt which may become an actual financial obligation if certain events occur or fail to occur.
 - **Contractual Obligation –**
A written obligation to outside organizations or individuals as a result of a contract.
 - **Defined Benefit Pension Plan –**
A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.
 - **Enterprise Crown Corporation –**
A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.
 - **Financial Assets –**
An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.
 - **Full Accrual Accounting –**
The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.
 - **G-7 (Group of Seven) –**
The G-7 consists of the world’s seven largest industrial market economies: the United States, Japan, Germany, France, Great Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G-7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G-7 Finance Deputies.

- **Gross Domestic Product (GDP) –**
The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.
- **Net Book Value of Tangible Capital Assets –**
The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.
- **Net Debt –**
The total liabilities of the government less its financial assets.
- **Non-Financial Assets –**
An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.
- **Operating Lease –**
A lease in which the lessor retains substantially all the benefits and risks of ownership.
- **Other comprehensive income –**
Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on assets that are classified as available-for-sale or derivative instruments used in hedging activities.
- **Public Money –**
All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.
- **Real Return Bonds –**
These Government of Canada bonds pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.
- **Retail Debt –**
Canada Savings Bonds and Canada Premium Bonds.
- **Surplus –**
The amount by which government revenue exceeds expenses in any given year.
- **Swap –**
An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).
- **Tangible Capital Asset –**
A non-financial asset having physical substance that:
 - (i) is held for use in the production or supply of goods and services;
 - (ii) has a useful economic life extending beyond an accounting period; and
 - (iii) has been acquired to be used on a continuing basis.
- **Transfer Payments –**
A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
 - (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
 - (ii) expect to be repaid in the future, as would be expected in a loan; or
 - (iii) expect a financial return, as would be expected in an investment.

SECTION 2

2010-2011

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada

CONTENTS

	<i>Page</i>
Preface.	2.2
Statement of responsibility	2.3
Auditor General of Canada—Independent Auditor’s Report . . .	2.4
Financial statements—	
Statement of Operations and Accumulated Deficit	2.5
Statement of Financial Position.	2.6
Statement of Change in Net Debt	2.7
Statement of Cash Flow	2.8
Notes to the Financial Statements of the Government of Canada.	2.9
Supplementary information—	
Observations of the Auditor General of Canada	2.34

PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these 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. These financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, accumulated deficit, change in net debt and cash flow for the year then ended.

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" (CRF); second, that the balance of the CRF, 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 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 may only borrow 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 of the Government of Canada consist of four statements and accompanying notes.

The first is the **Statement of Operations and Accumulated Deficit**, which presents the Government's revenues, expenses, deficit, and other comprehensive loss or income for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The second is the **Statement of Financial Position**, which discloses the Government's cash balance and investments, amounts owing to and by the Government at the end of the year, and the Government's non-financial assets such as its tangible capital assets and inventories. It also presents both the accumulated deficit of the Government and its net debt which is the difference between the Government's total liabilities and its financial assets.

The third is the **Statement of Change in Net Debt**, which explains the difference between the Government's annual deficit and the change in the net debt for the year. It reports the extent to which revenues recognized in the year were sufficient, or not sufficient, to offset expenditures, as opposed to the expenses recognized in the annual deficit.

The fourth is the **Statement of Cash Flow**, which provides information on the Government's cash provided by or used for operating, capital investment, investing and financing activities.

Other sections in this volume together with Volume II and Volume III of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The Independent Auditor's Report 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 financial statements, which are based on Canadian public sector accounting standards, and 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 prepared on a full accrual basis of accounting whereby, assets include both financial and non-financial assets, revenues, including tax revenues are recorded when earned, and expenses include accrued expenses and amortization of tangible capital assets. 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 summary record of the Government's financial transactions. Additional information is obtained as required, from departments, agencies, Crown corporations, other government business enterprises, and other entities 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 audit opinion to the House of Commons. The duties of the Auditor General of Canada in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided in the observations of the Auditor General of Canada at the end of this section.

Annually, the financial statements are tabled in the House of Commons 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 independent audit opinion.

On behalf of the Government of Canada.



MICHELLE D'AURAY
Secretary of the
Treasury Board of
Canada



MICHAEL HORGAN
Deputy Minister of
Finance



FRANÇOIS GUIMONT
Deputy Receiver General for
Canada



JAMES RALSTON
Comptroller General of
Canada

September 1, 2011



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the House of Commons

Report on the Financial Statements

I have audited the accompanying financial statements of the Government of Canada, which comprise the statement of financial position as at 31 March 2011, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Government's Responsibility for the Financial Statements

The Government is responsible for the preparation and fair presentation of these financial statements in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements, which are based on Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government of Canada as at 31 March 2011, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements, which conform with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by Section 6 of the *Auditor General Act*, I report that, in my opinion, the stated accounting policies of the Government of Canada have been applied on a basis consistent with that of the preceding year.

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section 2, Volume 1 of the *Public Accounts of Canada 2011*.

John Wiersema, FCA
Interim Auditor General of Canada

1 September 2011
Ottawa, Canada

GOVERNMENT OF CANADA

Statement of Operations and Accumulated Deficit
for the Year Ended March 31, 2011

(in millions of dollars)

	2011		2010
	Budget (Note 2)	Actual	Actual
REVENUES (Note 17)			
TAX REVENUES —			
Income tax revenues —			
Personal	116,975	113,457	103,947
Corporate	25,460	29,969	30,361
Non-resident	5,545	5,137	5,293
Total income tax revenues	147,980	148,563	139,601
Other taxes and duties —			
Goods and services tax	27,266	28,379	26,947
Energy taxes	5,281	5,342	5,178
Customs import duties	3,367	3,520	3,490
Other excise taxes and duties	5,051	5,662	4,958
Total other taxes and duties	40,965	42,903	40,573
TOTAL TAX REVENUES	188,945	191,466	180,174
EMPLOYMENT INSURANCE PREMIUMS	17,630	17,501	16,761
OTHER REVENUES —			
Crown corporations	11,182	12,937	7,622
Other programs	13,536	13,378	12,396
Net foreign exchange	1,556	1,809	1,647
TOTAL OTHER REVENUES	26,274	28,124	21,665
TOTAL REVENUES	232,849	237,091	218,600
EXPENSES (Notes 3 and 17)			
TRANSFER PAYMENTS —			
Old age security benefits, guaranteed income supplement and spouse's allowance	36,658	35,629	34,653
Major transfer payments to other levels of government	56,812	52,971	56,990
Employment insurance benefits	22,624	19,850	21,586
Children's benefits	12,744	12,656	12,340
Other transfer payments	39,414	36,820	39,892
TOTAL TRANSFER PAYMENTS	168,252	157,926	165,461
OTHER PROGRAM EXPENSES —			
Crown corporations	11,598	10,547	10,428
Ministries	70,856	71,119	68,895
TOTAL OTHER PROGRAM EXPENSES	82,454	81,666	79,323
TOTAL PROGRAM EXPENSES	250,706	239,592	244,784
PUBLIC DEBT CHARGES	31,341	30,871	29,414
TOTAL EXPENSES	282,047	270,463	274,198
ANNUAL DEFICIT	49,198	33,372	55,598
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	519,097	519,097	463,710
OTHER COMPREHENSIVE INCOME (Note 4)		2,142	211
ACCUMULATED DEFICIT AT END OF YEAR (Note 4)	568,295	550,327	519,097

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 Financial Position
as at March 31, 2011

(in millions of dollars)

	2011	2010
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —		
Other accounts payable and accrued liabilities (Note 16)	55,342	58,284
Taxes payable	48,648	48,251
Environmental liabilities (Note 16)	7,745	6,602
Interest and matured debt	6,733	6,853
Allowance for guarantees (Note 16)	592	535
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	119,060	120,525
INTEREST-BEARING DEBT —		
Unmatured debt (Note 5)	591,155	559,126
Pension and other future benefits —		
Public sector pensions (Note 6)	146,135	142,843
Other employee and veteran future benefits (Note 6)	58,206	54,227
<i>Total pension and other future benefits</i>	<i>204,341</i>	<i>197,070</i>
Other liabilities (Note 7)	6,315	6,587
TOTAL INTEREST-BEARING DEBT	801,811	762,783
TOTAL LIABILITIES	920,871	883,308
FINANCIAL ASSETS		
CASH AND ACCOUNTS RECEIVABLE —		
Cash and cash equivalents (Note 8)	14,323	28,450
Taxes receivable (Note 9)	78,626	69,063
Other accounts receivable (Note 9)	3,958	3,692
TOTAL CASH AND ACCOUNTS RECEIVABLE	96,907	101,205
FOREIGN EXCHANGE ACCOUNTS (Note 10)	48,507	46,950
LOANS, INVESTMENTS AND ADVANCES —		
Enterprise Crown corporations and other government business enterprises (Notes 4, 11 and 16)	135,673	129,523
Other loans, investments and advances (Note 12)	22,876	23,158
TOTAL LOANS, INVESTMENTS AND ADVANCES	158,549	152,681
TOTAL FINANCIAL ASSETS	303,963	300,836
NET DEBT	616,908	582,472
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	57,668	55,054
Inventories	6,830	6,192
Prepaid expenses	2,083	2,129
TOTAL NON-FINANCIAL ASSETS	66,581	63,375
ACCUMULATED DEFICIT (Note 4)	550,327	519,097
CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (Notes 15 and 16)		

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 Change in Net Debt
for the Year Ended March 31, 2011

(in millions of dollars)

	2011		2010
	Budget (Note 2)	Actual	Actual
NET DEBT AT BEGINNING OF YEAR	582,472	582,472	525,213
CHANGE IN NET DEBT DURING THE YEAR —			
ANNUAL DEFICIT	49,198	33,372	55,598
CHANGE DUE TO TANGIBLE CAPITAL ASSETS —			
Acquisition of tangible capital assets.	8,185	8,061	7,136
Amortization of tangible capital assets	-4,630	-4,756	-4,418
Proceeds from disposal of tangible capital assets.	-150	-447	-297
Net loss on disposal of tangible capital assets, including adjustments.		-244	-693
TOTAL CHANGE DUE TO TANGIBLE CAPITAL ASSETS	3,405	2,614	1,728
CHANGE DUE TO INVENTORIES		638	-156
CHANGE DUE TO PREPAID EXPENSES	195	-46	300
NET INCREASE IN NET DEBT			
DUE TO OPERATIONS	52,798	36,578	57,470
OTHER COMPREHENSIVE INCOME (Notes 4 and 11)		-2,142	-211
NET INCREASE IN NET DEBT	52,798	34,436	57,259
NET DEBT AT END OF YEAR.	635,270	616,908	582,472

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 Cash Flow
for the Year Ended March 31, 2011

(in millions of dollars)

	2011	2010
OPERATING ACTIVITIES —		
ANNUAL DEFICIT	-33,372	-55,598
Items not affecting cash —		
Share of annual profit in enterprise Crown corporations and other government business enterprises	-6,992	-2,306
Amortization of tangible capital assets	4,756	4,418
Net loss on disposal of tangible capital assets, including adjustments	244	693
Change in taxes receivable	-9,563	2,848
Change in pension and other future benefits	7,271	6,850
Change in foreign exchange accounts	-1,557	4,759
Net change in other accounts	-2,452	884
CASH USED BY OPERATING ACTIVITIES	-41,665	-37,452
CAPITAL INVESTMENT ACTIVITIES —		
Acquisition of tangible capital assets	-8,061	-7,136
Proceeds from disposal of tangible capital assets	447	297
CASH USED BY CAPITAL INVESTMENT ACTIVITIES	-7,614	-6,839
INVESTING ACTIVITIES —		
Enterprise Crown corporations and other government business enterprises —		
Equity transactions	2,818	-3,226
Issuance of loans and advances	-76,579	-119,755
Repayment of loans and advances	76,677	99,921
Issuance of other loans, investments and advances	-5,858	-21,174
Repayment of other loans, investments and advances	5,814	16,620
CASH PROVIDED OR USED (-) BY INVESTING ACTIVITIES	2,872	-27,614
TOTAL CASH USED BEFORE FINANCING ACTIVITIES	-46,407	-71,905
FINANCING ACTIVITIES —		
Issuance of Canadian currency borrowings	553,464	554,892
Repayment of Canadian currency borrowings	-520,569	-499,383
Issuance of foreign currency borrowings	8,195	22,212
Repayment of foreign currency borrowings	-8,810	-24,351
CASH PROVIDED BY FINANCING ACTIVITIES	32,280	53,370
NET DECREASE IN CASH	-14,127	-18,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,450	46,985
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	14,323	28,450
SUPPLEMENTARY INFORMATION		
Cash used for interest	15,854	15,887

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

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 of the government organizations which comprise the legal entity of the Government as well as other government organizations, including Crown corporations, which are separate legal entities but are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations defined as departments and as Crown corporations in the *Financial Administration Act* are included in the reporting entity. Other organizations not listed in the *Financial Administration Act* may also meet the definition of control and they are included in the Government's reporting entity if their revenues, expenses, assets or liabilities are significant.

The financial activities of all of these entities, except for enterprise Crown corporations and other government business enterprises, are consolidated in these financial statements on a line-by-line and uniform basis of accounting after eliminating significant inter-governmental balances and transactions. Enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities, are recorded under the modified equity method.

The Canada Pension Plan (the Plan), which includes the assets of the Plan under the administration of the Canada Pension Plan Investment Board, is excluded from the reporting entity because changes to the Plan require the agreement of two thirds of participating provinces and it is therefore not controlled by the Government.

Basis of accounting

These financial statements are prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Revenues

The Government reports revenues on an accrual basis. Tax revenues are non-exchange transactions, which are generally derived from exchange transactions between third parties. They are recognized in the period in which the event that gave rise to the revenue takes place. Income tax revenue is recognized when the taxpayer has earned the income subject

to the tax. Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services and is presented on the Statement of Operations and Accumulated Deficit net of tax credits. Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. Excise taxes revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Tax revenues are measured from amounts assessed and from estimates of amounts not yet assessed based on cash received. Annual revenues also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates of unreported taxes, or the impact of future reassessments that can not yet be reliably determined.

Tax revenues that were not collected at year end and refunds that were not yet disbursed are reported respectively as taxes receivable and taxes payable on the Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

Other revenues are recognized in the period to which they relate. Employment Insurance premiums are recognized as revenue in the period the insurable earnings are earned.

Expenses

The Government reports expenses on an accrual basis. Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or 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. Public debt charges are recorded when incurred and include interest, servicing costs and costs of issuing new borrowings and amortization of premiums and discounts on market debt.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debt, loans, investments and advances, and inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

Cash and cash equivalents

Cash consists of public moneys on deposit and cash in transit less outstanding cheques and warrants. Cash equivalents consist mainly of term deposits usually not exceeding 31 days.

Foreign exchange accounts

Short-term deposits, marketable securities and special drawing rights held in the foreign exchange accounts are recorded at cost. Marketable securities are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement date. Transaction costs are expensed as incurred for all classes of financial instruments.

Investment income earned with respect to foreign accounts as well as write-downs to reflect other than temporary impairment in the fair value of securities are included in net foreign exchange revenues on the Statement of Operations and Accumulated Deficit. Canada's subscriptions to the capital of the International Monetary Fund and loans to the International Monetary fund are recorded at cost.

Loans, investments and advances

Loans, investments and advances are initially recorded at cost and are adjusted to reflect the concessionary terms of loans made on a long-term, low interest or interest-free basis and the portion of loans expected to be repaid from future appropriations.

When necessary, an allowance for valuation is recorded to reduce the carrying value of loans, investments and advances to amounts that approximate their net realizable value.

For loans to national governments, including developing countries, the allowance is determined based on the identification and evaluation of countries that have formally applied for debt service relief, estimated probable losses that exist on the remaining portfolio, and changes in the economic conditions of sovereign debtors.

Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated retrospectively in a systematic and rational manner to approximate original costs. Assets acquired under capital leases are recorded at the present value of the minimum lease

payments using the appropriate discount rate, which is usually the lower of the implicit interest rate in the lease or the Consolidated Revenue Fund term lending rate at the inception of the lease. These assets are amortized over the lease term or over the estimated useful life of the asset if the lease term contains terms that allow ownership to pass to the Government or a bargain purchase option. The corresponding lease obligations are recorded under unmatured debt on the Statement of Financial Position.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, the cost of works of art and museum collections and Crown land to which no acquisition cost is attributable. Intangible assets are also not recognized in the financial statements.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available are valued using management's best estimate of original cost, based on available information.

Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit.

Unmatured debt

Unmatured debt consists of market debt, cross currency swap revaluations, the obligation related to capital leases and other unmatured debt. Market debt is recorded at face value and is adjusted by discounts and premiums which are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded in public debt charges. The unamortized premium or discount arising on the buy back of bonds that are subsequently refinanced with similar debt with the intent of sustaining market liquidity is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The Government's holdings of its own securities, if any, are deducted from market debt to report the liability to external parties.

Cross currency swap revaluations consist of unrealized gains or losses due to fluctuations in the foreign exchange value of the cross currency swaps entered into by the Government.

The obligation related to capital leases represents the present values of the remaining minimum lease payments under the capital lease arrangement. The corresponding assets under capital lease are recorded under tangible capital assets on the Statement of Financial Position.

Public sector pensions and other employee and veteran future benefits

Employee entitlements to pension benefits and to other employee and veteran future benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments are amortized over the estimated average remaining service lives of the employees.

Contingent liabilities

Contingent liabilities, including the allowance for guarantees, 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 expense 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.

For guarantees, the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

Environmental liabilities

Environmental liabilities consist of estimated costs related to the remediation of environmentally contaminated sites as well as estimated costs related to obligations associated with future asset restoration.

The liability for remediation of environmentally contaminated sites is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely obligated to incur costs associated with remediation of the contaminated site. The liability reflects the present value of estimated cash flows required to remediate the sites to an acceptable condition according to the current minimum standard for federal use prior to contamination or for the intended federal use, whichever is less, where such amounts can be reasonably estimated.

The liability for future asset restoration costs is accrued and the related costs are capitalized and amortized over the associated asset's estimated useful life based on management's best estimates of the cost to meet obligations imposed by legislation, regulation and/or contractual agreements. The liability reflects the present value of estimated future cash flows required to restore the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities and/or assets are removed from service.

The recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the obligation is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the foreign exchange accounts, foreign debt, swap and foreign exchange forward agreement revaluations are presented with investment revenues from foreign exchange accounts under net foreign exchange revenues. Net gains and losses related to loans, investments and advances are presented with the return on investments from these loans, investments and advances under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are reported in ministry expenses under other program expenses.

Use of estimates and measurement uncertainty

The preparation of financial statements requires the Government to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these estimates are subject to measurement uncertainty. These are based on facts and circumstances available at the time estimates and assumptions are made, historical loss experience and general economic conditions. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements. Significant estimates in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, obligations for public sector pensions and other employee and veteran future benefits, contingent liabilities, environmental liabilities and transfer payments to other levels of government.

Other comprehensive income or loss

Other comprehensive income or loss, resulting from the accounting of enterprise Crown corporations and other government business enterprises under the modified equity method, is excluded from the calculation of the Government's annual deficit and is recorded directly to the Government's accumulated deficit and net debt.

2. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes. The Government uses the full accrual method of accounting to prepare its Budget and present its current financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	2011	2010
Annual spending limits voted by Parliament	104,281	97,630
Expenditures permitted under other legislation	141,948	138,602
Total budgetary expenditures authorized	246,229	236,232
Less: amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts	13,234	11,271
Total net expenditures	232,995	224,961
Effect of consolidation and full accrual accounting	37,468	49,237
Total expenses	270,463	274,198

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Statement of Operations and Accumulated Deficit. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Statement of Operations and Accumulated Deficit is prepared on a full accrual basis. The transactions of certain accounts with separate non-budgetary authorities and of certain Crown corporations or other controlled entities are consolidated in the financial statements but are not included in the budgetary expenditure authorities available for use. Transfer payments to organizations within the Government reporting entity are recorded against a budgetary expenditure authority in the year they are disbursed to the organization, but they are recorded as a consolidated expense only when they are disbursed to the ultimate recipient outside of the Government reporting entity. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$241,434 million (\$306,204 million

in 2010) was authorized for loans, investments and advances. A net amount of \$74,390 million (\$140,686 million in 2010) was used, an amount of \$735 million (\$36,587 million in 2010) lapsed and an amount of \$166,309 million (\$128,931 million in 2010) is available for use in subsequent years.

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

ii. Over-expenditure of spending authorities

During the year, the Hazardous Materials Information Review Commission Vote 30 was overspent by less than \$100,000.

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

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament which is contained in Part IV of the *Financial Administration Act*. Section 43.1 of the *Financial Administration Act* empowers the Governor in Council to authorize the Minister of Finance to borrow money on behalf of Her Majesty in right of Canada. In 2011, the Governor in Council specified \$300,000 million (\$370,000 million in 2010) to be the maximum aggregate amount of principal that may be borrowed during the fiscal year. The maximum aggregate amount of principal is the sum of *i*) the maximum stock of treasury bills anticipated to be outstanding during the year, *ii*) the total value of refinanced and anticipated new issuances of marketable bonds and retail debt and *iii*) an amount to facilitate intra-year management of the debt and foreign exchange reserves. During the year, \$263,215 million (\$289,521 million in 2010) of the borrowing authority was used.

iv. Source of budget amounts

The budget amounts included in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt are derived from the amounts that were originally budgeted for 2011 in the March 2010 Budget Plan (Budget 2010). Budget 2010 amounts have been restated to reflect the reclassification of Canadian Commercial Corporation from an enterprise Crown corporation to a consolidated Crown corporation in 2009-2010. This restatement has resulted in a \$1,500 million increase in both budgeted Crown corporation revenues and Crown corporation expenses, with no overall impact on the 2010-2011 annual deficit. In addition, since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2010, the corresponding amounts in the budget column have been adjusted to the actual closing numbers of the previous year.

3. Expenses

Expenses in the Statement of Operations and Accumulated Deficit include:

i. Major transfer payments to other levels of government

	(in millions of dollars)	
	2011	2010
Canada health transfer	26,031	24,820
Canada social transfer	11,179	10,858
Fiscal arrangements	17,577	16,789
Other major transfers	1,935	7,822
Quebec abatement ⁽¹⁾	-3,751	-3,299
Total major transfer payments to other levels of government	52,971	56,990

Certain comparative figures have been reclassified to conform to the current year's presentation. Details (unaudited) can be found in Section 3 of this volume and in Section 1 of Volume II of the *Public Accounts of Canada*.

⁽¹⁾ These amounts represent recoveries of the Quebec Abatement which is comprised of federal tax abated under the Alternative Payments for Standing Programs and the Youth Allowance Program of that province.

ii. Public debt charges

	(in millions of dollars)	
	2011	2010
Public debt charges related to unmatured debt —		
Interest on unmatured debt	14,820	14,023
Amortization of discounts on Canada and Treasury Bills	1,312	1,229
Amortization of premiums and discounts on all other debts	1,985	1,721
Cross currency swap revaluation	-473	-438
Servicing costs and costs of issuing new borrowings	17	32
Capital lease obligations	219	228
Total	17,880	16,795
Interest expense related to pension and future benefits	12,699	12,343
Other liabilities	292	276
Total public debt charges	30,871	29,414

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

iii. Total expenses by segment

The Government has defined the segments as the Ministries and Crown corporations and other entities. Additional segmented information is provided in Note 17. The following table presents the total expenses by segment after the elimination of internal transactions:

	(in millions of dollars)	
	2011	2010
Ministries —		
Agriculture and Agri-Food	3,616	3,234
Atlantic Canada Opportunities Agency . . .	351	377
Canada Revenue Agency	17,771	17,223
Canadian Heritage	1,687	2,291
Citizenship and Immigration	1,709	1,663
Economic Development Agency of Canada for the Regions of Quebec . . .	396	343
Environment	1,757	1,838
Finance	84,057	85,447
Fisheries and Oceans	1,853	1,885
Foreign Affairs and International Trade . . .	6,042	12,268
Governor General	20	19
Health	5,261	6,159
Human Resources and Skills Development	65,786	66,068
Indian Affairs and Northern Development	7,957	9,151
Industry	6,033	6,179
Justice	1,483	1,541
National Defence	21,575	21,137
Natural Resources	5,209	3,544
Parliament	556	581
Privy Council	380	359
Public Safety and Emergency Preparedness	9,960	9,951
Public Works and Government Services . . .	2,700	2,792
Transport	7,626	5,532
Treasury Board	2,379	2,501
Veterans Affairs	1,009	1,024
Western Economic Diversification	458	408
Provision for valuation and other items . . .	1,808	-335
Total ministries	259,439	263,180
Crown corporations and other entities	11,024	11,018
Total expenses	270,463	274,198

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

iv. Total expenses by type of resource used in operations

The Statement of Operations and Accumulated Deficit and the previous table present a breakdown of expenses by segment, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses by main objects of expense:

Objects of expense	(in millions of dollars)	
	2011	2010
Transfer payments	157,926	165,461
Other program expenses —		
Crown corporations ⁽¹⁾	10,154	9,873
Personnel	42,297	41,009
Transportation and communications	2,870	3,098
Information	275	347
Professional and special services	7,903	8,148
Rentals	1,736	1,892
Repair and maintenance	3,138	3,205
Utilities, materials and supplies	2,799	3,117
Other subsidies and expenses	5,656	3,799
Amortization of tangible capital assets	4,756	4,418
Net loss on disposal of assets	82	417
Total other program expenses	81,666	79,323
Total program expenses	239,592	244,784
Public debt charges	30,871	29,414
Total expenses	270,463	274,198

Details (unaudited) reconciling objects of expense to objects of expenditure can be found in Section 3 of this volume and details (unaudited) on ministerial expenditures by object can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

⁽¹⁾ This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization of tangible capital assets and the net loss on disposal of assets of consolidated Crown corporations, which have been reclassified within their respective object of expense.

v. Significant transactions

Financial assistance to General Motors

In fiscal year 2009-2010, the Governments of Canada and Ontario entered into agreements to provide financial assistance to General Motors in the form of loans, a portion of which was subsequently exchanged for shares. Ontario contributed one-third of the assistance and proportionally participates with the Government in any future economic benefit or loss resulting from these transactions. A liability to Ontario representing its one-third proportionate participation in the value of the financial assistance provided to the automaker has been recorded on the Statement of Financial Position.

On November 1, 2010, General Motors completed a three-for-one stock split on its common shares, resulting in a change in the Government's share ownership from approximately 58 million shares to approximately 175 million common shares. Following the stock split, the automaker conducted an initial public offering on November 18, 2010. In conjunction with the initial public offering, the Government sold approximately 35 million shares at \$33 US per share, resulting in a realized gain of \$424 million, net of Ontario's portion, recorded in other revenues on the Statement of Operations and Accumulated Deficit.

The remaining 140 million common shares, which are held by an enterprise Crown corporation, are adjusted to fair value at each period end with the unrealized gain or loss recorded as other comprehensive income or loss on the Statement of Operations and Accumulated Deficit. The obligation to Ontario is adjusted for changes in fair value with changes recorded as a transfer payments expense.

At March 31, 2011, the common shares were valued at \$4,041 million, reflecting an unrealized gain of \$1,897 million. The obligation to Ontario related to its one-third participation in the General Motors common shares was valued at \$1,347 million, resulting in an increase in the annual deficit of \$632 million. The overall impact on the annual deficit as a result of General Motors common shares transactions for the year was a net increase to the annual deficit of \$208 million.

4. Accumulated Deficit

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and other entities controlled by the Government, and of certain accounts established for specified purposes. Legislation requires that revenues received for purposes specified in the legislation be credited to these accounts and that related payments be charged to the accounts. Any deficiency of payments over revenues must be met through future revenues or transfers credited to these accounts. The following table shows the balance of these consolidated accounts and the equity of the consolidated Crown corporations and other entities included in the accumulated deficit:

	(in millions of dollars)	
	2011	2010
Accumulated deficit, excluding consolidated specified purpose accounts and accumulated other comprehensive income	549,943	518,929
Consolidated specified purpose accounts —		
Employment Insurance Operating Account	7,397	4,936
Other insurance accounts	-485	-444
Other consolidated accounts	-316	-344
	556,539	523,077
Consolidated Crown corporations and other entities	-3,664	-3,574
Accumulated other comprehensive income	-2,548	-406
Accumulated deficit	550,327	519,097

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

Accumulated other comprehensive income

For enterprise Crown corporations and other government business enterprises recorded under the modified equity method, certain unrealized gains and losses on financial instruments are recorded as other comprehensive income and are excluded from the calculation of profit or loss until realized. These unrealized gains and losses result from a change in market value of financial assets classified as available-for-sale or derivative instruments used in hedging activities.

Other comprehensive income is also excluded from the calculation of the Government's annual deficit. It is instead recorded directly against the Government's accumulated deficit. Upon realization of these gains and losses, the associated amounts are recorded in the profit or loss of enterprise Crown corporations and other government business enterprises and, therefore, reflected in the Government's annual deficit.

The following table presents the different components of other comprehensive income as well as accumulated other comprehensive income included in the Government's accumulated deficit:

	(in millions of dollars)	
	2011	2010
Accumulated other comprehensive income at beginning of year	406	195
Other comprehensive income —		
Net change in unrealized gains on available-for-sale financial instruments	2,156	414
Net change in fair value of derivatives designated as hedges	-14	-203
Total	2,142	211
Accumulated other comprehensive income at end of year	2,548	406

5. Unmatured Debt

Unmatured debt includes:

	(in millions of dollars)	
	2011	2010
Market debt —		
Payable in Canadian currency	589,228	556,118
Payable in foreign currencies	7,628	8,243
Total	596,856	564,361
Cross currency swap revaluation	-5,091	-4,233
Unamortized discounts and premiums on market debt	-4,485	-5,092
Obligation related to capital leases	3,685	4,090
Other unmatured debt	190	
Total unmatured debt	591,155	559,126

Unamortized discounts result from Treasury bills and Canada bills which are issued at a discount in lieu of interest. Discounts or premiums also result from the Government's bond buy back program and from issuance of market debt when the face value of the instrument issued differs from the proceeds received. The unamortized portion represents the amount of premium and discount that has not yet been recorded to public debt charges.

i. Market Debt

The following table presents the contractual maturity of debt issues and interest rates by currency and type of instrument at gross value (in Canadian \$) and the effective average

annual interest rates including swaps on foreign currency bonds and notes as at March 31, 2011:

	(in millions of dollars)							
	Marketable bonds			Treasury bills	Retail debt ⁽¹⁾	Bonds for Canada Pension Plan	Canada bills	Total
Maturing year	CAD	USD	Euro				USD	
2012	41,467			163,000	664	16	1,972	207,119
2013	74,200				1,127	11		75,338
2014	43,008				1,070			44,078
2015	38,304	2,909			656			41,869
2016	30,942				580			31,522
2017 and subsequent ..	188,490	51	2,749		6,044			197,334
	416,411	2,960	2,749	163,000	10,141	27	1,972	597,260
Less: Government holdings of unmatured debt and consolidated adjustment ⁽²⁾	331	53		20				404
Total market debt	416,080	2,907	2,749	162,980	10,141	27	1,972	596,856
Nature of interest rate ⁽³⁾	Fixed ⁽⁴⁾	Fixed	Fixed	Variable	Variable	Fixed	Variable	
Effective weighted average annual interest rates including swaps on foreign currency bonds and notes	3.56	2.49	3.50	1.12	1.10	9.69	0.15	
Range of interest rates	1.00 - 11.25	2.38 - 9.70	3.50	0.92 - 1.46	0.40 - 3.05	9.17 - 10.04	0.02 - 0.30	

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

⁽¹⁾ Includes \$5,958 million of Canada savings bonds having fixed dates of maturity which are redeemable on demand.

⁽²⁾ Includes \$574 million of securities held for cancellation, \$53 million of securities held for the retirement of unmatured debt, \$102 million of securities held by consolidation Crown corporations and other entities and \$325 million of borrowings by consolidated agent Crown corporations.

⁽³⁾ Debt with terms to maturity 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.

⁽⁴⁾ Includes real return bonds which have a variable component based on the consumer price index.

ii. *Obligation related to capital leases*

The total obligation related to capital leases as at March 31, 2011 is \$3,685 million (\$4,090 million in 2010). Interest on this obligation of \$219 million (\$228 million in 2010) is reported in the Statement of Operations and Accumulated Deficit as part of public debt charges. Future minimum lease payments are summarized as follows:

Year	(in millions of dollars)
2012.....	477
2013.....	434
2014.....	455
2015.....	385
2016.....	363
2017 and subsequent	3,744
Total minimum lease payments	5,858
Less: imputed interest at the average discount rate of 5.73 percent	2,173
Obligation related to capital leases	3,685

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

6. Public Sector Pensions and Other Employee and Veteran Future Benefits

i. *Pension benefits - overview of the plans*

The Government sponsors defined benefit pension plans covering substantially all the employees of the public service, as well as certain Public Service corporations as defined in the *Public Service Superannuation Act* and Territorial governments, members of the Canadian Forces including the Reserve Force, members of the Royal Canadian Mounted Police, federally appointed judges and Members of Parliament, including Senators. In this note, the term “employees” is used in a general manner to apply to plan members of all of these groups.

The public service, Canadian Forces – Regular Force and Royal Canadian Mounted Police pension plans repre-

sent the three main public sector pension plans. For these plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service multiplied by the average of the best five consecutive years of earnings. Benefits are coordinated with Canada/Quebec Pension Plan benefits and are indexed to inflation. Pension benefits under the Reserve Force pension plan accrue based on total pensionable service and pensionable earnings over the service period. Basic allowances provided under the Members of Parliament retiring allowances plan accrue at a rate of three percent per year of pensionable service multiplied by the average of the best five years of sessional indemnity. Pension benefits for federally appointed judges do not have an explicit accrual rate. Instead, they become payable once the member has completed 15 years of pensionable service and the sum of the member’s age and years of service equals 80 or more.

The Government has a statutory obligation for the payment of all these pension benefits even though most of the pension plans are unfunded.

The plans are generally financed from employee and employer contributions, as well as investment earnings and interest credits. Pursuant to federal public sector pension legislation, an amount equal to contributions less benefit payments and other charges related to post March 2000 service that falls within the *Income Tax Act* limits for the three main public sector pension plans and all service for the Reserve Force pension plan, is invested in capital markets through the Public Sector Pension Investment Board (PSP Investments). Other amounts of contributions less benefit payments and other charges pertaining to the pre April 2000 service for the three main public sector pension plans and amounts for all service periods for the federally appointed judges and Members of Parliament pension plans, are recorded in pension accounts within the accounts of Canada pursuant to pension legislation, but are not invested. The details (unaudited) of these Accounts can be found in Section 6 of this volume.

The following table presents a summary of pension contributions and benefit payments in the year:

	(in millions of dollars)					
	2011			2010		
	Funded plans	Others	Total	Funded plans	Others	Total
Contributions —						
Employees	1,956	67	2,023	1,922	71	1,993
Public Service corporations and Territorial governments	229	14	243	204	11	215
Government	3,630	199	3,829	3,653	198	3,851
Total	5,815	280	6,095	5,779	280	6,059
Benefits paid	823	7,772	8,595	654	7,609	8,263

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

ii. Other future benefits - overview of the plans

The Government sponsors a variety of other employee and veteran future benefit plans from which employees and former employees can benefit, during or after employment or upon retirement. The cost of these benefits accrues either as employees render service or upon the occurrence of an event resulting in eligibility for benefits under the terms of the plans. The Government is liable for future payments for disability and other benefits paid to war veterans, current and retired members of the Canadian Forces and the Royal Canadian Mounted Police and survivors and dependants of these groups. Other significant future benefits include health care and dental plans available to retired employees and their dependants, severance benefits, and workers' compensation benefits.

All of these plans are unfunded. The health care and dental plans for retired employees are contributory plans, whereby contributions by retired plan members are made in the years in which the benefits are payable. These contributions amounted to \$143 million in 2011 (\$127 million in 2010). The Government's costs and benefits paid are presented net of these contributions.

iii. Future benefits liability

The pensions and other future benefits liability includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2011	2010	2011	2010
Accrued benefit obligation	213,341	201,413	74,492	71,391
Less: Pension assets —				
Market related value of investments	53,471	44,893		
Contributions receivable from employees for past service	537	513		
Total	54,008	45,406		
	159,333	156,007	74,492	71,391
Unamortized estimation adjustments	-13,198	-13,164	-16,286	-17,164
Future benefits liability	146,135	142,843	58,206	54,227

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

(a) Pension assets

Pension assets include investments held by PSP Investments and contributions receivable from employees for past service buy back elections. The investments are valued at market related value and contributions receivable for past service are discounted to approximate their fair value.

The market related value of investments is established on the basis of an expected rate of return on investments, whereby the fluctuations between the market value and

expected market value are included in estimation adjustments over a five-year period provided that the market related value of investments remains within a limit of plus or minus 10 percent of the market value. When market related value exceeds the limit, the excess amount is included immediately in estimation adjustments. At March 31, 2011, the market value of the investments is \$58,013 million (\$46,270 million in 2010).

iv. *Future benefits expense*

The pensions and other future benefits expense includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2011	2010	2011	2010
Benefits expense —				
Benefits earned, net of employee contributions	3,983	3,471	2,089	2,263
Amortization of estimation adjustments	1,226	1,064	2,228	3,007
Plan amendments			1,066	-254
Plan curtailments			-8	
Recognition of net unamortized gains (-) or losses			-152	445
Total	5,209	4,535	5,223	5,461
Interest expense —				
Interest on average accrued benefit obligation	12,469	11,878	2,988	2,566
Expected return on average market related value of investments	-2,758	-2,101		
Total	9,711	9,777	2,988	2,566
Total future benefits expense	14,920	14,312	8,211	8,027

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

(a) *Plan amendments*

In 2011, amendments were made to veteran future benefit programs expanding eligibility for certain allowances provided to injured veterans and providing access to all veteran benefit programs for veterans suffering from amyotrophic lateral sclerosis (ALS). These amendments resulted in a net one-time past service cost of \$1,034 million and the immediate recognition of net unamortized estimation adjustment gains of \$316 million. In addition, as part of collective agreement negotiations with certain employee groups, an amendment to the employee severance pay program was agreed upon resulting in a one-time past service cost of \$32 million.

In 2010, amendments to veteran future benefits and pensioner dental benefits resulted in a net one-time past service cost reduction of \$254 million and the immediate recognition of accelerated amortization of net unamortized estimation adjustment losses of \$445 million.

(b) *Plan curtailments*

In 2011, as part of collective agreement negotiations with certain employee groups, the accumulation of severance benefits under the employee severance pay program will cease for these employees beginning in 2012. Employees subject to these changes will be given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. The impact of the curtailment is a one-time past service cost reduction of \$8 million. In addition, the plan curtailment required the immediate recognition of net unamortized estimation adjustment losses of \$164 million, representing the portion of unamortized estimation adjustments related to the obligation for employees subject to the curtailment.

(c) *Interest expense*

The interest expense calculated on the average accrued benefit obligation for the year is reported as part of public debt charges. It is presented net of the expected return on the average market related value of pension investments for the year. During the year, the actual rate of return of pension investments calculated on a time-weighted basis was 14.5 percent (21.5 percent in 2010).

v. *Change in accrued benefit obligation and market related value of pension investments*

The changes in the accrued benefit obligation and in the market related value of pension investments during the year were as follows:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2011	2010	2011	2010
Accrued benefit obligation at beginning of year	201,413	190,280	71,391	79,947
Benefits earned	6,226	5,653	2,089	2,263
Interest on average accrued benefit obligation	12,469	11,878	2,988	2,566
Benefits paid	-8,595	-8,263	-4,178	-4,063
Administrative expenses	-163	-162	-54	-48
Net transfers to other plans	-299	-156		
Plan amendments			1,066	-254
Plan curtailments			-8	
Actuarial losses or gains (-)	2,290	2,183	1,198	-9,020
Accrued benefit obligation at end of year	213,341	201,413	74,492	71,391
Market related value of investments at beginning of year	44,893	37,155		
Expected return on average market related value of investments	2,758	2,101		
Contributions	5,815	5,779		
Benefits, transfers and others	-1,001	-800		
Actuarial gains	1,006	658		
Market related value of investments at end of year	53,471	44,893		

vi. *Actuarial valuations and assumptions*

Actuarial valuations of the pension plans are performed at least every three years for funding purposes. The most recent valuations for the public service and Royal Canadian Mounted Police pension plans were conducted as at March 31, 2008, while the valuations for the Canadian Forces – Regular and Reserve Forces, Members of Parliament and the federally appointed judges' pension plans were conducted as at March 31, 2010.

Valuations for pensions and other future benefits, except for the veteran future benefits, are updated annually for accounting purposes based on the most recent or any in-progress triennial valuation. The valuation for the veteran future benefits is performed every year for accounting purposes.

Valuations are prepared using the projected benefit method prorated on service, except for the veteran future benefits and workers' compensation valuations, where benefits are accrued on an event driven basis. Assumptions required for this process include, among others, estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. These assumptions and others are based on the Government's best estimates. Actual experience which varies from these assumptions or changes in assumptions will result in estimation adjustments. These adjustments are amortized over the estimated average remaining service lives of plan members, which represent periods ranging from 5 to 23 years (5 to 23 years in 2010) according to the plan in question.

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valuations of all the plans are 2.0 percent and 2.9 percent respectively (2.0 percent and 2.9 percent in 2010). The discount rates used to value the accrued benefit obligation and the corresponding assumptions used in the cost of current service and in the interest expense are as follows:

	2011			2010		
	Accrued benefit obligation valuation		Expense valuation	Accrued benefit obligation valuation		Expense valuation
	Initial	Ultimate		Initial	Ultimate	
Discount rates - pensions —						
Expected rates of return on investments	6.2%	6.2%	5.8%	5.8%	6.3%	5.3%
Expected weighted average of long-term bond rates	6.0%	5.0%	6.5%	6.5%	5.1%	6.8%
Discount rates - other future benefits —						
Expected long-term bond rates	4.0%	5.0%	4.3%	4.3%	5.0%	3.3%
Cost increase rates - health care —						
Expected health care cost increase rates	8.0%	3.5%	8.3%	8.3%	3.5%	8.3%
Expected year to achieve ultimate rate		2025			2024	

Changes in assumptions can result in significantly higher or lower estimates of the accrued benefit obligation. The following table illustrates the possible impact of a one percent change in the main assumptions:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2011	2010	2011	2010
Possible impact on the accrued benefit obligation due to:				
Increase of one percent in discount rate	-27,300	-25,700	-9,800	-9,200
Decrease of one percent in discount rate	34,600	32,600	12,800	12,000
Increase of one percent in inflation rate	26,600	25,000	12,100	10,700
Decrease of one percent in inflation rate	-22,000	-20,600	-9,400	-8,300
Increase of one percent in general wage increase	5,700	5,400	700	600
Decrease of one percent in general wage increase	-5,000	-4,800	-600	-500
Increase of one percent in health care cost increase			4,500	4,100
Decrease of one percent in health care cost increase			-3,400	-3,100

7. Other Liabilities

Other liabilities include:

	(in millions of dollars)	
	2011	2010
Due to Canada Pension Plan	23	175
Others —		
Government Annuities Account	222	243
Deposit and trust accounts	2,311	2,202
Other specified purpose accounts	3,759	3,967
	6,292	6,412
Total other liabilities	6,315	6,587

i. Due to Canada Pension Plan

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

The Plan is a federal/provincial social benefit program providing compulsory and contributory social insurance and is administered by the Government of Canada. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. Payments of pensions and benefits from the Plan are financed through contributions received from employers, employees and self-employed persons, and from income earned on investments. As administrator, the Government's authority to provide benefits is limited to the net assets of the Plan. At March 31, 2011, the fair value of the Plan's net assets is \$151,601 million (\$131,420 million in 2010).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the transactions of the Plan, as well as the amounts transferred to or received from the Canada Pension Plan Investment Board. The Plan's deposit with the Receiver General for Canada of \$23 million (\$175 million in 2010) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2011.

Details (unaudited) and the audited financial statements of the Plan can be found in Section 6 of this volume.

ii. Others

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain funds 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. The largest Deposit and Trust accounts are the Indian band funds in the amount of \$1,092 million (\$1,026 million in 2010). This account was established to record funds belonging to Indian bands throughout Canada pursuant to the *Indian Act*.

Other specified purpose accounts are liability accounts that are used to record transactions made under authorities obtained from Parliament through either the *Financial Administration Act* or other specific legislation. Certain accounts earn interest which is charged to interest on the public debt. The largest other specified purpose account is the Public Service Death Benefit Account for a total of \$2,961 million (\$2,829 million in 2010). This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

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

8. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

	(in millions of dollars)	
	2011	2010
Cash	5,584	16,871
Cash equivalents	8,739	11,579
Total cash and cash equivalents	14,323	28,450

Details (unaudited) can be found in Section 7 of this volume.

9. Taxes and Other Accounts Receivable

Taxes receivable represent tax revenues that were assessed by year end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due until the next fiscal year. They also include other receivables for amounts collected through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

The Government has established an allowance for doubtful accounts of \$10,987 million (\$9,990 million in 2010) based on aging and a review of individually large receivable balances and has recorded a bad debt expense of \$3,333 million (\$2,873 million in 2010), which is charged against other program expenses. The details of the taxes receivable and allowance for doubtful accounts are as follows:

	(in millions of dollars)					
	2011			2010		
	Total taxes receivable	Allowance for doubtful accounts	Net	Total taxes receivable	Allowance for doubtful accounts	Net
Income taxes receivable —						
Individuals	43,207	5,459	37,748	40,303	4,925	35,378
Employers	16,321	999	15,322	15,010	822	14,188
Corporations	11,623	1,753	9,870	10,714	1,849	8,865
Non-residents	988	127	861	1,183	142	1,041
Goods and services tax receivable	15,323	2,590	12,733	9,958	2,188	7,770
Customs duties receivable	239	8	231	190	23	167
Excise taxes and duties receivable	1,912	51	1,861	1,695	41	1,654
Total	89,613	10,987	78,626	79,053	9,990	69,063

Details (unaudited) can be found in Section 7 of this volume.

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year end. Total other accounts receivable amount to \$5,459 million (\$5,036 million in 2010) and are presented net of an allowance for doubtful accounts of \$1,501 million (\$1,344 million in 2010). Further details (unaudited) can be found in Section 7 of this volume.

10. Foreign Exchange Accounts

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

The Government holds certain investments in its Exchange Fund Account to provide general liquidity and to promote orderly conditions in the foreign exchange market for the Canadian dollar. As at March 31, 2011, the fair value of the marketable securities held in the Exchange Fund Account is \$45,001 million (\$45,423 million in 2010). Further details on these investments are provided in the audited financial statements of the Exchange Fund Account in Section 8 of this volume.

Subscriptions and loans to the International Monetary Fund (IMF) and special drawing rights allocations are denominated in special drawing rights (SDR). The SDR serves as the unit of account for the IMF and its value is based on a basket of key international currencies. Loans outstanding were provided under a temporary bi-lateral borrowing agreement with the IMF. This agreement provides for maximum direct lending of up to \$10,000 million US and expires in July 2013. Canada also participates in two multi-lateral lending arrangements with the IMF along with a group of other member countries. Collectively, maximum direct lending under the temporary bilateral agreement and the multi-lateral arrangements is limited to no more than the equivalent of SDR 8,517 million (\$13,093 million at March 31, 2011).

The following table presents the balances of the foreign exchange accounts:

	(in millions of dollars)	
	2011	2010
International reserves		
held in the Exchange		
Fund Account —		
Cash and cash equivalents —		
US dollars	228	226
Euros	79	175
Japanese yen	7	91
Total	314	492
Marketable securities —		
US dollars	26,797	24,478
Euros	17,762	19,442
Japanese yen	116	217
Total	44,675	44,137
Special drawing rights	9,046	9,066
Gold	6	6
Total	54,041	53,701
International Monetary Fund —		
Subscriptions	9,792	9,823
Loans	1,139	337
Total	64,972	63,861
Less:		
International Monetary Fund —		
Notes payable	7,260	7,676
Special drawing rights allocations	9,205	9,235
Total	16,465	16,911
Total foreign exchange accounts	48,507	46,950

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

11. Crown Corporations and Other Entities

There are 43 parent Crown corporations (42 in 2010) included in the reporting entity of the Government. There are also a number of not-for-profit organizations and other government business enterprises that meet the definition of control for financial reporting purposes and are included in the reporting entity of the Government.

i. Consolidated Crown corporations and other entities

Some Crown corporations and not-for-profit organizations rely on the Government for most of their financing. There are 25 parent Crown corporations (25 in 2010) and four not-for-profit organizations (five in 2010) whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Air Transport Security Authority, Canadian Broadcasting Corporation and VIA Rail Canada Inc. The major consolidated not-for-profit organizations are the Canada Foundation for Innovation and the Canada Foundation for Sustainable Development Technology. Detailed information (unaudited) on these consolidated entities is included in Section 4 of this volume.

ii. Enterprise Crown corporations and other government business enterprises

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

In addition, there are a number of self-sustaining government business enterprises that are not Crown corporations but which are controlled by the Government. These are referred to as other government business enterprises. The major other government business enterprises include The Canadian Wheat Board and the various Port Authorities.

Investments in enterprise Crown corporations and other government business enterprises are recorded under the modified equity method, whereby the cost of the Government's equity is reduced by dividends received and adjusted to include the annual profits and losses of these corporations, after elimination of unrealized inter-organizational gains and losses. Most of these corporations follow Canadian generally accepted accounting principles used by private sector companies. Under the modified equity method, the corporations' accounts are not adjusted to the Government's basis of accounting and other comprehensive income or loss of enterprise Crown corporations and other government business enterprises is recorded directly to the Government's accumulated deficit and net debt.

Assets and liabilities of enterprise Crown corporations and other government business enterprises 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. The Government also reports any amounts receivable from or payable to these corporations and where the Government has advanced funds to the corporations to support their direct lending activities, the amounts are recorded as loans and advances by the Government.

The following table presents the Government's recorded loans, investments and advances in significant enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2011	2010
Investments —		
Canada Mortgage and Housing Corporation	11,586	9,604
Export Development Canada	8,073	6,906
Canada Development Investment Corporation	4,818	3,187
Business Development Bank of Canada	4,008	3,643
Farm Credit Canada	2,755	2,336
Canada Post Corporation	2,262	1,853
Canada Deposit Insurance Corporation	1,112	856
Other	2,612	2,525
Total investments.	37,226	30,910
Loans and advances —		
Canada Mortgage and Housing Corporation	69,569	72,262
Farm Credit Canada	17,558	15,931
Business Development Bank of Canada	13,223	12,245
Other	122	132
	100,472	100,570
Less:		
Amount expected to be repaid from future appropriations	2,028	1,964
Unamortized discounts and premiums.	-3	-7
Total loans and advances	98,447	98,613
Total loans, investments and advances to enterprise Crown corporations and other government business enterprises	135,673	129,523

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

The following table presents the summary financial position and results of enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2011	2010
Assets —		
Financial assets	433,776	427,410
Non-financial assets	10,428	9,289
Total assets	444,204	436,699
Liabilities	406,734	405,440
Equity of Canada as reported	37,470	31,259
Elimination adjustments	-244	-349
Equity of Canada	37,226	30,910
Revenues	33,117	36,913
Expenses	26,279	33,672
Profit as reported	6,838	3,241
Adjustments and others	154	-935
Profit	6,992	2,306
Other changes in equity —		
Other comprehensive income	2,142	211
Dividends ⁽¹⁾	-2,818	-1,391
Capital ⁽²⁾		4,617
	6,316	5,743
Equity of Canada at beginning of year	30,910	25,167
Equity of Canada at end of year	37,226	30,910
Contractual obligations	18,991	20,150
Contingent liabilities	2,695	3,531

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

⁽¹⁾ Amounts reported as dividends include \$1,155 millions (\$1,252 million in 2010) from the Bank of Canada.

⁽²⁾ Amounts reported as capital include nil (\$3,169 million in 2010) for Canada Development Investment Corporation related to financial assistance to the automotive sector.

iii. Non Public Property

Non Public Property (NPP), as defined under the *National Defence Act*, consists of money and property contributed to or by Canadian Forces members and is administered for their benefit and welfare by the Canadian Forces Personnel and Family Support Services (CFPFSS). The CFPFSS is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, Canadian Forces Exchange System (CANEX), Personnel Support Programs and Service Income Security Insurance Plan (SISIP) Financial Services. Under the *National Defence Act*, NPP is explicitly excluded from the *Financial Administration Act*. The Government provides

some services related to NPP activities such as accommodation and security for which no amount is charged. The cost of providing these services is included in the financial statements of the Government of Canada. In 2011, CFPFSS administered estimated revenues and expenses of \$386 million (\$405 million in 2010) and \$358 million (\$362 million in 2010) respectively and had net equity of \$597 million at March 31, 2011 (\$571 million at March 31, 2010). These amounts are excluded from the financial statements of the Government of Canada.

12. Other Loans, Investments and Advances

The following table presents a summary of the balances of other loans, investments and advances by category:

	(in millions of dollars)	
	2011	2010
National governments, including developing countries and international organizations —		
National governments including developing countries	433	502
International organizations	16,661	15,835
Total	17,094	16,337
Other loans, investments and advances —		
Provincial and territorial governments	2,680	2,937
Other loans, investments and advances	24,978	25,434
Total	27,658	28,371
Total	44,752	44,708
Less: allowance for valuation	21,876	21,550
Total other loans, investments and advances	22,876	23,158

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

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and development of export trade which are administered by Export Development Canada. Certain loans are non-interest bearing and others bear interest at rates varying from 1.0 percent to 10.3 percent. These loans are repayable over 6 to 55 years, with final instalments due in 2045.

Loans, investments and advances to international organizations include subscriptions to the share capital of international banks as well as loans and advances to associations and other international organizations. These subscriptions are composed of both paid-in and callable capital. They do not provide a return on investment but are repayable on termination of the organization or withdrawal from it. Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms.

Loans to provinces and territories include loans made under relief acts and other legislation. Certain loans are non-interest bearing and others bear interest at rates varying from 4.5 percent to 9.5 percent. These loans are repayable over 1 to 50 years, with final instalments due in 2015.

Other loans, investments and advances include portfolio investments and loans and advances under various programs to individuals and organizations which include loans under the Canada Student Loans Program of \$13,820 million (\$12,804 million in 2010), and loans for development of export trade which are administered by Export Development Canada of \$4,760 million (\$6,279 million in 2010). Loans under the Canada Student Loans Program are provided interest-free to full-time students and afterward bear interest at either a variable prime rate plus 2.5 percent or a fixed prime rate plus 5.0 percent. The repayment period is generally 10 years. Certain loans for development of export trade are non-interest bearing and others bear interest at rates varying from 1.9 percent to 12.8 percent. These loans are repayable over 1 to 20 years, with final instalments due in 2023.

13. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. Tangible capital assets include land, buildings, works and infrastructure, machinery and equipment including computer hardware and software, vehicles including ships, aircraft and others, leasehold improvements and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001. Tangible capital assets also include assets under capital lease. Detailed information (unaudited) on tangible capital assets is provided in Section 10 of this volume.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*. In addition, the cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are expensed in the fiscal year in which they are acquired.

Except for land, the cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 to 40 years
Works and infrastructure ⁽¹⁾	5 to 40 years
Machinery and equipment	3 to 30 years
Vehicles	3 to 40 years
Leasehold improvements	lesser of useful life of improvement or lease term
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type or over the lease term

⁽¹⁾ Except for the Confederation Bridge, which is amortized over 100 years.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

	(in millions of dollars)											Net book value 2011	Net book value 2010
	Cost					Accumulated amortization							
	Opening balance	Acqui- sitions	Disposals	Adjust- ments ⁽¹⁾	Closing balance	Opening balance	Amorti- zation expense	Disposals	Adjust- ments	Closing balance			
Land	1,459	56	-8	32	1,539						1,539	1,459	
Buildings	21,168	345	-31	620	22,102	11,373	708	-20	80	12,141	9,961	9,795	
Works and infrastructure	11,858	204	-75	584	12,571	7,006	370	-50	-10	7,316	5,255	4,852	
Machinery and equipment	30,510	1,028	-823	1,896	32,611	20,035	1,884	-634	830	22,115	10,496	10,475	
Vehicles	31,817	460	-1,376	1,663	32,564	19,196	1,314	-1,178	153	19,485	13,079	12,621	
Leasehold improvements	2,129	72	-30	231	2,402	1,231	159	-22	-1	1,367	1,035	898	
Assets under construction	11,933	5,682	-55	-4,134	13,426						13,426	11,933	
Assets under capital leases	4,826	214	-41	-78	4,921	1,805	321	-38	-44	2,044	2,877	3,021	
Total	115,700	8,061	-2,439	814	122,136	60,646	4,756	-1,942	1,008	64,468	57,668	55,054	

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

⁽¹⁾ Adjustments include assets under construction of \$3,530 million that were transferred to other categories upon completion of the assets.

14. Financial Instruments

The Government uses various financial instruments to manage financial risks associated with its financial assets and liabilities. The Government does not hold or use derivative instruments for trading or speculative purposes.

i. Derivative financial instruments

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and Euros. The Government has entered into cross currency swap agreements to facilitate management of its debt structure. Using 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's 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 gains or losses due to fluctuations in the foreign exchange value of the swaps are presented in the cross currency swap revaluation account and are recognized as part of net foreign exchange revenues in the Statement of Operations and Accumulated Deficit.

Cross currency swaps with contractual or notional principal amounts outstanding at March 31, stated in Canadian dollars, are as follows:

Maturing year	(in millions of dollars)	
	2011	2010
2011		2,531
2012	2,642	2,195
2013	4,185	4,301
2014	3,447	3,530
2015	3,197	3,267
2016	3,959	4,069
2017 and subsequent	22,118	17,666
Total	39,548	37,559

(b) Foreign-exchange forward agreements

The Government typically funds loans with the IMF as part of the Foreign Exchange Accounts with US dollars, which are denominated in SDR. Since the currency value of the SDR is based upon a basket of key international currencies (the US dollar, Euro, Japanese yen and Pound sterling), a foreign exchange mismatch results, whereby fluctuations in the value of the loan asset are not equally offset by fluctuations in the value of the related funding liability. Therefore, the Government enters into forward agreements to hedge this foreign exchange risk.

Unrealized gains or losses due to fluctuations in the foreign exchange value of these agreements are recorded in accounts payable and accrued liabilities and are recognized as part of the net foreign exchange revenues in the Statement of Operations and Accumulated Deficit.

The foreign-exchange forward agreements with contractual or notional principal amounts outstanding in Canadian dollars is \$1,877 million at March 31 (nil at March 31 2010) maturing in 2012.

(c) Credit risk related to swap and foreign-exchange forward 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 Standard & Poor's or Moody's. At the time of inception of the agreement, the credit rating of the institution must be at least A-.

Credit risk is also managed through collateral provisions in swap and foreign exchange forward agreements. Counterparties must pledge collateral to the Government, which, in the event of default, could be liquidated to mitigate credit losses.

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

The following table presents the notional amounts of the swap and foreign-exchange forward agreements organized by credit ratings based on published Standard & Poor's credit ratings and stand-alone credit profiles at year end:

Credit ratings	(in millions of dollars)	
	2011	2010
AA.....	5,645	4,692
AA-.....	15,708	13,746
A+.....	8,436	6,750
A.....	5,165	3,422
A-.....	6,471	2,130
BBB+.....		5,447
BBB.....		1,372
Total.....	41,425	37,559

ii. Managing foreign currency risk and sensitivity analysis to foreign currency exposures

Interest rate and foreign currency risks are managed using a strategy of matching the duration and the currency of the Exchange Fund Account (EFA) assets and the related foreign currency borrowings of the Government. As at March 31, 2011, the impact of price changes affecting the EFA assets and the liabilities funding these assets naturally offset each other, resulting in no significant impacts to the Government's net debt. Assets related to the IMF are only partially matched by related foreign currency borrowings, as they are denominated in SDR, however, foreign-exchange risks relating to loans to the IMF have been managed through entering into various foreign-exchange forward agreements.

The majority of the Government foreign currency assets and liabilities are held in three currency portfolios: the US dollar, the Euro and the Japanese yen. At March 31, 2011, a one percent appreciation in the Canadian dollar as compared to the US dollar, the Euro and the Japanese yen would result in a foreign exchange gain of \$26 million due to the exposure of the US dollar portfolio, a foreign exchange loss of \$3 million due to the exposure of the Euro portfolio and a foreign exchange gain of \$1 million due to the exposure of the Japanese yen portfolio. Net foreign exchange gain included in net foreign exchange revenues, other program revenues and other program expenses on the Statement of Operations and Accumulated Deficit amount to \$85 million (net foreign exchange loss of \$1,039 million in 2010).

iii. Fair value information

(a) Liabilities and financial assets

The following table presents the carrying value and the fair value of liabilities and financial assets. 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 liabilities and financial assets with a short term to maturity or of a non-negotiable nature are assumed to approximate their carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to the unpredictability of future events.

	(in millions of dollars)					
	2011			2010		
	Carrying value	Fair value	Fair value over under (-) carrying value	Carrying value	Fair value	Fair value over under (-) carrying value
Liabilities —						
Accounts payable and accrued liabilities	119,060	119,060		120,525	120,525	
Unmatured debt	591,155	631,070	39,915	559,126	597,531	38,405
Public sector pensions	146,135	154,792	8,657	142,843	154,630	11,787
Other employee and veteran future benefits	58,206	74,492	16,286	54,227	71,391	17,164
Other liabilities	6,315	6,315		6,587	6,587	
Financial Assets —						
Cash and accounts receivable	96,907	96,907		101,205	101,205	
Foreign exchange accounts	48,507	48,978	471	46,950	48,354	1,404
Loans, investments and advances excluding investments in enterprise Crown corporations	121,323	124,551	3,228	121,771	124,603	2,832

Fair values are determined using the following methods and assumptions:

The carrying values of other accounts payable and accrued liabilities, taxes payable, interest and matured debt and cash and accounts receivable are assumed to approximate their fair values due to their short term to maturity and allowances to reduce carrying values.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars and Euro medium-term notes, fair values are established using market quotes or the discounted cash flow calculated using year end market interest and exchange rates. The fair value of bonds issued to the Canada Pension Plan are established using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions on the bonds. Fair values of other instruments comprising the unmaturing debt are deemed to approximate their carrying values due to their short term to maturity or their non-negotiable nature.

The fair values of public sector pensions and other employee and veteran future benefit liabilities are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension plan assets, which are established at market value for investments and at discounted net present value for other plan assets.

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 established using market quotes or the discounted cash flow calculated using year end market interest rates. 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 recorded when necessary to reduce their carrying value to amounts that approximate their estimated realizable value.

(b) Derivative financial instruments

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

	(in millions of dollars)			
	2011		2010	
	Notional amount	Fair value	Notional amount	Fair value
Cross currency swaps	39,548	4,979	37,559	3,892
Foreign-exchange forward agreements	1,877	-95		
Total	41,425	4,884	37,559	3,892

Fair values of the swap and foreign-exchange forward 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 and foreign-exchange forward agreements 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 on March 31.

15. Contractual Obligations

The nature of government activities result in large multi-year contracts and agreements, including international treaties, protocols and agreements of various size and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. Major contractual obligations that will generate expenditures in future years and that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2011	2010
Transfer payment agreements	58,295	60,514
Acquisition of property and equipment, and goods and services	33,344	27,238
Operating leases	2,637	3,015
International organizations	3,343	3,089
	97,619	93,856

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenditures related to these contractual obligations are as follows:

Year	(in millions of dollars)
2012	26,606
2013	15,445
2014	13,219
2015	7,225
2016	5,287
2017 and subsequent	29,837
	97,619

Details (unaudited) can be found in Section 11 of this volume.

i. Transfer payment agreements

Obligations related to transfer payment agreements include an amount of \$21,695 million (\$23,935 million in 2010) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Estimated future expenditures related to these obligations are approximately \$1,700 million per year. The amounts reported for CMHC under obligations for transfer payment agreements for 2011 reflect the total estimated remaining contractual obligations extending for periods up to 30 years.

ii. Operating leases

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2011, total \$2,637 million (\$3,015 million in 2010).

16. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into contingent liabilities related to: guarantees provided by the Government, international organizations, environmental liabilities, claims and pending and threatened litigation, and insurance programs of agent enterprise Crown corporations.

i. Guarantees provided by the Government

At March 31, 2011, the principal amount outstanding for guarantees provided by the Government amount to \$236,509 million (\$221,979 million in 2010) for which an allowance of \$592 million (\$535 million in 2010) has been recorded. Guarantees provided by the Government include guarantees on the borrowings of enterprise Crown corporations and other government business enterprises, loan guarantees, insurance programs managed by the Government, and other explicit guarantees. Of the total amount guaranteed, \$227,642 million (\$211,454 million in 2010) relates to guarantees on the borrowings of agent enterprise Crown corporations for which no allowance (nil in 2010) has been recorded. The repayment of all money borrowed by agent enterprise Crown corporations and interest thereon constitute obligations of the Government and are recorded net of borrowings expected to be repaid directly by these corporations.

ii. International organizations

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2011, callable share capital amounts to \$25,479 million (\$17,177 million in 2010).

iii. Environmental liabilities

(a) Remediation of contaminated sites

The Government has identified approximately 17,000 sites for which environmental liabilities may exist for assessment, remediation and monitoring. Of these, the Government has identified approximately 2,200 sites (2,400 sites in 2010), where action is possible and for which a liability of \$4,354 million (\$3,493 million in 2010) has been recorded. In addition, the Government has estimated further clean-up costs for which it may be potentially liable of \$1,044 million (\$1,512 million in 2010). These further clean up costs have not been accrued as the Government's obligation to incur these costs is not determinable.

(b) Future asset restoration

The Government has identified approximately 760 unexploded explosive ordnance (UXO) affected sites for which environmental liabilities for clearance of these sites may exist. Of these, the Government has identified approximately 42 UXO affected sites (30 UXO affected sites in 2010), where clearance action is likely and for which a liability of \$16 million (\$16 million in 2010) has been recorded as part of the total future asset restoration liability of \$3,391 million (\$3,109 million in 2010). In addition, the Government has estimated further clearance costs related to UXO affected sites ranging from \$180 million to \$524 million. These future clearance costs have not been accrued as the Government's obligation to incur these costs is not determinable.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

iv. Claims and pending and threatened litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable and a reasonable estimate can be made amount to approximately \$4,211 million (\$4,300 million in 2010). Certain large and significant claims are described below:

Comprehensive land claims: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 80 (76 in 2010) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,772 million (\$3,800 million in 2010) is estimated for claims that have progressed to a point where quantification is possible. The estimate is based on historical rates and costs of settlement and current status of negotiations. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

Assessed taxes under objection or appeal: As at March 31, 2011, \$17,117 million (\$17,102 million in 2010) of previously assessed federal and provincial taxes was under objection at Canada Revenue Agency and \$3,299 million (\$3,509 million in 2010) was under appeal at either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

Other: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the Government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions was challenged in the Courts. On November 20, 2007, the Ontario Superior Court of Justice rendered its decision and dismissed all the claims of the plaintiffs. The Ontario Court of Appeal dismissed the plaintiffs' appeal on October 8, 2010. In a decision released on May 5, 2011, the plaintiffs' application for leave to appeal was granted by the Supreme Court of Canada. The outcome is not determinable at this time.

v. Insurance programs of agent enterprise Crown corporations

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to \$100,000 deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and 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* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2011, total insurance in force amounts to \$1,473,068 million (\$1,396,212 million in 2010). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) on contingent liabilities can be found in Section 11 of this volume.

17. Segmented information

The Government segmented information is based on the ministry structure reported in the 2010-2011 Estimates, which groups the activities of departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 11. The five main ministries are reported separately and the others are grouped together with the provision for valuation and other items. The

presentation by segment is based on the same accounting policies as those described in the Summary of significant accounting policies in Note 1. The following tables present the Statement of Operations by Ministry and Crown corporation and other entities before the elimination of internal transactions for the year ended March 31:

(in millions of dollars)

	2011								
	Canada Revenue Agency	Finance	Human Resources and Skills Development	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corpo- rations and other entities	Adjustments ⁽¹⁾	Total
REVENUES									
TAX REVENUES —									
Income tax revenues	148,563								148,563
Other taxes and duties	19,315				23,588				42,903
TOTAL TAX REVENUES	167,878				23,588				191,466
EMPLOYMENT INSURANCE									
PREMIUMS			17,862					-361	17,501
OTHER REVENUES —									
Crown corporations							21,121	-8,184	12,937
Other programs	4,085	468	3,954	461	1,879	10,916	166	-8,551	13,378
Net foreign exchange		1,809							1,809
TOTAL OTHER REVENUES	4,085	2,277	3,954	461	1,879	10,916	21,287	-16,735	28,124
TOTAL REVENUES	171,963	2,277	21,816	461	25,467	10,916	21,287	-17,096	237,091
EXPENSES									
TRANSFER PAYMENTS —									
Old age security benefits, guaranteed income supplement and spouse's allowance			35,629						35,629
Major transfer payments to other levels of government		51,037			154	1,780			52,971
Employment insurance benefits			19,850						19,850
Children's benefits	10,013		2,643						12,656
Other transfer payments	446	1,862	5,632	266	381	29,184	575	-1,526	36,820
TOTAL TRANSFER									
PAYMENTS	10,459	52,899	63,754	266	535	30,964	575	-1,526	157,926
OTHER PROGRAM									
EXPENSES—									
Crown corporations							11,034	-487	10,547
Ministries	7,539	779	8,163	21,405	9,613	38,693		-15,073	71,119
TOTAL OTHER									
PROGRAM EXPENSES	7,539	779	8,163	21,405	9,613	38,693	11,034	-15,560	81,666
TOTAL PROGRAM									
EXPENSES	17,998	53,678	71,917	21,671	10,148	69,657	11,609	-17,086	239,592
PUBLIC DEBT CHARGES		30,662		36		183		-10	30,871
TOTAL EXPENSES	17,998	84,340	71,917	21,707	10,148	69,840	11,609	-17,096	270,463

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

⁽¹⁾ Represents consolidation adjustments to eliminate internal transactions.

(in millions of dollars)

	2010								
	Canada Revenue Agency	Finance	Human Resources and Skills Development	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corpo- rations and other entities	Adjustments ⁽¹⁾	Total
REVENUES									
TAX REVENUES —									
Income tax revenues	139,601								139,601
Other taxes and duties	19,560				21,013				40,573
TOTAL TAX REVENUES	159,161				21,013				180,174
EMPLOYMENT INSURANCE									
PREMIUMS			17,121					-360	16,761
OTHER REVENUES —									
Crown corporations							15,262	-7,640	7,622
Other programs	3,542	288	4,058	495	1,882	10,396	225	-8,490	12,396
Net foreign exchange		1,647							1,647
TOTAL OTHER REVENUES	3,542	1,935	4,058	495	1,882	10,396	15,487	-16,130	21,665
TOTAL REVENUES	162,703	1,935	21,179	495	22,895	10,396	15,487	-16,490	218,600
EXPENSES									
TRANSFER PAYMENTS —									
Old age security benefits, guaranteed income supplement and spouse's allowance			34,653						34,653
Major transfer payments to other levels of government		54,943			20	1,903		124	56,990
Employment insurance benefits			21,586						21,586
Children's benefits	9,753		2,587						12,340
Other transfer payments	427	680	5,468	236	186	33,951	720	-1,776	39,892
TOTAL TRANSFER									
PAYMENTS	10,180	55,623	64,294	236	206	35,854	720	-1,652	165,461
OTHER PROGRAM									
EXPENSES—									
Crown corporations							10,548	-120	10,428
Ministries	7,230	701	8,280	21,108	9,900	36,384		-14,708	68,895
TOTAL OTHER									
PROGRAM EXPENSES	7,230	701	8,280	21,108	9,900	36,384	10,548	-14,828	79,323
TOTAL PROGRAM									
EXPENSES	17,410	56,324	72,574	21,344	10,106	72,238	11,268	-16,480	244,784
PUBLIC DEBT CHARGES		29,196		38		190		-10	29,414
TOTAL EXPENSES	17,410	85,520	72,574	21,382	10,106	72,428	11,268	-16,490	274,198

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

⁽¹⁾ Represents consolidation adjustments to eliminate internal transactions.

**OBSERVATIONS OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA
FOR THE YEAR ENDED 31 MARCH 2011**

Once again, we congratulate the government for receiving an unqualified audit opinion (now termed “unmodified” audit opinion under Canadian auditing standards (CAS)) on the financial statements. Our opinion provides assurance that government is properly reporting its overall financial performance to Parliament and to Canadians. Reporting the financial results of the Government of Canada requires a great deal of work by public servants. The individual departments and central agencies worked together to prepare the Government of Canada’s financial statements.

In recognition of an increasingly global economy, The Canadian Auditing and Assurance Standards Board has adopted the International Standards on Auditing as Canadian auditing standards to improve the basis for high-quality, consistent, and comparable audits. This year, we successfully implemented the new Canadian auditing standards in the conduct of this audit.

You will notice that as a result of the new auditing standards, the auditor’s report looks different this year. Its new wording, title and format are largely to make it clearer and to emphasize the roles and responsibilities of both management and the auditor. Management is responsible for internal controls over the preparation of financial statements that are free of significant errors; the auditor is responsible for conducting the audit in accordance with CAS and with specific requirements to comply with ethical standards. While the new CAS are generally consistent with the previous standards, there were a number of changes in the execution of the audit. Examples include increased audit procedures related to the existence and condition of inventory, and increased communication with management and those responsible for the financial statements.

