



Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

1998

Volume I

Summary Report
and Financial
Statements

Canada 

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To His Excellency

The Right Honourable Roméo LeBlanc,
P.C., C.C., C.M.M., C.D.,
*Governor General and
Commander-in-Chief of Canada.*

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 1998.

All of which is respectfully submitted.

Marcel Massé,
President of the Treasury Board.

OTTAWA, OCTOBER 19, 1998

To The Honourable Marcel Massé,
President of the Treasury Board.

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, 1998, to be laid by you before the House of Commons.

Respectfully submitted,

Alfonso Gagliano,
Receiver General for Canada.

OTTAWA, OCTOBER 19, 1998

To The Honourable Alfonso Gagliano,
Receiver General for Canada.

Sir:

I have the honour to submit the Public Accounts of Canada for the year ended March 31, 1998.

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

This annual report is presented in two volumes:

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

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

The audited financial statements contained in Volume I are for the year ended March 31, 1998.

Respectfully submitted,

Ranald A. Quail,
Deputy Receiver General for Canada.

OTTAWA, OCTOBER 19, 1998

VOLUME I

TABLE OF CONTENTS

Section

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

INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

Nature of the *Public Accounts of Canada*

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

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

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

Format of the *Public Accounts of Canada*

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

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

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

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

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

SECTION 4: analysis of consolidated accounts;

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

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of cash and accounts receivable;

SECTION 8: analysis of foreign exchange accounts;

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

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

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

SECTION 1

1997-98

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Opinions of the Auditor General

CONTENTS

	<i>Page</i>
Preface	1.2
Statement of responsibility	1.4
Opinion of the Auditor General	1.5
Financial statements—	
Statement of transactions	1.7
Statement of revenues, expenditures and accumulated deficit	1.8
Statement of assets and liabilities	1.9
Statement of changes in financial position	1.10
Notes to the financial statements of the Government of Canada	1.11
Supplementary statement and opinion of the Auditor General— Debt Servicing and Reduction Account	1.26
Supplementary information— Observations by the Auditor General	1.29

NOTE TO READER

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

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

You can obtain a copy of the **Annual Financial Report** by calling the Department of Finance at (613) 995-2855

PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

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

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

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

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

The financial statements consist of four statements and accompanying notes.

The first is the **Statement of Transactions**, which shows the extent to which cash coming in to the Government exceeded cash going out, and the resulting net reduction in borrowing. The financial transactions are classified into the following categories:

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

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

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

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

The fourth is the **Statement of Changes in Financial Position**, which provides information on the Government's cash provided by operating, investing and foreign exchange activities, and how the cash was used to repay financing.

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

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

STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements on a basis consistent with that of the preceding year, except for the changes in accounting policies as explained in Note 2.

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

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

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

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

On behalf of the Government of Canada.



V. PETER HARDER
*Secretary of the Treasury Board and
Comptroller General of Canada*



C. SCOTT CLARK
Deputy Minister of Finance



RANALD A. QUAIL
Deputy Receiver General for Canada



**OPINION OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons:

My responsibility: I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 1998 and the statements of revenues, expenditures and accumulated deficit, changes in financial position and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

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

My opinion: In accordance with my Act, I express my opinion on three matters, together with any reservations I may have:

1. Whether the financial statements present information fairly (fairness).
 2. Whether the financial statements were prepared in accordance with the Government's stated accounting policies (compliance).
 3. Whether the Government's stated accounting policies were applied on the same basis as in the preceding year (consistency).
- 1. Fairness:** In my opinion, the 1997-98 surplus is understated by \$2.5 billion, and accounts payable and accrued liabilities as well as the accumulated deficit are overstated by the same amount. This results from the recording of a transaction related to the Canada Millennium Scholarship Foundation as if it were a liability and an expenditure, in accordance with the Government's stated accounting policy for transfer payments – a policy that was changed during the year. I consider this stated accounting policy to be inappropriate.

The \$2.5 billion has been recorded as owing to an organization that was not in existence at March 31, 1998 (the Foundation was not legally created by Parliament until June 18, 1998). An agreement between the Government and the Foundation governing the eventual operations of the Foundation was not signed until July 3, 1998. I believe that the \$2.5 billion was therefore not a liability at March 31, 1998 and that this transaction should not have been recorded in the year then ended.

In my opinion, except for the understatement of the 1997-98 surplus by \$2.5 billion and the overstatement of accounts payable and accrued liabilities as well as the accumulated deficit by the same amount, as described above, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1998 and the results of its operations, the changes in its financial position and its financial requirements for the year then ended.

2. **Compliance:** In my opinion, these financial statements present information in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements.
3. **Consistency:** In my opinion, except for the changes in accounting policies for assistance to international financial institutions and interest costs on obligations for public sector pensions, as described in Note 2 to the financial statements, and for transfer payments as described in the previous section on fairness, the Government's stated accounting policies have been applied on a basis consistent with that of the preceding year.

Additional information: Additional information and comments on the financial statements and this opinion are included in my observations at the end of this section.

A handwritten signature in black ink, appearing to read 'L. Denis Desautels', with a stylized flourish at the end.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 27, 1998

GOVERNMENT OF CANADA

Statement of Transactions
for the Year Ended March 31, 1998

(in millions of dollars)

	1998	1997
BUDGETARY TRANSACTIONS		
Revenues.....	153,162	140,896
Expenditures ⁽¹⁾	-149,684	-149,793
Surplus or deficit (-) for the year.....	3,478	-8,897
NON-BUDGETARY TRANSACTIONS		
Net source from loans, investments and advances	2,031	275
Net source from pension and other accounts	3,829	6,865
Net source from other transactions	3,391	3,022
Net source.....	9,251	10,162
Source of funds (excluding foreign exchange transactions).....	12,729	1,265
NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS	-2,155	-7,759
Total source of funds or financial requirements (-).....	10,574	-6,494
NET REQUIREMENT (-) OR SOURCE FROM UNMATURED DEBT TRANSACTIONS.....	-9,561	7,305
Increase in cash	1,013	811
CASH IN BANK AT BEGINNING OF YEAR⁽²⁾	9,366	8,555
CASH IN BANK AT END OF YEAR⁽²⁾.....	10,379	9,366

The accompanying notes are an integral part of this statement.

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

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

⁽¹⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies of \$666 million as described in Note 2.⁽²⁾ Cash in bank excludes outstanding cheques, warrants and deposits.

GOVERNMENT OF CANADA

Statement of Revenues, Expenditures and Accumulated Deficit
for the Year Ended March 31, 1998

(in millions of dollars)

	1998		1997	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
REVENUES (Note 4)				
TAX REVENUES—				
Income tax—				
Personal	75,672	70,787	68,122	63,282
Corporation	22,496	22,496	17,020	17,020
Other income tax revenues	2,974	2,974	2,847	2,847
	101,142	96,257	87,989	83,149
Excise taxes and duties—				
Goods and services tax	22,353	19,461	20,951	18,079
Energy taxes	4,638	4,638	4,467	4,467
Customs import duties	2,766	2,766	2,676	2,676
Other excise taxes and duties	3,995	3,995	3,876	3,876
	33,752	30,860	31,970	29,098
Employment insurance premiums	18,802	18,802	19,816	19,816
TOTAL TAX REVENUES	153,696	145,919	139,775	132,063
NON-TAX REVENUES—				
Return on investments	4,511	4,427	4,276	4,210
Other non-tax revenues	6,155	2,816	8,421	4,623
TOTAL NON-TAX REVENUES	10,666	7,243	12,697	8,833
TOTAL REVENUES	164,362	153,162	152,472	140,896
EXPENDITURES (Note 5)				
TRANSFER PAYMENTS—				
Old age security benefits, guaranteed income supplement and spouse's allowance	21,758	22,225	21,207	21,606
Other levels of government	20,504	20,504	22,162	22,162
Employment insurance benefits ⁽²⁾	11,842	11,842	12,380	12,380
Child tax benefits	5,352		5,239	
Other transfer payments	23,557	20,664	20,332	17,460
TOTAL TRANSFER PAYMENTS	83,013	75,235	81,320	73,608
CROWN CORPORATION EXPENDITURES	3,775	2,548	4,823	3,578
OTHER PROGRAM EXPENDITURES—				
National Defence	9,240	8,879	9,051	8,661
All other departments and agencies	21,902	20,068	21,202	18,973
TOTAL OTHER PROGRAM EXPENDITURES	31,142	28,947	30,253	27,634
TOTAL PROGRAM EXPENDITURES	117,930	106,730	116,396	104,820
PUBLIC DEBT CHARGES	43,620	43,620	44,973	44,973
TOTAL EXPENDITURES	161,550	150,350	161,369	149,793
SURPLUS OR DEFICIT (-) BEFORE CHANGES IN ACCOUNTING POLICIES	2,812	2,812	-8,897	-8,897
Net effect of changes in accounting policies (Note 2)	666	666		
SURPLUS OR DEFICIT (-) FOR THE YEAR	3,478	3,478	-8,897	-8,897
ACCUMULATED DEFICIT, BEGINNING OF YEAR	583,186	583,186	574,289	574,289
ACCUMULATED DEFICIT, END OF YEAR (Note 6)	579,708	579,708	583,186	583,186

The accompanying notes are an integral part of this statement.

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

⁽¹⁾ The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures and tax credits and expenditures related to the tax system included in revenues.⁽²⁾ Employment insurance benefits exclude administration costs of \$1,322 million (\$1,374 million in 1997) related to the operation of the Employment Insurance Account. These costs have been allocated to other program expenditures.

GOVERNMENT OF CANADA

Statement of Assets and Liabilities
at March 31, 1998

(in millions of dollars)

	1998	1997
LIABILITIES		
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES		
Accounts payable and accrued liabilities	22,364	19,265
Interest and matured debt	10,419	10,402
Allowance for employee benefits	6,729	5,180
Allowance for loan guarantees and borrowings of Crown corporations	4,188	5,253
TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES	43,700	40,100
INTEREST-BEARING DEBT—		
Unmatured debt—		
Payable in Canadian currency—		
Marketable bonds	294,583	282,498
Treasury bills	112,300	135,400
Canada savings bonds	29,769	32,470
Bonds for Canada Pension Plan	3,456	3,468
	440,108	453,836
Payable in foreign currencies	27,183	23,016
Total unmatured debt (Note 7)	467,291	476,852
Pension and other accounts—		
Public sector pensions (Note 8)	117,457	114,205
Canada Pension Plan (net of securities) (Note 9)	4,205	3,718
Other pension and other accounts	5,872	5,782
Total pension and other accounts	127,534	123,705
TOTAL INTEREST-BEARING DEBT	594,825	600,557
TOTAL LIABILITIES	638,525	640,657
ASSETS		
CASH AND ACCOUNTS RECEIVABLE		
Cash in bank	10,379	9,366
Cash in transit	4,530	4,062
	14,909	13,428
Less outstanding cheques and warrants	3,218	3,253
Total cash	11,691	10,175
Accounts receivable (net of allowance for doubtful accounts of \$2,461 million (\$2,246 million in 1997))	4,122	4,416
TOTAL CASH AND ACCOUNTS RECEIVABLE	15,813	14,591
FOREIGN EXCHANGE ACCOUNTS (Note 10)	28,968	26,813
LOANS, INVESTMENTS AND ADVANCES—		
Enterprise Crown corporations (Notes 11 and 14)	12,601	13,842
National governments, including developing countries and international organizations (Note 12)	6,869	8,691
Provincial and territorial governments and other loans, investments and advances	2,591	2,788
Portfolio investments	1,241	1,300
	23,302	26,621
Less allowance for valuation	9,266	10,554
TOTAL LOANS, INVESTMENTS AND ADVANCES	14,036	16,067
TOTAL ASSETS	58,817	57,471
ACCUMULATED DEFICIT (Note 6)	579,708	583,186

The accompanying notes are an integral part of this statement.

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

GOVERNMENT OF CANADA

Statement of Changes in Financial Position
for the Year Ended March 31, 1998 ⁽¹⁾

(in millions of dollars)

	1998	1997
OPERATING ACTIVITIES —		
Surplus or Deficit (-) for the year	3,478	-8,897
Expenditures not requiring cash :		
Interest on pension and other accounts ⁽²⁾	9,474	11,541
Government contribution for employee benefits	1,773	1,654
Provision for valuation of assets and liabilities	2,620	-3,967
	17,345	331
Net payments from pension and other accounts	-5,110	-3,902
Net change in accounts receivable, accounts payable and accruals	-470	4,165
CASH PROVIDED BY OPERATING ACTIVITIES	11,765	594
INVESTING ACTIVITIES —		
Net decrease in loans, investments and advances	1,467	991
CASH PROVIDED BY INVESTING ACTIVITIES	1,467	991
FOREIGN EXCHANGE ACTIVITIES —		
Net increase in foreign currencies borrowings	4,167	6,207
Net increase (-) in foreign exchange accounts	-2,155	-7,759
CASH PROVIDED BY OR REQUIRED FOR (-) FOREIGN EXCHANGE ACTIVITIES	2,012	-1,552
TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES	15,244	33
FINANCING ACTIVITIES —		
Net decrease or increase (-) in Canadian currency borrowings	13,728	-1,098
CASH USED OR PROVIDED BY (-) FINANCING ACTIVITIES	13,728	-1,098
Net increase in cash	1,516	1,131
CASH AT BEGINNING OF YEAR	10,175	9,044
CASH AT END OF YEAR	11,691	10,175

The accompanying notes are an integral part of this statement.

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

⁽¹⁾ The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.⁽²⁾ Interest on pension and other accounts excludes interest on the allocations of special drawing rights by the International Monetary Fund totalling \$52 million (\$60 million in 1997).

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

In these financial statements, the Government of Canada includes the financial activities of all of its departments, agencies, corporations and funds, which are owned or controlled by the Government and which are accountable to Parliament, except for enterprise Crown corporations which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment and an allowance for valuation which includes the annual net profits and losses of the corporations. In addition, any amounts receivable from or payable to these corporations are reported. More details on enterprise Crown corporations are provided in Note 11.

The Canada Pension Plan is not part of the reporting entity because it is under joint control of the Government and participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, as well as from interest on investments which are mainly in provincial government securities. More details on the Canada Pension Plan are provided in Note 9.

Basis of accounting

The Government reports revenues and expenditures on both a gross and net basis. On the net basis, certain expenditures are deducted from revenues and certain revenues are deducted from expenditures as described in Note 4 and Note 5.

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

Non-tax revenues are reported on an accrual basis.

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

Capital leases are recorded as expenditures over the lease term as payments are due. Expenditures include allowances to reflect changes in the value of assets or liabilities at their economic value, and amortization of deferred costs.

Financial claims are recorded as assets, except for those related to tax revenues. Assets are recorded at cost and are subject to annual valuation to reflect reductions from their recorded value to the estimated realizable value. The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.

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

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

Concessionary loans

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

Sovereign loans

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

Gold reserves

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of five major currencies. More details on gold reserves are provided in Note 10.

Employee benefits

Employees' entitlements to severance and pension benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. For pensions, when actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the employees. More details on public sector pensions are provided in Note 8.

Contingent liabilities

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

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

Claims for significant tax refunds are reported in the notes to the financial statements until all appeals to the Federal Court of Canada or the Supreme Court of Canada have been exhausted or are not expected to be pursued. After this time they are recorded as liabilities. More details on contingent liabilities are provided in Note 15.

Foreign currency translation

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

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with stated accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable. Some of the more significant estimates subject to measurement uncertainty in these financial statements include valuation allowances for loans including sovereign debt, investments and advances, borrowings of Crown corporations, employee benefits, pension obligations described in Note 8, future expenditures related to contingent liabilities, transfer payments to other levels of government, and liabilities under provincial and territorial tax collection agreements.

Comparative information

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

2. Changes in Accounting Policies

i. Assistance to international financial institutions

Effective April 1, 1997, the Government changed its method of accounting for assistance to international financial institutions to more closely correlate recording of expenditures with program activity. Previously, a deferred cost was recorded when notes payable were issued to international financial institutions and an expenditure recorded when the note payable was redeemed. Under the new accounting policy, an expenditure will be recorded when a note is issued.