The purpose of these Observations is to comment on matters that we would like to bring to Parliament’s attention.

PARLIAMENTARY AUTHORITY FOR CAPITAL EXPENDITURES

As noted in the 2006 November Report of the Auditor General of Canada, which discussed the federal government’s expenditure management system, parliamentary control of the public purse is fundamental to responsible government. Granting government the authority to spend is one of Parliament’s principal functions and a key part of holding the government to account. The *Financial Administration Act* provides the legal framework for financial management. Before government can spend public funds, it must obtain Parliament’s approval or authority. Two of the principal instruments used by Parliament to grant spending authority are capital votes and operating votes. Our concern relates to how departments and agencies charge their capital expenditures against these votes.

As described in the Main Estimates, capital votes are used when a department’s capital expenditures exceed \$5 million. Under existing guidance by the Treasury Board of Canada Secretariat, departments and agencies can charge minor capital expenditures to their operating votes. Minor capital expenditures are defined as capital expenditures that are not considered controlled capital expenditures. This means, in substance, that they are not land, buildings, structures and works, or major modifications or renovations.

This guidance is dated, and it allows departments to broadly interpret which capital expenditures may be charged to an operating vote rather than a capital vote. Departments may set different thresholds with no upper limit for capital expenditures classed as minor capital expenditures. We noted that one department has set a limit of \$1 million for minor capital expenditures. Another department recorded capital expenditures associated with infrastructure modernization as minor capital expenditures and charged them against an operating vote. Under the current guidance, significant capital expenditures can be and are being charged to operating votes even when departments have a capital vote. Further, in practice, what government entities class as minor capital expenditures is inconsistent from one entity to another. In our view, the issue should be addressed to ensure appropriate parliamentary control of government spending.

As noted earlier, government entities that plan to have more than \$5 million in capital expenditures should receive a capital vote. As a result, many entities do not have one. Rather, they have a single operating vote called a program expenditures vote and they charge both capital expenditures and operating expenditures to this vote. We estimated capital expenditures for entities in this category and noted that in 2010-11, a number of the entities incurred capital expenditures in excess of \$5 million. The estimated total capital expenditures for those entities are significant, and some of the entities could have had capital expenditures well in excess of \$5 million.

The Secretariat's guidance on what to charge to capital or operating votes was first issued in 1992 and has not been updated substantively since then. The Secretariat needs to assess the circumstances in which capital votes are required, the \$5 million threshold, and the factors that determine which expenditures are to be charged to capital votes rather than operating votes. This will ensure that the regime is clear and remains relevant in order to support parliamentary authority and government accountability to Parliament.

The Secretariat has agreed that such a review would be timely, and it will undertake to conduct it over the course of next year. In particular, it has committed to review the current practices in government and ensure that the regime is up-to-date and coherent. It has also committed to implement any changes arising from this undertaking in the next feasible cycle of the Estimates. We support this review and encourage the government to undertake it and to implement changes as quickly as possible.

TRANSITIONING TO THE NEW ACCOUNTING STANDARDS

In last year's Observations, we brought to Parliament's attention the fact that many government entities were converting to either International Financial Reporting Standards or Public Sector Accounting Standards for fiscal years beginning on or after 1 January 2011. Essentially, all of these entities continue to progress in converting to the new standards and related adjustments will need to be properly reflected in the Government of Canada's 31 March 2012 financial statements. We will audit these adjustments in 2012 to ensure that they are properly reported.

ACCOUNTING STANDARDS FOR OTHER GOVERNMENT ORGANIZATIONS— ENTITY-LEVEL FINANCIAL STATEMENTS

Audited financial statements are an important source of information for purposes of governance and accountability. For financial statements to be useful, they need to be relevant, reliable, comparable, clearly presented, and understandable. This is accomplished through the use of a generally accepted accounting framework set by an independent standard-setting body as the basis of financial reporting—in other words, through a process that ensures that accounting standards are not biased and do not serve the wishes of any particular interest group.

Independent standard-setting bodies fill the role of developing and promulgating accounting standards. They follow an established and transparent process involving deliberation and consideration of the views of a wide range of stakeholders. In Canada, that task rests with the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants. This standard-setting process is independent; it solicits and relies on comments and input from a broad set of constituents before finalizing any new accounting standard. Stakeholders are provided with many opportunities to comment on and influence accounting standards as they are developed. Once finalized and implemented, accounting standards are expected to be applied by financial statement preparers and auditors alike.

PSAB has established a complete set of public sector accounting standards. These standards, known as generally accepted accounting principles, apply to the summary-level financial statements of a government as a whole, including all levels of government, and government organizations.

The federal budget and summary financial statements of the Government of Canada are prepared under these same underlying principles. In my Opinion on the financial statements, we are able to state that the financial statements are presented fairly in accordance with the stated accounting policies, which conform to Canadian public sector accounting standards. Canada is a world leader in preparing high-quality summary financial statements of a national government. We note that 2010-11 is the thirteenth consecutive year in which we have expressed an unmodified audit opinion on the government's summary financial statements. This is a significant accomplishment, of which Canada can be proud.

The government established an accounting standard, referred to as Treasury Board Accounting Standard 1.2 (TBAS 1.2), that the Treasury Board of Canada requires be applied by government organizations defined as departments under Section 2 of the *Financial Administration Act*. Among these organizations are 22 boards, commissions, agencies, and the Officers of Parliament, whose separate financial statements are audited by the Auditor General. We have no concerns about the government providing additional direction or guidance to government bodies on their financial reporting. In our view, however, additional guidance and direction must be consistent with PSAB standards to preserve the credibility of these organizations' financial statements.

At present, there are some differences between TBAS 1.2 and PSAB standards. For example, the financial statements are presented under TBAS 1.2 differently from the way they would be presented under PSAB standards. An additional note was included in the financial statements of affected entities for the year ended 31 March 2011 to deal with these differences; this was intended as a temporary solution, for 2011 only. The Secretariat and my Office have agreed to resolve these differences by 31 December 2011, so the 2011-12 financial statements of those organizations can be prepared on a basis consistent with public sector accounting standards. The Secretariat has advised us they will seek Treasury Board approval following the resolution of these differences.

In conclusion, for these entity-level financial statements to be credible they need to be prepared—as the government's summary financial statements are—on a basis consistent with the accounting standards set by PSAB, the authoritative standard-setting body for the public sector in Canada. We look forward to resolving this with the Secretariat by 31 December 2011, as agreed.

CONTINUING MATTERS

We also wish to bring to Parliament's attention certain matters, included in the table below, that we have reported in the Observations for the past several years. It is important that the government continue to work on these matters to ensure that financial information is accurate, complete, and timely.

Observation	Current status
National Defence— Asset Management	<p>Inventories at National Defence account for \$6 billion of the government's \$6.8 billion in inventories. Since the adoption of accrual accounting in 2003, we have been reporting National Defence's difficulties in the proper recording and valuation of its inventory and asset pooled items (previously referred to as "repairable spare parts"). As a result of these difficulties, hundreds of millions of dollars in adjustments are made each year to the government's financial statements. While the Department has made some improvements to its accounting systems and practices, these issues are still unresolved, and errors remain in the pricing, quantities, and timely recording of transactions for the Department's inventory and asset pooled items.</p> <p>National Defence has introduced a new resource management system, which provides it with an opportunity to improve its accounting systems and minimize existing deficiencies. However, management does not have a completed overall, detailed plan to ensure that the quantities and valuation of the inventory and asset pooled items are accurate, complete, recorded and maintained on a timely basis. We are concerned that unless management takes action in these areas, the problems we have reported since 2003 will continue.</p>
Canada Border Services Agency—Tax Revenue System Deficiencies	<p>For several years, we have stated that the Canada Border Services Agency needs to improve its tax revenue accounting systems and practices, as unexplained differences still exist between the accounts receivable in the general ledger and the various reports taken from the customs tax program systems.</p> <p>A 2008 report by the Standing Committee on Public Accounts recommended that the Canada Border Services Agency provide to the Committee a detailed plan with timelines for improving its tax revenue accounting systems. The government's response to the report noted that it had an implementation plan to address the shortcomings related to financial reporting and data integrity. In addition, the Agency had completed a review and identified needed improvements in selected financial controls. This issue was to be resolved within two years. It is now 2011, and unexplained differences still exist.</p> <p>The Canada Border Services Agency has advised us that it plans to implement a new accounts receivable system by 1 April 2013 that will address this issue.</p>

Observation	Current status
Estimate of Tax Revenues	<p>Over the last few years, we have reported that the government needs to regularly monitor and improve its approved tax estimation methodologies to ensure the accuracy of its reported tax revenues.</p> <p>We recognize that the tax methodology is complex and that several government entities provide input into the methodology. Hence, the government needs to ensure that a robust methodology is in place to validate and improve the accuracy and completeness of the revenue estimation process and to identify opportunities for improvement. We note that some aspects of a testing regime are in place. However, in this regard, the government should strengthen the current testing regime by:</p> <ul style="list-style-type: none"> • documenting the overall approach to validating key assumptions and trends; • incorporating into the methodology evolving economic factors and changes to the administrative environment, such as administering the Harmonized Sales Tax on behalf of some provinces; • expanding the extent of back-testing of data and applying it to all revenue types; and • incorporating the analysis of variances compared with actual results into the methodology on a more timely basis. <p>Canada Revenue Agency needs to work with other government entities to address these matters.</p>
Accrual Appropriations by Departments and Agencies	<p>We reported in previous years that the government had outlined a plan to implement accrual-based budgeting in phases and, after implementing it, would evaluate the costs and benefits of accrual appropriations in the 2012–13 fiscal year.</p> <p>Accrual-based appropriations would provide Parliament with the same basis for control and approval over voted spending as the government's overall financial plan and the summary financial statements.</p> <p>The 2011 Status Report of the Auditor General of Canada to the House of Commons included a chapter, Financial Management and Control and Risk Management, which reported that the government's progress in implementing accrual appropriations was unsatisfactory. We encourage the government to complete its studies of accrual-based budgeting and appropriations and determine whether or not it will implement accrual appropriations in the future.</p>

SECTION 3

2010-2011

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenses and Accumulated Deficit

CONTENTS

	<i>Page</i>
Revenues	3.3
Accounting for revenues	3.3
Tax revenues	3.4
Employment insurance premiums	3.5
Other revenues	3.6
Expenses	3.8
Accounting for expenses	3.8
Expenses by segment	3.10
Government's cost of operations	3.10
Expenses by object	3.13
Expenditures under statutory authorities	3.13

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REVENUES, EXPENSES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenses 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, EXPENSES AND ACCUMULATED DEFICIT
(in millions of dollars)

	2010-2011	2009-2010
Revenues—		
Tax revenues, Table 3.2.	191,466	180,174
Employment insurance premiums	17,501	16,761
Other revenues, Table 3.4.	28,124	21,665
Total revenues	237,091	218,600
Expenses—		
Transfer payments	157,926	165,461
Other program expenses	81,666	79,323
Total program expenses	239,592	244,784
Public debt charges, Table 3.8	30,871	29,414
Total expenses, Table 3.6	270,463	274,198
Annual deficit	33,372	55,598
Accumulated deficit at beginning of year	519,097	463,710
Other comprehensive income	2,142	211
Accumulated deficit at end of year	550,327	519,097

REVENUES

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

Accounting for Revenues

The Government reports all revenues on an accrual basis.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. Tax revenues are recognized in the period in which the event that generates the revenue occurs. Taxes are collected pursuant to their respective legislation which may be amended from time to time.

For income taxes, revenue is recognized when the taxpayer has earned the income producing the tax. Revenue is determined net of tax deductions and credits allowed under the *Income Tax Act*.

Revenues for the fiscal year ended March 31 are based on amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax earned in the fiscal period but not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not

been assessed or that are awaiting reassessment. Actual results may differ significantly from these estimates. Differences between estimates and actuals are recorded in the fiscal year in which the actual assessment/reassessment is completed. Revenues do not include estimates for amounts of unreported taxes or the impact of future reassessments that cannot be reasonably determined.

Goods and services tax, and excise and customs revenues are recorded based on the tax and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31. For domestic goods and services tax, revenue is recognized at the time of the sale of goods or the provision of services. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For customs duties and goods and services tax on imports, revenue is recognized when goods are authorized by the Canada Border Services Agency to enter Canada.

Employment insurance premiums are recognized in revenue in the same period as the insurable earnings are earned. Other revenues are recognized in the period to which they relate.

Tax Revenues

Tax revenues include personal, corporate and non-resident income tax revenues, and other taxes and duties as summarized in Table 3.2.

TABLE 3.2

TAX REVENUES

(in millions of dollars)

	2010-2011	2009-2010
Tax revenues—		
Income tax revenues—		
Personal	113,457	103,947
Corporate	29,969	30,361
Non-resident	5,137	5,293
	148,563	139,601
Other taxes and duties—		
Goods and services tax, Table 3.3	28,379	26,947
Energy taxes—		
Excise tax—Gasoline	4,229	4,142
Excise tax—Aviation gasoline and diesel fuel	1,113	1,036
	5,342	5,178
Customs import duties	3,520	3,490
Other excise taxes and duties—		
Excise duties	4,539	4,154
Air travellers security charge	600	375
Softwood lumber products export charge	233	227
Other miscellaneous excise taxes and duties	290	202
	5,662	4,958
	42,903	40,573
Total tax revenues ⁽¹⁾	191,466	180,174

⁽¹⁾ Additional details are provided in Table 4a in Section 1 of Volume II of the *Public Accounts of Canada*.

Personal income tax

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

Corporate income tax

Corporate income tax is levied on corporate income under the provisions of the *Income Tax Act*.

Non-resident income tax

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.

Non-resident income tax revenues also include withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act*, *Customs Tariff* (Act) and other acts 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 5 percent on most goods and services consumed in Canada, with only a limited set of exclusions that

include certain medical devices, prescription drugs, basic groceries, residential rents and most health and dental care services. A comparative analysis of the GST is presented in Table 3.3.

TABLE 3.3**GOODS AND SERVICES TAX (GST) ⁽¹⁾**

(in millions of dollars)

	2010-2011	2009-2010
GST.....	33,913	31,763
Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties	1,743	1,147
Gross GST from outside parties.....	32,170	30,616
Less: quarterly tax credits	3,791	3,669
Net GST from outside parties.....	28,379	26,947

⁽¹⁾ Reported in the Statement of Operations and Accumulated Deficit (Section 2 of this volume).

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* (Act).

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 passenger vehicle air conditioners. The air travelers security charges are collected by air carriers at the time of payment for the air travel by the purchaser of an air transportation service.

The Softwood Lumber Products export charge is assessed on exports of softwood lumber products to the United States after September 30, 2006. The charge on refunds of softwood lumber duty deposits is assessed on amounts refunded to Canadian companies on amounts related to a United States duty order related to the importation of softwood lumber products into the United States between May 22, 2002 and September 30, 2006.

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. Additional details on employment insurance premiums are provided in Section 4 of this volume.

Other Revenues

Other revenues include Crown corporations, other program and net foreign exchange revenues.

TABLE 3.4
OTHER REVENUES
(in millions of dollars)

	2010-2011	2009-2010
Other revenues—		
Crown corporations—		
Consolidated Crown corporations	3,347	3,070
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit	6,991	2,306
Interest and other	2,599	2,246
	<i>12,937</i>	<i>7,622</i>
Other programs—		
Return on investments, Table 3.5	837	288
Sales of goods and services—		
Rights and privileges	2,839	3,121
Lease and use of public property	526	515
Services of a regulatory nature	1,187	1,118
Services of a non-regulatory nature	2,734	2,826
Sales of goods and information products	212	243
Other fees and charges	502	494
	<i>8,000</i>	<i>8,317</i>
Miscellaneous—		
Interest and penalties	3,207	3,001
Other	1,334	790
	<i>13,378</i>	<i>12,396</i>
Net foreign exchange—		
Exchange Fund Account	1,718	1,665
International Monetary Fund	(2)	(156)
Other	93	138
	<i>1,809</i>	<i>1,647</i>
Total other revenues ⁽¹⁾	28,124	21,665

⁽¹⁾ Additional details are provided in Table 4a in Section 1 of Volume II of the *Public Accounts of Canada*.

Crown corporations

Crown corporation revenues include revenues earned from third parties by Consolidated Crown corporations and other entities, interest earned on loans to enterprise Crown corporations and other government business enterprises, and the government's share of the accumulated profits or losses of enterprise Crown corporations and other government business enterprises.

Other programs

Other program revenues include sales of goods and services, return on investments, and miscellaneous revenues. Details are reported by individual ministry in Volume II of the *Public Accounts of Canada*.

Net foreign exchange

Net foreign exchange revenues include the revenues from investments held in the Exchange Fund Account and the International Monetary Fund, as well as the net gains or losses resulting from the translation of these investments to Canadian dollars at March 31. Net foreign exchange revenues also include the net gains or losses resulting from foreign debt and currency swap revaluations.

Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses for loans, investments and advances other than those in enterprises Crown corporations and government business enterprises. A comparative analysis of return on investments is presented in Table 3.5.

TABLE 3.5

RETURN ON INVESTMENTS ⁽¹⁾

(in millions of dollars)

	2010-2011	2009-2010
Consolidated accounts—		
Atomic Energy of Canada Limited	(2)	(2)
Cash and accounts receivable—		
Interest on bank deposits	85	83
Loans, investments and advances—		
Portfolio investments	1	2
National governments including developing countries	2	2
International organizations	3	4
Provincial and territorial governments	(2)	(2)
Other loans, investments and advances	747	1,064
	753	1,072
Other accounts—		
Esso Ltd—Norman Wells Project profits	102	74
Other	1	2
	103	76
Total ministerial return on investments	941	1,231
Net (loss) gain on exchange	(117)	(961)
Accrual of other revenues	(2)	19
Total return on investments	824	289
Elimination of return on investments internal to the Government	13	(1)
Total external return on investments	837	288

⁽¹⁾ Additional details are provided in Table 4a in Section 1 of Volume II, and in Section 10 of Volume III of the *Public Accounts of Canada*.

⁽²⁾ Less than \$500,000.

EXPENSES

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

Accounting for Expenses

The Government reports all expenses on an accrual basis.

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or 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. Public debt charges are

recorded when incurred and include interest, servicing costs and cost of issuing new borrowing and amortization of premiums and discounts on market debt.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debts, for loans, investments and advances, and for inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenses 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 3.6 presents external expenses by segment and by type.

TABLE 3.6
EXTERNAL EXPENSES BY SEGMENT AND BY TYPE
(in millions of dollars)

	Major transfer payments ⁽¹⁾		Other transfer payments	
	2010-2011	2009-2010	2010-2011	2009-2010
Ministries—				
Agriculture and Agri-Food			1,930	1,510
Atlantic Canada Opportunities Agency			238	256
Canada Revenue Agency	10,013	9,753	446	427
Canadian Heritage			1,078	1,181
Citizenship and Immigration			948	932
Economic Development Agency of Canada for the Regions of Quebec			311	249
Environment			134	116
Finance	51,037	55,067	1,862	680
Fisheries and Oceans			127	112
Foreign Affairs and International Trade			3,504	10,006
Governor General				
Health	30	30	2,606	3,144
Human Resources and Skills Development	58,121	58,826	4,204	3,822
Indian Affairs and Northern Development			5,728	6,929
Industry			3,651	3,713
Justice			380	374
National Defence			266	236
Natural Resources			3,385	2,465
Parliament			1	1
Privy Council			31	27
Public Safety and Emergency Preparedness	154	20	380	186
Public Works and Government Services			4	1
Transport	1,751	1,873	4,694	2,551
Treasury Board			1	1
Veterans Affairs			44	42
Western Economic Diversification			390	341
Provision for valuation and other items				
Total ministries	121,106	125,569	36,343	39,302
Crown corporations and other entities			477	590
Total expenses ⁽³⁾	121,106	125,569	36,820	39,892

⁽¹⁾ Includes transfer payments for the Old age security benefits, guaranteed income supplement and spouse's allowance of \$35,629 million (\$34,653 million in 2010), to the other levels of government of \$52,971 million (\$56,990 million in 2010), for the Employment insurance benefits of \$19,850 million (\$21,586 million in 2010) and for the Children's benefits of \$12,656 million (\$12,340 million in 2010). Additional information is provided in Table 3.7 of this Section.

⁽²⁾ Additional information is provided in Table 3.8 of this volume.

⁽³⁾ Additional information is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada*.

Total transfer payments		Other program expenses		Public debt charges ⁽²⁾		Total expenses	
2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
1,930	1,510	1,686	1,724			3,616	3,234
238	256	113	121			351	377
10,459	10,180	7,312	7,043			17,771	17,223
1,078	1,181	609	1,110			1,687	2,291
948	932	761	731			1,709	1,663
311	249	85	94			396	343
134	116	1,621	1,721	2	1	1,757	1,838
52,899	55,747	505	514	30,653	29,186	84,057	85,447
127	112	1,726	1,773			1,853	1,885
3,504	10,006	2,538	2,262			6,042	12,268
		20	19			20	19
2,636	3,174	2,625	2,985			5,261	6,159
62,325	62,648	3,461	3,420			65,786	66,068
5,728	6,929	2,229	2,222			7,957	9,151
3,651	3,713	2,382	2,466			6,033	6,179
380	374	1,103	1,167			1,483	1,541
266	236	21,273	20,863	36	38	21,575	21,137
3,385	2,465	1,823	1,079	1		5,209	3,544
1	1	555	580			556	581
31	27	349	332			380	359
534	206	9,426	9,745			9,960	9,951
4	1	2,558	2,645	138	146	2,700	2,792
6,445	4,424	1,140	1,065	41	43	7,626	5,532
1	1	2,378	2,500			2,379	2,501
44	42	965	982			1,009	1,024
390	341	68	67			458	408
		1,808	(335)			1,808	(335)
157,449	164,871	71,119	68,895	30,871	29,414	259,439	263,180
477	590	10,547	10,428			11,024	11,018
157,926	165,461	81,666	79,323	30,871	29,414	270,463	274,198

Expenses by Segment

The Government segmented information is based on the ministry structure reported in the 2010-2011 Estimates, which groups activities for the departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 11 to the financial statements in Section 2 of this volume.

Government's Cost of Operations

Government's Cost of Operations consists of three major types: transfer payments, other program expenses and public debt charges.

Transfer payments

The major transfer payments include payments to persons and payments to provinces and territories.

Payments to persons include payments for income support or income supplement. Assistance is based on age, family status, income, and employment criteria.

Payments to provinces and territories are made under the following programs:

- The fiscal arrangements are unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
- The Canada health transfer and the Canada social transfer are the major means for providing the federal share of social programs administered by the provinces.

The other transfer payments include 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, expenses of other consolidated entities, and other miscellaneous payments.

Other program expenses

This category covers the costs associated with programs directly delivered by the federal Government such as national defence, food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system. It also includes the expenses of consolidated Crown corporations and other entities incurred with third parties.

Table 3.7 presents a comparative analysis by province and territory of certain transfer payments.

TABLE 3.7
MAJOR TRANSFER PAYMENTS BY PROVINCE AND TERRITORY
(in millions of dollars)

	Old age security benefits ⁽¹⁾	Employment insurance benefits	Fiscal arrangements	Quebec abatement	Canada health transfer	Canada social transfer	Other major transfers ⁽²⁾	Children's benefits	Total
Newfoundland and Labrador	716 <i>696</i>	1,034 <i>1,082</i>	2 <i>2</i>		430 <i>515</i>	167 <i>163</i>	31 <i>33</i>		2,380 <i>2,491</i>
Prince Edward Island	177 <i>172</i>	252 <i>252</i>	334 <i>341</i>		111 <i>105</i>	47 <i>45</i>	15 <i>15</i>		936 <i>930</i>
Nova Scotia	1,181 <i>1,154</i>	891 <i>898</i>	1,363 <i>1,467</i>		733 <i>702</i>	310 <i>301</i>	56 <i>58</i>		4,534 <i>4,580</i>
New Brunswick	990 <i>963</i>	942 <i>947</i>	1,664 <i>1,691</i>		585 <i>560</i>	247 <i>241</i>	36 <i>36</i>		4,464 <i>4,438</i>
Quebec	9,944 <i>9,625</i>	4,589 <i>4,792</i>	8,558 <i>8,360</i>	(3,751) <i>(3,299)</i>	6,146 <i>5,829</i>	2,593 <i>2,519</i>	464 <i>461</i>		28,543 <i>28,287</i>
Ontario	13,231 <i>12,826</i>	6,671 <i>7,609</i>	980 <i>355</i>		10,551 <i>9,975</i>	4,330 <i>4,204</i>	3,746 <i>746</i>		39,509 <i>35,715</i>
Manitoba	1,293 <i>1,271</i>	566 <i>577</i>	2,004 <i>2,066</i>		958 <i>907</i>	404 <i>392</i>	66 <i>67</i>		5,291 <i>5,280</i>
Saskatchewan	1,169 <i>1,158</i>	463 <i>479</i>	2 <i>2</i>		803 <i>827</i>	343 <i>335</i>	56 <i>59</i>		2,836 <i>2,860</i>
Alberta	2,898 <i>2,814</i>	1,769 <i>2,109</i>	4 <i>4</i>		2,007 <i>1,956</i>	1,215 <i>1,189</i>	95 <i>95</i>		7,893 <i>8,167</i>
British Columbia	4,843 <i>4,670</i>	2,557 <i>2,728</i>	3 <i>3</i>		3,633 <i>3,361</i>	1,487 <i>1,433</i>	1,020 <i>504</i>		13,543 <i>12,699</i>
Total provinces	36,442 <i>35,349</i>	19,734 <i>21,473</i>	14,914 <i>14,291</i>	(3,751) <i>(3,299)</i>	25,957 <i>24,737</i>	11,143 <i>10,822</i>	5,490 <i>2,074</i>		109,929 <i>105,447</i>
Northwest Territories	21 <i>20</i>	38 <i>37</i>	920 <i>864</i>		21 <i>30</i>	14 <i>14</i>	15 <i>26</i>		1,029 <i>991</i>
Nunavut	9 <i>9</i>	22 <i>22</i>	1,090 <i>1,022</i>		27 <i>28</i>	11 <i>11</i>	15 <i>15</i>		1,174 <i>1,107</i>
Yukon Territory	22 <i>21</i>	33 <i>34</i>	653 <i>612</i>		26 <i>25</i>	11 <i>11</i>	8 <i>8</i>		745 <i>711</i>
International	222 <i>218</i>	23 <i>20</i>							245 <i>238</i>
Sub-total	36,716 <i>35,617</i>	19,850 <i>21,586</i>	17,577 <i>16,789</i>	(3,751) <i>(3,299)</i>	26,031 <i>24,820</i>	11,179 <i>10,858</i>	5,520 <i>2,123</i>		113,122 <i>108,494</i>
Accrual and other adjustments	(26) <i>(10)</i>						(3,585) <i>5,699</i>		(3,611) <i>5,689</i>
Sub-total	36,690 <i>35,607</i>	19,850 <i>21,586</i>	17,577 <i>16,789</i>	(3,751) <i>(3,299)</i>	26,031 <i>24,820</i>	11,179 <i>10,858</i>	1,935 <i>7,822</i>		109,511 <i>114,183</i>
Add: tax credits and repayments	(1,061) <i>(954)</i>							12,656 <i>12,340</i>	11,595 <i>11,386</i>
Total Expenses	35,629 <i>34,653</i>	19,850 <i>21,586</i>	17,577 <i>16,789</i>	(3,751) <i>(3,299)</i>	26,031 <i>24,820</i>	11,179 <i>10,858</i>	1,935 <i>7,822</i>	12,656 <i>12,340</i>	121,106 <i>125,569</i>

Amounts in roman type are 2010-2011 transfer payments.

Amounts in *italic* type are 2009-2010 transfer payments.

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

⁽¹⁾ Includes the guaranteed income supplement and the spouse's allowance.

⁽²⁾ Includes the contributions under the Gas Tax Fund of \$1,751 million as well as payments to provinces for assistance with sales tax harmonization of \$3,769 million previously accrued in 2009-2010.

Public debt charges

Public debt charges include the interest on unmatured debt and on pensions, other future benefits and other liabilities, the amortization of premiums and discounts 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 3.8. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 9) of Volume II and the total

expenses of the public debt indicated in Table 3.6. The reconciling items include the expenses of the consolidated specified purpose accounts and accrual and other adjustments.

TABLE 3.8**PUBLIC DEBT CHARGES ⁽¹⁾**

(in millions of dollars)

	2010-2011	2009-2010
Unmatured debt—		
Interest on:		
Marketable bonds	14,648	13,697
Retail debt	160	272
Bonds for Canada Pension Plan	12	52
Euro medium term notes		2
	14,820	14,023
Amortization of discounts on Canada and Treasury Bills		
Treasury bills	1,307	1,205
Canada bills	5	24
	1,312	1,229
Amortization of premiums and discounts on all other debts		
Marketable bonds	1,148	1,130
Consumer price index adjustments on real return bonds	837	591
	1,985	1,721
Cross-currency swap revaluation	(473)	(438)
Servicing costs and costs of issuing new borrowings	17	32
Capital lease obligations	219	228
Total public debt charges related to unmatured debt	17,880	16,795
Pension and other future benefits—		
Interest on:		
Public sector pensions—Superannuation accounts	9,901	10,151
Less: provision for pension adjustment	(190)	(374)
	9,711	9,777
Other employee and veteran future benefits—		
Health and dental care plans	898	803
Severance benefits	251	208
Worker's compensation	32	25
Veteran benefit plan	1,653	1,399
Royal Canadian Mounted Police benefit plan	154	131
	2,988	2,566
Total public debt charges related to pension and other future benefits	12,699	12,343
Other liabilities—		
Canada Pension Plan	2	1
Government Annuities Account	16	17
Deposit and trust accounts	43	45
Other specified purpose accounts	200	197
Other liabilities	31	16
Total public debt charges related to other liabilities	292	276
Consolidated specified purpose accounts—		
Interest	9	9
Total public debt charges related to consolidated specified purpose accounts	9	9
Total public debt charges before consolidation adjustments	30,880	29,423
Less: consolidation adjustments	9	9
Total public debt charges ^{(1) (2)}	30,871	29,414
Comprised of:		
Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments	27,864	27,003
Accrual and other adjustments	3,016	2,420
Consolidation adjustments	(9)	(9)
Total public debt charges	30,871	29,414

⁽¹⁾ A summary is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada*.

⁽²⁾ Additional details are provided in Section 7 of Volume III of the *Public Accounts of Canada*.

Expenses by Object

Table 3.9 reconciles the total net expenditures by object initially recorded by departments under the partial accrual method of accounting to the total expenses which is based on the full accrual method of accounting. Reconciliation items represent the effect of consolidation and full accrual accounting.

TABLE 3.9

TOTAL EXPENSES BY OBJECT ⁽¹⁾

(in millions of dollars)

	Total net expenditures	Reconciliation	Total expenses
Transfer payments	137,722	20,204	157,926
Other program expenses—			
Crown corporations ⁽²⁾		10,154	10,154
Personnel	37,421	4,876	42,297
Transportation and communications	3,085	(215)	2,870
Information	300	(25)	275
Professional and special services	10,695	(2,792)	7,903
Rentals	2,721	(985)	1,736
Repair and maintenance	3,845	(707)	3,138
Utilities, materials and supplies	2,900	(101)	2,799
Acquisition of land, buildings and works	1,320	(1,320)	
Acquisition of machinery and equipment	5,089	(5,089)	
Other subsidies and expenses	10,187	(4,531)	5,656
Amortization of tangible capital assets		4,756	4,756
Net loss on disposal of assets		82	82
Total other program expenses	77,563	4,103	81,666
Public debt charges	27,864	3,007	30,871
Total gross expenses	243,149	27,314	270,463
Less: revenues netted against expenditures	10,154	(10,154)	
Total expenses	232,995	37,468	270,463

⁽¹⁾ Additional details are provided in Table 3a in Section I of Volume II of the *Public Accounts of Canada*.

⁽²⁾ This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization of tangible capital assets and the net loss on disposal of assets of consolidated Crown corporations, which have been reclassified within their respective object of expense.

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 program expenses each year.

Table 3.10 presents a comparative summary of the ministerial statutory expenditures.

TABLE 3.10

EXPENDITURES UNDER STATUTORY AUTHORITIES

(in millions of dollars)

	2010-2011	2009-2010 ⁽¹⁾
Public debt charges.....	27,864	27,003
Old age security payments (<i>Old Age Security Act</i>).....	27,213	26,391
Canada health transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i>).....	25,871	24,331
Current or Previous Years' Budget Implementation Acts.....	160	489
	26,031	24,820
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>).....	14,882	14,185
Canada social transfer (Part V.1— <i>Federal-Provincial Fiscal Arrangements Act</i>).....	11,179	10,858
Current or Previous Years' Budget Implementation Acts.....		
Guaranteed income supplement payments (<i>Old Age Security Act</i>).....	7,901	7,737
Universal child care benefit (<i>Universal Child Care Benefit Act</i>).....	2,651	2,594
Territorial financing (Part I.1— <i>Federal-Provincial Fiscal Arrangements Act</i>).....	2,664	2,498
Payments to the Newfoundland Offshore Petroleum Resource Revenues Fund.....	1,228	1,181
Canada Education Savings grant payments to Registered Education Savings Plans (RESPs) trustees on behalf of RESP beneficiaries to encourage Canadians to save for post-secondary education for their children.....	671	616
Allowance payments (<i>Old Age Security Act</i>).....	541	535
Canada study grants to qualifying full and part-time students pursuant to the <i>Canada Student Financial Assistance Act</i>	621	534
Contribution payments for the AgriInsurance program.....	515	503
Improving Infrastructure at Universities and Colleges.....	256	500
Newfoundland fiscal equalization offset payments.....	642	465
Judges' salaries, allowances and annuities, annuities to spouses and children of judges and lump sum payments to spouses of judges who die while in office.....	443	427
Contribution payments for the AgriStability program.....	332	419
Losses on foreign exchange.....	408	1,456
Transitional assistance to provinces entering into the harmonized value-added tax framework (Part III.1— <i>Federal-Provincial Fiscal Arrangements Act</i>).....	3,769	250
The provision of funds for enhanced Employment Insurance benefits in accordance with the <i>Budget Implementation Act (2009)</i>	2,900	
Payments related to the direct financing arrangement under the <i>Canada Student Financial Assistance Act</i>	463	236
Infrastructure Stimulus Fund.....	1,462	491

TABLE 3.10

EXPENDITURES UNDER STATUTORY AUTHORITIES—*Concluded*

(in millions of dollars)

	2010-2011	2009-2010 ⁽¹⁾
Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽²⁾		
Public Service—		
Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account	2,655	2,671
Government's contribution as employer to the Employment Insurance Operating Account	269	272
Government's contributions to the Canada and the Quebec Pension Plans	629	661
Government's contributions to the Death Benefit Account	12	11
	<u>3,565</u>	<u>3,615</u>
Less: recoveries from revolving funds	128	134
	<u>3,437</u>	<u>3,481</u>
Canadian Forces—		
Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account	868	893
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	4	5
Government's contribution as employer to the Employment Insurance Operating Account	71	68
Government's contribution to the Canada and the Quebec Pension Plans	176	168
Government's contribution to the Death Benefit Account	2	3
	<u>1,121</u>	<u>1,137</u>
Royal Canadian Mounted Police—		
Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account	275	259
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	12	13
Government's contribution as employer to the Employment Insurance Operating Account	20	20
Government's contribution to the Canada and the Quebec Pension Plans	51	51
	<u>358</u>	<u>343</u>
All other statutory expenditures	<u>758</u>	<u>8,830</u>
Total ministerial expenditures under statutory authorities ⁽³⁾	140,310	137,490

⁽¹⁾ Certain comparative figures have been reclassified to conform to the current year's presentation.⁽²⁾ Details related to other pension accounts, such as the Members of Parliament Retiring Allowances Account, are not included.⁽³⁾ Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section 1 of Volume II of the *Public Accounts of Canada*.

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SECTION 4

2010-2011

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

CONTENTS

	<i>Page</i>
Consolidated Crown corporations and other entities	4.3
Summary financial statements of consolidated Crown corporations and other entities	4.3
Borrowings by Consolidated Agent Crown corporations . . .	4.8
Contingent liabilities of consolidated Crown corporations and other entities	4.8
Financial assistance under budgetary appropriations to consolidated Crown corporations	4.9
Consolidated specified purpose accounts	4.10
Insurance accounts	4.12
Other consolidated specified purpose accounts	4.13
Endowment principal	4.14
Supplementary statement—	
Employment Insurance Operating Account	4.15

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CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

This section provides all related information on consolidated Crown corporations and other entities. Consolidated entities are those which rely on Government funding as their principal source of revenue and are controlled by the Government.

Consolidation involves the combination of the accounts of these corporations and other entities on a line-by-line and uniform basis of accounting and elimination of inter-organizational balances and transactions. Consequently, the corporations and other entities' accounts must be adjusted to the Government's basis of accounting. Most corporations and other entities follow Canadian generally accepted accounting principles (GAAP) for private sector.

Summary Financial Statements of Consolidated Crown Corporations and Other Entities

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

For those corporations and other entities having year ends other 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 and other entities.

Financial assets include cash and cash equivalents, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments 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. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent long-term debts payable of the corporations and other entities. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government, Crown corporations and other entities. Government, Crown corporations and other entities' 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 segregated between third parties and Government, Crown corporations and other entities. Equity transactions other than current year's net income or loss are segregated between equity adjustments and other, other comprehensive income or loss and equity transactions with the Government. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and other entities. Other comprehensive income or loss comprises certain unrealized gains and losses on financial instruments that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. 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 and other entities' accounting policies in line with the Government's basis of accounting.

These tables present financial information on consolidated parent Crown corporations and other entities, as well as financial information on wholly-owned subsidiaries that are considered "deemed parent Crown corporations" and thus consolidated directly in the financial statements of the Government and excluded from the consolidated financial statements of their parent Crown corporations. 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. Table 4.3 summarizes such borrowings for the consolidated corporations and the changes for the year ended March 31, 2011. Contingent liabilities of consolidated corporations and other entities are presented in Table 4.4.

A summary of financial assistance under budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2011 is provided in Table 4.5. Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES—
ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2011

(in thousands of dollars)

Consolidated Crown corporations and other entities	Assets			
	Financial		Non-financial	Total assets
	Third parties	Government, Crown corporations and other entities		
Crown corporations⁽¹⁾				
Atomic Energy of Canada Limited	457,155	24,823	565,996	1,047,974
Canada Council for the Arts	281,795	471	23,769	306,035
Canada Development Investment Corporation— PPP Canada Inc	413,929	358	916	415,203
Canada Employment Insurance Financing Board	476		19	495
Canada Lands Company Limited— Old Port of Montreal Corporation Inc.	6,511		99,351	105,862
Canada Mortgage and Housing Corporation— Minister's Account.				
Canadian Air Transport Security Authority	8,833	69,227	407,934	485,994
Canadian Broadcasting Corporation	231,901	507	1,279,431	1,511,839
Canadian Commercial Corporation	637,808	6,818	2,223	646,849
Canadian Dairy Commission— Dairy support operation financed by the Government of Canada				
Canadian Museum for Human Rights.	83,146	12,405	151,093	246,644
Canadian Museum of Civilization	56,907	1,424	278,087	336,418
Canadian Museum of Immigration at Pier 21	8,372	141	2,654	11,167
Canadian Museum of Nature	16,096	507	211,812	228,415
Canadian Race Relations Foundation	24,826	6	50	24,882
Canadian Tourism Commission	27,904	726	10,003	38,633
Defence Construction (1951) Limited.	22,816	18,526	3,497	44,839
Enterprise Cape Breton Corporation	59,788	9,977	5,015	74,780
Federal Bridge Corporation Limited, The ⁽²⁾	43,212	5,042	266,939	315,193
First Nations Statistical Institute	294		40,395	40,689
International Development Research Centre.	90,196	5,073	13,505	108,774
Marine Atlantic Inc.	22,624	3,396	215,849	241,869
National Arts Centre Corporation	32,536	321	54,826	87,683
National Capital Commission	148,664	5,749	598,236	752,649
National Gallery of Canada.	20,527	793	93,113	114,433
National Museum of Science and Technology	13,722	1,330	65,827	80,879
Standards Council of Canada	5,402	978	1,507	7,887
Telefilm Canada	6,870	37,239	5,060	49,169
VIA Rail Canada Inc.	82,094	23,400	1,210,817	1,316,311
Total—Crown Corporations	2,804,404	229,237	5,607,924	8,641,565
Conversion to the Government accounting basis for consolidation purposes	(22,723)		(436,086)	(458,809)
Net Crown corporations on the Government accounting basis	2,781,681	229,237	5,171,838	8,182,756
Other entities				
Aboriginal Healing Foundation	329	35,026	350	35,705
Canada Foundation for Innovation	974,303	749,311	2,787	1,726,401
Canada Foundation for Sustainable Development Technology	388,785	46,220	943	435,948
First Nations Market Housing Fund	298,333	22,751	221	321,305
Total—Other entities.	1,661,750	853,308	4,301	2,519,359
Conversion to the Government accounting basis for consolidation purposes	1,062	(7,486)	(2)	(6,426)
Net other entities on the Government accounting basis	1,662,812	845,822	4,299	2,512,933
Total	4,444,493	1,075,059	5,176,137	10,695,689

⁽¹⁾ All Crown corporations listed at the margin in this table are parent Crown corporations.⁽²⁾ The financial information of The Federal Bridge Corporation Limited is consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated, the Seaway International Bridge Corporation Limited and the St. Mary's River Bridge Company.

Liabilities								
Third parties		Government, Crown corporations and other entities	Total liabilities	Accumulated profits (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other							
	4,203,177	289,063	4,492,240	(3,784,799)	325,533	15,000	(3,444,266)	1,047,974
	101,680	758	102,438	153,597	50,000		203,597	306,035
	2,923	411,544	414,467	736			736	415,203
	107	388	495					495
	12,721	91,481	104,202	1,660			1,660	105,862
	64,226	385,326	449,552	36,442			36,442	485,994
318,879	746,252	609,346	1,674,477	(162,638)			(162,638)	1,511,839
6,524	587,841	2,377	596,742	40,107	10,000		50,107	646,849
	148,429	94,733	243,162	3,482			3,482	246,644
	21,947	245,153	267,100	28,450	40,868		69,318	336,418
	3,093	1,907	5,000	6,167			6,167	11,167
	35,941	197,245	233,186	(6,455)	1,684		(4,771)	228,415
	133		133	749	24,000		24,749	24,882
	14,599	22,377	36,976	1,657			1,657	38,633
	23,701	2,921	26,622	18,217			18,217	44,839
	407,027	5,048	412,075	(337,295)			(337,295)	74,780
	43,487	213,843	257,330	4,199	53,664		57,863	315,193
	36,215	4,364	40,579	110			110	40,689
	38,875	23,295	62,170	46,604			46,604	108,774
	(5,764)	187,086	181,322	(197,983)		258,530	60,547	241,869
	18,261	69,458	87,719	(36)			(36)	87,683
	88,272	293,497	381,769	370,880			370,880	752,649
	8,157	99,904	108,061	2,131	4,241		6,372	114,433
	7,881	62,692	70,573	204	10,102		10,306	80,879
	4,024	505	4,529	3,358			3,358	7,887
	3,977	3,263	7,240	41,929			41,929	49,169
	216,886	856,694	1,073,580	233,431		9,300	242,731	1,316,311
325,403	6,834,068	4,174,268	11,333,739	(3,495,096)	520,092	282,830	(2,692,174)	8,641,565
	(383,122)	(3,938,399)	(4,321,521)	4,665,634	(520,092)	(282,830)	3,862,712	(458,809)
325,403	6,450,946	235,869	7,012,218	1,170,538			1,170,538	8,182,756
	749	34,956	35,705					35,705
	1,514	1,724,887	1,726,401					1,726,401
	867	435,081	435,948					435,948
	17,813	303,492	321,305					321,305
	20,943	2,498,416	2,519,359					2,519,359
	(2)	(2,499,512)	(2,499,514)	2,493,088			2,493,088	(6,426)
	20,941	(1,096)	19,845	2,493,088			2,493,088	2,512,933
325,403	6,471,887	234,773	7,032,063	3,663,626			3,663,626	10,695,689

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES FOR THE YEAR ENDED MARCH 31, 2011

(in thousands of dollars)

Consolidated Crown corporations and other entities	Revenues			
	Third parties	Government, Crown corporations and other entities		Total
		Financial assistance	Other	
Crown corporations				
Atomic Energy of Canada Limited	506,285	775,439	353,932	1,635,656
Canada Council for the Arts	2,325	181,277	1,701	185,303
Canada Development Investment Corporation—				
PPP Canada Inc.	28	10,844	314	11,186
Canada Employment Insurance Financing Board		1,425		1,425
Canada Lands Company Limited—				
Old Port of Montreal Corporation Inc.	17,133	17,648	9,420	44,201
Canada Mortgage and Housing Corporation—				
Minister's Account		2,963,436		2,963,436
Canadian Air Transport Security Authority	1,389	512,249	86,191	599,829
Canadian Broadcasting Corporation	647,940	1,031,581	129,160	1,808,681
Canadian Commercial Corporation	1,594,226	15,482	4,181	1,613,889
Canadian Dairy Commission—				
Dairy support operation financed by the Government of Canada		4,147		4,147
Canadian Museum for Human Rights	36	16,072	(2,451)	13,657
Canadian Museum of Civilization	17,133	71,218	14,456	102,807
Canadian Museum of Immigration at Pier 21	403	2,853	1	3,257
Canadian Museum of Nature	5,332	31,113	6,084	42,529
Canadian Race Relations Foundation	1,072		6	1,078
Canadian Tourism Commission	12,883	106,817	1,661	121,361
Defence Construction (1951) Limited	210		93,576	93,786
Enterprise Cape Breton Corporation	1,637	83,070		84,707
Federal Bridge Corporation Limited, The	14,002	57,901	5,573	77,476
First Nations Statistical Institute		2,469	108	2,577
International Development Research Centre	37,215	193,935	17,688	248,838
Marine Atlantic Inc.	101,206	124,370	20,800	246,376
National Arts Centre Corporation	20,590	36,354	7,965	64,909
National Capital Commission	24,646	83,406	31,016	139,068
National Gallery of Canada	7,869	51,395		59,264
National Museum of Science and Technology	3,980	33,179	531	37,690
Standards Council of Canada	6,868	7,789	1,121	15,778
Telefilm Canada	19,162	105,604	1,312	126,078
VIA Rail Canada Inc.	280,370	267,189	51,955	599,514
Total—Crown corporations	3,323,940	6,788,262	836,301	10,948,503
Conversion to the Government accounting basis for consolidation purposes	18,236	917,191	(351,970)	583,457
Total on the Government accounting basis	3,342,176	7,705,453	484,331	11,531,960
Consolidation adjustments	5,140	(7,705,453)	(484,331)	(8,184,644)
Net amount—Crown corporations	3,347,316			3,347,316
Other entities				
Aboriginal Healing Foundation			16,662	16,662
Canada Foundation for Innovation	26,394		446,230	472,624
Canada Foundation for Sustainable Development Technology	12,194		62,705	74,899
First Nations Market Housing Fund	10,619		335	10,954
Total—Other entities	49,207		525,932	575,139
Conversion to the Government accounting basis for consolidation purposes	(4,042)		(405,046)	(409,088)
Total on the Government accounting basis	45,165		120,886	166,051
Consolidation adjustments	23,405		(120,886)	(97,481)
Net amount—Other entities	68,570			68,570
Total	3,415,886			3,415,886

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

Third parties	Expenses		Net income or (loss)	Equity beginning of year	Equity adjustments and other	Other comprehensive income or (loss)	Equity transactions with the Government		Equity end of year
	Government, Crown corporations and other entities	Total					Dividends	Capital	
1,664,266	31,688	1,695,954	(60,298)	(3,358,629)				(25,339)	(3,444,266)
231,428	399	231,827	(46,524)	261,471	(64,500)	53,150			203,597
9,372	2,056	11,428	(242)	978					736
1,181	244	1,425							
44,201		44,201		1,660					1,660
2,963,436		2,963,436							
572,125	15,668	587,793	12,036	24,406					36,442
1,802,008	36,333	1,838,341	(29,660)	(138,056)	78	5,000			(162,638)
1,608,333	4,038	1,612,371	1,518	48,589					50,107
4,147		4,147							
9,307	973	10,280	3,377	105					3,482
84,022	17,394	101,416	1,391	67,701		226			69,318
1,241	363	1,604	1,653		1		4,513		6,167
39,696	1,698	41,394	1,135	(6,004)			98		(4,771)
(65)		(65)	1,143	23,603		3			24,749
119,521	1,483	121,004	357	1,300					1,657
88,738		88,738	5,048	13,169					18,217
4,576	39,014	43,590	41,117	(378,412)					(337,295)
79,913		79,913	(2,437)	59,986	314				57,863
76	2,611	2,687	(110)	249	(29)				110
219,099		219,099	29,739	16,829	30	6			46,604
224,779		224,779	21,597	38,950					60,547
62,017	2,780	64,797	112	(440)		292			(36)
127,612	13,683	141,295	(2,227)	370,157	2,950				370,880
50,926	8,317	59,243	21	5,465		886			6,372
32,573	4,673	37,246	444	9,862					10,306
14,942	32	14,974	804	2,541		13			3,358
124,690	3,948	128,638	(2,560)	44,489					41,929
562,367	18,459	580,826	18,688	215,366	8,677				242,731
10,746,527	205,854	10,952,381	(3,878)	(2,674,665)	(52,479)	59,576	(20,728)		(2,692,174)
(173,657)	254,682	81,025	502,432	3,346,649	52,479	(59,576)	20,728		3,862,712
10,572,870	460,536	11,033,406	498,554	671,984					1,170,538
(26,034)	(460,536)	(486,570)	(7,698,074)		7,698,074				
10,546,836		10,546,836	(7,199,520)	671,984	7,698,074				1,170,538
16,662		16,662							
472,443	181	472,624							
74,899		74,899							
10,619	335	10,954							
574,623	516	575,139							
	(94)	(94)	(408,994)	2,902,082					2,493,088
574,623	422	575,045	(408,994)	2,902,082					2,493,088
(98,045)	(422)	(98,467)	986		(986)				
476,578		476,578	(408,008)	2,902,082	(986)				2,493,088
11,023,414		11,023,414	(7,607,528)	3,574,066	7,697,088				3,663,626

Borrowings by Consolidated Agent Crown Corporations

Table 4.3 summarizes the borrowing transactions by consolidated agent Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that an annual statement be included in the *Public Accounts of Canada*. The borrowings are from lenders other than the Government.

In accordance with section 54 of the FAA, 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 are consolidated in the summary financial statements of Canada.

TABLE 4.3

BORROWINGS BY CONSOLIDATED AGENT CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/2010	Borrowings and other credits	Repayments and other charges	Balance March 31/2011
Canadian Broadcasting Corporation		318,879		318,879
Canadian Commercial Corporation	12,935	7,032	13,443	6,524
Total	12,935	325,911	13,443	325,403

Contingent Liabilities of Consolidated Crown Corporations and Other Entities

Table 4.4 summarizes the contingent liabilities of the consolidated Crown corporations and other entities. 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 4.4

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

(in thousands of dollars)

	March 31, 2011
Agent Crown corporations	
Canadian Broadcasting Corporation—Financial guarantee	187,800
Defence Construction (1951) Limited—Claims and pending and threatened litigation	7,861
National Capital Commission—	
Remediation of contaminated sites	494,889
Claims and pending and threatened litigation	2,491
Non-agent Crown corporations	
Marine Atlantic Inc.—Letters of credit	35,622
Total	728,663

Financial Assistance under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.5 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 approved through an operating expenditures vote and (b) amounts approved through a capital expenditures vote.

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

Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

Payments to other entities are recorded as transfer payments and are disclosed in Volume II.

TABLE 4.5

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2011

(in thousands of dollars)

	Operating expenditures vote	Capital expenditures vote	Financial assistance under budgetary appropriations ⁽¹⁾
Agent Crown corporations			
Atomic Energy of Canada Limited ⁽²⁾	771,452		771,452
Canada Mortgage and Housing Corporation ⁽³⁾	2,963,436		2,963,436
Canadian Air Transport Security Authority	573,146		573,146
Canadian Broadcasting Corporation	1,035,581	101,564	1,137,145
Canadian Commercial Corporation	15,482		15,482
Canadian Dairy Commission	4,147		4,147
Canadian Museum for Human Rights	56,073		56,073
Canadian Museum of Civilization	71,218		71,218
Canadian Museum of Immigration at Pier 21	4,576		4,576
Canadian Museum of Nature	33,282		33,282
Canadian Tourism Commission	108,565		108,565
Enterprise Cape Breton Corporation	83,070		83,070
Federal Bridge Corporation Limited, The	90,416		90,416
National Capital Commission	83,467	74,848	158,315
National Gallery of Canada	43,102	8,000	51,102
National Museum of Science and Technology	35,371		35,371
Old Port of Montreal Corporation Inc.	28,987		28,987
Telefilm Canada	103,953		103,953
Total—Agent Crown corporations	6,105,324	184,412	6,289,736
Non-agent Crown corporations			
Canada Council for the Arts	181,638		181,638
First Nations Statistical Institute	2,615		2,615
International Development Research Centre	195,917		195,917
Marine Atlantic Inc.	210,927		210,927
National Arts Centre Corporation	36,131		36,131
PPP Canada Inc	253,500		253,500
Standards Council of Canada	7,789		7,789
VIA Rail Canada Inc.	527,200		527,200
Total—Non-agent Crown corporations	1,415,717		1,415,717
Total	7,521,041	184,412	7,705,453

(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) The financial assistance under budgetary appropriations does not include an amount of \$125,804,000 received by Atomic Energy of Canada Limited for Decommissioning Funding. This amount has been presented as Other Revenues from Government, Crown corporations and other entities in Table 4.2.

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

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are particular categories of revenues and expenses whereby legislation requires that revenues received for purposes specified in the legislation be credited to these accounts and that related payments be charged to the accounts. They are principally used where the activities are similar in nature to departmental activities and the transactions do not represent future liabilities to third parties but in essence constitute Government revenues and expenses.

The transactions of these accounts are reported with revenues and expenses, 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 4.6 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 4.6. Such description follows the same presentation order as the respective table.

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

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/2010	Revenues and other credits		Expenses and other debits		March 31/2011
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Insurance accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund	439,741,092	37,124,850			27,620,000	449,245,942
Less: interest-bearing loans	387,614,751				27,620,000	359,994,751
	52,126,341	37,124,850				89,251,191
Agricultural Commodities Stabilization						
Accounts	646,565			55		646,510
	52,772,906	37,124,850		55		89,897,701
Finance—						
Investors' Indemnity						
Account	45,303					45,303
Health—						
Health Insurance Supplementary Account ..	28,386					28,386
Human Resources and Skills						
Development—						
Employment Insurance Operating Account,						
Table 4.7	(4,935,692,922)	17,558,874,241	1,788,914,294	20,090,442,391	1,719,047,743	(7,397,394,521)
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance						
Account	2,240,491	281,435				2,521,926
Transport—						
Ship-Source						
Oil Pollution						
Fund	388,870,097	344	9,389,478	4,702,967	1,031,935	392,525,017
Total insurance accounts	(4,491,735,739)	17,596,280,870	1,798,303,772	20,095,145,413	1,720,079,678	(6,912,376,188)

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2010	Revenues and other credits		Expenses and other debits		March 31/2011
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other consolidated specified purpose accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund.	721,979	7,500	4,610	1,171		732,918
Environment—						
Environmental Damages Fund.	1,932,150	730,087	372,848	670,727		2,364,358
Parks Canada Agency—						
New Parks and Historic Sites Account.	21,366,306	1,688,666		492,452	3,882,213	18,680,307
	23,298,456	2,418,753	372,848	1,163,179	3,882,213	21,044,665
Finance—						
Canadian Commercial Bank and Northland Bank Holdback Account.	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fish Fines Account.	1,345,999	174,835		428,490		1,092,344
Indian Affairs and Northern Development—						
Environmental Studies Research Fund.	2,536,288		1,736,080		2,100,000	2,172,368
Natural Resources—						
Environmental Studies Research Fund.	3,978,621	177,318		532,401	242,239	3,381,299
Public Works and Government Services—						
Seized Property Proceeds Account.	59,979,013	28,674,810		53,650,063		35,003,760
Transport—						
Fines for the Transportation of Dangerous Goods.	817,921	31,500			190,565	658,856
Total other consolidated specified purpose accounts.	338,901,741	31,484,716	2,113,538	55,775,304	6,415,017	310,309,674
Endowment principal—						
Environment—						
Parks Canada Agency—						
Mackenzie King trust account.	225,000					225,000
Health—						
Canadian Institutes of Health Research—						
Endowments for Health Research.	140,267					140,267
Industry—						
National Research Council of Canada—						
H.L. Holmes Fund.	4,514,973	115,660				4,630,633
Social Sciences and Humanities Research Council—						
Queen's Fellowship Fund.	250,000					250,000
	4,764,973	115,660				4,880,633
Total endowment principal.	5,130,240	115,660				5,245,900
Total.	(4,147,703,758)	17,627,881,246	1,800,417,310	20,150,920,717	1,726,494,695	(6,596,820,614)

Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled \$18,158 million (\$16,894 million in 2010) while expenses and other debits to outside parties totalled \$20,127 million (\$21,824 million in 2010) and are reported as expenses in the Statement of Operations.

Revenues and other credits of \$1,437 million (\$1,892 million in 2010) and expenses and other debits of \$1,720 million (\$58,990 million in 2010) 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 deficits they might incur in their agriculture insurance funds. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from a percentage of total premiums collected by provinces for the purpose of insurance of agricultural production. Both the amount of revenue collected and expenditures from the Crop Reinsurance Fund paid to provinces are subject to the terms of reinsurance agreements. When there are insufficient revenues in the Crop Reinsurance Fund to make payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations. These advances are recovered from future revenues. Currently, the interest rate earned on surpluses in the Crop Reinsurance Fund and the interest rate charged to advances to the Fund have been set by the Department of Finance at zero percent.

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.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. Current activities are limited to collection of accounts receivable. 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.

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.

Employment Insurance Operating 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 Operating 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 Labour Market Development Agreements; (d) amounts for services rendered to other Government departments or agencies, or to the public; and, (e) amounts provided for any other purposes related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission.

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; and, (c) costs of administering the Act including administration costs transferred to provinces and costs to the Canada Employment Insurance Financing Board.

Employee premium rate for each \$100 of insurable earnings was \$1.73 from January 1, 2010 to December 31, 2010 for employees without a Provincial Parental Insurance Plan and \$1.36 for the others. From January 1, 2011 to March 31, 2011, the rate was \$1.78 for employees without a Provincial Parental Insurance Plan and \$1.41 for the others.

Table 4.7 presents a statement of the transactions in the Employment Insurance Operating Account.

TABLE 4.7

TRANSACTIONS IN THE EMPLOYMENT INSURANCE OPERATING ACCOUNT

(in millions of dollars)

	2010-2011	2009-2010
REVENUE		
Premiums—		
Employers and employees ⁽¹⁾	17,862	17,121
Penalties and interest revenue	58	56
	17,920	17,177
EXPENSES		
Benefits	17,401	19,253
Transfers to the provinces—		
Part II	2,449	2,333
Administration costs	1,715	1,849
Administration cost		
transferred to provinces	202	184
Interest reversed		94
Bad debts	42	50
	21,809	23,763
Net change before funding		
from the Government of Canada	(3,889)	(6,586)
FUNDING FROM THE GOVERNMENT OF CANADA		
Benefit enhancement measures—		
Budget 2009	1,428	1,522
Net change	(2,461)	(5,064)
Balance at beginning of year	(4,936)	128
Balance at end of year	(7,397)	(4,936)

⁽¹⁾ The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of \$361 million (\$360 million in 2010).

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 subsection 2001, c.6 of the *Marine Liability Act* (previously 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 Consolidated Specified Purpose Accounts

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of \$31 million (\$34 million in 2010) are reported while expenses and other debits to outside parties of \$56 million (\$14 million in 2010) are reported in the Statement of Operations.

Revenues and other credits of \$2 million (\$3 million in 2010), and expenses and other debits of \$6 million (\$1 million in 2010) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Trust Fund

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 funds 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, funds 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.

Environmental Damages Fund

This account was established for the management of court orders/awards or other financial compensation to Environment Canada for damages to the environment.

New Parks and Historic Sites Account

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.

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 Fish Fines Account

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

Environmental Studies Research Fund—Indian Affairs and Northern Development

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.

Environmental Studies Research Fund—Natural Resources

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.

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 funds 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 the relevant jurisdictions and the Consolidated Revenue Fund.

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.

Endowment Principal

For the following Endowment Principal Accounts, revenues and other credits from outside parties of \$116,000 (\$96,000 in 2010) are reported in the Statement of Operations and Accumulated Deficit.

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 and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. 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.

Endowments for Health Research

This account was established by section 29 of the *Canadian Institutes of Health Research Act* to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

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.

Queen's Fellowship Fund

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.

SUPPLEMENTARY STATEMENT

Employment Insurance Operating Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Operating Account have been prepared in accordance with Canadian public sector accounting standards, by the management of the Canada Employment Insurance Commission.

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The significant accounting policies are identified in Note 2 to 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 *Employment Insurance Act* and regulations, as well as the *Financial Administration Act* and regulations.

The Employment Insurance Operating Account's external auditor, the Auditor General of Canada, conducts an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and provides a report to the Minister of Human Resources and Skills Development.

The financial statements of the Employment Insurance Operating 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.

IAN SHUGART
*Chairperson of the Canada
Employment Insurance Commission*

ALFRED TSANG, CMA
*Chief Financial Officer
Human Resources and Skills
Development Canada*

Gatineau, Canada
August 31, 2011

Employment Insurance Operating Account
—Continued

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND
SKILLS DEVELOPMENT

I have audited the accompanying financial statements of the Employment Insurance Operating Account, which comprise the statement of financial position as at 31 March 2011, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Employment Insurance Operating Account as at 31 March 2011, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

John Wiersema, FCA
Interim Auditor General of Canada

31 August 2011
Ottawa, Canada

Employment Insurance Operating Account *—Continued*

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31

(in thousands of dollars)

	2011	2010
Financial assets		
Premiums receivable	1,241,951	1,313,958
Due from claimants (Note 3)	600,641	567,335
Amounts receivable (Note 4)	173,929	1,647,553
	2,016,521	3,528,846
Liabilities		
Balance with Receiver General for Canada	8,711,867	7,770,119
Unredeemed warrants (Note 5)	100,515	99,067
Benefits payable	561,355	537,912
Amounts payable (Note 6)	40,201	57,539
	9,413,938	8,464,637
Net debt	(7,397,417)	(4,935,791)
Non-financial assets		
Advances—Employment benefits and support measures	22	83
Accumulated deficit	(7,397,395)	(4,935,708)

Contingent liabilities (Note 14)

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

Approved by:

IAN SHUGART
*Chairperson of the Canada
Employment Insurance Commission*

ALFRED TSANG, CMA
*Chief Financial Officer
Human Resources and Skills
Development Canada*

Employment Insurance Operating Account

—Continued

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

	2011	2011	2010
	Budget (Note 8)	Actual	Actual
Revenues			
Premiums (Note 9)	18,167,000	17,861,609	17,120,839
Penalties (Note 3)	71,000	45,938	41,719
Interest on overdue accounts receivable (Note 3)		11,130	12,875
	18,238,000	17,918,677	17,175,433
Expenses			
Benefits and support measures (Note 11 and Schedule I)	22,376,000	19,850,296	21,585,593
Administration costs (Note 12)	2,004,000	1,916,129	2,031,411
Other			93,980
Bad debts	42,000	41,854	49,983
	24,422,000	21,808,279	23,760,967
Net deficit for the year before funding from the Government of Canada	(6,184,000)	(3,889,602)	(6,585,534)
Funding from the Government of Canada			
Benefit enhancement measures—Budget 2009 (Note 10)	1,450,000	1,427,915	1,522,014
Net deficit for the year	(4,734,000)	(2,461,687)	(5,063,520)
Accumulated (deficit) surplus at the beginning of the year	(4,935,708)	(4,935,708)	127,812
Accumulated deficit at the end of the year	(9,669,708)	(7,397,395)	(4,935,708)

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

STATEMENT OF CHANGE IN NET DEBT FOR THE YEAR ENDED MARCH 31 (in thousands of dollars)

	2011	2011	2010
	Budget (Note 8)	Actual	Actual
Net deficit for the year	(4,734,000)	(2,461,687)	(5,063,520)
Change due to advances—Employment benefits and support measures		61	2,905
Increase in net debt	(4,734,000)	(2,461,626)	(5,060,615)
Net (debt) financial assets at beginning of year	(4,935,791)	(4,935,791)	124,824
Net debt at end of year	(9,669,791)	(7,397,417)	(4,935,791)

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

Employment Insurance Operating Account *—Continued*

STATEMENT OF CASH FLOW **FOR THE YEAR ENDED MARCH 31** (in thousands of dollars)

	2011	2010
Operating activities		
Cash receipts:		
Premiums	17,933,616	17,069,638
Recoveries of benefit overpayments and penalties	334,944	346,457
Benefit repayments received from higher income claimants	199,894	165,950
Funding from the Government of Canada—		
Benefit enhancement measures—Budget 2009	2,900,000	
	21,368,454	17,582,045
Cash payments:		
Benefits and support measures	(20,379,575)	(22,230,430)
Administration costs	(1,932,075)	(2,019,921)
	(22,311,650)	(24,250,351)
Net decrease in cash and cash equivalents	(943,196)	(6,668,306)
Cash and cash equivalents		
Beginning of year	(7,869,186)	(1,200,880)
End of year	(8,812,382)	(7,869,186)
Cash and cash equivalents at the end of the year are represented by		
Balance with Receiver General for Canada	(8,711,867)	(7,770,119)
Unredeemed warrants	(100,515)	(99,067)
	(8,812,382)	(7,869,186)

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

Employment Insurance Operating Account —Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

1. Authority, objective and responsibilities

The Canada Employment Insurance Commission (the 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 Operating Account.

The Employment Insurance Operating Account (the 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 receivable from higher income claimants.

The Act 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. During 2009-2010, all the remaining provinces and territories (Nova Scotia, Prince Edward Island, Newfoundland-and-Labrador and Yukon) which were still under a co-management agreement have implemented agreements with full responsibility to the provinces and territories for delivering the active employment benefits and support measures.

The Act also authorizes the Government of Canada to enter into a premium reduction agreement with a province, to allow for a regulatory scheme to make the necessary adjustments and modifications to the Act. This is required to harmonize it with a provincial law that has the effect of reducing or eliminating the special benefits payable under the Act.

Canada Employment Insurance Financing Board

The Canada Employment Insurance Financing Board (the Board) is a Crown corporation established by the *Canada Employment Insurance Financing Board Act* in June 2008. The Board reports to Parliament through the Minister of Human Resources and Skills Development. The Board became operational during the fiscal year 2009-2010.

The Board was created to improve the governance and management of Employment Insurance financing. Starting in 2011, the Board has been responsible for setting the Employment Insurance premium rate based on a new rate-setting mechanism. This mechanism is designed to ensure that Employment Insurance revenues and expenditures break even over time. The information provided in Schedule II for calendar year 2010, prepared in accordance with Canadian public sector accounting standards, will be used by the Board in establishing the premium rate. The Board is also responsible for maintaining a reserve and to manage any amounts paid to it under the *Employment Insurance Act* for future Employment Insurance purposes. The Board is also required to invest its financial assets with a view to meeting its financial obligations.

Human Resources and Skills Development Canada continues to have policy responsibility for Employment Insurance benefits as well as responsibility for program delivery to ensure that the Employment Insurance program is responsive to the needs of Canadians and that it is delivered efficiently and effectively.

2. Significant accounting policies

The 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 Account are also presented in Volume I of the *Public Accounts of Canada*.

(a) Basis of accounting

The financial statements are prepared in accordance with Canadian public sector accounting standards.

(b) Revenue—Premiums

Premiums are recognized as revenue in the period in which they are earned. Premiums earned in the period are measured from amounts assessed by the Canada Revenue Agency (CRA) and from estimates of amounts not assessed based on cash received. Premium revenue also includes adjustments between actual and estimated premiums of previous years.

(c) Funding from the Government of Canada—Benefit enhancement measures

The funding associated with the benefit enhancement measures included in the Budget 2009 is recognized in the period in which the benefit expenditures are incurred.

Employment Insurance Operating Account —Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

(d) Expenses—Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants, including self-employed fishers, while they look for work. This includes work-sharing agreements for temporary work shortages. It also includes special benefits such as maternity, parental, sickness and compassionate care benefits. Income benefits represent the amounts paid and payable 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 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 and employed persons if they are facing a loss of their employment. These expenses include the direct costs of financial and employment assistance programs and related measures provided to eligible persons and third parties. Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories under the Labour Market Development Agreements.

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

(e) Administration costs

The administration costs of the Act are based on a formula allocating the expenses between the Department of Human Resources and Skills Development and the Account. The expense allocation formula takes into consideration the source of funding, from the Account or from the Consolidated Revenue Fund. 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 based on provisions in the agreements.

(f) Cash and cash equivalents

Cash and cash equivalents consist of the balance with Receiver General for Canada and unredeemed warrants.

(g) Advances—Employment benefits and support measures

Advances for employment benefits and support measures are recorded as a non-financial asset on the statement of financial position and are charged to expenses upon utilization.

(h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates are related to premiums, administration costs, benefit repayments, allowance for doubtful accounts, benefit enhancement measures relating to work-sharing and the amounts presented in Schedule II. Actual results could differ significantly from these estimates.

(i) Canada Employment Insurance Financing Board

The financial statements of the Employment Insurance Operating Account do not include the operations of the Canada Employment Insurance Financing Board. However, as per section 77(1) of the *Employment Insurance Act*, the costs to the Board of administering the *Canada Employment Insurance Financing Board Act* are paid out of the Consolidated Revenue Fund and charged to the Account. These charges are included in the administration costs of the Account.

3. Due from claimants

	2011	2010
	(in thousands of dollars)	
Benefit overpayments receivable.....	527,596	503,357
Amount of penalties receivable.....	141,542	140,128
	669,138	643,485
Less: allowance for doubtful accounts.....	371,626	359,109
	297,512	284,376
Estimated benefit repayments receivable from higher income claimants.....	303,129	282,959
	600,641	567,335

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 totalling \$333 million were established (\$340 million in 2009-2010). Interest charges

Employment Insurance Operating Account

—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

on overpayments totalled \$8 million (\$9 million in 2009-2010).

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 totalling \$46 million (\$42 million in 2009-2010). Interest charges on penalties totalled \$3 million (\$3 million in 2009-2010).

During 2010-2011, the Commission recovered \$298 million (\$307 million in 2009-2010) of benefit overpayments and \$37 million (\$39 million in 2009-2010) of penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to \$29 million (\$50 million in 2009-2010).

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.

In accordance with Treasury Board regulations, the Account charges interest on outstanding employment insurance debts caused through misrepresentation.

4. Amounts receivable

	2011	2010
	(in thousands of dollars)	
From Canada		
Benefit enhancement measures—Budget 2009 (Note 10)	173,929	1,646,014
Amounts to be recovered related to Labour Market Development Agreements		1,539
	<u>173,929</u>	<u>1,647,553</u>

5. Warrants

All amounts paid as or on account of benefits under the Act are paid by special warrants drawn on the Receiver General and issued by the Commission by electronic means or bearing the printed signature of the Chairperson and Vice-Chairperson of the Commission. The amount of unredeemed warrants reported in the statement of financial position, represents the warrants issued that are still outstanding at the end of the fiscal year.

6. Amounts payable

	2011	2010
	(in thousands of dollars)	
To Canada		
Administration costs	24,711	46,782
Tax deductions from warrants	5,597	5,503
Recoupments from warrants	1,752	1,858
Amounts payable related to Labour Market Development Agreements	3,256	
	<u>35,316</u>	<u>54,143</u>
To provinces		
Recoupments from warrants	1,365	1,304
Quebec tax deductions from warrants	984	886
Amounts payable related to Labour Market Development Agreements	2,536	1,206
	<u>4,885</u>	<u>3,396</u>
	<u>40,201</u>	<u>57,539</u>

7. Financial instruments

Fair value

The fair values of the balance with Receiver General for Canada, premiums receivable, due from claimants, amounts receivable, unredeemed warrants, benefits payable and amounts payable are considered by management to be comparable to their carrying values due to their short term to maturity. All of these financial instruments arose in the normal course of business.

8. Comparison of results against budget

The budget amounts included in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt are derived from the amounts that were originally budgeted in the Human Resources and Skills Development Canada Report on Plans and Priorities for 2010-2011, tabled in Parliament in March 2010.

9. Premiums

Premiums for the fiscal year are measured by the Canada Revenue Agency (CRA) based on amounts assessed and reassessed at the time of preparation of its financial statements and an estimate of premiums earned in the period but not yet assessed or reassessed. The estimate of premiums earned but not yet assessed or reassessed is based on cash amounts received at the time of preparation of the financial statements that relate to the fiscal year.

Employment Insurance Operating Account

—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2010 and 2011 will only be known once the CRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated premiums will be recorded in the fiscal year in which the actual assessment or reassessment results are known.

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 2010, the total amount of reductions is estimated at \$863 million (\$817 million in 2009). Actual reductions for the calendar year 2009 were \$839 million (\$809 million in 2008). 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 Account to the insured persons.

The premium rate for the calendar year 2009 was set by the Commission pursuant to section 66(1) of the Act. In setting the rates, the Commission relied on the principle that the premium rate should generate just enough premium revenue to cover the payments, including administration costs, to be made during that year based on forecast values of economic variables provided by the Minister of Finance, and in doing so, took into account the report of the chief actuary to the Commission and any public input. For the calendar year 2010, the premium rate was set by the Government as per section 66(4) of the Act. For the calendar year 2011, the premium rate was set by the Canada Employment Insurance Financing Board under section 66 of the *Employment Insurance Act*. Pursuant to section 66(8) of the Act, the Governor in Council, considering that it was in the public interest to do so, on the recommendation of the Minister of Human Resources and Skills Development and the Minister of Finance, changed the maximum percentage referred to in section 66(7) of the Act by which the premium rate may be increased or decreased from one year to the next. For 2011, the premium rate could not be increased by more than 0.05 percent.

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

	2011	2010	2009
	(in dollars)		
Residents of provinces without a Provincial Plan			
For employees	1.78	1.73	1.73
For employers (calculated at 1.4 times the employee rate)	2.49	2.42	2.42
Residents of provinces with a Provincial Plan			
For employees	1.41	1.36	1.38
For employers (calculated at 1.4 times the employee rate)	1.97	1.90	1.93

The annual maximum insurable earnings for 2011 is \$44,200 (\$43,200 in 2010 and \$42,300 in 2009).

10. Benefit enhancement measures—Budget 2009

	2011	2010
	(in thousands of dollars)	
Increase in regular benefits duration—		
Extra five weeks	796,053	795,769
Employment Insurance Training Programs—		
Labour Market Development Agreements		
increased funding	500,000	500,000
Work-sharing	48,967	211,238
New measures for long-tenured workers—		
Career transition assistance	82,895	15,007
	1,427,915	1,522,014

The Budget 2009 included various temporary measures to support Canadian workers affected by the global economic downturn. The increase in the Regular Benefits Duration measure was implemented in March 2009. The other types of measures were implemented and began being paid to eligible claimants in 2009-2010. The cost of these enhancement measures is not funded from the Account. Pursuant to section 73.1 of the Act, an amount of \$2.9 billion has been recovered from the Government of Canada in August 2010.

Employment Insurance Operating Account

—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Concluded

11. Estimated overpayments and underpayments of benefits

Given the large number of claimants to be monitored and the need for prompt service, the Commission applies a selective approach of control procedures. 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 benefit payouts. For benefits paid during the twelve months ended March 31, 2011, these undetected overpayments and underpayments are estimated to be \$850 million and \$219 million respectively (\$520 million and \$250 million for the twelve months ended March 31, 2010). 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.

The overpayments established during the year, as indicated in Note 3, are not directly linked to the above noted estimated overpayments and underpayments of benefits for the same period.

12. Administration costs

	2011	2010
	(in thousands of dollars)	
Personnel related costs	1,101,290	1,177,965
Operations and maintenance	285,824	350,716
Administration costs		
incurred by provinces		
and territories under		
the Labour Market		
Development Agreements	203,240	184,533
Canada Revenue Agency		
administrative costs	195,713	190,966
Accommodation		
and rental costs	136,221	133,832
Canada Employment Insurance		
Financing Board	1,649	277
	1,923,937	2,038,289
Deduct: recovery of costs for		
maintaining the social		
insurance number registry		
and issuing replacement		
cards	(7,808)	(6,878)
	1,916,129	2,031,411

13. Related party transactions

The 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 operations under the same terms and conditions that apply to unrelated parties. The transactions are measured at the exchange amount.

Related party transactions disclosed in these financial statements include administration costs of \$136 million (\$134 million in 2009-2010) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$196 million (\$191 million in 2009-2010) by the Canada Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding with the Department of Human Resources and Skills Development.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of \$361 million (\$360 million in 2009-2010).

14. Contingent liabilities

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be determinable. However, in the opinion of management, the result of these appeals should not have a significant impact on the operations of the Account.

15. Subsequent event

Subsequent to March 31, 2011, two Quebec Unions filed a claim with the Quebec Superior Court against Her Majesty the Queen contesting the constitutional validity of certain provisions of the *Jobs and Economic Growth Act* enacted in 2010 relating to amendments to the *Employment Insurance Act*. The outcome of this claim is not determinable at this time.

16. Comparative information

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

Employment Insurance Operating Account *—Continued*

SCHEDULE I—BENEFITS AND SUPPORT MEASURES
 FOR THE YEAR ENDED MARCH 31
 (in thousands of dollars)

	2011	2011	2010
	Budget (Note 8)	Actual	Actual
Part I—Income benefits			
Regular	15,330,000	12,958,942	14,529,226
Fishing	269,000	254,463	258,069
Work-sharing	180,000	107,941	300,486
	15,779,000	13,321,346	15,087,781
Special benefits			
Parental	2,221,000	2,148,233	2,134,187
Sickness	1,068,000	1,050,969	1,023,783
Maternity	949,000	910,823	915,184
Adoption		21,982	22,853
Compassionate care	10,000	10,910	9,857
Self-employment		696	
	4,248,000	4,143,613	4,105,864
	20,027,000	17,464,959	19,193,645
Part II—Employment benefits and support measures			
Employment benefits			
Skills development		(1,358)	59,943
Self-employment		(31)	4,651
Job creation partnerships		(27)	16,976
Targeted wage subsidies		(9)	3,496
Support measures			
Employment assistance		(81)	20,854
Labour market partnerships		153,029	154,730
Research and innovation		5,077	12,367
	175,000	156,600	273,017
Transfer payments to provinces and territories related to Labour Market Development Agreements	2,450,000	2,448,801	2,332,766
	2,625,000	2,605,401	2,605,783
Benefits and support measures	22,652,000	20,070,360	21,799,428
Less: benefit repayments received or receivable from higher income claimants	276,000	220,064	213,835
	22,376,000	19,850,296	21,585,593

Benefit rates—Income benefits

From January to December 2010, benefits paid represent the lesser of 55 percent of average insurable earnings or \$457 per week (\$447 per week in 2009). In January 2011, the maximum payment was increased to \$468 per week. The benefit rate can be increased to a maximum of the lesser of 80 percent of average insurable earnings or \$468 per week as of January 1st, 2011 (\$457 per week in 2010 and \$447 per week in 2009) for claimants who are in a low-income family with children.

Employment Insurance Operating Account
—Concluded

SCHEDULE II—STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
 FOR THE PERIOD OF JANUARY 1ST TO DECEMBER 31ST
 (in thousands of dollars)

	2010	2009
Revenues		
Premiums.....	17,395,131	16,909,899
Penalties and interest revenue	62,366	44,206
	17,457,497	16,954,105
Expenses		
Benefits and support measures	17,789,048	18,904,762
Transfer to provinces and territories related to Labour Market Development Agreements.....	2,410,711	2,080,782
Administration costs	1,671,326	1,788,622
Administration costs transferred to provinces and territories.....	196,634	180,962
Bad debts.....	43,886	44,283
	22,111,605	22,999,411
Net deficit for the period before funding from the Government of Canada.....	(4,654,108)	(6,045,306)
Funding from the Government of Canada		
Benefit enhancement measures—Budget 2009	1,581,538	1,190,286
Net deficit for the period	(3,072,570)	(4,855,020)
Accumulated deficit at the beginning of the period.....	(4,855,020)	
Accumulated deficit at the end of the period	(7,927,590)	(4,855,020)

SECTION 5

2010-2011

PUBLIC ACCOUNTS OF CANADA

Accounts Payable and Accrued Liabilities

CONTENTS

	<i>Page</i>
Other accounts payable and accrued liabilities.....	5.3
Taxes payable.....	5.11
Environmental liabilities	5.12
Interest and matured debt.....	5.13
Allowance for guarantees	5.14

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This section contains information on accounts reported on the Statement of Financial Position under “Accounts Payable and Accrued Liabilities”. The establishment and operation of these accounts are 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 under the *Financial Administration Act*.

Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31.

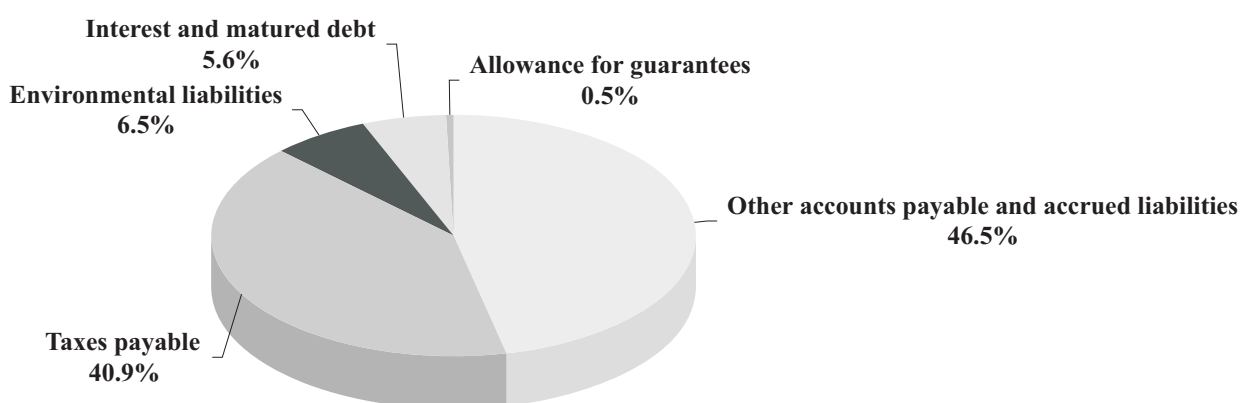
Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 5.1
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2011	March 31/2010
	\$	\$
Other accounts payable and accrued liabilities, Table 5.2	55,342,004,180	58,284,433,375
Taxes payable, Table 5.6	48,647,835,201	48,251,482,987
Environmental liabilities, Table 5.7	7,745,019,419	6,601,824,335
Interest and matured debt, Table 5.9	6,732,802,327	6,852,703,268
Allowance for guarantees	591,319,081	534,679,619
Total	119,058,980,208	120,525,123,584

CHART 5A

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2011



Other Accounts Payable and Accrued Liabilities

Other accounts payable and accrued liabilities includes accounts payable, accrued salaries and benefits, notes payable to international organizations, the provincial, territorial and Aboriginal tax agreements account, miscellaneous payroll deductions, other accounts and deferred revenues.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

TABLE 5.2
OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2011	March 31/2010
	\$	\$
Accounts payable	38,373,750,653	41,004,171,119
Add: consolidation adjustment ⁽¹⁾	2,667,205,061	2,508,107,809
	<i>41,040,955,714</i>	<i>43,512,278,928</i>
Accrued salaries and benefits	2,049,563,074	1,997,223,061
Notes payable to international organizations, Table 5.3	413,184,396	418,098,181
Provincial, territorial and Aboriginal tax agreements account, Table 5.4	6,622,137,901	6,381,633,081
Miscellaneous payroll deductions	42,127,127	159,475,587
Other	661,752,908	703,029,605
Deferred revenues, Table 5.5	4,512,283,060	5,112,694,932
Total	55,342,004,180	58,284,433,375

⁽¹⁾ Additional information on the consolidated Crown corporations and other entities is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations and other entities.

Accrued salaries and benefits

This account records salaries and wages owing at year end, amounts owing for earned and unpaid annual vacation leave and compensation time, and other accrued amounts relating to unpaid or retro-active salaries.

Notes payable to international organizations

Share capital subscriptions, 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 1/2010	Receipts and other credits		Payments and other charges		March 31/2011
		Note issuances	Revaluation ⁽¹⁾	Note encashment	Revaluation ⁽¹⁾	
	\$	\$	\$	\$	\$	\$
Finance—						
International Bank for Reconstruction and Development (World Bank)	24,361,800				1,108,008	23,253,792
International Development Association	384,280,000	384,280		384,280		384,280,000
Multilateral Investment Guarantee Agency	3,258,820				148,216	3,110,604
	<i>411,900,620</i>	<i>384,280</i>		<i>384,280</i>	<i>1,256,224</i>	<i>410,644,396</i>
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Fund		100,800,000		100,800,000		
Asian Development Bank		35,496,210		35,496,210		
Asian Development Fund		47,690,125		47,690,125		
Caribbean Development Bank—Special		17,585,000		17,585,000		
Global Environment Facility Trust Fund	6,197,561	56,750,439		60,408,000		2,540,000
Inter-American Development Bank—Fund for Special Operations		864,364		864,364		
International Fund for Agriculture Development		12,500,000		12,500,000		
Montreal Protocol Multilateral Fund		3,834,018		3,834,018		
Multilateral Investment Fund		6,316,667		6,316,667		
	<i>6,197,561</i>	<i>281,836,823</i>		<i>285,494,384</i>		<i>2,540,000</i>
Total	418,098,181	282,221,103		285,878,664	1,256,224	413,184,396

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

Provincial, territorial and Aboriginal tax agreements account

This account records taxes administered by the Government of Canada on behalf of provinces, territories, and Aboriginal governments, in accordance with agreements entered into by the Minister of Finance pursuant to the *Federal Provincial Fiscal Arrangements Act* and, in the case of First Nations Goods and Services Tax, pursuant to the *First Nations Goods and Services Tax Act*.

The Government of Canada, as represented by the Minister of Finance, has entered into agreements with all provinces and territories (except Quebec) to collect and administer individual income tax, and with all provinces and territories (except Quebec and Alberta) to collect and administer corporate tax, and to remit amounts assessed in respect thereof in accordance with the agreements.

Agreements have also been entered into with certain Aboriginal governments, to collect individual income tax as well as First Nations Sales Tax levied on motive fuels, tobacco, and alcohol and First Nations Goods and Services Tax levied on the same range of goods and services as the federal Goods and Services Tax, and to make payments to the respective governments in accordance with the agreements.

This account also records transactions relating to agreements that the Government of Canada, as represented by the Minister of Finance, has entered into with the provinces of British Columbia, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador regarding the harmonized sales tax, and payments made to the provinces in accordance with the agreements.

The *Public Accounts of Canada* reports information on an April to March fiscal year basis, while tax information is calculated on a calendar year basis. Transactions related to several tax years can occur during a given fiscal year. For example, during a given fiscal year, payments are made, based on estimates, in respect of two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to tax revenues, rebates and credits for previous calendar years. Table 5.4 presents the accumulated balances and the net position of the revenues and the payments made to the provinces and territories for personal and corporate taxes as well as for First Nations Sales Tax, First Nations Goods and Services Tax and Harmonized Sales Tax.

TABLE 5.4

PROVINCIAL, TERRITORIAL AND ABORIGINAL TAX AGREEMENTS ACCOUNT

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Total Personal Income Tax administered by Canada Revenue Agency	432,340,707	48,038,184,762		48,470,525,469
Less: payments to provinces and territories—				
Newfoundland and Labrador			962,268,978	962,268,978
Prince Edward Island			257,899,239	257,899,239
Nova Scotia			2,076,309,168	2,076,309,168
New Brunswick			1,250,323,412	1,250,323,412
Ontario			25,781,707,417	25,781,707,417
Manitoba			2,452,008,276	2,452,008,276
Saskatchewan			1,874,894,664	1,874,894,664
Alberta			7,458,626,002	7,458,626,002
British Columbia			5,844,472,001	5,844,472,001
Yukon			53,426,512	53,426,512
Northwest Territories			66,203,719	66,203,719
Nunavut			24,692,710	24,692,710
First Nations			12,905,058	12,905,058
			48,115,737,156	48,115,737,156
Total personal income tax on hand	432,340,707	48,038,184,762	48,115,737,156	354,788,313

TABLE 5.4

PROVINCIAL, TERRITORIAL AND ABORIGINAL TAX AGREEMENTS ACCOUNT—*Concluded*

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Total Corporate Income Tax administered by Canada Revenue Agency	5,508,914,281	12,810,324,454		18,319,238,735
Less: payments to provinces and territories—				
Newfoundland and Labrador			329,064,514	329,064,514
Prince Edward Island			32,384,058	32,384,058
Nova Scotia			462,846,475	462,846,475
New Brunswick			265,008,839	265,008,839
Ontario			8,111,115,598	8,111,115,598
Quebec			31,747,321	31,747,321
Manitoba			372,458,240	372,458,240
Saskatchewan			1,133,057,008	1,133,057,008
Alberta			23,976,434	23,976,434
British Columbia			1,684,174,901	1,684,174,901
Yukon			8,228,067	8,228,067
Northwest Territories			78,243,652	78,243,652
Nunavut			9,077,117	9,077,117
			12,541,382,224	12,541,382,224
Total corporate income tax on hand	5,508,914,281	12,810,324,454	12,541,382,224	5,777,856,511
Total Harmonized Sales Tax administered by Canada Revenue Agency	438,922,499	21,831,430,941		22,270,353,440
Less: payments to provinces and territories—				
Newfoundland and Labrador			783,995,447	783,995,447
Nova Scotia			1,687,429,428	1,687,429,428
New Brunswick			1,029,752,265	1,029,752,265
Ontario			13,811,504,053	13,811,504,053
British Columbia			4,468,177,768	4,468,177,768
			21,780,858,961	21,780,858,961
Total harmonized sales tax on hand	438,922,499	21,831,430,941	21,780,858,961	489,494,479
Total First Nations Sales Tax administered by Canada Revenue Agency	525,723	4,678,429		5,204,152
Less: payments to First Nations			5,205,554	5,205,554
Total First Nations Sales Tax on hand	525,723	4,678,429	5,205,554	(1,402)
Total First Nations Goods and Services Sales Tax administered by Canada Revenue Agency	929,871	8,919,684		9,849,555
Less: payments to First Nations			9,849,555	9,849,555
Total First Nations Goods and Services Sales Tax on hand	929,871	8,919,684	9,849,555	
Total	6,381,633,081	82,693,538,270	82,453,033,450	6,622,137,901

Miscellaneous payroll deductions

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

Other

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

Deferred Revenues

This account records 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 includes licence fees received for which access to the radio spectrum is being provided in subsequent years and also presents sepa-

rately revenues received which have been recorded in a specified purpose account.

Table 5.5 presents the balances and transactions of deferred revenues.

TABLE 5.5
DEFERRED REVENUES

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Deferred revenues—				
Citizenship and Immigration—				
Service fees for immigration and citizenship	394,169,443	476,268,817	472,291,919	398,146,341
Industry—				
Spectrum licence fees and other fees	4,372,813,644	313,608,116	915,911,104	3,770,510,656
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Provincial arrangement on capital assets	119,597,511	1,949,391		121,546,902
Other departments	173,059,471	204,129,088	209,654,204	167,534,355
Total	5,059,640,069	995,955,412	1,597,857,227	4,457,738,254
Other deferred revenues—Specified purpose accounts—				
Donation and bequest accounts—				
Agriculture and Agri-Food—				
Shared-cost agreements—Research	12,200,608	3,801,671	4,401,716	11,600,563
Canadian Heritage—				
Library and Archives of Canada—				
Special operating account	138,268	884,459	369,563	653,164
Environment—				
Endangered species—Donations	144,184	511		144,695
Miscellaneous projects deposits ⁽¹⁾	144,184	8,256,843	2,441,098	5,815,745
		8,257,354	2,441,098	5,960,440
Parks Canada Agency—				
Pacific Rim Mitigation Fund	1,750,000		125,000	1,625,000
	1,894,184	8,257,354	2,566,098	7,585,440
Fisheries and Oceans—				
Restricted donations	23,049			23,049
Governor General—				
Donations—Rideau Hall	16,787			16,787
Shared-cost agreements—Awards		1,500		1,500
	16,787	1,500		18,287
Health—				
Canadian Institutes of Health Research—				
Donations for research	10,297,042	9,440,612	12,164,918	7,572,736
Human Resources and Skills Development—				
Canadian Centre for Occupational Health and Safety—				
Donations	95,807	2,000		97,807
Indian Affairs and Northern Development—				
Indian Residential Schools Truth and Reconciliation Commission—				
National Events—Donations		120,500	75,792	44,708
Industry—				
Prime Minister's Awards and other deposits	3,915,460	2,223,635	1,013,681	5,125,414
Canadian Space Agency—				
RADARSAT-2	8,596			8,596
RADARSAT-2—Data satellite	25,941	1,443,362	1,469,303	
	34,537	1,443,362	1,469,303	8,596
National Research Council of Canada—				
Trust fund	20,656,437	21,391,317	23,042,707	19,005,047
Natural Sciences and Engineering Research Council—				
Trust fund	250			250
Social Sciences and Humanities Research Council—				
Trust fund	391,816	1,498	10,000	383,314
	24,998,500	25,059,812	25,535,691	24,522,621
National Defence—				
Corporate sponsorships and donations	51,945	301,413	344,304	9,054

TABLE 5.5

DEFERRED REVENUES—*Concluded*

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Mounted Police Foundation	522,587		179,990	342,597
Royal Canadian Mounted Police Pipe Band (NCR)	10,254		540	9,714
Sponsorship Agreement—Contributions	210,154	15,000	56,501	168,653
	742,995	15,000	237,031	520,964
Veterans Affairs—				
Restricted donations—				
Canadian Memorial	50,252		10,549	39,703
Wounded Warrior Fund	56,832	94,630	17,515	133,947
	107,084	94,630	28,064	173,650
Total—Donation and bequest accounts	50,566,269	47,978,951	45,723,177	52,822,043
Endowment interest accounts—				
Environment—				
Parks Canada Agency—				
Laurier House—Interest				
(Mackenzie King trust account)		7,403	7,403	
Health—				
Canadian Institutes of Health Research—				
Endowments for health research	8,141	442		8,583
Industry—				
National Research Council of Canada—				
H.L. Holmes Fund		97,000	97,000	
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund	105,980	2,275		108,255
	105,980	99,275	97,000	108,255
Transport—				
Shared-cost agreements—Transportation				
research and development	2,374,473	1,188,151	1,956,699	1,605,925
Total—Endowment interest accounts	2,488,594	1,295,271	2,061,102	1,722,763
Total—Other deferred revenues—Specified purpose accounts	53,054,863	49,274,222	47,784,279	54,544,806
Total—Deferred revenues	5,112,694,932	1,045,229,634	1,645,641,506	4,512,283,060

⁽¹⁾ During the year, this account was transferred from Table 6.34 in Section 6 of this volume.

Service fees for immigration and citizenship

This account was established to record fees and rights derived from the *Citizenship Act* and Regulations and the *Immigration and Refugees Protection Act* and Regulations. Fees are deferred until the application is deemed processed, while rights (right of citizenship and right of permanent residence) are deferred until the right is granted.

Spectrum licence fees and other fees

This account was established to record, (a) funds received from Spectrum Auctions, which are recognized as revenues over the period of the licences; (b) funds received from Spectrum Licence Fees that are received in the latter part of the fiscal year, but which are applicable to the following fiscal year; and, (c) funds received from other sources such as patents and trademarks examination and registration fees, Bankruptcy Trustee Licence Fees and Competition Bureau Pre-Merger Fees, which are recognized as revenue in the subsequent year.

Provincial arrangement on capital assets

This account was established to record capital assets received by the Royal Canadian Mounted Police pursuant to the provincial arrangement (contracts) on capital assets. The revenue is recognized on the same basis as the amortization of the corresponding capital asset.

Shared-cost agreements—Research

This account was established to record amounts deposited by external parties for shared-cost projects, and any related future provincial program payments to be made on a province's behalf by Agriculture and Agri-Food Canada as part of a related project. Funds are disbursed on behalf of depositors as specific projects are undertaken.

Special operating account

This account was established, pursuant to section 18 of the *Library and Archives of Canada Act*, to record funds received for the purposes of the Library and Archives of Canada, by way of gifts. Amounts required for the purposes of the Act may be paid out of this account, or out of funds appropriated by Parliament for such purposes.

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.

Miscellaneous projects deposits

This account was established to record contributions received from organizations and individuals, for the advancement of research work and clean-up efforts.

Pacific Rim Mitigation Fund

This account was established to record funds received for the protection of lands within the Pacific Rim National Park Reserve of Canada. Funds so received are used to monitor community use impacts, carry out related research and implement required mitigation measures.

Restricted donations—Fisheries and Oceans

This account was established to record directed donations to be used for research, development, management and promotion of fisheries and oceans related issues.

Donations—Rideau Hall

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

Shared-cost agreements—Awards

This account was established to record amounts deposited by external parties for shared-cost projects.

Donations for research

This account was established, pursuant to section 29 of the *Canadian Institutes of Health Research Act*, to record donations and contributions received from organizations and individuals for biomedical research.

Donations

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

National Events—Donations

This account was established to record donations received from individuals and organizations to be used for National Events expenses.

Prime Minister's Awards and other deposits

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 and amounts deposited by customers to be used for payments of services provided by Industry Canada.

RADARSAT-2

This account was established to record funds received for the configuration and layout of relocated "MacDonald, Dettwiler and Associates" personnel.

RADARSAT-2—Data satellite

This account was established to record funds received from "MacDonald, Dettwiler and Associates" for the reception, archiving, cataloging and satellite acquisition services.

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 expenses 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 expenses made on their behalf.

Trust fund—Social Sciences and Humanities Research Council

This account was established to record funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations for the purpose of special projects.

Corporate sponsorships and donations

This account was established by the Department of 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, conducting operations and constructing capital assets consistent with the Department's mandate but not funded from its appropriations.

Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenses related to community policing, educational, promotional and public relations projects throughout Canada.

Royal Canadian Mounted Police Pipe Band (NCR)

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

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.

Restricted donations—Canadian Memorial

This account was established to record directed donations for the purpose of management and maintenance of the Canadian Memorial in Green Park, London, United Kingdom.

Restricted donations—Wounded Warrior Fund

This account was established to record directed donations for the purpose of providing assistance to support the pilot project designed to assist disenfranchised Veterans in crisis.

Laurier House—Interest (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 and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. 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.

Endowments for health research

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

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.

Queen's Fellowship Fund

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.

Shared-cost agreements—Transportation research and development

This account was established to record, on a temporary basis, (a) funds received from cost-sharing agreements intended to strengthen and improve the safety, security and efficiency of the Canadian transportation system; and, (b) funds received from private sector and provincial governments to directly support the departmental strategic objectives.

Taxes Payable

Taxes payable include amounts payable to taxpayers based on assessments as well as estimates of refunds owing for assessments not completed by year end.

Table 5.6 presents a summary of the balances for the different tax revenue streams.

TABLE 5.6
TAXES PAYABLE

	March 31/2011	March 31/2010
	\$	\$
Personal and non-resident income tax.....	29,656,803,046	31,337,532,951
Corporate income tax.....	9,795,864,241	10,670,362,690
Goods and services tax.....	9,133,614,398	6,195,417,931
Customs and excise	61,553,516	48,169,415
Total	48,647,835,201	48,251,482,987

Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other withholding of personal income tax. This account also includes any interest owing on the balances.

Corporate income tax

This account records tax refunds payable and any interest owing to corporate taxpayers.

Goods and services tax

This account records refunds, rebates and any interest owing related to the goods and services tax.

Customs and excise

This account records refunds of customs import duties, excise taxes and duties, energy taxes and any interest owing on the balances.

Environmental Liabilities

Environmental liabilities include the estimated costs related to the remediation of contaminated sites and to the future restoration of certain tangible capital assets where the Government is obligated, or likely obligated to incur such costs.

The Government has identified approximately 2,200 contaminated sites and 42 unexploded explosive ordnance (UXO) affected sites (2,400 contaminated sites and 30 UXO affected sites in 2010) for which it is likely obligated to remediate. Continued assessment work will lead to a more accurate cost estimate of the identified sites.

The contingent liabilities associated with the contaminated sites and UXO affected sites are disclosed in Section 11 of this volume.

Table 5.7 presents the liability balances of the custodian departments and Crown corporations for remediation liabilities for contaminated sites and asset restoration liabilities for UXO affected sites, nuclear facility decommissioning and certain electronic equipment.

TABLE 5.7
ENVIRONMENTAL LIABILITIES

	March 31/2011	March 31/2010
	\$	\$
Remediation of contaminated sites—		
Agriculture and Agri-Food	1,461,817	1,358,938
Canada Border Services Agency	2,285,800	291,800
Correctional Service of Canada	9,244,357	9,176,768
Environment	99,886,464	88,795,353
Fisheries and Oceans	108,698,513	73,175,003
Health	225,000	90,200
Indian Affairs and Northern Development	2,015,473,705	1,901,998,175
National Defence	325,455,667	331,776,208
National Research Council of Canada	79,829	1,880,195
Natural Resources	1,106,361,006	349,948,200
Parks Canada Agency	24,540,488	62,193,172
Public Works and Government Services	316,165,045	332,570,240
Royal Canadian Mounted Police	4,044,525	3,757,132
Transport	164,678,256	146,546,829
	<i>4,178,600,472</i>	<i>3,303,558,213</i>
Consolidated Crown corporations and other entities —		
Canadian Broadcasting Corporation	300,000	
Enterprise Cape Breton Corporation	129,887,000	147,476,000
National Capital Commission	42,657,000	39,339,000
The Jacques-Cartier and Champlain Bridges Incorporated	1,000,000	1,000,000
VIA Rail Canada Inc.	1,627,000	1,687,000
	<i>175,471,000</i>	<i>189,502,000</i>
Total remediation of contaminated sites	<i>4,354,071,472</i>	<i>3,493,060,213</i>
Future asset restoration—		
National Defence (Unexploded explosive ordnance affected sites)	15,842,947	16,387,122
Others	248,000	366,000
	<i>16,090,947</i>	<i>16,753,122</i>
Consolidated Crown corporations and other entities —		
Atomic Energy of Canada Limited (nuclear facility decommissioning)	3,357,046,000	3,084,899,000
Others	17,811,000	7,112,000
	<i>3,374,857,000</i>	<i>3,092,011,000</i>
Total future asset restoration	<i>3,390,947,947</i>	<i>3,108,764,122</i>
Total environmental liabilities	<i>7,745,019,419</i>	<i>6,601,824,335</i>

Changes in liability for remediation of contaminated sites

Table 5.8 presents a summary of the changes in liability balances for contaminated sites. In addition to expenditures reducing environmental liabilities previously recorded, the government spent another \$43,090,811 (\$28,280,675 in 2010) as management and remediation costs on its contaminated sites when these costs became known in the year.

TABLE 5.8
CHANGES IN LIABILITY FOR REMEDIATION OF CONTAMINATED SITES

	March 31/2011	March 31/2010
	\$	\$
Opening balance	3,493,060,213	3,220,052,777
Less: Expenditures reducing opening liabilities	366,429,461	307,966,826
Add: Changes in estimated remediation costs	1,100,787,486	441,294,743
New liability for sites not previously recorded	126,653,234	139,679,519
Closing balance	4,354,071,472	3,493,060,213

Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued and matured debt.

Table 5.9 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

TABLE 5.9
INTEREST AND MATURED DEBT

	March 31/2011	March 31/2010
	\$	\$
Interest due	1,925,470,643	2,237,733,532
Interest accrued	4,613,002,824	4,540,642,736
Matured debt	194,328,860	74,327,000
Total	6,732,802,327	6,852,703,268

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 other revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier.

Allowance for Guarantees

This category of accounts payable and accrued liabilities includes the allowance for guarantees provided by the Government. An allowance is recorded for 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. As at March 31, 2011, the allowance for guarantees is \$592 million (\$535 million in 2010).

Additional information relating to guarantees can be found in Note 16 — Contingent Liabilities in Section 2 and in Table 11.5 in Section 11 of this volume. In addition, Table 9.6 in Section 9 includes details on the borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises. 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. In contrast, borrowings of non-agent enterprise Crown corporations and other government business enterprises may, at times, be guaranteed by the Government.

SECTION 6

2010-2011

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

CONTENTS

	<i>Page</i>
Unmatured debt—	
Marketable bonds	6.3
Treasury bills	6.5
Retail debt	6.6
Bonds for Canada Pension Plan	6.7
Canada bills	6.7
Cross-currency swap revaluation	6.8
Unamortized discounts and premiums on market debt	6.8
Interest rates	6.9
Maturity of Government debt	6.10
Statement of all borrowing transactions on behalf of Her Majesty	6.10
Structure of interest-bearing debt	6.11
Obligation related to capital leases	6.11
Pension and other future benefits—	
Public sector pensions	6.18
Other employee and veteran future benefits	6.30
Other liabilities—	
Canada Pension Plan	6.32
Government Annuities Account	6.33
Deposit and trust accounts	6.34
Other specified purpose accounts	6.40
Supplementary statements—	
Canada Pension Plan	6.51
Government Annuities Account	6.69
Royal Canadian Mounted Police (Dependants) Pension Fund	6.75

INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension, other future benefits and other liabilities.

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.

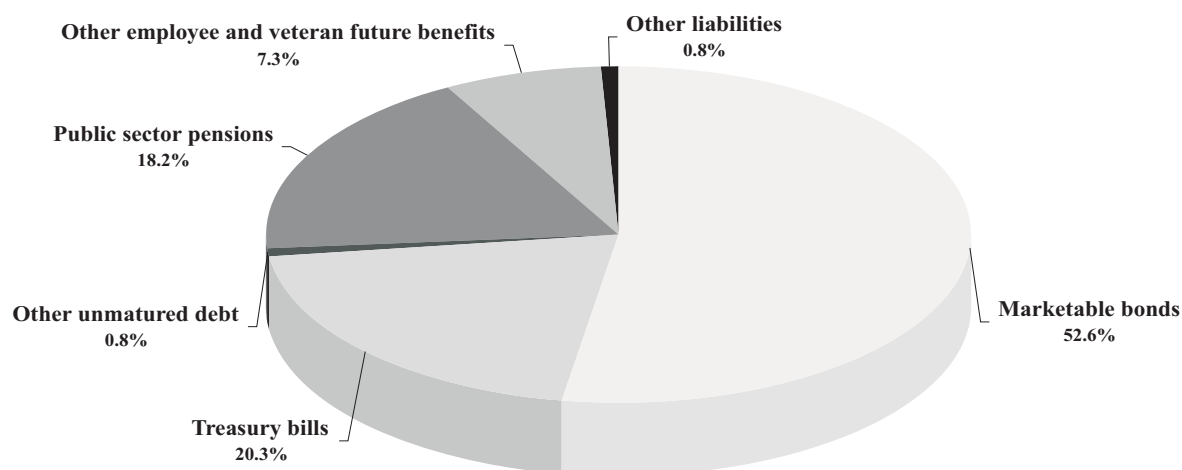
The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Independent Auditor's Reports thereon, are presented at the end of this section.

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 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Unmatured debt ⁽¹⁾ —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	367,962,409,029	118,660,097,553	70,542,408,000	416,080,098,582
Treasury bills, Table 6.3	175,849,122,000	432,630,387,000	445,500,000,000	162,979,509,000
Retail debt, Table 6.4	11,855,433,083	1,845,271,747	3,559,206,202	10,141,498,628
Bonds for Canada Pension Plan, Table 6.5	451,891,000		425,010,000	26,881,000
	<i>556,118,855,112</i>	<i>553,135,756,300</i>	<i>520,026,624,202</i>	<i>589,227,987,210</i>
Payable in foreign currencies—				
Marketable bonds, Table 6.2	5,789,807,535	8,496,557	142,339,064	5,655,965,028
Canada bills, Table 6.6	2,452,704,969	8,186,625,529	8,667,228,092	1,972,102,406
	<i>8,242,512,504</i>	<i>8,195,122,086</i>	<i>8,809,567,156</i>	<i>7,628,067,434</i>
Total—Market debt	564,361,367,616	561,330,878,386	528,836,191,358	596,856,054,644
Cross-currency swap revaluation	(4,233,175,672)		857,483,634	(5,090,659,306)
Unamortized discounts and premiums on market debt, Table 6.7	(5,092,110,549)	3,146,086,991	2,538,927,233	(4,484,950,791)
Obligation related to capital leases, Table 6.13	4,089,731,828	138,650,677	543,178,050	3,685,204,455
Other unmatured debt		189,714,062		189,714,062
Total—Unmatured debt	559,125,813,223	564,805,330,116	532,775,780,275	591,155,363,064
Pension, other future benefits and other liabilities—				
Public sector pensions, Table 6.16—				
Superannuation accounts	155,780,790,070	16,083,451,922	13,977,860,494	157,886,381,498
Allowance for pension adjustments	(12,938,000,000)	2,134,000,000	947,000,000	(11,751,000,000)
	<i>142,842,790,070</i>	<i>18,217,451,922</i>	<i>14,924,860,494</i>	<i>146,135,381,498</i>
Other employee and veteran future benefits, Table 6.29	54,227,000,000	8,535,000,000	4,556,000,000	58,206,000,000
Other liabilities—				
Due to Canada Pension Plan, Table 6.30	174,785,010	59,203,887,185	59,355,455,855	23,216,340
Government Annuities Account	243,456,437	15,870,466	37,986,800	221,340,103
Deposit and trust accounts, Table 6.31	2,201,798,049	2,572,467,356	2,463,031,142	2,311,234,263
Other specified purpose accounts, Table 6.34	3,966,775,247	4,552,040,569	4,759,779,339	3,759,036,477
	<i>60,813,814,743</i>	<i>74,879,265,576</i>	<i>71,172,253,136</i>	<i>64,520,827,183</i>
Total—Pension, other future benefits and other liabilities	203,656,604,813	93,096,717,498	86,097,113,630	210,656,208,681
Total	762,782,418,036	657,902,047,614	618,872,893,905	801,811,571,745

⁽¹⁾ 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 6.11.

CHART 6A**INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2011****UNMATURED DEBT**

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due, cross-currency swap revaluation and unamortized discounts and premiums on market debt, obligations related to capital leases and other unmatured debt.

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 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.

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, 2011.

TABLE 6.2

MARKETABLE BONDS

	April 1/2010	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2011
	\$	\$	\$	\$
Payable in Canadian currency—				
Matured 2010-2011	26,032,750,000		26,032,750,000	
Maturing 2011-2012	57,211,282,000		15,744,441,000	41,466,841,000
2012-2013	40,256,018,000	36,801,348,000	2,857,272,000	74,200,094,000
2013-2014	24,770,116,000	18,800,000,000	561,999,000	43,008,117,000
2014-2015	40,753,802,000		2,449,769,000	38,304,033,000
2015-2016	19,599,830,000	11,341,729,000		30,941,559,000
2016-2017	10,157,400,000	9,900,000,000		20,057,400,000
2017-2018	10,342,526,000			10,342,526,000
2018-2019	10,622,764,000			10,622,764,000
2019-2020	17,650,000,000			17,650,000,000
2020-2021	10,667,361,000	3,000,000,000		13,667,361,000
2021-2022	7,455,337,993	9,168,187,081		16,623,525,074
2022-2023	206,022,000			206,022,000
2023-2024	3,757,121,000			3,757,121,000
2025-2026	3,075,345,000			3,075,345,000
2026-2027	6,879,809,795	161,399,208		7,041,209,003
2027-2028	6,441,435,000		215,000,000	6,226,435,000
2029-2030	12,804,867,000		139,398,000	12,665,469,000
2031-2032	7,304,723,870	171,367,622		7,476,091,492
2033-2034	13,410,295,000			13,410,295,000
2036-2037	6,537,216,356	153,362,022		6,690,578,378
2037-2038	13,999,089,000			13,999,089,000
2041-2042	18,078,024,015	4,659,011,330		22,737,035,345
2044-2045		2,241,684,290		2,241,684,290
	368,013,135,029	96,398,088,553	48,000,629,000	416,410,594,582
Less:				
Government's holdings ⁽²⁾		21,967,879,000	22,541,779,000	573,900,000
Consolidation adjustment ⁽³⁾	50,726,000	294,130,000		(243,404,000)
	50,726,000	22,262,009,000	22,541,779,000	330,496,000
Total marketable bonds payable in Canadian currency	367,962,409,029	118,660,097,553	70,542,408,000	416,080,098,582
Payable in foreign currencies—				
Maturing 2014-2015	3,047,400,000		138,600,000	2,908,800,000
2016-2017	33,769,255		1,535,873	32,233,382
2018-2019	16,334,064		742,896	15,591,168
2019-2020	2,747,555,300	4,600,000	161,700	2,751,993,600
	5,845,058,619	4,600,000	141,040,469	5,708,618,150
Less: Government's holdings and securities held for the retirement of unmatured debt ⁽⁴⁾	55,251,084	3,896,557	1,298,595	52,653,122
Total marketable bonds payable in foreign currencies	5,789,807,535	8,496,557	142,339,064	5,655,965,028
Total	373,752,216,564	118,668,594,110	70,684,747,064	421,736,063,610

(1) These columns include the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

(2) Represents securities held for cancellation.

(3) Includes \$82 million of securities held by consolidated Crown corporations and other entities and \$325 million of borrowings by consolidated agent Crown corporations. Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

(4) 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.

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, 2011 consists of \$9,500 million in odd issue bills; \$47,300 million in three-month bills; \$33,200 million in six-month bills; and, \$73,000 million in 364-day bills.

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

TABLE 6.3
TREASURY BILLS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Three-month bills.....	51,500,000,000	201,000,000,000	205,200,000,000	47,300,000,000
Six-month bills.....	38,600,000,000	76,000,000,000	81,400,000,000	33,200,000,000
Other bills.....	85,800,000,000	155,600,000,000	158,900,000,000	82,500,000,000
	175,900,000,000	432,600,000,000	445,500,000,000	163,000,000,000
Less: Government's holdings— Consolidation adjustment ⁽¹⁾	50,878,000	30,387,000		20,491,000
Total.....	175,849,122,000	432,630,387,000	445,500,000,000	162,979,509,000

⁽¹⁾ Represents securities held by consolidated Crown corporations and other entities. Additional information is provided in Section 4 of this volume.

Retail Debt

Retail debt includes Canada Savings Bonds and Canada Premium Bonds which 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 Bonds and Canada Premium Bonds.

TABLE 6.4
RETAIL DEBT

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Canada Savings Bonds—				
Matured 2010-2011	174,747,946		174,747,946	
Maturing 2011-2012	231,890,356		31,921,861	199,968,495
2012-2013	274,592,818		39,545,398	235,047,420
2013-2014 ⁽¹⁾	383,407,019		54,955,333	328,451,686
2014-2015 ⁽²⁾	517,126,410		79,601,557	437,524,853
2015-2016 ⁽³⁾	514,495,610		88,872,696	425,622,914
2016-2017 ⁽⁴⁾	716,368,135		133,103,752	583,264,383
2017-2018 ⁽⁵⁾	1,324,127,419		270,521,441	1,053,605,978
2018-2019 ⁽⁶⁾	1,889,696,141	90	635,434,330	1,254,261,901
2019-2020 ⁽⁷⁾	827,689,008	933,666,358	952,503,667	808,851,699
2020-2021 ⁽⁸⁾	8,314,629	732,041,822	108,908,646	631,447,805
	6,862,455,491	1,665,708,270	2,570,116,627	5,958,047,134
Canada Premium Bonds—				
Matured 2010-2011	615,171,622		615,171,622	
Maturing 2011-2012	490,792,407		26,236,519	464,555,888
2012-2013	971,307,485		79,562,800	891,744,685
2013-2014	783,042,471		41,398,459	741,644,012
2014-2015	235,737,979		17,192,932	218,545,047
2015-2016	161,957,665		8,027,248	153,930,417
2016-2017	161,045,651		11,873,569	149,172,082
2017-2018	143,955,067		11,154,265	132,800,802
2018-2019 ⁽⁶⁾	853,517,743	500	70,737,843	782,780,400
2019-2020 ⁽⁷⁾	517,738,792	184,253	90,047,741	427,875,304
2020-2021 ⁽⁸⁾	58,710,710	179,378,724	17,686,577	220,402,857
	4,992,977,592	179,563,477	989,089,575	4,183,451,494
Total	11,855,433,083	1,845,271,747	3,559,206,202	10,141,498,628

(1) Ten years maturity extension to CSB Series 46 until November 1, 2013.

(2) Ten years maturity extension to CSB Series 47 until November 1, 2014.

(3) Ten years maturity extension to CSB Series 48 until November 1, 2015.

(4) Ten years maturity extension to CSB Series 49 until November 1, 2016.

(5) Ten years maturity extension to CSB Series 50 and 52 until November 1, 2017.

(6) Ten years maturity extension to CSB Series 51, 54, 55, 56, 57, 58 and CPB Series 3, 4, 5, 6, 7.

(7) Ten years maturity extension to CSB Series 59, 60, 61, 62, 63, 64 and CPB Series 8, 9, 10, 11, 12, 13.

(8) Ten years maturity extension to CSB Series 65 and CPB Series 14.

Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Board and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less;
- 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 bonds.

TABLE 6.5

BONDS FOR CANADA PENSION PLAN

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Matured 2010-2011	425,010,000		425,010,000	
Maturing 2011-2012	15,763,000			15,763,000
2012-2013	11,118,000			11,118,000
Total	451,891,000		425,010,000	26,881,000

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, 2011.

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

TABLE 6.6

CANADA BILLS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Canada bills before revaluation	2,346,665,926	8,186,625,529	8,613,529,643	1,919,761,812
Exchange valuation adjustment	106,039,043		53,698,449	52,340,594
Total	2,452,704,969	8,186,625,529	8,667,228,092	1,972,102,406

Cross-currency Swap Revaluation

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

Unamortized Discounts and Premiums on Market Debt

The unamortized discounts and premiums on market debt have the following characteristics:

- unamortized discounts on Canada bills records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills;
- unamortized discounts on Treasury bills records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills; and,
- unamortized discounts and premiums on marketable bonds records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenses. Discounts and premiums are amortized over the life of the bonds.

Table 6.7 presents a summary of the balances and transactions for the unamortized discounts and premiums on market debt.

TABLE 6.7
UNAMORTIZED DISCOUNTS AND PREMIUMS ON MARKET DEBT

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Unamortized discounts on Canada Bills	(419,341)	4,502,881	4,453,050	(369,510)
Unamortized discounts on Treasury Bills	(255,558,199)	1,307,422,970	1,677,370,085	(625,505,314)
Unamortized discounts and premiums on marketable bonds	(4,836,133,009)	1,834,161,140	857,104,098	(3,859,075,967)
Total	(5,092,110,549)	3,146,086,991	2,538,927,233	(4,484,950,791)

Interest Rates

Table 6.8 sets out market debt as at March 31, for each of the years 2006-2007 to 2010-2011 inclusively, with the average rate of interest thereon. For purposes of comparison, market

debt is classified as Marketable bonds, Treasury bills, Retail debt, Bonds for the Canada Pension Plan, Canada bills and Foreign currency notes.

TABLE 6.8

MARKET DEBT AS AT MARCH 31, FROM 2007 TO 2011, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Retail debt		Bonds for Canada Pension Plan		Canada bills		Foreign currency notes		Total market 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)	%
2011	421,736	3.55	162,980	1.12	10,141	1.10	27	9.69	1,972	0.15			596,856	2.83
2010	373,752	3.85	175,849	0.40	11,855	1.32	452	11.19	2,453	0.13			564,361	2.71
2009	295,184	4.53	192,275	1.34	12,532	2.32	523	11.03	8,707	0.64	1,676	4.50	510,897	3.21
2008	259,429	5.08	116,936	3.60	13,068	3.50	1,042	10.62	1,483	2.59	2,136	3.87	394,094	4.61
2007	263,889	5.23	134,074	4.20	15,175	3.54	1,743	10.37	1,847	5.11	2,118	3.92	418,846	4.86

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.9 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 2006-2007 to 2010-2011 inclusively.

TABLE 6.9

TREASURY BILLS AVERAGE YIELDS AT TENDER

	High	Low	Last issue
Year ended March 31	%	%	%
Three-month bills—			
2011	1.01	0.29	0.92
2010	0.42	0.17	0.23
2009	2.83	0.46	0.46
2008	4.61	2.03	2.03
2007	4.30	3.90	4.17
Six-month bills—			
2011	1.17	0.47	1.08
2010	0.52	0.26	0.35
2009	3.09	0.56	0.56
2008	4.70	2.29	2.29
2007	4.44	4.00	4.19
364 days bills—			
2011	1.46	0.95	1.34
2010	0.77	0.46	0.77
2009	3.30	0.68	0.68
2008	4.78	2.34	2.34
2007	4.55	4.10	4.17
Other bills—			
2011	0.99	0.17	0.97
2010	0.25	0.18	0.24
2009	3.39	0.84	0.84
2008	4.47	2.20	3.06
2007	4.27	3.80	4.27

Maturity of Government Debt

Table 6.10 presents total market debt arranged in order of maturity.

TABLE 6.10

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Retail debt		Bonds for Canada Pension Plan		Canada bills		Foreign currency notes		Total market 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)	%	\$(millions)	%
2012	41,467	2.71	163,000	1.12	664	1.00	16	9.92	1,972	0.15			207,119	1.43
2013	74,200	2.38			1,127	1.00	11	9.37					75,338	2.36
2014	43,008	3.43			1,070	2.01							44,078	3.39
2015	41,213	3.06			656	0.81							41,869	3.03
2016	30,942	3.47			580	1.16							31,522	3.43
2017/21....	75,140	3.66			6,044	1.02							81,184	3.46
2022/26....	23,662	5.19											23,662	5.19
2027/31....	25,933	5.88											25,933	5.88
2032/36....	20,886	5.12											20,886	5.12
2037/41....	20,690	4.35											20,690	4.35
2042/46....	24,979	3.22											24,979	3.22
	422,120	3.55	163,000	1.12	10,141	1.10	27	9.69	1,972	0.15			597,260	2.83
Less: Government's holdings and consolidation adjustment ⁽¹⁾ ...	384	2.96	20										404	2.96
Total	421,736	3.55	162,980	1.12	10,141	1.10	27	9.69	1,972	0.15			596,856	2.83

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 6.11.

⁽¹⁾ Includes government's holdings and securities held for the retirement of unmatured debt (Marketable bonds - \$53 million with an average interest rate of 8.42 percent) and consolidation adjustments.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.11 presents information on the Government's 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 6.11

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/2010	Issues/ Borrowings	Retirements	March 31/2011
Market debt of the Government of Canada ⁽¹⁾	564,361	561,331	528,836	596,856
Cross-currency swap revaluation	(4,233)	543	1,401	(5,091)
Unamortized discounts and premiums on market debt ⁽¹⁾	(5,092)	3,146	2,539	(4,485)
Obligation related to capital leases ⁽¹⁾	4,090	138	543	3,685
Other unmatured debt		190		190
	559,126	565,348	533,319	591,155
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	211,289	61,584	45,231	227,642
Total	770,415	626,932	578,550	818,797

⁽¹⁾ Details can be found in this section.

⁽²⁾ The comparative figure has been restated. Details can be found in Section 9 (Table 9.6) of this volume.

6.10 INTEREST-BEARING DEBT

Structure of interest-bearing debt

Table 6.12 presents the proportion of interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

TABLE 6.12
STRUCTURE OF INTEREST-BEARING DEBT

	March 31/2011		March 31/2010	
	Total \$(millions)	Portion of total of which interest is fixed ⁽¹⁾ %	Total \$(millions)	Portion of total of which interest is fixed ⁽¹⁾ %
Unmatured debt—				
Market debt—				
Payable in Canadian currency—				
Marketable bonds—				
Nominal	378,687	89.1	333,344	92.2
Real return	37,724	50.0	34,669	50.0
Treasury bills	163,000		175,900	
Retail debt	10,141	20.0	11,855	20.0
Bonds for Canada Pension Plan	27	40.7	452	6.0
	589,579	60.7	556,220	58.8
Payable in foreign currencies	7,681	74.3	8,298	70.5
Less:				
Government's holdings	627	8.5	(55)	50.9
Consolidation adjustment	(223)		(102)	
Total—Market debt ⁽²⁾	596,856	61.0	564,361	59.0
Cross-currency swap revaluation	(5,091)		(4,233)	
Unamortized discounts and premiums on market debt	(4,485)		(5,092)	
Obligation related to capital leases	3,685	100.0	4,090	100.0
Other unamatured debt	190	100.0		
Total—Unmatured debt	591,155	61.3	559,126	59.3
Pension, other future benefits and other liabilities—				
Public sector pensions	146,135	97.0	142,843	97.0
Other employee and veteran future benefits	58,206		54,227	
Other liabilities	6,315	7.5	6,587	10.0
Total—Pension, other future benefits and other liabilities	210,656	67.5	203,657	68.4
Total—Interest-bearing debt ⁽³⁾	801,811	63.1	762,783	63.3

(1) Interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

(2) The weighted average term to maturity of market debt was 5.9 years in 2011 and 6.0 years in 2010.

(3) The fixed rate share of the debt is adjusted by excluding components of the debt that are matched with financial assets of the same term and therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporations; Government of Canada debt securities held by the Bank of Canada; and the debt offset by Receiver General cash and deposit balances.

	(in millions of dollars)	
	2011	2010
Outstanding swap agreements as of March 31 (\$ millions Cdn):		
Cross-currency swaps—		
Fixed to fixed	30,812	28,848
Fixed to floating	6,371	6,035
Floating to fixed	687	1,326
Floating to floating	1,201	1,274
Foreign exchange	476	76
Total outstanding swap agreements	39,547	37,559

Obligation related to capital leases

A capital lease is a lease that transfers substantially all the benefits and risks inherent in ownership of the asset to the lessee. The net obligation related to capital leases represents the present values of the remaining minimum lease payments under the capital lease arrangements.

Table 6.13 presents the obligation related to capital lease agreements by asset type.

TABLE 6.13

OBLIGATION RELATED TO CAPITAL LEASES

	April 1/2010	Net changes	March 31/2011
	\$	\$	\$
Land	8,879,102	(546,828)	8,332,274
Buildings	2,880,126,083	(316,597,903)	2,563,528,180
Works and infrastructure	622,312,960	(16,842,083)	605,470,877
Machinery and equipment	38,543,507	(10,727,438)	27,816,069
Vehicles	539,870,176	(59,813,121)	480,057,055
Total	4,089,731,828	(404,527,373)	3,685,204,455

Capital Leases

Table 6.14 provides details of obligation under capital lease arrangements.

TABLE 6.14

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES

(in thousands of dollars)

	Inception date	Lease term in years	Discount rate (%) ⁽¹⁾	Balances at March 31, 2011		
				Total estimated remaining minimum lease payments	Less: imputed interest using the discount rate	Net obligations under capital lease arrangements
Canada Revenue Agency—						
IBM-Computer hardware	Oct 2008	4	3.32	1,231	32	1,199
IBM-Computer hardware	Oct 2008	4	3.32	1,426	37	1,389
IBM-Computer hardware	Oct 2008	4	3.32	1,648	42	1,606
IBM-Computer hardware	Oct 2008	4	3.32	1,860	48	1,812
IBM-Additional engines for computer hardware	Jan 2010	3	1.76	988	14	974
IBM-Additional engines for computer hardware	Jan 2010	3	1.76	1,913	26	1,887
IBM-Additional engines for computer hardware	July 2010	2	1.57	1,535	19	1,516
IBM-Additional engines for computer hardware	Jan 2011	2	1.62	1,308	17	1,291
Other capital leases less than \$1,000,000				1,650	20	1,630
				13,559	255	13,304
Canadian Heritage—						
National Film Board—						
Spirit 4K Film Scanner and DataCine	July 2008	5	8.00	559	34	525
Other capital leases less than \$1,000,000				279	14	265
				838	48	790
Environment—						
Carleton University, Ottawa - National Wildlife Research Centre	May 2002	25	5.63	20,800	7,323	13,477
Supercomputer Meteorological Service of Canada	Sept 2009	3	0.71	6,751	305	6,446
				27,551	7,628	19,923
National Defence—						
Longue Pointe Supply Depot	Nov 1994	35	7.64	62,919	29,381	33,538
Edmonton Armoury - South	May 2001	20	6.07	21,621	5,498	16,123
Edmonton Armoury - North	Dec 2000	20	5.62	13,675	3,142	10,533
Shawinigan Armoury	May 1999	20	5.46	4,529	877	3,652
Milit-Air (NFTC)	Dec 1999	20	5.78	534,706	116,837	417,869
Milit-Air (NFTC)	Oct 2003	17	5.87	68,389	16,534	51,855
Montfort Hospital - Health Services	Oct 2003	17	5.26	69,819	21,717	48,102
IBM - Z10 Defence Enterprise Server	Jan 2009	3	8.17	1,716	56	1,660
Heron Unmanned Air Vehicles (Noctua project)	Jan 2011	1	0.00	10,333		10,333
Other capital leases less than \$1,000,000				316	6	310
				788,023	194,048	593,975

TABLE 6.14

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

	Inception date	Lease term in years	Discount rate (%) ⁽¹⁾	Balances at March 31, 2011		
				Total estimated remaining minimum lease payments	Less: imputed interest using the discount rate	Net obligations under capital lease arrangements
Natural Resources—						
183 Longwood Drive, Hamilton	Nov 2010	25	3.45	116,139	37,949	78,190
Parliament—						
House of Commons—						
Speed Master - Heidelberg	Feb 2011	5	5.25	1,958	236	1,722
Other capital leases less than \$1,000,000				2,622	262	2,360
				4,580	498	4,082
Public Safety and Emergency Preparedness—						
Royal Canadian Mounted Police—						
RCMP Detachment, Cornwall	Aug 2009	25	5.54	26,836	11,818	15,018
Public Works and Government Services—						
1 Arctic Road, Inuvik	March 2008	10	10.73	1,202	360	842
101 Frederick Street, Kitchener (Lease 1 of 2)	July 2010	5	2.98	922	57	865
101 Frederick Street, Kitchener (Lease 2 of 2)	July 2010	5	7.66	1,807	269	1,538
110 O'Connor Street, Ottawa (Lease 1 of 6)	April 2009	10	5.70	4,623	918	3,705
110 O'Connor Street, Ottawa (Lease 2 of 6)	April 2009	10	5.43	4,537	863	3,674
110 O'Connor Street, Ottawa (Lease 3 of 6)	Dec 2009	10	5.43	8,189	1,668	6,521
110 O'Connor Street, Ottawa (Lease 4 of 6)	Dec 2009	10	5.43	6,072	1,237	4,835
110 O'Connor Street, Ottawa (Lease 5 of 6)	Dec 2009	10	5.43	3,171	646	2,525
110 O'Connor Street, Ottawa (Lease 6 of 6)	April 2010	10	4.37	1,793	303	1,490
1130 Morrison Drive, Ottawa	April 2003	10	6.12	377	23	354
117 Glencoe Drive, Mount Pearl	Aug 2009	10	3.57	3,132	426	2,706
135 Hunter Street East, Hamilton	June 2003	10	5.66	931	57	874
1363 Fourth Avenue, Prince George	Dec 2010	10	6.84	1,691	456	1,235
1431 Merivale Road, Ottawa	Oct 2007	10	8.22	3,414	776	2,638
1484 Centennial Drive, Kingston	Oct 2006	10	18.24	2,987	1,098	1,889
159 Cleopatra Drive, Ottawa	March 2011	10	1.33	5,562	353	5,209
1600 Star Top, Gloucester	July 2004	15	7.15	25,238	6,217	19,021
1620 Dickson Avenue, Kelowna	April 2006	10	4.38	1,749	181	1,568
1725 Woodward Drive, Ottawa (Lease 1 of 2)	Dec 2009	10	8.94	3,889	1,190	2,699
1725 Woodward Drive, Ottawa (Lease 2 of 2)	Dec 2009	10	8.55	3,592	1,061	2,531
179 Third Avenue, Timmins	Feb 2010	10	8.69	6,757	2,051	4,706
18 Corporation Drive, Brampton	April 2004	9	4.37	912	40	872
1801 Hollis and Duke, Halifax	Oct 2009	10	3.89	4,025	618	3,407
181 Queen Street, Ottawa	March 2004	20	10.65	47,086	21,979	25,107
1925 McCallum Road, Abbotsford	Nov 2008	15	4.30	4,944	1,226	3,718
200 John Street West, Oshawa	Nov 2009	10	7.16	2,385	607	1,778
22 De Varennes Street, Gatineau	Nov 2007	10	10.97	4,081	1,184	2,897
220 Fortin Street, Quebec	Dec 2007	10	15.65	1,574	600	974
2455 Don Reid Drive, Ottawa	Dec 2009	15	7.71	4,217	1,615	2,602
248 McArthur Avenue, Ottawa	Sept 2002	10	7.91	610	35	575
2525 Dixie Road, Mississauga	Oct 2009	5	6.67	1,441	159	1,282
2655 Lancaster Road, Ottawa (Lease 1 of 2)	Feb 2009	8	3.94	1,157	125	1,032
2655 Lancaster Road, Ottawa (Lease 2 of 2)	July 2009	8	4.66	1,017	128	889
269 Laurier Avenue, Ottawa	Sept 2005	15	4.18	55,013	9,600	45,413
275 De Baets Street, Winnipeg	Feb 2007	10	17.42	1,631	611	1,020
285 Coventry Road, Ottawa	April 2002	10	6.10	2,006	65	1,941
2920 Highway 104, Antigonish	Feb 2006	10	7.76	791	133	658
295 Belliveau Avenue, Shediac	Jan 2007	15	7.93	4,166	1,376	2,790
3 Lower Malpeque, Charlottetown	June 2008	10	4.19	1,012	139	873
3085 Glen Erin Drive, Mississauga (Lease 1 of 2)	Aug 2010	7	7.28	1,804	362	1,442
3085 Glen Erin Drive, Mississauga (Lease 2 of 2)	Nov 2010	10	5.74	2,760	641	2,119
325 Broadway Avenue, Winnipeg	Jan 2008	10	10.37	9,393	2,657	6,736
3299 Industriel Boulevard, Sherbrooke	Nov 2009	10	6.24	1,652	383	1,269
3600 Lysander Lane, Richmond	March 2010	10	0.43	3,390	67	3,323
365 Hargrave Street, Winnipeg	July 2003	10	4.65	1,135	59	1,076
400 City Hall Square East, Windsor	Jan 2006	10	9.89	3,284	672	2,612
4210 Labelle Street, Ottawa	April 2002	10	5.59	1,005	30	975

TABLE 6.14

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

	Inception date	Lease term in years	Discount rate (%) ⁽¹⁾	Balances at March 31, 2011		
				Total estimated remaining minimum lease payments	Less: imputed interest using the discount rate	Net obligations under capital lease arrangements
4455 12th Avenue, Shawinigan-Sud	Sept 2003	10	8.85	1,012	104	908
50 King Street, Moncton	June 2002	10	6.40	295	11	284
50 Queen Street North, Kitchener	Nov 2006	7	7.81	1,757	170	1,587
5019, 52nd Street, Yellowknife	Feb 2011	10	2.54	2,096	243	1,853
520 Exmouth Street, Sarnia	Dec 2006	10	4.08	3,032	329	2,703
555 McAllister Drive, Saint John	Nov 2007	10	8.16	4,199	959	3,240
6th and 2nd Building, Edmonton	Sept 2009	5	3.49	1,002	59	943
635 8th Avenue South West, Calgary	July 2009	10	3.55	8,739	1,196	7,543
65 John Savage Avenue, Dartmouth	Oct 2004	10	5.93	1,461	145	1,316
6503 67th Street, Red Deer	Sept 2009	10	4.81	1,104	198	906
78 Richmond Street West, Oshawa	July 2009	5	9.75	3,034	453	2,581
8 Colonnade Road, Ottawa	May 2007	10	5.91	1,771	286	1,485
8 Queen Street East, Sault Ste Marie	June 2010	10	4.95	2,677	528	2,149
81 Kingmingya Road, Inuvik	Jan 2011	10	7.35	1,490	428	1,062
859 Main Street, Moncton	July 2008	10	5.49	1,404	248	1,156
985 McGill Place, Kamloops	June 2002	15	13.50	1,893	613	1,280
Admiral Building, Ottawa	Aug 2009	15	11.51	2,235	1,142	1,093
Albion Executive Tower, Ottawa	Dec 2009	10	6.80	2,783	684	2,099
Bank of Canada, Ottawa	Sept 2002	10	6.00	2,280	99	2,181
Barker House, Fredericton	April 2010	10	2.82	3,206	383	2,823
Bell Canada Place, Ottawa	May 2003	15	10.88	6,690	2,040	4,650
Bell Tower, Edmonton	Jan 2004	10	18.61	1,787	397	1,390
Bellanca Building, Yellowknife	March 2007	5	4.14	1,274	26	1,248
Bonaventure Place, Montreal	May 2005	10	16.43	3,596	989	2,607
Boyd Warehouse, Complex No 2, Ottawa	April 2002	10	14.98	436	33	403
Broad Street Crossing, Regina (Lease 1 of 2)	May 2008	10	4.88	1,543	241	1,302
Broad Street Crossing, Regina (Lease 2 of 2)	May 2008	10	9.77	1,195	335	860
C. D. Howe Building, Ottawa	Sept 1977	35	9.19	8,642	568	8,074
Canada Building, Ottawa	April 2007	10	4.27	4,332	516	3,816
Canada Building & Enterprise Building, Ottawa	April 2004	9	5.94	14,469	858	13,611
Canada Place Building, Edmonton	Oct 2007	25	4.44	398,051	150,284	247,767
Canada Post Place, Ottawa	Dec 2004	15	4.91	26,602	4,971	21,631
Cargill Building, Winnipeg	July 2008	10	7.38	8,337	1,896	6,441
Carling Square, Tower I, Ottawa	Oct 2007	10	11.76	5,395	1,636	3,759
Carling Square, Tower II, Ottawa	Dec 2007	10	7.83	8,974	2,000	6,974
Centennial House, Winnipeg	April 2008	10	4.69	3,637	550	3,087
Centennial Towers, Ottawa	Dec 2003	10	6.70	29,047	2,515	26,532
Chief Joseph Big Plume Building, Sarnia	Jan 2011	10	5.93	4,402	1,065	3,337
City Place, Winnipeg (Lease 1 of 2)	Nov 2008	10	9.16	2,283	645	1,638
City Place, Winnipeg (Lease 2 of 2)	April 2009	10	7.04	4,393	1,049	3,344
Coast Guard Base, Mount Pearl	Feb 2011	8	2.21	2,064	171	1,893
Colonnade Warehouse, Nepean	April 2007	10	7.80	1,233	251	982
Commerce Tower, Sidney	Dec 2004	7	4.21	158	2	156
Commodity Exchange & Winnipeg Square, Winnipeg (Lease 1 of 2)	Jan 2009	9	9.61	5,069	1,379	3,690
Commodity Exchange & Winnipeg Square, Winnipeg (Lease 2 of 2)	Jan 2009	9	9.74	3,615	994	2,621
Corneston E Systems, Ottawa	Sept 2006	5	6.25	340	6	334
Crownsnest Trail Plaza, Lethbridge	July 2008	10	5.83	1,278	244	1,034
De La Cité Place, Gatineau	Dec 2003	15	9.78	29,931	8,926	21,005
Des Explorateurs Place, Gatineau	Oct 2008	10	4.68	2,336	375	1,961
Federal Court, Montreal	Feb 1994	20	21.53	4,847	1,242	3,605
Fontaine Building, Gatineau	Jan 2008	15	5.82	38,928	10,786	28,142
Fraser Building, Ottawa	Feb 2010	10	3.24	4,046	532	3,514
Galeries Laurentides, Saint-Jérôme	June 2007	10	15.13	1,518	535	983
Glencoe Building, Mount Pearl	Dec 2007	10	10.74	2,621	755	1,866
Guy Favreau Complex, Montreal	Jan 2004	15	5.84	82,820	21,122	61,698
Hamilton Centre, Regina	June 2002	10	15.88	953	88	865
Harry Hays Building, Calgary	Oct 2007	25	4.44	394,035	148,803	245,232

TABLE 6.14

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

	Inception date	Lease term in years	Discount rate (%) ⁽¹⁾	Balances at March 31, 2011		
				Total estimated remaining minimum lease payments	Less: imputed interest using the discount rate	Net obligations under capital lease arrangements
Heritage Court, Moncton	July 2002	10	11.36	893	64	829
Historic Properties, Halifax	Jan 2006	10	8.18	1,944	338	1,606
I.C.A.O., Montreal	Nov 1996	20	9.94	85,738	24,583	61,155
Iberville IV Tower, Sainte-Foy	April 2005	10	4.68	708	64	644
Jean Edmonds Tower North, Ottawa	Jan 2005	10	4.53	34,008	2,786	31,222
Joe Tobie Building, Yellowknife	April 2008	5	3.08	615	19	596
Joseph Shepard Building, Toronto	Oct 2007	25	4.44	272,429	102,890	169,539
Judicial Complex, Toronto	April 2006	20	11.40	87,541	48,074	39,467
Kent Square Building, Ottawa	Oct 2007	10	4.52	4,176	563	3,613
Laurier Place, Ottawa	May 2009	10	5.51	3,639	708	2,931
Library Square (Block 56), Vancouver	May 1995	25	9.68	60,558	20,371	40,187
Lionel Chevrier Building, Cornwall	Dec 2004	15	6.07	6,857	1,536	5,321
Louis St-Laurent, Gatineau	Nov 2001	15	6.38	48,395	9,474	38,921
Maritime Centre, Halifax (Lease 1 of 3)	Oct 2006	10	10.41	1,137	274	863
Maritime Centre, Halifax (Lease 2 of 3)	Jan 2010	15	6.26	21,777	7,324	14,453
Maritime Centre, Halifax (Lease 3 of 3)	Jan 2010	15	5.78	2,260	715	1,545
Megasys Phase II, Calgary	Feb 2008	10	5.62	6,212	1,064	5,148
Mercury Centre, Ottawa	Jan 2007	25	4.50	134,900	47,349	87,551
Midwest Surveys Building, Calgary	April 2007	10	17.88	4,006	1,559	2,447
Montcalm Place, Phase III, Gatineau	Dec 2003	15	8.65	31,200	8,450	22,750
Narono Building, Ottawa	Feb 2008	10	4.61	1,779	259	1,520
Nova Plaza, Yellowknife (Lease 1 of 2)	April 2009	10	6.00	3,497	725	2,772
Nova Plaza, Yellowknife (Lease 2 of 2)	April 2010	10	10.21	1,778	618	1,160
Parks Canada Building, Dartmouth	July 2009	20	7.61	4,948	2,277	2,671
Pickering Building Towers A & B, Ottawa	Dec 2006	5	18.34	937	61	876
Purdy's Wharf Tower II, Halifax	Oct 2003	8	4.48	298	4	294
RCMP Building, Montreal	Oct 2007	25	4.44	68,266	25,881	42,385
Revenu Canada Building, Montreal	Oct 2007	25	4.44	139,261	52,618	86,643
Roper Ridge Business Park, Edmonton	Nov 2008	10	6.43	6,694	1,434	5,260
Rosdev de Ville, Gatineau	June 2007	10	4.58	22,802	2,970	19,832
Royal Bank Building, Toronto	May 2002	10	12.50	5,675	393	5,282
Royal Centre, New Westminster (Lease 1 of 2)	Nov 2008	10	11.22	2,201	723	1,478
Royal Centre, New Westminster (Lease 2 of 2)	March 2011	9	5.96	1,414	334	1,080
Sixty Queen Building, Ottawa (Lease 1 of 2)	July 2008	10	3.94	2,094	264	1,830
Sixty Queen Building, Ottawa (Lease 2 of 2)	May 2009	9	0.32	5,993	67	5,926
Sixty-Six Slater Building, Ottawa (Lease 1 of 2)	April 2009	10	4.95	4,897	860	4,037
Sixty-Six Slater Building, Ottawa (Lease 2 of 2)	Sept 2010	10	5.53	1,964	436	1,528
Skyline Complex, Ottawa	Oct 2007	25	4.44	307,793	116,437	191,356
Smith Building, St. John's	July 2009	10	7.08	3,881	948	2,933
Terrasses de la Chaudière, Gatineau	Jan 1993	20	9.95	87,466	13,908	73,558
The Baker Center Building, Edmonton	Dec 2007	10	4.45	1,220	166	1,054
The Inuksugait Plaza, Iqaluit	Oct 2006	10	14.28	1,208	374	834
The New Two Seventy Building, Ottawa	June 2007	10	4.58	7,148	938	6,210
The Standard Life Centre, Hamilton	Dec 2007	5	11.15	1,199	109	1,090
Thomas D'Arcy McGee, Ottawa	Oct 2007	25	4.44	240,466	90,749	149,717
Time Square Building, Ottawa	Oct 2010	10	4.76	6,406	1,261	5,145
Trebla Building, Ottawa (Lease 1 of 2)	April 2009	10	9.46	8,731	2,624	6,107
Trebla Building, Ottawa (Lease 2 of 2)	April 2009	10	2.73	922	95	827
Trusco Building, Ottawa	Sept 2006	20	4.28	107,091	28,789	78,302
Urbandale Building, Ottawa	June 2002	10	4.40	617	17	600
VAC Records Management Centre, Charlottetown	Nov 2007	15	13.43	3,820	1,887	1,933
Vanguard Building, Ottawa	Nov 2007	10	4.80	3,134	451	2,683
Vault Building, Lethbridge	April 2008	10	6.18	1,410	268	1,142
Vincent Massey Place, Gatineau	Aug 2001	10	6.21	734	9	725
Waldron Building, Yellowknife	Aug 2007	10	12.22	1,610	493	1,117
Wellington Place, Sherbrooke	Feb 2005	8	6.30	524	30	494
Woodward's Abbott Building, Vancouver	Jan 2010	15	5.35	6,338	1,883	4,455
Other capital leases less than \$1,000,000				88,549	25,170	63,379
				3,376,231	1,097,159	2,279,072

TABLE 6.14**DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded***

(in thousands of dollars)

	Inception date	Lease term in years	Discount rate (%) ⁽¹⁾	Balances at March 31, 2011		
				Total estimated remaining minimum lease payments	Less: imputed interest using the discount rate	Net obligations under capital lease arrangements
Transport—						
Confederation Bridge	May 1997	35	6.16	1,383,004	777,533	605,471
Other departments—						
Capital leases less than \$1,000,000				941	51	890
				5,737,702	2,126,987	3,610,715
Consolidated Crown corporations and other entities—						
Canadian Broadcasting Corporation—						
HD3 Mobile	Jan 2011	5	2.95	8,381	578	7,803
Canadian Museum of Nature—						
Natural Heritage Building, Gatineau, Que	Sept 1996	35	9.88	71,750	41,144	30,606
Canadian Race Relations Foundation—						
Capital leases less than \$1,000,000				10	1	9
First Nations Statistical Institute—						
Xerox		5	4.00	40,032	4,003	36,029
Sustainable Development Technology Canada—						
Capital leases less than \$1,000,000				45	3	42
				120,218	45,729	74,489
Total				5,857,920	2,172,716	3,685,204

⁽¹⁾ For lessors and lessees, the financing rate of a lease agreement is subject to change over the term of lease.