The net effect of this change is a \$1,812 million decrease in the 1997-98 surplus and a corresponding decrease in loans, investments and advances to international organizations. This change is made pursuant to section 64(2) of the *Financial Administration Act*.

ii. *Interest costs on obligations for public sector pensions*

Effective April 1, 1997, the Government changed the method used to calculate interest costs on obligations for public sector pensions in order to comply with the recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants.

Until March 31, 1997, interest charged to public debt charges was based on superannuation account balances in accordance with pension legislation. As of April 1, 1997, interest is based on the actuarial obligations under the various pension plans as recommended by PSAAB. This change has been effected through the establishment of allowances pursuant to section 64(2) of the *Financial Administration Act*.

The net effect of this change, which is being applied on a prospective basis, is a \$2,478 million increase in the 1997-98 surplus and a corresponding decrease in the liability for public sector pensions. The adjustment to the surplus relates to a decrease in interest costs of \$2,689 million and an increase in other program expenditures of \$211 million. This change has no impact on the amount of interest credited to the superannuation accounts, or on the superannuation account balances. Further details are provided in Note 8 and Section 6 of this volume.

The net effect of both changes in accounting policy on the current year's financial results is to increase the reported surplus for the year by \$666 million.

3. Spending and Borrowing Authorities

i. *Spending authorities*

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

	(in millions of dollars)	
	1998	1997
Annual spending limits voted by Parliament	46,477	47,612
Expenditures permitted under other legislation	93,978	97,370
Total expenditures authorized	140,455	144,982
Less amount available for use in subsequent years and amounts that have lapsed, net of overexpended amounts	3,061	3,683
Total used	137,394	141,299
Effect of consolidating certain accounts and provision for valuation	12,290	8,494
Net total expenditures ⁽¹⁾	149,684	149,793

⁽¹⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2.

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

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$51,524 million (\$51,782 million in 1997) was authorized for loans, investments and advances. A net amount of \$413 million was repaid (\$88 million was used in 1997), an amount of \$58 million lapsed (\$87 million in 1997) and an amount of \$51,878 million is available for use in subsequent years (\$51,607 million in 1997).

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

ii. Overexpenditure of spending authorities

During the year, Canadian Heritage-Payment to National Capital Commission vote 105, Industry-Payments to Enterprise Cape Breton Corporation vote 55 and Solicitor General- Royal Canadian Mounted Police vote 35, were each overexpended by less than \$50 million.

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

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. The laws authorizing borrowings may be summarized as follows:

	(in millions of dollars)	
	1998	1997
Total authorities granted		18,700
Authorities available from previous years	4,000	
Less:		
Authorities used		6,831
Authorities lapsed		7,869
Authorities available for future years	4,000	4,000

4. Revenues

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

i. Personal income tax

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

	(in millions of dollars)	
	1998	1997
Gross personal income tax	75,672	68,122
Less:		
Child tax benefit payments	5,352	5,239
Old Age Security benefit repayments	-467	-399
Net personal income tax	70,787	63,282

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

The difference between the gross and net totals of personal income tax revenues consists of items that are related to expenditures but are determined through the income tax process. These items are reflected in the gross amounts of the relevant transfer payments in the Statement of Revenues, Expenditures and Accumulated Deficit.

ii. Excise taxes and duties

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

	(in millions of dollars)	
	1998	1997
GST and HST received	46,986	40,733
Less:		
Refunds	20,500	17,540
Rebates ⁽¹⁾	1,741	1,369
GST paid by ministries	922	873
Transfer of HST to provinces	1,470	
Gross GST	22,353	20,951
Less other transfer payments—		
Quarterly tax credits	2,892	2,872
Net GST	19,461	18,079

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

⁽¹⁾ GST rebates are reported net of GST collected by claimants.

Effective April 1, 1997, the government implemented Sales Tax Harmonization Agreements with three provinces. As a result, reported amounts include harmonized sales tax (HST) where applicable. GST/HST received is reported net of offsetting refunds and rebates claimed by registrants. Refunds and rebates are reported net of GST/HST collected by registrants. Transfers of HST to participating provinces are calculated in accordance with formulae contained in Sales Tax Harmonization Agreements.

The difference between gross and net GST represents quarterly tax credits which are related to expenditures but are determined through the personal income tax process. These credits are reflected in the gross amounts of other transfer payments in the Statement of Revenues, Expenditures and Accumulated Deficit.

iii. Non-tax revenues

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

	(in millions of dollars)	
	1998	1997
Gross return on investments		
Loans, investments and advances	2,604	2,461
Foreign exchange accounts	1,379	1,500
Other	528	315
	<u>4,511</u>	<u>4,276</u>
Less:		
Other program expenditures—		
Revenues netted against expenditures	47	30
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	37	36
Net return on investments	<u>4,427</u>	<u>4,210</u>
Gross other non-tax revenues	6,155	8,421
Less:		
Other program expenditures—		
Revenues netted against expenditures	2,149	2,589
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	1,190	1,209
Net other non-tax revenues	<u>2,816</u>	<u>4,623</u>

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

The difference between the gross and net totals of return on investments and other non-tax revenues consists of revenues netted against expenditures and revenues of consolidated Crown corporations. These revenues are reflected in the gross amounts of other program expenditures and Crown corporation expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

5. Expenditures

Expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit, adjusted for the effect of the changes in accounting policies described in Note 2, are as follows:

i. By type of resources acquired or disbursements made

		(in millions of dollars)	
Standard Object		1998	1997
(1)	Personnel	16,342	15,358
(2)	Transportation and communications ..	1,859	1,848
(3)	Information	319	243
(4)	Professional and special services	3,515	3,329
(5)	Rentals	1,036	988
(6)	Purchased repair and		
	maintenance	1,349	1,332
(7)	Utilities, materials and		
	supplies	2,527	2,686
(8)	Construction and/or acquisition of		
	land, buildings and works	913	1,060
(9)	Construction and/or acquisition of		
	machinery and equipment	2,332	2,795
(12)	Other subsidies and payments	4,936	5,437
		<u>35,128</u>	<u>35,076</u>
(13)	Less:		
	Revenues netted against		
	expenditures	2,196	2,619
	Revenues of consolidated		
	Crown corporations	1,227	1,245
	Net total—Other program and		
	Crown corporation		
	expenditures	31,705	31,212
(10)	Gross transfer payments ⁽¹⁾	84,825	81,320
	Less tax credits and		
	repayments	7,777	7,712
	Net transfer payments ⁽¹⁾	<u>77,048</u>	<u>73,608</u>
	Total net program		
	expenditures ⁽²⁾	108,753	104,820
(11)	Public debt charges ⁽³⁾	40,931	44,973
	Total net expenditures	149,684	149,793
	Net effect of changes in		
	accounting policies (Note 2)	666	
	Total net expenditures		
	before changes in		
	accounting policies	150,350	149,793

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

⁽¹⁾ The 1998 amount includes \$1,812 million to effect the change in accounting policy described in Note 2.i.

⁽²⁾ The 1998 amount also includes \$211 million to effect the change in accounting policy described in Note 2.ii.

⁽³⁾ The 1998 amount has been reduced by \$2,689 million to reflect the change in accounting policy described in Note 2.ii.

ii. *Transfer payments to other levels of government*

	(in millions of dollars)	
	1998	1997
Canada health and social transfer	12,421	14,911
Fiscal arrangements	10,000	9,418
Canada Assistance Plan	24	105
Education support	5	-41
Insurance and medical care	162	-217
Alternative payments for standing programs ⁽¹⁾	-2,108	-2,014
Total	20,504	22,162

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

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

iii. *Other transfer payments by ministry*

	(in millions of dollars)	
	1998	1997
Agriculture and Agri-Food	817	1,741
Finance	430	1,528
Foreign Affairs and International Trade	2,084	2,052
Human Resources Development	2,076	2,080
Indian Affairs and Northern Development	3,978	3,898
Industry	2,977	2,093
Veterans Affairs	1,374	1,369
Other ministries	8,740	2,699
Total	22,476	17,460
Net effect of change in accounting policy (Note 2)	-1,812	
Total net expenditures before change in accounting policy	20,664	17,460

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

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

	(in millions of dollars)	
	1998	1997
Fisheries and Oceans	1,092	1,170
Foreign Affairs and International Trade	1,153	1,127
Industry	1,536	1,540
National Revenue	2,199	2,050
Public Works and Government Services	1,805	1,754
Solicitor General	2,637	2,584
Other ministries	9,857	8,748
Total	20,279	18,973
Net effect of change in accounting policy (Note 2)	-211	
Total net expenditures before change in accounting policy	20,068	18,973

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

v. *Public debt charges*

	(in millions of dollars)	
	1998	1997
Interest on—		
Unmatured debt	26,289	25,589
Pension and other accounts	9,553	11,600
Amortization of discounts on Canada and Treasury bills	4,742	7,392
Amortization of premiums, discounts and commissions on all other debt	197	342
Servicing costs and costs of issuing new borrowings	150	50
Total public debt charges	40,931	44,973
Net effect of change in accounting policy (Note 2)	2,689	
Total public debt charges before change in accounting policy	43,620	44,973

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

vi. *Significant transactions*(a) *Canada Millennium Scholarship Foundation*

In the February 1998 Budget, the Government announced a decision to establish and provide a grant of \$2,500 million to the Canada Millennium Scholarship Foundation. This Foundation has a mandate to grant scholarships in order to improve access to post-secondary education in Canada. Legislation to establish the Foundation received parliamentary approval in June 1998. The Government recorded the grant as a liability at March 31, 1998 and charged \$2,500 million to other transfer payments.

(b) *Disaster Financial Assistance*

Pursuant to Disaster Financial Assistance Arrangements with provinces under the *Emergency Preparedness Act*, the Government has recorded liabilities of \$569 million related to floods in Manitoba and ice storms in Ontario, Quebec and New Brunswick and other regional disasters during the 1997-98 fiscal year. The Government charged other transfer payments for these measures.

(c) Hepatitis C Assistance

The federal, provincial and territorial governments announced their readiness to offer financial assistance to Canadians who were infected by Hepatitis C through the Canadian blood system between 1986 and 1990. The federal government has agreed to share up to \$800 million in this assistance. The Government has recorded a liability of \$800 million at March 31, 1998 and charged other transfer payments for this measure.

6. Accumulated Deficit

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

	(in millions of dollars)	
	1998	1997
Accumulated deficit excluding consolidated accounts	592,142	589,045
Consolidated accounts—		
Employment Insurance Account	-12,860	-6,468
Western Grain Stabilization Account	1,085	1,085
Crop Reinsurance Fund	-1	222
Other insurance accounts	-270	-261
Agriculture Commodities Stabilization Accounts	-2	-11
Other consolidated accounts	-378	-377
	579,716	583,235
Consolidated Crown corporations	-8	-49
Accumulated deficit	579,708	583,186

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

7. Unmatured Debt and Other Financial Instruments*i. Unmatured debt*

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

Maturing year	(in millions of dollars)							
	Marketable bonds			Canada savings bonds ⁽²⁾	Bonds for Canada Pension Plan	Canada bills	Foreign currency notes	Total
	Canadian \$	US \$ ⁽¹⁾ expressed in Canadian \$	Treasury bills			US \$ expressed in Canadian \$	US \$ ⁽³⁾ expressed in Canadian \$	
1999	35,975	2,840	112,300	2,920	12	9,356	1,076	164,479
2000	44,903				18		248	45,169
2001	26,950	2,129			23		638	29,740
2002	21,121	1,420		2,350	17		298	25,206
2003	21,825	4,259		2,127	17			28,228
2004 and subsequent	143,831	4,003		23,082	3,369		916	175,201
	294,605	14,651	112,300	30,479	3,456	9,356	3,176	468,023
Less Government's holdings of unmatured debt	22			710				732
	294,583	14,651	112,300	29,769	3,456	9,356	3,176	467,291
Nature of interest rate ⁽⁴⁾	Fixed ⁽⁵⁾	Fixed	Variable	Variable	Fixed	Variable	Fixed ⁽⁶⁾	
Effective average annual interest rate excluding swap	7.83	6.09	4.41	3.61	10.22	5.49	5.87	
Range of interest rates	4.00-15.75	5.625-6.75	3.60-5.20	3.00-6.75	8.77-17.51	5.38-5.80	4.00-6.68	

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

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

⁽²⁾ Canada savings bonds are redeemable on demand.

⁽³⁾ Foreign currency notes are comprised of Canada notes issued in US dollars and Euro medium-term notes issued in US dollars and foreign currencies but which were subsequently swapped into US dollars.

⁽⁴⁾ Debt with maturity terms of less than one year is considered to have a variable interest rate.

⁽⁵⁾ Includes real return bonds which have a variable component based on the consumer price index.

⁽⁶⁾ Includes medium-term notes which have variable rates.

ii. *Derivative financial instruments and Foreign Currency contracts*

(a) *Swap agreements*

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

currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars with either fixed interest rates or variable interest rates tied to the London Interbank Offered Rates (LIBOR). As a normal practice, the Government swap positions are held to maturity. The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges in the Statement of Revenues, Expenditures and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31, 1998 are as follow:

Maturing year	(in millions of dollars)			
	1998		1997	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
1998			4,200 ⁽¹⁾	
1999	1,350		1,350	
2000	500	400	500	400
2001		25		
2002	250	1,360	250	1,360
2003		2,633	50	681
2004 and subsequent	50	4,391		
	2,150	8,809	6,350	2,441

⁽¹⁾ Includes \$1,100 million of rate-adjusting swaps overlaid on existing swaps.

(b) *Credit risk to swap agreements*

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings of at least Standard & Poor's AA- for instruments with remaining maturity terms between 3 and 10.5 years and at least A for terms of up to 3 years.

The Government does not anticipate any significant loss with respect to its swap agreements.

The following table presents the swap agreements by internationally accepted ratings assigned by Standard & Poor's:

Standard & Poor's	(in millions of dollars)	
	1998	1997
AAA		
AA+	4,031	2,741
AA	1,383	1,350
AA-	5,395	4,200 ⁽¹⁾
A+		350
A	150	150
A-		
	10,959	8,791

⁽¹⁾ Includes \$1,100 million of rate-adjusting swaps overlaid on existing swaps.

(c) *Foreign currency contracts*

The Government has entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's Foreign Exchange Accounts. Canada's IMF Reserve Position is denominated in Special Drawing rights (SDRs). The hedging transactions involve the forward purchase and sale of the composite currencies of the SDRs (i.e. US dollar, French franc, Deutsche mark, Pound sterling and Japanese yen).

As at March 31, 1998 the notional value of these outstanding forward currency contracts is \$5,720 million (\$5,197 million in 1997) and the unrealized gain which is not recognized in the books is \$63 million (\$49 million in 1997). All forward currency transactions have a maximum term of about 12 months or less. All financial institutions involved in the forward currency contracts have at least a AA- credit rating, based on the Standard & Poor's international long-term credit rating.

The Canadian dollar notional values of the forward currency contracts outstanding as at March 31 are presented in the following table:

Currency	(in millions of Canadian dollars)			
	1998		1997	
	Forward sale contracts	Forward purchase contracts	Forward sale contracts	Forward purchase contracts
US dollar.....	2,704	1,533	2,150	1,359
Deutsche mark.....	513		696	330
Japanese yen.....	449		292	
Pound sterling.....	256		198	
French franc.....	265		172	
Total.....	4,187	1,533	3,508	1,689

iii. Fair values of financial instruments

(a) Financial assets and liabilities

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government's estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values are assumed to approximate carrying values where no market exists.

Fair values may not reflect future market conditions nor the actual values obtainable should the instruments be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to unpredictability of future events.