Minimum lease payments related to capital leases

Table 6.15 presents upcoming minimum leases payments for the next five years by ministry.

TABLE 6.15**MINIMUM LEASE PAYMENTS RELATED TO CAPITAL LEASES**

(in thousands of dollars)

	Payments due in						Total
	2012	2013	2014	2015	2016	2017 and subsequent years	
Canada Revenue Agency—							
Remaining payments	9,039	4,520					13,559
Imputed interest	223	32					255
	8,816	4,488					13,304
Canadian Heritage—							
National Film Board—							
Remaining payments	389	389	60				838
Imputed interest	38	10					48
	351	379	60				790
Environment—							
Remaining payments	8,051	1,300	1,300	1,300	1,300	14,300	27,551
Imputed interest	1,064	729	696	662	626	3,851	7,628
	6,987	571	604	638	674	10,449	19,923
National Defence—							
Remaining payments	94,617	82,666	82,610	82,546	82,488	363,096	788,023
Imputed interest	33,443	30,481	27,406	24,151	20,855	57,712	194,048
	61,174	52,185	55,204	58,395	61,633	305,384	593,975

6.16 INTEREST-BEARING DEBT

TABLE 6.15

MINIMUM LEASE PAYMENTS RELATED TO CAPITAL LEASES—*Concluded*

(in thousands of dollars)

	Payments due in						Total
	2012	2013	2014	2015	2016	2017 and subsequent years	
Natural Resources—							
Remaining payments	4,718	4,718	4,718	4,718	4,718	92,549	116,139
Imputed interest	2,665	2,593	2,519	2,442	2,362	25,368	37,949
	2,053	2,125	2,199	2,276	2,356	67,181	78,190
Parliament—							
House of Commons—							
Remaining payments	980	959	954	953	734		4,580
Imputed interest	179	141	101	60	17		498
	801	818	853	893	717		4,082
Public Safety and Emergency Preparedness—							
Royal Canadian Mounted Police—							
Remaining payments	1,146	1,146	1,146	1,146	1,146	21,106	26,836
Imputed interest	824	805	786	766	744	7,893	11,818
	322	341	360	380	402	13,213	15,018
Public Works and Government Services—							
Remaining payments	282,629	266,166	291,427	220,834	208,405	2,106,770	3,376,231
Imputed interest	127,850	116,978	102,614	93,067	84,605	572,045	1,097,159
	154,779	149,188	188,813	127,767	123,800	1,534,725	2,279,072
Transport—							
Remaining payments	59,075	56,650	57,506	58,375	59,257	1,092,141	1,383,004
Imputed interest	41,466	38,240	38,257	38,250	38,216	583,104	777,533
	17,609	18,410	19,249	20,125	21,041	509,037	605,471
Other departments—							
Capital leases less than \$1,000,000—							
Remaining payments	425	266	183	49	18		941
Imputed interest	27	16	7	1	0		51
	398	250	176	48	18		890
	253,290	228,755	267,518	210,522	210,641	2,439,989	3,610,715
Consolidated Crown corporations and other entities—							
Canadian Broadcasting Corporation—							
Remaining payments	1,749	1,730	1,730	1,730	1,442		8,381
Imputed interest	209	164	117	69	19		578
	1,540	1,566	1,613	1,661	1,423		7,803
Canadian Museum of Nature—							
Remaining payments	3,500	3,500	3,500	3,500	3,500	54,250	71,750
Imputed interest	3,017	2,967	2,912	2,851	2,783	26,614	41,144
	483	533	588	649	717	27,636	30,606
Canadian Race Relations Foundation—							
Remaining payments	3	2	2	3			10
Imputed interest	1						1
	2	2	2	3			9
First Nations Statistical Institute—							
Remaining payments	10,008	10,008	10,008	10,008			40,032
Imputed interest	1,601	1,201	801	400			4,003
	8,407	8,807	9,207	9,608			36,029
Sustainable Development Technology Canada—							
Remaining payments	14	14	13	4			45
Imputed interest	1	1	1				3
	13	13	12	4			42
	10,445	10,921	11,422	11,925	2,140	27,636	74,489
Total	263,735	239,676	278,940	222,447	212,781	2,467,625	3,685,204
Summary—							
Remaining payments	476,343	434,034	455,157	385,166	363,008	3,744,212	5,857,920
Imputed interest	212,608	194,358	176,217	162,719	150,227	1,276,587	2,172,716
Net obligation	263,735	239,676	278,940	222,447	212,781	2,467,625	3,685,204

PENSION AND OTHER FUTURE BENEFITS

Pension and other future benefits include liabilities for public sector pensions and other employee and veteran future benefits established under the authority of section 64 of the *Financial Administration Act*.

Public Sector Pensions

The Government sponsors defined benefit pension plans covering substantially all its employees, principally members of the Public Service and certain Public Service corporations and Territorial governments, the Canadian Forces, including the Reserve Force 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 liability for public sector pensions represents the Government's obligations for the major pension plans it sponsors. It is recorded through superannuation accounts, which are generally established pursuant to legislation, and through adjustment allowance accounts. The 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's accounting policies.

The legislation requires that all pension obligations arising from these plans be met. Prior to April 1, 2000, separate market invested funds were not maintained and no formal debt instruments are issued to the pension accounts by the Government in recognition of the amounts related to pensionable service for this period. Since April 1, 2000, amounts equal to contributions less benefits and other payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans, and for the Reserve Force Pension Plan, are transferred to the Public Sector Pension Investment Board (PSP Investments) for investment in capital markets. The goal of PSP Investments 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. PSP Investments reports the results of the investments in an annual report tabled in Parliament.

Additional information on the above mentioned plans can be found in the annual reports of the administration of the plans that are tabled in Parliament.

i. Pension plans

Public Service Pension Plan, Canadian Forces Pension Plan including the Reserve Force Pension Plan and Royal Canadian Mounted Police Pension Plan

Under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, basic pensions for

these plans are generally based on the best five consecutive years' average earnings and accrue at two percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pension benefits are coordinated with benefits under the Canada/Quebec Pension Plans. Pension benefits are indexed annually on January 1 to the cost of living.

In 2011, plan members' contributions were 5.5 percent (5.2 percent in 2010) for the first nine months and 5.8 percent (5.5 percent in 2010) for the last three months on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 8.4 percent (8.4 percent in 2010) on salary above the YMPE.

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. For 2011, the employer contribution rates were about 1.9, 2.5 and 2.2 (1.9, 2.6 and 2.2 respectively in 2010) times the current year's employee contribution for the plans under 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 pension plans by both plan members and by the Government as the employer are credited to pension fund accounts. An amount equal to these contributions less benefits and other payments related to post March 2000 service is transferred to PSP Investments to be invested in capital markets.

The superannuation accounts, which continue to record the transactions that pertain to pre April 1, 2000 service, are credited with interest at rates that are based on the Government of Canada long-term bond rate. The average interest rate credited to the accounts was about 6.5 percent in 2011 (6.7 percent in 2010). The pension fund accounts, which record the transactions that pertain to service since April 1, 2000, are only flow through accounts used to transfer funds to PSP Investments, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or pending transfer to PSP Investments.

To reflect *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 allowance upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five years' average sessional indemnity and accrues at a rate of 3 percent of average sessional indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually on January 1 to the cost of living once recipients reach age 60.

Members' contributions for these benefits are generally 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 on average as follows:

	2011	2010
Members of Parliament—		
House of Commons—		
Retiring allowances account	4.3	3.9
Compensation arrangements account.....	7.8	7.3
The Senate—		
Retiring allowances account	3.6	3.5
Compensation arrangements account.....	4.7	4.6

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 does not have 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 sum 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 contribute 7 percent of salary. Legislation does not require a specific pension account to be maintained to record the transactions pertaining to this plan. Therefore, except for the portion recorded in the Supplementary Retirement Benefit Account, the liability pertaining to this plan is recorded through an allowance account. During the year, benefits paid are recorded as expenditures against the statutory payment authority. The expense is adjusted at year-end through an allowance account, to bring the current year expense from an expenditure to an accrual accounting basis, similar to that of the other pension plans. During the year, the benefit payments charged to the expenditure au-

thority amounted to \$108 million (\$104 million in 2010). At March 31, 2011, the portion of the pension liability recorded through an allowance account for the judges' pension plan amounted to \$1,895 million (\$1,786 million in 2010).

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed at least every three years for funding purposes on the major pension plans using the projected benefit method pro-rated on services.

The most recent date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 2008;

Canadian Forces—March 31, 2010;

Royal Canadian Mounted Police—March 31, 2008;

Members of Parliament—March 31, 2010;

Federally appointed judges—March 31, 2010.

Actuarial valuations for the Retirement Compensation Arrangements (RCA) related to the Public Service, Canadian Forces, Royal Canadian Mounted Police and Members of Parliament pension plans were done as part of the valuation of the related plan.

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 identified be credited to the appropriate account or fund in equal instalments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of \$6.2 million and \$0.6 million (\$6.2 million and \$0.6 million in 2010) were made to the Retirement Compensation Arrangements Account No. 2 and the Members of Parliament Retirement Compensation Arrangements Account, respectively as a result of their last actuarial valuation.

A comparable provision gives authority to deal with excesses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the 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 last actuarial valuations, no debit adjustment was made during the year (nil in 2010).

Table 6.16 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 plan members, related contributions from the Government and participating Public Service corporations and Territorial governments, 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 con-

tributions, pension division payments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to PSP Investments. Adjustments to the allowance account result from annual

actuarial valuations performed for accounting purposes, 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's accounting policies.

TABLE 6.16
PUBLIC SECTOR PENSIONS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.18	94,568,793,168	6,057,257,926	4,844,024,357	95,782,026,737
Allowance for pension adjustments	(10,753,000,000)	372,000,000	532,000,000	(10,913,000,000)
	83,815,793,168	6,429,257,926	5,376,024,357	84,869,026,737
Public Service Pension Fund Account,				
Table 6.19	259,560,587	4,341,041,052	4,369,545,301	231,056,338
Allowance for pension adjustments	827,000,000	962,000,000		1,789,000,000
	1,086,560,587	5,303,041,052	4,369,545,301	2,020,056,338
Canadian Forces Superannuation Account,				
Table 6.20	45,490,149,408	2,894,823,888	2,389,710,461	45,995,262,835
Allowance for pension adjustments	(5,411,000,000)	110,000,000	252,000,000	(5,553,000,000)
	40,079,149,408	3,004,823,888	2,641,710,461	40,442,262,835
Canadian Forces Pension Fund Account,				
Table 6.21	38,045,434	1,089,264,142	1,089,565,829	37,743,747
Allowance for pension adjustments	354,000,000	251,000,000	16,000,000	589,000,000
	392,045,434	1,340,264,142	1,105,565,829	626,743,747
Reserve Force Pension Fund Account,				
Table 6.22	4,315,976	65,836,596	65,125,834	5,026,738
Allowance for pension adjustments	200,000,000	10,000,000	10,000,000	200,000,000
	204,315,976	75,836,596	75,125,834	205,026,738
Royal Canadian Mounted Police Superannuation Account,				
Table 6.23	12,595,517,080	803,241,271	552,181,012	12,846,577,339
Allowance for pension adjustments	(1,384,000,000)	30,000,000	62,000,000	(1,416,000,000)
	11,211,517,080	833,241,271	614,181,012	11,430,577,339
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.24	13,204,037	403,924,611	404,575,705	12,552,943
Allowance for pension adjustments	86,000,000	99,000,000		185,000,000
	99,204,037	502,924,611	404,575,705	197,552,943
Members of Parliament Retiring Allowances Account,				
Table 6.25	606,714,383	71,918,278	22,996,056	655,636,605
Allowance for pension adjustments	(198,000,000)		37,000,000	(235,000,000)
	408,714,383	71,918,278	59,996,056	420,636,605
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.26	197,463,495	43,371,464	25,801,741	215,033,218
Allowance for pension adjustments	162,000,000	17,000,000	13,000,000	166,000,000
	359,463,495	60,371,464	38,801,741	381,033,218
Retirement Compensation Arrangements (RCA) Account,				
Table 6.27	1,847,739,873	302,881,966	214,273,223	1,936,348,616
Allowance for pension adjustments	1,393,000,000	172,000,000	23,000,000	1,542,000,000
	3,240,739,873	474,881,966	237,273,223	3,478,348,616
Supplementary Retirement Benefits Account (Judges),				
Table 6.28	158,741,888	9,840,052		168,581,940
Allowance for pension adjustments	1,786,000,000	111,000,000	2,000,000	1,895,000,000
	1,944,741,888	120,840,052	2,000,000	2,063,581,940
Supplementary Retirement Benefits Account (Others),				
Table 6.28	544,741	50,676	60,975	534,442
Total	142,842,790,070	18,217,451,922	14,924,860,494	146,135,381,498
SUMMARY—				
Superannuation accounts	155,780,790,070	16,083,451,922	13,977,860,494	157,886,381,498
Allowance for pension adjustments	(12,938,000,000)	2,134,000,000	947,000,000	(11,751,000,000)
Total	142,842,790,070	18,217,451,922	14,924,860,494	146,135,381,498

Table 6.17 presents a summary of transactions in public sector pensions that resulted in charges to expenses. Interest is calculated based on the actuarial obligations under the various plans. The pension interest expenses represent the interest

credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$2,568 million (\$1,726 million in 2010) and of \$2,758 million (\$2,101 million in 2010) in expected return on pension investments.

TABLE 6.17

SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES

(in millions of dollars)

	2010-2011									Total	2009-2010
	Government contributions	Statutory payments	Current service cost adjustments	Net current service costs	Funding of actuarial liability adjustment	Pension Plan amendment costs	Amortization of estimation adjustments	Net pension expenses	Net pension interest expenses		
Public Service Superannuation Account ⁽¹⁾	23		(53)	(30)			372	342	5,526	5,868	6,031
Public Service Pension Fund Account	2,543		87	2,630			474	3,104	401	3,505	3,044
Canadian Forces Superannuation Account	3		(7)	(4)			110	106	2,642	2,748	2,674
Canadian Forces Pension Fund Account	772		(16)	756			141	897	110	1,007	837
Reserve Force Pension Fund Account	42		8	50			(10)	40	2	42	69
Defence Services Pension Continuation Act		5		5				5		5	6
Royal Canadian Mounted Police Superannuation Account	1		(1)				30	30	741	771	806
Royal Canadian Mounted Police Pension Fund Account	273		9	282			47	329	43	372	329
Royal Canadian Mounted Police Continuation Act		16		16				16		16	18
Members of Parliament Retiring Allowances Account	8			8				8	25	33	36
Members of Parliament Retirement Compensation Arrangements Account	19		(1)	18	1		(2)	17	12	29	31
Retirement Compensation Arrangements (RCA) Account	135		19	154	6		41	201	118	319	239
Supplementary Retirement Benefits Account	3			3				3		3	3
Judges Act		108	(2)	106			23	129	91	220	207
Other (diplomatic services, lieutenant governors, etc.)		2		2				2		2	2
Subtotal	3,822	131	43	3,996	7		1,226	5,229	9,711	14,940	14,332
Less: costs already recorded in the allowance for pension adjustments of previous years					(7)			(7)		(7)	(7)
Less: contributions from the Judges plan recorded to revenues		(13)		(13)				(13)		(13)	(13)
Total	3,822	118	43	3,983			1,226	5,209	9,711	14,920	14,312

(1) Includes payments under *Supplementary Retirement Benefits Act* and various acts.

Public Service Superannuation Account

This account, established by the *Public Service Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Public Service members up to March 31, 2000.

TABLE 6.18**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	2010-2011	2009-2010
	\$	\$
Opening balance	94,568,793,168	93,054,796,451
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	5,741,576	6,941,893
Retired employees	23,057,162	25,294,035
Public Service corporation employees	331,040	371,083
Employer contributions—		
Government	23,197,946	25,776,126
Public Service corporations	361,879	334,369
Transfers from other pension funds	50,394	883,897
Interest	6,004,517,929	6,159,725,451
	6,057,257,926	6,219,326,854
	100,626,051,094	99,274,123,305
PAYMENTS AND OTHER CHARGES—		
Annuities	4,654,275,769	4,530,362,947
Minimum benefits	12,607,868	12,261,638
Pension division payments	23,959,826	27,948,347
Pension transfer value payments	32,279,928	26,187,931
Returns of contributions—		
Government employees	86,319	22,013
Public Service corporation employees	35,352	19,577
Transfers to other pension funds	30,752,009	14,274,266
Administrative expenses	90,027,286	94,253,418
	4,844,024,357	4,705,330,137
Closing balance	95,782,026,737	94,568,793,168

Public Service Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Public Service Superannuation Act*. An amount equal to contributions, net of benefits and other payments, is transferred to PSP Investments to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.19**PUBLIC SERVICE PENSION FUND ACCOUNT**

	2010-2011	2009-2010
	\$	\$
Opening balance	259,560,587	179,618,666
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	1,348,019,576	1,358,836,378
Retired employees	29,409,311	23,708,690
Public Service corporation employees	119,656,803	106,450,252
Employer contributions—		
Government	2,543,396,141	2,569,573,674
Public Service corporations	228,623,470	204,463,648
Transfers from other pension funds	71,935,751	109,240,943
	4,341,041,052	4,372,273,585
PAYMENTS AND OTHER CHARGES—		
Annuities	568,916,315	441,050,660
Minimum benefits	8,928,269	6,308,145
Pension division payments	10,096,061	9,676,503
Pension transfer value payments	97,684,827	61,413,313
Returns of contributions—		
Government employees	12,298,589	8,738,385
Public Service corporation employees	2,520,594	1,900,298
Transfers to other pension funds	40,395,688	21,729,870
Administrative expenses	37,725,355	34,684,226
	778,565,698	585,501,400
Receipts and other credits less payments and other charges	3,562,475,354	3,786,772,185
Transfers to Pension Investment Board	3,590,979,603	3,706,830,264
Closing balance	231,056,338	259,560,587

Canadian Forces Superannuation Account

This account, established by the *Canadian Forces Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Canadian Forces members up to March 31, 2000.

TABLE 6.20

CANADIAN FORCES SUPERANNUATION ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	45,490,149,408	44,881,569,952
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	3,275,068	3,255,207
Contributions by the Government	3,275,068	3,255,207
Interest	2,886,559,132	2,974,368,763
Other	1,714,620	1,954,644
	2,894,823,888	2,982,833,821
	48,384,973,296	47,864,403,773
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	2,331,573,264	2,319,730,584
Pension division payments	40,772,415	34,703,468
Cash termination allowances and returns of contributions	207,547	554,089
Transfers to Public Service Superannuation Account	168,930	881,947
Administrative expenses	14,601,593	15,035,661
Pension transfer value payments	2,386,712	3,348,616
	2,389,710,461	2,374,254,365
Closing balance	45,995,262,835	45,490,149,408

Canadian Forces Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under Part I of the *Canadian Forces Superannuation Act*. An amount equal to contributions, net of benefits and other payments, is transferred to PSP Investments to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.21

CANADIAN FORCES PENSION FUND ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	38,045,434	59,292,472
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	305,907,477	285,757,510
Contributions by the Government	772,420,340	759,760,350
Transfers from other pension funds	10,936,325	69,753
	1,089,264,142	1,045,587,613
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	189,805,910	158,235,952
Pension division payments	18,799,480	13,464,999
Cash termination allowances and returns of contributions	2,108,494	4,298,365
Transfers to Public Service Superannuation Account	382,989	658,230
Administrative expenses	5,210,609	4,491,171
Pension transfer value payments	45,159,184	19,237,188
	261,466,666	200,385,905
Receipts and other credits less payments and other charges	827,797,476	845,201,708
Transfers to Pension Investment Board	828,099,163	866,448,746
Closing balance	37,743,747	38,045,434

Reserve Force Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after March 1, 2007 in accordance with Part 1.1 of the *Canadian Forces Superannuation Act*. An amount equal to contributions, net of benefits and other payments, is transferred to PSP Investments to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.22
RESERVE FORCE PENSION FUND ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	4,315,976	6,077,630
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	24,314,676	28,034,415
Contributions by the Government	41,521,920	67,636,180
	65,836,596	95,670,595
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,316,339	993,863
Cash termination allowances and returns of contributions	158,392	181,551
Administrative expenses	5,279,429	5,328,119
Pension transfer value payments	4,326,372	6,692,847
	11,080,532	13,196,380
Receipts and other credits less payments and other charges	54,756,064	82,474,215
Transfers to Pension Investment Board	54,045,302	84,235,869
Closing balance	5,026,738	4,315,976

Royal Canadian Mounted Police Superannuation Account

This account, established by the *Royal Canadian Mounted Police Superannuation Act* is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Royal Canadian Mounted Police members up to March 31, 2000.

TABLE 6.23
ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	12,595,517,080	12,306,592,642
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	758,609	865,248
Contributions by the Government	737,147	848,434
Transfers from other pension funds		
Interest	801,745,515	816,709,495
	803,241,271	818,423,177
	13,398,758,351	13,125,015,819
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	531,518,582	513,027,222
Pension division payments	10,668,303	7,918,547
Returns of contributions	33,417	2,150
Cash termination allowance and gratuities	138,380	11,086
Commuted value payments	1,095,753	1,816,176
Transfers to other pension funds	72,988	220,681
Interest on returns of contributions	40,812	2,107
Administrative expenses	8,612,777	6,500,770
	552,181,012	529,498,739
Closing balance	12,846,577,339	12,595,517,080

Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Royal Canadian Mounted Police Superannuation Act*. An amount equal to contributions, net of benefits and other payments, is transferred to PSP Investments to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.24

ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	13,204,037	11,698,838
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	128,533,719	119,012,892
Contributions by the Government	272,898,310	255,926,319
Transfers from other pension funds	2,492,582	1,726,185
	403,924,611	376,665,396
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	51,981,566	42,861,173
Minimum benefits	162,249	66,464
Pension division payments	4,221,403	2,805,547
Returns of contributions	169,327	129,550
Commuted value payments	3,453,132	4,915,742
Transfers to other pension funds	415,084	535,590
Interest on returns of contributions	29,712	8,964
Administrative expenses	3,200,111	2,110,662
	63,632,584	53,433,692
Receipts and other credits less payments and other charges	340,292,027	323,231,704
Transfers to Pension Investment Board	340,943,121	321,726,505
Closing balance	12,552,943	13,204,037

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 6.25

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	606,714,383	562,661,375
RECEIPTS AND OTHER CREDITS—		
Members’ contributions—		
Current	1,822,702	1,777,504
Arrears of principal, interest and mortality insurance	17,615	43,731
Government contributions—		
Current	7,618,115	6,800,618
Interest	62,459,846	57,879,875
	71,918,278	66,501,728
	678,632,661	629,163,103
PAYMENTS AND OTHER CHARGES—		
Annual allowances	22,996,056	22,448,720
	22,996,056	22,448,720
Closing balance	655,636,605	606,714,383

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 6.26

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	197,463,495	181,228,970
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	2,677,739	2,681,546
Arrears of principal, interest and mortality insurance	28,058	29,427
Government contributions—		
Current	19,084,944	18,071,572
Interest	20,980,723	19,272,737
Actuarial liability adjustment	600,000	600,000
	43,371,464	40,655,282
	240,834,959	221,884,252
PAYMENTS AND OTHER CHARGES—		
Annual allowances	8,985,433	8,697,147
Refundable tax remitted to Canada Revenue Agency	16,820,431	15,693,048
Withdrawals	(4,123)	29,158
Interest on withdrawals		1,404
	25,801,741	24,420,757
Closing balance	215,033,218	197,463,495

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 between the ages of 50 and 54 and declared surplus as part of a three year Government downsizing initiative which ended on March 31, 1998. It pays the difference between an unreduced pension and the reduced pension for early retirement payable from the Public Service Superannuation Account. The RCA No.2 was created April 1, 1995 and is funded entirely by the Government.

TABLE 6.27

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	767,691,100	701,293,471	255,794,444	216,750,935	27,671,517	26,020,377	796,582,812	810,243,768	1,847,739,873	1,754,308,551
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees.....	9,162,488	9,185,855	2,423,263	2,510,265	215,749	205,754			11,801,500	11,901,874
Retired employees.....	352,284	298,634							352,284	298,634
Public Service										
corporation										
employees.....	1,578,249	1,374,869							1,578,249	1,374,869
Employer										
contributions—										
Government.....	81,975,311	69,466,421	50,821,804	61,790,926	1,622,365	1,813,012			134,419,481	133,070,359
Public Service										
corporations.....	14,375,676	10,412,725							14,375,676	10,412,725
Transfers from other										
pension funds.....	24,564	2,254							24,564	2,254
Refundable tax.....							12,671,024	9,733,092	12,671,024	9,733,092
Interest.....	52,072,718	49,218,888	17,968,650	16,197,106	1,829,312	1,801,845	49,588,508	52,594,489	121,459,188	119,812,328
Actuarial liability										
adjustment.....							6,200,000	6,200,000	6,200,000	6,200,000
	159,541,290	139,959,646	71,213,717	80,498,297	3,667,426	3,820,611	68,459,532	68,527,581	302,881,966	292,806,135
	927,232,390	841,253,117	327,008,161	297,249,232	31,338,943	29,840,988	865,042,344	878,771,349	2,150,621,839	2,047,114,686
PAYMENTS AND OTHER CHARGES—										
Annuities.....	15,705,840	13,512,882	2,622,836	2,026,427	495,302	425,712	82,037,465	82,188,537	100,861,443	98,153,558
Minimum benefits.....	77,165	4,816							77,165	4,816
Pension division										
payments.....	391,575	238,432	60,304	113,972	22,359				474,238	352,404
Transfer value										
and interest.....	426,839	564,683	462,189	233,728					889,028	798,411
Returns of										
contributions—										
Government										
employees.....	26,276	17,676	2,002		11,900	699			40,178	18,375
Public Service										
corporation										
employees.....	16,841	1,784							16,841	1,784
Transfers.....	2,266,316	331,932		15,210	5,942				2,272,258	347,142
Refundable tax.....	70,965,046	58,889,812	37,088,749	39,065,451	1,588,277	1,743,060			109,642,072	99,698,323
	89,875,898	73,562,017	40,236,080	41,454,788	2,123,780	2,169,471	82,037,465	82,188,537	214,273,223	199,374,813
Closing balance.....	837,356,492	767,691,100	286,772,081	255,794,444	29,215,163	27,671,517	783,004,879	796,582,812	1,936,348,616	1,847,739,873

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 federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.28
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Others ⁽¹⁾		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
	\$	\$	\$	\$	\$	\$
Opening balance	158,741,888	149,337,519	544,741	519,547	159,286,629	149,857,066
RECEIPTS AND OTHER CREDITS—						
Employee contributions—						
Government	2,999,182	2,907,209	17,661	18,980	3,016,843	2,926,189
Matching contributions—						
Government	2,999,182	2,907,209	19,779	19,239	3,018,961	2,926,448
Interest	3,841,688	3,589,951	13,236	12,528	3,854,924	3,602,479
	9,840,052	9,404,369	50,676	50,747	9,890,728	9,455,116
	168,581,940	158,741,888	595,417	570,294	169,177,357	159,312,182
PAYMENTS AND OTHER CHARGES—						
Annuities			16,891	25,553	16,891	25,553
Returns of contributions			44,084		44,084	
			60,975	25,553	60,975	25,553
Closing balance	168,581,940	158,741,888	534,442	544,741	169,116,382	159,286,629

⁽¹⁾ Includes lieutenant governors and non-career diplomats.

Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of \$1,226 million in net losses (\$1,064 million in net losses in 2010) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and increased pension costs for the year.

An amount of \$7 million (\$7 million in 2010) was recorded in this account during the year to offset pension costs charged to expenses in previous years but recorded in the accounts in the year.

An amount of \$43 million was credited (\$489 million debited in 2010) to this account and increased (decreased in 2010) pension costs to adjust for the difference between the Government contributions and the net cost of current services.

An amount of \$2,568 million (\$1,726 million in 2010) was credited 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 \$2,758 million (\$2,101 million in 2010) was recorded in this account to record the expected return on the pension investments.

As well, a consolidation adjustment of \$115 million (\$107 million in 2010) was credited to this account and debited against personal tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of \$13,198 million in net losses (\$13,164 million in 2010) will be amortized to this account and will affect expenses in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be \$1,448 million higher (\$224 million higher in 2010) than the balance of the superannuation accounts, plus the market related value of the pension investments held by PSP Investments and the contributions receivable from employees for past service. This amount is made up of:

	Excess (shortfall) (in millions of dollars)	
	2011	2010
Public Service Pension Plan—		
Public Service Superannuation		
Account	7,341	7,504
Public Service Pension Fund	(6,109)	(6,266)
Retirement Compensation Arrangements	(1,461)	(1,519)
	(229)	(281)
Canadian Forces Pension Plan—		
Canadian Forces Superannuation		
Account	3,453	3,798
Canadian Forces Pension Fund	(2,566)	(1,811)
Reserve Force Pension Fund	(112)	(39)
Retirement Compensation Arrangements	(124)	(189)
	651	1,759
Royal Canadian Mounted Police		
Pension Plan—		
Royal Canadian Mounted Police		
Superannuation Account	919	965
Royal Canadian Mounted		
Police Pension Fund	(702)	(706)
Retirement Compensation Arrangements	(20)	(23)
	197	236
Members of Parliament Pension Plan—		
Members of Parliament Retiring Allowances	224	208
Retirement Compensation Arrangements	(172)	(155)
	52	53
Pension plan for federally appointed judges	(2,119)	(1,991)
Total	(1,448)	(224)

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

Other employee and veteran future benefits

The Government sponsors a variety of other future benefit plans from which employees and former employees (including military or Royal Canadian Mounted Police members), can benefit, during or after employment or upon retirement. Some are considered retirement benefits, whereby benefits are expected to be provided after retirement to employees and their beneficiaries or dependents. Others are considered post-employment benefits, whereby benefits are expected to be paid after employment but before retirement. Benefits for veterans are paid to war veterans, as well as to Canadian Forces retired veterans and Canadian Forces still-serving members. Benefits for members of the Royal Canadian Mounted Police are paid to both current and former members. These are primarily

post-employment benefits, but some benefits are also paid during employment to still-serving members. They include disability and associated benefits paid to veterans or Royal Canadian Mounted Police members, or to their beneficiaries and dependants.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post-employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.29 presents the balance of these liabilities at year-end.

TABLE 6.29
OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Veterans' disability and other future benefits	30,425,000,000	4,661,000,000	3,423,000,000	31,663,000,000
Royal Canadian Mounted Police disability and other future benefits	2,244,000,000	453,000,000	100,000,000	2,597,000,000
Public Service Health Care Plan	13,290,000,000	2,095,000,000	362,000,000	15,023,000,000
Pensioners' Dental Services Plan	2,308,000,000	192,000,000	68,000,000	2,432,000,000
Severance and other benefits	5,261,000,000	965,000,000	489,000,000	5,737,000,000
Workers' compensation	699,000,000	169,000,000	114,000,000	754,000,000
Total	54,227,000,000	8,535,000,000	4,556,000,000	58,206,000,000

All of these plans are unfunded. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are contributory plans. Contributions by retired plan members are made to the plans only in the year the benefits are payable to retirees. Therefore the Government's liability and costs are shown net

of members' contributions. The accrued benefit obligation related to these plans is determined actuarially for accounting purposes. As at March 31, the Government's recorded liability includes the following components:

(in millions of dollars)

	2011		2010	
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability
Veterans' disability and other future benefits	41,548	(9,885)	31,663	30,425
Royal Canadian Mounted Police disability and other future benefits	4,012	(1,415)	2,597	2,244
Public Service Health Care Plan	19,698	(4,675)	15,023	13,290
Pensioners' Dental Services Plan	2,233	199	2,432	2,308
Severance and other benefits	6,191	(454)	5,737	5,261
Workers' compensation	810	(56)	754	699
Total	74,492	(16,286)	58,206	54,227

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation.

In 2011, amendments were made to veteran future benefit programs expanding eligibility for certain allowances provided to injured veterans and providing access to all veteran benefit programs for veterans suffering from amyotrophic lateral sclerosis (ALS). These amendments resulted in a net one-time past service cost of \$1,034 million and the immediate recognition of net unamortized estimation adjustment gains of \$316 million. In addition, as part of collective agreement negotiations with certain employee groups, an amendment to the employee severance pay program was agreed upon resulting in a one-time past service cost of \$32 million.

Also in 2011, as part of collective agreement negotiations with certain employee groups, the accumulation of severance benefits under the employee severance pay program will cease for these employees beginning in 2012. Employees subject to these changes will be given the option to be immediately paid

out the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. The impact of the curtailment is a one-time past service cost reduction of \$8 million. In addition, the plan curtailment required the immediate recognition of unamortized estimation adjustment losses of \$164 million, representing the portion of unamortized estimation adjustments related to the obligation for employees subject to the curtailment.

In 2010, the extension of veteran benefits to eligible allied war veterans and an increase in the contribution rate for members of the Pensioners' Dental Services Plan resulted in a one-time estimated past service cost of \$196 million for veteran future benefits and a one-time estimated past service cost reduction of \$450 million for the Pensioners' Dental Services Plan. These amendments also resulted in the immediate recognition of unamortized estimation gains of \$5 million related to veteran benefits and unamortized estimation losses of \$450 million related to the Pensioners' Dental Services Plan.

During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

	2011					2010	
	Benefits earned	Plan amendments	Plan curtailments	Amortization of estimation adjustments	Net benefit expense	Interest cost	Total
Veterans' disability and other future benefits ⁽¹⁾	696	1,034		962	2,692	1,653	4,345
Royal Canadian Mounted Police disability and other future benefits	165			134	299	154	453
Public Service Health Care Plan	599			702	1,301	794	2,095
Pensioners' Dental Services Plan	70			18	88	104	192
Severance and other benefits	431	32	(8)	251	706	251	957
Workers' compensation	128			9	137	32	169
Total	2,089	1,066	(8)	2,076	5,223	2,988	8,211

⁽¹⁾ Benefits earned include a one-time adjustment of \$115 million related to the Funeral and Burial Program for veterans that was recorded in 2010 for the first time.

OTHER LIABILITIES

Other liabilities include general liabilities established under the authority of section 64 of the *Financial Administration Act* as well as specified purpose accounts opened under the authority of section 21 of the *Financial Administration Act* or of other specific legislation. Specified purpose accounts are an accounting classification used to record transactions and expenditures in respect of money payable out of the Consolidated

Revenue Fund under statutory authorities, pursuant to legislation, trusts, treaties, undertakings or contracts. Legislation relating to some of these accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

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. At March 31, the fair value of the Plan's net assets is \$151.6 billion (\$131.4 billion in 2010).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, in-

terest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Board (the Board). The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Amendments to the *Canada Pension Plan Act* and the *Canada Pension Plan Investment Board Act* that became effective April 1, 2004 provide for weekly transfers to the Board of any amounts held in the Account that exceed the immediate obligation of the Plan. It also allows interest to be either credited to or charged to the Account based on its closing position.

Table 6.30 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 6.30
DUE TO CANADA PENSION PLAN

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements	131,420,450,345	52,301,200,422	32,119,842,578	151,601,808,189
Less: Receivables, net of liabilities	3,614,994,599	3,381,988,212	3,614,994,599	3,381,988,212
Accumulated net income from Canada Pension Plan Investment Board's operations	24,561,000,000	15,230,000,000		39,791,000,000
	<i>103,244,455,746</i>	<i>33,689,212,210</i>	<i>28,504,847,979</i>	<i>108,428,819,977</i>
Less: transfers to Canada Pension Plan Investment Board	103,069,670,736	25,514,674,975	30,850,607,876	108,405,603,637
Deposit with the Receiver General for Canada	174,785,010	59,203,887,185	59,355,455,855	23,216,340

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2010 and 2011 calendar years, subject to maximum combined contributions of \$4,326 and \$4,435 respectively;
- (b) income from the average daily operating balance deposited with the Receiver General for Canada;
- (c) gains on investments held by the Board; and,
- (d) payments received on overpayments established.

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) costs of administration of the Plan;
- (e) funds transferred to the Board; and,
- (f) losses on investments held by 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 25th *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 Government annual surplus/deficit.

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 credit 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 annuities transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2011, over 48,008 annuitants held 51,542 active contracts, each annuitant receiving an average payment of \$660.00. During the year, 134 deferred annuities came into payment and another 41 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2011, there were 928 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2010-2011 fiscal year, 4,450 annuities were terminated or adjusted as a result of annuitant deaths: 2,872 group certificates and 1,578 individual contracts. The average age at death for males was 86.3 while the female age at death averaged 89.5.

Total income amounted to \$15.9 million, \$15.7 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$10,924. Total disbursements of \$35.8 million originated mainly from the \$35.5 million in payments made under matured annuities. An amount of \$54,510 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$59,540 was transferred to the Government's revenues as a result of unclaimed annuities.

The opening balance of \$243.5 million was reduced due to exceeding income by \$19.9 million during 2010-2011. Since the actuarial reserves required as of March 31, 2011 were only \$221.3 million, an excess amount of \$2.2 million was transferred to the Government's revenues.

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 funds 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 6.31 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.31

DEPOSIT AND TRUST ACCOUNTS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Contractors' security deposits—Certified cheques.....	82,152	28,146	57,152	53,146
Canadian Dairy Commission—				
Canadian Dairy Commission account.....		54,490,796	54,324,460	166,336
Canadian Food Inspection Agency—				
Contractors' security deposits—Cash.....	101,783		100,000	1,783
	183,935	54,518,942	54,481,612	221,265
Canada Revenue Agency—				
Guarantee deposits.....	99,833,353	33,626,012	25,567,248	107,892,117
Less: securities held in trust.....	389,000	139,000		250,000
	99,444,353	33,765,012	25,567,248	107,642,117
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization	39,373,380	251,094		39,624,474
Canada Hibernia Holding Corporation—				
Abandonment reserve fund.....	93,718,808	597,669		94,316,477
Swap collateral deposit.....	329,511,805	1,462,879,869	1,392,237,754	400,153,920
	462,603,993	1,463,728,632	1,392,237,754	534,094,871
Fisheries and Oceans—				
Guarantee deposits—Fish Habitat Preservation	5,000			5,000
Human Resources and Skills Development—				
Canada Labour Code—Other	132,156	579,442	609,308	102,290
Canada Labour Code—Wage recovery appeals	1,297,242	743,706	341,540	1,699,408
Fair wages deposit account.....		587		587
	1,429,398	1,323,735	950,848	1,802,285
Indian Affairs and Northern Development—				
Field British Columbia and Yukon Operations of the Northern Canada Power Commission	992,587			992,587
Guarantee deposits.....	362,922,899	10,655,378	18,443,300	355,134,977
Less: securities held in trust.....	349,391,540	15,906,942	7,765,546	341,250,144
	13,531,359	26,562,320	26,208,846	13,884,833
Guarantee deposits—Oil and gas.....	510,333,783	248,624,491	240,650,676	518,307,598
Less: securities held in trust.....	504,825,666	239,031,066	249,884,148	515,678,748
	5,508,117	487,655,557	490,534,824	2,628,850
Guarantee deposits—Reserve resources.....	766,953			766,953
Special accounts—Section 63, Indian Act	90,062	49,370	51,801	87,631
Less: deposits in special bank accounts	90,062	51,801	49,370	87,631
		101,171	101,171	
	20,799,016	514,319,048	516,844,841	18,273,223
Justice—				
Courts Administration Service—				
Security for costs	25,489	52,882	28,281	50,090
Supreme Court of Canada—				
Security for costs	390,235	1,148	1,517	389,866
	415,724	54,030	29,798	439,956
Natural Resources—				
Guarantee deposits—Oil and gas.....	233,851,353	65,861,949	54,660,440	245,052,862
Less: securities held in trust.....	229,218,363	47,955,645	59,373,500	240,636,218
	4,632,990	113,817,594	114,033,940	4,416,644

TABLE 6.31

DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Privy Council—				
Chief Electoral Officer—				
Candidates' and committees' deposits—				
Election and referendum.....	102,000	21,000	26,000	97,000
Public Safety and Emergency Preparedness—				
Canada Border Services Agency—				
Guarantee deposits.....	9,007,734	301,419	184,572	9,124,581
Less: securities held in trust	137,300			137,300
	8,870,434	301,419	184,572	8,987,281
General security deposits	5,014,285	278,021	92,361	5,199,945
Immigration guarantee fund.....	26,540,526	8,417,558	9,553,558	25,404,526
Temporary deposits received from importers	60,797	16,672		77,469
	40,486,042	9,013,670	9,830,491	39,669,221
Royal Canadian Mounted Police—				
Contractors' security deposits—Cash.....	21,102	163,337		184,439
	40,507,144	9,177,007	9,830,491	39,853,660
Public Works and Government Services—				
Contractors' security deposits—Cash.....	7,902,184	4,348,431	8,123,532	4,127,083
Deposits on disposals	778,217	7,519,977	7,467,865	830,329
Seized property—Cash	82,545,341	22,238,241	34,324,899	70,458,683
	91,225,742	34,106,649	49,916,296	75,416,095
Other departments and agencies—				
Contractors' security deposits—				
Bonds.....	2,688,241			2,688,241
Less: securities held in trust	2,688,241			2,688,241
Cash	2,084,131	12,767,449	11,397,563	3,454,017
Certified cheques	15,450	12,000	27,450	
Less: securities held in trust	10,000	10,000		
	5,450	22,000	27,450	
	2,089,581	12,789,449	11,425,013	3,454,017
Total deposit accounts.....	723,438,876	2,237,621,098	2,175,343,841	785,716,133
Trust accounts—				
Human Resources and Skills Development—				
Indian Residential Schools Settlement Agreement—				
Common Experience Payments	374,222,091	2,504,447	22,551,000	354,175,538
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.32	784,067,490	195,890,167	132,783,416	847,174,241
Revenue accounts, Table 6.33	242,084,170	79,322,160	76,652,714	244,753,616
	1,026,151,660	275,212,327	209,436,130	1,091,927,857
Indian estate accounts	16,708,660	6,800,250	5,281,836	18,227,074
Indian savings accounts	38,001,967	4,550,857	4,659,476	37,893,348
	1,080,862,287	286,563,434	219,377,442	1,148,048,279
Industry—				
Restitutions under the Competition Act.....	1,523	429		1,952
National Defence—				
Estates—Armed services	550,078	2,028,491	2,233,609	344,960
Public Safety and Emergency Preparedness—				
Canadian Security Intelligence Service—				
Scholastic awards.....	26,740	170		26,910
Correctional Service of Canada—				
Inmates' trust fund.....	16,378,839	42,604,056	41,642,678	17,340,217
Royal Canadian Mounted Police—				
Benefit trust fund.....	2,307,599	77,317	126,984	2,257,932
	18,713,178	42,681,543	41,769,662	19,625,059

TABLE 6.31
DEPOSIT AND TRUST ACCOUNTS—Concluded

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Veterans Affairs—				
Administered accounts	993,946	116,191	761,282	348,855
Estates fund	1,797,252	415,904	859,443	1,353,713
Veterans administration and welfare trust fund	1,218,818 4,010,016	535,819 1,067,914	134,863 1,755,588	1,619,774 3,322,342
Total trust accounts	1,478,359,173	334,846,258	287,687,301	1,525,518,130
Total deposit and trust accounts	2,201,798,049	2,572,467,356	2,463,031,142	2,311,234,263

Contractors' security deposits—Certified cheques—Agriculture and Agri-Food

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

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*.

Contractors' security deposits—Cash—Canadian Food Inspection Agency

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Guarantee deposits—Canada Revenue Agency

This account was established to record cash securities required to guarantee payment of Goods and Services Tax (GST) as it relates to non-resident registrants and, certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*.

Securities held in trust by the Agency are made up of cash deposited to the Consolidated Revenue Fund.

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.

Abandonment reserve fund—Canada Hibernia Holding Corporation

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

Swap collateral deposit

This account was established to record cash received as credit support under a collateral agreement with financial institutions.

Guarantee deposits—Fish Habitat Preservation

This account was established to record cash and securities deposited as guarantees for preservation of fish habitat as required by permits, leases or authorizations, pursuant to Section 35 of the *Fisheries Act*. Interest is not allowed on cash deposits.

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.

Fair wages deposit 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.

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* 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.

Special accounts—Section 63, Indian Act

This account was established to record funds held for Indians in authorized banks across Canada. These funds 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.

Security for costs—Courts Administration Service

This account was established to maintain accounts on behalf of litigants before the Tax Court of Canada. These accounts record the funds paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such funds, in accordance with an order/judgment of the Court.

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 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

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.

Guarantee deposits—Canada Border Services Agency

This account was established to record cash required to guarantee payment of customs duties on imported goods pursuant to the *Customs Act*.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with subsection 148 of the *Immigration and Refugee Protection Act*.

Immigration guarantee fund

This account was established by sections 14, 26, 44, 56, 58 and 148 of the *Immigration and Refugee Protection Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various (Customs) regulations regarding temporary entry of goods.

Contractors' security deposits—Cash—Royal Canadian Mounted Police

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Contractors' security deposits—Cash—Public Works and Government Services

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Deposits on disposals

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on disposals of properties.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

Contractors' security deposits—Other departments and agencies

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Indian Residential Schools Settlement Agreement—Common Experience Payments

This account was established pursuant to section 21 of the *Financial Administration Act*, to record amounts received and paid under article 5 of the Indian Residential Schools Settlement Agreement. It was established on September 19, 2007, and provides for the payment of Common Experience Payments to eligible former students of recognized Indian Residential Schools. The account is credited with interest pursuant to section 21(2) of the *Financial Administration Act*. The Designated Amount Fund is co-administered by Indian Affairs and Northern Development and Human Resources and Skills Development.

Indian band funds

This account was established to record funds belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.32**INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	2010-2011	2009-2010
	\$	\$
Opening balance	784,067,490	839,522,951
RECEIPTS AND OTHER CREDITS—		
Oil royalties	95,504,770	63,217,412
Gas royalties	42,861,027	39,225,190
Sundries	57,524,370	12,621,501
	195,890,167	115,064,103
	979,957,657	954,587,054
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	20,831,200	15,610,900
Transfer pursuant to section 64 of the Indian Act	111,952,216	149,542,307
Sundries		5,366,357
	132,783,416	170,519,564
Closing balance	847,174,241	784,067,490

TABLE 6.33**INDIAN BAND FUNDS—REVENUE ACCOUNTS**

	2010-2011	2009-2010
	\$	\$
Opening balance	242,084,170	232,285,848
RECEIPTS AND OTHER CREDITS—		
Government interest	37,960,230	40,490,027
Court awards and settlements		3,029,597
Land and other claim settlements	1,025,000	3,129,898
Sundries	40,336,930	43,706,536
	79,322,160	90,356,058
	321,406,330	322,641,906
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	1,629,800	1,575,679
Transfer pursuant to section 69 of the Indian Act	71,500,539	68,630,573
Sundries	3,522,375	10,351,484
	76,652,714	80,557,736
Closing balance	244,753,616	242,084,170

Indian estate accounts

These accounts were established to record funds received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

Indian savings accounts

These accounts were established to record funds received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Restitutions under the Competition Act

This account was established to facilitate judgements rendered under section 52 of the *Competition Act*, and account for funds received in trust for restitution and for subsequent payment.

Estates—Armed services

This account was established to record the service estates pursuant to section 42 of the *National Defence Act* of officers and non-commissioned members who die during their service in the Canadian Forces. Under the administration of the Judge Advocate General, in his capacity as Director of Estates, net assets of estates are distributed to the lawful representative of the personal estate.

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 funds 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*, section 15 of the *War Veterans Allowance Act*, section 55 of the Veterans Treatment Regulations and section 8 of the Guardianship of Veterans Property Regulations, these accounts are under the jurisdiction of the Department of Veterans Affairs. Funds held in these accounts include: (a) pensions, war veterans allowances and treatment 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 appropriate legislative authority.

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 6.34 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.34
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation	5,679,762	14,377,810	20,057,572	
Human Resources and Skills Development—				
Civil service insurance fund.....	5,557,509	50,573	336,998	5,271,084
National Defence—				
Regular Force Death Benefit Account,				
Table 6.35	192,112,934	31,087,890	31,306,479	191,894,345
Treasury Board—				
Public Service Death Benefit Account,				
Table 6.36	2,828,860,022	287,643,328	155,547,038	2,960,956,312
Veterans Affairs—				
Returned soldiers' insurance fund.....	12,321	1,302	1,367	12,256
Veterans insurance fund	4,162,694	63,264	626,386	3,599,572
	4,175,015	64,566	627,753	3,611,828
Total insurance and death benefit accounts	3,036,385,242	333,224,167	207,875,840	3,161,733,569
Pension accounts—				
Human Resources and Skills Development—				
Annuities agents' pension account	731	617	1,140	208
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Dependants' pension fund.....	27,049,733	1,688,799	2,648,108	26,090,424
Total pension accounts	27,050,464	1,689,416	2,649,248	26,090,632
Other accounts—				
Agriculture and Agri-Food—				
AgriInvest Program	540,493,674	546,068,728	844,886,873	241,675,529
AgriStability Program (previously Canadian				
Agricultural Income Stabilization)	61,204,662	37,153,921	45,285,547	53,073,036
Canadian Food Inspection Agency—				
Shared-cost agreements.....	1,614,319	1,618,088	1,420,779	1,811,628
	603,312,655	584,840,737	891,593,199	296,560,193
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account		480,000	119,761	360,239
Canada Revenue Agency—				
Deposits/Disbursements—Worker's				
Compensation Board.....	174,995	242,299,961	242,413,218	61,738
Underground Economy Working Group	174,995	133,202	133,202	61,738
		242,433,163	242,546,420	
Canadian Heritage—				
Miscellaneous projects deposits	129,298	29,985	39,665	119,618
Library and Archives of Canada—				
Special Operating Account.....	288,438	662,433	657,757	293,114
Telefilm Canada—				
Advance account	37,391,282	137,905,023	138,057,770	37,238,535
	37,809,018	138,597,441	138,755,192	37,651,267

TABLE 6.34

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Citizenship and Immigration—				
Immigrant investor program	74,800,000	964,744,000	973,944,000	65,600,000
Environment—				
Miscellaneous projects deposits ⁽¹⁾	4,793,957		4,793,957	
Parks Canada Agency—				
Miscellaneous projects deposits	1,066,612	3,586,321	1,518,302	3,134,631
	5,860,569	3,586,321	6,312,259	3,134,631
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	728,954	1,050,218	1,099,033	680,139
Miscellaneous projects deposits	28,640,078	30,958,787	31,294,787	28,304,078
Sales of seized assets	953,844	315,661	578,069	691,436
	30,322,876	32,324,666	32,971,889	29,675,653
Foreign Affairs and International Trade—				
Canada Foundation account	358,522			358,522
Less: securities held in trust	351,370			351,370
deposits in a special bank account	7,152			7,152
Financial assistance to Canadians abroad	127,018	1,148,832	1,158,802	117,048
Funds from non-governmental organizations	1,495,228	5,975,453	6,138,336	1,332,345
Shared-cost agreements ⁽²⁾		1,099		1,099
Shared-cost projects	10,576,118	5,974,095	4,984,295	11,565,918
Canadian International Development Agency—				
Shared-cost projects—Support to various programs	1,087,521	4,468,371	5,554,040	1,852
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements ⁽²⁾	1,099		1,099	
	13,286,984	17,567,850	17,836,572	13,018,262
Health—				
Collaborative research projects	2,578,219	1,316,584	916,423	2,978,380
Miscellaneous federal/provincial projects	1,353,650	33,147	207,293	1,179,504
World Health Organization	104,515			104,515
Public Health Agency of Canada—				
Collaborative research projects	1,251,001	447,041	414,487	1,283,555
Miscellaneous federal/provincial projects	986,197			986,197
	6,273,582	1,796,772	1,538,203	6,532,151
Human Resources and Skills Development—				
Canada Millennium Scholarship Foundation				
Excellence Awards	14,403,841		7,143,069	7,260,772
Federal/provincial collaborative agreement		39,921,314	39,919,873	1,441
Federal/provincial shared-cost project	438,135	171,060	215,602	393,593
Federal/provincial shared-cost project—				
Interprovincial Computerized Examination				
Management System (ICEMS)	1,940,258	1,045,836	718,107	2,267,987
Labour standards suspense account	1,479,623	31,128		1,510,751
Provincial funding for collaborative				
arrangement—Labour Market				
Development Agreement (LMDA)-British Columbia	7,379,115	300,218,198	302,820,344	4,776,969
Provincial funding for collaborative				
arrangement—Labour Market				
Development Agreement (LMDA)-Newfoundland				
and Labrador	3,433,432	131,012,000	126,083,204	8,362,228
Provincial funding for collaborative				
arrangement—Labour Market				
Development Agreement (LMDA)-Nova Scotia	3,876,329	78,000,000	76,853,687	5,022,642
Provincial funding for collaborative				
arrangement—Labour Market				
Development Agreement (LMDA)-Ontario	16,114,145	160,300,000	176,412,876	1,269

TABLE 6.34

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Yukon Territory	273,296	2,597,216	2,299,696	570,816
Canadian Centre for Occupational Health and Safety— Shared-cost agreements.	108,000		65,500	42,500
	49,446,174	713,296,752	732,531,958	30,210,968
Indian Affairs and Northern Development—				
Indian special accounts	390,042	1,678		391,720
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	37,477,318	78,273,532	67,175,502	48,575,348
Non-Indian moneys	695,400	46,979,407	46,188,859	1,485,948
	38,785,100	125,254,617	113,364,361	50,675,356
Industry—				
Canada/Provinces Business Service Centre	131,823	400,000	505,001	26,822
Income from securities in trust—Bankruptcy and Insolvency Act	52,031			52,031
Petro-Canada Enterprises Inc—Unclaimed shares	689,150			689,150
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost/joint project agreements—Research	142,201	133,450	106,615	169,036
Shared-cost projects	1,271,602	610,151	813,659	1,068,094
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	20,216,543	3,000,579	1,377,434	21,839,688
Canada Business Corporations Act	8,976,057	192,568	183,725	8,984,900
Winding-up and Restructuring Act	1,299,473	608,045		1,907,518
Canadian Space Agency—				
Radarsat	99,879		2,418	97,461
Statistics Canada—				
Project deposits	5,744,417	95,324,272	96,853,558	4,215,131
	38,623,176	100,269,065	99,842,410	39,049,831
Justice—				
Courts Administration Service—				
Special account	7,357,482	1,532,327	2,990,657	5,899,152
Offices of the Information and Privacy Commissioners of Canada—				
Cost-sharing agreement	8,063		8,063	
	7,365,545	1,532,327	2,998,720	5,899,152
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta	2,808,633	6,017,305	8,167,744	658,194
Wainwright, Alberta	1		1	
Netherlands	1,405,096		1,405,096	
Air projects	1		1	
Security	4,396,764		1,298,694	3,098,070
	8,610,495	6,017,305	10,871,536	3,756,264
Joint research and development projects	4,882,624	5,658,288	5,764,422	4,776,490
Non-government agencies	3,029,410	6,279,771	5,762,823	3,546,358
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects	2		2	
	16,522,531	17,955,364	22,398,783	12,079,112
Natural Resources—				
Market development incentive payments—Alberta	4,664,104		12,516	4,651,588
Newfoundland Offshore Revenue Account	2	1,050,826,399	1,050,826,401	
Nova Scotia Offshore Revenue Account		196,870,600	196,870,600	
Shared-cost agreements—Research	5,231,034	14,504,865	15,337,189	4,398,710
Shared-cost projects	2,007,569	240,096		2,247,665
Canadian Nuclear Safety Commission—				
Security equipment purchases	193,976	257,187	225,181	225,982
	12,096,685	1,262,699,147	1,263,271,887	11,523,945

TABLE 6.34

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2010	Receipts and other credits	Payments and other charges	March 31/2011
	\$	\$	\$	\$
Privy Council—				
Shared-cost projects—Media travel expenses	930,483	347,321	504,816	772,988
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Joint research and development projects	662,643	515,416		1,178,059
Seized assets—Canadian funds	650,222			650,222
	1,312,865	515,416		1,828,281
Public Works and Government Services—				
Credit card—Special project fund	924,992			924,992
Francophone Summits	4,733	66,705	59,757	11,681
Military purchases excess funds deposit	192,835,483	8,542,021		201,377,504
Less: securities held in trust	192,835,483		8,542,021	201,377,504
		8,542,021	8,542,021	
	929,725	8,608,726	8,601,778	936,673
Veterans Affairs—				
Shared-cost agreements	16,833	124,554	122,043	19,344
Total	940,730,823	4,216,974,239	4,549,254,251	608,450,811
Less: consolidation adjustment ⁽³⁾	37,391,282	152,747		37,238,535
Total other accounts	903,339,541	4,217,126,986	4,549,254,251	571,212,276
Total other specified purpose accounts	3,966,775,247	4,552,040,569	4,759,779,339	3,759,036,477

⁽¹⁾ During the year, this account was transferred to Table 5.5 in Section 5 of this volume.

⁽²⁾ During the year, this account was transferred from NAFTA Secretariat, Canadian Section to the Department of Foreign Affairs and International Trade.

⁽³⁾ Additional information on consolidated Crown corporations and other entities 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 various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

During the year, the account was closed.

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 1st, 1997, the Department of Human Resources and Skills Development (Human Resources and Skills Development) assumed responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2011 was 965 and the average age of the policyholders was 90.3 years. During the year, premiums of \$979 were received. Death benefits, settlement annuities and premium refunds of \$336,998 were paid during 2010-2011.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act are estimated at \$5,271,083 as at March 31, 2011. The balance in the Account as at March 31, 2011 is \$5,221,490. The deficit as at March 31, 2011 is therefore \$49,593. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$49,593 has therefore been credited to the Account in 2010-2011.

Regular Force Death Benefit Account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members and former members of the Canadian Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants; (c) single premiums payable by the Government in respect of 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; (b) benefits paid in respect of elective; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.35
REGULAR FORCE DEATH BENEFIT ACCOUNT

	2010-2011	2009-2010
	\$	\$
Opening balance	192,112,934	192,592,769
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	16,545,919	16,633,527
Government's contribution	1,977,320	2,075,662
Single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of \$5,000 without contribution	461,229	539,406
Interest	12,103,422	12,732,550
	31,087,890	31,981,145
	223,200,824	224,573,914
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular force, or who were elective regular force participants	31,306,479	32,460,980
Closing balance	191,894,345	192,112,934

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 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 death benefit coverage for life has been made.

TABLE 6.36**PUBLIC SERVICE DEATH BENEFIT ACCOUNT**

	2010-2011	2009-2010
	\$	\$
Opening balance	2,828,860,022	2,702,221,845
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	92,653,997	87,993,370
Government—		
General	9,951,785	9,556,419
Single premium for \$10,000	1,954,998	1,846,852
Public Service corporations	1,153,071	1,127,541
Interest	181,929,477	180,497,625
	287,643,328	281,021,807
	3,116,503,350	2,983,243,652
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	119,283,549	114,568,042
Life coverage for \$10,000	36,154,611	39,735,887
Other death benefit payments	108,878	79,701
	155,547,038	154,383,630
Closing balance	2,960,956,312	2,828,860,022

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 liability adjustment as at March 31, 2010 of \$1,302 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 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, 2010 of \$63,264 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.

AgriInvest Program

The AgriInvest Program is a savings account designed to help producers cover small margin declines.

The AgriInvest Program is cost-shared with provinces and territories on a 60/40 basis. The provinces and territories are invoiced for their share of the contributions, which are held in the specified purpose accounts until they are applied and transferred to the producer accounts. The funds in the producers specified purpose accounts are then drawn down as AgriInvest account holders request withdrawals or when the funds are transferred to a financial institution.

Starting with the 2009 program year, producers are required to make their AgriInvest deposits at a financial institution of their choice and any funds which were previously held by the federal government will be transferred to the new accounts.

AgriStability Program (previously Canadian Agricultural Income Stabilization)

The AgriStability Program is designed to cover larger margin declines caused by circumstances such as low prices, production losses, and rising input costs.

The AgriStability Program is cost-shared with provinces and territories on a 60/40 basis. Producers are charged a fee in order to participate in the program, which covers a portion of the program expenditure. The provinces and territories as well as producers are invoiced for their share of the contributions, which are held in the specified purpose accounts. These funds are drawn down as applications are processed and benefits are paid out.

Shared-cost agreements—Canadian Food Inspection Agency

This account was established to record amounts deposited by external parties for shared-cost research projects. Funds are disbursed on behalf of depositors as specific projects are undertaken.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Funds are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Deposits/Disbursements—Worker's Compensation Board

This account was established under the authority of the *Canada Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Revenue Agency (CRA) to record and forward on daily 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.

Underground Economy Working Group

This account was established to record the costs associated with the Underground Economy Working Group, which are shared between the Canada Revenue Agency, the provinces and the territories according to an established cost-sharing formula.

The working group's mandate is to reduce participation in the underground economy through research, information sharing, communication, education and enforcement.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals for various projects.

Special Operating Account

This account was established pursuant to section 18 of the *Library and Archives of Canada Act*, which also directed that (a) the account be credited with funds received for the purpose of the Library and Archives Canada 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.

Advance account—Telefilm Canada

This account was established pursuant to section 19 of the *Telefilm Canada Act*, to reserve for use in future years, funds generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Immigrant investor program

This account was established to record the receipt and disbursement of amounts received under the Immigrant Investor Program in accordance with section 12(2) of the *Immigration and Refugee Protection Act* and section 91(d) of the *Immigration and Refugee Protection Regulations*. This program allows qualified immigrants to gain permanent residence in Canada by making an investment in the Canadian economy.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the advancement of research work and clean-up efforts.

During the year, this account was transferred to Table 5.5 in Section 5 of this volume.

Miscellaneous projects deposits—Parks Canada Agency

This account was established to record contributions received from organizations and individuals for various projects.

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 \$133,889, 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 funds 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 funds 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 advancement 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*. Funds so re-

ceived are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record funds 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 funds 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 funds received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Shared-cost agreements—Foreign Affairs and International Trade

This account was established to record funds received from the United States and the Mexican Sections of the NAFTA Secretariat, for the development and administration of common information management systems.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record funds received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—Support to various programs

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects to support a water management program and various programs in the education sector.

Collaborative research projects—Health

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.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Collaborative research projects—Public Health Agency of Canada

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Public Health Agency of Canada

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.

Canada Millennium Scholarship Foundation Excellence Awards

The account is established pursuant to Part 4 of the *Budget Implementation Act*, 2008, and to the agreement between the Canada Millennium Scholarship Foundation (CMSF), Human Resources and Skills Development Canada (HRSDC), and Treasury Board, to transfer funds from the CMSF to HRSDC for the purpose of making any remaining payments due to students who are receiving CMSF Excellence Awards where the payment eligibility period extends past the date of dissolution of the CMSF, and for payment of the costs of administering this program on behalf of the CMSF.

The amount transferred was \$14,824,352. HRSDC will administer the remaining Excellence Awards Disbursements until December 31, 2013. After this date, HRSDC will transfer any funds remaining in the account to the Consolidated Revenue Fund, as per Part 4 of the *Budget Implementation Act*, 2008.

Federal/provincial collaborative agreement

This account was established to record amounts received by Human Resources and Skills Development from a province as funding under the provisions of a collaborative agreement with the province.

Federal/provincial shared-cost project—Human Resources and Skills 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 and territorial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Agreement on a Joint Project to develop and implement an ICEMS and the Capital Contingency Fund Policy. The costs 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. Wages are paid out when employees are located or when employees contact the department for payment.

Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-British Columbia

This account was established to record deposits of payments from the Province of British Columbia to Human Resources and Skills Development under the LMDA. The funding provided by the Province of British Columbia is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Newfoundland and Labrador

This account was established to record deposits of payments from the Province of Newfoundland and Labrador to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Newfoundland and Labrador is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Nova Scotia

This account was established to record deposits of payments from the Province of Nova Scotia to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Nova Scotia is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Ontario

This account was established to record deposits of payments from the Province of Ontario to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Ontario is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Yukon Territory

This account was established to record deposits of payments from the Yukon Territory to Human Resources and Skills Development under the LMDA. The funding provided by the Yukon Territory is used by Human Resources and Skills Development to make payments to territorial LMDA clients.

Shared-cost agreements—Canadian Centre for Occupational Health and Safety

This account represents funds contributed to a joint federal/provincial sponsored inquiries service provided by Canadian Centre for Occupational Health and Safety.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purpose and include the following:

- (a) Quebec fur account—This account was established to record funds received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc. No activity was reported in the current year.
- (b) Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative. No activity was reported in the current year.
- (c) 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 band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of TransAlta Utilities Corporation 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.

Non-Indian moneys

This account was established to collect "Provincial Mineral Revenues" on behalf of the Province of Saskatchewan and remit the same in the manner as described in an agreement between the two parties. The collection and remittance arrangement is anticipated to terminate upon the expiry or forfeiture of all Replacement Mineral Dispositions or earlier if the Disposition Holders decide to stop drilling. All revenue moneys collected, received or held by the Crown for the use and benefit of the First Nations or its members cease to be Indian moneys and must be transferred to the First Nations. Moneys must be held separately in a non-Indian moneys account. This account is interest bearing.

Canada/Provinces Business Service Centre

This account was established to record funds 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 by Section 227 of the *Canada Business Corporation Act* 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/joint project agreements—Research

This account was established to record funds 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 funds 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 and Restructuring Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up and Restructuring Act*, pending distribution.

Radarsat

This account was established to record funds received for both cost-sharing and advance payments for Radarsat scenes.

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Special account—Courts Administration Service

This account was established to maintain accounts on behalf of litigants before the Federal Court and Federal Court of Appeal. These accounts record the funds paid into the Federal Court and Federal Court of Appeal, pursuant to an order of the Courts, rules of the Courts or statutes, to be held pending payment of such funds, in accordance with an order/judgment of these Courts.

Cost-sharing agreement

This account was established to record deposits received from an organization outside the Government of Canada accounting entity and payments made in accordance with a Memorandum of agreement for shared-costs to assume part of the living costs for the loan of staff in Paris.

During the year, the account was closed.

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.

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.

During the year, the account was closed.

Market development incentive payments—Alberta

This account records funds 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 continued to be made from the account for selected programs, which encouraged the use of natural gas for vehicles.

More recently, a new strategy for the expenditure of these funds has been agreed upon. This strategy consists of a 50/50 split for expending the remaining funds in support of natural gas (NG) market expansion activities related to transportation and combined heat and power applications.

Newfoundland Offshore Revenue Account

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) is credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

Nova Scotia Offshore Revenue Account

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) is credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of funds 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 funds received from private organizations and other governments for cost-sharing scientific projects.

Security equipment purchases

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

Shared-cost projects—Media travel expenses

This account records medias' (non-governmental organizations) reimbursements for travel arrangement services rendered to them.

Joint research and development projects—Royal Canadian Mounted Police

This account was established to record funds received from other government organizations in order to share costs incurred under various research project agreements.

Seized assets—Canadian funds

This account was established to record funds 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.

Credit card—Special project fund

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

Francophone Summits

This account was established to record funding granted since 1994 by the "Agence intergouvernementale de la Francophonie (Paris)", which changed its name in 2006 to the "Organisation internationale de la Francophonie", for projects involving the development of French and partner languages in order to express scientific and technical modernity.

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.

Shared-cost agreements—Veterans Affairs

This account was established to record transactions relating to share of costs incurred under federal/provincial cost-sharing agreements and funding for research and other projects at Sainte Anne's Hospital.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Canada Pension Plan have been prepared in accordance with Canadian public sector accounting standards by the management of Human Resources and Skills Development Canada (the Department).

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The financial information presented throughout the Annual Report is consistent with the financial statements.

In support of its responsibilities, management has developed and maintains systems of internal control and supporting procedures. They are designed to provide reasonable assurance that assets are safeguarded, records are properly maintained and that transactions are properly authorized and are in accordance with the *Canada Pension Plan Act*, the *Canada Pension Plan Investment Board Act* and the *Financial Administration Act* and their accompanying regulations. These controls include the establishment of an organizational structure that provides a well defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed and evaluated by both internal and external auditors in accordance with their respective audits. Management also reviews the recommendations of its internal and external auditors for improvements in internal controls.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources and Skills Development.

IAN SHUGART
*Deputy Minister
Human Resources and
Skills Development Canada*

ALFRED TSANG, CMA
*Chief Financial Officer
Human Resources and
Skills Development Canada*

Gatineau, Canada
August 31, 2011

Canada Pension Plan—Continued

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS
DEVELOPMENT

I have audited the accompanying consolidated financial statements of the Canada Pension Plan, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of operations, consolidated statement of changes in financial assets available for benefit payments and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at 31 March 2011, and the results of its operations, changes in its financial assets available for benefit payments, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

John Wiersema, FCA
Interim Auditor General of Canada

31 August 2011
Ottawa, Canada

Canada Pension Plan—Continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in millions of dollars)

	2011	2010
Financial assets		
Cash (Note 3)	34	180
Receivables (Note 4)	3,737	3,989
Investments (Note 6)	152,933	130,477
Amounts receivable from pending trades (Note 6)	1,085	1,118
	157,789	135,764
Liabilities		
Payables and accrued liabilities (Note 8)	514	475
Investment liabilities (Note 6)	4,046	2,519
Amounts payable from pending trades (Note 6)	1,675	1,391
	6,235	4,385
Financial assets available for benefit payments	151,554	131,379
Non-financial assets		
Other assets	47	41
Assets available for benefit payments	151,601	131,420

Actuarial obligation in respect of benefits (Note 12)

Commitments (Note 13)

Contingent liabilities (Note 14)

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

Approved by:

IAN SHUGART

Deputy Minister

Human Resources and

Skills Development Canada

ALFRED TSANG, CMA

Chief Financial Officer

Human Resources and

Skills Development Canada

Canada Pension Plan—Continued

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	Budget 2011	Actual 2011	Actual 2010
	(Note 9)		
Revenues			
Contributions	35,773	37,069	36,276
Net investment income (Note 10)			
Realized gains		2,929	7,393
Unrealized gains		9,159	5,988
Interest income		2,246	1,742
Dividend income		1,428	1,304
Other income		471	406
Transaction costs		(173)	(148)
Investment management fees		(500)	(466)
	7,340	15,560	16,219
	43,113	52,629	52,495
Expenses			
Pensions and benefits			
Retirement	23,550	23,184	22,208
Survivor	3,925	3,986	3,891
Disability	3,638	3,679	3,513
Disabled contributor's child	293	297	291
Death	296	269	287
Orphan	223	218	222
Net overpayments (Note 4)		(35)	(49)
	31,925	31,598	30,363
Operating expenses (Note 11)	741	850	734
	32,666	32,448	31,097
Net increase in assets available for benefit payments	10,447	20,181	21,398
Assets available for benefit payments, beginning of year	131,420	131,420	110,022
Assets available for benefit payments, end of year	141,867	151,601	131,420

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL ASSETS AVAILABLE FOR BENEFIT PAYMENTS

FOR THE YEAR ENDED MARCH 31

(in millions of dollars)

	Budget 2011	Actual 2011	Actual 2010
	(Note 9)		
Net increase in assets available for benefit payments	10,447	20,181	21,398
Changes in other assets		(6)	(3)
Increase in financial assets available for benefit payments	10,447	20,175	21,395
Financial assets available for benefit payments, beginning of year	131,379	131,379	109,984
Financial assets available for benefit payments, end of year	141,826	151,554	131,379

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

Canada Pension Plan—Continued

CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE YEAR ENDED MARCH 31
 (in millions of dollars)

	2011	2010
Operating activities		
Cash receipts		
Contributions	37,327	37,084
Interest on operating balance	2	1
Cash payments		
Pensions and benefits	(31,604)	(30,365)
Operating expenses	(796)	(713)
Cash flows from operating activities	4,929	6,007
Financing activities		
Issuance of debt	10,878	9,981
Repayment of debt	(9,777)	(8,602)
Payment of interest on debt	(235)	(71)
Cash flows from financing activities	866	1,308
Investing activities		
Dividends on investments	1,328	1,206
Interest on investments	2,722	2,089
Other investment income	378	451
Investment management fees	(497)	(435)
Transaction costs	(166)	(158)
Purchases		
Equities	(70,032)	(63,420)
Inflation-sensitive investments	(9,422)	(4,692)
Fixed income investments	(25,433)	(20,461)
Money market securities and absolute return strategies	(591,808)	(485,209)
Other debts	(3,712)	(1,027)
Premises and equipment	(21)	(15)
Disposals		
Equities	67,807	66,882
Inflation-sensitive investments	2,864	1,705
Fixed income investments	24,456	11,163
Money market securities and absolute return strategies	593,900	484,096
Other debts	1,695	595
Cash flows used in investing activities	(5,941)	(7,230)
Net (decrease) increase in cash	(146)	85
Cash, beginning of year	180	95
Cash, end of year	34	180

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

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

1. Authority, objective and responsibilities

(a) Description of the Canada Pension Plan

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965. The CPP is administered by the Government of Canada and the participating provinces.