Financial assets and liabilities	(in millions of Canadian dollars)					
	1998			1997		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Financial Assets						
Cash.....	11,691	11,691		10,175	10,175	
Accounts receivable.....	4,122	4,122		4,416	4,416	
Foreign Exchange Accounts.....	28,968	30,082	1,114	26,813	28,094	1,281
Loans Investments and Advances						
excluding investments in						
enterprise Crown corporations.....	12,626	13,312	686	15,579	16,077	498
Financial Liabilities						
Accounts payable, accruals						
and allowances.....	43,700	43,700		40,100	40,100	
Unmatured debt.....	467,291	509,070	-41,779	476,852	502,110	-25,258
Pension and other accounts.....	123,329	106,775	16,554	119,987	99,356	20,631
Canada Pension Plan						
deposit.....	4,205	4,205		3,718	3,718	
Net fair value in excess of						
carrying value.....			-23,425			-2,848

Fair values are determined using the following methods and assumptions:

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

Short-term financial claims and obligations denominated in foreign currencies in the Foreign Exchange Accounts are reported at Canadian dollar equivalents at March 31, which is assumed to approximate fair value. Fair values of gold reserves held in the Foreign Exchange Accounts reflect market values at year-end. Fair values of assets for which no market exists are deemed to approximate carrying values.

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

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

Marketable bonds denominated in Canadian dollars and foreign currencies and treasury bills issued in Canadian dollars are valued at market. Fair values of other instruments comprising the unmatured debt are deemed

to approximate carrying values due to their short life span or their non-negotiable nature.

The fair values of pension liabilities are assumed to approximate actuarial liabilities. These are established by projecting benefits expected to be paid in the future and calculating their present value. This process includes making assumptions of future inflation, interest rates, general wage increases, work force composition, and retirement and mortality rates.

(b) Derivative financial instruments and foreign currency contracts

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

	(in millions of dollars)			
	1998		1997	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate and cross currency swaps.....	10,959	337	8,791	331
Foreign currency contracts—				
Forward sales	4,187	8	3,508	-14
Foreign currency contracts—				
Forward purchases	1,533	55	1,689	63

Fair values of the swap agreements are the estimated amount the counterparty would receive or pay to hypothetically terminate the agreement based on market factors.

Fair values of the forward contracts are estimated based on year-end spot rates and approximate the estimated amounts required to close out the position.

8. Public Sector Pensions

The Government is responsible for defined benefit pension plans covering substantially all of its full-time employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Crown corporations) as well as federally appointed judges and Members of Parliament. Pension benefits are generally calculated by reference to highest earnings for a specified period of time. They are related to years of service and are indexed to inflation. Separate market invested funds are not set aside to provide for payment of these pension benefits.

Annually, pension obligations are estimated by projecting benefits expected to be paid in the future and

calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, work-force composition, retirement rates and mortality rates. The long-term rate of inflation used in the valuation is 2.0 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$12,400 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$12,700 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 1998, which amounted to \$100,903 million (\$93,574 million in 1997) and unamortized pension adjustments of \$16,554 million (\$20,631 million in 1997). Pension adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years, which will affect expenditures in those years.

Interest at the Government's long-term bond rate (9.9 percent in 1998 and 10.2 percent in 1997) is calculated on actuarial obligations and is reported as part of public debt charges. As explained in Note 2, the method of calculating interest costs on pension liabilities was changed effective April 1, 1997. Charges to expenditures are summarized as follows:

	(in millions of dollars)	
	1998	1997
Employer contributions.....	1,615	1,495
Pension costs attributable to Public		
Service restructuring	525	397
Statutory payments under various acts	94	86
Less amortization of estimation adjustments ⁽¹⁾	-2,440	-2,575
Net pension costs.....	-206	-597
Interest charged to public debt charges ⁽²⁾	9,016	11,137
Total pension related expenditure.....	8,810	10,540

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

⁽¹⁾ Net of an adjustment of \$211 million related to the change in accounting policy described in Note 2 ii.

⁽²⁾ Net of an adjustment of \$2,689 million related to the change in accounting policy described in Note 2 ii.

9. 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 program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces.

The Canada Pension Plan Account was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. Additionally, the Canada Pension Plan Investment Fund was established in the accounts of Canada to record the investment in securities of the provinces, territories and Canada. The liability at March 31, 1998 is reported as the balance in the Account net of securities held by the Fund.

A summary of the financial activities of the Plan is presented as follows :

	(in millions of dollars)	
	1998	1997
Canada Pension Plan Account—		
Balance at beginning of year	37,759	39,168
Contributions received	12,790	11,391
Interest earned	3,950	4,118
Pensions and benefits paid	-17,537	-16,676
Administration expenditures	-298	-242
Balance at end of year	36,664	37,759
Invested in—		
Provincial and territorial securities	29,003	30,573
Deposit with the Receiver General for Canada	4,205	3,718
Canada bonds	3,456	3,468
	36,664	37,759

The financial statements of the Plan are included in Section 6 of this volume.

The Plan is financed on a pay-as-you-go basis, which means that pensions and benefits are paid out of current contributions. As administrator, the Government's authority to spend is limited to the balance of the Account of \$36,664 million (\$37,759 million in 1997). Governing legislation does not require the Plan obligations to be determined on an actuarial basis (a process that estimates the current value of future benefits using various assumptions). The balance in the Account is therefore planned, over time, to equal about four times the projected annual payments in the following year. The *Sixteenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions provides further discussion on funding of the Plan.

10. Foreign Exchange Accounts

i. Foreign exchange accounts

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

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	1998	1997
International reserves held in the Exchange		
Fund Account	28,198	26,726
International Monetary Fund—		
Subscriptions	8,194	8,295
	36,392	35,021
Less:		
International Monetary Fund—		
Notes payable	5,946	6,712
Special drawing rights allocations	1,478	1,496
	7,424	8,208
Total foreign exchange accounts	28,968	26,813

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

ii. Gold reserves

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is kept in the form of gold: 3.1 million fine ounces (3.1 million fine ounces in 1997). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$66.38 per fine ounce (\$67.20 in 1997), which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of five major currencies. This valuation results in a recorded value of \$205 million (\$207 million in 1997), which is much lower than the market value of \$1,319 million (\$1,488 million in 1997) using a value of \$427.36 per fine ounce (\$481.98 in 1997).

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

11. Crown Corporations

The Government wholly owns fifty-four corporations referred to as Crown corporations.

Some of these corporations rely on the Government for most of their financing. There are twenty-two such corporations (22 in 1997) whose financial activities are consolidated in these financial statements. The major corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

Other corporations are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining; these corporations are called enterprise Crown corporations. Their assets, liabilities, revenues and expenses are not included in these financial statements, except that in addition to recording the Government's investment in these corporations as described in the paragraph below, their borrowings are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations.

Details of these corporations are included in Section 9 of this volume.

The following table presents the Government's recorded financial assets for enterprise Crown corporations. Of this amount, \$3,440 million (\$3,338 million in 1997) represents investments in capital stock and contributed capital of the corporations. The balance represents loans and advances made by the Government.

	(in millions of dollars)	
	1998	1997
Enterprise Crown corporations—		
Canada Mortgage and Housing Corporation	6,733	6,964
Farm Credit Corporation	3,045	3,625
Export Development Corporation	983	983
Canada Deposit Insurance Corporation ..	395	855
Business Development Bank of Canada ..	403	403
Other	1,042	1,012
Total enterprise Crown corporations	12,601	13,842

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

Financial results for the enterprise Crown corporations are summarized as follows:

	(in millions of dollars)	
	1998	1997
Assets (including capital assets and deferred charges of \$5,909 (\$5,719 in 1997))	89,481	81,301
Liabilities	83,857	76,528
Net equity	5,624	4,773
Revenues	20,310	18,316
Expenses	18,167	16,205
Net income for the year	2,143	2,111
Other changes in equity		
Dividends ⁽¹⁾	-1,555	-1,371
Other	263	-149
	851	591
Opening net equity	4,773	4,182
Closing net equity	5,624	4,773
Contractual commitments	9,952	7,346
Contingent liabilities	627	877

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

⁽¹⁾ Amounts reported as dividends include \$1,509 million (\$1,310 million in 1997) from the Bank of Canada.

Financial statements of all Crown corporations are included in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

12. National Governments, including Developing Countries and International Organizations

i. Loans to developing countries

Included in loans to national governments of \$2,859 million (\$3,074 million in 1997) are loans to developing countries of \$1,586 million (\$1,676 million in 1997). Due to the concessionary nature of these loans (extended terms, low interest rates or no interest), loans signed before April 1, 1986 have been fully provided for in the allowance for valuation of assets. Any repayments received on these loans are included in revenues when received. All similar loans disbursed after April 1, 1986 have been treated as budgetary expenditures.

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

ii. Loans, investments and advances to international organizations

Loans, investments and advances to international organizations, including development banks and their related funds, total \$4,010 million (\$5,617 million in 1997). Generally, advances to the funds are considered to be of a more concessionary nature as the funds lend to developing countries on beneficial terms. Accordingly, advances to the funds prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets. Advances to the funds after April 1, 1986 have been treated as budgetary expenditures.

In addition, as explained in Note 2, previously, deferred costs were recorded when notes payable were issued to these organizations and, an expenditure recorded when the note payable was redeemed. Effective April 1, 1997, an expenditure is recorded when a note is issued. Accordingly, deferred costs of \$1,812 million have been fully provided for in the allowance for valuation of assets.

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

13. Contractual Commitments

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

	(in millions of dollars)	
	1998	1997
Transfer payment agreements	13,669	11,308
Benefit plans for veterans	5,750	5,811
Operating and capital leases	4,074	4,198
Acquisition of property and equipment, and goods and services	4,435	3,775
International organizations	1,290	1,734
Pension liability under Continuation Acts	185	210
	29,403	27,036

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

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

Year	(in millions of dollars)
1999	7,756
2000	5,807
2001	4,673
2002	3,984
2003	3,684
2004 and subsequent	3,499
	<hr/> 29,403

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

i. Transfer payment agreements

Included in the transfer payment agreements commitments of \$13,669 million (\$11,308 million in 1997) is an amount of \$9,035 million (\$8,692 million in 1997) related to various contractual obligations of the Government through Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,800 million per year. Uncertainty in forecasting makes estimates beyond the year 2003 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2003.

ii. Operating and capital leases

Capital leases have various terms up to 50 years. Of the total of \$4,074 million (\$4,198 million in 1997) in operating and capital leases, \$2,827 million (\$2,804 million in 1997) represents future payments for capital leases. Of this, \$1,600 million (\$1,591 million in 1997) is imputed interest and executory costs.

iii. Benefit plans for veterans

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,200 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2003 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only to 2003.

14. Insurance Programs

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

Canada Deposit Insurance Corporation provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 1998 amounted to \$305,014 million (\$317,053 million in 1997). The Corporation is expected to be self-financing through premiums collected from members. However, at March 31, 1998, it has accumulated a shortfall of \$539 million (\$1,176 million in 1997). The Government expects that this amount will be made up from members' premiums in future years and that no cost will be incurred by the Government.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1998 was \$168,900 million (\$135,100 million in 1997). The Fund has a surplus of \$21 million at March 31, 1998 (\$19 million in 1997). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Corporation (EDC) provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 1998 was \$11,500 million (\$9,329 million in 1997). The EDC insurance portfolio has a surplus of \$252 million at March 31, 1998 (\$217 million in 1997). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

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

15. Contingent Liabilities

Contingent liabilities which may become actual liabilities, are summarized as follows:

	(in millions of dollars)	
	1998	1997
Guarantees by the Government	43,606	39,314
Less allowance for losses	4,188	5,253
	<hr/> 39,418	<hr/> 34,061
International organizations	17,097	16,233
Claims and pending and threatened litigation	8,142	13,358
	<hr/> 64,657	<hr/> 63,652

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

The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations when it is likely that a future payment will be made and a reasonable estimate of the loss can be made. All other loan guarantees are reported as contingencies.

The Government has callable share capital in certain international organizations that could require payment to these agencies.

Included in claims and pending and threatened litigation are Aboriginal claims of \$2,721 million (\$8,167 million in 1997) and comprehensive Aboriginal land claims of \$756 million (\$581 million in 1997). In addition, the Government is aware of approximately 2,000 potential claims which are currently being researched by the First Nations. However, a reliable estimate of potential liability cannot be made at this time. The Government is also in the process of assessing Aboriginal claims which are before the courts, for which a reliable estimate of potential liability cannot be made at this time. There are an additional 57 comprehensive land claims that have not been totally quantified in 1998 (57 in 1997).

There are a number of individual as well as class action suits which have been commenced against the Government with allegations of negligence for infections transmitted through blood and blood products. Because of the complexity involved in determining any federal obligation, particularly in relation to Hepatitis C claims which represent the majority of cases, a reliable estimate of potential liability cannot be made at this time. On March 27, 1998, the federal, provincial, and territorial governments agreed to offer up to \$1,100 million in financial assistance to Canadians who were infected by Hepatitis C through the Canadian blood system between 1986 and 1990. The federal portion of the financial assistance is described in Note 5.

Also included in claims and pending and threatened litigation is \$1,188 million (\$1,349 million in 1997) relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1998.

16. Environmental Liabilities

While estimates of total radioactive and non-radioactive waste clean-up costs for Canada have ranged as high as \$30,000 million, much of this amount is clearly the responsibility of other levels of government and the private sector. Some estimates place the federal share at \$2,800 million. However, reasonable estimates of costs attributable to the Government cannot be fully determined at this time. The determination of these costs will be subject to and depend on evolving public policy, legislation, and results of the search for long-term cost-effective waste disposal solutions. The Government will continue to work toward the reasonable determination and disclosure of environmental liabilities in accordance with generally accepted accounting principles.

17. Uncertainty due to the Year 2000 Issue

The Year 2000 issue relates to the Government's computerized systems' use of two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as some other date, resulting in errors when information using Year 2000 dates is processed. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government's ability to conduct its operations.

The Government is working to resolve the potential adverse impacts of the Year 2000 issue on its operations. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting government operations will be fully resolved prior to the 1999-2000 fiscal year, including those related to non-government entities who exchange information with the Government's systems and facilitate the Government's operations.

SUPPLEMENTARY STATEMENT

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

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

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

To the House of Commons:

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1998. This financial statement is the responsibility of the Government of Canada. My responsibility, as required by section 9 of the *Debt Servicing and Reduction Account Act*, is to express an opinion on this financial statement based on my audit.

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

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1998 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada set out in Note 2 to the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I report that, in my opinion, these stated accounting policies have been applied on a basis consistent with that of the preceding year.



L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 27, 1998

Debt Servicing and Reduction Account
Statement of Transactions
for the Year Ended March 31, 1998
(in thousands of dollars)

	1998	1997
Goods and services tax and harmonized sales tax received.....	46,986,058	40,732,993
Less: Refunds.....	20,499,723	17,539,687
Rebates.....	1,741,119	1,369,528
Amounts paid by ministries.....	921,700	872,963
Quarterly tax credits.....	2,891,725	2,872,081
Transfer of harmonized sales tax to provinces.....	1,470,466	
	27,524,733	22,654,259
Net goods and services tax.....	19,461,325	18,078,734
Penalties and interest received		
for goods and services tax.....	126,875	158,696
Gifts to the Crown.....	176	321
Proceeds credited to the Account.....	19,588,376	18,237,751
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3).....	31,016,878	33,006,211
Less amount in excess of the Account's balance (Note 4).....	11,428,502	14,768,460
	19,588,376	18,237,751
Account balance, end of year.....	NIL	NIL

The accompanying notes are an integral part of this statement.

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

1. Authority and Objective

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

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

The objective of the *Debt Servicing and Reduction Account Act* is to apply certain Government revenues against charges associated with the public debt. These revenues include goods and services tax, certain gains on disposals of investments in Crown corporations, and gifts to the Crown. The transactions recorded in the Account have been paid into or charged against the Consolidated Revenue Fund, and the Account is consolidated in the financial statements of the Government.

2. Significant Accounting Policies

The Significant Accounting Policies are based on the terms and conditions contained in the *Debt Servicing and Reduction Account Act*.

i. Goods and services tax (GST)

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

Refunds and rebates are generally reported in the year in which they are paid and are reported net of GST and HST collected by registrants. GST quarterly tax credits are charged in the quarter to which they relate. Transfers of HST to concerned provinces are based on estimates of HST receipts, refunds and rebates agreed upon by the Federal Government and the concerned provinces before the beginning of the fiscal year, and are recorded in the year paid.

ii. Other amounts credited to the Account

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

iii. Public debt expenditures charged to the Account

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

3. Public Debt Expenditures Chargeable to the Account

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

	(in thousands of dollars)	
	1998	1997
Public debt charges	43,620,013	44,973,191
Less: effect of change in accounting policy	2,689,000	
Net Public Debt charges	40,931,013	44,973,191
Less: amounts unrelated to a Borrowing Authority Act—		
Interest on unmatured debt ⁽¹⁾	361,234	366,557
Interest on pension and other accounts	9,552,901	11,600,423
Public debt expenditures chargeable to the Account	31,016,878	33,006,211

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

4. Amounts in Excess of the Account's Balance

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

SUPPLEMENTARY INFORMATION

OBSERVATIONS BY THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

Introduction

In these observations, I explain why I included a reservation of opinion on the Government's financial statements. As well, I describe my audit of the Government's financial statements and I report on a number of other issues that relate to them. Each part of the observations begins with a brief overview.

The first part of Section 1 of Public Accounts Volume I comprises the Financial Statements of the Government of Canada for the year ended March 31, 1998, and my audit opinion on them. The mandate for my audit of these statements is contained in section 6 of the *Auditor General Act*. Also included in the first part is the Statement of Transactions of the Debt Servicing and Reduction Account, together with my audit opinion thereon. The mandate for my audit of that statement is contained in section 9 of the *Debt Servicing and Reduction Account Act*.

In this second part of Section 1, my observations, I explain further the reason why I included a reservation of opinion on the Government's financial statements. As well, I explain in more detail the meaning of my audit opinion on these financial statements, how I arrived at the opinion and what it provides and does not provide to users. While much of that explanation applies equally to my opinion on the Statement of Transactions of the Debt Servicing and Reduction Account, I do not specifically explain that opinion, or refer to that statement, in these observations. Finally, I comment on specific accounting matters that will require continuing attention in future years and I discuss three key attributes of the financial statements - credibility, understandability and usefulness.

I believe that including these observations in the *Public Accounts of Canada* will help parliamentarians and other users to obtain a more complete understanding of the Government's financial statements and my audit of them.

\$2.5 Billion Understatement of the 1997-98 Surplus by Inappropriate Recording of a Transfer Payment to the Canada Millennium Scholarship Foundation

In my opinion, the 1997-98 surplus is understated by \$2.5 billion, and accounts payable and accrued liabilities as well as the accumulated deficit are overstated by the same amount. This results from the recording of a transaction related to the Canada Millennium Scholarship Foundation as if it were a liability and an expenditure, in accordance with the Government's stated accounting policy for transfer payments – a policy that was changed during the year. I consider this stated accounting policy to be inappropriate.

The \$2.5 billion has been recorded as owing to an organization that was not in existence at March 31, 1998 (the Foundation was not legally created by Parliament until June 18, 1998). An agreement between the Government and the Foundation governing the eventual operations of the Foundation was not signed until July 3, 1998. I believe that the \$2.5 billion is therefore not a liability at March 31, 1998 and that this transaction should not have been recorded in the year then ended.

Background

In the February 24, 1998 Budget, the Government announced its intention to create the Canada Millennium Scholarship Foundation. The Foundation will be managed by a board of directors and at arm's length from the Government. The Foundation's purpose is to provide scholarships annually to Canadians for post-secondary education.

The Government stated that it would provide a transfer payment of \$2.5 billion to the Foundation. This transaction was recorded in the Government's 1997-98 financial statements as if it were a liability and an expenditure.

Legislation to implement certain provisions of the 1998 Budget was given first reading in the House of Commons on March 19, 1998, but the *Budget Implementation Act, 1998* did not receive royal assent until June 18, 1998. Part 1 of the Act established the Foundation and provided parliamentary authority for the payment of \$2.5 billion to the Foundation. A funding agreement between the Foundation and the Government was not signed until July 3, 1998; the \$2.5 billion was paid in full shortly thereafter.

The funding agreement and the legislation set forth the terms and conditions under which the Foundation will both administer and invest the \$2.5 billion and, eventually, disburse the funds it holds. The Foundation's Chairperson has been appointed by the Government and, at the time of writing these observations, the process of appointing the remaining Directors of the Foundation's Board was under way. (Five Directors will be appointed by the Government, and 9 Directors will be appointed by the Members of the Foundation. There are 15 Members: the first 6 are to be appointed by the Government and those 6 are to appoint the remaining 9 Members after consulting with the provinces, post-secondary organizations and learning organizations in Canada.) Scholarships will not be awarded to eligible recipients until the year 2000 and will continue over the ensuing 10-year period.

Was the \$2.5 billion funding for the Foundation a liability at March 31, 1998?

To answer this question, we carefully examined objective accounting standards for governments in Canada as enunciated by the Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Board (PSAAB). In this respect, PSAAB recommends, "Government transfers should be recognized in a government's financial statements as expenditures....in the period that the events giving rise to the transfer occurred, as long as:

- (a) the transfer is authorized;
- (b) eligibility criteria, if any, have been met by the recipient; and
- (c) a reasonable estimate of the amount can be made."

One key element of that recommendation is that there is first a "recipient". At March 31, 1998, there was no recipient to which \$2.5 billion was owed by the Government of Canada. The recipient, that is, the Foundation, was not created until June 18, 1998 when the *Budget Implementation Act, 1998* received royal assent.

A second key element of the recommendation is that the recipient must have met any eligibility criteria. The eligibility criteria for this transfer payment are set out in both the legislation and the funding agreement. As already noted, the legislation did not receive royal assent until June 18, 1998. The funding agreement setting out additional eligibility criteria was not signed by the Foundation's Chairperson and the Government until July 3, 1998. At March 31, 1998, when this transaction was recorded, the eligibility criteria had not been met.

An even more fundamental aspect of this transaction is that it constituted a new program. Parliamentary authority for this new program did not exist at March 31, 1998 and was not granted until June 18, 1998. Contrary to the standard stipulated in subparagraph (a) of the PSAAB recommendation, this transfer was recorded as of a date that preceded its authorization.

It is therefore abundantly clear to me that this liability did not exist at March 31, 1998; the related \$2.5 billion expenditure should not have been recorded in 1997-98; and the 1997-98 surplus is therefore understated by that amount.

Was this transaction recorded in compliance with the Government's stated accounting policies?

This is the second consecutive year that this method of accounting for a particular transfer payment has been used: in 1996-97 I qualified my opinion because of a similar transaction with the Canada Foundation for Innovation. I reported that that transaction had not been recorded in accordance with the Government's own stated accounting policies. In the 1997-98 financial statements, the Government has changed its stated accounting policies so that the recording of this transaction does comply. Note 1 to the financial statements now states "*Transfer payments are recorded as expenditures when paid, when the recipient has fulfilled the terms of a contractual transfer agreement*, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval." (emphasis added) Last year, only the portion shown in italics constituted the Government's accounting policy – and that wording was consistent with PSAAB's recommendations.

As noted in my April 1998 Report, Chapter 9, "Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards," PSAAB has established objective accounting standards for governments in Canada, after extensive consultation with officials from governments in Canada; and governments in Canada generally follow them. Government officials, however, have told me that they have a different interpretation of PSAAB's recommendations and they have told me that they have simply clarified the Government's stated accounting policy accordingly. My Act requires that I provide an opinion on whether the Government's financial statements present information in accordance with its stated accounting policies and I have therefore reported this year that this is the case. Unfortunately, in my opinion the accounting policy for transfer payments does not, as of this year, comply with objective accounting standards and I have therefore qualified my opinion as to the fairness of presentation of the Government's financial statements.

What is the Government's rationale for recording this transaction?

As stated in the Government's response that was published in the aforementioned Chapter 9, "The Government believes its decisions and public announcements to provide funding to arm's-length organizations... establish liabilities that should be recorded in the years in which the decisions are made. These liabilities meet the definitions of both equitable and constructive obligations as defined in the CICA Handbook and reflect substance over form. In addition, the Government believes that transparency and accountability are best served by recording these liabilities in the year in which the Government made its decision to incur them."

On May 6, 1998, the House of Commons Standing Committee on Finance heard testimony from Government officials and my Office on this issue. At the hearing, two letters from public accounting firms were tabled. They provided references to objective accounting standards, in both the public and private sectors, that could be considered in deciding how to account for such transactions. The public accounting firms did not advise the Government to follow any

particular accounting treatment for the Foundation. I have carefully examined these letters, together with other evidence related to this transaction. I believe that the evidence does not support the accounting treatment chosen by the Government.

Conclusion

I believe that the Government's recording of the \$2.5 billion liability to the Canada Millennium Scholarship Foundation was contrary to objective accounting standards enunciated by PSAAB. And to ensure that readers concur that it is following its own stated accounting policy for transfer payments, the Government changed that policy this year.

This is the second consecutive year that I have had to include a reservation in my opinion on the fairness of presentation of the Government's financial statements. Given the Government's current stated accounting policy for transfer payments, which does not conform with objective accounting standards for governments in Canada, my opinion may well include a similar reservation for years to come. As a result, the credibility of the Government's reported financial results is, in my view, jeopardized. I therefore continue to encourage the Government to address this serious problem.

My Audit Opinion:

What It Means, How I Arrived at It, and What It Provides and Does Not Provide

It is important to realize that in giving my opinion on the Government's financial statements, I am not guaranteeing that they are accurate or that I have found all errors that the Government may have made in preparing them. What I am saying is that the Government's financial statements for 1997-98 contain a material (significant) misstatement and, as a result, I have had to express this concern by way of a reservation in my opinion. With the exception of this misstatement, readers are entitled to conclude that the amounts shown in the financial statements are fairly stated within the limits of materiality.

What my audit opinion means

This section of my observations discusses in more detail the messages that I convey in my audit opinion. To understand the opinion properly, the reader should carefully review each paragraph, every year. It is inadvisable to assume that my opinion remains the same from one year to the next. Normally, my audit opinion consists of three paragraphs, plus an additional paragraph when I have a reservation in my opinion. This year, I have structured my audit opinion to highlight the messages. I explain this structure below.

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

The introductory paragraph concludes by confirming that the financial statements are the responsibility of the Government, and that my responsibility is to form an opinion on the financial statements as required by section 6 of the *Auditor General Act*.

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

I go on to explain that my audit includes assessing the reasonableness of significant estimates made by the Government. There is a good deal of judgment required in preparing and auditing financial statements for an entity the size of the Government of Canada. Many of the significant amounts reported in the financial statements, such as allowances for valuation of various assets and liabilities, are based on estimates made by the Government. These amounts are inherently imprecise. When considering whether misstatements exist in these estimates, I determine for each estimate a range of values that I believe would be reasonable. If the estimate as determined by the Government falls within a reasonable range, I conclude that the specific estimate is not misstated.

Finally in the paragraph on the scope of my audit I note that my audit also includes assessing the appropriateness of the accounting policies used by the Government and evaluating the overall presentation of the financial statements. In order to make that assessment, there must be standards that I can use as a basis for my judgments. The standards that I continued to use this year were the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements, pertinent legislation, and the recommendations of PSAAB.

My opinion. It is important to note that my opinion is not a statement of fact; rather, it is an expression of my professional judgment. The opinion paragraph contains my overall conclusions about several important matters:

1. Whether the financial statements present information fairly (fairness).
2. Whether the financial statements were prepared in accordance with the Government's stated accounting policies (compliance).
3. Whether the Government's stated accounting policies were applied on the same basis as in the preceding year (consistency).

My opinion on *fairness* includes a reservation this year, as outlined at the beginning of these observations.

My opinion on *compliance* this year does not include any reservations. In other words, in my view the Government has prepared its financial statements in compliance with its stated accounting policies set out in Note 1 to the financial statements. As outlined at the beginning of my observations, the Government has changed its stated accounting policy for transfer payments this year, and I have therefore rendered an unqualified opinion on compliance.

My opinion on *consistency* this year contains some important messages for readers of the Government's financial statements. It states that, as disclosed by the Government in Note 2 to the financial statements, two changes in accounting policy were introduced in the 1997-98 financial statements, in addition to the change in the accounting policy for transfer payments as mentioned above.

1. Note 2 (i) describes the change in accounting policy related to assistance to international financial institutions. It states that as a result of this change, both the 1997-98 surplus and loans, investments and advances are \$1,812 million lower than they would have been had the stated accounting policies in 1996-97 been used. The Government has chosen this more conservative accounting policy "...to more closely correlate recording of expenditures with program activity."

2. Note 2 (ii) describes the change in accounting policy related to interest costs on obligations for public sector pensions. For the past several years I have been encouraging the Government to make this change and I am pleased that it was made this year. The Government's accounting for pension costs and obligations now complies with objective accounting standards enunciated by PSAAB. The note states that as a result of this change, the 1997-98 surplus is \$2,478 million higher and the liability for public sector pensions is \$2,478 million lower than they would have been had the stated accounting policy in 1996-97 been used.

Earlier in these observations, I discussed what I view as a third change in accounting policy related to transfer payments. The Government has not disclosed this change in Note 2 to the financial statements because officials do not believe it is a change in policy, but rather a clarification of the existing policy. In my opinion, this **is** a change in stated accounting policies, and I have included this in my opinion on consistency. However, this change has no impact on the comparability of the amounts reported in 1997-98 and 1996-97 because the Government was actually following the 1997-98 policy when it prepared its 1996-97 financial statements.

The net effect of these changes is that the 1997-98 surplus is \$666 million higher than it would have been had the stated accounting policies in 1996-97 been used, and the individual line items in the Statement of Assets and Liabilities also are not consistent, as noted above, with the amounts reported in 1996-97.

How I arrive at my opinion

If I conclude that in the aggregate the financial statements are free of material misstatement, I report that the information is "presented fairly". If I conclude that the statements are materially misstated, as I have this year, I describe the nature and extent of my concerns. I then go on to say that information is presented fairly "except for" the issues in my reservations.

The aggregate of all misstatements in the financial statements is considered material if, in the light of surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on the financial statements and who had reasonable knowledge of the Government and its activities. If I believe this is the case, I will include a reservation in my audit opinion. As I mentioned earlier, I have included a reservation in my opinion this year for a transaction related to a transfer payment to the Canada Millennium Scholarship Foundation.

Before commencing my audit, I make a judgment based on the Government's total expenditures as to what dollar magnitude (materiality) of misstatements in the financial statements would influence the decisions of users. That dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. For this year's audit, I set materiality at approximately one half of one percent of total gross expenditures of \$162 billion.

In my audit opinion, I do not say that the financial statements are "correct". The nature and extent of my audit work cannot be designed in any reasonable way to reach such a conclusion. The size and complexity of the Government make it impractical for me to examine all or even most of the individual transactions entered into during the year.

To be in a position to render my audit opinion, generally accepted auditing standards require that I have “reasonable assurance” that my audit will reveal any misstatements aggregating to more than my predetermined level of materiality. In planning my audit, I accept some small amount of risk that my audit procedures will not provide assurance that the financial statements are not materially misstated. I accept this minimal risk because it is cost-effective to do so. However, in conducting my audit, I perform specific audit procedures that reduce this risk to a level I consider acceptable. These include, for example, testing a sample of transactions and account balances, performing analyses, confirming year-end balances with third parties and, where considered necessary, reviewing significant internal controls.

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

What my audit provides and does not provide

To summarize, my audit of the Government’s financial statements provides an opinion on whether they present information fairly. An auditor’s opinion enhances the credibility of reported financial results or, in some cases, may alert readers to problems in the financial statements. In describing what my audit opinion provides to readers, however, it is important to highlight what the opinion does not do. My audit opinion does not address the issue of the economical, efficient and effective use of resources by the Government: that aspect of our work is separate from our audit of the Government’s financial statements.