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 de 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 CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to the CPP. Self-employed workers pay the full amount.

The Canada Pension Plan Investment Board (CPPIB) was established pursuant to the *Canada Pension Plan Investment Board Act*. The CPPIB is a federal Crown corporation and all of its shares are owned by Her Majesty the Queen in right of Canada.

The Minister of Human Resources and Skills Development is responsible for the administration of the Canada Pension Plan (under 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 CPPIB is responsible for managing the amounts that are being transferred under Section 108.1 of the *Canada Pension Plan Act*. It acts in the best interests of the beneficiaries and contributors under the Act.

In accordance with the *CPP Act*, the financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 3). The financial transactions affecting the Account are governed by the *CPP Act* and its regulations. The Plan's investments are held by the CPPIB. The CPPIB's transactions are governed by the *Canada Pension Plan Investment Board Act* and its accompanying regulations. The CPPIB's assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

The CPPIB and its wholly-owned subsidiaries are exempt from Part I income tax under paragraphs 149(1)(d) and 149(1)(d.2) of the *Income Tax Act (Canada)* on the basis that all of the shares of the CPPIB and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The CPPIB is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance) and the provinces. It provides regular reports of its activities and the results achieved.

As stated in the CPP and CPPIB Acts, changes to these Acts require the approval of at least two-thirds of the provinces that have, in the aggregate, not less than two-thirds of the population of all included provinces.

(b) 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 new monthly pension payable at age 65 in 2011 is \$960.00 (2010 - \$934.17).

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 new monthly disability benefit in 2011 is \$1,153.37 (2010 - \$1,126.76).

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 new monthly benefit payable to a beneficiary in 2011 is \$576.00 (2010 - \$560.50).

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 a child of a deceased contributor 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 2011 is \$218.50 (2010 - \$214.85).

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

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 to either 10 percent of the maximum pensionable earnings 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 2011 is \$2,500 (2010 - \$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 2011 is 1.7 percent (2010 - 0.4 percent).

2. Significant accounting policies

(a) Basis of presentation

These financial statements are presented on a consolidated basis. They include the consolidated statement of financial position, the consolidated statement of operations, the consolidated statement of changes in financial assets available for benefit payments and the consolidated statement of cash flow of the CPP and the CPPIB. These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

The CPP, which is managed by both 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, investment receivables and investment liabilities

Investments, investment receivables and investment liabilities are recorded on a trade-date basis and are stated at fair value. Fair value is an estimate of 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.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, option pricing models and other accepted industry valuation methods.

(c) Contributions

Contributions include CPP contributions earned for the year. The Canada Revenue Agency (CRA) collects

contributions and measures them using the assessment of tax returns. In determining the amount of contributions earned for the year, the CRA considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review and adjustments. Adjustments, if any, are recorded as contributions in the year they are known.

(d) Investment income

Income from investments is recognized on an accrual basis and includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income, interest income and net operating income from private real estate investments. Dividend income is recognized on the ex-dividend date, which is when the CPP's right, through CPPIB, to receive the dividend has been established. Interest income is recognized using the effective interest rate method. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, realized gains and losses from investments or return of capital, as appropriate.

(e) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and recorded as a component of net investment income.

(f) Investment management fees

Investment management fees are paid to investment managers for externally managed investments. Investment management fees are expensed as incurred and recorded as a component of net investment income.

(g) Securities purchased under reverse repurchase agreements

Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP, through CPPIB, has the right to liquidate the collateral held. Reverse repurchase agreements are presented at Note 6 at the amounts at which the securities were initially acquired. Interest earned on reverse repurchase agreements is included in investment income (see Note 10).

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

(h) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in net gain (loss) in net investment income (see Note 10).

(i) Pensions and benefits

Pensions and benefits expenses are recorded when payable or reasonably estimated.

(j) Tax deductions due to Canada Revenue Agency

Tax deductions due to CRA consist primarily of voluntary and non-resident taxes withheld from pensions and benefit payments to CPP beneficiaries.

(k) Net overpayments

Net overpayments are comprised of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

(l) Operating expenses

Operating expenses are recorded as incurred.

(m) Other claims and legal actions

The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate can be made.

(n) Measurement uncertainty

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards (PSAS) requires management to make certain estimates and assumptions that affect the reported values of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated contributions, allowance for doubtful accounts, contingent liabilities, actuarial obligation in respect of benefits and fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ from those estimates.

(o) Future changes in accounting standards

International financial reporting standards

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian Generally Accepted Accounting Principals (GAAP) for publicly ac-

countable enterprises, such as the CPPIB, would be replaced with International Financial Reporting Standards (IFRS), effective for interim and annual periods commencing April 1, 2011.

The International Accounting Standards Board (IASB) is considering a proposal for investment companies to be exempt from the requirement to consolidate investments in controlled entities. To allow the IASB time to complete its consolidation project, the AcSB granted investment companies a deferral of two years to convert to IFRS. The CPPIB will continue to measure and report all of its investments at fair value and will defer the adoption of IFRS until April 1, 2013. Until then, CPPIB will continue to follow Canadian GAAP.

The CPPIB has developed an IFRS conversion plan and has identified the major differences between existing Canadian GAAP and IFRS. As IFRS continues to change, the impact these differences will have on CPPIB's operations, financial position and results of operations is not yet determinable. The CPPIB continues to monitor developments and changes to IFRS and is on schedule to meet the timelines established in its IFRS conversion plan.

The CPP will assess the impact of the CPPIB's change in accounting framework on its consolidated financial statements and will review any restatements made to CPPIB's information.

3. Cash

Cash consists of the total cash held by the CPP Account and the CPPIB. The CPP Account was established in the accounts of Canada by the *CPP* Act to record the contributions, interest, pensions, benefits and operating expenses of the Plan. It also records the amounts transferred to or received from the CPPIB. As at March 31, 2011, the deposit with the Receiver General for Canada in the CPP Account is \$23 million (2010 - \$175 million) and CPPIB's cash is \$11 million (2010 - \$5 million) for a total of \$34 million (2010 - \$180 million).

4. Receivables

Receivables are comprised of the following:

	2011	2010
	(in millions of dollars)	
Contributions.....	3,595	3,854
Régime de rentes du Québec.....	104	96
Beneficiaries		
Balance of pensions and benefits overpayments.....	112	111
Allowance for doubtful accounts.....	(74)	(72)
	3,737	3,989

Canada Pension Plan—ContinuedNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

Contributions receivable represent the estimated amount to be collected from CRA relating to contributions earned at year end and adjusted for tax returns not yet assessed.

The CPP has procedures to detect overpayments. During the year, overpayments totalling \$37 million (2010 - \$53 million) were established and debts totalling \$3 million (2010 - \$3 million) were forgiven as per the remission provisions of the *CPP Act*. A further \$33 million (2010 - \$37 million) was recovered through collection of payments and withholdings from beneficiaries.

5. Investment activities risk management

The CPPIB is exposed to a variety of financial risks as a result of its investment activities. These risks are market risk, credit risk and liquidity risk. The CPPIB manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies approved by the Board of Directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions and has been designed to achieve the mandate of the CPPIB which is to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

Included within the Risk/Return Accountability Framework is an active risk limit that represents a limit on the amount of investment risk that the CPPIB can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the Board of Directors and serves as a performance benchmark against which the CPPIB's value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPPIB is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPPIB monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the Board of Directors at least on a quarterly basis.

i. *Market Risk:* Market risk (including currency risk, interest rate risk and equity price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates.

Currency Risk: The CPPIB is exposed to currency risk through holdings of investments and/or investment liabilities in various currencies.

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives, as at March 31, are as follows:

(in millions of dollars)	2011		2010	
Currency	Net exposure	% of total	Net exposure	% of total
United States Dollar	42,419	54	35,121	55
Euro	12,005	15	9,936	15
Japanese Yen	7,689	10	5,365	8
British Pound Sterling	4,743	6	4,430	7
Australian Dollar	4,173	5	2,345	4
Hong Kong Dollar	1,576	2	1,537	2
Swiss Franc	834	1	1,432	2
Other	5,382	7	4,292	7
	78,821	100	64,458	100

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates.

Equity Price Risk: Equity price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

ii. *Credit Risk:* Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations or a reduction in the value of the assets due to a de-

cline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPPIB's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in Note 6f). The carrying amounts of these investments as presented in Note 6 represent the maximum credit risk exposure at the financial position date.

iii. *Liquidity Risk:* Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPPIB mitigates liquidity risk through its unsecured credit facilities (see Note 7) available in the amount of

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

\$1.5 billion (2010 - \$1.5 billion) and the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly-traded equities, money market securities, marketable bonds and inflation-linked bonds.

The CPPIB is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see Note 16). To manage liquidity risk associated with this short-term cash management program, the assets required for this purpose are segregated from the investment portfolio and separately managed as the Cash for Benefits Portfolio. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring that the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

6. Investments and investment liabilities

As stated in Note 1, the role of the CPPIB is to invest the assets with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. To achieve their mandate, the CPPIB has established investment policies in accordance with its regulations. These set out the manner in which their assets shall be invested and their financial risks managed and mitigated through the Risk/Return Accountability Framework. The financial statements of the CPPIB are audited annually by an external firm and are included in their annual report.

The CPPIB's investments are grouped by asset class based on risk/return characteristics of the investment strategies of the underlying portfolios. The investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they are related, are as follows:

	2011	2010
	(in millions of dollars)	
Equities		
Canada	10,261	9,538
Foreign developed markets	43,691	39,179
Emerging markets	6,743	5,407
Total equities	60,695	54,124
Fixed income		
Bonds	37,208	35,649
Other debts	6,008	3,526
Money market securities	17,625	14,068
Total fixed income	60,841	53,243
Absolute return strategies	4,464	2,871
Inflation-sensitive assets		
Private real estate	12,829	7,982
Infrastructure	9,404	5,821
Inflation-linked bonds	299	904
Total inflation-sensitive assets	22,532	14,707
Investment receivables		
Securities purchased under reverse repurchase agreements	2,500	4,000
Accrued interest	657	594
Derivatives receivables	1,117	760
Dividends receivables	127	178
Total investment receivables	4,401	5,532
Total investments	152,933	130,477
Investment liabilities		
Debt financing liabilities	(1,394)	(1,303)
Debt on private real estate properties	(1,969)	(947)
Derivatives liabilities	(683)	(269)
Total investment liabilities	(4,046)	(2,519)
Amounts receivable from pending trades	1,085	1,118
Amounts payable from pending trades	(1,675)	(1,391)
Net investments	148,297	127,685

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

(a) Equities

Equities consist of public and private investments in each of these three markets: Canadian, foreign developed and emerging.

- i. Public equity investments are made directly or through funds. As at March 31, 2011, public equities include fund investments with a fair value of \$2,665 million (2010 - \$2,631 million).
- ii. Private equity investments are generally made directly or through ownership in limited partnership arrangements, which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at March 31, 2011, private equities include direct investments with a fair value of \$5,565 million (2010 - \$3,997 million).

(b) Fixed income

- i. Bonds consist of marketable and Canadian government non-marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act, which permit each issuer, at their option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPPIB and the provinces permit each province to repay the bond and concurrently cause the CPPIB to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and are subject in all cases to the maximum 30 years outside the maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

- ii. Other debt instrument consists of investments in distressed mortgage and private debt funds and direct investments in private debt.

(c) Absolute return strategies

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(d) Inflation-sensitive assets

- i. The CPPIB obtains exposure to real estate through direct investments in privately held real estate and real estate funds.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPPIB by investment managers through primarily co-ownership arrangements. As at March 31, 2011, the subsidiary's share of these investments includes assets of \$12,829 million (2010 - \$7,982 million) and \$1,969 million of secured debt (2010 - \$947 million). The terms to maturity of the secured debt principal repayments vary from less than a year to more than ten years.

- ii. Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at March 31, 2011, infrastructure includes direct investments with a fair value of \$7,899 million (2010 - \$4,395 million).

(e) Securities purchased under reverse repurchase agreements

The terms to maturity of the securities purchased under reverse repurchase agreements as at March 31, 2011 were all less than a year.

(f) Derivative contracts

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or are negotiated in over-the-counter markets. The CPPIB uses different types of derivative instruments, which include equity contracts, foreign exchange contracts, interest rate contracts and credit contracts.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses

Canada Pension Plan—ContinuedNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Statement of Financial Position. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the schedule of investments included above.

The CPPIB uses derivatives to generate value-added investment returns and to limit or adjust market, credit, interest rate, currency and other financial exposures without directly purchasing or selling the underlying instrument.

(g) Debt financing liabilities

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at March 31, 2011, are: \$857 million (less than 30 days, 2010 - \$779 million), \$478 million (from 1 to 3 months, 2010 - \$333 million) and \$61 million (from 3 to 6 months, 2010 - \$191 million)

(h) Collateral

Collateral transactions are conducted under the terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged as at March 31 is as follows:

	2011	2010
	(in millions of dollars)	
Fixed income securities held as collateral on reverse repurchase agreements ⁽¹⁾	2,561	4,088
Securities held as collateral on over-the-counter derivative transactions ⁽¹⁾	135	
Cash held as collateral on over-the-counter derivative transactions		68
Securities pledged as collateral on guarantees (see Note 14c)	(132)	(120)
	2,564	4,036

⁽¹⁾ The total fair value of the collateral held that may be sold or repledged as at March 31, 2011, is \$2,588 million (2010 - \$3,923 million). The fair value of the securities collateral sold or repledged as at March 31, 2011, is \$nil (2010 - \$nil).

7. Credit facilities

The CPPIB maintains \$1.5 billion (2010 - \$1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2011, the total amount drawn on the credit facilities is \$nil (2010 - \$nil).

8. Payables and accrued liabilities

Payables and accrued liabilities are comprised of the following:

	2011	2010
	(in millions of dollars)	
Operation expenses	170	131
Pensions and benefits payable	221	224
Tax deductions due to Canada Revenue Agency	123	120
	514	475

9. Comparison of results against Budget

The budget amounts included in the Consolidated Statement of Operations and the Consolidated Statement of Change in Financial Assets Available for Benefit Payments are derived from the amounts that were originally budgeted in the Human Resources and Skills Development Canada 2010-2011 Report on Plans and Priorities, tabled in Parliament in March 2010 and amounts forecasted by the Office of the Superintendent of Financial Institutions.

10. Net investment income (loss)

Net investment income is reported net of transaction costs and investment management fees and is grouped by asset class based on the risk/return characteristics of the investment strategies of the underlying portfolios.

Net investment income, after giving effect to derivative contracts and investment receivables and liabilities for the year ended March 31, is as follows:

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

(in millions of dollars)

	2011					
	Investment income (loss) ⁽¹⁾	Net gain on investments ⁽²⁾⁽³⁾⁽⁴⁾	Total investment income (loss)	Investment management fees	Transaction costs	Net investment income (loss)
Equities						
Canada	270	3,369	3,639	(19)	(14)	3,606
Foreign developed markets	946	4,658	5,604	(245)	(26)	5,333
Emerging markets	133	654	787	(29)	(4)	754
	1,349	8,681	10,030	(293)	(44)	9,693
Fixed income						
Bonds	1,415	145	1,560			1,560
Other debt	240	506	746	(15)	(5)	726
Money market securities ⁽⁵⁾	145	1,004	1,149	(109)	(37)	1,003
Debt financing liabilities	(10)		(10)			(10)
	1,790	1,655	3,445	(124)	(42)	3,279
Inflation-sensitive assets						
Private real estate	473	894	1,367	(77)	(58)	1,232
Infrastructure	378	659	1,037	(6)	(29)	1,002
Inflation-linked bonds	153	199	352			352
	1,004	1,752	2,756	(83)	(87)	2,586
Interest on operating balance	2		2			2
	4,145	12,088	16,233	(500)	(173)	15,560

(in millions of dollars)

	2010					
	Investment income (loss) ⁽¹⁾	Net gain (loss) on investments ⁽²⁾⁽³⁾⁽⁴⁾	Total investment income (loss)	Investment management fees	Transaction costs	Net investment income (loss)
Equities						
Canada	208	5,807	6,015	(18)	(23)	5,974
Foreign developed markets	884	4,960	5,844	(257)	(56)	5,531
Emerging markets	116	1,984	2,100	(28)	(2)	2,070
	1,208	12,751	13,959	(303)	(81)	13,575
Fixed income						
Bonds	1,320	84	1,404			1,404
Other debt	124	1,337	1,461	(13)	(1)	1,447
Money market securities ⁽⁵⁾	108	385	493	(84)	(7)	402
Debt financing liabilities	(2)		(2)			(2)
	1,550	1,806	3,356	(97)	(8)	3,251
Inflation-sensitive assets						
Public real estate	7	95	102		(1)	101
Private real estate	406	(1,141)	(735)	(60)	(27)	(822)
Infrastructure	267	(512)	(245)	(6)	(31)	(282)
Inflation-linked bonds	13	382	395			395
	693	(1,176)	(483)	(66)	(59)	(608)
Interest on operating balance	1		1			1
	3,452	13,381	16,833	(466)	(148)	16,219

⁽¹⁾ Includes interest income, dividends, private real estate operating income (net of interest expense) and interest expense on the debt financing liabilities.⁽²⁾ Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year and other investment-related expenses.⁽³⁾ Includes foreign exchange losses of \$1,403 million (2010 - \$10,052 million).⁽⁴⁾ Includes net unrealized gains of \$1,307 million (2010 - unrealized losses of \$1,257 million), which represents the change in fair value estimated on direct investments in private equities, infrastructure, private real estate, private debt and certain derivatives, where the fair value is derived primarily from assumptions based on non-observable market data.⁽⁵⁾ Includes absolute return strategies.

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

11. Operating expenses

	2011	2010
	(in millions of dollars)	
General operating expenses.....	349	321
Salaries and benefits.....	470	393
Professional and consulting fees	31	20
	850	734

12. Actuarial obligation in respect of benefits

The CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to the CPP, at a combined rate of 9.9 percent of pensionable earnings, and self-employed workers pay the full amount.

The CPP is managed by both the federal and provincial ministers of finance. The Plan's financial state is reviewed by these ministers every three years, following the receipt of an actuarial valuation report prepared by the Chief Actuary, at which time recommendations can be made as to whether benefits and/or contribution rates should be changed. Actuarial valuation determines the minimum contribution rate, which is the lowest rate sufficient to sustain the Plan. In the event that the projected minimum contribution rate is greater than the legislated contribution rate and no recommendations are made by the federal and provincial finance ministers, the insufficient rates provision in the *CPP Act* applies. This provision would increase the contribution rate for employees, employers and self-employed persons automatically and require the non-indexation of current benefits.

The CPP was initially designed to be financed on a pay-as-you-go basis with a small reserve equivalent to about two years worth of expenditures. This means that the pensions and benefits for one generation would be paid largely from the contributions of later generations. However, in the following three decades since inception, demographics and economic developments, such as lower birth rates, increased life expectancies and lower real wage growth, as well as changes in benefits and an increase in disability claims, led to significantly higher Plan costs.

A major reform of the CPP was undertaken in 1997. The reform package agreed to by the federal and provincial finance ministers included amendments that were put into effect in 1998 to make the CPP financially sustainable by:

- increasing contribution rates over the short term to achieve steady-state funding (i.e. to build a reserve of assets and stabilize the ratio of assets to the following year's expenditures over time);

- reducing the growth of benefits over the long term;
- investing cash flows in the private markets through the establishment of the CPPIB to achieve maximum rate of return without undue risk of loss, and
- introducing incremental full funding for the CPP, such that any new or increased benefits provided under the Plan must be fully funded.

As a result of the 1997 reform, the CPP is considered to be partially funded and operating on a "steady-state" basis i.e. the lowest contribution rate that generally stabilizes the ratio of assets to expenditures over the long term with full funding for new or enhanced benefits. These funding objectives improve fairness and equity across generations and ensure the financial long-term sustainability of the Plan.

The *CPP Act* stipulates that an actuarial report shall be prepared every three years for purposes of the review of the CPP's financial state by the Minister of Finance and his provincial counterparts. The most recent triennial report, the *Twenty-Fifth Actuarial Report* on the CPP as at December 31, 2009, was tabled in Parliament on November 15, 2010. The next triennial actuarial report as at December 31, 2012, is expected to be tabled by December 2013.

In the *Twenty-Fifth Actuarial Report*, the minimum contribution rate required to fund both the steady-state funding (at 9.84 percent) and the incremental full funding (at 0.02 percent before 2023 and 0.01 percent for 2023 and thereafter), was determined to be 9.86 percent of pensionable earnings before 2023 and 9.85 percent from 2023 onward. This report confirms that, on the basis of the assumptions selected, the current legislated combined employer-employee contribution rate of 9.9 percent is and will continue to be sufficient to pay for future expenditures and to accumulate assets worth \$275.1 billion (i.e. 4.7 times the following year's annual expenditures) until 2020 when a portion of investment income will be used to pay for benefits. By 2050, 29 percent of investment income will be required to pay for benefits that exceed contributions.

A number of assumptions were used in the *Twenty-Fifth Actuarial Report* for the projections of the Plan's revenue and expenditures over the long projection period of 75 years. These assumptions are actuarial best estimates relating to demographic, economic and other factors such as the ones shown in the table below:

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

	as at 31 December 2009		as at 31 December 2006	
	Males	Females	Males	Females
Canadian life expectancy				
at birth in 2010 (2006 — in 2007).....	85.4 years	88.3 years	84.5 years	87.7 years
at age 65 in 2010 (2006 — in 2007)	20.2 years	22.6 years	19.3 years	22.0 years
Retirement rates for cohort at age 60	38% (2016+)	41% (2016+)	40% (2009+)	45% (2009+)
CPP disability incidence rates				
(per 1,000 eligible).....	3.3 (2015+)	3.6 (2015+)	3.1 (2011+)	3.5 (2011+)
Total fertility rate.....	1.65 (2015+)		1.6 (2010+)	
Net migration rate	0.58% of population		0.54% of population	
	for 2023+		for 2020+	
Participation rate (age group 15-69).....	75.2% (2030+)		74.2% (2030+)	
Employment rate (age group 15-69).....	70.6% (2030+)		69.9% (2030+)	
Unemployment rate	6.1% (2022+)		6.3% (2006+)	
Rate of increase in prices	2.3% (2019+)		2.5% (2016+)	
Real-wage differential.....	1.3% (2019+)		1.3% (2015+)	
Real rate of return	4.0% (2017+)		4.2% (2016+)	

An independent panel of qualified actuaries reviewed the *Twenty-Fifth Actuarial Report* on the CPP, confirming that the work was performed in accordance with professional standards of practice and that the actuarial methods and assumptions used were reasonable.

A variety of tests were performed to measure the sensitivity of the long-term projected financial position of the Plan to future changes in the demographic and economic environments. Key best-estimate assumptions were varied individually to measure the potential impact on the financial status of the Plan. These tests show that the minimum contribution rate could deviate significantly from its best-estimate of 9.85 percent if other than best-estimate assumptions were to materialize.

The *Twenty-Fifth Actuarial Report* measures the actuarial obligation under two different methodologies, a closed group approach and an open group approach. The closed group includes only current participants of the Plan, with no new entrants permitted and no new benefits accrued. The open group approach, introduced for the first time in the *Twenty-Fifth Actuarial Report* for the CPP, takes into consideration all current and future participants of the Plan, including their future contributions and associated benefits, to determine whether current assets and future contributions will be sufficient to pay for all future expenditures.

The CPP was never intended to be a fully-funded plan. With the current legislated combined contribution rate of 9.9 percent, the table below presents the unfunded obligation and the assets to actuarial obligation ratio under these two methodologies at valuation dates of the current and last actuarial reports:

	Open Group	Closed Group	Closed Group
	As at December 31, 2009	As at December 31, 2006	As at December 31, 2006
	(in billions of dollars)		
Actuarial obligation	1995.0	874.8	733.5
Assets available for benefit payments	1988.1	126.8	113.6
Unfunded obligation.....	6.9	748.0	619.9
Assets to actuarial obligation ratio.....	99.7%	14.5%	15.5%

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

According to the *Twenty-Fifth Actuarial Report*, although the relative size of the unfunded obligation under the closed group may be used as a measure of the Plan's financial status, the key financial measure for evaluating the sustainability of the Plan is the adequacy and stability of the steady-state contribution rate over time. Due to the CPP's long-term and enduring nature, if the Plan's sustainability is to be measured based on its unfunded obligation, the open group approach that includes both future contributions and future benefits with respect to both current and future participants provides the more appropriate assessment of the Plan's financial status. Using the open group approach, the Chief Actuary confirms that the Plan is and will continue, on the basis of the assumptions selected, to meet its financial obligations and is sustainable over the 75-year projection period.

The assets available for benefit payments consist of the deposit with the Receiver General for Canada and investments held by the CPPIB. These assets represent funds accumulated for the payment of pensions, benefits and operating expenses. As at March 31, 2011, the value of the Plan's assets available for benefit payments is \$151.6 billion (2010 - \$131.4 billion). This amount represents approximately 4.6 times the 2012 planned total pension and benefit expenses of \$33.2 billion (2010 - 4.2 times). According to the *Twenty-Fifth Actuarial Report*, the ratio of assets to the following year's expenditures is expected to be at 4.7 times by 2020 and 5.2 times by 2050.

13. Commitments

The CPPIB has committed to enter into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at March 31, 2011, the commitments total \$16.3 billion (2010 - \$18.0 billion).

As at March 31, 2011, the CPPIB has made lease and other commitments of \$37.7 million (2010 - \$39.5 million) that will be paid over the next seven years.

14. Contingent liabilities**(a) Appeals relating to the payment of pensions and benefits**

At March 31, 2011, there were 9 204 (7 449 in 2010) appeals relating to the payment of CPP disability benefits. These contingencies are reasonably estimated, using historical information, at an amount of \$73 million (\$72 million in 2010), which was recorded as an accrued liability in the CPP 2010-11 financial statements.

(b) Other claims and legal proceedings

In the normal course of operations, the CPP is involved in various claims and legal proceedings.

In 2004, medical adjudicators (MAs) filed human rights complaints with the Canadian Human Rights Commission (CHRC) alleging gender discrimination. The complaint was upheld and, in May 2009, the Canadian Human Rights Tribunal (CHRT) ordered that the discriminatory practice be redressed. It also found that the MAs had not established that they had suffered lost wages as a result of the discriminatory practice.

The complainants and the CHRC challenged the CHRT's decision on the lost wages and pain and suffering. The application was allowed by the Federal Court, which set aside the CHRT's decision on compensation for lost wages and compensation for pain and suffering and referred these matters back to a new panel of the CHRT for redetermination.

While the total amount claimed in these actions may be material, their outcomes are not determinable. As such, no allowance was recognized in the financial statements for the 2010-2011 and 2009-2010 fiscal years for these claims and legal proceedings.

(c) Guarantees

As part of certain investment transactions, CPPIB has agreed to guarantee, as at March 31, 2011, up to \$0.6 billion (2010 - \$0.6 billion) to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements. To date, the CPPIB has not received any claims nor made any payments pursuant to such guarantees.

(d) Indemnifications

The CPPIB provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPPIB may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPPIB from making a reasonable estimate of the maximum potential payments the CPPIB could be required to make. To date, the CPPIB has not received any claims nor made any payments pursuant to such indemnifications.

Canada Pension Plan—Continued

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

15. Related party transactions

As stated in Note 4, the CPP has \$3,595 million (2010 - \$3,854 million) of contributions receivable from the Canada Revenue Agency.

The CPP enters into transactions with the Government of Canada in the normal course of business, which are recorded at the exchange value. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with various memoranda of understanding.

TRANSACTIONS FOR THE YEAR
(in millions of dollars)

	2011	2010
Pension and benefit delivery, accommodation and corporate services		
Human Resources and Skills Development Canada	354	329
Collection of contributions and investigation services		
Canada Revenue Agency and Royal Canadian Mounted Police	155	154
Cheque issue and computer services		
Public Works and Government Services Canada	11	13
Actuarial services		
Office of the Superintendent of Financial Institutions and Department of Finance	2	2
	522	498

16. Supplementary information

The administration of the CPP's assets and activities is shared between various Government of Canada (GoC) departments and the CPPIB. The CPPIB is responsible for investing the majority of the CPP's assets, while the GoC through various federal departments, manages the remainder of the assets, as well as the collection of the CPP contri-

butions and the administration and payments of the CPP benefits. For accountability purposes, the following table presents summary information on the levels of assets and liabilities and sources of income and expenses managed by the GoC and the CPPIB respectively.

(in millions of dollars)

	2011			2010		
	GoC	CPPIB	Total	GoC	CPPIB	Total
Financial assets	3,760	154,029	157,789	4,164	131,600	135,764
Non-financial assets		47	47		41	41
Liabilities	355	5,880	6,235	374	4,011	4,385
Assets available for benefit payments	3,405	148,196	151,601	3,790	127,630	131,420
Income						
Contributions	37,069		37,069	36,276		36,276
Investment income	2	15,558	15,560	1	16,218	16,219
	37,071	15,558	52,629	36,277	16,218	52,495
Expenses						
Pensions and benefits	31,598		31,598	30,363		30,363
Operating expenses	522	328	850	498	236	734
	32,120	328	32,448	30,861	236	31,097
Increase in assets available for benefit payments	4,951	15,230	20,181	5,416	15,982	21,398

Canada Pension Plan—Concluded

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—*Concluded*

Pursuant to Section 108.1 of the *CPP* Act and the Agreement dated as of April 1, 2004, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPPIB. The funds originate from employer and employee contributions to the CPP and interest income generated from the deposit with the Receiver General.

In September 2004, the CPPIB assumed responsibility for providing cash management services to the CPP, in-

cluding periodic return, on at least a monthly basis, of funds required to meet CPP pension, benefits and operating expenses obligations.

During the year ended March 31, 2011, a total of \$30.9 billion was transferred to the CPPIB and a total of \$25.5 billion was returned to the CPP to meet its liquidity requirements.

ACTIVITIES DURING THE YEAR
(in millions of dollars)

	2011	2010
Canada Pension Plan Investment Board		
Accumulated transfers to CPPIB, beginning of year	212,512	182,204
Transfers of funds to CPPIB	30,851	30,308
Accumulated transfers to CPPIB, end of year	243,363	212,512
Accumulated transfers from CPPIB, beginning of year	(109,443)	(85,282)
Transfers of funds from CPPIB	(25,515)	(24,161)
Accumulated transfers from CPPIB, end of year	(134,958)	(109,443)
Net accumulated transfers to CPPIB	108,405	103,069

17. Comparative information

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

Government Annuities Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Government Annuities Account have been prepared in accordance with Canadian generally accepted accounting principles, by the management of Human Resources and Skills Development Canada. Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgment.

In support of its responsibility for the integrity and fairness of the financial statements, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The management of Human Resources and Skills Development Canada recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations.

The Auditor General of Canada, the external auditor of the Government Annuities Account, conducts an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and reports to the Minister of Human Resources and Skills Development.

IAN SHUGART
*Deputy Minister
Human Resources and
Skills Development Canada*

ALFRED TSANG, CMA
*Chief Financial Officer
Human Resources and
Skills Development Canada*

Gatineau, Canada
August 31, 2011

Government Annuities Account—Continued

REPORT OF THE ACTUARY

The Office of the Chief Actuary, Office of the Superintendent of Financial Institutions Canada, was given the mandate of performing the annual actuarial valuation of the Government Annuities Account (the “Account”) as at 31 March 2011. The purpose of this valuation was to determine the actuarial liabilities and financial position of the Account as at 31 March 2011. The results of the valuation are included in the Account’s statement of financial position, statement of changes in net assets available for benefits, and statement of changes in pension obligations for the year then ended.

The valuation of the Account’s actuarial liabilities and financial position was based on:

- membership data as at 31 March 2011 provided by Human Resources and Skills Development Canada (HRSDC) and Service Canada;
- asset data provided by HRSDC; and
- assumptions as prescribed by the *Government Annuities Regulations*, that is, mortality rates from the Annuity Table for 1983, for individual and group annuities, as modified by Projection Scale G published by the Society of Actuaries, and a seven percent annual interest rate.

The Account’s assets are notional and in the form of a deposit with the Receiver General for Canada. Therefore, actuarial liabilities are based on the present value of future payments discounted at the prescribed interest rate. Since administrative expenses are paid by the government out of general funds, no provision for expenses is made in the valuation. This valuation contains no added margins for adverse deviation.

In our opinion, considering that the valuation was prepared pursuant to the *Government Annuities Act* and the *Government Annuities Improvement Act*:

- the data on which our valuation is based are sufficient and reliable for the purpose of the valuation;
- the assumptions used comply with legislative requirements and are, in aggregate, reasonable and appropriate;
- the methodology employed is appropriate and consistent with sound actuarial principles; and
- the actuarial valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Our valuation has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. The next valuation will be performed as at 31 March 2012.

Michel Millette
Senior Actuary
Fellow of the Canadian Institute of Actuaries
Office of the Chief Actuary

Assia Billig
Actuary
Fellow of the Canadian Institute of Actuaries
Office of the Chief Actuary

Mathieu Désy
Actuarial Officer
Fellow of the Canadian Institute of Actuaries
Office of the Chief Actuary

Office of the Superintendent of Financial Institutions Canada
Ottawa, Canada
30 August 2011

Government Annuities Account—Continued

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS
DEVELOPMENT

Report on the Financial Statements

I have audited the accompanying financial statements of the Government Annuities Account, which comprise the statement of financial position as at 31 March 2011, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government Annuities Account as at 31 March 2011, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the Government Annuities 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 Improvement Act, the Government Annuities Act and regulations.

Heather McManaman, CA
Principal
for the Interim Auditor General of Canada

31 August 2011
Halifax, Canada

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31
(in thousands of dollars)

	2011	2010
Assets		
Deposit with Receiver General for Canada (Note 4)	207,784	228,646
Accrued interest due from Canada	15,689	17,239
Accounts receivable	76	82
	<u>223,549</u>	<u>245,967</u>
Liability		
Actuarial surplus due to Canada	2,209	2,511
Net assets available for benefits	<u>221,340</u>	<u>243,456</u>
Pension obligations		
Actuarial present value of accrued benefits (Note 5)	221,340	243,456

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

Approved by:

IAN SHUGART
Deputy Minister
Human Resources and
Skills Development Canada

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and
Skills Development Canada

Government Annuities Account—ContinuedSTATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2011	2010
Increase in assets		
Interest from Canada		
(Note 4)	15,689	17,239
Premiums (Note 4)	11	18
Reclaimed annuities recovered from		
Consolidated Revenue Fund	29	88
	15,729	17,345
Decrease in assets		
Annuity payments	35,522	38,380
Premium refunds	54	66
Unclaimed annuities transferred to		
Consolidated Revenue Fund	60	105
Actuarial surplus due to Canada	2,209	2,511
	37,845	41,062
Services received without charge		
(Note 2(g))	2,231	2,084
Services contributed by Human		
Resources and Skills Development		
Canada (Note 2(g))	(2,231)	(2,084)
Decrease in net assets	22,116	23,717
Net assets available for benefits		
at beginning of year	243,456	267,173
Net assets available for benefits		
at end of year	221,340	243,456

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

STATEMENT OF CHANGES IN PENSION OBLIGATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2011	2010
Actuarial present value of accrued		
benefits at beginning of the year	(243,456)	(267,173)
Interest and other income	(15,729)	(17,345)
Benefits paid	35,636	38,551
Experience gains	2,209	2,511
Actuarial present value of accrued		
benefits at end of the year	(221,340)	(243,456)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

1. Authority, Objective and Responsibilities

The Government Annuities Account (the Account) was established in 1908 by the *Government Annuities Act*, as modified by the *Government Annuities Improvement Act*.

The purpose of the *Government Annuities Act* was to assist individuals and groups of Canadians to prepare financially for their retirement by purchasing Government Annuities. In 1975, the *Government Annuities Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until their maturity date, at which time payments to annuitants begin.

The Account is administered by Human Resources and Skills Development Canada (HRSDC) and operates through the Consolidated Revenue Fund.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Account are prepared in accordance with Canadian generally accepted accounting principles.

(b) Actuarial present value of accrued benefits

The method utilized to calculate the actuarial present value of accrued benefits is in accordance with the *Government Annuities Act*, *Government Annuities Improvement Act* and regulations.

Actuarial present value of accrued benefits 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.

(c) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial present value of accrued benefits 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.

(d) Interest from Canada

Interest from Canada is recorded on an accrual basis and is calculated on actuarial present value of accrued benefits as prescribed by the *Government Annuities Improvement Act* and the *Government Annuities Regulations*.

(e) 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.

Government Annuities Account—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Continued

(f) Reclaimed annuities

Reclaimed annuities represent previously unclaimed amounts that had been transferred to the Consolidated Revenue Fund. Where the annuitants are subsequently located, the actuarial value of these annuities is transferred back to the Account.

(g) Services received without charge

Administrative services, including actuarial services, received without charge from Human Resources and Skills Development Canada are recorded in the statement of changes in net assets available for benefits at their estimated carrying amount. A corresponding amount is credited directly to the statement of changes in net assets available for benefits.

(h) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial present value of accrued benefits, and income at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial present value of accrued benefits and related accounts could change materially in the near term.

3. Future Accounting Standards

Section 4600 Pension Plans and International Financial Reporting Standards (IFRS)

The Account's financial statements are prepared in accordance with Canadian generally accepted accounting principles, largely based on Section 4100 Pension Plans. In April 2010, the Accounting Standards Board issued Section 4600 Pension Plans to replace Section 4100 for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 4100 continues to be applied until Section 4600 takes effect. Section 4600 provides standards for the accounting and disclosure of investments or pension obligations of a pension plan. Section 4600 also requires pension plans of publicly accountable enterprises to follow IFRS to the extent that those standards do not conflict with the requirements of Section 4600. Consequently, a pension plan of a publicly accountable enterprise may apply IFRS in selecting accounting policies other than policies of the plan that relate to its investments or pension obligations.

The management of Human Resources and Skills Development Canada assessed the impact of applying Section 4600. When requirements between Sections 4100 and 4600 were similar, the presentation of the Account's financial statements was modified to comply with the Section 4600. Management will assess the impact of applying IFRS on the Account's financial statements that are effective for the fiscal year commencing April 1, 2011.

4. Premiums deposited with Receiver General for Canada

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act* and the *Government Annuities Regulations*. Due to the short-term nature, the carrying value of the deposit with the Receiver General for Canada approximates its fair value.

5. Actuarial Present Value of Accrued Benefits

The *Government Annuities Improvement Act* and *Government Annuities Regulations* prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using an annual interest rate of seven percent. Future payments are to be estimated 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 Senior Actuary has indicated that the assumptions used to assess the actuarial liabilities of the Account comply with legislative requirements and are, in aggregate, reasonable and appropriate.

	(in thousands of dollars)	
	2011	2010
Actuarial present value of accrued benefits is comprised of:		
Deferred annuities, present value . . .	10,653	11,696
Matured annuities, present value . . .	210,687	231,760
	221,340	243,456

6. Financial Instruments

The Account's financial instruments include the deposit with Receiver General for Canada and actuarial surplus due to Canada. The carrying value of these financial instruments approximates their fair value.

Government Annuities Account—Concluded

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011—Concluded

7. Financial Risk Management

The Account is not exposed to any significant market risk, liquidity risk or credit risk from its use of financial instruments.

8. Capital Management

The Account does not manage capital as all deposits and withdrawals to the Account are made to the Consolidated Revenue Fund (CRF) and returns on deposits are legislated through the *Government Annuities Improvement Act*. In addition, any deficit or surplus in the Account is charged or credited to the CRF.

The Account is valued on an actuarial basis each year, with the objective of reporting the present value of the deferred and matured annuities to the Government of Canada to ensure the Account is sufficiently funded.

The Account has no externally imposed restrictions on capital. There has been no change in the Account's approach to capital management over the prior year.

9. 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 October 2007, it is appropriate to include a description of the respective roles of the actuary and of the auditor with respect to the financial statements. Their respective roles are as follows:

The Senior Actuary determines and reports on the amount of actuarial present value of accrued benefits 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 Account. The Senior Actuary also ensures that the method used to calculate the actuarial present value of accrued benefits is in accordance with the *Government Annuities Improvement Act* and *Government Annuities Regulations*. The Office of the

Chief Actuary, Office of the Superintendent of Financial Institutions Canada, has the mandate of performing the annual actuarial valuation of the Account as of March 31, 2011. The prior valuations were performed by the Actuarial and Geomatic Directorate, HRSDC.

The Auditor General of Canada expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The Auditor General of Canada 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 regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

10. Related Party Transactions

The Account is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

11. Revision of the Presentation of the Financial Statements

The presentation of the financial statements was revised this year to provide more useful information on the Account's financial position, changes in net assets available for benefits and changes in pension obligations. Comparative figures have been reclassified to conform with the current year presentation.

**Royal Canadian Mounted Police (Dependants)
Pension Fund**

MANAGEMENT RESPONSIBILITY FOR FINANCIAL
STATEMENTS

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund 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 management's best estimates and judgments when appropriate.

Responsibility for the integrity and objectivity of the financial statements rests with the management of the Royal Canadian Mounted Police (Dependants) Pension Fund. In support of its responsibility, management has developed and maintained books, records, internal controls and management practices, designed to provide reasonable assurance as to the reliability of the financial information, that assets are safeguarded and controlled, and that transactions of the Royal Canadian Mounted Police (Dependants) Pension Fund are in accordance with the applicable provisions of the *Financial Administration Act* and the *Royal Canadian Mounted Police Pension Continuation Act* and regulations.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

WILLIAM J. S. ELLIOTT
Commissioner

ALAIN P. SÉGUIN
*Chief Financial and
Administrative Officer*

July 25, 2011

**Royal Canadian Mounted Police (Dependants)
Pension Fund—Continued**

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SAFETY

Report on the Financial Statements

I have audited the accompanying financial statements of the Royal Canadian Mounted Police (Dependants) Pension Fund, which comprise the statement of net assets available for benefits and excess of net assets available for benefits over actuarial present value of accrued pension benefits as at 31 March 2011, and the statement of changes in net assets available for benefits and statement of changes in accrued pension benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the net assets available for benefits and excess of net assets available for benefits over actuarial present value of accrued pension benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at 31 March 2011, and the changes in its net assets available for benefits and changes in its accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Royal Canadian Mounted Police (Dependants) Pension Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of the *Financial Administration Act*, and the *Royal Canadian Mounted Police Pension Continuation Act* and regulations.

Louise Bertrand, CA
Principal
for the Interim Auditor General of Canada

July 25, 2011
Ottawa, Canada

Royal Canadian Mounted Police (Dependants) Pension Fund—Continued

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS

AS AT MARCH 31

	2011	2010
	\$	\$
Assets		
Due from the Consolidated Revenue Fund	26,090,424	27,049,733
Liabilities		
Pension benefits payable	793,278	77,464
Net assets available for benefits	25,297,146	26,972,269
Actuarial present value of accrued pension benefits (Note 3)	23,591,078	23,907,000
Excess of net assets available for benefits over actuarial present value of accrued pension benefits	1,706,068	3,065,269

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

Approved by:

WILLIAM J.S. ELLIOTT
Commissioner

ALAIN P. SÉGUIN
*Chief Financial and
Administrative Officer*

July 25, 2011

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED MARCH 31

	2011	2010
	\$	\$
Net assets available for benefits, beginning of year	26,972,269	27,831,547
Increase in net assets:		
Interest income on amount due from the Consolidated Revenue Fund	1,683,870	1,809,668
Contributions	4,929	5,342
Total increase in net assets	1,688,799	1,815,010
Decrease in net assets:		
Benefit payments	(3,363,922)	(2,674,288)
Decrease in net assets	(1,675,123)	(859,278)
Net assets available for benefits, end of year	25,297,146	26,972,269

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

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS YEAR ENDED MARCH 31

	2011	2010
	\$	\$
Actuarial present value of accrued pension benefits, beginning of year	23,907,000	24,956,000
Net interest accrued on benefits	1,567,000	1,620,000
Valuation data updates	(425,000)	
Experience gains and losses	400,000	
Changes in actuarial assumptions	425,000	
Benefit increases	1,076,000	
Contributions from participants (instalment payments)	5,000	5,000
Benefit payments	(3,363,922)	(2,674,000)
Actuarial present value of accrued pension benefits, end of year	23,591,078	23,907,000

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31

1. Description of the Fund

The following summary description of the Royal Canadian Mounted Police (Dependants) Pension Fund (the Fund) 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 Fund are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Fund 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.

The Fund is accounted for using the standards applicable to a defined benefit pension plan.

**Royal Canadian Mounted Police (Dependants)
Pension Fund—Continued**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—Continued

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Fund; 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 Fund prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase the benefit payments. If there is an actuarial deficiency, the Governor in Council may direct that there be amounts transferred to the Fund, out of any unappropriated moneys in the CRF, as may be required to re establish the solvency of the Fund.

(c) Interest income

The Government of Canada credits the Fund 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. The rate is calculated as though the amounts recorded were invested in a notional portfolio of Government of Canada 20 year bonds held to maturity.

(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 Fund.

i. Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5 percent of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit 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 pension payment, 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. This lump sum shall be equal in value to a pension for female aged 20 years older than the deceased member at death but not exceeding 75 years.

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 Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the *Act* 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 Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

The financial statements present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis. The significant accounting policies are:

(a) Interest Income on the Amount Due from the Consolidated Revenue Fund

Interest on the amount due from the Consolidated Revenue Fund is recognized on an accrual basis.

Royal Canadian Mounted Police (Dependants) Pension Fund—Continued

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31—Continued

(b) Benefit payments

Benefits are accrued as pensionable service accumulates and are recognized as a reduction of Actuarial Present Value of Accrued Pension Benefits and Net Assets Available for Benefits upon the death of a member who has made the scheduled contributions and has left them in the Fund.

(c) Services provided without charge and related party transactions

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies as they are insignificant in the context of the financial statements taken as a whole. These services include the following:

- Financial 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;
- Cheques issued from Public Works and Government Services Canada; and
- Office of the Auditor General audit costs.

(d) Use of estimates

In preparing these financial statements, management uses estimates and assumptions that primarily affect the reported values of the liabilities. Significant estimates are used primarily in the determination of accrued pension benefits which have been disclosed in Note 3.

(e) Future accounting policy change

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles, largely based on Section 4100 Pension Plans. In April 2010, the Canadian Institute of Chartered Accountants issued Section 4600 Pension Plans to replace Section 4100 for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 4100 continues to be applied until Section 4600 takes effect. The revised Section 4600 provides standards for the accounting and disclosure of investments or pension obligations of a pension plan. Section 4600 also requires pension plans to follow International Financial Reporting Standards (IFRS) to the extent that those standards do not conflict with the requirements of Section 4600. Consequently, a pension plan may apply IFRS in selecting accounting policies other than policies of the plan that relate to its investments or pension obligations.

The Fund will assess the impact of the adoption of these changes on its financial statements that are effective for the fiscal year commencing April 1, 2011.

3. Actuarial present value of accrued pension benefits

The most recent statutory actuarial valuation was performed as at March 31, 2010 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$2,665,000. In a decision dated June 9, 2011, the Treasury Board approved that a portion of this surplus will be distributed by annual effective increases in the pension amount of 2.0 percent as at April 1, 2011, 2.0 percent as at April 1, 2012 and 2.0 percent as at April 1, 2013 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount is 1,173 percent effective April 1, 2011, 1,198 percent effective April 1, 2012, and 1,224 percent effective April 1, 2013.

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Fund for the payment of increases in the pension benefits. The average ages of members and widows were both estimated to be 86 years and the remaining lifetime of the Fund was estimated at 27 years as at March 31, 2010.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows.

The current Fund yield of 6.58 percent per annum (6.83 percent in 2010) is consistent with the estimated yield (6.52 percent) used for the immediate future in the actuarial valuation. The expected long term Fund yield is estimated to decline to 4.81 percent per annum by the year 2024 and to rise to the ultimate level of 5.20 percent by 2032. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed as at March 31, 2011, to estimate the actuarial present value of accrued pension benefits and the principal components of change in the actuarial present value during the plan year.

4. Financial instruments

The financial instruments of the Fund include the amount due from the Consolidated Revenue Fund. The carrying value of the amount due from the Consolidated Revenue Fund approximates fair value due to its short term nature.

**Royal Canadian Mounted Police (Dependants)
Pension Fund—*Concluded***

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

5. Capital management

The primary objective with respect to capital management is to ensure that the Fund has adequate capital to meet its obligations to all current Fund members and their survivors.

The Fund is not subject to any externally imposed capital requirements and the surpluses or deficits are determined regularly by an actuarial valuation that is prepared by an independent actuary and considered as the Fund's capital.

The actuary's valuation is used to measure the long-term health of the Fund. The actuary tests the Fund's ability to meet its obligations to all current Fund members and their survivors.

Using an assumed rate of return, the actuary projects the Fund's benefits to estimate the current value of the liability (see note 3), which is compared to the Fund's asset (due from the CRF) and the future contributions for all current Fund members. The result of the comparison is either a surplus or a deficit. In either case, the funding policy as described in Note 1 (b) will be used to ensure that the capital of the Fund is maintained.

There have been no changes to the capital management policy of the Fund.

6. Financial risk management

The Fund is not exposed to any significant market risk, liquidity risk, or credit risk from its use of financial instruments. Accordingly, the Fund has not provided a market risk sensitivity analysis.

7. Comparative figures

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

SECTION 7

2010-2011

PUBLIC ACCOUNTS OF CANADA

Cash and Accounts Receivable

CONTENTS

	<i>Page</i>
Cash and cash equivalents	7.2
Taxes receivable	7.3
Other accounts receivable	7.4

CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Financial Position under “Cash and Accounts Receivable”.

Table 7.1 presents the year-end balances of cash and accounts receivable by category.

TABLE 7.1

CASH AND ACCOUNTS RECEIVABLE

	March 31/2011	March 31/2010
	\$	\$
Cash and cash equivalents, Table 7.2	14,322,602,233	28,450,328,245
Taxes receivable, Table 7.3	78,626,173,166	69,062,455,926
Other accounts receivable, Table 7.5	3,958,721,889	3,692,188,232
Total cash and accounts receivable	96,907,497,288	101,204,972,403

Cash and Cash Equivalents

Cash consists of public moneys on deposit and cash in transit at March 31st. Cash in bank consists of public moneys on deposit to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions. Cash in transit consists of public moneys received by public officers prior to April 1, but not deposited by that date as well as cash held by consolidated Crown corporations and other entities. Outstanding cheques and warrants are deducted to arrive at the closing cash balance.

Cash equivalents consist mainly of term deposits resulting from auctions administered by the Bank of Canada and the Department of Finance on behalf of the Minister of Finance. The short term deposits, denominated in Canadian dollars, are made from a portion of the daily surplus of cash balance and have a short term maturity, usually not exceeding 31 calendar days.

Table 7.2 presents a summary of the cash and cash equivalents.

TABLE 7.2

CASH AND CASH EQUIVALENTS

	March 31/2011	March 31/2010
	\$	\$
Cash in bank—		
Canadian currency	944,887,775	13,668,147,862
Foreign currencies ⁽¹⁾	420,833,782	326,355,184
Special deposits ⁽²⁾	50,000,000	50,000,000
Total cash in bank	1,415,721,557	14,044,503,046
Cash in transit—		
Cash in hands of collectors and in transit	9,134,506,533	7,359,138,663
Other cash—Consolidated Crown corporations and other entities ⁽³⁾	526,391,000	518,079,000
Total cash in transit	9,660,897,533	7,877,217,663
Less: Outstanding cheques and warrants—		
Outstanding cheques ⁽⁴⁾	5,492,713,111	5,050,029,792
Imprest account cheques ⁽⁵⁾	305,416	319,560
Total outstanding cheques and warrants	5,493,018,527	5,050,349,352
Total cash	5,583,600,563	16,871,371,357
Cash equivalents	8,739,001,670	11,578,956,888
Total cash and cash equivalents	14,322,602,233	28,450,328,245

⁽¹⁾ The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents and include cash in bank and outstanding cheques and warrants.

⁽²⁾ These are balances in the hands of financial institutions for the reimbursement of GST refund payments issued by the Ministère du Revenu du Québec on behalf of the Government.

⁽³⁾ These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of consolidated Crown corporations and other entities.

⁽⁴⁾ Cheques and Employment Insurance warrants issued in Canadian dollars, and outstanding are recorded in this account. Cheques outstanding for 10 years are transferred to other revenues. During the year, an amount of \$61,982,669 (\$33,703,295 in 2010) was transferred to other revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

⁽⁵⁾ 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 other revenues), are recorded in this account.

Taxes Receivable

Taxes receivable include amounts assessed by Canada Revenue Agency and the Canada Border Services Agency but not yet collected, as well as estimates of unassessed taxes at year end. Amounts receivable also include related amounts for interest and penalties.

Taxes receivable include taxes, premiums and contributions collectable on behalf of others such as provincial, territorial governments and the Canada Pension Plan. These amounts have also been included in liabilities.

The Government establishes an allowance for doubtful accounts to reduce the carrying value of the taxes receivable to amounts that approximate their net realizable value.

Table 7.3 presents taxes receivable by tax stream. Amounts receivable that are written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

TABLE 7.3
TAXES RECEIVABLE AS AT MARCH 31

	2011			2010		
	Gross taxes receivable	Allowance for doubtful accounts	Net taxes receivable	Gross taxes receivable	Allowance for doubtful accounts	Net taxes receivable
	\$	\$	\$	\$	\$	\$
Taxes receivable—						
Income taxes receivable—						
Individuals	43,207,123,532	5,459,080,135	37,748,043,397	40,303,200,537	4,925,575,342	35,377,625,195
Employers	16,321,116,418	999,100,147	15,322,016,271	15,009,791,969	821,743,264	14,188,048,705
Corporations	11,622,610,958	1,752,663,386	9,869,947,572	10,713,832,470	1,849,060,942	8,864,771,528
Non-residents	988,026,589	127,478,373	860,548,216	1,182,413,290	142,074,136	1,040,339,154
Goods and services taxes receivable	15,322,360,067	2,588,882,043	12,733,478,024	9,957,731,011	2,187,625,261	7,770,105,750
Customs duties receivable	239,139,219	8,210,682	230,928,537	190,300,334	23,243,689	167,056,645
Excise taxes and duties receivable	1,912,485,199	51,274,050	1,861,211,149	1,695,373,074	40,864,125	1,654,508,949
Total	89,612,861,982	10,986,688,816	78,626,173,166	79,052,642,685	9,990,186,759	69,062,455,926

Table 7.4 presents the aging for taxes receivable for the period over which claims at March 31 have been outstanding. Receivables based on estimates of unassessed taxes at year end are included in current receivables.

TABLE 7.4
AGING OF TAXES RECEIVABLE

	Year ended March 31	
	2011	2010
	\$	\$
Tax receivables		
Less than one year	59,451,680,154	59,620,638,416
1-2	5,726,427,231	3,210,161,595
2-3	4,073,508,061	2,010,232,834
3-4	3,261,116,004	2,199,184,538
4-5	3,208,550,703	1,780,135,854
Over 5 years	13,891,579,829	10,232,289,448
Total	89,612,861,982	79,052,642,685

Other Accounts Receivable

Other accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Government for use of its assets, or from the proceeds for provision of services as of March 31, 2011.

Amounts receivable written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.5 presents a summary of the balances for other receivables.

TABLE 7.5

OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

	2011			2010		
	Gross receivables	Allowance for doubtful accounts	Net receivables	Gross receivables	Allowance for doubtful accounts	Net receivables
	\$	\$	\$	\$	\$	\$
Other receivables ⁽¹⁾	4,171,252,314	1,501,426,425	2,669,825,889	4,192,472,526	1,343,797,294	2,848,675,232
Accounts receivable of consolidated Crown corporations and other entities	1,288,896,000		1,288,896,000	843,513,000		843,513,000
Total	5,460,148,314	1,501,426,425	3,958,721,889	5,035,985,526	1,343,797,294	3,692,188,232

⁽¹⁾ Other receivables are the financial claims owed to the Government and arising from other revenues.

Table 7.6 presents the aging of other accounts receivable for the period over which claims at March 31 have been outstanding.

TABLE 7.6

AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended March 31	
	2011	2010
	\$	\$
Outstanding days		
0-30	1,496,704,238	1,317,868,093
31-60	382,160,333	322,343,023
61-90	119,416,067	160,019,990
91-365	386,565,564	378,622,806
Over 365	1,786,406,112	2,013,618,614
Total	4,171,252,314	4,192,472,526
Accounts receivable of consolidated Crown corporations and other entities	1,288,896,000	843,513,000
Total	5,460,148,314	5,035,985,526

SECTION 8

2010-2011

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account . .	8.2
International Monetary Fund—Subscriptions	8.3
International Monetary Fund—Loans	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. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange net revenues on the Statement of Operations and Accumulated Deficit.

TABLE 8.1

FOREIGN EXCHANGE ACCOUNTS

	April 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
International reserves held in the Exchange Fund Account, Table 8.2	53,701,312,104	18,094,278,694	17,753,752,374	54,041,838,424
International Monetary Fund—Subscriptions	9,822,771,316		31,400,156	9,791,371,160
International Monetary Fund—Loans	337,054,367	811,095,867	8,857,204	1,139,293,030
	63,861,137,787	18,905,374,561	17,794,009,734	64,972,502,614
Less:				
International Monetary Fund—Notes payable	7,676,040,104	1,780,566,135	1,364,574,212	7,260,048,181
Special drawing rights allocations	9,234,997,237	29,521,237		9,205,476,000
	16,911,037,341	1,810,087,372	1,364,574,212	16,465,524,181
Total	46,950,100,446	20,715,461,933	19,158,583,946	48,506,978,433

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 year. The financial statements as at March 31, 2011, together with the Independent Auditor'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, 2011. Gold held by the Account is valued at SDR 35 per fine ounce (\$53.81 Cdn as at March 31, 2011 and \$53.98 Cdn as at March 31, 2010).

In 2010-2011, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$16,376 million and an adjustment of \$1,718 million to recognize the net income of the Exchange Fund Account for the period April 1, 2010 to March 31, 2011. Receipts and other credits consisted of repayments of advances of \$16,463 million and a net valuation adjustment of \$1,291 million.

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 \$7,628 million as at March 31, 2011 (\$8,243 million as at March 31, 2010); 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.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2011	March 31/2010
US dollar cash and cash equivalents	228	226
US dollar marketable securities	26,797	24,477
Euro cash and cash equivalents	79	175
Euro marketable securities	17,762	19,443
Japanese yen cash and cash equivalents	7	91
Japanese yen marketable securities	116	217
Special drawing rights	9,046	9,066
Gold	6	6
Total	54,041	53,701
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars	29,900	26,689
Euro	16,972	18,810
Japanese yen	233	304
Special drawing rights (2011, SDR 4,599 million; 2010, SDR 4,599 million)	7,070	7,092
Canadian dollars	(1,852)	(650)
Total advances from the Consolidated Revenue Fund	52,323	52,245
Total net revenue for the year	1,718	1,456
Total	54,041	53,701

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 2010-2011, receipts and other credits consisted of a valuation adjustment of \$31 million.

International Monetary Fund—Loans

This account records the value of interest-bearing loans made under Canada's multi-lateral and bi-lateral borrowing arrangements with the International Monetary Fund (IMF). The purpose of these arrangements is to provide temporary resources for IMF-members countries requiring balance of payment assistance.

There are three outstanding lending arrangements with the IMF outside of the quota system: the multi-lateral New Arrangements to Borrow (NAB) and General Arrangements to Borrow (GAB) as well as a temporary bi-lateral borrowing agreement.

Canada's participation in the NAB became effective on March 11, 2011. The maximum lending by Canada to the IMF under these arrangements is limited to SDR 7,624 million. As at March 31, 2011, no lending had been provided to the IMF under the NAB.

Canada also participate in the GAB which was most recently renewed in November, 2007. The maximum lending by Canada to the IMF under these arrangements is limited to SDR 893 million. As at March 31, 2011, no lending had been provided under the GAB.

Canada's temporary bi-lateral borrowing agreement with the IMF provides for maximum lending to the IMF of \$10 billion US and its term was extended during the year to expire on July 2, 2013. As at March 31, 2011, \$1,139 million was outstanding with the IMF under this agreement.

Subsequent to the year-end date, amounts outstanding under the bi-lateral agreement were rolled into the NAB.

Collectively, the outstanding loans under multi-lateral and bi-lateral arrangements with the IMF cannot exceed SDR 8,517 million at any given time. This reflects the maximum commitment under both the NAB and GAB.

At March 31, 2011, each outstanding drawing under the bi-lateral agreement has an original term to maturity of three months and bears interest at the SDR rate. Amounts advanced under either arrangement are considered part of the Official International Reserves of Canada.

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 2010-2011, notes payable to the IMF decreased by \$416 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The SDR 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 2010-2011, payments and other charges consisted of a valuation adjustment of \$30 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

STATEMENT OF RESPONSIBILITY

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 operations of the Account are governed by the provisions of Part II of the *Currency Act*. The Bank of Canada administers the Account, as fiscal agent for the Government of Canada.

The financial statements were prepared in accordance with the accounting policies set out in Note 2 to the financial statements, which are consistent with those used by the Government of Canada, and do not result in any significant differences from Canadian generally accepted accounting principles for the public sector. These policies were applied on a basis consistent with that of the preceding year. The information included in these financial statements is based on the best estimates and judgement of the Department of Finance and the Bank of Canada, with due consideration given to materiality.

The Department of Finance establishes policies for the Account's transactions and investments. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada maintains appropriate financial systems and related internal controls to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are properly authorized in accordance with the *Currency Act*. The system of internal control is supported by an internal audit department, whose functions include reviewing internal controls, including accounting and financial controls and their application. 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 the audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also 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.

MARK CARNEY
Governor
Bank of Canada

MICHAEL HORGAN
Deputy Minister
Department of Finance

SHEILA VOKEY, CA
Chief Accountant
Bank of Canada

Ottawa, Canada
21 June 2011

Exchange Fund Account—Continued

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

Report on the Financial Statements

I have audited the accompanying financial statements of the Exchange Fund Account, which comprise the statement of financial position as at 31 March 2011, the statement of operations, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Exchange Fund Account as at 31 March 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the Exchange Fund 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*.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Interim Auditor General of Canada

Ottawa, Canada
21 June 2011

PUBLIC ACCOUNTS OF CANADA, 2010-2011

Exchange Fund Account—Continued

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH
(in millions of Canadian dollars)

FINANCIAL ASSETS	2011	2010	LIABILITIES	2011	2010
Cash and cash equivalents (Note 3, 7)	314	492	Due to the Consolidated Revenue Fund (Note 6)	54,041	53,701
Investments					
Marketable securities (Note 4, 7)	44,675	44,137			
Special drawing rights (Note 5, 7)	9,046	9,066			
Gold (Note 7)	6	6			
	53,727	53,209			
	54,041	53,701		54,041	53,701

Commitments (Note 8)

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

Approved:

MARK CARNEY

Governor

Bank of Canada

MICHAEL HORGAN

Deputy Minister

Department of Finance

SHEILA VOKEY, CA

Chief Accountant

Bank of Canada

Exchange Fund Account—ContinuedSTATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH
(in millions of Canadian dollars)

	2011	2010
Net revenue from investments		
Marketable securities		
Interest	1,306	1,323
Gains on sale of marketable securities	270	395
Transaction costs and other	(1)	(1)
Cash and cash equivalents	1	1
Special drawing rights	30	16
	<u>1,606</u>	<u>1,734</u>
Other		
Net foreign exchange (loss) gain	112	(278)
Net revenue for the year	<u>1,718</u>	<u>1,456</u>

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH
(in millions of Canadian dollars)

	2011	2010
Cash flows from operating activities		
Revenue from investments received		
Marketable securities	1,401	1,353
Other	1	1
Purchase of marketable securities	(40,608)	(65,650)
Proceeds from the sale or maturity of marketable securities	38,970	61,268
Sale of foreign currencies	56	4
Purchase of foreign currencies	(2,697)	(2,623)
Net cash used in operating activities	<u>(2,877)</u>	<u>(5,647)</u>
Cash flows from financing activities		
Increase in advances from the CRF	14,514	30,568
Repayment of advances to the CRF	(11,819)	(25,145)
Net cash provided by financing activities	<u>2,695</u>	<u>5,423</u>
Effects of exchange rate changes on cash and cash equivalents	<u>4</u>	<u>(210)</u>
Decrease in cash and cash equivalents	<u>(178)</u>	<u>(434)</u>
Cash and cash equivalents, beginning of year	<u>492</u>	<u>926</u>
Cash and cash equivalents, end of year	<u>314</u>	<u>492</u>

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

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(Amounts in the notes to the financial statements are in millions of Canadian dollars, unless otherwise stated.)

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 majority of Canada's official international reserves reside inside the Account. The Account represents approximately 94 per cent (96 per cent at 31 March 2010) of Canada's official reserves. The remainder of the official reserves reside in the foreign currency accounts of the Minister of Finance.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar. The Minister of Finance empowers the Account to acquire or sell assets deemed appropriate for this purpose, in accordance with the Account's *Statement of Investment Policy*.

Assets held in the Account are managed to provide foreign-currency liquidity to the government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. Canada's current policy is to intervene in foreign exchange markets on a discretionary, rather than a systematic, basis and only in the most exceptional of circumstances. Since September 1998, no transactions have been aimed at moderating movements in the value of the Canadian dollar.

In accordance with the *Currency Act*, the net revenue for the year is paid to or charged to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the fiscal year, and the Minister of Finance reports to Parliament on the operations of the Account within the first 60 days on which Parliament is sitting after the end of the fiscal year.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in a manner consistent with the accounting policies used by the Government of Canada to prepare its financial statements. The presentation and results of the Account using these accounting policies do not result in any significant differences from Canadian generally accepted accounting principles for the public sector.

(a) Revenue recognition

Revenue from investments is recorded net of transactions costs on an accrual basis and includes interest earned, amortization of premiums and discounts using the straight line method, gains or losses on sales of securities, and revenues from securities lending activities. Interest is accrued on short-term

deposits, deposits held under repurchase agreements, marketable securities, and Special Drawing Rights.

(b) Expense recognition

The Account's administrative, custodial, and fiscal agency services are provided and paid for by the Bank of Canada and Department of Finance. These costs are not significant in relation to the asset portfolio and have not been recognized in the financial statements.

In addition, the notional cost specifically identified as related to the funding of the Account's assets and advanced by the CRF are not recognized in the financial statements.

(c) Financial assets

Cash and cash equivalents

Cash and cash equivalents consists of cash and short-term deposits. Short-term deposits are recorded at cost and are generally held to maturity.

Deposits held under repurchase agreements

Deposits held under repurchase agreements are recorded at cost. The resulting revenue is included in revenues from marketable securities.

Marketable securities

Marketable securities are recorded at cost and are adjusted for amortization of purchase discounts and premiums on a straight-line basis over the term to maturity of the security. Purchases and sales of securities are recorded at the settlement dates. The securities loaned under the securities lending program continue to be accounted for as investment assets.

Short-term deposits, Deposits held under repurchase agreement and Marketable securities are written down to their recoverable amount in the event of an other than temporary impairment in the fair value. Write-downs to reflect other than temporary impairment are included in *Net revenue from investments* in the *Statement of Operations*.

Special Drawing Rights

SDR's are initially recorded at cost and are subsequently translated into Canadian dollars at market exchange rates.

Gold

Gold is carried in the Account at a value of 35 SDRs per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011—Continued

(d) Translation of foreign currencies and Special Drawing Rights

Assets and advances denominated in foreign currencies and special drawing rights (SDRs) are translated into Canadian dollar equivalents at rates prevailing on the balance sheet date, which were as follows:

	2011	2010
US dollars	0.9696	1.0158
Euros	1.3743	1.3720
Japanese yen	0.0117	0.0109
SDRs	1.5373	1.5422

Gains or losses resulting from the translation of assets and advances denominated in foreign currencies and SDRs, as well as on transactions throughout the fiscal year, are recorded as net foreign exchange gains or losses and are included in the *Statement of Operations*.

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.

(e) Use of estimates and measurement uncertainty

The preparation of the financial statements of the Account requires management to make estimates and assumptions, based on information available as of the date of the financial statements. The most significant use of estimates is in the disclosure of the fair value of assets and disclosure of the notional cost of advances.

3. Cash and cash equivalents

At 31 March, cash consisted of the following:

	2011 Carrying value	2010 Carrying value
(in millions of Canadian dollars)		
Cash		
US dollars	228	226
Euros	79	175
Japanese yen	7	91
	<u>314</u>	<u>492</u>

Short-term deposits are money market transactions where the Account invests funds with designated counterparties. There were no short-term deposits at 31 March 2011 (nil at 31 March 2010).

4. Marketable securities

Term to maturity	31 March 2011									31 March 2010	
	Under 6 months		6 months to 1 year		1 to 5 years		Over 5 years		Total accrued interest	Total	Total
	Carrying value	Yield %	Carrying value	Yield %	Carrying value	Yield %	Carrying value	Yield %			
(in millions of Canadian dollars)											
US dollar											
Corporation											183
Commercial Banks											354
Sovereign	2,910	0.23	129	0.97	785	2.57	8,045	3.48	84	11,953	7,709
Supra National	969	0.27			2,133	3.48	2,018	4.26	49	5,169	4,206
Agencies and other	2,516	0.46	453	3.04	3,323	3.23	3,293	4.30	90	9,675	12,025
	6,395		582		6,241		13,356		223	26,797	24,477
Euro											
Sovereign	775	1.20	172	2.79	3,576	2.98	6,501	3.55	233	11,257	12,520
Supra National	87	4.72			758	3.64	1,155	3.65	52	2,052	1,959
Agencies and other	367	4.05	582	3.70	1,801	3.55	1,618	3.84	85	4,453	4,964
	1,229		754		6,135		9,274		370	17,762	19,443
Japanese yen											
Sovereign			58	0.52	58	0.81				116	217
			58		58					116	217
Total marketable securities	7,624		1,394		12,434		22,630		593	44,675	44,137

The yield in the above table represents the weighted average yield to maturity based on the carrying value at the end of the fiscal year for the respective securities. Marketable securities include treasury notes, treasury bills, bonds, money market instruments, certificates of deposit as well as corporate papers.

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011—Continued

At 31 March 2011, the net unamortized premium on marketable securities amounted to \$252 million (\$407 million net unamortized premium at 31 March 2010).

Under the securities lending program, the Account has agency agreements with two major financial institutions. Loans of securities are effected on behalf of the Account by these agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions. At 31 March 2011, US\$117 million (par value) US Treasury Bills (no US Treasury Bills at 31 March 2010) and US\$67 million (par value) in Treasury Notes (US\$569 million (par value) at 31 March 2010), were being used in the securities lending program with financial institutions.

5. Special Drawing Rights

The special drawing right (SDR) is an international reserve asset created by the International Monetary Fund (IMF) in 1969 to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR serves as the unit of account of the International Monetary Fund (IMF) and its value is based on a basket of key international currencies.

6. Due to the Consolidated Revenue Fund (CRF)

The Account is funded by the Government of Canada through interest-free advances from the CRF. Advances to the Account from the CRF are authorized by the Minister under the terms and conditions prescribed by the Minister of Finance. Pursuant to Section 19 of the *Currency Act*, these advances are limited to \$100 billion by order of the Minister of Finance in September of 2009.

The CRF advances the proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF 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 from the CRF. Interest payable by Canada on borrowings in foreign currencies and charges on allocations of SDRs to Canada are charged directly to the CRF.

The Account requires Canadian dollar advances to settle its purchases of foreign currencies. Canadian dollars received from sales of foreign currencies are remitted to the CRF. This, together with foreign currency payments made on behalf of the Government of Canada cause reductions in the level of outstanding Canadian-dollar advances, and can result in overall net deposits of Canadian dollars by the Account with the CRF.

At 31 March, advances from the CRF were comprised of the following currencies:

	2011	2010
	(in millions of Canadian dollars)	
US dollars	29,900	26,689
Euros	16,972	18,810
Japanese yen	233	304
SDR's	7,070	7,092
Subtotal—Foreign currencies	54,175	52,895
Canadian dollars	(1,852)	(650)
Net revenue	1,718	1,456
Total Due to Consolidated Revenue Fund	54,041	53,701

For the year ended 31 March 2011, the notional cost specifically identified as related to the funding of the Account's assets and advanced by the CRF to the Account is \$1,493 million (\$1,357 million for the year ended 31 March 2010). The notional cost of advanced funds is comprised of the actual interest costs on foreign denominated debt and cross currency swaps for foreign currency advances, and an imputed interest cost calculated using the average funding rate of outstanding Government of Canada market debt, applicable to the net of Canadian dollar and SDR currency advances.