Furthermore, my audit of the Government’s financial statements is neither extensive enough nor specifically designed to provide assurance of the integrity of each of the Government’s many and varied systems of internal control, nor its compliance with the spending limits on each of its several hundred individual appropriations. My Office conducts additional work in each of these areas on a cyclical basis in departments and agencies. I consider the results of all of this work in developing my opinion on the Government’s financial statements. If issues have been identified that I believe are significant to the users of the financial statements, I will mention them in my opinion or in my observations. Although this year we identified some issues of internal control and compliance with authority, none required mention in my opinion on the financial statements. However, I have referred to some of this additional work in my observations as added explanation. The results of this additional work are discussed in my reports to the House of Commons.

Finally, my audit work on the Government’s financial statements this year was not designed to, and my opinion does not, provide any assurance that all Year 2000 issues have been identified, that the Government’s work to prepare its systems for the Year 2000 are adequate or that its systems will become Year 2000-compliant in time. In my October 1997 Report, Chapter 12, “Information Technology: Preparedness for Year 2000”, I expressed concern about the Government’s rate of progress in preparing for the Year 2000. My audit work in this area is continuing and will be reported to Parliament later this year. The uncertainty surrounding the Year 2000 issue is described in Note 17 to the Government’s financial statements.

Matters Requiring Continuing Attention

Substance of the foundations

During the past two years the Government, with Parliament's approval, has placed \$3.65 billion of public money with the private sector to achieve certain objectives. The arm's-length organizations with which this significant amount of money has been placed are neither controlled by the Government nor directly accountable to Parliament. There are some valid reasons why the Government is using this new form of organization to accomplish certain of its objectives. However, should governments in Canada continue to use such vehicles to carry out government activities, financial reporting of the overall activities of government may become fragmented.

In my April 1998 Report, Chapter 9, I signalled my intention to examine whether, in substance or in fact, entities such as the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation operate at arm's length from the Government. If they do not, objective accounting standards would require that the Government's financial statements recognize expenditures when incurred by the foundations, rather than when the funding is owed to them. I have examined current information using, as guidance, the objective accounting standards enunciated by PSAAB. These standards recommend that, for reporting purposes, organizations be considered part of government when they are directly accountable to the legislature and are owned or controlled by government.

In legal form, neither foundation is controlled by the Government primarily because the majority of directors on their boards are not appointed by the Government. (Ownership is not an issue because the foundations are non-share capital organizations.) In addition, neither foundation is directly (or indirectly through a minister) accountable to Parliament. By accountability for purposes of financial reporting, PSAAB means that organizations included in the financial statements are "...accountable for the overall administration of their financial affairs and resources to the government..."

I will have to reserve judgment as to whether the foundations are, **in substance**, controlled by the Government or directly accountable to Parliament or the Government for reporting purposes. The Canada Foundation for Innovation has only recently begun full operations and the issue has not arisen thus far. Similarly, the process of appointing the Canada Millennium Scholarship Foundation's Board of Directors is under way, and full operation is not expected before the year 2000. As part of my annual audit of the Government's financial statements, I will look each year into the relations of both foundations with the Government and Parliament to see whether accountability and control arrangements have changed.

Government officials have told me that Parliament has established these arm's-length foundations for sound public policy reasons. For example, as arm's-length organizations they operate outside the influence of political considerations and will therefore more likely be able to attract funding from the private sector.

Nonetheless, \$800 million of public money for the Canada Foundation for Innovation and \$2.5 billion of public money for the Canada Millennium Scholarship Foundation is, in legal form, outside of the Government's control. Moreover, the organizations that control the funds are not directly accountable to Parliament for their use. In addition to the two foundations, the Government also established a \$350 million fund with an arm's-length organization for a Healing Strategy to help address the legacy of abuse in residential schools for Aboriginals.

Over the past two years, then, the total amount of public money placed outside of the Government's control has reached \$3.65 billion. And Government officials have told me that this new form of organization may be used again to deliver Government programs. The provinces, too, may well use this new form of organization.

When PSAAB last reviewed its recommended criteria for considering an organization to be part of government – namely, direct accountability and ownership or control – these types of organizations were not being used in any significant way. But conditions have obviously changed. Even in the private sector there are concerns about the impact of similar organizations on financial reporting, and their use is being debated by the accounting profession. I would therefore recommend that the Government, in consultation with other governments in Canada, their auditors and PSAAB, consider whether objective accounting standards should be revised to address this new situation.

Recorded and contingent liabilities for Aboriginal claims

The Government's systems and processes are not yet capable of providing in its financial statements a full and fair accounting and disclosure of Aboriginal claims. While progress has been made in this area, further improvements to these systems and processes are needed on a priority basis so that the Government will be able to include on the face of its financial statements auditable estimates of liabilities and, in notes to the statements, auditable estimates of contingent liabilities.

The following is an extract from the stated accounting policy for contingent liabilities found in Note 1 to the financial statements:

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

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

Included in accounts payable and accrued liabilities is an allowance estimated in accordance with the above stated accounting policy. However, that policy and the allowance by no means provide a thorough and complete estimate of liabilities for Aboriginal claims related to the Government's arrangements with First Nations. At the time of writing these observations, the Government's systems and processes were not yet capable of providing sufficient information for a complete estimate. Further, as stated in Note 15 to the financial statements, these systems and processes also are not yet capable of providing either the total number of claims from First Nations or the total amount of the Government's contingent liability related to them.

There are approximately 150 **other Aboriginal claims that are not being pursued through the courts** but that have been reviewed and accepted by the Government as valid claims. For purposes of estimating the allowance to record in the financial statements, some of these claims have been valued and the remainder estimated using historical data not specifically designed for this financial statement purpose. And the allowance excludes another 300 or so claims that sit in a queue waiting to be reviewed. Although progress has been made by the Government, much remains to be done.

Regarding **Aboriginal claims that are being pursued through the courts**, the Government's systems and processes are not yet able to determine how many claims exist – although Government officials have told me that there are over 1,000. Included in the allowance is an estimate related to some of these claims – those for which Cabinet approval to negotiate an out-of-court settlement has been granted. For the remaining claims, using its current systems and processes the Government is not yet able to determine either the liability that should be recorded in the financial statements or the contingent liability that should be disclosed in the notes to the financial statements. I am not suggesting that it is possible with every one of these claims to determine the likelihood of the Government being liable and the estimability of that liability. I am suggesting that systems and processes must improve so that a reasonable overall estimate can be made.

In my view, the Government needs to develop an appropriate accounting policy that fully addresses both the quantification of contingent liabilities for Aboriginal claims and the point in time at which they should be recognized in the financial statements as actual liabilities. In order to do this, the Government's systems and processes that are used to monitor and provide management information on Aboriginal claims need to be improved on a priority basis.

Accounting for environmental costs and liabilities

It is likely that the Government's environmental liabilities are significant. The Treasury Board Secretariat (TBS) has developed a draft accounting policy for reporting environmental costs and liabilities, on the basis of departmental input. The policy is intended to be implemented as an accounting change for the March 31, 1999 Public Accounts. However, departments have expressed concerns about the tight time frame, amount of central guidance and source of the funding to implement the policy.

On February 2, 1998 TBS released the *Draft Policy on Accounting for Costs and Liabilities Related to Contaminated Sites*. Departments were asked to provide their comments on the policy by March 20, 1998. The plan was to have the policy amended by April 30, 1998, based on those comments. Departments would then be asked to report on their inventories of contaminated sites and remediation costs to TBS by September 30, 1998 in accordance with the amended policy. Secretariat and Receiver General staff would then develop detailed instructions for departmental reporting of environmental costs and liabilities as at March 31, 1999. At the time of writing these observations, the policy was in the process of being amended before recirculation to departments.

Comments on the draft policy received from 10 departments that manage contaminated sites were fairly consistent. Three of those departments stated that they would not be able to meet the TBS deadlines; one said four- or five-year time frames were needed to properly identify, assess and cost the remediation of its sites. Four departments stated that they needed more guidance **now** about the nature and extent of the required reporting data, before setting up systems to collect it. The source of funds to identify, assess and cost the remediation of all sites as required by the draft accounting policy was another major concern.

One of the key difficulties for TBS in trying to implement its accounting policy for March 31, 1999 is the lack thus far of central time frames for departments to identify, assess, cost and remediate their contaminated sites. I anticipate that some departments will have less difficulty providing TBS with the required data by March 31, 1999, assuming that it provides more guidance. However, other departments are still at the initial stages of identifying their sites, with only limited funding available to accelerate the pace of their work.

I commend TBS for advancing the cause of reporting environmental costs and liabilities. However, I recommend that TBS and the Receiver General finalize the accounting policy and provide departments as quickly as possible with detailed instructions for its implementation, so that it can be fully implemented next year.

Enterprise Crown corporations

The Government has announced that it intends, when it moves to full accrual accounting, to fully adopt PSAAB's recommendations for reporting the modified equity value of enterprise corporations. The implementation date remains unclear.

PSAAB recommends that governments account for enterprise corporations using the modified equity approach, whereby the annual profits or losses reported by these corporations are included in the Government's surplus or deficit for that year and the Government's investments in the corporations are reflected as assets at the equity value actually reported by these corporations. Rather than use that approach, the Government continues to report investments in enterprise corporations on the cost basis – with an allowance, which commenced in 1992-93, to provide for annual profits and losses. This results in the annual surplus or deficit equalling approximately what it would be if the modified equity method were adopted. However, the accumulated deficit remains overstated and the Government's recorded financial assets understated in 1997-98 by \$4.2 billion, as a result of the Government's books not having recognized profits and losses prior to 1992-93.

In the March 1996 Budget, the Government announced its intention to consider adopting PSAAB's recommendations. In the February 1997 Budget, it announced that it would introduce this change with the move to full accrual accounting. In the February 1998 Budget, the Government announced that it would change its accounting for enterprise Crown corporations when other accounting changes are implemented. I support the adoption of PSAAB recommendations and strongly encourage the Government to implement this change as soon as possible rather than await the implementation of full accrual accounting, which is not anticipated before 2001-02.

The Financial Information Strategy: The move to full accrual accounting

In my April 1997 Report, Chapter 3, "Management of the Government's Accounting Function: A Central Agency Perspective", I described the Government's plans to implement four significant changes in its accounting systems and rules over the next several years. Collectively, these four changes form part of the Government's Financial Information Strategy (FIS):

1. Systems renewal
2. Accrual accounting throughout the year
3. Accrual accounting for tax revenue
4. Full accrual accounting for capital assets.

In my September 1998 Report, Chapter 18, "The Financial Information Strategy: A Key Ingredient in Getting Government Right", I report the results of the first of many audits related to FIS. FIS is critical to the Government's continuing ability to produce these Public Accounts and my ability to audit the financial statements contained therein. I therefore plan to devote sufficient Office resources to monitoring this important project carefully.

Conclusion

I believe strongly that the Government's financial statements are an extremely important accountability document that must be credible, understandable and useful. While I sense that the summary numbers have become more useful to members of Parliament over the years as a result of improvements in the understandability of the Government's financial reports, I am concerned about the credibility of the summary numbers themselves. This year, last year and the year before last, I have disagreed with the accounting for significant transactions. I strongly encourage the Government to rectify this unfortunate situation.

As a legislative auditor, I consider my role in ensuring the credibility and understandability of the Government's financial statements to be one of the most important parts of my mandate. To the greatest extent possible within my mandate, I also try to ensure that the information I audit is useful to Parliament.

Together with the Government's Annual Financial Report, its financial statements provide concise and succinct financial information in a way that Canadians can understand. These reports are also useful and, indeed, are used by members of Parliament looking at ways to reshape Government as part of the Budget consultation process. Parliamentary committees are also using the information in these reports more regularly.

But much of this progress can be lost if readers have doubts about the credibility of the information, particularly if the financial statements have not been prepared in accordance with objective accounting standards. While great progress has been made in the past, in my opinion the Government's accounting practices do not fully comply with objective accounting standards for governments as enunciated by PSAAB. This year (Canada Millennium Scholarship Foundation), last year (Canada Foundation for Innovation) and the year before last (GST harmonization), the Government has not followed these standards. Changing its stated accounting policies to make them consistent with the practices the Government wishes to follow does not solve the problem, especially when adequate independent standards exist and are generally recognized. What it does is put the credibility of the Government's summary numbers at risk.

I have continually said I am proud of the fact that the Government of Canada is one of the few national governments in the world producing summary numbers in an understandable form. My predecessors and I strongly encouraged the Government to move in that direction. I find it unfortunate that I have had to express qualified opinions on its financial statements. I hope that I will not have to do so again.

SECTION 2

1997-98

PUBLIC ACCOUNTS OF CANADA

Supplementary Financial Information

CONTENTS

	<i>Page</i>
Introduction	2.2
Supplementary information—	
Summary statement of transactions	2.2
Detailed statement of revenue transactions	2.3
Detailed statement of expenditure transactions	2.4
Other levels of government	2.4
Statement of accumulated deficit	2.4
Statement of assets and liabilities	2.5
Detailed statement of non-budgetary transactions	2.6
Detailed statement of foreign exchange, unmatured debt and cash transactions	2.7
National accounts	2.8

SUPPLEMENTARY FINANCIAL INFORMATION

Introduction

This section provides a ten year comparative summary of the Government's financial transactions, reflects the accounting policies explained in Note 1 to the audited financial statements in Section 1 of this volume, adjusted for the effect of the changes in accounting policies described in Note 2.

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

TABLE 2.1
GOVERNMENT OF CANADA
SUMMARY STATEMENT OF TRANSACTIONS ⁽¹⁾
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Budgetary transactions										
Revenues	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162
Expenditures ⁽²⁾	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785	-158,918	-149,793	-149,684
Surplus or deficit (-) for the year	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462	-28,617	-8,897	3,478
Non-budgetary transactions										
Loans, investments and advances	863	1,020	96	-409	533	562	331	2,698	275	2,031
Pension and other accounts	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829
Other transactions	-131	594	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391
Net source	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251
Source of funds or financial requirements (-)	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842	-17,183	1,265	12,729
Net source from foreign exchange transactions	-2,768	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155
Total source of funds or financial requirements (-)	-25,192	-18,582	-28,284	-29,777	-28,749	-31,978	-27,267	-21,887	-6,494	10,574
Net source from unmatured debt transactions ⁽³⁾	25,492	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561
Change in cash in bank ⁽⁴⁾	300	-321	1,057	-1,795	2,107	-744	-244	6,662	811	1,013
Cash in bank at beginning of year	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366
Cash in bank at end of year	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379

Details can be found in other sections of this volume.

⁽¹⁾ Consistent with the Statement of Transactions in Section 1 of this volume.

⁽²⁾ The 1998 expenditures incorporate the net effect (a net reduction of \$666 million) of changes in accounting policies described in Note 2 in section 1 of this volume.