7. Financial instruments

The role of the Account 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.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial contract will cause a loss to the Account by failing to discharge its obligations in accordance with agreed upon terms.

To ensure that the Account's asset portfolio is prudently diversified with respect to credit risk, the *Statement of Investment Policy* prescribed by the Minister of Finance specifies limits on holdings by class of issuer (sovereign, agency, supranational, corporation or commercial financial institution), by any one issuer or counterparty, and by type of instruments. The *Statement of Investment Policy* also specifies the treatment of holdings that do not meet eligibility criteria or limits due to exceptional circumstances such as ratings downgrades.

Exchange Fund Account—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011—Continued

With respect to the *Statement of Investment Policy*, the Account may hold fixed income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. To be eligible for investment, an entity must have a credit rating in the top seven categories from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service). The Account may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

As stipulated in the *Currency Act*, the Minister may appoint agents to perform services concerning the Account. Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to a list of approved counterparties. Each borrower must enter into a Securities Loan Agreement with at least one of the agents. Borrowers are also required to provide collateral for securities borrowed, according to a specific list approved by the Government. Collateral is limited to specific security types, terms to maturity, and credit ratings.

The agents also provide an indemnity in the event of default by the borrower. The Account enters into securities lending transactions in order to increase its return on investments.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Account is not exposed to significant other price risk.

Interest rate and currency risks are managed, with due consideration of the risk to the Government of Canada, through the asset-liability management policy. This policy utilizes a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government of Canada that notionally finance the Account's assets. Other price risks are mitigated by holding high quality liquid assets.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk is minimized by limiting the portion of foreign liabilities that needs to be rolled over within a one year period. In addition, liquidity risk is mitigated by holding short-term investments that are matched to maturing liabilities.

(d) Fair value of financial instruments

	31 March 2011		31 March 2010	
	Carrying value and accrued interest	Fair value	Carrying value and accrued interest	Fair value
(in millions of Canadian dollars)				
Investments				
Cash and cash equivalents.....	314	314	492	492
Marketable securities				
US dollar	26,797	27,295	24,477	24,966
Euro	17,762	17,589	19,443	20,237
Japanese yen	116	117	217	220
	44,989	45,315	44,629	45,915
SDRs.....	9,046	9,046	9,066	9,066
Gold	6	152	6	124
	54,041	54,513	53,701	55,105

The estimated fair value of cash and cash equivalents is deemed equal to their carrying value given their short term to maturity.

Estimated fair values of marketable securities are based on quoted market prices. If such prices are not available, the fair value is determined by discounting future cash flows using an appropriate yield curve. During the year, no marketable securities have been written down to reflect other than temporary impairments in the fair value.

The SDR serves as the unit of account for the IMF and its value is based on a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen. As SDRs are translated into Canadian dollar equivalents at rates prevailing at the balance sheet date, the carrying value approximates fair value on the reporting date.

The estimated fair value of gold is based on London fixing of \$1,395.25 at 31 March 2011 (\$1,133.12 at 31 March 2010) per fine ounce.

Exchange Fund Account—Concluded

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011—*Concluded*

The fair value of marketable securities and SDRs continuously fluctuates as a result of changes in market conditions, including interest rates, foreign exchange rates and market prices. As discussed in notes 7(a) and 7(b), credit and market risks of marketable securities are managed in accordance with the Account's *Statement of Investment Policy* and the asset-liability management policy. These risk management practices mitigate the risk of fair value fluctuations of marketable securities.

8. Commitments*(a) Foreign currency swaps*

Foreign currency swaps are agreements that exchange one type of obligation for another involving different currencies and the exchange of the principal amounts and interest payments. The Account may enter into short-term foreign currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility during the year ended 31 March 2011 (no drawing during the year ended 31 March 2010), and there were no commitments outstanding at 31 March 2011 (no commitments outstanding at 31 March 2010).

(b) Foreign currency contracts

A foreign currency contract is a commitment to purchase or sell a foreign currency at the spot rate, requiring settlement within two days. In the normal course of operations, the Account enters into foreign currency contracts. At 31 March 2011, the Account had no contracts to sell foreign currency (\$1 million at 31 March 2010) and no unrealized gains (losses) were recorded in net revenue at 31 March 2011 (nil at 31 March 2010).

(c) Investment contracts

In the normal course of operations, the Account enters into investment contracts. The following table presents the fair value of investment contracts with contractual amounts outstanding at 31 March:

2011		2010	
Contractual value	Fair value	Contractual value	Fair value
(in millions of Canadian dollars)			

Marketable securities

US dollars			
Purchases		162	162
Sales		22	20
Euro			
Purchases		50	50
Sales		51	50

9. Comparative figures

Certain of the 2010 comparative figures have been reclassified to conform to the current year's presentation.

SECTION 9

2010-2011

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	9.8
Borrowings by enterprise Crown corporations and other government business enterprises	9.14
Maturity and currency of borrowings by enterprise Crown corporations and other government business enterprises	9.15
Contingent liabilities of enterprise Crown corporations and other government business enterprises	9.15
Contractual obligations of enterprise Crown Corporations and other government business enterprises	9.16
Financial assistance to enterprise Crown corporations and other government business enterprises	9.17
Portfolio investments	9.18
National governments including developing countries	9.20
International organizations	9.24
Provincial and territorial governments	9.29
Other loans, investments and advances	9.31
Allowance for valuation	9.40

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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, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprises. Some of these appropriations permit repayments to be used for further loans and advances. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II.

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity method, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations and where the Government has advanced funds to the corporations to support their direct lending activities, the amounts are recorded as loans and advances by the Government.

Other loans, investments and advances are initially recorded at cost and are subject to annual valuation to reflect

reductions from the recorded value to the approximate net realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Balances of loans, investments and advances resulting from foreign currency transactions are reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the approximate net 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 other revenues; details are provided in Section 3 of this volume and in Section 10 of Volume III.

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category.

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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2	129,523,498,641	85,740,250,599	79,591,128,113	135,672,621,127
Portfolio investments, Table 9.11	106,944,462	1,123,246	1,503,719	106,563,989
National governments including developing countries, Table 9.12	501,721,874	72,919,908	141,551,660	433,090,122
International organizations, Table 9.13	15,835,226,058	978,657,261	152,222,979	16,661,660,340
Provincial and territorial governments, Table 9.14	2,936,699,234	290,725,224	547,730,648	2,679,693,810
Other loans, investments and advances, Table 9.15	25,326,617,220	4,515,478,873	4,970,904,043	24,871,192,050
	174,230,707,489	91,599,155,111	85,405,041,162	180,424,821,438
Less: allowance for valuation	21,549,807,090	1,031,737,987	1,357,998,146	21,876,067,249
Total	152,680,900,399	92,630,893,098	86,763,039,308	158,548,754,189

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 and enterprises for working capital, capital expenditures and other purposes, investments in the capital stock of corporations, and loans and advances to corporations and enterprises 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.

Enterprise Crown corporations are a type of government business enterprise and 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 from the reporting entity.

There are 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 controlled by the Government and in most cases 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 interests 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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Investments—				
Investments and accumulated profits/losses (Table 9.5)	30,910,414,950	9,133,112,000	2,817,710,000	37,225,816,950
Loans and advances⁽¹⁾—				
Canada Mortgage and Housing Corporation—				
Housing	2,971,745,297		109,776,686	2,861,968,611
Joint projects	718,029,325		52,229,402	665,799,923
Real estate	31,281,774		7,186,227	24,095,547
Sewage treatment projects	96,536,259		19,013,283	77,522,976
Student housing projects	159,166,949		14,009,985	145,156,964
	3,976,759,604		202,215,583	3,774,544,021
Finance—				
Business Development Bank of Canada	12,245,009,710	22,173,000,000	21,194,669,018	13,223,340,692
Canada Lands Company Limited	43,328,174	53,565,716	22,563,642	74,330,248
Canada Mortgage and Housing Corporation	68,284,695,370	6,814,654,889	9,305,539,693	65,793,810,566
Farm Credit Canada	15,931,450,000	47,409,145,000	45,782,395,000	17,558,200,000
	96,504,483,254	76,450,365,605	76,305,167,353	96,649,681,506
Other—				
Canadian Dairy Commission	89,034,549	128,123,222	169,835,513	47,322,258
Subtotal—Loans and advances	100,570,277,407	76,578,488,827	76,677,218,449	100,471,547,785
Less:				
Amount expected to be repaid from future appropriations	1,963,944,683		64,170,463	2,028,115,146
Unamortized discounts and premiums	(6,750,967)	28,649,772	32,029,201	(3,371,538)
Total—Loans and advances	98,613,083,691	76,607,138,599	76,773,418,113	98,446,804,177
Total	129,523,498,641	85,740,250,599	79,591,128,113	135,672,621,127

⁽¹⁾ These loans are recorded at cost.

The results and financial position of enterprise Crown corporations and other government business enterprises are detailed at Tables 9.3 to 9.5. These tables also show the breakdown of the equity of each corporation between accumulated profits and losses, contributed surplus and capital stock, as well as the details of the Government's investment under the modified equity accounting method.

The Government of Canada has also made loans and advances to various enterprise Crown corporations and other government business enterprises. The following describes loans which were outstanding as of March 31, 2011 or 2010.

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, repair and modernization of housing, the improvement of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing, and the national well-being of the housing sector. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the Corporation.

Housing

Advances made for moderate to low income housing bear interest at rates from 5 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with the final instalment due on March 31, 2037.

Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3.50 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with the final instalment due on June 30, 2038.

Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment due on June 30, 2036.

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 9.63 percent per annum, and are repayable over 20 to 50 years, with the final instalment due on March 31, 2023.

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 the final instalment due on April 1, 2030.

Business Development Bank of Canada

Direct lending to Crown corporations

The Business Development Bank of Canada (BDC) was established in 1974 by the *Federal Business Development Bank of Canada Act* and was continued under its current name by an Act of Parliament on July 13, 1995. The Corporation is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*, is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The role of the Corporation is to promote and assist in the establishment and development of business enterprises in Canada, with specific attention to small and medium-sized businesses. The Corporation provides a wide range of lending, investment and consulting services complementary to those of commercial financial institutions. The Corporation offers Canadian companies services tailored to meet the current needs of small and medium-sized businesses while earning an appropriate return on investment capital, which is used to further the Corporation's activities.

Pursuant to Section 19 of the *Business Development Bank of Canada Act*, the federal government, at the request of the Corporation, may lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

Included in loans and advances to BDC is \$2,187 million in outstanding lending related to the Canadian Secured Credit Facility (CSCF). CSCF was announced in Budget 2009 to purchase up to \$12,000 million of term asset backed securities backed by loans and leases on vehicles and equipment. The facility is managed by BDC within parameters jointly developed by the Department of Finance, Industry Canada, and BDC following a consultation process. The program was designed to reflect reasonable commercial terms and to encourage the return of a secondary market for this type of asset-backed security.

All the loans outstanding at year end bear interest at rates from 0.83 percent to 3.54 percent per annum.

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 a Crown corporation named in Part I of Schedule III of the *Financial Administration Act* and is wholly-owned by the Government of Canada. 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 \$53.6 million. An amount of \$11.9 million was repaid during the year and an amount of \$2.4 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

Canada Mortgage and Housing Corporation

Direct lending to Crown corporations

Pursuant to Section 21(1) of the *Canada Mortgage and Housing Act*, the federal government, at the request of the Corporation, may, out of the Consolidated Revenue Fund, lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

Included in loans and advances to Canada Mortgage and Housing Corporation is \$58,224 million in outstanding lending related to the Insurance Mortgage Purchase Program.

All the loans outstanding at year end bear interest at rates from 0.92 percent to 4.24 percent per annum.

Farm Credit Canada

Direct lending to Crown corporations

The Farm Credit Canada was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The Corporation's role is to enhance rural Canada by providing business and financial solutions for farm families and agribusiness. Additionally, the Corporation may deliver specific programs for the Government of Canada on a cost recovery basis.

Pursuant to Section 12(2) of the *Farm Credit Canada Act*, the federal government, at the request of the Corporation, may lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

All the loans outstanding at year end bear interest at rates from 0.83 percent to 3.84 percent per annum.

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.

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 in accordance with the *Canadian Dairy Commission Act*. Currently, the Minister of Finance has authorized \$175,000,000 for borrowings from the Consolidated Revenue Fund and \$50,000,000 for a line of credit with members of the Canadian Payments Association.

The loans bear interest at rates from 0.3895 percent to 1.1335 percent per annum, and are repayable within one year.

Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2011 and 2010 is as follows:

	2010-2011	2009-2010
	(in millions of dollars)	
Corporation—		
Business Development Bank of Canada	97.9	34.1
Canada Mortgage and Housing Corporation	2,308.2	2,118.5
Canadian Dairy Commission.....	0.5	1.1
Farm Credit Canada	158.0	89.7
Total	2,564.6	2,243.4

Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, equity, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, equity, revenues, expenses and other changes in 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 I of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having year ends other 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.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprise in accordance with its own respective accounting policies. Most enterprise Crown corporations follow Canadian generally accepted accounting principles (GAAP) for private sector.

Financial assets include cash and cash equivalents, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments 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. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent amounts repayable to financial institutions and other investors. Other third party liabilities are amounts due for purchases, pensions and other employee future benefits, accrued interest on borrowings, various other accruals, capital leases and sundry accounts payable. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

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, Crown corporations and other entities. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and enterprises. Equity transactions with the Government include dividends declared or transfers of profits to the Government, as well as equity contributions provided by the Government. Other comprehensive income or loss comprises certain unrealized gains and losses on financial instruments that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. Any unrealized inter-organizational gains and losses are eliminated as part of the modified equity accounting adjustment.

These tables present financial information on parent enterprise Crown corporations and other government business enterprises, as well as financial information on wholly-owned subsidiaries that are considered "deemed parent Crown corporations" and are excluded from the consolidated financial statements of their parent Crown corporations.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2011 is provided in Table 9.10.

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
ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2011						
Assets						
Financial—						
Third parties.....	7,280,828	53,760	351,534,741	2,083,650	86,986	361,039,965
Government, Crown corporations and other entities.....	914,576	56,726,688	15,007,407	3,175	83,880	72,735,726
Total financial assets.....	8,195,404	56,780,448	366,542,148	2,086,825	170,866	433,775,691
Non-financial assets.....	7,948,519	306,950	1,040,346	1,094,989	37,476	10,428,280
Total assets as reported.....	16,143,923	57,087,398	367,582,494	3,181,814	208,342	444,203,971
Elimination adjustments.....	(16,533)		(227,365)		(173)	(244,071)
Total assets.....	16,127,390	57,087,398	367,355,129	3,181,814	208,169	443,959,900
Liabilities						
Third parties—						
Borrowings.....	1,538,432		226,498,766	2,204,777	7,237	230,249,212
Bank of Canada notes in circulation and amounts owing to depositors.....		54,749,161				54,749,161
Other liabilities.....	4,542,275	964,925	12,297,743	941,776	93,895	18,840,614
Government, Crown corporations and other entities.....	285,217	1,236,182	101,251,373	35,261	87,064	102,895,097
Total liabilities.....	6,365,924	56,950,268	340,047,882	3,181,814	188,196	406,734,084
Equity of Canada as reported.....	9,777,999	137,130	27,534,612		20,146	37,469,887
Elimination adjustments.....	(16,533)		(227,365)		(173)	(244,071)
Equity of Canada.....	9,761,466	137,130	27,307,247		19,973	37,225,816
Total liabilities and equity.....	16,127,390	57,087,398	367,355,129	3,181,814	208,169	443,959,900
Contingent liabilities.....	39,085	54,550	2,595,324		5,636	2,694,595
Contractual obligations.....	1,466,648	254,118	17,209,915	55,760	4,737	18,991,178
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2011						
Revenues						
Third parties.....	11,289,221	28,261	15,081,702	3,890,137	241,038	30,530,359
Government, Crown corporations and other entities.....	615,828	1,565,268	274,311		131,293	2,586,700
Total revenues.....	11,905,049	1,593,529	15,356,013	3,890,137	372,331	33,117,059
Expenses						
Third parties.....	10,314,603	410,223	7,621,382	3,888,384	280,543	22,515,135
Government, Crown corporations and other entities.....	233,610	30,384	3,432,386	497	67,364	3,764,241
Total expenses.....	10,548,213	440,607	11,053,768	3,888,881	347,907	26,279,376
Net income or (loss) for the year.....	1,356,836	1,152,922	4,302,245	1,256	24,424	6,837,683
Equity of Canada, beginning of the year as reported.....	7,814,030	130,000	23,345,269		(30,380)	31,258,919
Adjustments and other.....	(1,986)		2,486	(1,256)	25,622	24,866
Elimination adjustments.....	(16,533)		(227,365)		(173)	(244,071)
Other comprehensive income or (loss).....	1,898,109	9,416	258,124		480	2,166,129
Equity transactions with the Government—						
Dividends.....	(1,288,990)	(1,155,208)	(373,512)			(2,817,710)
Capital.....						
Equity of Canada, end of the year.....	9,761,466	137,130	27,307,247		19,973	37,225,816

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES—ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2011

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises ⁽¹⁾	Assets			
	Financial		Non-financial	Total assets
	Third parties	Government, Crown corporations and other entities		
Competitive, self-sustaining				
Blue Water Bridge Authority.....	3,586	10,898	175,080	189,564
Canada Development Investment Corporation ⁽²⁾	4,659,297	133,941	106,576	4,899,814
Canada Lands Company Limited.....	60,946	3,356	461,895	526,197
Parc Downsview Park Inc.....	1,458		51,912	53,370
Canada Post Corporation.....	2,028,775	702,128	4,778,566	7,509,469
Halifax Port Authority ⁽³⁾	7,619	2,746	155,030	165,395
Montreal Port Authority ⁽³⁾	77,275	29,347	250,737	357,359
Quebec Port Authority ⁽³⁾	25,910		143,780	169,690
Ridley Terminals Inc.....	39,793	367	26,907	67,067
Royal Canadian Mint.....	96,833	4,037	237,074	337,944
Saint John Port Authority ⁽³⁾	20,997		66,938	87,935
Toronto Port Authority ⁽³⁾	30,674		62,261	92,935
Vancouver Fraser Port Authority ⁽³⁾	99,721	321	1,009,076	1,109,118
Other Canada Port Authorities ⁽³⁾⁽⁴⁾	127,944	27,435	422,687	578,066
<i>Total—Competitive, self-sustaining</i>	<i>7,280,828</i>	<i>914,576</i>	<i>7,948,519</i>	<i>16,143,923</i>
Bank of Canada	<i>53,760</i>	<i>56,726,688</i>	<i>306,950</i>	<i>57,087,398</i>
Lending and Insurance				
Business Development Bank of Canada.....	18,185,439		214,629	18,400,068
Canada Deposit Insurance Corporation.....	532,333	1,678,200	7,705	2,218,238
Canada Mortgage and Housing Corporation.....	14,488,950	613,703	83,651	15,186,304
Canada Housing Trust.....	196,905,137	2,595,583		199,500,720
Insurance Programs.....	12,622,550	5,503,339	230,167	18,356,056
Securitization.....	55,998,912	4,581,458	7,598	60,587,968
Export Development Canada.....	31,049,697	35,124	338,262	31,423,083
Farm Credit Canada.....	21,751,723		158,334	21,910,057
<i>Total—Lending and insurance</i>	<i>351,534,741</i>	<i>15,007,407</i>	<i>1,040,346</i>	<i>367,582,494</i>
Marketing				
Canadian Dairy Commission—				
Marketing operations.....	15,601		73,918	89,519
Canadian Wheat Board, The ⁽⁵⁾	2,059,621	3,175	993,303	3,056,099
Freshwater Fish Marketing Corporation.....	8,428		27,768	36,196
<i>Total—Marketing</i>	<i>2,083,650</i>	<i>3,175</i>	<i>1,094,989</i>	<i>3,181,814</i>
Other				
Atlantic Pilotage Authority.....	6,861		8,367	15,228
Great Lakes Pilotage Authority.....	295		111	406
Laurentian Pilotage Authority.....	16,918		4,561	21,479
Pacific Pilotage Authority.....	11,104	5,080	11,513	27,697
St. Lawrence Seaway Management Corporation ⁽⁵⁾	43,624	45,616	12,924	102,164
Capital Fund Trust.....	2,069	25,593		27,662
Employee Termination Benefits Trust Fund.....	6,115	7,591		13,706
<i>Total—Other</i>	<i>86,986</i>	<i>83,880</i>	<i>37,476</i>	<i>208,342</i>
Total	361,039,965	72,735,726	10,428,280	444,203,971
Elimination adjustments.....		(147,725)	(96,346)	(244,071)
Total	361,039,965	72,588,001	10,331,934	443,959,900

(1) All enterprise Crown corporations listed at the margin in this table are parent Crown corporations.

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 financial information of the Canada Development Investment Corporation is consolidated to include the Canada Hibernia Holding Corporation.

(3) Canada Port Authorities, which are not Crown corporations but considered other government business enterprises, are agents of the Crown for their port activities.

(4) Consists of the combined figures of the Canada Port Authorities of Belledune, Hamilton, Nanaimo, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

(5) These entities, which are not Crown corporations or agents of the Crown, are considered other government business enterprises.

Liabilities								
Third parties		Government, Crown corporations and other entities	Total liabilities	Accumulated profits/ (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
Borrowings	Other							
90,476	11,690	70	102,236	87,328			87,328	189,564
	80,382	1,157	81,539	906,090	3,912,184	1	4,818,275	4,899,814
111,247	28,766	71,914	211,927	169,189	145,081		314,270	526,197
53,000	5,515	878	59,393	(27,515)	21,492		(6,023)	53,370
1,050,818	4,089,354	107,933	5,248,105	1,106,193	1,155,171		2,261,364	7,509,469
7,320	15,043	656	23,019	91,519	50,857		142,376	165,395
	71,230	954	72,184	49,976	235,199		285,175	357,359
19,016	12,858	82,898	114,772	32,642	22,276		54,918	169,690
	5,964	1,097	7,061	(140,036)	64,000	136,042	60,006	67,067
11,974	68,976	11,696	92,646	205,298		40,000	245,298	337,944
	4,801		4,801	21,475	61,659		83,134	87,935
17,294	17,154		34,448	58,487			58,487	92,935
123,695	85,516	1,324	210,535	748,324	150,259		898,583	1,109,118
53,592	45,026	4,640	103,258	231,695	243,113		474,808	578,066
1,538,432	4,542,275	285,217	6,365,924	3,540,665	6,061,291	176,043	9,777,999	16,143,923
	55,714,086	1,236,182	56,950,268	107,130	25,000	5,000	137,130	57,087,398
896,599	252,373	13,242,775	14,391,747	1,236,143	27,778	2,744,400	4,008,321	18,400,068
	1,105,513	738	1,106,251	1,111,987			1,111,987	2,218,238
3,039,350	311,986	11,684,469	15,035,805	125,499	25,000		150,499	15,186,304
199,237,534	312,316		199,549,850	(49,140)	10		(49,130)	199,500,720
	8,185,857	107,732	8,293,589	10,062,467			10,062,467	18,356,056
	613,030	58,552,887	59,165,917	1,422,051			1,422,051	60,587,968
22,032,649	1,313,784	3,486	23,349,919	6,739,964		1,333,200	8,073,164	31,423,083
1,292,634	202,884	17,659,286	19,154,804	2,207,528	547,725		2,755,253	21,910,057
226,498,766	12,297,743	101,251,373	340,047,882	22,856,499	600,513	4,077,600	27,534,612	367,582,494
	54,264	35,255	89,519					89,519
2,177,190	878,909		3,056,099					3,056,099
27,587	8,603	6	36,196					36,196
2,204,777	941,776	35,261	3,181,814					3,181,814
3,769	3,733		7,502	5,421	2,305		7,726	15,228
	4,532		4,532	(4,208)	82		(4,126)	406
	8,846		8,846	10,154	2,479		12,633	21,479
3,468	6,979		10,447	16,444	806		17,250	27,697
	69,802	44,735	114,537	1,755	(14,128)		(12,373)	102,164
	1	27,661	27,662					27,662
	2	14,668	14,670	(964)			(964)	13,706
7,237	93,895	87,064	188,196	28,602	(8,456)		20,146	208,342
230,249,212	73,589,775	102,895,097	406,734,084	26,532,896	6,678,348	4,258,643	37,469,887	444,203,971
				(244,071)			(244,071)	(244,071)
230,249,212	73,589,775	102,895,097	406,734,084	26,288,825	6,678,348	4,258,643	37,225,816	443,959,900

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, 2011

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises	Revenues		
	Third parties	Government, Crown corporations and other entities ⁽¹⁾	Total
Competitive, self-sustaining			
Blue Water Bridge Authority	20,383		20,383
Canada Development Investment Corporation	928,738		928,738
Canada Lands Company Limited	205,137	12,657	217,794
Parc Downsview Park Inc.	13,254	394	13,648
Canada Post Corporation	7,208,962	475,057	7,684,019
Halifax Port Authority	28,989		28,989
Montreal Port Authority	89,079	4,838	93,917
Quebec Port Authority	25,144	1,176	26,320
Ridley Terminals Inc.	72,516		72,516
Royal Canadian Mint	2,376,379	114,961	2,491,340
Saint John Port Authority	16,058		16,058
Toronto Port Authority	36,058		36,058
Vancouver Fraser Port Authority	181,338	118	181,456
Other Canada Port Authorities	87,186	6,627	93,813
<i>Total—Competitive, self-sustaining</i>	<i>11,289,221</i>	<i>615,828</i>	<i>11,905,049</i>
Bank of Canada	<i>28,261</i>	<i>1,565,268</i>	<i>1,593,529</i>
Lending and insurance			
Business Development Bank of Canada	958,505		958,505
Canada Deposit Insurance Corporation	261,270	25,517	286,787
Canada Mortgage and Housing Corporation	627,529	41,987	669,516
Canada Housing Trust	6,555,403	744	6,556,147
Insurance Programs	2,333,725	172,734	2,506,459
Securitization	2,019,011	32,926	2,051,937
Export Development Canada	1,356,628	403	1,357,031
Farm Credit Canada	969,631		969,631
<i>Total—Lending and insurance</i>	<i>15,081,702</i>	<i>274,311</i>	<i>15,356,013</i>
Marketing			
Canadian Dairy Commission—			
Marketing operations	266,019		266,019
Canadian Wheat Board, The	3,562,293		3,562,293
Freshwater Fish Marketing Corporation	61,825		61,825
<i>Total—Marketing</i>	<i>3,890,137</i>		<i>3,890,137</i>
Other			
Atlantic Pilotage Authority	22,451		22,451
Great Lakes Pilotage Authority	20,065		20,065
Laurentian Pilotage Authority	73,282		73,282
Pacific Pilotage Authority	60,824		60,824
St. Lawrence Seaway Management Corporation	64,265	67,173	131,438
Capital Fund Trust	22	64,118	64,140
Employee Termination Benefits Trust Fund	129	2	131
<i>Total—Other</i>	<i>241,038</i>	<i>131,293</i>	<i>372,331</i>
Total	30,530,359	2,586,700	33,117,059
Elimination adjustments			
Total net results	30,530,359	2,586,700	33,117,059
Less equity adjustments			
Share of annual profit			

The accompanying notes for Table 9.4 are an integral part of this table.

⁽¹⁾ Revenues with Government, Crown corporations and other entities 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. Additional amounts representing capital investments received by the corporations are included under "Equity transactions with the Government".

Expenses			Equity transactions						
Third parties	Government, Crown corporations and other entities	Total	Net income or (loss)	Equity beginning of year	Equity adjustments and other	Other comprehensive income or (loss)	with the Government		Equity end of year
							Dividends	Capital	
18,754		18,754	1,629	88,101	(2,402)				87,328
139,851	33,443	173,294	755,444	3,439,792		1,896,468	(1,273,429)		4,818,275
184,971	5,444	190,415	27,379	295,391			(8,500)		314,270
17,690		17,690	(4,042)	(1,981)					(6,023)
7,137,166	138,640	7,275,806	408,213	1,853,512		(361)			2,261,364
21,753	1,144	22,897	6,092	137,227	(943)				142,376
95,289	6,123	101,412	(7,495)	295,637	(2,064)	(903)			285,175
23,978	1,055	25,033	1,287	53,631					54,918
33,979	5,114	39,093	33,423	26,583					60,006
2,423,850	35,311	2,459,161	32,179	217,170		2,949	(7,000)		245,298
12,743	445	13,188	2,870	80,264					83,134
27,712		27,712	8,346	50,069		72			58,487
104,972	6,095	111,067	70,389	828,194					898,583
71,895	796	72,691	21,122	450,440	3,423	(116)	(61)		474,808
10,314,603	233,610	10,548,213	1,356,836	7,814,030	(1,986)	1,898,109	(1,288,990)		9,777,999
410,223	30,384	440,607	1,152,922	130,000		9,416	(1,155,208)		137,130
513,788	98,004	611,792	346,713	3,643,016		23,604	(5,012)		4,008,321
26,917	4,200	31,117	255,670	856,453		(136)			1,111,987
143,718	542,997	686,715	(17,199)	167,698					150,499
6,387,559	180,998	6,568,557	(12,410)	(36,720)					(49,130)
655,879	507,217	1,163,096	1,343,363	8,478,553	1,055	239,496			10,062,467
(289,553)	1,931,727	1,642,174	409,763	994,681		17,607			1,422,051
(166,236)	6,879	(159,357)	1,516,388	6,905,994	1,431	(649)	(350,000)		8,073,164
349,310	160,364	509,674	459,957	2,335,594		(21,798)	(18,500)		2,755,253
7,621,382	3,432,386	11,053,768	4,302,245	23,345,269	2,486	258,124	(373,512)		27,534,612
260,009	497	260,506	5,513		(5,513)				
3,562,293		3,562,293							
66,082		66,082	(4,257)		4,257				
3,888,384	497	3,888,881	1,256		(1,256)				
19,729		19,729	2,722	5,004					7,726
18,193		18,193	1,872	(5,998)					(4,126)
67,599		67,599	5,683	6,950					12,633
57,360		57,360	3,464	13,786	62	(62)			17,250
117,648	(1,318)	116,330	15,108	(27,481)					(12,373)
1	68,564	68,565	(4,425)	(21,135)	25,560				
13	118	131		(1,506)		542			(964)
280,543	67,364	347,907	24,424	(30,380)	25,622	480			20,146
22,515,135	3,764,241	26,279,376	6,837,683	31,258,919	24,866	2,166,129	(2,817,710)		37,469,887
				(348,505)	128,671	(24,237)			(244,071)
22,515,135	3,764,241	26,279,376	6,837,683	30,910,414	153,537	2,141,892	(2,817,710)		37,225,816
			153,537		(153,537)				
			6,991,220	30,910,414		2,141,892	(2,817,710)		37,225,816

Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.6 summarizes the borrowing transactions by agent and non-agent enterprise Crown corporations and other government business enterprises.

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 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.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not on behalf of Her Majesty, but may, at times be guaranteed by the Government.

TABLE 9.6

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2010 ⁽¹⁾	Borrowings and other credits	Repayments and other charges	Balance March 31/2011
Agent enterprise Crown corporations				
Business Development Bank of Canada	1,487,743		591,144	896,599
Canada Mortgage and Housing Corporation	4,421,450	1,191	1,383,291	3,039,350
Canada Housing Trust	180,440,218	39,067,316	20,270,000	199,237,534
Canada Post Corporation	90,000	995,818	35,000	1,050,818
Canadian Dairy Commission (Marketing operations)		20,847	20,847	
Export Development Canada	23,000,507	21,032,080	21,999,938	22,032,649
Farm Credit Canada	1,764,887	425,455	897,708	1,292,634
Freshwater Fish Marketing Corporation	29,363	27,587	29,363	27,587
Parc Downsview Park Inc.	39,000	14,000		53,000
Royal Canadian Mint, The	15,477		3,503	11,974
Total—Agent enterprise Crown corporations	211,288,645	61,584,294	45,230,794	227,642,145
Non-agent enterprise Crown corporations and other government business enterprises				
Atlantic Pilotage Authority	4,000		231	3,769
Blue Water Bridge Authority	93,495	22	3,041	90,476
Canada Lands Company Limited ⁽²⁾	165,001		53,754	111,247
Canadian Wheat Board, The	1,685,791	10,259,044	9,767,645	2,177,190
Halifax Port Authority ⁽³⁾	6,314	1,006		7,320
Pacific Pilotage Authority	4,117		649	3,468
Quebec Port Authority ⁽³⁾	21,769		2,753	19,016
Toronto Port Authority ⁽³⁾	18,053	115	874	17,294
Vancouver Fraser Port Authority ⁽³⁾	129,983	101,265	107,553	123,695
Other Canada Port Authorities ⁽³⁾	47,474	20,298	14,180	53,592
Total—Non-agent enterprise Crown corporations and other government business enterprises	2,175,997	10,381,750	9,950,680	2,607,067
Total	213,464,642	71,966,044	55,181,474	230,249,212
Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises	213,464,642			230,249,212
Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position				

(1) Certain comparative figures have been reclassified to conform to the current year's presentation.

(2) Borrowings of Canada Lands Company Limited are those of its subsidiary, Canada Lands Company CLC Limited, which is not an agent of the Crown.

(3) 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 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2011.

TABLE 9.7

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
2011	33,094,753	1,903,400	34,998,153
2012	42,765,088	124,076	42,889,164
2013	47,141,183	17,300	47,158,483
2014	38,525,707	181,052	38,706,759
2015	31,335,402	11,187	31,346,589
Subsequent years	34,780,012	370,052	35,150,064
Total	227,642,145	2,607,067	230,249,212 ⁽¹⁾

⁽¹⁾ The borrowings are composed in Canadian dollar equivalent of 15,278,502 USD, 1,298,685 GBP, 768,254 JPY, 1,847,143 AUD, 11,009 EUR, 46,108 MXN, 152,483 NZD, 30,927 TRY, 460,459 SWK, 488,130 NOK, 262,829 HKD, 453,411 CHF and 209,151,272 CAD.

Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 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 9.8

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	March 31, 2011
Bank of Canada—Callable shares	54,550
Business Development Bank of Canada—Loan guarantees	62,400
Canada Lands Company Limited—Letters of credit	18,553
Canada Mortgage and Housing Corporation—	
Claims and pending and threatened litigation	12,504
Letters of credit	76,000
Insurance Programs—Claims and pending and threatened litigation	12,000
Export Development Canada—Loan guarantees	2,429,907
Farm Credit Canada—Letters of credit	2,513
Hamilton Port Authority—Claims and pending and threatened litigation	277
Royal Canadian Mint—Loan guarantees	9,297
St. Lawrence Seaway Management Corporation—Claims and pending and threatened litigation	5,636
Vancouver Fraser Port Authority—Claims and pending and threatened litigation	10,958
Total	2,694,595

Contractual Obligations of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual obligations of enterprise Crown corporations and other government business enterprises. A contractual obligation represents a legal obligation to third party organizations or individuals as a result of a contract. Contractual obligations are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

TABLE 9.9

CONTRACTUAL OBLIGATIONS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2011

(in thousands of dollars)

	Loans	Capital expenditures	Operating leases and other	Total
Bank of Canada			254,118	254,118
Business Development Bank of Canada	1,739,666		139,477	1,879,143
Canada Deposit Insurance Corporation			11,288	11,288
Canada Development Investment Corporation			26,829	26,829
Canada Lands Company Limited		22,409	5,733	28,142
Canada Mortgage and Housing Corporation	277,000			277,000
Canada Post Corporation			1,014,000	1,014,000
Canadian Dairy Commission—				
Marketing operations			3,760	3,760
Canadian Wheat Board, The		52,000		52,000
Export Development Canada	11,517,341		635,000	12,152,341
Farm Credit Canada	2,821,800		68,343	2,890,143
Halifax Port Authority		23,594		23,594
Laurentian Pilotage Authority		706	1,115	1,821
Montreal Port Authority		5,402	3,195	8,597
Pacific Pilotage Authority			415	415
Ridley Terminals Inc.		36,600	210,756	247,356
Royal Canadian Mint			54,218	54,218
St. Lawrence Seaway Management Corporation			2,501	2,501
Vancouver Fraser Port Authority		54,269	6,696	60,965
Other Canada Port Authorities			2,947	2,947
Total	16,355,807	194,980	2,440,391	18,991,178

Financial Assistance to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance for both agent and 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 is segregated between: (a) amounts recorded as operating transactions and (b) amounts used for the acquisition of capital assets.

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

TABLE 9.10

FINANCIAL ASSISTANCE TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES
FOR THE YEAR ENDED MARCH 31, 2011

(in thousands of dollars)

	Operating	Capital	Financial assistance
Canada Post Corporation.	81,210		81,210
Total	81,210		81,210

Portfolio Investments

Portfolio investments represent investments in entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. 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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Lower Churchill Development Corporation Limited— Natural Resources.....	14,750,000			14,750,000
Other—				
Co-operative Housing Project—Environment— Parks Canada Agency	337,106			337,106
Canada Pension Plan Investment Board— Finance.....	100			100
Canada Investment Fund for Africa—Foreign Affairs and International Trade—Canadian International Development Agency.....	91,605,080	903,347	1,503,697	91,004,730
Equity Ownership—Industry—National Research Council of Canada.....	252,076	219,899	22	471,953
Public Sector Pension Investment Board— Treasury Board	100			100
North Portage Development Corporation— Western Economic Diversification				
	92,194,462	1,123,246	1,503,719	91,813,989
Total	106,944,462	1,123,246	1,503,719	106,563,989

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 and Labrador 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).

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.

Canada Pension Plan Investment Board

The Canada Pension Plan Investment Board ("Board") was created pursuant to the *Canada Pension Plan Investment Board Act*. The Board's objectives are to assist the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries and to manage any amounts transferred to it in their best interest.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of \$10 each issued as per legislation. The assets managed by the Board are included in the CPP financial statements. They are excluded from the Government's financial statements since CPP is not part of the Government's reporting entity as explained in Note 1 of the Government's financial statements.

Canada Investment Fund for Africa

The Canada Investment Fund for Africa (CIFA) is a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The CIFA is a direct response to the New Partnership for Africa's Development (NEPAD) and the G8 Africa Action Plan. The main objectives of the CIFA are to optimize public-private investment in the Fund, to confer a beneficial development impact on Africa by way of increased foreign direct investment and to optimize the beneficial impact of the Fund's activities on Canadian interests.

The Government of Canada is a limited partner in the CIFA and its commitment towards the Fund was subject to matching funds of other investors and was to be equal to the lesser of: (i) \$100 million or (ii) the aggregated commitments of all other limited partners of the partnership. The investment period in the CIFA ended January 1, 2009. From thereon, until the term of the partnership is reached on December 31, 2013, the Canadian International Development Agency will only receive income returns of capital. Since its inception, the Canadian International Development Agency received capital reimbursement from CIFA amounting to \$13.2 million and investment income of \$5.2 million.

Equity Ownership

In order to help fulfill its mandate to promote industrial innovation in Canada, the National Research Council of Canada (NRC) has taken equity interests in several new firms based on NRC technology. NRC provides financial assistance at better than market conditions to firms through access to equipment, intellectual property and incubation space in laboratories and in the organization's Industry Partnership Facilities.

Since these companies often cannot afford to pay the full cost of the assistance received from the NRC, the NRC takes an equity position in a company in order to help the firms survive the critical development stage. In turn, it allows NRC to earn a return that somewhat reflects the risk taken should the company become successful.

This investment in equity is authorized under subsection 92(1)(b) of the *Financial Administration Act* which allows for the acquisition or the sale or other disposal of shares or assets in the ordinary course of a business of providing financial assistance to publicly and privately held companies and are recorded at cost.

The Government's holdings of shares represents a minority interest in three publicly traded companies and two privately held companies. During the year, the shares of one privately held company were sold and the share of one publicly traded company were acquired. Additionally, the shares of ten privately held companies and one publicly traded company were written-off.

Public Sector Pension Investment Board

The Public Sector Pension Investment Board ("Board") was created pursuant to the *Public Sector Pension Investment Board Act*. Its mandate is to invest in financial markets the funds transferred to it from the Public Service, Canadian Forces, Royal Canadian Mounted Police and Reserve Force pension plans. The Board's objective is to achieve maximum rates of return on investments, without undue risk while respecting the requirements and financial obligations of those plans.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of \$10 each issued as per legislation. The assets managed by the Board are recorded against the pension liability.

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.

National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Foreign Affairs and International Trade— Development of export trade (loans administered by Export Development Canada)	197,527,162	25,978,969	71,513,476	151,992,655
Foreign Affairs and International Trade— Canadian International Development Agency— Developing countries—International development assistance	304,141,709	46,754,774	69,799,016	281,097,467
National Defence— North Atlantic Treaty Organization—Damage claims recoverable	53,003	186,165	239,168	
Total	501,721,874	72,919,908	141,551,660	433,090,122

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada (“the Corporation”) to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to national governments, together with their terms and conditions of repayments.

	Payments and other charges			Receipts and other credits		March 31/2011
	April 1/2010	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
	\$	\$	\$	\$	\$	\$
NON-BUDGETARY LOANS⁽³⁾—						
(a) 6 to 10 year term, 0 percent interest per annum, with final repayments in December 2011:						
Congo.....	1,319,010	616,513			108,174	1,827,349
(b) 6 to 10 year term, interest based on London Interbank Offered Rate (LIBOR), plus a range of rates from 1.2 percent to 2.1 percent per annum, with final repayments in December 2010:						
Cameroon	827,965				37,379	790,586
(c) 11 to 15 year term, 7.75 percent to 8.26 percent interest per annum, with final repayments in March 2007:						
Argentina.....	27,022,896				1,197,388	25,825,508
(d) 11 to 15 year term, interest based on LIBOR, plus a range of rates from 0.5 percent to 1.0 percent per annum, with final repayments between December 2019 and June 2020:						
Kenya.....	879,832			8,537	41,085	830,210
(e) 16 to 20 year term, interest based on LIBOR, plus a range of rates from 0.5 percent to 0.63 percent per annum, with final repayments between October 2018 and June 2021:						
Indonesia.....	559,638			28,433	23,808	507,397
Venezuela.....	56,206,004			8,063,143	2,099,862	46,042,999
	56,765,642			8,091,576	2,123,670	46,550,396
(f) 21 to 25 year term, 9.0 percent to 10.0 percent interest per annum, with final repayments in September 2000:						
Sudan.....	3,922,255				425,809	3,496,446
(g) 21 to 25 year term, interest based on LIBOR, plus 0.55 percent per annum, with final repayments in November 2024:						
Pakistan.....	6,338,141			150,102	278,632	5,909,407
Insurance claims paid during the year:						
Haiti.....	373,129					373,129
Russia.....	12,394,624				288,690	12,105,934
	12,767,753				288,690	12,479,063
Total—Non-budgetary loans	109,843,494	616,513		8,250,215	4,500,827	97,708,965
BUDGETARY LOANS⁽³⁾—						
(a) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2011 and November 2015:						
Indonesia.....	15,429,271			2,909,505	558,316	11,961,450
Thailand.....	827,064			820,794	6,270	
	16,256,335			3,730,299	564,586	11,961,450
(b) 26 to 30 year term, 3.0 percent interest per annum, with final repayments between December 2016 and April 2018:						
Algeria.....	4,414,000			568,000		3,846,000

	Payments and other charges			Receipts and other credits	
	April 1/2010	Payments or other charges ⁽¹⁾		Receipts or other credits ⁽²⁾	
			Revaluation		March 31/2011
	\$	\$	\$	\$	\$
(c) 31 to 55 year term, 0 percent to 10.29 percent interest per annum, with final repayments between September 2029 and February 2045:					
Cameroon	11,868,991			535,834	11,333,157
China	435,037,901	68,535		16,698,807	399,412,980
Egypt	8,980,868			325,692	8,548,626
Gabon	7,685,464			256,969	7,097,892
India	43,717,555			1,300,784	40,500,050
Jamaica	5,296,246			186,254	4,879,699
Morocco	74,797,115			2,611,207	68,931,292
Turkey	90,028,207			2,780,191	83,318,777
	677,412,347	68,535		24,159,904	624,022,473
(d) 31 to 55 year term, comprised of several loans with fixed or variable interest rates currently ranging from 0 percent to 2.21 percent per annum, with final repayments between December 2018 and December 2033:					
Kenya	5,120,769			221,538	4,679,629
Total—Budgetary loans	703,203,451	68,535		28,679,741	644,509,552
Subtotal	813,046,945	685,048		36,929,956	742,218,517
Less: portion expensed due to concessionary terms	615,519,783	25,293,921			590,225,862
Total	197,527,162	25,978,969		36,929,956	151,992,655

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

(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) Prior to April 1, 1987, these loans were authorized by miscellaneous non-budgetary authorities. Subsequently, they were authorized by miscellaneous budgetary authorities.

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. Loans are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms. No new loans have been issued since April 1, 1986.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments.

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”.

In 2006-2007, the Government of Canada, as represented by the Canadian International Development Agency, entered into an agreement with the Government of Pakistan to forgive its outstanding \$447,507,534 loan pursuant to Foreign Affairs and International Trade Vote 32c, *Appropriation Act No. 5, 2009-2010*. In order to expire its debt obligation, the Government of Pakistan will be required to make education sector investments that are equivalent to the current present value of its debt. According to the agreement, Pakistan's debt is to be written down proportionally by the Canadian International Development Agency as the investments are made in 2010-2011. The Government of Pakistan has invested in its education sector program and those investments permitted the Canadian International Development Agency to grant the Government of Pakistan a debt forgiveness equivalent to \$48,790,835. Since 2009-2010, the Government of Pakistan's debt has been reduced by the total amount of \$64,938,534.

	April 1/2010	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/2011
	\$	\$	\$	\$
(a) 30 year term, 7 year grace period, 3.0 percent interest per annum, with final repayment in March 2005:				
Cuba	9,547,012			9,547,012
(b) 35 year term, 4 year grace period, 5.0 percent interest per annum, semi-annual interest repayments with first principal repayment due January 2017 and final repayment in July 2026:				
Egypt	44,995,933			44,995,933
(c) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	5,747,542		427,721	5,319,821
Argentina	130,666		18,666	112,000
Bolivia	508,741		42,395	466,346
Brazil	188,221		20,912	167,309
Chile	735,464		98,062	637,402
Colombia	210,463		26,307	184,156
Dominican Republic	3,178,330		236,045	2,942,285
Ecuador	3,542,273		304,919	3,237,354
Guatemala	1,681,250		100,000	1,581,250
Indonesia	162,947,476		9,222,221	153,725,255
Malaysia	1,356,883		62,935	1,293,948
Malta	349,980		25,000	324,980
Mexico	19,399		2,771	16,628
Morocco	6,036,393		586,001	5,450,392
Myanmar (Burma)	8,306,202			8,306,202
Pakistan	431,359,835		48,790,835	382,569,000
Paraguay	129,975		19,996	109,979
Peru	29,828		3,728	26,100
Philippines	1,451,950		97,160	1,354,790
Sri Lanka	75,498,889		4,325,400	71,173,489
Thailand	16,245,432		847,121	15,398,311
Tunisia	45,288,614		3,295,729	41,992,885
	764,943,806		68,553,924	696,389,882
(d) 50 year term, 13 year grace period, non-interest bearing, with the final repayment in March 2023:				
Algeria	16,186,188		1,245,092	14,941,096
Subtotal	835,672,939		69,799,016	765,873,923
Less: portion expensed due to concessionary terms	531,531,230	46,754,774		484,776,456
Total	304,141,709	46,754,774	69,799,016	281,097,467

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.

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.

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.

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 11.6 (Section 11 of this volume).

Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. 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 expenses when the economic value is reduced due to their concessionary terms.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of (\$1 US/\$0.9696 Cdn).

Tables 11.4 and 11.6 (Section 11 of this volume) present additional information on contractual obligations and contingent liabilities for international organizations that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The notes payable outstanding at year end of \$413,184,396 (\$418,098,181 in 2010) 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 31/2011
	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
April 1/2010					
\$	\$	\$	\$	\$	\$
Capital subscriptions ⁽¹⁾ —					
Finance—					
European Bank for Reconstruction and Development	219,613,591			9,988,332	209,625,259
International Bank for Reconstruction and Development (World Bank)	341,088,258			14,767,090	326,321,168
International Finance Corporation	82,627,204			3,758,000	78,869,204
Multilateral Investment Guarantee Agency	10,901,820			495,830	10,405,990
	654,230,873			29,009,252	625,221,621
Foreign Affairs and International Trade—					
Canadian International Development Agency—					
African Development Bank	108,977,038			2,084,777	106,892,261
Asian Development Bank	161,241,683	35,496,210		5,902,721	190,835,172
Caribbean Development Bank	20,031,610			627,175	19,404,435
Inter-American Development Bank	182,983,885			8,171,436	174,812,449
	473,234,216	35,496,210		16,786,109	491,944,317
	1,127,465,089	35,496,210		45,795,361	1,117,165,938

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	April 1/2010	Payments and other charges		Receipts and other credits		March 31/2011
		Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
Loans and advances—						
Finance—						
Global Environment Facility ⁽²⁾	10,000,000					10,000,000
International Development Association ⁽²⁾	8,580,218,061	384,280,000				8,964,498,061
International Finance Corporation—Financial Mechanism for Climate Change Facility		268,576,800				268,576,800
International Finance Corporation—Global Agriculture and Food Security Program	48,000,000					48,000,000
International Finance Corporation—Global Trade Liquidity Program	203,160,000				9,240,000	193,920,000
International Monetary Fund—Poverty Reduction and Growth Trust ⁽¹⁾	181,965,051	43,782,930	14,219	81,620,571		144,141,629
	9,023,343,112	696,639,730	14,219	81,620,571	9,240,000	9,629,136,490
Foreign Affairs and International Trade—						
International organizations and associations ⁽¹⁾ —						
Berne Union of the World Intellectual Property Organization	39,192					39,192
Customs Co-operation Council	9,662					9,662
Food and Agriculture Organization	1,051,200					1,051,200
General Agreement on Tariffs and Trade	48,806					48,806
International Atomic Energy Agency	447,110					447,110
International Civil Aviation Organization	200,429					200,429
International Maritime Organization	2,202					2,202
Paris Union of the World Intellectual Property Organization	100,989					100,989
United Nations Educational, Scientific and Cultural Organization	872,987					872,987
United Nations organizations	3,632,480					3,632,480
World Health Organization	181,122					181,122
	6,586,179					6,586,179
Canadian International Development Agency—						
International financial institutions ⁽²⁾ —						
African Development Bank	1,343,896			125,001		1,218,895
African Development Fund	2,116,190,408	100,800,000			3,464,997	2,213,525,411
Andean Development Corporation	1,687,500			125,000		1,562,500
Asian Development Bank—Special	27,027,000					27,027,000
Asian Development Fund	2,019,744,385	47,690,124				2,067,434,509
Caribbean Development Bank—						
Agricultural Development Fund	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional	4,063,200				184,800	3,878,400
Caribbean Development Bank—Special	231,968,665	17,585,000			579,810	248,973,855
Central American Bank for Economic Integration	573,780			76,500		497,280
Global Environment Facility Trust Fund	505,319,561	56,750,439				562,070,000
Inter-American Development Bank—						
Fund for Special Operations	338,739,930	864,363			8,347,331	331,256,962
International Bank for Reconstruction and Development	20,316,000				924,000	19,392,000
International Fund for Agriculture Development	279,383,396	12,500,000				291,883,396
International Monetary Fund	11,142,749				506,787	10,635,962
Montreal Protocol Multilateral Fund	80,776,643	3,834,018			1,232,821	83,377,840
Multilateral Investment Fund	39,806,839	6,316,666				46,123,505
	5,680,083,952	246,340,610		326,501	15,240,546	5,910,857,515
	14,710,013,243	942,980,340	14,219	81,947,072	24,480,546	15,546,580,184
Subtotal	15,837,478,332	978,476,550	14,219	81,947,072	70,275,907	16,663,746,122
Less: portion expensed due to concessionary terms	2,252,274	166,492				2,085,782
Total	15,835,226,058	978,643,042	14,219	81,947,072	70,275,907	16,661,660,340

(1) Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.

(2) Loans and investments made since April 1, 1986 which were authorized by budgetary authorities.

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 71,435 shares of the EBRD's authorized capital valued at 714,350,000 EUR. Included in this amount are 3,435 shares with a value of 34,350,000 EUR that were transferred to Canada during the year from EBRD reserves.

Only 212,850,000 EUR or about 30 percent of Canada's share subscription is considered "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.

Canada's contingent liability for the callable portion of its shares was 501,500,000 EUR.

Up to and including March 31, 2011, Canada's total cash contributions into the "paid-in" capital of the EBRD total \$216,197,668 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, 2011, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$319,633,987 US plus \$16,404,055 Cdn has been paid-in. The remaining portion is callable.

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, 2011, 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.

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, 2011, 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.

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.

At year end, authority had been granted for subscriptions of 18,016 paid-in shares and 390,952 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2011, Canada's participation to the paid-in capital is \$106,892,261 Cdn for 8,175 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars.

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 \$5,012,276,702 US for a total value of \$5,844,821,136 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 27,768 paid-in shares and 527,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2011, Canada's participation to the paid-in capital is \$190,835,172 Cdn for 15,922 paid-in shares. Of these paid-in shares, 13,552 were issued in US dollars.

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 \$5,820,156,210 US and \$596,976,219 Cdn for a total value of \$6,240,199,681 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.

At year end, authority had been granted for subscriptions of 5,710 paid-in shares and 20,294 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2011, Canada's participation to the paid-in capital is \$19,404,435 Cdn for 2,278 paid-in shares. These shares were issued in US dollars.

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 \$122,408,132 US for a total value of \$118,686,924 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 655,377 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2011, Canada's participation to the paid-in capital is \$174,812,449 Cdn for 14,397 paid-in shares. These shares were issued in US dollars.

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 \$7,866,208,680 US for a total value of \$7,627,075,936 Cdn.

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.

As at March 31, 2011, 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 (including Finance Vote L10, *Appropriation Act No. 2, 2010-2011*). 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, 2011, Canada's total participation in IDA amounted to \$8,964,498,061 Cdn.

International Finance Corporation—Financial Mechanisms for Climate Change Facility

This account records Canada's financial support of the International Finance Corporation's (IFC)—Financial Mechanisms for Climate Change (FMCC) facility as authorized by the *Bretton Woods and related Agreements Act and various appropriation acts* (including Finance Vote L12b, *Appropriation Act No. 4, 2010-2011*). The FMCC supports private sector engagement in climate change mitigation and adaptation activities through the provision of concessional financing arrangements.

As at March 31, 2011, advances to the IFC-FMCC amounted to \$268,576,800 Cdn. Amounts are recovered through the FMCC trust mechanism based on the terms and conditions of project funding which is administered by the IFC in accordance with the administration agreement signed between the IFC and the Government of Canada.

International Finance Corporation—Global Agriculture and Food Security Program

This account records Canada's financial assistance to the International Finance Corporation (IFC) for participation in the G8 Food Security Initiative (FSI) as authorized by the *Bretton Woods and related Agreements Act* and various appropriation acts.

As at March 31, 2011, advances to the IFC-FSI amounted to \$48,000,000 Cdn.

International Finance Corporation—Global Trade Liquidity Program

This account records Canada's financial assistance to the International Finance Corporation (IFC) for participation in the Global Trade Liquidity Program (GTLP) as authorized by the *Bretton Woods and related Agreements Act* and various appropriation acts.

As at March 31, 2011, advances to the IFC-GTLP amounted to \$200,000,000 US.

International Monetary Fund—Poverty Reduction and Growth Trust

This account records the loan to the International Monetary Fund's Poverty Reduction and Growth Trust (formerly the Poverty Reduction and Growth Facility) in order to provide assistance to qualifying 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 1.2 billion.

PUBLIC ACCOUNTS OF CANADA, 2010-2011

As at March 31, 2011, Canada has lent a total of 728,520,000 SDR to the Poverty Reduction and Growth Trust. Of this amount, 634,757,150 SDR has been repaid.

The outstanding balance of 93,762,850 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$1.5373 Cdn). During the year, transactions included repayments and an exchange valuation adjustment.

Separately, Canada has also made budgetary contributions towards an interest subsidy amounting to 215,157,946 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.

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, L30b and L32b, *Appropriation Acts No. 2 and No. 4, 2010-2011*).

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.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
NEWFOUNDLAND AND LABRADOR—				
Finance—				
Federal-provincial fiscal arrange-				
ments	384,806,468		18,936,408	365,870,060
Municipal Development and Loan				
Board	315,626			315,626
Winter capital projects fund	2,836,758			2,836,758
Total Newfoundland and Labrador	387,958,852		18,936,408	369,022,444
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrange-				
ments	199,918,704		33,319,824	166,598,880
Total Nova Scotia	199,918,704		33,319,824	166,598,880
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrange-				
ments	22,792,832		3,798,792	18,994,040
Winter capital projects fund	63,079			63,079
Total Prince Edward Island	22,855,911		3,798,792	19,057,119
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange-				
ments	124,993,136		20,832,216	104,160,920
Industry—				
Atlantic Provinces Power Development				
Act	244,344	21,461	265,805	
Total New Brunswick	125,237,480	21,461	21,098,021	104,160,920
QUEBEC—				
Finance—				
Federal-provincial fiscal arrange-				
ments	1,340,311,168	169,853,250	237,734,208	1,272,430,210
Total Quebec	1,340,311,168	169,853,250	237,734,208	1,272,430,210
ONTARIO—				
Finance—				
Mutual fund capital gain refund over-				
payments	531,983,046		132,995,761	398,987,285
Total Ontario	531,983,046		132,995,761	398,987,285

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
MANITOBA—				
Finance—				
Federal-provincial fiscal arrange- ments	28,185,016		4,697,496	23,487,520
Mutual fund capital gain refund over- payments	36,382,088		9,095,522	27,286,566
Total Manitoba	64,567,104		13,793,018	50,774,086
SASKATCHEWAN—				
Finance—				
Federal-provincial fiscal arrange- ments	274,850,976		23,660,208	251,190,768
Total Saskatchewan	274,850,976		23,660,208	251,190,768
ALBERTA—				
Finance—				
Federal-provincial fiscal arrange- ments	13,783,784		2,297,304	11,486,480
Total Alberta	13,783,784		2,297,304	11,486,480
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrange- ments	360,582,584		60,097,104	300,485,480
Total British Columbia	360,582,584		60,097,104	300,485,480
Subtotal	3,322,049,609	169,874,711	547,730,648	2,944,193,672
Less: portion expensed due to concessionary terms	385,350,375	120,850,513		264,499,862
Total	2,936,699,234	290,725,224	547,730,648	2,679,693,810

Federal-provincial fiscal arrangements

These amounts represent net overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. The 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 5.375 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments due between April 1, 2011 and March 1, 2012.

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 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 beared interest at rates from 4.5 percent to 8.5 percent per annum, and were repayable in annual instalments, with final instalment received March 31, 2011.

During the year, the account was closed.

Mutual fund capital gain refund overpayments

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period which started in 2004-2005.

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 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Unconditionally repayable contributions—				
Agriculture and Agri-Food		35,450,181		35,450,181
Atlantic Canada Opportunities Agency	327,069,982	58,329,326	45,293,376	340,105,932
Economic Development Agency of Canada for the Regions of Quebec	283,324,121	110,069,259	40,742,100	352,651,280
Federal Economic Development Agency for Southern Ontario	14,455,571 ⁽¹⁾	66,832,076	23,431	81,264,216
Indian Affairs and Northern Development	1,007,500			1,007,500
Industry	393,353,577	84,726,794	7,995,820	470,084,551
Western Economic Diversification	33,527,134	15,041,325	11,506,822	37,061,637
Subtotal	1,052,737,885	370,448,961	105,561,549	1,317,625,297
Less: portion expensed due to concessionary terms	32,736,681	18,364,984	154,296,562	168,668,259
Total—Unconditionally repayable contributions	1,020,001,204	388,813,945	259,858,111	1,148,957,038
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	26,408,724	215,777,541	203,255,060	38,931,205
Personnel posted abroad	20,536,484	14,630,546	13,363,114	21,803,916
	46,945,208	230,408,087	216,618,174	60,735,121
National Defence—				
Imprest accounts, standing advances and authorized loans	44,920,134	738,043,588	741,813,034	41,150,688
Other departments—				
Miscellaneous accountable advances	16,294,100 ⁽²⁾	4,411,975	56,632	20,649,443
Miscellaneous accountable imprest funds and standing advances	16,554,689 ⁽²⁾		471,513	16,083,176
	32,848,789	4,411,975	528,145	36,732,619
Total—Loans and accountable advances	124,714,131	972,863,650	958,959,353	138,618,428
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	52,323		16,730	35,593
Hog Industry Loan Loss Reserve Program		246,409,109	2,608,622	243,800,487
National Marketing Programs	144,518,440	11,010,378		155,528,818
	144,570,763	257,419,487	2,625,352	399,364,898
Citizenship and Immigration—				
Immigration loans	37,988,478	11,636,425	10,538,798	39,086,105
Finance—				
Canadian Commercial Bank	42,252,429		50,136	42,202,293
Financial Consumer Agency of Canada— Advances		7,000,000	7,000,000	
	42,252,429	7,000,000	7,050,136	42,202,293
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
Haddock fishermen	1,343,337			1,343,337
	1,471,652			1,471,652
Foreign Affairs and International Trade—				
Support and development of trade (loans administered by Export Development Canada)	6,278,941,333	20,551,429	1,539,195,658	4,760,297,104
Human Resources and Skills Development—				
Canada Student Loans Program	12,956,047,442	2,649,955,502	1,640,833,280	13,965,169,664
Provincial workers' compensation boards	13,110,001		50,000	13,060,001
	12,969,157,443	2,649,955,502	1,640,883,280	13,978,229,665

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2010	Payments and other charges	Receipts and other credits	March 31/2011
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Aboriginal Business Loan				
Insurance Program	7,191,713		7,191,713	
Council of Yukon First Nations—Elders	6,702,320		592,610	6,109,710
Farm Credit Canada Guarantee				
Loans Program	123,646		19,951	103,695
First Nations in British Columbia	395,879,282	25,235,812	314,692	420,800,402
Indian Economic Development Fund	46,427			46,427
Indian Economic Development Guarantee				
Loans Program	3,164,677		27,622	3,137,055
Inuit Loan Fund	78,020		5,657	72,363
Native Claimants	447,628,910	36,805,964	38,522,057	445,912,817
On Reserve Housing Guarantee				
Loans Program	10,277,655	1,746,180	197,162	11,826,673
Stoney Band Perpetual Loan	389,615			389,615
	871,482,265	63,787,956	46,871,464	888,398,757
Industry—				
Company stock option				
Manufacturing, processing and service industries in				
Canada	110,000,000			110,000,000
Other Business loans	130,569,613	80,030,463	113,079,441	97,520,635
National Research Council of Canada—				
H.L. Holmes Fund	4,514,973	115,660		4,630,633
	245,084,586	80,146,123	113,079,441	212,151,268
Natural Resources—				
Nordion International Inc.	62,000,000		4,000,000	58,000,000
Public Safety and Emergency Preparedness—				
Correctional Service of Canada—				
Parolees	3,000	2,303	1,360	3,943
Public Works and Government Services—				
Seized Property Working Capital Account	18,742,154	45,012,377	55,385,924	8,368,607
Transport—				
Greater Victoria Harbour Authority		2,322,149		2,322,149
Saint John Harbour Bridge Authority	22,646,108			22,646,108
St. Lawrence Seaway Management Corporation	77,474			77,474
	22,723,582	2,322,149		25,045,731
Treasury Board—				
Joint Learning Program	1,054,177	2,497,029	2,987,418	563,788
Veterans Affairs—				
Commonwealth War Graves Commission	46,242	426 ⁽³⁾		46,668
Veterans' Land Act Fund—				
Advances	10,364		3,704	6,660
	56,606	426	3,704	53,328
Other departments—				
Miscellaneous	417,489	63,793	7,299	473,983
Subtotal—Other	20,695,945,957	3,140,394,999	3,422,629,834	20,413,711,122
Less: portion expensed due to concessionary				
terms and other discounts	207,105,072	13,406,279	753,745	194,452,538
	20,488,840,885	3,153,801,278	3,423,383,579	20,219,258,584
Add: consolidation adjustment ⁽⁴⁾	3,693,061,000		328,703,000	3,364,358,000
Total—Other	24,181,901,885	3,153,801,278	3,752,086,579	23,583,616,584
Total	25,326,617,220	4,515,478,873	4,970,904,043	24,871,192,050

(1) Amount previously reported under the Department of Industry.

(2) Opening balance has been adjusted to conform to the current year's presentation.

(3) This amount represents a revaluation adjustment.

(4) Additional information on consolidated Crown corporations and other entities is also provided in Section 4 of this volume.

Unconditionally repayable contributions

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenses 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 \$38,200,000, as last amended by Foreign Affairs and International Trade Vote L12c, *Appropriation Act No. 5, 2009-2010*.

The closing balance consists of loans to employees, \$17,477,566; advances for medical expenses, \$1,467,099; advances for workmen's compensation, \$25,190; security and other deposits under Foreign Service Directives, \$915,268 and, school and club debentures, \$1,918,793.

The loans to employees bear interest at rates from 0.75 percent to 5.0 percent per annum, and are repayable within 4 years, with final instalments between April 1, 2011 and March 1, 2015.

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 \$120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

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 funds 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

The remaining loan has been made to finance the construction of a multi-purpose exhibition building.

Hog Industry Loan Loss Reserve Program

Loans made by financial institutions under the Hog Industry Loan Loss Reserve Program are partially guaranteed by the Crown. Where the producers have defaulted and the lenders have carried out regular collection activities, the Crown becomes subrogated to the lender's rights against the producer in default, to the extent of an amount equal to the withdrawal from the Reserve Fund.

National Marketing Programs

Loans made by financial institutions under the *Canadian Agricultural Loans Act* and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

Immigration loans

Section 88 of the *Immigration and Refugee Protection Act* authorizes the making of loans for the purpose of the Act.

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 6 years, with a possible deferment of 2 years, bearing interest at rates from 1.75 percent to 10.733 percent per annum, with final instalments between April 1, 2011 and April 1, 2017, \$38,937,891; and,
- (b) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, non-interest bearing, with final instalments past due, \$148,214.

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.

Financial Consumer Agency of Canada—Advances

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

During the year, the advances were repaid in full.

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.

Support and development of trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

The *Budget Implementation Act, 2009*, amended the *Export Development Act* to expand the mandate of the Corporation for a two-year period to include the support and development of domestic trade, in addition to its traditional mandate related to export trade. In March 2011, the Government by way of Order-in-Council extended the period to March 12, 2012. During the year, no transactions were entered into in the support and development of domestic trade.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to non-sovereign entities, together with their terms and conditions of repayments.

	Payments and other charges			Receipts and other credits		
	April 1/2010	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	March 31/2011
	\$	\$	\$	\$	\$	\$
Export Trade						
(a) 1 to 5 year term, interest based on the higher of 3.0 percent or Canadian Dealer Offered Rate (CDOR), plus 9.75 percent interest per annum, with final repayments in May 2011:						
Canada	100,000,000			100,000,000		
(b) 6 to 10 year term, 8.28 percent to 10.28 percent interest per annum, with final repayments between February 2008 and April 2011:						
Antigua	16,813,671		123,283	8,845,489		8,091,465
(c) 11 to 15 year term, 8.5 percent to 10.5 percent interest per annum, with final repayments in February 1995:						
Brazil	3,358,238				151,610	3,206,628
(d) 11 to 15 year term, interest based on London Interbank Offered Rate (LIBOR), plus a range of rates from 6.5 percent to 11.0 percent per annum, with final repayments between January 2021 and January 2023:						
Cyprus	76,176,226				3,439,031	72,737,195
Norway	199,384,499				9,001,358	190,383,141
	275,560,725				12,440,389	263,120,336
(e) 11 to 15 year term, comprised of several loans with fixed or variable interest rates currently ranging from 2.44 percent to 4.18 percent per annum, with final repayments between May 2021 and November 2022:						
Sweden	128,257,413	18,277,484		9,462,272	6,265,651	130,806,974
(f) 16 to 20 year term, comprised of several loans with fixed or variable interest rates currently ranging from 1.85 percent to 5.89 percent per annum, with final repayments between December 2017 and March 2023:						
United States	1,555,789,218			178,282,680	62,991,626	1,314,514,912
(g) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014:						
Singapore	1,244,110			502,373	28,971	712,766
Spain	15,192,167			646,964	3,908	14,541,295
	16,436,277			1,149,337	32,879	15,254,061
(h) Term loan, interest based on the higher of 2.0 percent or CDOR, plus 5.0 percent interest per annum, with final repayments in July 2017:						
Canada	2,779,217,209			1,095,855,055		1,683,362,154
(i) Term loan, interest based on the higher of 2.0 percent or LIBOR, plus a range of rates from 3.0 percent to 8.0 percent interest per annum, with final repayments between June 2009 and July 2010:						
United States	1,410,904,441				63,703,043	1,347,201,398
Insurance claims paid during the year:						
United States	263,510				15,627	247,883
Subtotal	6,286,600,702	18,277,484	123,283	1,393,594,833	145,600,825	4,765,805,811
Less: portion expensed due to concessionary terms	7,659,369	2,150,662				5,508,707
Total—Export Trade	6,278,941,333	20,428,146	123,283	1,393,594,833	145,600,825	4,760,297,104

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

(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.

Canada Student Loans Program

Direct loans to students

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources and Skills 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 and Skills Development with the concurrence of the Minister of Finance.

The total amount of outstanding direct loans to students issued under the authority of the *Canada Student Financial Assistance Act* 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 as at March 31, 2011 amounts to \$13,536,748,928 (\$12,492,760,738 as at March 31, 2010).

Risk-shared student loans

Loans issued prior to August 1, 2000 and on or after August 1, 1995 are amounts related to student loans subrogated to the Crown under the authority of the *Canada Student Financial Assistance Act*. The total amount of loans outstanding as at March 31, 2011 amounts to \$154,609,167 (\$159,985,777 as at March 31, 2010) for loans owned by Human Resources and Skills Development and \$1,738,082,287 (\$2,022,459,428 as at March 31, 2010) for loans under the current ownership of the financial institutions.

Guaranteed student loans

Loans issued prior to August 1, 1995 are amounts related to student loans subrogated to the Crown under the authority of the *Canada Student Loans Act*. The total amount of loans outstanding as at March 31, 2011 amounts to \$273,811,569 (\$303,300,927 as at March 31, 2010) for loans owned by Human Resources and Skills Development and \$35,123,703 (\$50,417,092 as at March 31, 2010) for loans under the current ownership of the financial institutions.

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.

Aboriginal Business Loan Insurance Program

On December 1, 2006, Aboriginal Business Canada, including the Aboriginal Business Loan Insurance Program, formerly a program of Industry Canada, was transferred to the Department of Indian Affairs and Northern Development.

The Aboriginal Business Loan Insurance Program was established under the *Department of Industry, Science and Technology Act*, section 9 and paragraph 15 (1)(b), and Orders in Council PC 1990-370 and PC 1990-371, and amended under the *Department of Industry Act (1995)*, Part IV, paragraph 14 (1)(b).

Non-interest bearing loans had been made to Aboriginal Canadians to increase their commercial enterprise activity as a major step towards enhancing their economic self-reliance, by providing financial and advisory assistance at various stages and for several aspects of enterprise development. The last outstanding loan insured under this program was fully repaid on March 1, 2011.

Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Act No. 2, 2010-2011*.

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, 2011, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.28 percent to 3.61 percent per annum.

Farm Credit Canada Guarantee Loans Program

The Farm Credit Canada guarantee loans program was discontinued as of November 14, 1989. The last active loan guarantee has expired and no future loan guarantees will be given under this program.

As of March 31, 2011, the outstanding amount represents the remaining defaulted loans reimbursed to the lenders by the Minister. These loans are deemed unrecoverable and the balance will be written off in future years.

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 L35, *Appropriation Act No. 2, 2010-2011*.

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 before April 1, 2004 and 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;
- (c) loans made between April 1, 2004 and March 31, 2011 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, shall be interest free, unless the loans become due and payable during this period; and,
- (d) loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:
 - i. date on which the treaty is settled;
 - ii. twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations' funding agreement;
 - iii. seventh anniversary after the signing of an agreement-in-principle; or,
 - iv. date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nations' funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are \$8,858,710 and \$411,941,692 respectively. Rates are from 1.0708 percent to 4.545 percent per annum for the interest-bearing portion.

Indian Economic Development Fund

Loans have been made for the purposes of economic development of 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*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No. 1, 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time \$60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

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 remaining loan bears interest at a rate of 5.50 percent per annum.

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 Vote L30, *Appropriation Act No. 2, 2010-2011*.

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.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$91,443,643 and \$354,469,174 respectively. Rates are from 2.13 percent to 11.89 percent per annum for the interest-bearing portion.

On Reserve Housing Guarantee Loans Program

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or Crown land. Reserves are, as such, non-mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is \$2.2 billion, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 2008-2009*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of \$2 million per annum was established within the department's reference levels to cover all Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as land claim funds, or through repayment agreements.