⁽³⁾ Cash requirements (-)

⁽⁴⁾ Cash decrease (-)

TABLE 2.2
GOVERNMENT OF CANADA
DETAILED STATEMENT OF REVENUE TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Tax revenues—										
Income tax—										
Personal	46,026	51,895	57,601	61,222	58,283	51,427	56,329	60,167	63,282	70,787
Corporation	11,730	13,021	11,726	9,359	7,206	9,444	11,604	15,955	17,020	22,496
Other income tax revenues	1,843	1,587	1,651	1,534	1,462	1,593	1,769	2,105	2,847	2,974
	59,599	66,503	70,978	72,115	66,951	62,464	69,702	78,227	83,149	96,257
Employment insurance premiums	11,268	10,738	12,707	15,394	17,535	18,233	18,928	18,510	19,816	18,802
Excise taxes and duties—										
Goods and services tax			2,574	15,168	14,868	15,696	16,786	16,375	18,079	19,461
Energy taxes	2,646	2,471	3,192	3,441	3,437	3,640	3,824	4,404	4,467	4,638
Customs import duties	4,521	4,587	4,001	3,999	3,811	3,652	3,575	2,969	2,676	2,766
Other excise taxes and duties	18,604	21,097	16,346	2,588	3,964	3,647	2,904	2,856	3,876	3,995
	25,771	28,155	26,113	25,196	26,080	26,635	27,089	26,604	29,098	30,860
Total tax revenues	96,638	105,396	109,798	112,705	110,566	107,332	115,719	123,341	132,063	145,919
Non-tax revenues—										
Return on investments—										
Bank of Canada	1,938	2,239	2,809	1,844	1,806	1,452	1,571	1,841	1,310	1,509
Canada Mortgage and Housing Corporation	845	822	772	753	800	719	706	680	632	610
Farm Credit Corporation	301	239	230	215	226	211	199	208	171	169
Exchange Fund Account	1,658	1,661	2,258	2,900	3,209	2,916	1,816	1,138	1,423	1,499
Interest on bank deposits	256	278	285	192	169	128	155	370	229	326
Other return on investments	549	611	453	617	628	716	574	238	445	314
	5,547	5,850	6,807	6,521	6,838	6,142	5,021	4,475	4,210	4,427
Other non-tax revenues	1,882	2,461	2,748	2,806	2,976	2,510	2,583	2,485	4,623	2,816
Total non-tax revenues	7,429	8,311	9,555	9,327	9,814	8,652	7,604	6,960	8,833	7,243
Total net revenues	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162

TABLE 2.3
GOVERNMENT OF CANADA
DETAILED STATEMENT OF EXPENDITURE TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Transfer payments—										
Old age security benefits, guaranteed income supplement and spouse's allowance	15,202	16,154	17,131	18,393	19,106	19,903	20,511	21,034	21,606	22,225
Other levels of Government ⁽¹⁾	22,145	23,417	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504
Employment insurance benefits	10,972	11,694	14,665	18,126	19,065	17,626	14,815	13,476	12,380	11,842
Family allowances and Child tax Credits ⁽²⁾	2,606	2,653	2,736	2,821	2,194	7				
Other transfer payments ⁽³⁾	16,684	15,926	15,340	17,389	18,125	18,459	19,993	18,154	17,460	22,476
Total transfer payments	67,609	69,844	72,800	81,594	85,034	82,942	81,632	78,740	73,608	77,047
Crown corporation expenditures	4,772	5,237	5,713	5,252	6,219	5,298	5,003	4,321	3,578	2,548
Other program expenditures—										
National Defence	10,700	11,249	11,518	10,901	10,939	11,282	10,693	9,935	8,661	8,879
All other departments and agencies ⁽³⁾	16,607	17,518	18,734	17,468	20,384	20,492	21,411	19,017	18,973	20,279
Total other program expenditures	27,307	28,767	30,252	28,369	31,323	31,774	32,104	28,952	27,634	29,158
Total program expenditures	99,688	103,848	108,765	115,215	122,576	120,014	118,739	112,013	104,820	108,753
Public debt charges⁽³⁾	33,152	38,789	42,588	41,174	38,825	37,982	42,046	46,905	44,973	40,931
Total net expenditures	132,840	142,637	151,353	156,389	161,401	157,996	160,785	158,918	149,793	149,684

⁽¹⁾ The detailed breakdown can be found in Table 2.3a.

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

⁽³⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

TABLE 2.3a
GOVERNMENT OF CANADA
OTHER LEVELS OF GOVERNMENT
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Canada health and social transfer ⁽¹⁾									14,911	12,421
Fiscal arrangements	8,684	9,582	9,245	9,935	8,664	10,101	8,870	9,405	9,418	10,000
Canada Assistance Plan	4,556	5,006	5,788	6,099	6,686	7,236	7,266	7,191	105	24
Insurance and medical care	6,678	6,663	6,033	6,689	8,307	7,232	7,691	7,115	-217	162
Education support	2,227	2,166	1,862	2,142	2,887	2,378	2,486	2,365	-41	5
Alternative payments for standing programs									-2,014	-2,108
Total	22,145	23,417	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504

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

TABLE 2.4
GOVERNMENT OF CANADA
STATEMENT OF ACCUMULATED DEFICIT
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Accumulated deficit—Beginning of year	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186
Deficit or surplus (-) for the year	28,773	28,930	32,000	34,357	41,021	42,012	37,462	28,617	8,897	-3,478
Accumulated deficit—End of year	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708

TABLE 2.5
GOVERNMENT OF CANADA
STATEMENT OF ASSETS AND LIABILITIES
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
LIABILITIES										
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—										
Accounts payable and accrued liabilities	12,020	13,230	13,269	13,550	13,144	16,977	20,325	21,181	19,265	22,364
Interest and matured debt	6,549	5,683	5,489	6,576	5,866	6,465	4,831	7,403	10,402	10,419
Allowance for employee benefits	4,300	4,200	3,950	3,050	3,285	3,555	3,910	4,290	5,180	6,729
Allowance for loan guarantees and borrowings of Crown corporations	3,615	4,000	4,170	4,020	4,555	4,930	5,540	5,440	5,253	4,188
Total accounts payable, accruals and allowances	26,484	27,113	26,878	27,196	26,850	31,927	34,606	38,314	40,100	43,700
INTEREST-BEARING DEBT—										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	115,732	127,532	143,485	158,051	178,412	203,392	225,679	252,700	282,498	294,583
Treasury bills	102,700	118,550	139,150	152,300	162,050	166,000	164,450	166,100	135,400	112,300
Canada saving bonds	46,544	39,733	33,250	34,589	33,365	30,418	30,460	30,460	32,470	29,769
Bonds for Canada Pension Plan	3,005	3,072	3,492	3,501	3,505	3,497	3,488	3,478	3,468	3,456
Payable in foreign currencies	267,981	288,887	319,377	348,441	377,332	403,307	424,077	452,738	453,836	440,108
	8,320	5,675	4,526	3,444	5,409	10,668	16,921	16,809	23,016	27,183
	276,301	294,562	323,903	351,885	382,741	413,975	440,998	469,547	476,852	467,291
Pension and other accounts—										
Public sector pensions ⁽¹⁾	63,241	69,626	76,139	81,881	87,911	94,097	101,033	107,882	114,205	117,457
Canada Pension Plan	2,540	2,962	3,459	3,181	2,839	2,728	3,406	3,636	3,718	4,205
Other	2,975	2,954	2,974	3,234	3,543	3,710	4,755	5,322	5,782	5,872
	68,756	75,542	82,572	88,296	94,293	100,535	109,194	116,840	123,705	127,534
Total interest-bearing debt	345,057	370,104	406,475	440,181	477,034	514,510	550,192	586,387	600,557	594,825
TOTAL LIABILITIES	371,541	397,217	433,353	467,377	503,884	546,437	584,798	624,701	640,657	638,525
ASSETS										
CASH AND ACCOUNTS RECEIVABLE—										
Cash in bank	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379
Cash in transit	2,087	2,035	2,196	2,902	2,931	3,313	3,241	4,189	4,062	4,530
	3,920	3,547	4,765	3,676	5,812	5,450	5,134	12,744	13,428	14,909
Less outstanding cheques and warrants	2,369	2,546	4,022	2,695	3,228	4,015	3,751	3,700	3,253	3,218
Total cash	1,551	1,001	743	981	2,584	1,435	1,383	9,044	10,175	11,691
Accounts receivable	2,157	2,421	3,165	4,208	4,372	4,496	4,353	5,972	4,416	4,122
Total cash and accounts receivable	3,708	3,422	3,908	5,189	6,956	5,931	5,736	15,016	14,591	15,813
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	17,422	15,393	19,066	17,148	10,879	13,156	14,356	18,908	26,726	28,198
International Monetary Fund—Subscriptions	4,534	4,474	4,565	4,797	7,599	8,443	9,433	8,580	8,295	8,194
Less International Monetary Fund—Notes payable and special drawing rights allocations	5,186	5,045	5,063	5,400	7,681	8,674	9,439	8,434	8,208	7,424
Total net foreign exchange accounts	16,770	14,822	18,568	16,545	10,797	12,925	14,350	19,054	26,813	28,968
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations	18,238	17,678	17,428	18,150	19,543	19,283	18,218	14,663	13,842	12,601
Joint and mixed enterprises	4,928	4,461	4,461	4,461	4,374	4,374	4,374	1,300	1,300	1,241
National governments including developing countries	4,191	3,495	3,476	3,535	3,382	3,434	3,282	3,221	3,074	2,859
International organizations ⁽¹⁾	4,621	4,666	4,898	5,179	5,436	5,691	5,480	5,565	5,617	4,010
Provincial and territorial governments	883	1,023	937	819	1,086	1,111	876	709	554	318
Other	1,781	1,744	1,832	1,918	1,417	1,478	1,710	2,154	2,234	2,273
	34,642	33,067	33,032	34,062	35,238	35,371	33,940	27,612	26,621	23,302
Less allowance for valuation	13,469	12,914	12,975	13,596	15,305	16,000	14,900	11,270	10,554	9,266
Total loans, investments and advances	21,173	20,153	20,057	20,466	19,933	19,371	19,040	16,342	16,067	14,036
TOTAL ASSETS	41,651	38,397	42,533	42,200	37,686	38,227	39,126	50,412	57,471	58,817
ACCUMULATED DEFICIT	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708

⁽¹⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

TABLE 2.6
GOVERNMENT OF CANADA
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Loans, investments and advances—										
Enterprise Crown corporations—										
Business Development Bank of Canada				-10				-50	-50	
Canada Deposit Insurance Corporation	-361	320	150	-560	-1,300	-66	991	533	772	460
Canada Mortgage and Housing Corporation	273	201	194	65	238	105	240	571	325	230
Canadian National Railway System	12	12	13	15	16	17	19	2,360		
Export Development Corporation	25	-75	-16			-25	-38	-132		
Farm Credit Corporation	230	104	-82	-159	71	-68	-35	214	-197	580
Other	555	-2	-9	-73	-412	297	-112	59	-29	-29
	734	560	250	-722	-1,387	260	1,065	3,555	821	1,241
Other loans, investments and advances—										
Joint and mixed enterprises	36	362			88			3,074		59
National governments including developing countries ..	132	696	19	-59	152	-52	152	61	147	215
International organizations ⁽¹⁾	-58	-45	-232	-281	-256	-255	211	-86	-52	-205
Provincial and territorial governments	28	-140	86	118	-268	-25	235	167	155	20
Other	-418	142	-88	-86	495	-61	-232	-443	-80	-39
	-280	1,015	-215	-308	211	-393	366	2,773	170	50
Total loans, investments and advances	454	1,575	35	-1,030	-1,176	-133	1,431	6,328	991	1,291
Allowance for valuation	409	-555	61	621	1,709	695	-1,100	-3,630	-716	-1,288
Total loans, investments and advances after allowance for valuation	863	1,020	96	-409	533	562	331	2,698	275	2,031
Pension and other accounts—										
Public sector pensions (net) ⁽¹⁾	5,825	6,385	6,511	5,742	6,030	6,186	6,936	6,849	6,323	3,252
Canada Pension Plan (net)	256	422	497	-278	-342	-111	678	230	82	487
Other	-464	-21	22	260	309	167	1,045	567	460	90
Total pension and other accounts	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829
Other transactions—										
Cash in transit	235	52	-161	-706	-29	-382	72	-948	127	-468
Outstanding cheques and warrants	-354	177	1,476	-1,327	533	787	-264	-51	-447	-35
Accounts receivable	-319	-264	-744	-1,043	239	27	-412	-1,619	1,556	294
Provincial and territorial tax collection agreements account	-731	-368	-813	-241	-747	-151	870	1,058	352	-551
Other liabilities	1,038	997	578	559	-2	5,077	2,364	2,650	1,434	4,151
Total other transactions	-131	594	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391
Net non-budgetary transactions after allowance for valuation	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251

Source/requirement (-)

⁽¹⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

TABLE 2.7

GOVERNMENT OF CANADA

DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Foreign exchange transactions—										
International reserves held in the Exchange Fund										
Account	-2,643	2,029	-3,673	1,918	6,269	-2,277	-1,200	-4,552	-7,818	-1,472
International Monetary Fund—Subscriptions	504	60	-91	-232	-2,802	-844	-990	853	285	101
	-2,139	2,089	-3,764	1,686	3,467	-3,121	-2,190	-3,699	-7,533	-1,371
Less International Monetary Fund—Notes payable	495	126	5	-275	-2,181	-841	-586	851	174	766
Special drawing rights allocations	134	15	-23	-62	-100	-152	-179	154	52	18
	629	141	-18	-337	-2,281	-993	-765	1,005	226	784
Total foreign exchange transactions ⁽¹⁾	-2,768	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155
Unmatured debt transactions—										
Marketable bonds	10,951	10,575	15,404	14,499	19,781	27,142	25,142	28,660	32,744	15,788
Treasury bills	21,650	15,850	20,600	13,150	9,750	3,950	-1,550	1,650	-30,700	-23,100
Canada savings bonds	-5,693	-6,812	-6,482	1,339	-1,224	-2,947	43		2,010	-2,701
Bonds for the Canada Pension Plan	513	67	420	9	4	-8	-9	-10	-10	-12
Canada notes and loans	-2,015	-1,734	-163	-7	-7			310	1,811	-456
Canada bills	86	315	-438	-1,008	2,552	3,097	3,397	-2,061	1,450	920
Total unmaturred debt transactions ⁽¹⁾	25,492	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561
Cash in bank at end of year—										
In Canadian currency	1,708	1,369	2,459	677	2,774	2,032	1,817	8,479	9,254	10,293
In foreign currencies	125	143	110	97	107	105	76	76	112	86
Total cash in bank	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379

Source/requirement (—)

⁽¹⁾ The presentation has been modified to reflect unmaturred debt transactions payable in foreign currencies as part of the unmaturred debt transactions; they were previously included with Foreign exchange transactions.

THE NATIONAL ACCOUNTS PRESENTATION FOR THE YEAR ENDED MARCH 31, 1998 IS NOT PUBLISHED BECAUSE THE RECONCILIATION OF REVENUES AND EXPENDITURES BETWEEN THE PUBLIC ACCOUNTS AND THE NATIONAL ACCOUNTS IS NOT AVAILABLE. THIS IS DUE TO A SIGNIFICANT RESTRUCTURING OF THE PUBLIC SECTOR IN THE REVISED SYSTEM OF NATIONAL ACCOUNTS AND HISTORICAL DATA REVISIONS EXTENDING BACK TO 1961.

SECTION 3

1997-98

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenditures and Accumulated Deficit

CONTENTS

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

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

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

TABLE 3.1

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT
(in millions of dollars)

	1997-98		1996-97	
	Gross	Net	Gross	Net
Revenues—				
Tax revenues	153,696	145,919	139,775	132,063
Non-tax revenues	10,666	7,243	12,697	8,833
Total revenues, Table 3.2	164,362	153,162	152,472	140,896
Expenditures—⁽¹⁾				
Transfer payments	84,825	77,048	81,320	73,608
Crown corporation expenditures	3,775	2,548	4,823	3,578
Other program expenditures	31,353	29,157	30,253	27,634
Total program expenditures	119,953	108,753	116,396	104,820
Public debt charges	40,931	40,931	44,973	44,973
Total expenditures, Table 3.6	160,884	149,684	161,369	149,793
Surplus or Deficit (-) for the year	3,478	3,478	(8,897)	(8,897)
Accumulated deficit, beginning of year	(583,186)	(583,186)	(574,289)	(574,289)
Accumulated deficit, end of year, Table 3.12	(579,708)	(579,708)	(583,186)	(583,186)

⁽¹⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

REVENUES

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

Accounting for Revenues

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

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

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

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

Non-tax revenues are reported on an accrual basis.

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

- revenues netted against expenditures where, as authorized by Parliament, certain revenues which are associated with the recovery of certain costs are credited to program spending. In such cases, Parliament votes such funds net of authorized revenues;
- tax credits and repayments where certain tax credits are related to expenditures but are determined through the income tax; and
- revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

"Net revenues" exclude the above three categories.