Stoney Band Perpetual Loan

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan not exceeding \$500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources, to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots \$200,000 to the Pekisko Group, and \$300,000 for the additions to Morley Reserve.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, and authorized by Industry Vote L15, *Appropriation Act No. 2, 2010-2011*, 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.

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.

Loans are authorized by Industry Vote L20, *Appropriation Act No. 2, 2010-2011*. During the year, no loans were issued.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Other Business loans

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA), the *Canada Small Business Financing Act* (CSBFA), the capital leasing pilot project and the *Department of Industry Act*. These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

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.

Nordion International Inc.

A \$100 million loan has been 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.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

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.

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.

Greater Victoria Harbour Authority

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land. A discount of \$753,745 is recorded to reflect the concessionary nature of the loan.

The loan bears interest at the rate of 4.9 percent per annum, and is repayable over 15 years, with the final instalment on May 9, 2020.

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.

The remaining loan bears interest at a rate of 7 percent per annum, and is repayable at monthly rates, with the final instalment of the existing terms being March 2012.

Joint Learning Program

Advances have been made to the Public Service Alliance of Canada (PSAC) for the Joint Learning Program (JLP). Following the collective bargaining round of October 2004, 2008 and subsequently of 2010, a Memorandum of Understanding between the Treasury Board and PSAC was included in the collective bargaining agreements to provide funding for a JLP. The JLP is a negotiated partnership between PSAC and the Treasury Board of Canada Secretariat (TBS). It is intended to provide joint union-management learning opportunities in areas where both parties have roles and responsibilities, and for which the Employer does not already have a legal obligation to provide training in order to enhance labour relations in the public service.

Payments are made to PSAC under Vote 20 and are authorized under the terms of reference of the Program. The terms of reference include the program costs, funding conditions, payment conditions, timelines, as well as a schedule of payments. The schedule of payments provides for a 3-month advance from TBS to PSAC to provide for program delivery costs. When actual expenses are reported every three months, the advance is reversed and the expenditure is recorded.

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 expenses 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.

Other departments—Miscellaneous

This account represents amounts outstanding in the hands of agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

Consolidation adjustment

The consolidation adjustment reflects the total loans, investments and advances held by consolidated Crown corporations and other entities. These mainly include investments such as bonds, money market funds and fixed income securities.

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 net 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

2010-2011

PUBLIC ACCOUNTS OF CANADA

Non-Financial Assets

CONTENTS

	<i>Page</i>
Non-financial assets	10.2
Tangible capital assets	10.4
Vehicles	10.6
Assets under capital leases	10.6

NON-FINANCIAL ASSETS

Non-financial assets are assets that have an economic life that extends beyond the accounting period and that are intended for consumption in the normal course of operations. They are converted into expense in future periods and include tangible capital assets, inventories, and prepaid expenses.

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business. For financial reporting purposes, tangible capital assets are grouped in the following categories: land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements, assets under construction, and assets under capital leases.

Inventories are items of tangible property that are to be used in the delivery of program outputs. Some revolving funds and a few departments may have inventories held for resale to parties outside the Government.

Prepaid expenses are disbursements made, pursuant to a contract, before the completion of the work, delivery of the goods or rendering of the service or advance payments under the terms of contribution agreements.

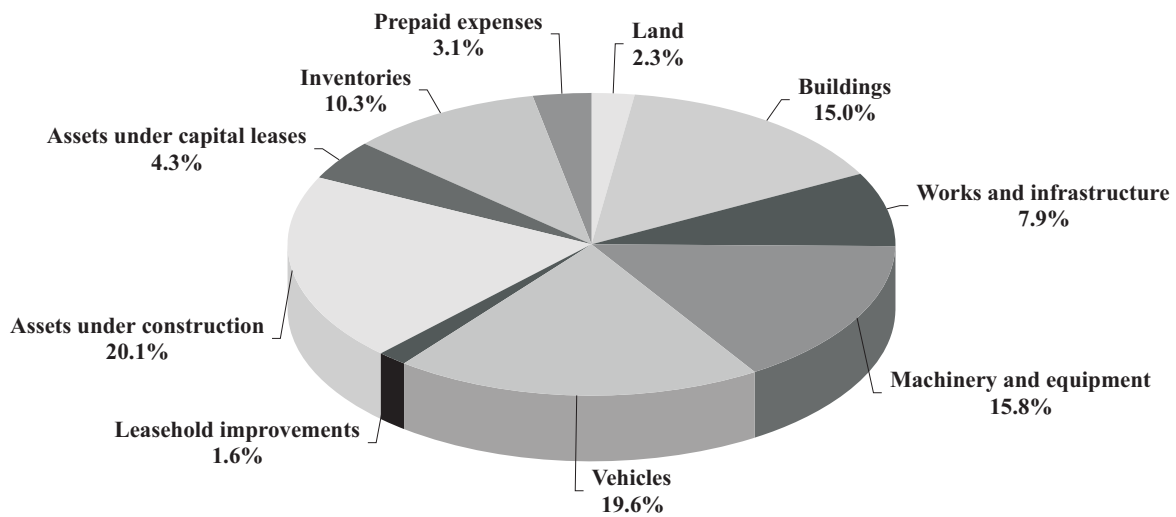
Table 10.1 presents the non-financial assets by category.

TABLE 10.1

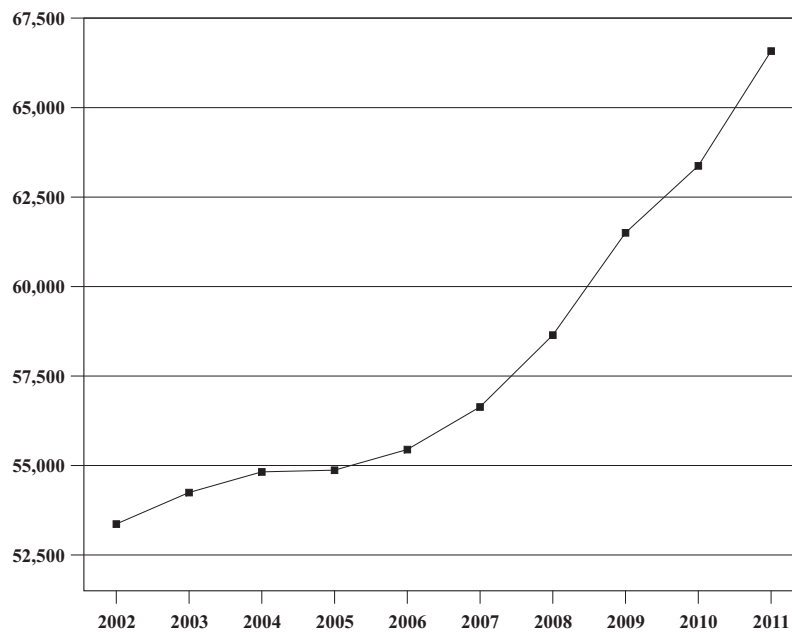
NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

	March 31/2011	March 31/2010
Net tangible capital assets, Table 10.2		
Land	1,539,085	1,459,013
Buildings	9,960,656	9,794,738
Works and infrastructure	5,255,562	4,852,103
Machinery and equipment	10,496,080	10,474,754
Vehicles, Table 10.3	13,078,310	12,621,416
Leasehold improvements	1,034,881	898,357
Assets under construction	13,426,117	11,932,502
Assets under capital leases, Table 10.4	2,877,124	3,020,699
	57,667,815	55,053,582
Inventories	6,830,393	6,191,972
Prepaid expenses	2,082,634	2,129,577
Total	66,580,842	63,375,131

CHART 10A**NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2011****CHART 10B****NON-FINANCIAL ASSETS AT MARCH 31, 2011**

(in millions of dollars)



Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

TABLE 10.2

TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES

(in thousands of dollars)

	Land	Buildings	Works and infrastructure	Machinery and equipment
Capital assets at cost				
Environment	185,505	931,437	2,673,584	836,179
Fisheries and Oceans	20,570	528,812	2,173,264	402,335
Foreign Affairs and International Trade	232,754	1,235,011	1,451	201,271
Industry	11,414	852,139	28,364	2,953,890
National Defence	84,176	7,182,585	2,110,546	20,105,232
Public Safety and Emergency Preparedness	71,411	2,864,214	523,097	1,291,997
Public Works and Government Services	252,799	3,880,095	836,787	311,838
Transport	267,053	1,012,887	2,768,097	212,437
Other ministries	27,491	1,495,066	76,557	3,252,727
	<i>1,153,173</i>	<i>19,982,246</i>	<i>11,191,747</i>	<i>29,567,906</i>
Consolidated Crown corporations and other entities	385,912	2,119,873	1,378,814	3,042,929
Gross total capital assets	1,539,085	22,102,119	12,570,561	32,610,835
Accumulated amortization				
Environment		632,387	1,675,243	588,552
Fisheries and Oceans		356,383	1,134,437	290,179
Foreign Affairs and International Trade		686,442	181	148,754
Industry		501,461	19,911	2,022,507
National Defence		3,169,303	1,213,514	13,578,939
Public Safety and Emergency Preparedness		1,350,010	335,698	856,807
Public Works and Government Services		2,664,932	380,239	262,383
Transport		672,037	1,797,467	158,455
Other ministries		944,247	32,321	2,054,943
		<i>10,977,202</i>	<i>6,589,011</i>	<i>19,961,519</i>
Consolidated Crown corporations and other entities		1,164,261	725,988	2,153,236
Total accumulated amortization		12,141,463	7,314,999	22,114,755
Total net capital assets				
Environment	185,505	299,050	998,341	247,627
Fisheries and Oceans	20,570	172,429	1,038,827	112,156
Foreign Affairs and International Trade	232,754	548,569	1,270	52,517
Industry	11,414	350,678	8,453	931,383
National Defence	84,176	4,013,282	897,032	6,526,293
Public Safety and Emergency Preparedness	71,411	1,514,204	187,399	435,190
Public Works and Government Services	252,799	1,215,163	456,548	49,455
Transport	267,053	340,850	970,630	53,982
Other ministries	27,491	550,819	44,236	1,197,784
	<i>1,153,173</i>	<i>9,005,044</i>	<i>4,602,736</i>	<i>9,606,387</i>
Consolidated Crown corporations and other entities	385,912	955,612	652,826	889,693
Total net capital assets	1,539,085	9,960,656	5,255,562	10,496,080

⁽¹⁾ Details can be found in Table 10.3.

⁽²⁾ Details can be found in Table 10.4.

Vehicles ⁽¹⁾	Leasehold improvements	Assets under construction	Assets under capital leases ⁽²⁾	Total March 31/2011	Total March 31/2010
150,756	37,905	372,184	34,858	5,222,408	4,931,611
1,852,017	567,562	504,571	525	6,049,656	5,866,146
136,033	221,312	263,959		2,291,791	2,154,146
28,006	57,887	386,037	65,052	4,382,789	4,245,045
27,554,818	31,772	8,102,037	987,539	66,158,705	62,913,268
634,818	118,974	766,626	15,493	6,286,630	5,896,494
11,678	688,417	1,699,122	2,255,179	9,935,915	9,015,520
742,292	22,381	117,346	818,883	5,961,376	5,927,784
164,365	448,943	397,212	124,772	5,987,133	5,576,743
31,274,783	2,195,153	12,609,094	4,302,301	112,276,403	106,526,757
1,288,975	207,534	817,023	618,724	9,859,784	9,173,220
32,563,758	2,402,687	13,426,117	4,921,025	122,136,187	115,699,977
106,031	25,722		18,768	3,046,703	2,943,861
1,318,314	369,652		447	3,469,412	3,451,883
95,867	117,044			1,048,288	911,587
22,049	27,697		16,230	2,609,855	2,447,889
16,000,225	16,946		539,618	34,518,545	32,396,661
343,593	38,033		930	2,925,071	2,693,709
7,180	342,507		1,035,526	4,692,767	4,257,205
557,034	12,256		113,298	3,310,547	3,198,147
104,021	299,025		16,012	3,450,569	3,170,294
18,554,314	1,248,882		1,740,829	59,071,757	55,471,236
931,134	118,924		303,072	5,396,615	5,175,159
19,485,448	1,367,806		2,043,901	64,468,372	60,646,395
44,725	12,183	372,184	16,090	2,175,705	1,987,750
533,703	197,910	504,571	78	2,580,244	2,414,263
40,166	104,268	263,959		1,243,503	1,242,559
5,957	30,190	386,037	48,822	1,772,934	1,797,156
11,554,593	14,826	8,102,037	447,921	31,640,160	30,516,607
291,225	80,941	766,626	14,563	3,361,559	3,202,785
4,498	345,910	1,699,122	1,219,653	5,243,148	4,758,315
185,258	10,125	117,346	705,585	2,650,829	2,729,637
60,344	149,918	397,212	108,760	2,536,564	2,406,449
12,720,469	946,271	12,609,094	2,561,472	53,204,646	51,055,521
357,841	88,610	817,023	315,652	4,463,169	3,998,061
13,078,310	1,034,881	13,426,117	2,877,124	57,667,815	55,053,582

Vehicles

Table 10.3 presents the details of vehicles by sub-category.

TABLE 10.3

VEHICLES BY SUB-CATEGORY

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2011	March 31/2010
Ships and boats	13,763,734	8,146,618	5,617,116	5,911,343
Aircraft	13,589,650	7,962,299	5,627,351	5,010,284
Motor vehicles (Non-Military)	2,068,467	1,328,636	739,831	762,337
Military vehicles	1,808,386	1,159,013	649,373	519,051
Other vehicles	1,333,521	888,882	444,639	418,401
Total	32,563,758	19,485,448	13,078,310	12,621,416

Assets under Capital Leases

Table 10.4 presents the details of assets under capital leases by main category.

TABLE 10.4

ASSETS UNDER CAPITAL LEASES BY MAIN CATEGORY

(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2011	March 31/2010
Land	31,242		31,242	44,942
Buildings	3,112,427	1,401,896	1,710,531	1,789,987
Works and infrastructure	818,820	113,270	705,550	713,738
Machinery and equipment	109,104	42,436	66,668	38,234
Vehicles	849,432	486,299	363,133	433,798
Total	4,921,025	2,043,901	2,877,124	3,020,699

SECTION 11

2010-2011

PUBLIC ACCOUNTS OF CANADA

Contractual Obligations and Contingent Liabilities

CONTENTS

	<i>Page</i>
Contractual obligations	11.2
Contingent liabilities	11.27

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

Contractual Obligations

The nature of Government activities result in multi-year contracts and agreements, including various international treaties and protocols. Contractual obligations are financial obligations of the Government to others that will become liabilities when the terms of those contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. In the case of contractual obligations to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual obligations can be classified into four main categories: transfer payment agreements (grants and contributions), capital assets and purchases, operating leases and international organizations.

All outstanding contractual obligations of \$10 million or more per project or per program at year end are reported for transfer payment agreements, capital assets, purchases and operating leases. For international organizations, all contractual obligations in excess of \$1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual obligations of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual obligations. Details of the four types of contractual obligations can be found in other tables in this section.

TABLE 11.1
CONTRACTUAL OBLIGATIONS
(in millions of dollars)

	Transfer payments	Acquisition of capital assets and purchases	Operating leases	International organizations	Total
Information from:					
Transfer payment agreements, capital assets, purchases and operating leases, Table 11.3	58,295	33,344	2,637		94,276
International contractual obligations, Table 11.4				3,343	3,343
Total	58,295	33,344	2,637	3,343	97,619

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual obligations each year from 2012 to 2016 inclusive, and a total for amounts due in the year 2017 and subsequently.

TABLE 11.2
SCHEDULE OF MINIMUM PAYMENTS
(in millions of dollars)

	Transfer payment agreements	Acquisition of capital assets and purchases	Obligations under operating lease arrangements	Obligations to international organizations	Total
Minimum payments to be made in:					
2012	17,765	7,443	314	1,084	26,606
2013	10,445	4,325	331	344	15,445
2014	8,029	4,647	289	254	13,219
2015	4,391	2,472	244	118	7,225
2016	3,355	1,660	217	55	5,287
2017 and subsequently	14,310	12,797	1,242	1,488	29,837
Total	58,295	33,344	2,637	3,343	97,619

Transfer Payment Agreements, Capital Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual obligations that involve: transfer payment agreements, capital assets, purchases and operating leases. It discloses individual contractual obligations by category and by entity. Contractual obligations are summarized in Note 15 to the financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Capital 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.

Purchases are supported by contracts 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 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011
(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently	
Transfer payment agreements—											
Agriculture and Agri-Food—											
<i>Grant—</i>											
<i>Canadian Cattleman's Association</i>											
Beef Market Development											
Legacy Fund.....	50	50	37	13	10	3					
Canadian Heritage—											
<i>Canada's National Ballet School</i>											
Canada Arts Training											
Fund.....	18	18	6	12	6	6					
<i>Canadian Agreement on Minority</i>											
<i>Language Education and</i>											
<i>Second Official Language</i>											
<i>Introduction</i>											
Government of Alberta	61	61	32	29	15	14					
Government of Nova Scotia	32	32	17	15	8	7					
Government of Saskatchewan	32	32	16	16	8	8					
Ministre des Finances du Québec.....	263	263	133	130	65	65					
Province of British Columbia	70	70	36	34	17	17					
Province of Manitoba.....	53	53	27	26	13	13					
Province of New Brunswick	88	88	45	43	22	21					
Province of Ontario	328	328	170	158	79	79					
<i>Corporation of the Council of Ministers</i>											
<i>of Education, Canada</i>											
Explore and Destination Clic Program.....	67	67	33	34	17	17					
Odyssey Program	28	28	14	14	7	7					
<i>Katimavik-OPCAN Corporation</i>											
Katimavik Program	28	28		28	14	14					
<i>La Fondation Musicaction</i>											
Canada Music Fund	21	21	5	16	4	4	4	4			
<i>Society for Educational Visits and</i>											
<i>Exchanges in Canada</i>											
Youth Exchanges Canada Program.....	23	23	9	14	5	5	4				
<i>The Foundation Assisting Canadian Talent</i>											
<i>on Recordings</i>											
Canada Music Fund	31	31	6	25	6	6	6	7			
<i>Toronto Organizing Committee for the</i>											
<i>2015 Pan American and Parapan</i>											
<i>American Games</i>											
Hosting Program.....	18	18	5	13	13						
<i>YMCA of Greater Toronto</i>											
Youth Exchanges Canada Program.....	15	15	5	10	5	5					
	1,176	1,176	559	617	304	288	14	11			

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Citizenship and Immigration—										
<i>Provincial agreement on immigration matters and on the selection of foreign nationals wishing to settle in Canada</i>										
Canada-Quebec Agreement	1,551	1,551	258	1,293	259	258	259	258	259	
<i>Provincial agreements with regards to immigrant and settlement services</i>										
Canada-British Columbia Agreement	686	686	122	564	113	113	113	113	112	
Canada-Manitoba Agreement	200	200	31	169	34	34	34	34	33	
	2,437	2,437	411	2,026	406	405	406	405	404	
Economic Development Agency of Canada for the Regions of Quebec—										
Community Futures Program	598	598	460	138	28	28	21	21	21	19
Gaz Métro Limited Partnership	18	18		18		14	4			
<i>Ministère des Finances du Québec</i>										
Community Diversification Program	556	556	472	84	60	13	4	3	3	1
<i>Montréal International</i>										
Business and regional growth program	58	58	30	28	4	4	4	2	2	12
<i>Other contributions</i>										
Business and regional growth program	454	454	392	62	49	10	2			1
<i>Province of Quebec First Nations</i>										
Recreational Infrastructure Canada Program	78	78	62	16	16					
<i>Société du Parc Jean-Drapeau</i>										
Community Diversification Program	24	24	4	20	5	5	5	5		
	1,786	1,786	1,420	366	162	74	40	31	26	33
Finance—										
Toronto Waterfront Revitalization Program	402	394	372	22	22					
Foreign Affairs and International Trade—										
<i>Canadian International Development Agency—</i>										
Canadian engagement	608	608	305	303	105	97	72	27	2	
Fragile countries and crisis-affected communities	806	806	568	238	133	68	27	10		
Global engagement and strategic policy	740	740	318	422	160	131	87	40	4	
Low income countries	2,425	2,425	1,241	1,184	402	362	241	151	19	9
Middle income countries	808	808	398	410	130	113	77	54	27	9
	5,387	5,387	2,830	2,557	930	771	504	282	52	18
Health—										
<i>Department—</i>										
Canadian Agency for Drugs and Technologies in Health	87	87	51	36	19	17				
Canadian Institute for Health Information	353	353	271	82	82					
Canadian Partnership Against Cancer Corporation	240	240	190	50	50					
Canadian Patient Safety Institute	40	40	24	16	8	8				
First Nations and Inuit Health Services Transfer	645	645	210	435	139	80	71	50	27	68

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Health Council of Canada	46	46	6	40	10	10	10	10		
Mental Health Commission of Canada	125	125	35	90	15	15	15	15	15	15
University of Ottawa	21	21	11	10	5	5				
Public Health Agency of Canada— Hepatitis C										
Government of British Columbia	66	66	55	11				11		
Government of Ontario	132	132	110	22				22		
	1,755	1,755	963	792	328	135	96	108	42	83
Human Resources and Skills Development—										
Aboriginal Skills and Employment Training Strategy	1,134	1,134	140	994	248	248	249	249		
Homelessness Partnering Strategy										
Calgary Homeless Foundation	17	17		17	6	6	5			
City of Hamilton	13	13		13	4	4	5			
City of Ottawa	17	17		17	6	6	5			
City of Toronto	52	52		52	17	17	18			
Greater Vancouver Regional District	20	20		20	4	8	8			
Homeward Trust Foundation	19	19		19	6	6	7			
Kativik Regional Government										
Aboriginal Human Resource Development Agreement	83	83	71	12	12					
Labour Market Agreements										
Government of Alberta	327	327	163	164	55	55	54			
Government of British Columbia	397	397	165	232	99	66	67			
Government of Manitoba	108	108	54	54	18	18	18			
Government of New-Brunswick	66	66	30	36	12	12	12			
Government of Newfoundland and Labrador	45	45	19	26	11	7	8			
Government of Nova Scotia	83	83	31	52	17	19	16			
Government of Ontario	1,163	1,163	582	581	194	194	193			
Government of Quebec	696	696	348	348	116	116	116			
Government of Saskatchewan	92	92	46	46	15	15	16			
Labour Market Development Agreements										
Government of Alberta	278	278	161	117	117					
Government of British Columbia	677	674	367	307	307					
Government of Manitoba	114	114	63	51	51					
Government of New-Brunswick	212	212	112	100	100					
Government of Newfoundland and Labrador	304	303	158	145	145					
Government of Nova Scotia	202	201	108	93	93					
Government of Ontario	1,423	1,423	815	608	608					
Government of Prince Edward Island	63	63	33	30	30					
Government of Quebec	1,417	1,417	769	648	648					
Government of Saskatchewan	97	97	53	44	44					
Labour Market Agreements for persons with disabilities										
Government of Alberta	226	226	176	50	25	25				
Government of British Columbia	277	277	215	62	31	31				
Government of Manitoba	81	81	63	18	9	9				
Government of New-Brunswick	54	54	42	12	6	6				
Government of Nova Scotia	74	74	58	16	8	8				
Government of Ontario	688	683	530	153	76	77				
Government of Quebec	413	413	321	92	46	46				
Government of Saskatchewan	98	98	76	22	11	11				
Sectoral Partnership Initiative Canadian Tourism Human Resource Council	20	20	6	14	7	7				

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					2017 and subse- quently
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	
Targeted Initiative for Older Workers										
Government of Ontario	49	46	26	20	20					
Government of Quebec	59	54	29	25	25					
The National Council of Young Men's Christian Association of Canada										
Federal Public Sector Youth Internship Program.	45	45	30	15	15					
	11,203	11,185	5,860	5,325	3,262	1,017	797	249		
Indian Affairs and Northern Development—										
Agreements—										
Aboriginal Recipient Funding.	2,936	2,936		2,936	899	649	571	434	383	
Canada First Nations Funding.	613	613	391	222	114	103	3	2		
Comprehensive Land Claims	2,293	2,293	832	1,461	328	333	207	201	178	214
Contribution Agreements	427	405	310	95	56	13	6	6	3	11
DIAND/First Nations Funding	720	720	477	243	132	111				
	6,989	6,967	2,010	4,957	1,529	1,209	787	643	564	225
Industry—										
Department—										
Bell Helicopter Textron Canada Ltd										
Modular affordable product line.	115	115	57	58		8	9	6	6	29
Bombardier Aerospace										
Research and development for the CSeries	350	350	139	211	70	67	74			
CAE Inc										
Simulation technologies	439	439	274	165	50	59	56			
Cascade Data Services Inc										
Transmission of large packages of data files	77	77	48	29		11	6	5	7	
CMC Electronic Inc										
Integrated cockpit and communication system	52	52	32	20	11	9				
Ford Motor Company of Canada Ltd										
Flexible manufacturing production process.	80	80	30	50	27	23				
Funding agreement for colleges and universities										
Government of Alberta	195	195	171	24	24					
Government of British Columbia	233	233	204	29	29					
Government of Ontario	780	780	682	98	98					
Ministry of Economic Development, Innovation and Export Trade	458	458	401	57	57					
Linemar Corporation										
Development and commercialization of green technologies	55	55	5	50	25	25				
Magellan Aerospace Limited (previously Bristol Aerospace Limited)										
Research and development for manufacturing F-35 JS	43	43	11	32	10	8	14			
Mechtronix Systems Limited										
Research and development for flight simulation program	19	19	5	14	4	4	4	2		
Pratt & Whitney Canada Corporation										
Gas turbine engine research program	650	650	333	317	77	80	80	80		
Ultra Electronics TCS Inc										
High capacity radio	32	32	4	28	6	6	5	5	6	
University of Waterloo										
Application of quantum mechanical technology	50	50	33	17	5	6	6			

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Canadian Space Agency—										
European Space Agency, Paris, France										
Earth Observation, Exploration and Telecommunications Programs	497	497	338	159	32	24	21	18	18	46
Federal Economic Development Agency for Southern Ontario—										
Juvenile Diabetes Research Foundation Canada										
Funding for research	20	20	10	10	10					
The Corporation of the City of Brantford										
Brownsfield redevelopment project	12	12		12	12					
University of Toronto										
Canada Centre for Global Securities Studies	25	25	10	15	7	4	4			
National Research Council of Canada— Canada-France-Hawaii Telescope Corporation										
Partnership to operate a jointly owned optical telescope	112	112	100	12	3	3	3	3		
Triumf										
Joint venture by a consortium of universities to manage the TRIUMF Facility in British Columbia	203	203	26	177	44	44	44	45		
	4,497	4,497	2,913	1,584	601	381	326	164	37	75
Justice—										
Care and services provided to young persons dealt with under the Young Offenders Act										
Government of Alberta	85	85		85	17	17	17	17	17	
Government of British Columbia	111	111		111	22	22	22	22	23	
Government of Ontario	319	319		319	64	64	64	64	63	
Government of Quebec	183	183		183	37	37	37	36	36	
Other provinces	189	189		189	38	38	38	38	37	
Criminal Legal Aid Services and Systems										
Government of Alberta	52	52	42	10	10					
Government of British Columbia	68	68	55	13	13					
Government of Ontario	216	216	173	43	43					
Government of Quebec	117	117	94	23	23					
Other provinces	87	87	70	17	17					
Immigration and refugee legal aid	68	68	57	11	11					
Other Programs provided to young persons dealt with under the Young Offenders Act										
Intensive Rehabilitative Custody Supervision	53	53	31	22	11	11				
	1,548	1,548	522	1,026	306	189	178	177	176	
Natural Resources—										
Government of Saskatchewan										
Gunnar and Lorado agreement	12	12	1	11		1	3	2	2	3
Clean Energy Fund										
City of Yellowknife	14	14		14	8	6				
Enhance Energy Inc	30	30	11	19	9	10				
New Brunswick Power	16	16	4	12	8	3	1			
Shell Canada Ltd	120	120	75	45	45					
ecoENERGY for Biofuels—										
Support the production of renewable alternatives to gasoline and diesel										
Alberta Ethanol and Biodiesel	30	30		30		3	9	8	6	4
Amaizeingly Green LP	32	28	13	15	5	4	3	3		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Biocardel Quebec	19	17		17	3	4	3	3	2	2
Biox Canada Limited	77	68	36	32	12	9	6	5		
Greenfield Ethanol Inc—Chatham	71	65	32	33	10	9	8	6		
Greenfield Ethanol Inc—Varenes	82	82	43	39	12	11	9	7		
Greenfield Johnstown Limited	115	110	47	63	18	16	13	11	5	
Husky Oil Limited—Lloydminster	71	62	23	39	12	11	9	7		
Husky Oil Limited—Minnedosa	72	72	38	34	10	9	8	7		
Integrated Grain Processors Cooperative Inc ..	83	83	38	45	13	11	10	8	3	
Kawartha Ethanol Inc	33	32	5	27	6	6	5	4	3	3
Permolex Ltd	23	22	11	11	3	3	3	2		
QFI Biodiesel	34	25		25	7	6	4	3	2	3
Rothsay	51	49	27	22	8	6	4	4		
Suncor Energy Products Inc	108	107	55	52	16	14	12	10		
Terra Grain Fuels Inc	76	63	29	34	10	9	8	7		
ecoENERGY for Renewable Power										
Program—Increase renewable power										
4480121 Canada Inc	15	15		15	1	1	2	2	2	7
Abitibi-Consolidated Company of Canada ...	24	24	2	22	2	2	2	3	3	10
Ashlu Creek Investments Limited Partnership	26	26	3	23	3	2	2	3	3	10
Bear Mountain Wind Limited Partnership	21	21	2	19	2	2	2	2	2	9
Brilliant Expansion Power Corporation	47	47	14	33	5	5	5	5	4	9
Brookfield Power Wind Prince LP	53	53	18	35	5	5	5	5	6	9
Canadian Hydro Developers Inc	35	35	7	28	4	4	3	3	4	10
Canadian Renewable Energy Corporation	60	60	8	52	6	6	6	6	6	22
Caribou Wind Park Limited Partnership	29	29	3	26	3	3	3	3	3	11
Cartier Énergie Éolienne Inc (1 of 3)	31	31	10	21	3	3	3	3	3	6
Cartier Énergie Éolienne Inc (2 of 3)	31	31	12	19	3	3	3	3	3	4
Cartier Énergie Éolienne Inc (3 of 3)	34	34	8	26	4	3	3	3	4	9
Castle Rock Ridge Limited Partnership	23	23		23	2	2	2	2	3	12
Dokie General Partnership	33	33		33	3	3	3	4	4	16
Enbridge Ontario Wind Power LP	48	48	9	39	5	5	5	5	5	14
Ghost Pine Windfarm LP	25	25	1	24	3	3	2	2	2	12
Glen Dhu Wind Energy Ltd.	19	19		19	2	2	2	2	2	9
Gosfield Wind Limited Partnership	15	15	1	14	2	2	1	1	1	7
Harrison Hydro Limited Partnership (1 of 2) .	35	35	5	30	4	3	3	4	4	12
Harrison Hydro Limited Partnership (2 of 2) .	25	25	2	23	3	2	2	2	3	11
Kettles Hill Wind Energy Inc	17	17	6	11	2	2	2	2	1	2
Kruger Energy Chatham LP	31	31	1	30	3	3	3	3	3	15
Kruger Energy Port Alma LP	31	31	8	23	3	3	3	3	3	8
Lameque Wind Power LP	14	14		14	1	1	1	2	2	7
Magpie Limited Partnership	18	18	6	12	1	2	2	2	2	3
Mont Louis Wind LP	31	31		31	3	3	3	3	3	16
Raleigh Wind Power Partnership	24	24		24	2	2	2	3	3	12
RMSEnergy Dalhousie Mountain LP	16	16	2	14	1	1	2	2	2	6
Saint-Ulric Saint-Léandre Wind LP	37	37	4	33	4	4	4	4	4	13
St Joseph WindFarm Inc	43	43		43	4	4	4	5	5	21
Suncor Energy Products Inc	22	22	7	15	2	2	2	2	2	5
Talbot Windfarm LP	30	30	1	29	3	3	3	3	3	14
Toba Montrose General Partnership	73	73	3	70	7	7	7	7	8	34
TransAlta Corporation (1 of 5)	29	29	5	24	3	3	3	3	3	9
TransAlta Corporation (2 of 5)	20	20	2	18	2	2	2	2	2	8
TransAlta Corporation (3 of 5)	18	18	1	17	2	2	2	2	2	7
TransAlta Corporation (4 of 5)	21	21	1	20	2	2	2	2	2	10
TransAlta Corporation (5 of 5)	14	14	1	13	1	1	1	1	2	7
West Cape Wind Energy Inc	24	24	4	20	2	2	2	3	3	8
Weyerhaeuser Canada Ltd.	32	32	2	30	2	2	2	3	3	18
ecoENERGY Technology Initiative										
Enhance Energy Inc	33	33	20	13	13					
Westcoast Engery Inc	17	17	4	13	13					
Wind Power Production Incentive										
Canadian Hydro Developers Inc	19	19	8	11	2	2	2	2	2	1

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Énergie éolienne du Mont Miller										
Société en commandite	20	20	9	11	2	2	2	2		3
ENMAX Green Power Inc.	24	24	8	16	3	2	2	2	3	4
Erie Shores Wind Farm LP	26	26	12	14	3	3	3	2	2	1
GW Power Corporation	25	25	11	14	3	3	2	2	2	2
Saskatchewan Power International Inc.	54	54	24	30	6	6	5	5	5	3
St Leon Wind Energy LP	30	30	15	15	3	3	3	3	3	
TransAlta Energy Corporation (1 of 2)	34	34	21	13	3	4	1			5
TransAlta Energy Corporation (2 of 2)	25	25	13	12	2	3	3	1		3
The Pulp and Paper Transformation										
Program										
AbiBow Canada Inc.	27	27	2	25	25					
Alberta Pacific Forest Industries	63	63	46	17	17					
ARC Resources Ltd	12	12	1	11	11					
AV Nackawic Inc.	12	12	1	11	11					
Canfor Pulp Limited Partnership	100	100	37	63	63					
Cariboo Pulp and Paper	41	41	12	29	29					
Catalyst Power Corporation	13	13	1	12	12					
Daishowa-Marubeni International Ltd.	41	41	27	14	14					
Domtar Pulp and Paper Products (1 of 3)	23	23	11	12	12					
Domtar Pulp and Paper Products (2 of 3)	76	76	61	15	15					
Domtar Pulp and Paper Products (3 of 3)	30	30	11	19	19					
Emballages Smurfit-Stone Canada Ltd	24	24	6	18	18					
Howe Sound Pulp & Paper Ltd.	37	37	14	23	23					
Northern Pulp Nova Scotia Corporation	28	28	5	23	23					
Tembec General Partnership	19	19	2	17	17					
West Fraser Mills	38	38	13	25	25					
	3,234	3,172	1,042	2,130	717	291	252	236	165	469
Public Safety and Emergency Preparedness—										
Department—										
Disaster Financial Assistance										
Program	135	135	42	93	37	30	18	7	1	
First Nation Policing										
Program	266	266	192	74	61	11	2			
Safer Communities Initiative	1,316	1,316	770	546	105	97	99	120	105	20
Royal Canadian Mounted Police—										
Canadian Firearms Program	14	14		14	14					
	1,731	1,731	1,004	727	217	138	119	127	106	20
Transport—										
Department—										
Airport Capital Assistance										
Program	30	30	2	28	28					
BC Ferries										
Grant for the provision of										
ferry and coastal										
freight and passenger										
services	486	486	318	168	28	28	28	28	28	28
Buffalo and Fort Erie Public Bridge										
Authority										
Gateways and Border										
Crossing Fund	62	62	49	13	13					
City of Calgary										
Gateways and Border										
Crossing Fund	35	35	8	27	17	10				
City of Regina										
Gateways and Border										
Crossing Fund	27	27	7	20	4	7	9			
City of Saskatoon										
Gateways and Border										
Crossing Fund	96	96	36	60	38	18	4			

TABLE 11.3**TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES****AS AT MARCH 31, 2011—Continued**

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently	
Government of British Columbia											
Asia-Pacific Gateway and Corridor Initiative	490	490	280	210	114	75	21				
Government of Manitoba											
Asia-Pacific Gateway and Corridor Initiative	33	33	2	31	14	14	3				
Gateways and Border Crossing Fund	64	64	10	54	11	28	15				
Government of Quebec											
Outaouais Road Agreement	159	159	89	70	20	21	15	5	6	3	
Halifax Port Authority											
Gateways and Border Crossing Fund	54	54	8	46	19	13	14				
Oshawa Harbour Commission											
Port consolidation, fencing and landscaping projects	10	10		10	2	7	1				
Port Metro Vancouver											
Asia-Pacific Gateway and Corridor Initiative	60	60	4	56	14	22	20				
St Mary's River Bridge Company											
Gateways and Border Crossing Fund	44	44	1	43	8	16	19				
Office of Infrastructure of Canada—											
Aggregate of transfer payments under \$10,000,000 by program											
Building Canada Fund—Communities Component top up	66	66	50	16	16						
Building Canada Fund—Major Infrastructure Fund	126	126	60	66	50	14	2				
Canada Strategic Infrastructure Fund	377	377	300	77	61	13	1	1	1		
Infrastructure Stimulus Fund	322	322	268	54	54						
Municipal Rural Infrastructure Fund	330	330	302	28	28						
Association of Municipalities of Ontario, city of Toronto, local services boards and local roads boards and the Government of Ontario											
Gas Tax Fund	4,853	4,853	2,612	2,241	747	747	747				
Calgary Exhibition and Stampede Limited											
Contribution for the Calgary Exhibition and Stampede Park.....	25	25		25	2	8	9	6			
City of Brampton											
Contribution to support the implementation of the Brampton Acceleride Bus Rapid Transit (BRT) project.....	53	53	22	31	18	13					
City of Brockville											
Contribution to upgrade the wastewater system	23	23	11	12	12						
City of Calgary											
Contribution for Calgary Transit Projects	51	51	5	46	27	9	6	4			
Infrastructure Stimulus Fund projects	39	39	12	27	27						
City of Cornwall											
Contribution to upgrade the Cornwall Wastewater Treament Plant.....	19	19		19	6	7	6				
City of Hamilton											
Wastewater treatment and collection system improvement	35	35	7	28	28						

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
City of Mississauga and Greater Toronto Transit Authority										
Contribution for the implementation of an east-west bus rapid transit corridor	83	83	7	76	46	30				
City of Ottawa										
Contribution for the Strandherd-Armstrong Bridge	16	16	3	13	12	1				
City of Saint John, New Brunswick										
Contribution to support the wastewater treatment facility upgrade	27	27	16	11	11					
City of Saskatoon										
Contributions for the Art Gallery of Saskatchewan	13	13		13	1	2	7	3		
City of Toronto										
Infrastructure Stimulus Fund projects	188	188	142	46	46					
Revitalization of Union Station	133	133	10	123	39	40	32	12		
City of Toronto and the Municipality of York										
Contribution for the implementation of an extension to the Toronto subway system	622	622	102	520	243	127	74	57	19	
City of Toronto and the Toronto Transit Commission										
Contribution towards the modernization and expansion of bus, streetcar and subway services	304	304	289	15	15					
City of Victoria										
Contribution for the replacement of the Johnson St. Bridge and approaches	21	21		21	13	8				
City of Winnipeg										
Contribution for improvement of wastewater treatment facilities	42	42	11	31	30	1				
Corporation of the City of St Catharines										
Contribution to construct a new Centre for the Arts and Recital Hall	18	18		18	3	2	7	6		
Flacom Communications										
Contribution for the Northwest Territories Broadband Infrastructure	15	15		15	15					
Government of Alberta										
Building Canada Fund—Communities Component	88	88	35	53	27	26				
Building Canada Fund—Communities Component Top-Up	52	52	40	12	12					
Contribution for Anthony Henday Drive and Stoney Plain Road	233	233	90	143	89	29	25			
Contribution for the twinning of Highway 63	150	150	27	123	2	54	33	25	9	
Gas Tax Fund	1,275	1,275	382	893	494	200	199			
Infrastructure Stimulus Fund projects	350	350	285	65	65					
Provincial-Territorial Infrastructure Base Funding Program	175	175	150	25	25					
Government of British Columbia										
Building Canada Fund—Communities Component	136	136	16	120	41	56	23			
Building Canada Fund—Communities Component Top-Up	65	65	44	21	21					
Infrastructure Stimulus Fund projects	406	406	310	96	96					
Municipal Rural Infrastructure Fund	75	75	51	24	24					

TABLE 11.3**TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES****AS AT MARCH 31, 2011—Continued**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
National Highway System Projects	216	216		216	187	29				
Northwest Transmission Line Project	130	130		130	61	59	10			
Transit Improvement Program	118	118	13	105	67	13	11	5	5	4
Government of Manitoba										
Building Canada Fund—Communities Component	41	41	7	34	34					
Gas Tax Fund	432	432	234	198	66	66	66			
Infrastructure Stimulus Fund projects	140	140	122	18	18					
Municipal Rural Infrastructure Fund	49	49	38	11	5	6				
Provincial-Territorial Infrastructure Base Funding Program	175	175	160	15	5	10				
Government of New Brunswick										
Building Canada Fund—Communities Component	33	33	14	19	14	5				
Gas Tax Fund	295	295	125	170	81	45	44			
Provincial-Territorial Infrastructure Base Funding Program	175	175	75	100	50	25	25			
Road infrastructure improvements	114	114	78	36	25	11				
Government of Newfoundland and Labrador										
Building Canada Fund—Communities Component	56	56	18	38	36	2				
Contribution towards highway improvements—Major Infrastructure Component	68	68	19	49	25	16	8			
Gas Tax Fund	207	207	113	94	32	31	31			
Infrastructure Stimulus Fund projects	59	59	36	23	23					
Provincial-Territorial Infrastructure Base Funding Program	175	175	100	75	25	25	25			
Government of Nova Scotia										
Building Canada Fund—Communities Component	37	37	14	23	16	7				
Contribution for the construction of a four lane Highway 104	53	53	14	39	17	14	8			
Gas Tax Fund	369	369	201	168	56	56	56			
Infrastructure Stimulus Fund projects	98	98	87	11	11					
Provincial-Territorial Infrastructure Base Funding Program	175	175	92	83	45	23	15			
Government of Nunavut										
Gas Tax Fund	98	98	53	45	15	15	15			
Municipal Rural Infrastructure Fund	19	19	7	12	11	1				
Provincial-Territorial Infrastructure Base Funding Program	183	183	104	79	26	26	27			
Government of Ontario										
Building Canada Fund—Communities Component	362	362	153	209	89	70	50			
Building Canada Fund—Communities Component Top-Up	196	196	115	81	81					
Contribution for the reconstruction and widening of highways 8 and 69	66	66	42	24	15	6	3			
Contributions for the Ontario Regional Broadband Network	55	55	5	50	23	14	13			

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Infrastructure Stimulus Fund projects	1,163	1,163	996	167	167					
Municipal Rural Infrastructure Fund	362	362	304	58	25	33				
Road infrastructure improvements leading to border crossings in Windsor	140	140	114	26	20	6				
Government of Prince Edward Island										
Gas Tax Fund	98	98	53	45	15	15	15			
Provincial-Territorial Infrastructure Base Funding Program	175	175	134	41	41					
Government of Quebec										
Border Infrastructure Fund	147	147	41	106	35	41	26	4		
Building Canada Fund—Communities Component	410	410	8	402	122	95	70	55	60	
Building Canada Fund—Communities Component Top-Up	116	116	84	32	32					
Building Canada Fund—Major Infrastructure Component	1,058	1,058	83	975	543	393	31	8		
Contribution to complete highways 50, 185 and 35	445	445	175	270	74	74	64	37	21	
Gas Tax Fund	3,005	3,005	1,614	1,391	464	464	463			
Improve rail infrastructure for ten railway short lines	30	30	19	11	6	2	3			
Infrastructure Stimulus Fund projects										
Agreement 1 of 2	454	454	308	146	146					
Agreement 2 of 2	350	350	168	182	182					
Municipal Rural Infrastructure Fund	235	235	121	114	114					
Provincial-Territorial Infrastructure Base Funding Program	175	175	150	25	25					
Upgrade and standardize the Charles J. Des Bailleurs and Atwater drinking water treatment plants	59	59	21	38	35	3				
Government of Saskatchewan										
Building Canada Fund—Communities Component	99	99	45	54	46	8				
Contributions for highway projects	95	95	24	71	32	25	7	7		
Gas Tax Fund	372	372	204	168	56	56	56			
Infrastructure Stimulus Fund projects	116	116	106	10	10					
Provincial-Territorial Infrastructure Base Funding Program	175	175	115	60	45	5	10			
Government of the Northwest Territories										
Gas Tax Fund	98	98	53	45	15	15	15			
Provincial-Territorial Infrastructure Base Funding Program	186	186	150	36	21	11	4			
Government of the Yukon Territory										
Gas Tax Fund	98	98	30	68	38	15	15			
Provincial-Territorial Infrastructure Base Funding Program	183	183	104	79	26	26	27			
Greater Toronto Transit Authority										
Improve the GO Transit Rail and bus transit system in the Greater Toronto Area	385	385	281	104	25	9	24	46		
Halifax Regional Municipality										
Construct Halifax Central Library	18	18		18	8	10				

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Manitoba Floodway Expansion Authority Inc	333	333	295	38	38					
Mont Tremblant Resorts and Company Limited Partnership										
Development of two new four-season resort villages	48	48	19	29	3	6	20			
Municipality of the County of Colchester										
Construct a multipurpose recreation complex in Truro Heights	10	10		10	10					
Municipality of York										
Duffin Creek water pollution plant project VIVA bus rapid transit project	47 85	47 85	 5	47 80	36 26	11 37	 15	 2		
The Board of Governors of Mount Royal University										
Construct new integrated Performance Hall and Conservatory	20	20	1	19	4	9	6			
The Calgary Science Centre and the Creative Kids Museum Society	40	40	22	18	18					
The Corporation of the City of London										
Contribution for capital project of nine components to ensure sustainable regional water supply system	50	50	15	35	26	9				
The Corporation of the Town of Kirkland Lake										
Decommission of existing wastewater treatment plant facility and conversion into pumping station	16	16		16	2	11	3			
Union of British Columbia Municipalities and the Government of British Columbia										
Gas Tax Fund	1,638	1,638	886	752	251	251	250			
Yukon Energy Corporation										
Contribution for the construction of hydro facility and Carmacks-Stewart transmission	71	71	39	32	32					
	29,255	29,255	15,299	13,956	6,749	3,861	2,851	311	149	35
Western Economic Diversification—										
Alberta Infrastructure and Transportation										
Royal Alberta Museum	30	30	10	20	16	4				
Subtotal	71,480	71,370	35,252	36,118	15,559	8,766	6,370	2,744	1,721	958
Consolidated Crown Corporations and Other Entities—										
Canada Mortgage and Housing Corporation (Minister's account)—										
Social Housing Program	63,217 ⁽¹⁾	63,217	41,522	21,695 ⁽²⁾	1,724	1,679	1,659	1,647	1,634	13,352
International Development Research Centre—										
Contractual grant payments	472	472		472	472					
National Capital Commission—										
City of Gatineau	16	16	6	10	10					
Subtotal	63,705	63,705	41,528	22,177	2,206	1,679	1,659	1,647	1,634	13,352
Total transfer payment agreements	135,185	135,075	76,780	58,295	17,765	10,445	8,029	4,391	3,355	14,310

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	2017 and subse- quently
Capital assets and purchases—										
Capital assets—										
Environment—										
Department—										
IBM Canada Ltd										
Supercomputer system, Dorval Que ⁽³⁾	32	32		32	1	13	13	5		
Parks Canada Agency—										
Banff National Park										
Trans Canada Highway twinning—Economic Action Plan	130	114	45	69	69					
Trans Canada Highway twinning—Gateway and Borders Crossing Fund	100	76	60	16	16					
Gulf Islands National Park										
Land acquisition, developments and operations	31	31	21	10	2	2	2	2	1	1
	293	253	126	127	88	15	15	7	1	1
Fisheries and Oceans—										
Griffon Hoverwork Limited										
Construction of one air cushion vehicle	12	12		12	5	3	4			
Irving Shipbuilding Inc										
Design and construction of 9 mid-shore patrol vessels	194	194	43	151	70	66	13	2		
	206	206	43	163	75	69	17	2		
Industry—										
Canadian Space Agency—										
MacDonald, Dettwiler and Associates Ltd										
Scientific activities for the construction of the Radarsat Constellation	143	143	99	44	44					
National Defence—										
Boeing, Ridley Park										
15 medium to heavy lift helicopters	1,352	1,352	484	868			392	327	86	63
BMT Fleet Technology Limited										
ELMS Services to Ship Design	56	15	1	14	1	13				
CAE Inc										
Aircrew Operational Training services	274	274	81	193	109	31	15	9	29	
DEW Engineering and Development ULC										
Special equipment vehicle	131	131	5	126	17	62	46	1		
DRS Technologies Canada, Kanata, Ont										
Shincom Overhaul	59	59	38	21	15	6				
General Dynamics Canada										
Land Command Support System engineering and integration longterm support	325	325	128	197	65	65	67			
Wheeled Light Armoured Vehicle Optimized Weapon Systems Support	424	424	277	147	69	66	12			
Gilcron Corporation										
Precision approach radars	29	29	6	23	20	3				
Krauss Maffei Wegmann										
A4 Ops - Leopard 2 A4 Ops	88	88	21	67	67					
Replacement in Kind—Leopard 2 conversion	39	39	7	32	10	22				
Lockheed Martin Canada										
Combat Systems Integration	505	361	82	279	7	13	18	18	18	205

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	2017 and subse- quently	
Lockheed Martin Corporation, USA											
Aurora Structural Life											
Extension Project	280	175	90	85	31	31	23				
Purchase of 17 C130J Aircrafts	2,502	2,502	1,567	935	381	181	147	113	113		
MacDonald Dettwiler and Associates Ltd											
Richmond, BC											
CP140 Aurora Aircraft imaging											
radar acquisition	280	242	229	13	13						
Naval Combat Operations Trainer	22	12	1	11	3	2	3	3			
Submarine Command Team											
Trainer	28	13	1	12	2	2	3	2	3		
Surveillance of Space Project	81	81	48	33	20	2	2	3	3	3	
Navistar Defence LLC, Warrenville, IL, USA											
MilCOTS vehicles	269	269	258	11	6	5					
Plenary Properties											
Public-private partnership arrangement to design, build, finance and maintain (35 years)	1,182	1,182		1,182				308	14	860	
Raytheon Canada Limited											
Repair and conversion of radar equipment	181	181	41	140	24	11	11	11	11	72	
Rheinmetall Canada Inc											
Repair and overhaul	33	32		32	16	14	2				
Sikorsky International Operations Inc											
Stratford, CT, USA											
Acquisition of 28 maritime helicopters	1,880	1,880	806	1,074	444	394	137	99			
Thales Canada Inc, Ottawa, Ont											
Land Command Support											
System Software											
Longterm support	175	175	76	99	40	35	24				
Tactical Control Radar											
Modernization	52	52		52	13	23	16				
The Boeing Company, St-Louis, USA											
Harpoon Weapon System											
Upgrade	26	26	9	17	11	4	2				
Weir Canada Inc											
Maritime Systems and Engineering	635	136	28	108	20	88					
	10,908	10,055	4,284	5,771	1,404	1,073	920	894	277	1,203	
Public Safety and Emergency Preparedness—											
Royal Canadian Mounted Police—											
RCMP Fleet Vehicles	72	72	39	33	33						
Public Works and Government Services—											
180 Wellington Building renovation	425	89	43	46	36	7	2	1			
Bird Design-Build Construction Ltd											
Kingsgate border crossing replacement	15	15	3	12	12						
Broccolini Construction											
22 Eddy Street, Gatineau Que ⁽³⁾	298	298		298			11	12	12	263	
455 De la Carrière Boulevard, Gatineau Que ⁽³⁾	227	227		227		4	8	9	9	197	
Green Timbers Limited Partnership											
RCMP “E” Division relocation	263	263	41	222	40	41	5	5	5	126	
HDK Canada Ltd, Marco Maritimes Limited and Maricon Construction Management Limited											
New lab science building	41	41	31	10	10						
Multivesco Inc											
30 Victoria Street, Gatineau Que ⁽³⁾	298	298		298			10	12	12	264	
North Country Maintenance Inc											
North Alaska Highway maintenance and repair	22	22	11	11	5	6					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
PCL Construction Management Inc										
Renovations of the RCMP Fort Macleod dorm, RCMP Training Academy.....	26	26	2	24	20	4				
Renovations of the Cadet Accommodation Building, RCMP Training Academy.....	26	26	11	15	15					
PCL Constructors Canada Inc										
New "H" Division Construction, RCMP.....	66	66	14	52	28	24				
Renovations to JC Wilt Infectious Diseases Research Centre.....	23	23	1	22	13	9				
The Great-West Life Assurance Company										
90 Elgin Street, Ottawa Ont ⁽³⁾	501	501		501				10	20	471
West Block renovation,										
111 Wellington Street, Ottawa Ont.....	1,072	275	221	54	28	7	4	6	3	6
	3,303	2,170	378	1,792	207	102	40	55	61	1,327
Subtotal.....	14,925	12,899	4,969	7,930	1,851	1,259	992	958	339	2,531
Consolidated Crown Corporations and Other Entities—										
Canadian Museum for Human Rights—										
PCL Constructors Canada Inc.....	219	207	112	95	87	8				
The Federal Bridge Corporation Limited—										
Major works and maintenance.....	112	112		112	93	17	1	1		
VIA Rail Canada Inc.—										
Avalon Rail Inc.....	26	20	9	11	11					
CAD Railway Services Inc.....	131	104	69	35	29	6				
Canadian National Railways.....	312	312	185	127	90	37				
Industrial Rail Services.....	117	109	33	76	34	21	21			
	586	545	296	249	164	64	21			
Subtotal.....	917	864	408	456	344	89	22	1		
Total capital assets.....	15,842	13,763	5,377	8,386	2,195	1,348	1,014	959	339	2,531
Purchases—										
Canada Revenue Agency—										
Bell Canada										
Data center co-location services.....	40	40		40			3	4	4	29
Data networking services.....	86	86	74	12	12					
CA Canada Company										
Maintenance and support for enterprise licences.....	68	68	9	59	11	13	14	14	7	
IBM Canada Limited										
IBM Mainframe—										
Software master agreement for licenses and support.....	101	101	90	11	11					
Microsoft Licensing GP										
Software.....	48	48	15	33	17	16				
	343	343	188	155	51	29	17	18	11	29
Citizenship and Immigration—										
Medavie Inc										
Interim Federal Health Claims Processing.....	14	14	1	13	4	3	3	3		
Environment—										
IBM Canada Ltd										
Supercomputer system, Dorval Que ⁽⁴⁾	14	14		14	12	1	1			
Fisheries and Oceans—										
Provincial Airlines Ltd										
Air Surveillance Program.....	75	68	17	51	13	13	13	12		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and subse- quently
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016		
Foreign Affairs and International Trade—											
Canadian Bank Note Company Limited											
Purchase of passport materials	62	54	33	21	16	5					
Health—											
Department—											
Express Scripts Inc.	100	100	32	68	17	18	19	14			
Public Health Agency of Canada—											
Pandemic readiness fees											
Glaxo Smithkine.	98	98		98	9	10	10	10	10	49	
Sanofi Pasteur Limited	11	11		11	2	3	3	3			
	209	209	32	177	28	31	32	27	10	49	
Human Resources and Skills Development—											
Canada Post Corporation											
Mail delivery services	94	94	25	69	14	27	28				
Davis & Henderson Limited Partnership											
Private institutions that are party to an agreement with the Minister under the Canada Student Financial Assistance Act	349	299	200	99	69	30					
St Joseph Print Group											
Forms management service	18	18	6	12	12						
	461	411	231	180	95	57	28				
Industry—											
Canadian Space Agency—											
Exploration Surface Mobility	60	60	26	34	32	2					
MacDonald Dettwiler Space and Advanced Robotics Ltd											
Canadian Space Station Program.	128	128	98	30	27	3					
Next Generation Canadarm.	50	50	33	17	17						
	238	238	157	81	76	5					
National Defence—											
Allied Wings											
Pilot Training, Manitoba	1,828	1,758	368	1,390	90	81	81	79	77	982	
BAE Bofors System, Sweden											
57mm gun	120	105	43	62	15	8	7	3	2	27	
BAE Global Combat Systems Inc											
M777 Initial support contract	27	20	10	10	8	2					
Bell Helicopter Textron Limited Canada											
Optimized weapon system support CH146 Griffon	641	641	14	627	64	64	64	64	64	307	
Biogenie SRDC Inc, SNC Lavalin Inc, Kitnuna Projects Inc, Quantum Murray and Gruben's Transport Ltd											
DEW Line Cleanup	583	153	128	25	20	5					
Bombardier Inc											
Jet Flying Pilot Training.	2,583	1,840	982	858	92	91	92	95	98	390	
CAE Inc, Saint-Laurent, Que											
Aircrew Operational Training services	297	297		297		5	7	12	13	260	
Support to operational and training personnel.	18	18		18	2	6	10				
Calian, Ottawa, Ont											
Manage health care providers to the Canadian Forces	604	536	350	186	61	62	63				
National maintenance contract for Class B vehicles	16	16	4	12	7	5					

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently
Canadian Base Operators										
Logistics support and facilities maintenance services	130	130	65	65	13	13	13	13	13	
Canadian Submarine Management Group										
Victoria Class in service support	1,707	352	136	216	108	108				
Cascade Aerospace Inc, Abbotsford, BC										
Repair and overhaul of Hercules Aircraft	584	504	224	280	70	60	50	50	50	
Corporation du Fort St-Jean										
Support to St-Jean campus, St-Jean-sur-Richelieu, Que	107	107	42	65	20	22	23			
Dew Engineering and Development ULC										
Field space and water heaters	15	15		15	7	8				
Fleetway Inc, Halifax, NS										
In service support for Halifax and Iroquois Class vessels.....	190	100	45	55	13	14	14	14		
General Dynamics Ordnance and Tactical Systems Canada										
Ammunition	47	47	7	40	40					
Halifax Shipyard, NS										
Halifax Class modernization	760	355	238	117	19	20	19	20	19	20
Harris Canada Inc										
CF-18 Avionics Optimized weapon system support	330	208		208	36	34	35	35	36	32
IBM Canada Ltd										
Material acquisition and support information system.....	312	312	300	12	12					
IMP Group Ltd, NS										
In service support for Helicopters	818	818	484	334	99	100	105	30		
Optimized Weapon System Support	493	493	244	249	50	44	54	101		
Third line support for Sea King Helicopter...	305	305	250	55	55					
Industrial Rubber										
Leopard 2 A4 Tanks stripping, repair, overhaul and upgrade.....	36	36	20	16	16					
Kelowna Flightcraft Limited										
Repair and overhaul for CC-115 & CC-138	46	46	23	23	11	12				
L-3 Communications Canada, Que										
Aircraft System Engineering Support	1,289	1,118	738	380	84	78	76	74	67	1
Integrated Platform Management System	89	70	30	40	14	9	5	5	3	4
L-3 Communications Electronic Systems, Enfield, NS										
CP140 Aurora Aircraft Avionics Optimized Weapon System Support	395	395	88	307	23	24	29	36	45	150
Lockheed Martin Canada Inc, Kanata, Ont										
Combat System integration	1,323	1,320	524	796	135	181	153	126	100	101
MacDonald Dettwiler and Associates Ltd, Richmond, BC										
Victoria Class Trainer.....	25	15	4	11	2	3	3	3		
McDonnell Douglas										
CF18 Fleet Modification Program	16	11		11	7	4				
Nasittuq Corporation, Ottawa, Ont										
North Warning System operation and maintenance.....	786	599	551	48	48					
NATO Maintenance and Supply Agency										
Support of Canadian Forces operations in Afghanistan	205	205	152	53	53					
Orenda Aerospace Corporation Mississauga, Ont										
CF18 Hornet Aircraft, engine repair and overhaul.....	355	20	5	15	15					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently	
Patlon Aircraft & Industries Ltd											
Aircraft arrestor system modernization	27	25	11	14	9	2	2	1			
Plenary Properties											
Public-private partnership arrangement to design, build, finance and maintain (35 years)	2,937	2,937		2,937			1	68	100	2,768	
Rheinmetall Canada Inc											
Close area suppression weapon	99	99	9	90	79	11					
Rheinmetall Waffe Munition GMBH Germany											
Halifax Class modernization	46	27	9	18	5	3	1	9			
Robica Forman Tank Ltd											
Aviation refuelers	12	12		12	12						
SAAB Microwave Canada Ltd, Halifax, NS											
Seagiraffe Radar	43	38	19	19	6	5	5	3			
Santé Montfort, National Capital Region, Ont											
Provision of health care facility for Canadian Forces	185	185	31	154	20	20	20	20	20	54	
SERCO Facilities Management Inc											
Provision of site services at 5 Wing, Goose Bay	549	549	412	137	33	34	34	35	1		
Sikorsky International Operations Inc Stratford, CT, USA											
Maritime helicopters in service support	3,290	3,290	508	2,782	115	239	136	105	156	2,031	
Skylink, Chapman Freeborn, First Air											
Air charter in support of Operation Athena	136	136	120	16	16						
Skylink PAE Aviation Inc											
Chartered helicopter contract in Afghanistan	95	95	82	13	13						
SNC Lavalin PAE											
Support of Canadian Forces operations in Afghanistan	550	461	414	47	47						
Telesat Canada											
North Warning System	30	30	6	24	3	3	3	3	3	9	
Telus Communications Inc, Vancouver, BC											
Global Defence Network Services	134	69	54	15	15						
Thales Canada Inc											
Fire Control Radars	67	61	21	40	3	6	2	2	2	25	
Periscope and AXP masts	44	31	20	11	8	3					
Victoria Shipbuilding Limited, BC											
Halifax Class modernization	760	301	57	244	27	50	50	50	67		
	26,084	21,311	7,842	13,469	1,720	1,439	1,157	1,056	936	7,161	
Privy Council—											
Chief Electoral Officer—											
IBM Canada Ltd, Ottawa, Ont											
Facilities management support services. . . .	31	31	13	18	18						
Supply of fully integrated and functional systems and related services for federal electoral events	24	24	12	12	12						
	55	55	25	30	30						
Public Safety and Emergency Preparedness—											
Correctional Service—											
Cistel Technology Inc											
Offender management system	14	14		14	3	3	4	4			
Infrastructure support resourcing	29	29	2	27	7	7	7	6			
Coradix Technology Consulting Ltd											
Offender management system	12	12		12	4	4	3	1			

11. 20 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Logistik Unicorp Inc										
Uniforms	18	18	2	16	3	3	3	3	3	1
Société Emmanuel Grégoire Inc										
Emmanuel Grégoire residence	13	13	2	11	3	3	3	2		
Royal Canadian Mounted Police— Bell Canada										
Wide area network services	262	262	132	130	23	23	23	23	23	15
Morneau Shepell										
Pension administration services	50	50	37	13	8	5				
MTS Allstream Inc										
Rental of voice communications equipment	42	42	10	32	6	6	6	6	6	2
	440	440	185	255	57	54	49	45	32	18
Public Works and Government Services—										
200 Kent Street Limited										
Centennial Towers, Ottawa, Ont.	45	45	32	13	5	5	3			
4345177 Canada Inc										
Fontaine Building, 200 Sacré-Coeur Boulevard, Gatineau, Que.	44	44	8	36	2	2	3	3	3	23
519719 Ontario Inc										
1600 Star Top Road, Ottawa, Ont.	76	76	32	44	5	5	5	5	6	18
A N (Mega Centres) Inc										
550 De la Cité Blvd, Gatineau, Que.	48	48	22	26	3	3	3	3	4	10
BCIMC Realty Corporation										
105 Hotel de Ville street, Gatineau, Que.	28	28	10	18	3	3	3	3	3	3
Bell Canada										
Data center colocation service	45	40		40		10	10	10	10	
Local access services	57	17	4	13	2	2	2	3	4	
Secure Channel services	388	345	257	88	45	43				
Broccolini Construction										
22 Eddy Street, Gatineau Que ⁽⁴⁾	207	207		207			8	8	8	183
455 De la Carrière Boulevard, Gatineau Que ⁽⁴⁾	171	171		171		3	6	7	7	148
Canada Post Corporation										
Canada Post Place, Ottawa, Ont.	62	62	20	42	4	4	4	5	5	20
CGI Information Systems and Management Consultants Inc										
Engineering services	162	141	90	51	17	12	12	10		
City of Vancouver										
Library Square Block 56, Vancouver, BC	21	21	8	13	1	1	1	1	2	7
Computershare Trust Company of Canada										
305 Boulevard René-Levesque West, Montréal, Que.	119	119	8	111	4	4	4	5	5	89
4225 Boulevard Dorchester West, Westmount, Que.	99	99	7	92	3	3	4	4	4	74
Canada Place, Edmonton, Alta.	302	302	26	276	10	11	11	11	11	222
Harry Hays Building, Edmonton, Alta.	195	195	18	177	7	7	7	7	7	142
Joseph Sheppard Building, Toronto, Ont.	278	278	30	248	9	10	10	10	10	199
Skyline Complex, Ottawa, Ont.	252	252	29	223	8	9	9	9	9	179
Thomas D'Arcy McGee Building, Ottawa, Ont.	269	269	17	252	10	10	10	10	10	202
E. Gruben's Transport Ltd										
Distant Early Warning Lines sites	11	11		11	6	5				
First Data/Paymentech Canada Partner Inc and Dearborn Marchant Services Inc										
Card acceptance services Toronto, Ont.	132	132	39	93	18	21	26	28		
Fortis Corporation										
Maritime Centre, Halifax, NS	13	13		13	1	1	1	1	1	8

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Green Timbers Limited Partnership										
RCMP "E" Division relocation	712	712		712		7	25	25	26	629
IBM Canada										
Data Centre Operation	49	45	20	25			10	15		
M. Sullivan & Son Limited										
Johnstown Ontario, Prescott Border	17	17	5	12	12					
Minto Commercial Properties Inc										
Mercury Centre, Ottawa, Ont	356	356	28	328	13	13	13	14	14	261
Morguard Corporation and 131 Queen Street Limited										
Trusco Building, Ottawa, Ont	149	149	27	122	6	7	7	7	7	88
Morguard Corporation and 3683249 Canada Inc										
181 Queen Street, Ottawa, Ont	68	68	22	46	3	3	3	3	4	30
Multivesco Inc										
30 Victoria Street, Gatineau Que ⁽⁴⁾	207	207		207			7	8	8	184
O&Y REIT Holdings Inc										
Jean Edmonds Tower, Ottawa, Ont	62	62	37	25	6	7	7	5		
Place Montcalm (Phase III partnership)	53	53	24	29	3	4	4	4	4	10
Pomerleau Inc										
Shooting range complex and Multipurpose Center, Canadian Border Services Agency	28	28		28	19	9				
SAP Canada Inc										
Software maintenance	23	23	12	11	3	4	4			
SNC Lavalin Operations & Maintenance Inc										
Building maintenance services	4,434	4,434	2,833	1,601	730	871				
The Canada Life Assurance Company										
Judicial Complex, Toronto, Ont	102	102	22	80	4	5	5	5	5	56
The Great West Life Assurance Company of Canada and London Life Assurance Company										
269 Laurier Street West, Ottawa, Ont	79	79	27	52	5	5	5	5	6	26
Tlcho Engineering & Environmental Services Ltd										
Remediation of Tundra mine, Phase 2	35	35	8	27	14	8	5			
	9,398	9,285	3,722	5,563	981	1,117	237	234	183	2,811
Treasury Board—										
Sun Life Assurance Company of Canada										
Public Service Health Care Plan	175	175	20	155	26	28	31	28	31	11
Subtotal	37,568	32,617	12,453	20,164	3,109	2,782	1,568	1,423	1,203	10,079
Consolidated Crown Corporations and Other Entities—										
Atomic Energy of Canada Limited—										
Purchase orders	72	72		72	71	1				
Regulatory commitments	40	40		40	40					
	112	112		112	111	1				
Canadian Air Transport Security Authority—										
Aeroguard Company Ltd	134	134	102	32	32					
Aeroguard Eastern Inc	81	81	60	21	21					
Aeroguard Inc	68	68	54	14	14					
Garda, Montreal, Que	95	95	75	20	20					
Garda of Canada	222	222	175	47	47					
Garda of the Pacific	109	109	81	28	28					
Morpho Detection	33	33	8	25	11	11	3			
NAV Canada (1 of 2)	35	35		35	7	7	7	7	7	
NAV Canada (2 of 2)	23	23		23	5	4	5	4	5	
Shannahan's Investigation and Security Inc	107	107	70	37	37					

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2011—Continued
(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
Smiths Detection Montreal Inc (1 of 2)	11	11		11	5	6				
Smiths Detection Montreal Inc (2 of 2)	39	39	19	20	4	4	4	5	3	
Telus Services Inc	14	14	4	10	4	5	1			
	971	971	648	323	235	37	20	16	15	
Canadian Broadcasting Corporation—										
Programming rights	144	144	98	46	34	12				
Sports rights	647	647	367	280	43	101	106	30		
Others	40	40	15	25	25					
SAP Canada	14	14	1	13	1	1	1	1	2	7
Sintec Media Ltd	13	13		13	2	3	3	3	2	
SNC-Lavalin Profac Inc	456	456	112	344	33	35	36	37	38	165
	1,314	1,314	593	721	138	152	146	71	42	172
Canadian Commercial Corporation—										
Contracts with foreign customers	3,563	3,563		3,563	1,603		1,896		60	4
Entreprise Cape Breton Corporation—										
Sydney Ports Corporation Inc	37	19	2	17	17					
National Capital Commission—										
Land management and maintenance	17	17	5	12					1	11
National Gallery of Canada—										
Securitas Security Services	24	15	3	12	3	3	3	3		
Telefilm Canada										
Project commitments	34	34		34	32	2				
Subtotal	6,072	6,045	1,251	4,794	2,139	195	2,065	90	118	187
Total purchases	43,640	38,662	13,704	24,958	5,248	2,977	3,633	1,513	1,321	10,266
Total capital assets and purchases	59,482	52,425	19,081	33,344	7,443	4,325	4,647	2,472	1,660	12,797
Operating leases—										
Environment—										
Capilano Indian Reserve No. 5 of Vancouver, BC										
Lease of land	385	385	139	246	8	8	8	8	8	206
Foreign Affairs and International Trade—										
Main Production and Commercial Administration										
Office and parking space, Moscow	195	195	14	181	4	4	4	5	5	159
Real Estate Investment Fund North Tower										
Chancery, Sao Paulo	52	52	24	28	4	4	5	5	5	5
Spanish Space Tower, S.A.U.										
Chancery, Madrid	35	35	4	31	2	2	2	2	2	21
The HongKong Land Property Company Limited										
Chancery, Hong Kong	32	32		32	7	7	9	9		
The Wilton Co-ownership										
Chancery, Dublin	18	18	2	16		1		1	1	13
Tower Plaza Associates, New York										
Chancery, New York	33	33	20	13	1	2	2	2	2	4
	365	365	64	301	18	20	22	24	15	202
Indian Affairs and Northern Development—										
Donna Conna Inc										
Fees for crisis line support services	16	16	4	12	6	6				
Public Works and Government Services—										
1001 Dominion Square Management Inc										
1255 Peel Street, Montréal, Que.	16	16	4	12	1	1	2	2	2	4
1166 Equities Inc										
1166 West Pender Street, Vancouver, BC	34	34		34	5	6	6	6	6	5

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently	
1258898 Ontario Ltd, Multivesco Inc											
400 Cumberland Street, Ottawa, Ont	55	55	33	22	5	5	5	6	1		
160 Elgin Portfolio Inc and											
160 Elgin Bailholds Inc											
Bell Canada Place	56	56	21	35	5	5	6	6	6	7	
25 Nicholas Properties Ltd											
The Albion Building, Ottawa, Ont	19	19	3	16	2	2	2	2	2	6	
The Albion Executive Tower, Ottawa, Ont . . .	17	17	3	14	2	2	2	2	2	4	
360 Laurier Avenue West Limited											
Narano Building	22	22	7	15	2	2	2	2	2	5	
3934381 Canada Inc											
1138 Melville Street, Vancouver BC	110	74	2	72	7	7	7	8	8	35	
434 Queen Street Holdings Inc											
Farm Credit Building	16	16	5	11	1	1	2	2	2	3	
74 Victoria Street and 137 Yonge Street											
Holding Limited											
74 Victoria Street, Toronto, Ont	22	22	5	17	5	6	6				
BCIMC Realty Corporation											
100 Colonnade Road, Ottawa, Ont	15	15		15		1	1	2	2	9	
BGV III Office Ottawa Inc											
2215 Gladwin Crescent, Ottawa, Ont	26	26	9	17	3	4	4	4	2		
Bona Building & Management											
Company Ltd											
Place Vanier, Towers A & B, Ottawa, Ont . . .	102	83	72	11	3	8					
Vanier Building, Ottawa, Ont	44	44	16	28	4	4	5	5	5	5	
Brookfield Properties Management PDV 1,											
BPO Ltd and Crehoy Inc											
Place de Ville, Towers A and B, Ottawa, Ont .	59	59	26	33	13	13	7				
Brookfield Properties Management PDV 2,											
BPO Ltd and Crehoy Inc											
Place de Ville, Tower C and Podium											
Ottawa, Ont.	99	99	44	55	21	21	13				
Canada Lands Company CLC Limited											
277 Front Street West, Toronto, Ont.	36	36	23	13	3	4	4	2			
Carling Business Centre	28	28	1	27	2	3	3	3	3	13	
Dundee Canada Limited Partnership											
Airport Corporate Centre, Calgary, Alta	18	18	8	10	1	2	2	2	2	1	
Exchange Tower Ltd, HRI Exchange Inc											
and PFS Exchange Inc											
Stock Exchange Tower, Toronto, Ont.	57	57	47	10	8	2					
Fortis Properties Corporations											
Blue Cross Centre	13	13	1	12	2	2	2	1	1	4	
GE Canada Real Estate Equity											
Holding Company											
Richelieu Building	25	15	1	14	3	3	3	3	2		
25 Fitzgerald Road, Ottawa, Ont	16	16	2	14	3	4	4	3			
GM Developpement Inc, Ogesco											
Construction Inc, Pierre Martin and											
Associates Design and Architecture Inc											
1550 d'Estimauville Avenue, Quebec, Que . . .	162	157		157	3	7	7	8	8	124	
GWL Realty Advisors Inc											
2001 University Street, Montréal, Que	17	17	4	13	1	2	2	2	2	4	
Robson Court Building, Vancouver, BC	35	35	22	13	4	4	4	1			
HREIT Holdings 59 Corporation											
280 Broadway, Winnipeg, Man.	19	19	3	16	2	2	2	2	2	6	
Kanata Research Park Corporation											
340 Legget Drive, Ottawa, Ont.	13	13	1	12	1	1	1	2	2	5	
Minto Commercial Properties Inc											
180 Kent Street, Ottawa, Ont (1 of 2)	24	24	3	21	2	2	2	3	3	9	
180 Kent Street, Ottawa, Ont (2 of 2)	22	22	4	18	2	2	2	2	2	8	
Morguard Investment Limited in Trust for											
Hoop Realty Inc and Morguard REIT											
Heritage Place, Ottawa, Ont	44	44	16	28	4	4	5	5	5	5	

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES

AS AT MARCH 31, 2011—Continued

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31						2017 and
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2012	2013	2014	2015	2016	subse- quently	
Omers Realty Corporation, Oxford Properties Group Incorporated and 735832 Alberta Limited											
800 Burrard Street, Vancouver, BC	66	66	51	15	6	7	2				
Orlando Corporation											
5800 Hurontario Street, Mississauga, Ont	78	78	51	27	6	6	6	6	3		
Ottawa—2200 Walkley Road Inc,											
2200 Walkley Road, Ottawa Ont.	22	14		14	1	1	1	1	2	8	
Ottawa Train Yards JV, Controlex Corporation and Arnon Corporation											
395 Terminal Avenue, Ottawa, Ont	62	62		62		1	4	4	4	49	
Pacific Centre Leaseholds Limited											
701 Georgia Street West, Vancouver, BC. . . .	32	32	6	26	3	3	3	3	3	11	
Pensionfund Realty Limited											
250 Albert Street, Ottawa, Ont	50	50	12	38	5	5	2	3	5	18	
99 Metcalfe Street, Ottawa, Ont	27	27		27	2	3	3	3	3	13	
Camelot Court, Ottawa, Ont	20	20	6	14	3	3	3	3	2		
Place Bonaventure Property Management Inc											
800 De La Gauchetière Street West, Montreal, Que.	17	17	4	13	1	2	2	2	2	4	
Saskpen Properties Ltd c/o Harvard Developments Inc											
1870 Hamilton Street, Regina, Sask.	26	26		26			2	2	3	19	
Standard Life Centre, Ottawa, Ont											
280 Slater Street, Ottawa, Ont.	50	50	38	12	5	5	2				
333 Laurier Avenue West, Ottawa, Ont	31	31	8	23	3	3	3	3	4	7	
Telesat Canada and Pensionfund Realty Limited											
Telesat Building, Ottawa, Ont.	19	19	3	16	2	2	2	2	2	6	
The Chambers Equities Limited											
The Chambers Building, Ottawa, Ont	13	13	2	11	1	1	1	1	1	6	
The Standard Life Assurance Company of Canada											
Qualicum Towers A and C, Ottawa, Ont	27	27	13	14	2	3	3	3	3		
Urbandale Corporation											
The Urbandale Building, Ottawa, Ont	23	23	6	17	2	2	2	2	3	6	
Z.V. Holdings Corporation											
2 Constellation Crescent, Ottawa, Ont.	27	27	12	15	3	3	3	3	3		
	1,831	1,753	598	1,155	165	182	157	127	115	409	
Subtotal	2,597	2,519	805	1,714	197	216	187	159	138	817	
Consolidated Crown Corporations and Other Entities—											
Atomic Energy of Canada Limited—											
Rental of office space	74	74	13	61	12	10	8	8	8	15	
Canada Council for the Arts—											
Office accommodation	19	19	4	15	5	5	4			1	
Canadian Air Transport Security Authority—											
Sun Life Assurance Company of Canada	41	41	8	33	8	7	4	4	4	6	
Canadian Broadcasting Corporation—											
Morguard.	143	143	44	99	6	7	7	7	7	65	
Telesat Canada	26	26		26					1	25	
Telesat Canada											
Transponders	195	195	131	64	13	13	13	13	12		
	364	364	175	189	19	20	20	20	20	90	
Canadian Commercial Corporation—											
Office space	20	20	1	19	2	2	2	2	2	9	
Canadian Museum of Immigration at Pier 21—											
Rent of 1055 Marginal Road, Halifax NS	50	50		50	1	1	1	1	1	45	

TABLE 11.3**TRANSFER PAYMENT AGREEMENTS, CAPITAL ASSETS, PURCHASES AND OPERATING LEASES****AS AT MARCH 31, 2011—Concluded**

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2012	2013	2014	2015	2016	2017 and subse- quently
International Development Research Centre—										
Omers Realty Corporation										
Office space and maintenance.....	103	103	19	84	6	6	7	7	7	51
Marine Atlantic Inc.—										
Five-year charter agreement for a passenger and freight ferry										
MV Atlantic Vision	106	106	51	55	21	21	13			
MV Blue Puttees	62	62	5	57	12	12	12	12	9	
MV Highlanders.....	53	53	1	52	11	11	11	10	9	
	221	221	57	164	44	44	36	22	18	
National Capital Commission—										
Chambers Building, Ottawa, Ont	196	196	106	90	9	9	9	10	10	43
VIA Rail Canada Inc.—										
Canadian National Railways.....	103	103	61	42	5	5	5	5	6	16
IBM Canada Ltd.										
VIAnet Service Agreement	30	30	18	12	3	3	3	3		
Union Station, Toronto	189	189	25	164	3	3	3	3	3	149
	322	322	104	218	11	11	11	11	9	165
Subtotal.....	1,410	1,410	487	923	117	115	102	85	79	425
Total operating leases.....	4,007	3,929	1,292	2,637	314	331	289	244	217	1,242
Grand total.....	198,674	191,429	97,153	94,276	25,522	15,101	12,965	7,107	5,232	28,349

(1) The amount shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this obligation were first reported in the *Public Accounts of Canada*, plus the outstanding obligation reported at fiscal year end.