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

3.2 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

TABLE 3.2

EXTERNAL REVENUES BY MAIN CLASSIFICATION
(in millions of dollars)

	1997-98						1996-97	
	Gross revenues ⁽¹⁾	Revenues netted against expenditures	Deferred revenues netted against expenditures	Tax credits and repayments	Consoli- dated Crown corporations ⁽²⁾	Net revenues ⁽¹⁾	Gross revenues ⁽¹⁾	Net revenues ⁽¹⁾
Tax revenues—								
Income tax—								
Personal	75,672			4,885		70,787	68,122	63,282
Corporation	22,496					22,496	17,020	17,020
Other income tax revenues	2,974					2,974	2,847	2,847
	101,142			4,885		96,257	87,989	83,149
Employment insurance premiums	18,802					18,802	19,816	19,816
Excise taxes and duties—								
Goods and services tax, Table 3.4	22,353			2,892		19,461	20,951	18,079
Energy taxes —								
Excise tax—Gasoline	4,144					4,144	4,025	4,025
Excise tax—Aviation gasoline and diesel fuel	494					494	442	442
	4,638					4,638	4,467	4,467
Customs import duties	2,766					2,766	2,676	2,676
Other excise taxes and duties—								
Excise duties	3,283					3,283	2,275	2,275
Miscellaneous excise taxes and duties	712					712	1,601	1,601
	3,995					3,995	3,876	3,876
	33,752			2,892		30,860	31,970	29,098
Total tax revenues	153,696			7,777		145,919	139,775	132,063
Non-tax revenues—								
Return on investments, Table 3.5	4,511	47			37	4,427	4,276	4,210
Other non-tax revenues—								
Privileges, licences and permits	809	118				691	933	602
Refunds of previous years' expenditures	751					751	697	697
Service fees	1,816	1,343	12			461	2,015	437
Proceeds from sales	360	278				82	1,875	1,575
Proceeds from the disposal of surplus Crown assets	50					50	34	34
Domestic coinage	103					103	445	445
Net gain on exchange	215	2				213	42	42
Miscellaneous non-tax revenues ...	2,050	395			1,190	465	2,380	791
	6,155	2,137	12		1,190	2,816	8,421	4,623
Total non-tax revenues	10,666	2,184	12		1,227	7,243	12,697	8,833
Total revenues ⁽³⁾	164,362	2,184	12	7,777	1,227	153,162	152,472	140,896

⁽¹⁾ Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.⁽³⁾ Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

CHART 3A

TOTAL NET REVENUES BY MAIN CLASSIFICATION AS OF MARCH 31, 1998

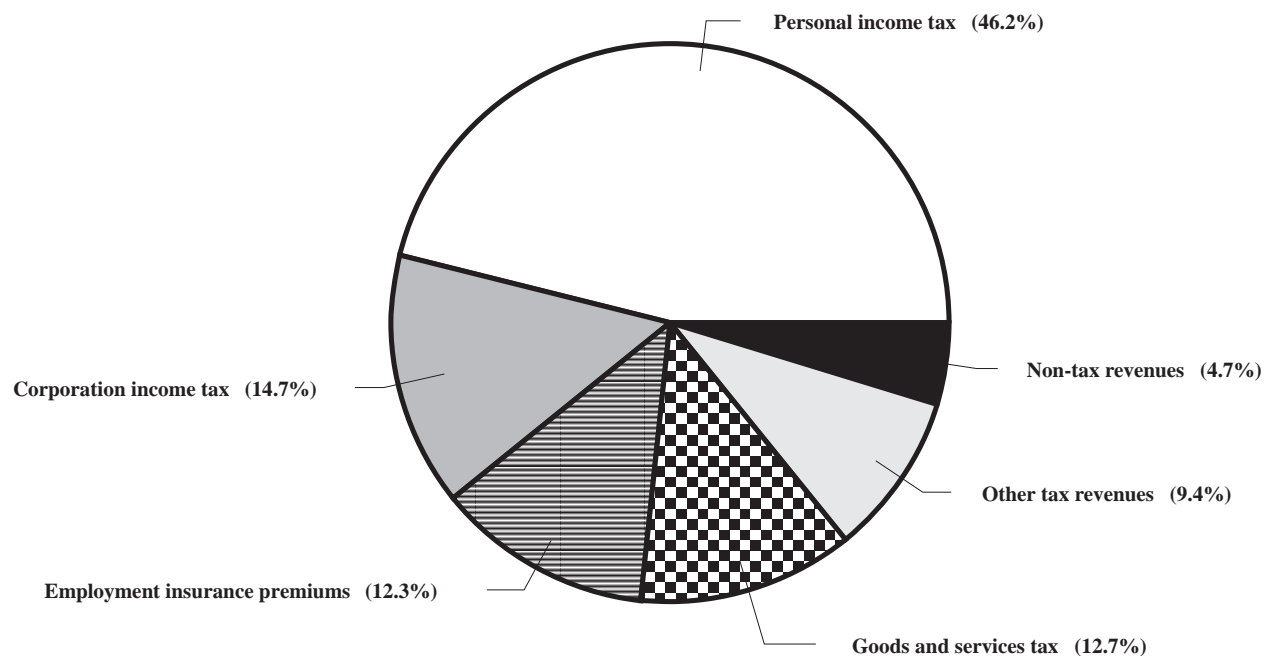
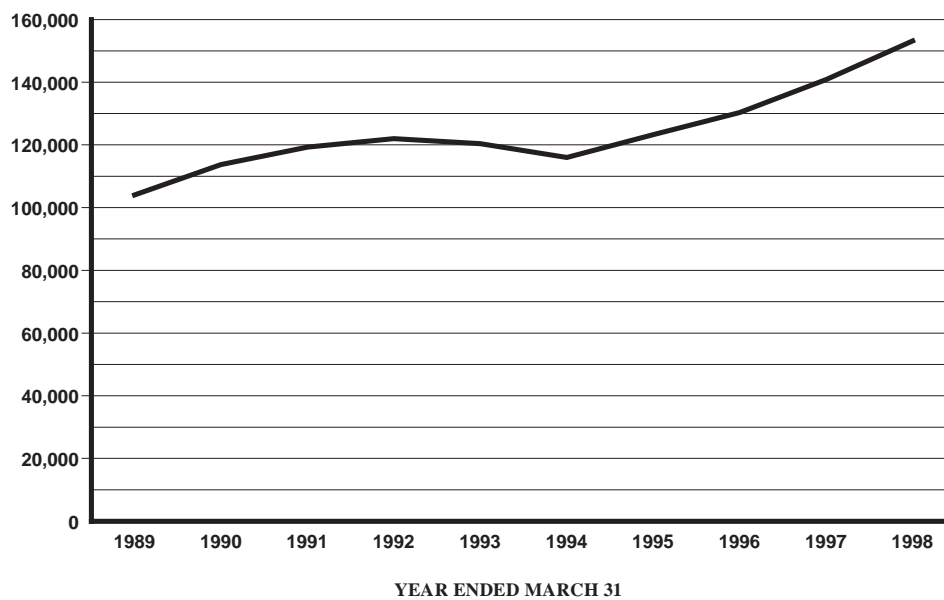


CHART 3B

TOTAL NET REVENUES

(in millions of dollars)



On a day-to-day basis, organizations within the Government transact with each other and thus contribute to gross amounts of revenues and expenditures. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.3 provides details of internal revenue transactions and shows the total of revenues from both internal and external sources. The total gross revenues of \$169,845 million include

the total revenues from all sources. Revenues of consolidated Crown corporations, revenues netted against expenditures and tax credits and repayments are deducted to arrive at net total revenues of \$153,367 million from all sources. The interdepartmental revenues of \$205 million are deducted from the net total revenues to report the net external revenues of \$153,162 million which are detailed in Table 4a in Section I of Volume II (Part I).

TABLE 3.3
REVENUES FROM ALL SOURCES
(in millions of dollars)

	Gross revenues	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Less deferred revenues netted against expenditures	Less tax credits and repayments	Net revenues
			External revenues	Internal revenues			
External transactions	164,362	1,227	2,184		12	7,777	153,162
Internal transactions by main classification—							
Excise taxes and duties	1						1
Return on investments	22						22
Privileges, licences and permits	5						5
Refunds of previous years' expenditures	19						19
Service fees	3,219			3,211			8
Proceeds from sales	614			614			0
Proceeds from the disposal of surplus Crown assets	13						13
Miscellaneous non-tax revenues	1,590			1,453			137
Total internal transactions	5,483			5,278			205
Total revenues	169,845	1,227	2,184	5,278	12	7,777	153,367

Tax Revenues

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

Personal income tax

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

Corporation income tax

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

Other income tax revenues

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

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*.

Act. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

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

Employment insurance premiums

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

Excise taxes and duties

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

Goods and services tax

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

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

TABLE 3.4
GOODS AND SERVICES TAX (GST)⁽¹⁾
 (in thousands of dollars)

	1997-98	1996-97
GST received (National Revenue)	46,933,965	40,669,637
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food	5,943	5,280
Canadian Heritage	4,886	4,244
Citizenship and Immigration	5	6
Environment	2,772	1,102
Finance	72	60
Fisheries and Oceans	2,162	1,854
Foreign Affairs and International Trade	3	2
Governor General	10	4
Health	51	511
Human Resources Development	116	117
Indian Affairs and Northern Development	362	375
Industry	3,258	3,522
Justice	57	78
National Defence	1,371	744
National Revenue	129	131
Natural Resources	1,357	1,092
Parliament	52	49
Privy Council	12	22
Public Works and Government Services	11,827	11,289
Solicitor General	1,079	1,025
Transport	16,132	31,220
Treasury Board	576	597
Veterans Affairs	28	32
	52,260	63,356
Total GST received	46,986,225	40,732,993
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (National Revenue)	921,700	872,963
refunds paid (National Revenue)	20,499,723	17,539,687
rebates paid (National Revenue)	1,741,119	1,369,528
harmonized sales tax—Transfer to provinces	1,470,466	
Gross GST received from outside parties	22,353,217	20,950,815
Less: quarterly tax credits paid (National Revenue)	2,891,725	2,872,081
Net GST received from outside parties	19,461,492	18,078,734

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

Energy taxes

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

Customs import duties

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

Other excise taxes and duties

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

**3. 6 REVENUES, EXPENDITURES AND
 ACCUMULATED DEFICIT**

Non-Tax Revenues

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

Return on investments

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

TABLE 3.5

RETURN ON INVESTMENTS⁽¹⁾ (in millions of dollars)

	1997-98	1996-97
Consolidated accounts—		
Atomic Energy of Canada Limited	1	1
Cash and accounts receivable—		
Interest on bank deposits	326	229
Foreign exchange accounts—		
Exchange Fund Account	1,336	1,467
International Monetary Fund—Subscriptions	43	33
	1,379	1,500
Loans, investments and advances—		
Enterprise Crown corporations—		
Business Development Bank of Canada	4	
Canada Deposit Insurance Corporation	49	88
Canada Mortgage and Housing Corporation	610	632
Farm Credit Corporation	169	171
Other—		
Bank of Canada	1,509 ⁽²⁾	1,310 ⁽²⁾
Miscellaneous	53	68
	2,394	2,269
Joint and mixed enterprises	14	10
National governments including developing countries	143	121
International organizations	33	27
Provincial and territorial governments	9	19
Other loans, investments and advances	11	14
	2,604	2,460
Other accounts—		
Esso Ltd—Norman Wells Project profits	7	108
Other	12	9
	19	117
Total ministerial net return on investments	4,329	4,307
Exchange Fund Account adjustment ⁽³⁾	163	(44)
Accrual of non-tax revenues	(43)	(49)
Total net return on investments	4,449	4,214
Return on investments internal to the Government	(22)	(4)
Total net return on investments from outside parties	4,427	4,210
External revenues netted against expenditures	47	30
Consolidated Crown corporations	37	36
Total gross return on investments from outside parties	4,511	4,276

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

⁽²⁾ On an accrual basis, the revenues are as follows: \$1,480 million for 1997-98 and \$1,359 million for 1996-97.

⁽³⁾ Adjustment to recognize the net income for the 12 months period ending March 31.

Other non-tax revenues

Other non-tax revenues are comprised of proceeds from the sale of surplus Crown assets and current goods and services, refunds of previous years' expenditures, service fees, privi-

leges, licences and permits, domestic coinage, and miscellaneous non-tax revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

EXPENDITURES

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

Accounting for Expenditures

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

a non-recurring transfer provided the enabling legislation or authorization for payment receives parliamentary approval. Capital leases are recorded as expenditures over the lease term as payments are due. Expenditures include allowances to reflect changes in the value of assets or liabilities at their economic value, and amortization of deferred costs.

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

TABLE 3.6
EXTERNAL EXPENDITURES BY TYPE
(in millions of dollars)

	1997-98					1996-97	
	Gross expenditures ⁽¹⁾	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net expenditures ⁽¹⁾	Gross expenditures ⁽¹⁾	Net expenditures ⁽¹⁾
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance	21,758		(467)		22,225	21,207	21,606
Employment insurance benefits	11,842				11,842	12,380	12,380
Other levels of government—							
Canada health and social transfer	12,421				12,421	14,911	14,911
Fiscal arrangements	10,000				10,000	9,418	9,418
Canada Assistance Plan	24				24	105	105
Insurance and medical care	162				162	(217)	(217)
Education support	5				5	(41)	(41)
Alternative payments for standing programs	(2,108)				(2,108)	(2,015)	(2,015)
	20,504				20,504	22,162	22,162
Child tax benefits	5,352		5,352			5,239	
	59,456		4,885		54,571	60,988	56,148
Other transfer payments —							
Agriculture and Agri-Food	817				817	1,741	1,741
Finance	430				430	1,528	1,528
Foreign Affairs and International Trade	2,084				2,084	2,052	2,052
Human Resources Development	2,076				2,076	2,080	2,080
Indian Affairs and Northern Development	3,978				3,978	3,897	3,897
Industry	2,977				2,977	2,093	2,093
Veterans Affairs	1,374				1,374	1,369	1,369
Other ⁽³⁾	11,633		2,892		8,741	5,571	2,699
<i>Total other transfer payments</i>	25,369		2,892		22,477	20,332	17,460
<i>Total transfer payments</i>	84,825		7,777		77,048	81,320	73,608
Crown corporation expenditures	3,775			1,227	2,548	4,822	3,578
Other program expenditures—							
Agriculture and Agri-Food	1,065	134			931	894	774
Canadian Heritage	865	101			764	918	817
Fisheries and Oceans	1,128	36			1,092	1,195	1,170
Foreign Affairs and International Trade	1,215	62			1,153	1,178	1,127
Industry	1,652	116			1,536	1,751	1,540
National Defence	9,240	361			8,879	9,051	8,661
National Revenue	2,199				2,199	2,050	2,050
Public Works and Government Services	2,045	240			1,805	2,018	1,754
Solicitor General	3,367	730			2,637	3,320	2,584
Treasury Board	1,145				1,145	977	977
Other ⁽³⁾	7,432	416			7,016	6,902	6,179
<i>Total other program expenditures</i>	31,353	2,196			29,157	30,253	27,634
<i>Total program expenditures</i>	119,953	2,196	7,777	1,227	108,753	116,396	104,820
Public debt charges, Table 3.9 ⁽³⁾	40,931				40,931	44,973	44,973
<i>Total expenditures</i> ⁽⁴⁾	160,884	2,196	7,777	1,227	149,684	161,369	149,793