(2) This figure reflects the total estimated remaining contractual obligations which extend for periods up to 30 years.

(3) The amounts shown relate to a future capital lease obligation.

(4) The amounts shown relate to interest and executory costs associated with a future capital lease obligation.

International Contractual Obligations

Table 11.4 summarizes the international contractual obligations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary transfer payments, loans and advances and contractual obligations.

International contractual obligations reported in this table include transfer payments, loans and advances to international organizations as well as loans for the development of export trade

(administered by Export Development Canada), 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 11.4 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, 2011.

Table 11.4 presents information that is summarized in Note 15 to the financial statements in Section 2 of this volume.

TABLE 11.4
INTERNATIONAL CONTRACTUAL OBLIGATIONS
(in millions of dollars)⁽¹⁾

	Transfer payments	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—				
Foreign Affairs and International Trade—				
Development of export trade (loans administered by				
Export Development Canada)		770		
Canadian International Development Agency—				
Asian Development Bank		143		
Caribbean Development Bank		23		
		936		936
BUDGETARY TRANSFER PAYMENTS, LOANS AND ADVANCES—				
Finance—				
African Development Fund	416			416
International Development Association	1,323			1,323
	1,739			1,739
Foreign Affairs and International Trade—				
Canadian International Development Agency—				
African Development Bank		326		326
Asian Development Fund		95		95
Caribbean Development Bank—Special		35		35
Global Environment Facility (GEF) Fund		192		192
International Fund for Agricultural Development		13		13
Montreal Protocol Fund		4		4
Multilateral Investment Fund		3		3
		668		668
	1,739	668		2,407
Total	1,739	1,604		3,343

Note: Canada has agreed to lend the Poverty Reduction and Growth Trust special drawing rights (SDR) 1.2 billion of which SDR 700 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 190 million has been paid-in.

⁽¹⁾ Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2011 (1USD = \$0.9696 CAD; 1SDR = \$1.54079 CAD; 1 EUR = \$1.3743 CAD).

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. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are grouped into: guarantees provided by the Government, international organizations, environmental liabilities, claims and pending and threatened litigation, and insurance programs of agent enterprise Crown corporations. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4 “Contingent Liabilities of Consolidated Crown Corporations and Other Entities” in Section 4 of this volume. 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 9.8 “Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises” in Section 9 of this volume.

Guarantees

Guarantees provided by the Government include:

- guarantees on the borrowings of enterprise Crown corporations and other government business enterprises;
- loan guarantees;
- insurance programs managed by the Government; and
- other explicit guarantees.

Losses on guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when 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 guarantee, loss experience and the use of other measurement techniques. Borrowings of enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 16 to the financial statements in Section 2 of this volume. The authorized limits indicated in Table 11.5 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.

TABLE 11.5
GUARANTEES PROVIDED BY THE GOVERNMENT
AS AT MARCH 31, 2011
(in millions of dollars)

	Authorized limit (where applicable)	Principal amount outstanding
Guaranteed borrowings of enterprise Crown corporations and other government business enterprises—		
Agent enterprise Crown corporations		227,642 ⁽¹⁾
Non-agent enterprise Crown corporations and other government business enterprises—		
Canadian Wheat Board, The		2,177
Total—Guaranteed borrowings		229,819
Other guarantees provided by the Government—		
Loan guarantees—		
Agriculture and Agri-Food—		
Advance Payments Program— <i>Agricultural Marketing Programs Act</i>	5,000	1,197
<i>Farm Improvement Loans Act (FILA)</i> and <i>Canadian Agricultural Loans Act (CALA)</i>	3,000	87
Human Resources and Skills Development—		
<i>Canada Student Loans Act</i>	10,782	35
Indian Affairs and Northern Development—		
Indian Economic Development Guarantee Program	60	1
On-Reserve Housing Guarantee Program:	2,200	
Canada Mortgage and Housing Corporation		1,305
Other approved lenders		592
Industry—		
Enterprise Development Program	1,200	(2)
Regional Aircraft Credit Facility	1,500	138
<i>Small Business Loans Act (SBLA)</i>	1,838	(2)
<i>Canada Small Business Financing Act (CSBFA)</i>	1,679	688
<i>Capital Leasing Pilot Project</i>	16	5
Total—Loan guarantees	27,275	4,048
Insurance programs managed by the Government—		
Foreign Affairs and International Trade—		
Accounts administered for the Government by Export Development Canada	20,000	292

TABLE 11.5
GUARANTEES PROVIDED BY THE GOVERNMENT
AS AT MARCH 31, 2011—Concluded
(in millions of dollars)

	Authorized limit (where applicable)	Principal amount outstanding
Finance—		
Mortgage insurance:	250,000	
Genworth Financial Mortgage Insurance Company of Canada		1,173
Canada Guaranty Mortgage Insurance Company		85
PMI Mortgage Insurance Company of Canada		(2)
Canadian Nuclear Safety Commission—		
Nuclear Liability Reinsurance Account	1,050	582
Total—Insurance programs managed by the Government	271,050	2,132
Other explicit guarantees—		
Agriculture and Agri-Food—		
National Biomass Ethanol Program	140	25
Price Pooling Program— <i>Agricultural Marketing</i>		
<i>Programs Act</i>		33
Finance—		
Obligations to The Canadian Wheat Board under the Agri-		
Food Credit Facility (ACF) and the Credit Grain Sales		
Program (CGSP)		264
Canadian Broadcasting Corporation—		
Financial Guarantee		188
Total—Other explicit guarantees	140	510
Total—Gross guarantees	298,465	236,509
Less: allowance for guarantees		592
NET EXPOSURE UNDER GUARANTEES		235,917

Note: This table excludes insurance programs operated by agent enterprise Crown corporations. Information on these programs is disclosed in Note 16 to the financial statements in Section 2 of this volume and additional information is provided in Table 11.7 of this section.

(1) Details can be found in Table 9.6 in Section 9 of this volume.

(2) Less than \$500,000.

Advance Payments Program — *Agricultural Marketing Programs Act*

The Advance Payments Program (APP) provides producers with a cash advance on the value of their agricultural products during a specified period. By improving their cash flow throughout the year, the APP helps crop and livestock producers meet their financial obligations and benefit from the best market conditions.

Under the APP, the federal government guarantees repayment of cash advances issued to farmers by the producer organization. These guarantees help the producer organization borrow money from financial institutions at lower interest rates and issue producers a cash advance on the anticipated value of their farm product that is being produced and/or that is in storage. The maximum cash advance of the program is \$0.4 million and the loans generally have a repayment term of 18 months.

Farm Improvement Loans Act and Canadian Agricultural Loans Act

The *Canadian Agricultural Loans Act* (CALA) program is a financial loan guarantee program that gives farmers easier access to credit. Farmers can use these loans to establish, improve, and develop farms; while Agricultural co-operatives may also access loans to process, distribute, or market the products of farming.

The CALA program builds on and replaces the previous *Farm Improvement and Marketing Co-operative Loans Act* (FIMCLA) program, which has helped farming operations grow their businesses by guaranteeing loans issued through financial institutions since 1988.

Through the CALA, the Government of Canada is supporting the renewal of the agricultural sector and enabling co-operatives to better seize market opportunities. This program guarantees

95 percent of the value of loans provided to farms and cooperatives by financial institutions. For individual applicants, including corporations, the maximum amount for a *Canadian Agricultural Loans Act* loan is \$0.5 million. Most loans are repayable within ten years; for loans on land purchases, the repayment period is 15 years.

Canada Student Loans Act

Student loans provided by financial institutions between 1964 and August 1995, under the *Canada Student Loans Act*, are fully guaranteed by Human Resources and Skills Development Canada (HRSDC) to the lenders. HRSDC reimburses the lenders for the outstanding principal, accrued interest and costs in the event of default, permanent disability or death of the borrower.

Indian Economic Development Guarantee Program

This program authorizes Indian Affairs and Northern Development Canada to guarantee loans for non-incorporated Indian businesses on a risk-sharing basis with commercial lenders because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. Guarantees are provided for various types of borrowers whose activities contribute to the economic development of Indians and enable them to develop long-term credit relationships with mainstream financial institutions.

Loans issued under this program cannot exceed a term of 15 years and the line of credit must be renewed every year. Interest rates on guaranteed loans are consistent with rates provided by lending institutions to commercial businesses, which are usually based on a spread from the prime lending rate. Any security pledged for a guaranteed loan may not be released by the lending institution without the prior approval of the Minister of Indian Affairs and Northern Development.

On-Reserve Housing Guarantee Program

This program authorizes Indian Affairs and Northern Development Canada to guarantee loans to individuals and Indian bands to assist in the purchase of housing on reserves because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. These loan guarantees enable status Indians residing on reserves, Band councils, or their delegated authorities, to secure housing loans without giving the lending institution rights to the property.

Loans under this program are issued by registered lending institutions and Canada Mortgage and Housing Corporation. Payments of principal and interest for loans issued under this program are amortized over a period of 25 years. The interest rates on the guaranteed loans are consistent with conventional mortgage interest rates offered by the major banks.

Enterprise Development Program

The Enterprise Development Program (EDP) was established in 1977 to encourage the growth of the manufacturing and processing sectors of Canadian industry by improving their viability and international competitiveness. One method of assistance was

to provide insurance, of up to 90 percent, to support term loans made by private lenders to restructure operations or supplement working capital when normal financing was not available on reasonable terms.

The program required insured lenders to take reasonable fixed asset security, and provide loans at normal commercial interest rates and terms. The insured lenders were paid 90 percent of the losses sustained by them, after realizing on the security when a company defaulted. The program was closed in the mid-eighties as part of Program Review.

Regional Aircraft Credit Facility

The Regional Aircraft Credit Facility Program was established in 2004 to provide sales financing assistance in the form of loan guarantees to enable domestic air carriers to acquire Canadian-built fixed-wing commercial jets.

The guarantees are provided on commercial terms and are secured by the aircraft financed by private lenders. These guarantees have a life of 15 years. This program expired on March 31, 2008.

Small Business Loans Act and Canada Small Business Financing Act

The *Small Business Loans Act* (SBLA) includes loans registered until March 31, 1999 and the *Canada Small Business Financing Act* (CSBFA) includes both the core loans component (loans registered since April 1, 1999) and the Capital Leasing Pilot Project (leases registered between April 1, 2002 and March 31, 2007). In collaboration with financial institutions, the programs offered under these Acts are designed to help Canadian small and medium-sized enterprises (SMEs) get access to loan and capital leasing financing that would not otherwise have been available, or would only have been available under less favourable terms. In the event a registered loan or lease defaults, the Government pays 85 percent of the net eligible losses. To be eligible, SMEs must be for-profit businesses with revenues not exceeding \$5 million per year.

Accounts administered for the Government by Export Development Canada (EDC)

The Government of Canada has authorized support for insurance and guarantee programs which on the basis of EDC's risk management practices, could not be supported under EDC's Corporate Account but are in the national interest. Canada Account transactions consist of activities undertaken by EDC pursuant to Section 23 of the *Export Development Act*.

Mortgage Insurance

The Department of Finance guarantees loans insured by the Genworth Financial Mortgage Insurance Company Canada, the Canada Guaranty Mortgage Insurance Company and PMI Mortgage Insurance Company Canada. The maximum amount of guarantees that can be provided to eligible private sector insurers can not exceed a value of \$250 000 million. Each eligible private sector insurer is required to pay a quarterly risk premium to the Government and maintain a minimum reserve fund to offset losses.

Nuclear Liability Reinsurance Account

Under the *Nuclear Liability Act* (NLA), operators of designated nuclear installations are required to possess basic and/or supplementary insurance of \$75 million per installation for specified liabilities. The federal government has designated the Nuclear Insurance Association of Canada (NIAC) as the sole provider of third-party liability insurance and property insurance for the nuclear industry in Canada. The NIAC provides insurance to nuclear operators under a standard policy.

The policy consists of two types of coverage: Coverage A and Coverage B. Coverage A includes only those risks that are accepted by the insurer; that is, bodily injury and property damage. Coverage B risks include personal injury that is not bodily; for example, psychological injury, damage arising from normal emissions, and damage due to acts of terrorism.

The NIAC receives premiums from operators for both coverages; however, premiums for Coverage B risks are remitted to the federal government, which reinsures these risks under its reinsurance agreement with the NIAC. Through the reinsurance agreement, the federal government assumes the liability associated with the difference between the basic insurance coverage provided by the NIAC and the full \$75 million of liability imposed by the *NLA*, as well as for events listed under coverage B.

The Canadian Nuclear Safety Commission (CNSC) administers the Nuclear Liability Reinsurance Account on behalf of the federal government. The CNSC receives the premiums, paid by the operators of nuclear installations, for the supplementary insurance coverage and credits these to the Nuclear Liability Reinsurance Account in the Consolidated Revenue Fund.

National Biomass Ethanol Program

By Agreement dated March 30, 2001 (and amended in September 1, 2003), Her Majesty the Queen in the Right of Canada as represented by the Minister of Agriculture and Agri-Food and Farm Credit Canada (FCC) entered into the National Biomass Ethanol Program (NBEP). The purpose of the program is to encourage new biomass fuel ethanol production in Canada. Guarantees are provided in relation to the Line of Credit Agreements entered into by Farm Credit Canada.

Price Pooling Program — *Agricultural Marketing Programs Act*

The Price Pooling Program (PPP) provides a price guarantee that protects marketing agencies and producers against unanticipated declines in the market price of their products. Program participants use the price guarantee as security in obtaining credit from lending institutions. This credit allows the marketing agency to improve cash flow of producers through an initial payment for products delivered. It also provides equal returns to producers for products of like grades, varieties and types. This program is designed to assist and encourage cooperative marketing of eligible agricultural products, including processed products.

Obligations to the Canadian Wheat Board under the Agri-Food Credit Facility and the Credit Grain Sales Program

The Department of Finance manages guarantees to The Canadian Wheat Board for the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sale Program and a portion of credit sales made under the Agri-Food Credit Facility.

Financial Guarantee

The Canadian Broadcasting Corporation provided an absolute and unconditional guarantee, as part of the sale of receivables, of the full payment and timely payments of receivables by the ultimate debtors until 2027.

International Organizations

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.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.6
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES
(in millions of dollars)⁽¹⁾

	March 31/ 2011	March 31/ 2010
NON-BUDGETARY SHARE CAPITAL AND LOANS—		
Callable Share Capital—		
Finance—		
European Bank for Reconstruction and Development	689	622
International Bank for Reconstruction and Development (World Bank)	4,915	5,149
Multilateral Investment Guarantee Agency	44	47
	5,648	5,818
Foreign Affairs and International Trade—		
Canadian International Development Agency—		
African Development Bank	5,845	1,165
Asian Development Bank	6,240	2,154
Caribbean Development Bank	119	50
Inter-American Development Bank	7,627	7,990
	19,831	11,359
Total	25,479	17,177

⁽¹⁾ Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2011 (1USD = \$0.9696 CAD; 1SDR = \$1.54079 CAD; 1 EUR = \$1.3743 CAD).

Environmental Liabilities

Remediation of Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the remediation of contaminated sites is accrued when the contamination occurs, or when the Government becomes aware of the contamination, and is obligated or likely obligated to incur such costs. As at March 31, 2011, the Government has recorded a liability of \$4,354 million for approximately 2,200 sites (\$3,493 million in 2010 for approximately 2,400 sites).

The Government has estimated possible additional clean-up costs of \$1,044 million (\$1,512 million in 2010) that are not accrued as these are undeterminable at this time. The change in contingent liabilities related to contaminated sites is due to the additional information gathered during the year which enabled the potential liability for certain sites to be more accurately estimated.

Future Asset Restoration

Based on management's best estimates, a liability of \$16 million (\$16 million in 2010) has been recorded for likely management and clearance action on approximately 42 unexploded explosive ordnance (UXO) affected sites (30 affected sites in 2010). Management has estimated possible additional clearance costs ranging from \$180 million to \$524 million that are not accrued as these are undeterminable at this time.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These adjustments will be accrued in the year in which they become known.

Claims and Pending and Threatened Litigation

Please refer to Note 16 to the financial statements in Section 2 of this volume for information on claims and pending and threatened litigation.

Insurance Programs of Agent Enterprise Crown Corporations

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. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. The Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Canada currently operate insurance programs as agents of Her Majesty. 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. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 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 - Crown Corporations and Other Corporate Interests of Canada*". Information contained in Table 11.7 is also summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.7
SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 2011
(in millions of dollars)

	Canada Deposit Insurance Corporation ⁽¹⁾		Canada Mortgage and Housing Corporation ⁽²⁾				Export Development Canada ⁽³⁾	
	2010-2011	2009-2010	Mortgage Insurance Fund	2010-2011	2009-2010	Mortgage-Backed Securities Guarantee Fund	2010-2011	2009-2010
Insurance in force as at reporting date	603,842	590,013	519,600	482,328	325,662	302,444	23,964	21,427
Opening balance of Fund	857	959	8,200	7,444	976	1,440	(3)	(3)
Revenues for the period—								
Premiums and fees	253	198	1,749	1,706	221	201	219	200
Investment income	34	31	762	641	2,129	625		
Other revenues			6	5	4	4		
Total revenues	287	229	2,517	2,352	2,354	830	219	200
Expenses for the period—								
Loss on/provision for claims		300	470	1,120			26	110
Interest on borrowing			1		1,777	1,338		
Administrative expense	29	30	196	190	13	12		
Other expenses (includes taxes)	2	1	507	289	154	(116)		
Total expenses	31	331	1,174	1,599	1,944	1,234	26	110
Net income or (loss) for the period	256	(102)	1,343	753	410	(404)	193	90
Adjustments			1	3		(59)		
Closing balance of Fund	1,113	857	9,544	8,200	1,386	977	(3)	(3)
Net claims during the period ⁽⁴⁾			719	569	*	*	75	226
Five year average of net claims paid			425	311	*	*	92	79

*Not applicable.

⁽¹⁾ The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$100,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

⁽²⁾ Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending 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 is produced as of September 30 of each year. The Corporation determines provisions for claims and unearned premiums at December 31 using valuation factors taking into account new business, claims and interest for the last quarter. The MBSGF supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage-Backed Securities and Canada Mortgage Bonds.

The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as \$1,000. The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as \$1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds of \$199,238 million (\$180,440 million in 2010) including accrued interest, issued by the Trust carry the full faith and credit of the Government of Canada. The timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

⁽³⁾ Export Development Canada (EDC) 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. EDC 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 \$477 million (\$543 million in 2010).

⁽⁴⁾ Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

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SECTION 12

2010-2011

PUBLIC ACCOUNTS OF CANADA

Index

INDEX

A

Abandonment reserve fund—
 Canada Hibernia Holding Corporation, 6.34, 6.36
 Aboriginal Business Loan Insurance Program, 9.32, 9.36
 Accountable advances, miscellaneous, 9.31, 9.33
 Accounting for expenses, 3.8
 Accounting for revenues, 3.3
 Accounts administered for the Government by Export
 Development Canada (EDC), 11.28, 11.30
 Accounts payable, 5.3
 and accrued liabilities, 1.11, 1.16, 2.6, 5.2
 by category, 5.2
 other, 2.6, 5.3, 5.6
 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, 5
 Accounts receivable of consolidated Crown corporations
 and other entities, 7.4
 Accrued benefit obligation, 2.20
 Accrued salaries and benefits, 5.3
 Accumulated deficit, 1.9, 1.16, 2.6, 2.15
 at beginning of year, 1.15, 2.5, 3.3
 at end of year, 1.15, 2.5, 3.3
 detailed statement of operations and, 1.15
 Accumulated other comprehensive income, 2.15
 ACQUISITION OF LAND, BUILDINGS AND WORKS,
 see Volume III, Section 4
 ACQUISITION OF MACHINERY AND EQUIPMENT,
 see Volume III, Section 5
 Actuarial valuations, 6.19
 and assumptions, 2.20
 Administered accounts, 6.36, 6.39
 Advance account—Telefilm Canada, 6.40, 6.45
 Advance Payments Program—Agricultural Marketing
 Programs Act, 11.28, 11.29
 African Development Bank, 9.24, 9.25, 9.26
 African Development Fund, 5.4, 9.25
 Aging of other accounts receivable, 7.4
 Aging of taxes receivable, 7.3
 Agricultural Commodities Stabilization Accounts, 4.10, 4.12
 Agricultural Marketing Programs Act—
 Advance Payments Program, 11.28, 11.29
 Price Pooling Program, 11.29, 11.31
 AgriInvest Program, 6.40, 6.45
 AgriStability Program (previously Canadian Agricultural
 Income Stabilization), 6.40, 6.45
 Air travellers security charge, 3.4
 Allowance for guarantees, 1.16, 2.6, 5.2, 5.14
 Allowance for pension adjustments, 6.2, 6.20, 6.29
 Allowance for valuation, 1.19, 9.3, 9.40
 Amount expected to be repaid from future
 appropriations, 1.19, 9.5
 Andean Development Corporation, 9.25
 Annual deficit, 2.5, 2.7, 2.8, 3.3
 Annual surplus or deficit, 1.15, 1.17, 1.18
 Annuities agents' pension account, 6.40, 6.44
 Armed services, Estates, 6.35, 6.39
 Asian Development Bank, 5.4, 9.24, 9.26
 Special, 9.25
 Asian Development Fund, 5.4, 9.25
 Assessed taxes under objection or appeal, 2.31
 Assets under capital leases, 10.2, 10.6
 by main category, 10.6
 Atlantic Provinces Power Development Act, 9.29, 9.30

A—Concluded

Atomic Energy of Canada Limited, 3.7
 (nuclear facility decommissioning), 5.12
 Auditor General of Canada Report on the Financial Statements
 of the Government of Canada, 2.4
 Authorities available from previous years,
 see Volume II, Section 1
 Authorities for the spending of proceeds from the disposal of
 surplus Crown assets, *see Volume II, Section 1*
 Authorities granted by statutes other than Appropriation Acts,
 see Volume II, Section 1
 Authorities granted in current year Appropriation Acts,
 see Volume II, Section 1
 Aviation gasoline and diesel fuel, Excise tax, 3.4

B

Basis of accounting, 2.9
 Benefit trust fund, 6.35, 6.39
 Bonds for Canada Pension Plan, 1.16, 1.20, 6.2, 6.7, 6.11
 Borrowing authorities, 2.12
 Borrowings by consolidated agent Crown corporations, 4.8
 Borrowings by enterprise Crown corporations and other
 Government Business Enterprises, 9.14
 Borrowings of enterprise Crown corporations designed as agents
 of Her Majesty, 6.10
 Budgetary balance, The, 1.5
 Business Development Bank of Canada, 1.19, 9.5, 9.6

C

Canada bills, 6.2, 6.7
 before revaluation, 6.7
 Canada Development Investment Corporation,
 Holdback—Privatization, 6.34, 6.36
 Canada Foundation account, 6.41, 6.46
 Canada Hibernia Holding Corporation,
 Abandonment reserve fund, 6.34, 6.36
 Canada Investment Fund for Africa, 9.18, 9.19
 Canada Labour Code—
 Other, 6.34, 6.36
 Wage recovery appeals, 6.34, 6.37
 Canada Lands Company Limited, 9.5, 9.6
 Canada Millennium Scholarship Foundation Excellence Awards,
 6.41, 6.47
 Canada Mortgage and Housing Corporation, 1.19, 9.5, 9.6
 Canada Pension Plan, 6.32, 6.51
 Bonds for, 1.16, 1.20, 6.2, 6.7, 6.11
 Due to, 1.16, 1.19, 2.22, 6.2, 6.32
 Canada Pension Plan Investment Board, 9.18
 transfers to, 6.32
 Canada Premium Bonds, 6.6
 Canada/Provinces Business Service Centre, 6.42, 6.48
 Canada's Economic Action Plan, 1.4
 progress in implementing, 1.4
 Canada savings and Canada premium bonds,
 see Retail debt
 Canada Savings Bonds, 6.6
 Canada Small Business Financing Act, 11.28, 11.30
 Canada Student Business Financing Act, 11.28, 11.30

C—Continued

Canada Student Loans Act, 11.28, 11.30
 Canada Student Loans Program, 9.31, 9.36
 Canadian Agricultural Income Stabilization,
 see AgriStability Program
 Canadian Agricultural Loans Act, Farm Improvement
 Loans Act and, 11.28, 11.29
 Canadian Centre for Occupational Health and Safety—
 Donations, 5.7, 5.9
 Canadian Commercial Bank, 9.31, 9.34
 and Northland Bank Holdback Account, 4.11, 4.13
 Canadian currency borrowings,
 Issuance of, 1.18, 2.8
 Repayment of, 1.18, 2.8
 Canadian currency—Cash in bank, 7.2
 Canadian Dairy Commission, 9.5, 9.7
 account, 6.34, 6.36
 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—
 Donations for research, 5.7, 5.9
 Endowments for health research, 5.8, 5.10
 Canadian producers of frozen groundfish, 9.31, 9.34
 Candidates' and committees' deposits—
 Election and referendum, 6.35, 6.37
 Capital assets and purchases, 11.15
 Capital assets, purchases and operating leases,
 Transfer payment agreements, 11.3
 Capital investment activities, 1.18, 2.8
 Capital leases, 6.12
 Capital subscriptions, 9.24
 Caribbean Development Bank, 9.24, 9.26
 Agricultural Development Fund, 9.25
 Commonwealth Caribbean Regional, 9.25
 Special, 5.4, 9.25
 Cash,
 and accounts receivable, 1.16, 2.6, 7.2
 interest on bank deposits, 3.7
 and cash equivalents, 1.16, 2.6, 2.10, 2.22, 7.2
 at beginning of year, 1.18, 2.8
 at end of year, 1.18, 1.20, 2.8
 in Canadian currency, 1.20
 in foreign currencies, 1.20
 items not affecting, 1.18, 2.8
 net increase or decrease in, 1.18, 2.8
 provided or used by,
 capital investment activities, 1.18, 2.8
 financing activities, 1.18, 2.8
 investing activities, 1.18, 2.8
 operating activities, 1.18, 2.8
 used for interest, 2.8
CASH AND ACCOUNTS RECEIVABLE, 7
 Cash flow, 1.13, 1.14
 Statement of, 1.18
 Cash in bank, 7.2
 Canadian currency, 7.2
 Foreign currencies, 7.2
 Special deposits, 7.2
 Cash in hands of collectors and in transit, 7.2
 Cash in transit, 7.2
 Central American Bank for Economic Integration, 9.25
 Change due to,
 inventories, 1.17, 2.7
 prepaid expenses, 1.17, 2.7
 tangible capital assets, 1.17, 2.7

C—Continued

Change in,
 accrued benefit obligation and market related value of
 investments, 2.20
 foreign exchange accounts, 1.18, 2.10
 net debt during the year, 1.17, 2.7
 pension and other future benefits, 1.18, 2.8
 taxes receivable, 1.18, 2.8
 Changes in liability for remediation of contaminated sites, 5.13
 Children's benefits, 1.15, 2.5
 Civil service insurance fund, 6.40, 6.43
 Claims and pending and threatened litigation, 2.31, 11.32
 Collaborative research projects,
 Health, 6.41, 6.46
 Public Health Agency of Canada, 6.41, 6.47
 Common school funds—Ontario and Quebec, 6.41, 6.46
 Commonwealth War Graves Commission, 9.32, 9.39
 Company stock option, 9.32, 9.38
 Comparison of actual results to budget projections, 1.8
 Comprehensive income, other, 2.5, 2.7, 3.3
 Comprehensive land claims, 2.31
CONSOLIDATED ACCOUNTS, 4
 Consolidated accounts, 3.7
 Consolidated Crown corporations, 3.6
 Consolidated Crown corporations and other entities, 2.24, 4.3
 accounts receivable, 7.4
 Atomic Energy of Canada Limited
 (nuclear facility decommissioning), 5.12
 other cash, 7.2
 others, 5.12
 Consolidated specified purpose accounts, 4.10
 interest, 3.12
 other, 4.11, 4.13
 Consolidation adjustment, 5.3, 6.4, 6.5, 6.11, 6.43, 9.32, 9.40
 Construction of multi-purpose exhibition buildings, 9.31, 9.33
 Contingent liabilities, 2.11, 2.30, 11.27
 International Organizations, 11.31
 of consolidated Crown corporations and other entities, 4.8
 of enterprise Crown corporations and other Government
 Business Enterprises, 9.15
 Contractors' security deposits,
 Bonds—Other departments and agencies, 6.35, 6.38
 Cash—
 Canadian Food Inspection Agency, 6.34, 6.36
 Public Works and Government Services, 6.35, 6.38
 Royal Canadian Mounted Police, 6.35, 6.38
 Certified cheques—Agriculture and Agri-Food, 6.34, 6.36
 Contractual obligations, 2.30, 11.2
 and contingent liabilities, 2.6, 11.2
 of enterprise Crown corporations and other
 Government Business Enterprises, 9.16
 Schedule of minimum payments, 11.2
**CONTRACTUAL OBLIGATIONS AND CONTINGENT
 LIABILITIES, 11**
 Co-operative Housing Project, 9.18
 Corporate—Income tax revenues, 1.15, 2.5, 3.4, 5.11
 Corporate sponsorships and donations, 5.7, 5.10
 Cost-sharing agreement—Office of the Information
 and Privacy Commissioners of Canada, 6.42, 6.49
 Council of Yukon First Nations—Elders, 9.32, 9.36
 Courts Administration Service—
 Security for costs, 6.34, 6.37
 Special account, 6.42, 6.49
 Credit card—Special project fund, 6.43, 6.50

C—Concluded

Credit risk related to swap and foreign-exchange
forward agreements, 2.28
Crop Reinsurance Fund, 4.10, 4.12
Cross-currency swap revaluation, 1.16, 1.20, 6.2, 6.8, 6.10, 6.11
Crown corporations, 3.6
other program expenses, 1.15, 2.5
other revenues, 1.15, 2.5, 3.6
Crown corporations and other entities, 2.24
Customs and excise, 5.11
Customs duties receivable, 2.23, 7.3
Customs import duties, 1.15, 2.5, 3.4, 3.5

D

Defence Services Pension Continuation Act, 6.21
Deferred revenues, 5.3, 5.7
Specified purpose accounts, other, 5.8
Dependants' pension fund, 6.40, 6.45, 6.75
Deposit accounts, 6.34
Deposit and trust accounts, 6.2, 6.34
Deposits/Disbursements—Worker's Compensation Board, 6.40, 6.45
Deposits on disposals, 6.35, 6.38
Derivative financial instruments, 2.27, 2.29
Detailed statement of,
financial position, 1.16
foreign exchange, unmaturing debt and cash transactions, 1.20
non-budgetary transactions and of non-financial assets, 1.19
operations and accumulated deficit, 1.15
Details of obligation related to capital leases, 6.12
Details of other program expenses of other ministries,
see Volume II, Section 1
Details of other transfer payments by ministry,
see Volume II, Section 1
Details of spendable amounts,
see related ministerial section in Volume II
Developing countries—International development assistance,
9.20, 9.22
Development of export trade, 9.20
Donation and bequest accounts, 5.7
Donations—
Canadian Centre for Occupational Health and Safety, 5.7, 5.9
Indian Residential Schools Truth and Reconciliation
Commission—National Events, 5.7, 5.9
Rideau Hall, 5.7, 5.9
Donations for research, 5.7, 5.9
Due to Canada Pension Plan, 1.16, 1.19, 2.22, 6.2, 6.32

E

Economic Action Plan, Canada's, 1.4
Economic highlights, 1.3
Election and referendum—Candidates' and committees' deposits,
6.35, 6.37
Employment insurance benefits, 1.15, 2.5
Employment Insurance Operating Account, 4.10, 4.12, 4.15
transactions in the, 4.13
Employment insurance premiums, 1.15, 2.5, 3.3, 3.5
Endangered species—Donations, 5.7, 5.9
Endowment interest accounts, 5.8
Endowment principal, 4.11, 4.14
Endowments for health research, 4.11, 4.14, 5.8, 5.10

E—Concluded

Energy taxes, 1.15, 2.5, 3.4, 3.5
Enterprise Crown corporations
and other government business enterprises,
1.16, 1.18, 1.19, 2.6, 2.8, 2.24, 9.3, 9.4, 9.5
borrowings by, 9.14
interest and other, 3.6
share of annual profit in, 1.18, 2.8, 3.6
Enterprise Development Program, 11.28, 11.30
Environmental Damages Fund, 4.11, 4.13
Environmental liabilities, 1.16, 2.6, 2.11, 2.30, 5.2, 5.12, 11.32
Environmental Studies Research Fund—
Indian Affairs and Northern Development, 4.11, 4.14
Natural Resources, 4.11, 4.14
Equity Ownership, 9.18, 9.19
Equity transactions, 1.18, 2.8
Esso Ltd—Norman Wells Project profits, 3.7
Estates—Armed services, 6.35, 6.39
Estates fund, 6.36, 6.39
European Bank for Reconstruction and Development, 9.24, 9.26
Exchange Fund Account, 3.6, 8.4
Exchange valuation adjustment, 6.7
Excise duties, 3.4
Excise tax—
aviation gasoline and diesel fuel, 3.4
gasoline, 3.4
Excise taxes and duties,
other, 1.15, 2.5, 3.4, 3.5
other miscellaneous, 3.4
receivable, 2.23, 7.3
Expenditures under statutory authorities, 3.13, 3.14
Expenses, 1.7, 1.8, 1.15, 2.5, 2.9, 2.13, 3.3, 3.8
by object, 3.13
by segment, 2.13, 3.10
by type of resource used in operations, 2.14
compared to 2009-2010, 1.8
comparison to June 2011 Budget Plan, 1.8
total, 1.8
External expenses by segment and by type, 3.8

F

Fair value information, 2.28
Fair wages deposit account, 6.34, 6.37
Farm Credit Canada, 1.19, 9.5, 9.6
Guarantee Loans Program, 9.32, 9.36
Farm Improvement Loans Act and
Canadian Agricultural Loans Act, 11.28, 11.29
Federal/provincial agreement—Advance account, 6.40, 6.45
Federal/provincial collaborative agreement, 6.41, 6.47
Federal/provincial cost-sharing agreements, 6.41, 6.46
Federal-provincial fiscal arrangements, 9.29, 9.30
FEDERAL-PROVINCIAL SHARED-COST PROGRAMS,
see Volume III, Section 9
Federal/provincial shared-cost project,
Human Resources and Skills Development, 6.41, 6.47
Interprovincial Computerized Examination
Management System (ICEMS), 6.41, 6.47
Fees and charges, other, 3.6
Field British Columbia and Yukon Operations of the Northern
Canada Power Commission, 6.34, 6.37
Financial assets, 1.12, 1.16, 2.6
and liabilities, 2.28

F—Concluded

Financial assistance to,
 Canadians abroad, 6.41, 6.46
 enterprise Crown corporations and other Government
 Business Enterprises, 9.17
 General Motors, 2.14
 Financial assistance under budgetary appropriations to
 consolidated Crown corporations, 4.9
 Financial Consumer Agency of Canada—Advances, 9.31, 9.34
 Financial Guarantee, 11.29, 11.31
 Financial highlights, 1.2, 1.5
 Financial Instruments, 2.27
 Financial position of consolidated Crown corporations
 and other entities—Assets, liabilities and equity, 4.4
 Financial position of enterprise Crown corporations
 and other Government Business Enterprises—
 Assets, liabilities and equity, 9.10
 FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS, 1
 Financial Statements Discussion and Analysis, 1.2
 discussion and analysis, 1.3
 accumulated deficit, 1.9
 economic highlights, 1.3
 risks and uncertainties, 1.14
 the budgetary balance, 1.5
 total expenses, 1.8
 glossary of terms, 1.21
 introduction, 1.2
 financial highlights, 1.2, 1.5
 FINANCIAL STATEMENTS OF REVOLVING FUNDS,
 see Volume III, Section 1
 FINANCIAL STATEMENTS OF THE GOVERNMENT OF
 CANADA AND REPORT AND OBSERVATIONS OF
 THE AUDITOR GENERAL OF CANADA, 2
 Financing activities, 1.18, 2.8
 Fines for the Transportation of Dangerous Goods, 4.11, 4.14
 First Nations in British Columbia, 9.32, 9.37
 Foreign claims fund, 6.41, 6.46
 Foreign currencies borrowings,
 issuance of, 1.18, 2.8
 repayment of, 1.18, 2.8
 Foreign currencies—Cash in bank, 7.2
 Foreign currency risk and sensitivity analysis to foreign
 currency exposures, Managing, 2.28
 Foreign currency translation, 2.11
 FOREIGN EXCHANGE ACCOUNTS, 8
 Foreign exchange accounts, 1.16, 1.20, 2.6, 2.10, 2.23, 8.2
 change in, 1.18, 2.8
 Foreign-exchange forward agreements, 2.27
 Foreign exchange net revenues, 1.15, 2.5, 3.6
 Exchange Fund Account, 3.6
 International Monetary Fund, 3.6
 other, 3.6
 Foreign governments, 6.42, 6.49
 Francophone Summits, 6.43, 6.50
 Funds from non-governmental organizations, 6.41, 6.46
 Future asset restoration, 2.31, 11.32
 others, 5.12
 unexploded explosive ordnance affected sites, 5.12
 Future benefit expense, 2.19
 Future benefit liability, 2.18

G

Gasoline—Excise tax, 3.4
 General security deposits, 6.35, 6.37
 Global Environment Facility, 9.25, 9.27
 Trust Fund, 5.4, 9.25
 Glossary of terms, 1.21
 Goods and services tax, 1.15, 2.5, 3.4, 3.5, 5.11
 receivable, 2.23, 7.3
 Government Annuities Account, 6.2, 6.33, 6.69
 Government's cost of operations, 3.10
 Government's holdings, 6.4, 6.5, 6.11
 and securities held for the retirement of unmatured debt, 6.4
 Greater Victoria Harbour Authority, 9.32, 9.39
 Guarantee deposits—
 Canada Border Services Agency, 6.35, 6.37
 Canada Revenue Agency, 6.34, 6.36
 Fisheries and Oceans—Fish Habitat Preservation, 6.34, 6.36
 Indian Affairs and Northern Development, 6.34, 6.37
 oil and gas, 6.34, 6.37
 reserve resources, 6.34, 6.37
 Natural Resources—Oil and gas, 6.34, 6.37
 Guarantees provided by the Government, 11.28
 contingent liabilities, 2.30

H

Haddock fishermen, 9.31, 9.34
 Health Insurance Supplementary Account, 4.10, 4.12
 H.L. Holmes Fund, 4.11, 4.14, 5.8, 5.10, 9.32, 9.38
 Hog Industry Loan Loss Reserve Program, 9.31, 9.33
 Holdback—Privatization, Canada Development
 Investment Corporation, 6.34, 6.36

I

Immigrant investor program, 6.41, 6.45
 Immigration guarantee fund, 6.35, 6.38
 Immigration loans, 9.31, 9.34
 Imprest account cheques, 7.2
 Imprest accounts, standing advances and authorized loans, 9.31, 9.33
 Income from securities in trust—Bankruptcy and Insolvency
 Act, 6.42, 6.48
 Income tax revenues—
 corporate; non-resident; personal, 1.15, 2.5, 3.4
 Income taxes receivable—
 corporations; employers; individuals; non-residents, 2.23, 7.3
 Independent Auditor's Report, 2.4
 Indian,
 band funds, 6.38
 capital accounts, 6.35, 6.38
 revenue accounts, 6.35, 6.38
 shares and certificates, 6.42, 6.48
 compensation funds, 6.42, 6.48
 economic development fund, 9.32, 9.37
 Economic Development Guarantee Loans Program,
 9.32, 9.37, 11.28, 11.30
 estate accounts, 6.35, 6.39
 moneys suspense account, 6.42, 6.48
 Residential Schools Settlement Agreement—
 Common Experience Payments, 6.35, 6.38
 savings accounts, 6.35, 6.39
 special accounts, 6.42, 6.48

I —Concluded

Inmates' trust fund, 6.35, 6.39
 Insurance accounts, 4.10, 4.12
 Insurance and death benefit accounts, 6.40
 Insurance company liquidation, 6.40, 6.43
 Insurance programs of agent enterprise Crown corporations, 2.31, 11.32
 Summary of, 11.33
 Inter-American Development Bank, 9.24, 9.27
 Fund for Special Operations, 5.4, 9.25
 Interest,
 accrued, 5.13
 and matured debt, 1.16, 2.6, 5.2, 5.13
 and other, 3.6
 and penalties—Miscellaneous, 3.6
 due, 5.13
 expense, 2.19
 on bank deposits, 3.7
 paid to the Government, 9.7
 rates, market debt, 6.9
 INTEREST-BEARING DEBT, 6
 Interest-bearing debt, 1.10, 1.16, 2.6, 6.2
 by category, 6.3
 structure of, 6.11
 International Bank for Reconstruction and Development, 9.25
 (World Bank), 5.4, 9.24, 9.26
 International contractual obligations, 11.27
 International development assistance—Developing countries, 9.20, 9.22
 International Development Association, 5.4, 9.25, 9.27
 International Finance Corporation, 9.24, 9.26
 Financial Mechanism for Climate Change Facility, 9.25, 9.27
 Global Agriculture and Food Security Program, 9.25, 9.27
 Global Trade Liquidity Program, 9.25, 9.27
 International financial institutions, 5.4, 9.25, 9.28
 International Fund for Agriculture Development, 5.4, 9.25
 International Monetary Fund, 3.6, 9.25
 loans, 1.16, 1.20, 8.2, 8.3
 notes payable, 1.16, 1.20, 8.2, 8.3
 Poverty Reduction and Growth Trust, 9.25, 9.27
 special drawing rights allocations, and, 1.16, 1.20
 subscriptions, 1.16, 1.20, 8.2, 8.3
 International organizations, 1.19, 2.30, 3.7, 9.3, 9.24, 11.31
 contingent liabilities, 11.31
 International organizations and associations, 9.25, 9.28
 International reserves held in the Exchange Fund Account, 1.16, 1.20, 8.2
 Inuit Loan Fund, 9.32, 9.37
 Inventories, 1.16, 1.19, 2.6, 10.2
 change due to, 1.17, 2.7
 Investing activities, 1.18, 2.8
 Investments, 1.19, 2.24, 9.5
 and accumulated profits/losses, 9.5
 capital, 1.19
 dividends, 1.19
 other comprehensive income (-) or loss, 1.19
 share of annual profit, 1.19
 Investors' Indemnity Account, 4.10, 4.12

J

Joint Learning Program, 9.32, 9.39
 Joint research and development projects—
 National Defence, 6.42, 6.49
 Royal Canadian Mounted Police, 6.43, 6.50
 Judges Act, 6.21

L

Labour standards suspense account, 6.41, 6.47
 Laurier House—Interest (Mackenzie King trust account), 5.8, 5.10
 Lease and use of public property, 3.6
 Liabilities, 1.16, 2.6
 and financial assets, 2.28
 Library and Archives of Canada—Special Operating Account, 5.7, 5.9, 6.40, 6.45
 Loans and accountable advances, 9.31
 Loans and advances, 1.19, 2.24, 9.5
 issuance of, 1.18, 2.8
 other, 1.19, 2.24
 repayment of, 1.18, 2.8
 LOANS, INVESTMENTS AND ADVANCES, 9
 Loans, investments and advances, 1.16, 1.19, 2.6, 2.10, 3.7, 9.3
 issuance of other, 1.18, 2.8
 other, 1.16, 1.19, 2.6, 2.25, 3.7, 9.3, 9.31
 other departments—Miscellaneous, 9.32, 9.40
 repayment of other, 1.18, 2.8
 Lower Churchill Development Corporation Limited, 9.18

M

Mackenzie King trust account, 4.11, 4.14
 Laurier House—Interest, 5.8, 5.10
 Manufacturing, processing and service industries in Canada, 9.32, 9.38
 Market debt, 2.16, 6.2, 6.11
 as at March 31, from 2007 to 2011, with the average rate of interest thereon, 6.9
 of the Government of Canada, 6.10
 payable in Canadian currency, 6.11
 payable in foreign currency, 6.11
 Market development incentive payments—Alberta, 6.42, 6.49
 Market related value of investments, 2.20
 Marketable bonds, 1.16, 1.20, 6.3, 6.4
 nominal, 6.11
 payable in Canadian currency, 6.2, 6.4
 payable in foreign currencies, 6.2, 6.4
 real return, 6.11
 Matured debt, 5.13
 Maturity and currency of borrowings by enterprise Crown corporations and other Government Business Enterprises, 9.15
 Maturity of Government Debt, 6.10
 Media travel expenses—Share-cost projects, 6.43, 6.50
 Members of Parliament Retirement Compensation Arrangements Account, 6.19, 6.20, 6.21, 6.26
 Members of Parliament retiring allowances, 6.19
 Account, 6.19, 6.20, 6.21, 6.25
 Military purchases excess funds deposit, 6.43, 6.50
 Minimum lease payments related to capital leases, 6.16
 Ministerial expenditures by standard object,
 see Volume II, Section 1

M—Concluded

Ministerial expenditures by type, *see Volume II, Section 1*
 Ministerial revenues, *see Volume II, Section 1*
 Ministries, other program expenses, 1.15, 2.5
 Ministry summary (of source and disposition of authorities),
see related ministerial section in Volume II
 Miscellaneous accountable advances, 9.31, 9.33
 Miscellaneous accountable imprest funds and standing
 advances, 9.31, 9.33
 Miscellaneous excise taxes and duties, other, 3.4
 Miscellaneous federal/provincial projects,
 Health, 6.41, 6.46
 Public Health Agency of Canada, 6.41, 6.47
 Miscellaneous payroll deductions, 5.3, 5.6
 Miscellaneous projects deposits—
 Canadian Heritage, 6.40, 6.45
 Environment, 5.7, 5.9, 6.41, 6.45
 Fisheries and Oceans, 6.41, 6.46
 Parks Canada Agency, 6.41, 6.46
 Miscellaneous other revenues, 3.6
 Missions abroad, 9.31, 9.33
 Montreal Protocol Multilateral Fund, 5.4, 9.25
 Mortgage Insurance, 11.29, 11.30
 Mounted Police Foundation, 5.8, 5.10
 Multilateral Investment Fund, 5.4, 9.25
 Multilateral Investment Guarantee Agency, 5.4, 9.24, 9.26
 Municipal Development and Loan Board, 9.29, 9.30
 Mutual fund capital gain refund overpayments, 9.29, 9.30

N

National Battlefields Commission—Trust Fund, 4.11, 4.13
 National Biomass Ethanol Program, 11.29, 11.31
 National Events—Donations, 5.7, 5.9
 National governments including developing countries,
 1.19, 3.7, 9.3, 9.20
 National Marketing Programs, 9.31, 9.33
 National Research Council of Canada—Trust fund, 5.7, 5.9
 Native Claimants, 9.32, 9.37
 NATO, *see North Atlantic Treaty Organization*
 Natural Sciences and Engineering Research Council—
 Trust fund, 5.7, 5.9
 Net change in other accounts, 1.18, 2.8
 Net debt, 1.12, 1.16, 2.6
 at beginning of year, 1.17, 2.7
 at end of year, 1.17, 2.7
 net decrease or increase in, 1.17, 2.7
 due to operations, 1.17, 2.7
 Net decrease or increase in cash, 2.8
 Newfoundland Offshore Revenue Account, 6.42, 6.50
 New Parks and Historic Sites Account, 4.11, 4.13
 Non-budgetary transactions and non-financial assets, 1.19
 NON-FINANCIAL ASSETS, 10
 Non-financial assets, 1.13, 1.16, 1.19, 2.6, 2.10, 10.2, 10.3
 and non-budgetary transactions, 1.19
 by category, 10.2, 10.3
 Non-government agencies, 6.42, 6.49
 Non-Indian moneys, 6.42, 6.48
 Non-lapsing authorities granted/revoked in the current year,
see Volume II, Section 1
 Non-marketable bonds and notes,
see Bonds for Canada Pension Plan
 Non Public Property, 2.25
 Non-resident—Income tax revenues, 1.15, 2.5, 3.4
 Nordion International Inc., 9.32, 9.38

N—Concluded

North Atlantic Treaty Organization (NATO),
 Damage claims recoverable, 9.20, 9.23
 Infrastructure projects, 6.42, 6.49
 North Portage Development Corporation, 9.18, 9.19
 Northern Canada Power Commission, Field British Columbia
 and Yukon Operations of the, 6.34, 6.37
 Notes payable to international organizations, 5.3, 5.4
 Notes to the Financial Statements of the Government of Canada, 2.9
 Nova Scotia Offshore Revenue Account, 6.42, 6.50
 Nuclear Liability Reinsurance Account, 4.10, 4.13, 11.29, 11.31

O

Obligation related to capital leases,
 1.16, 1.20, 2.17, 6.2, 6.10, 6.11, 6.12
 details of, 6.12
 Obligations to the Canadian Wheat Board under the Agri-Food
 Credit Facility and the Credit Grain Sales Program, 11.29, 11.31
 Observations of the Auditor General on the Financial Statements
 of the Government of Canada, 2.34
 Old age security benefits, guaranteed income supplement
 and spouse's allowance, 1.15, 2.5
 On Reserve Housing Guarantee Loans Program,
 9.32, 9.38, 11.28, 11.30
 Operating activities, 1.18, 2.8
 Operating leases, 2.30, 11.23
 Other accounts, net change in, 1.18
 Other accounts payable and accrued liabilities, 1.16, 2.6, 5.2, 5.3, 5.6
 Other accounts receivable, 1.16, 1.19, 2.6, 2.22, 7.2, 7.4
 Other business loans, 9.32, 9.38
 Other cash—Consolidated Crown corporations and
 other entities, 7.2
 Other comprehensive income or loss, 1.15, 1.17, 2.5, 2.7, 2.11, 3.3
 Other consolidated specified purpose accounts, 4.11, 4.13
 Other deferred revenues—Specified purpose accounts, 5.7
 Other departments—Miscellaneous, 9.32, 9.40
 Other (diplomatic services, lieutenant governors, etc.), 6.21
 Other employee and veteran future benefits,
 1.16, 1.19, 2.6, 6.2, 6.11, 6.30
 public sector pensions and, 2.11, 2.17
 Other excise taxes and duties, 1.15, 2.5, 3.4, 3.5
 Other fees and charges, 3.6
 Other future benefits - overview of the plans, 2.18
 OTHER GOVERNMENT-WIDE INFORMATION,
see Volume III, Section 10
 Other levels of Government, Major transfer payments to,
 1.15, 2.5, 2.13
 Other liabilities, 1.16, 1.19, 2.6, 2.22, 3.12, 6.2, 6.11, 6.31
 Other loans, investments and advances,
 1.16, 1.19, 2.6, 2.25, 3.7, 9.3, 9.31
 issuance of, 1.18, 2.8
 repayment of, 1.18, 2.8
 OTHER MISCELLANEOUS INFORMATION,
see Volume III, Section 11
 Other program expenses, 1.15, 2.5, 3.3, 3.10, 3.13
 Other programs, other revenues, 1.15, 2.5, 3.6
 Other receivables, 7.4
 Other revenues, 1.15, 2.5, 3.3, 3.6
 Other specified purpose accounts, 6.2, 6.40
 Other taxes and duties, 1.15, 2.5, 3.4
 Other transactions, 1.19
 Other transfer payments, 1.15, 2.5
 Outstanding cheques, 7.2
 and warrants, 7.2

P

Outstanding swap agreements, 6.11
 Pacific Rim Mitigation Fund, 5.7, 5.9
 Parolees, 9.32, 9.39
 PAYMENTS OF CLAIMS AGAINST THE CROWN,
 EX GRATIA PAYMENTS AND COURT AWARDS,
 see Volume III, Section 8
 Pension accounts, 6.40
 Pension assets, 2.18
 Pension benefits - overview of the plans, 2.17
 Pension and other future benefits, 1.16, 1.19, 2.6, 3.12
 change in, 1.18, 2.8
 Pension, other future benefits and other liabilities, public sector,
 6.2, 6.11, 6.18
 Pension plan for federally appointed judges, 6.19
 Pension plans, 6.18
 Pensioners' Dental Services Plan, 6.30, 6.31
 Pensions and other employee and veteran future benefits, 2.11
 Personal and non-resident income tax, 5.11
 Personal—Income tax revenues, 1.15, 2.5, 3.4
 Personnel posted abroad, 9.31, 9.33
 Petro-Canada Enterprises Inc—Unclaimed shares, 6.42, 6.48
 Plan (Public sector pensions and other employee
 and veteran future benefits),
 amendments, 2.19
 curtailments, 2.19
 Portfolio investments, 1.19, 3.7, 9.3, 9.18
 Poverty Reduction and Growth Trust, 9.25, 9.27
 Preface to the financial statements of the Government
 of Canada, 2.2
 Prepaid expenses, 1.16, 1.19, 2.6, 10.2
 change due to, 1.17, 2.7
 Price Pooling Program—Agricultural Marketing
 Programs Act, 11.29, 11.31
 Prime Minister Awards and other deposits, 5.7, 5.9
 PROFESSIONAL AND SPECIAL SERVICES,
 see Volume III, Section 3
 Program activity, *see related ministerial section in Volume II*
 Program expenses, other, 1.15, 2.5, 3.3, 3.10, 3.13
 Program revenues, other, 1.15, 2.5, 3.6
 Project deposits—Statistics Canada, 6.42, 6.49
 Provincial and territorial governments, 1.19, 3.7, 9.3, 9.29
 Provincial arrangement on capital assets, 5.7, 5.8
 Provincial funding for collaborative arrangement—
 Labour Market Development Agreement (LMDA),
 British Columbia, 6.41, 6.47
 Newfoundland and Labrador, 6.41, 6.47
 Nova Scotia, 6.41, 6.47
 Ontario, 6.41, 6.48
 Yukon Territory, 6.42, 6.48
 Provincial, territorial and Aboriginal tax agreements
 account, 1.19, 5.3, 5.5
 Provincial workers' compensation boards, 9.31, 9.36
 PUBLIC DEBT CHARGES, *see Volume III, Section 7*
 Public debt charges, 1.15, 2.5, 2.13, 3.3, 3.11, 3.12, 3.13, 3.14
 Public Sector Pension Investment Board, 9.18, 9.19
 Public sector pensions, 1.16, 1.19, 2.6, 6.2, 6.11, 6.18, 6.20
 and other employee and veteran future benefits, 2.11, 2.17
 Public Service Death Benefit Account, 6.40, 6.44
 Public Service Health Care Plan, 6.30, 6.31
 Public Service Pension Fund Account, 6.20, 6.21, 6.22
 Public Service Superannuation Account, 6.20, 6.21, 6.22
 Purchases, 11.17

Q

Queen's Fellowship Fund, 4.11, 4.14, 5.8, 5.10

R

Radarsat, 6.42, 6.49
 RADARSAT-2, 5.7, 5.9
 Data satellite, 5.7, 5.9
 Recapitulation of external expenses by type,
 see Volume II, Section 1
 Recapitulation of external revenues by source,
 see Volume II, Section 1
 Reconciliation of external expenditures by standard
 object to expenses, *see Volume II, Section 1*
 Regional Aircraft Credit Facility, 11.28, 11.30
 Regular Forces Death Benefit Account, 6.40, 6.44
 Remediation of contaminated sites, 2.30, 5.12, 11.32
 Reporting entity, 2.9
 Reserve Force Pension Fund Account, 6.20, 6.21, 6.24
 Restitutions under the Competition Act, 6.35, 6.39
 Restricted donations—
 Fisheries and Oceans, 5.7, 5.9
 Veterans Affairs,
 Canadian Memorial, 5.8, 5.10
 Wounded Warrior Fund, 5.8, 5.10
 Retail debt, 1.16, 1.20, 6.2, 6.6, 6.11
 Retirement Compensation Arrangements (RCA) Account,
 6.20, 6.21, 6.26, 6.27
 Retiring allowances account—Members of Parliament, 6.19
 Return on investments, 3.6, 3.7
 external, 3.7
 internal to the Government, elimination of, 3.7
 ministerial, 3.7
 Accrual of other revenues, 3.7
 Net (loss) gain on exchange, 3.7
 Returned soldiers' insurance fund, 6.40, 6.44
 Revenues, *see related ministerial section in Volume II*
 Revenues, 1.6, 1.15, 2.5, 2.9, 3.3
 compared to 2009-2010, 1.6
 deferred, 5.3, 5.7
 other, 1.15, 2.5, 3.3, 3.6
 taxes, 1.15, 2.5, 3.3, 3.4
 REVENUES, EXPENSES AND ACCUMULATED DEFICIT, 3
 Revenues, expenses and accumulated deficit, 3.3
 Revenues, expenses and other changes in equity of,
 consolidated Crown corporations and other entities, 4.6
 enterprise Crown corporations and other Government
 Business Enterprises, 9.12
 Rideau Hall—Donations, 5.7, 5.9
 Rights and privileges, 3.6
 Risks and uncertainties, 1.14
 Royal Canadian Mounted Police,
 Benefit trust fund, 6.35, 6.39
 Continuation Act, 6.21
 Dependants' pension fund, 6.40, 6.45, 6.75
 Disability and other future benefits, 6.30, 6.31
 Pension Fund Account, 6.20, 6.21, 6.25
 Pipe Band (NCR), 5.8, 5.10
 Sponsorship Agreement—Contributions, 5.8, 5.10
 Superannuation Account, 6.20, 6.21, 6.24

S

Saint John Harbour Bridge Authority, 9.32, 9.39
 Sales of goods and information products, 3.6
 Sales of goods and services, *see Volume II, Section 1*
 Sales of seized assets, 6.41, 6.46
 Schedule of minimum payments, 11.2
 Scholastic awards, 6.35, 6.39
 Securities in trust—Bankruptcy and Insolvency Act, 6.42, 6.48
 Security equipment purchases, 6.42, 6.50
 Security for costs,
 Courts Administration Service, 6.34, 6.37
 Supreme Court of Canada, 6.34, 6.37
 Segmented information, 2.32
 Seized assets—Canadian funds, 6.43, 6.50
 Seized property—Cash, 6.35, 6.38
 Seized Property Proceeds Account, 4.11, 4.14
 Seized Property Working Capital Account, 9.32, 9.39
 Service fees for immigration and citizenship, 5.7, 5.8
 Services of a non-regulatory nature, 3.6
 Services of a regulatory nature, 3.6
 Severance and other benefits, 6.30, 6.31
 Share of annual profit in enterprise Crown corporations and other government business enterprises, 1.18, 2.8
 Shared-cost agreements,
 Agriculture and Agri-Food—Research, 5.7, 5.8
 Canadian Centre for Occupational Health and Safety, 6.42, 6.48
 Canadian Food Inspection Agency, 6.40, 6.45
 Foreign Affairs and International Trade, 6.41, 6.46
 Governor General—Awards, 5.7, 5.9
 NAFTA Secretariat, Canadian Section, 6.41
 Natural Resources—Research, 6.42, 6.50
 Transportation research and development, 5.8, 5.10
 Veterans Affairs, 6.43, 6.50
 Shared-cost/joint project agreements—Research, 6.42, 6.49
 Shared-cost projects,
 Canadian International Development Agency,
 Support to various programs, 6.41, 6.46
 Foreign Affairs and International Trade, 6.41, 6.46
 Industry, 6.42, 6.49
 Natural Resources, 6.42, 6.50
 Privy Council—Media travel expenses, 6.43, 6.50
 Ship-Source Oil Pollution Fund, 4.10, 4.13
 Significant accounting policies, Summary of, 2.9
 Significant transactions, 2.14
 Small Business Loans Act, 11.28, 11.30
 Social Sciences and Humanities Research Council—
 Queen's Fellowship Fund, 5.8, 5.10
 Trust Fund, 5.7, 5.9
 Softwood lumber products export charge, 3.4
 Source and disposition of authorities by type (voted and statutory),
 see Volume II, Section 1
 Source and disposition of budgetary authorities by ministry,
 see Volume II, Section 1
 Source and disposition of non-budgetary authorities by ministry,
 see Volume II, Section 1
 Source of budget amounts, 2.12
 Special account—Courts Administration Service, 6.42, 6.49
 Special accounts—Section 63, Indian Act, 6.34, 6.37
 Special deposits—Cash in bank, 7.2
 Special drawing rights allocations, 1.16, 1.20, 8.2, 8.3
 Special operating account—Library and Archives of Canada,
 5.7, 5.9, 6.40, 6.45

S—Concluded

Specified purpose accounts,
 other, 6.2, 6.40
 other deferred revenues, 5.7
 Spectrum licence fees and other fees, 5.7, 5.8
 Spending and borrowing authorities, 2.12
 Spending authorities, 2.12
 over-expenditure of, 2.12
 Sponsorship Agreement—Contributions, 5.8, 5.10
 Statement of all borrowing transactions on behalf of
 Her Majesty, 6.10
 Statement of cash flow, 1.18, 2.8
 Statement of change in net debt, 1.17, 2.7
 Statement of financial position, 1.10, 2.6
 detailed, 1.16
 Statement of foreign exchange, unmatured debt
 and cash transactions, detailed, 1.20
 Statement of non-budgetary transactions and
 of non-financial assets, detailed, 1.19
 Statement of operations and accumulated deficit, 2.5
 detailed, 1.15
 Statement of responsibility, 2.3
 Statement of revenues and expenses, *see Volume II, Section 1*
 St. Lawrence Seaway Management Corporation, 9.32, 9.39
 Stoney Band Perpetual Loan, 9.32, 9.38
 Strategic outcome and program activity descriptions,
 see related ministerial section in Volume II
 Structure of interest-bearing debt, 6.11
 Summary combined Financial Statements of enterprise
 Crown corporations and other Government Business
 Enterprises by segment, 9.9
 Summary Financial Statements of,
 consolidated Crown corporations and other entities, 4.3
 enterprise Crown corporations and other Government
 Business Enterprises, 9.8
 Summary of insurance programs of agent enterprise Crown
 corporations, 11.33
 Summary of significant accounting policies, 2.9
 Summary of transactions in public sector pensions that
 resulted in charges to expenses, 6.21
 Superannuation accounts, 6.2, 6.20
 Supplementary Fish Fines Account, 4.11, 4.13
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 FINANCIAL ADMINISTRATION ACT, *see Volume III, Section 2*
 Supplementary Retirement Benefits Account, 6.21, 6.28
 Judges, 6.20
 Others, 6.20
 Support and development of trade (loans administered by
 Export Development Canada), 9.31, 9.34
 Swap agreements, 2.27
 Swap collateral deposit, 6.34, 6.36

T

Tangible capital assets, 1.16, 1.19, 2.6, 2.26, 10.4
 acquisitions of, 1.17, 1.18, 2.7, 2.8
 amortization of, 1.17, 1.18, 2.7, 2.8
 by main custodian ministries, 10.4
 change due to, 1.17, 2.7
 net, 10.2
 net loss or gain on disposal of, including adjustments,
 1.17, 1.18, 2.7, 2.8
 proceeds from disposal of, 1.17, 1.18, 2.7, 2.8

T—Concluded

Tax revenues, 1.15, 2.5, 3.3, 3.4
 Taxes and other accounts receivable, 2.22
 Taxes payable, 1.16, 1.19, 2.6, 5.2, 5.11
 corporate income tax; customs and excise;
 goods and services tax; personal and
 non-resident income tax, 5.11
 Taxes receivable, 1.16, 1.19, 2.6, 7.2, 7.3
 change in, 1.18, 2.8
 Telefilm Canada—Advance account, 6.40, 6.45
 Temporary deposits received from importers, 6.35, 6.38
 Ten year comparative financial information, 1.15
 Total expenses by segment, 2.13
 Transactions in the Employment Insurance
 Operating Account, 4.13
 Transfer payment agreements, 2.30
 Transfer payment agreements, capital assets, purchases and
 operating leases, 11.3
 Transfer payments, *see related ministerial section in Volume II*
 TRANSFER PAYMENTS, *see Volume III, Section 6*
 Transfer payments, 1.15, 2.5, 3.3, 3.10, 3.13
 by province and territory, major, 3.11
 Canada Health and social transfer—
 Canada health transfer, 1.15
 Canada social transfer, 1.15
 Fiscal arrangements, 1.15
 other, 2.5
 other major transfers, 1.15
 Quebec abatement, 1.15
 to other levels of government, Major, 1.15, 2.5, 2.13
 Treasury bills, 1.16, 1.20, 6.2, 6.5, 6.11
 average yields at tender, 6.9
 Trust accounts, 6.35
 Trust fund,
 Benefit, 6.35, 6.39
 Global Environment Facility, 9.25, 9.27
 Inmate's, 6.35, 6.39
 National Battlefields Commission, 4.11, 4.13
 National Research Council of Canada, 5.7, 5.9
 Natural Sciences and Engineering Research Council, 5.7, 5.9
 Social Sciences and Humanities Research Council, 5.7, 5.9
 Veterans administration and welfare, 6.36, 6.39

U

Unamortized discounts and premiums, 1.19, 9.5
 on market debt, 1.16, 1.20, 6.2, 6.8, 6.10, 6.11
 on marketable bonds, 6.8
 Unamortized discounts on,
 Canada Bills, 6.8
 Treasury Bills, 6.8
 Unclaimed dividends and undistributed assets—
 Bankruptcy and Insolvency Act, 6.42, 6.49
 Canada Business Corporations Act, 6.42, 6.49
 Winding-up and Restructuring Act, 6.42, 6.49
 Unconditionally repayable contributions, 9.31, 9.33
 Underground Economy Working Group, 6.40, 6.45
 Unexploded explosive ordnance affected sites, 5.12
 Unmatured debt, 1.16, 1.20, 2.6, 2.10, 2.15, 3.12, 6.2, 6.3, 6.11
 other, 1.16, 1.20, 6.2, 6.11
 payable in Canadian currency, 1.16, 1.20, 6.2
 payable in foreign currencies, 1.16, 1.20, 6.2
 Use of estimates and measurement uncertainty, 2.11

V

Vehicles, 10.6
 by sub-category, 10.6
 Veterans administration and welfare trust fund, 6.36, 6.39
 Veterans' disability and other future benefits, 6.30, 6.31
 Veterans insurance fund, 6.40, 6.44
 Veterans' Land Act Fund—Advances, 9.32, 9.40

W

War claims fund—World War II, 6.41, 6.46
 Winter capital projects fund, 9.29, 9.30
 Workers' compensation, 6.30, 6.31
 World Health Organization, 6.41, 6.47