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

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

⁽³⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

⁽⁴⁾ Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

3.8 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

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

CHART 3C

TOTAL NET EXPENDITURES BY TYPE AS OF MARCH 31, 1998

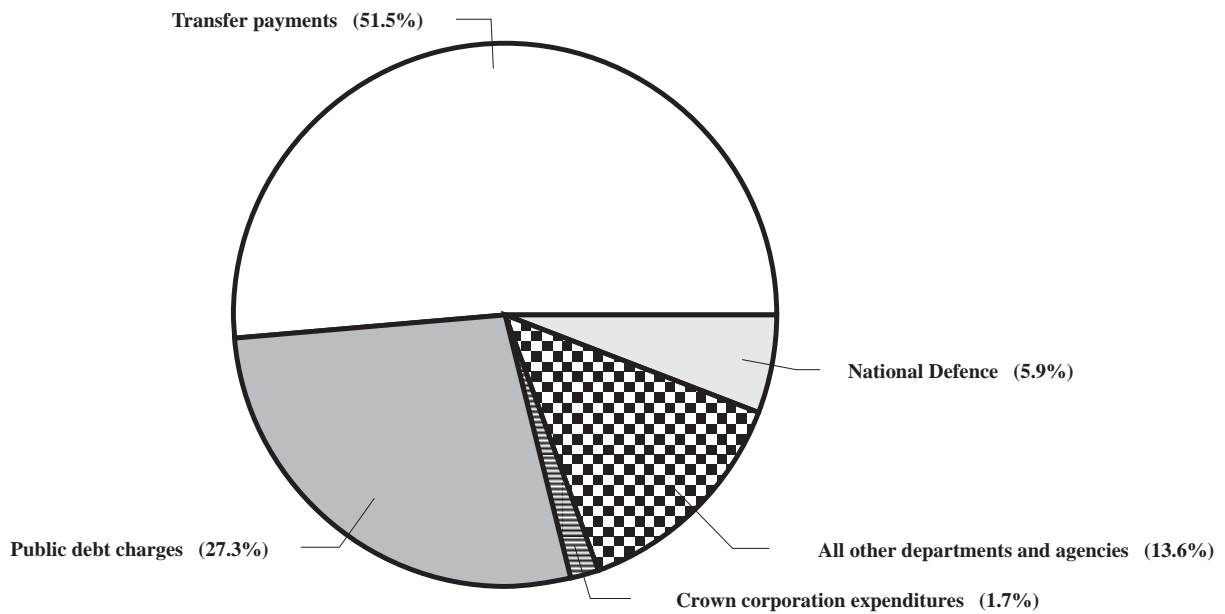
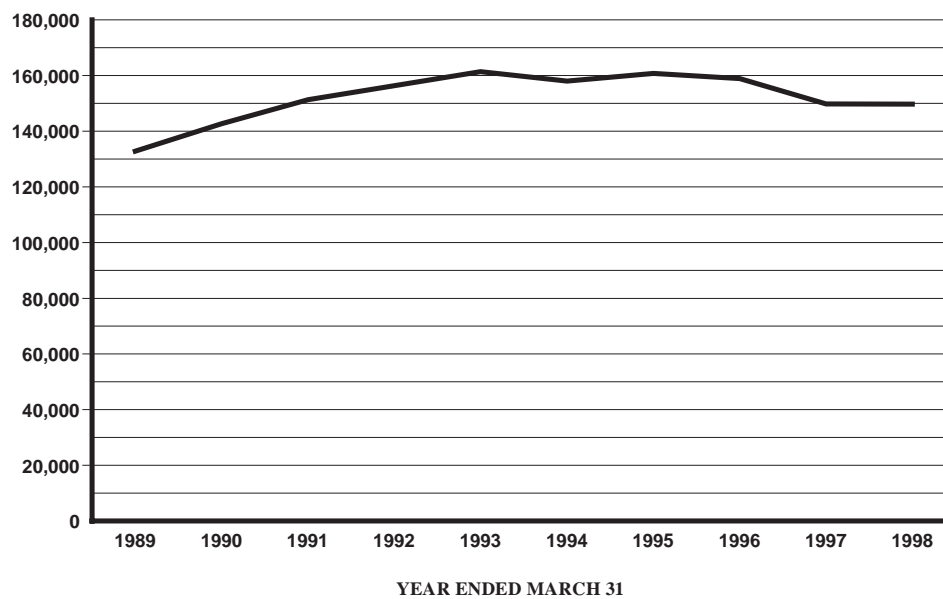


CHART 3D

TOTAL NET EXPENDITURES
(in millions of dollars)



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

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

TABLE 3.7
EXPENDITURES BY SOURCE
(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Net expenditures
				External revenues	Internal revenues	
External transactions	160,884	7,777	1,227	2,196		149,684
Internal transactions —						
Canadian Heritage	14				12	2
Environment	31				29	2
Foreign Affairs and International Trade	15				6	9
Industry	64				53	11
National Defence	16				6	10
National Revenue	238				136	102
Public Works and Government Services	3,523				3,499	24
Solicitor General	91				78	13
Transport	34				28	6
Treasury Board	93				92	1
Other	42				17	25
Total internal transactions	4,161				3,956	205
Total expenditures	165,045	7,777	1,227	2,196	3,956	149,889

Government Spending

Government spending consists of four major types:

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

Transfer payments

Transfer payments include:

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

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

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

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

TABLE 3.8
CERTAIN TRANSFER PAYMENTS BY PROVINCE
(in millions of dollars)

	Old age security benefits ⁽¹⁾	Employment insurance benefits	Fiscal arrangements	Alternative payments for standing programs	Canada health and social transfer	Insurance and medical care		Canada Assistance Plan	Education support	Child tax benefits	Total
						Extended health care	Insured health				
Newfoundland	468	685	1,039		280		(1)				2,471
	<i>459</i>	<i>659</i>	<i>1,043</i>		<i>343</i>		<i>(1)</i>	<i>9</i>			<i>2,512</i>
Prince Edward Island	123	174	208		59		(1)	5			568
	<i>121</i>	<i>164</i>	<i>191</i>		<i>72</i>			<i>4</i>			<i>552</i>
Nova Scotia	803	571	1,258		419	1	(1)				3,051
	<i>788</i>	<i>593</i>	<i>1,140</i>		<i>513</i>		<i>(1)</i>	<i>3</i>	<i>(1)</i>		<i>3,035</i>
New Brunswick	659	642	1,043		328		(1)	4	23		2,698
	<i>644</i>	<i>663</i>	<i>915</i>		<i>404</i>		<i>(1)</i>	<i>14</i>			<i>2,639</i>
Quebec	5,893	3,717	3,779	(2,108)	3,779	5	41				15,106
	<i>5,730</i>	<i>3,881</i>	<i>3,764</i>	<i>(2,014)</i>	<i>4,568</i>	<i>(1)</i>	<i>(46)</i>	<i>(2)</i>	<i>(20)</i>		<i>15,860</i>
Ontario	7,763	3,316	31		3,913	7	(24)		(38)		14,968
	<i>7,513</i>	<i>3,524</i>	<i>51</i>		<i>4,925</i>	<i>(1)</i>	<i>(8)</i>		<i>(3)</i>		<i>16,001</i>
Manitoba	962	331	1,127		489		(3)		27		2,933
	<i>946</i>	<i>335</i>	<i>1,135</i>		<i>601</i>		<i>(2)</i>	<i>21</i>	<i>(1)</i>		<i>3,035</i>
Saskatchewan	933	236	11		439		(2)		(1)		1,616
	<i>922</i>	<i>250</i>	<i>172</i>		<i>496</i>		<i>(4)</i>	<i>13</i>	<i>(2)</i>		<i>1,847</i>
Alberta	1,678	655	3		903	2	(4)	33	(1)		3,269
	<i>1,612</i>	<i>789</i>	<i>(16)</i>		<i>1,134</i>	<i>(1)</i>	<i>(22)</i>	<i>81</i>	<i>(10)</i>		<i>3,567</i>
British Columbia	2,779	1,537	3		1,542	2	(12)	(5)	(5)		5,841
	<i>2,699</i>	<i>1,509</i>	<i>(5)</i>		<i>1,792</i>	<i>(1)</i>	<i>(8)</i>		<i>(4)</i>		<i>5,982</i>
Total provinces	22,061	11,864	8,502	(2,108)	12,151	17	(8)	37	5		52,521
	<i>21,434</i>	<i>12,367</i>	<i>8,390</i>	<i>(2,014)</i>	<i>14,848</i>	<i>(4)</i>	<i>(93)</i>	<i>143</i>	<i>(41)</i>		<i>55,030</i>
Northwest Territories	17	31	848		39		1				936
	<i>16</i>	<i>34</i>	<i>853</i>		<i>44</i>		<i>1</i>	<i>6</i>			<i>954</i>
Yukon Territory	9	28	284		15						336
	<i>9</i>	<i>26</i>	<i>269</i>		<i>19</i>						<i>323</i>
International	144	2									146
	<i>151</i>	<i>2</i>									<i>153</i>
Sub-total	22,231	11,925	9,634	(2,108)	12,205	17	(7)	37	5		53,939
	<i>21,610</i>	<i>12,429</i>	<i>9,512</i>	<i>(2,014)</i>	<i>14,911</i>	<i>(4)</i>	<i>(92)</i>	<i>149</i>	<i>(41)</i>		<i>56,460</i>
Provision for valuation		(83)	366		216			(13)			486
		<i>(49)</i>	<i>(94)</i>					<i>(44)</i>			<i>(187)</i>
Total (Net)	22,231	11,842	10,000	(2,108)	12,421	17	(7)	24	5		54,425
	<i>21,610</i>	<i>12,380</i>	<i>9,418</i>	<i>(2,014)</i>	<i>14,911</i>	<i>(4)</i>	<i>(92)</i>	<i>105</i>	<i>(41)</i>		<i>56,273</i>
Add tax credits and repayments	(473)						152			5,352	5,031
	<i>(403)</i>						<i>(121)</i>			<i>5,239</i>	<i>4,715</i>
Total (Gross)	21,758	11,842	10,000	(2,108)	12,421	17	145	24	5	5,352	59,456
	<i>21,207</i>	<i>12,380</i>	<i>9,418</i>	<i>(2,014)</i>	<i>14,911</i>	<i>(4)</i>	<i>(213)</i>	<i>105</i>	<i>(41)</i>	<i>5,239</i>	<i>60,988</i>

Amounts in roman type are 1997-98 transfer payments.

Amounts in *italic* type are 1996-97 transfer payments.

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

Crown corporation expenditures

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

Other program expenditures

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

TABLE 3.9
PUBLIC DEBT CHARGES⁽¹⁾
(in millions of dollars)

	1997-98	1996-97
Unmatured debt—		
Interest on:		
Marketable bonds	23,819	22,736
Canada savings bonds	1,969	2,380
Bonds for Canada Pension Plan	361	367
Canada notes	114	106
Euro medium term notes	26	
	26,289	25,589
Amortization of premiums, discounts and commissions on:		
Treasury bills	4,314	7,021
Marketable bonds	160	301
Canada bills	428	371
Canada savings bonds	37	41
	4,939	7,734
Servicing costs and costs of issuing new borrowings	150	50
Total public debt charges related to unmaturred debt	31,378	33,373
Interest on:		
Pension and other accounts—		
Public sector pensions—Superannuation accounts	11,705	11,137
Canada Pension Plan	158	178
Government Annuities Account	43	42
Deposit and trust accounts	66	79
Other specified purpose accounts	191	188
	12,163	11,624
Other accounts	52	59
Total public debt charges related to pension and other accounts	12,215	11,683
Interest on consolidated specified purpose accounts—		
Employment Insurance Account	364	108
Agricultural Commodities Stabilization Accounts		1
Other	14	18
Total public debt charges related to consolidated specified purpose accounts	378	128
Total public debt charges ⁽³⁾	43,971	45,184
Financing costs related to the sale of investments		(83)
Interest on the Confederation Bridge debt	27	
	43,998	45,101
Less: total public debt charges related to consolidated specified purpose accounts	378	128
Total public debt charges before change in the accounting policy	43,620	44,973
Net effect of change in the accounting policy ⁽⁴⁾	(2,689)	
Total net/gross public debt charges with outside parties	40,931	44,973

⁽¹⁾ Additional details are provided in Table 2a in Section 1 of Volume II (Part I).

⁽²⁾ Less than \$ 500,000.

⁽³⁾ Additional details are provided in Section 9 of Volume II (Part II).

⁽⁴⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.

3. 12 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

Public debt charges

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

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the Finance ministerial section (Section 6) of Volume II (Part I) and the total net expenditures of the public debt indicated in Table 3.6. The reconciling items include the expenditures of the consolidated specified purpose accounts and the provision for valuation and other items.

Expenditures by Standard Object

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

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

	Total expenditures	Less:		Total external expenditures
		Internal expenditures	Internal revenues netted against expenditures	
Personnel	16,334		(8)	16,342
Transportation and communications	2,082	11	212	1,859
Information	371	3	49	319
Professional and special services	4,675	57	1,103	3,515
Rentals	1,824	39	750	1,036
Purchased repair and maintenance	1,650	15	286	1,349
Utilities, materials and supplies	2,690	8	155	2,527
Construction or acquisition of land, buildings and works	1,479	28	538	913
Construction or acquisition of machinery and equipment	2,353	1	20	2,332
Transfer payments	84,825			84,825
Public debt charges	40,931			40,931
Other subsidies and payments	5,832	44	852	4,936
Total gross expenditures	165,045	205	3,956	160,884
Add:				
Employment Insurance Account	1,322		1,322	
Internal expenditures		205		(205)
Less:				
Revenues netted against expenditures—				
External revenues	2,196			2,196
Internal revenues	5,278	205	5,278	(205)
Revenues of consolidated Crown corporations	1,227			1,227
Tax credits and repayments	7,777			7,777
	(15,156)		(3,956)	(11,200)
Total net expenditures	149,889	205		149,684

Expenditures under Statutory Authorities

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

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

TABLE 3.11

EXPENDITURES UNDER STATUTORY AUTHORITIES

(in millions of dollars)

	1997-98	1996-97
Public debt charges	43,971	45,184
Canada health and social transfer—		
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i>)	12,205	14,911
Payments for insured health services and extended health care services	10	(96)
Canada Assistance Plan payments	37	149
Post-secondary education payments to provinces and territories	5	(41)
Old age security payments (<i>Old Age Security Act</i>)	12,257	14,923
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>)	17,114	16,576
Guaranteed income supplement payments (<i>Old Age Security Act</i>)	8,868	8,728
Sales tax adjustment assistance (Part VII— <i>Budget Implementation Act, 1996</i>)	4,729	4,639
Payment to the Canada Foundation for Innovation (Part XI— <i>Budget Implementation Act, 1997</i>)		961
Transition period payments to NAV CANADA under the <i>Civil Air Navigation Services Commercialization Act</i>	801	
Payments in connection with the <i>Western Grain Transition Payments Act</i>	686	292
Spouse's allowance payments (<i>Old Age Security Act</i>)	2	708
Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽¹⁾	389	395
Public Service—		
Government's matching contributions to the Public Service Superannuation Account	1,050	955
Government's contribution as employer to the Employment Insurance Account	285	313
Government's matching contributions to the Canada and the Quebec Pension Plans	194	190
Government's matching contributions to the Death Benefit Account	7	7
Less: recoveries from revolving funds	1,536	1,465
	76	70
	1,460	1,395
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account	404	392
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	13	14
Government's contribution as employer to the Employment Insurance Account	92	101
Government's matching contribution to the Canada and the Quebec Pension Plans	66	63
Government's matching contribution to the Death Benefit Account	3	3
	578	573
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account	126	120
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	25	18
Government's contribution as employer to the Employment Insurance Account	25	30
Government's matching contribution to the Canada and the Quebec Pension Plans	17	17
	193	185
All other statutory expenditures	1,442	1,210
Total ministerial expenditures under statutory authorities	92,490	95,769
Consolidated specified purpose accounts—		
Employment Insurance Account	11,925	13,251
Western Grain Stabilization Account		(3)
Crop Reinsurance Fund	(164)	(2)
Agricultural Commodities Stabilization Accounts	12	14
Other	569	(103)
Total expenditures of consolidated specified purpose accounts	12,342	13,157
Provision for valuation and other items ⁽²⁾	(69)	(3,967)
Total net statutory expenditures with outside parties	104,763	104,959
External revenues netted against expenditures	2,196	2,619
Total gross statutory expenditures with outside parties	106,959	107,578

⁽¹⁾ Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.⁽²⁾ The 1998 expenditures incorporate the net effect of changes in accounting policies described in Note 2 in section 1 of this volume.3. 14 REVENUES, EXPENDITURES AND
ACCUMULATED DEFICIT

ACCUMULATED DEFICIT

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

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

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

TABLE 3.12

STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS

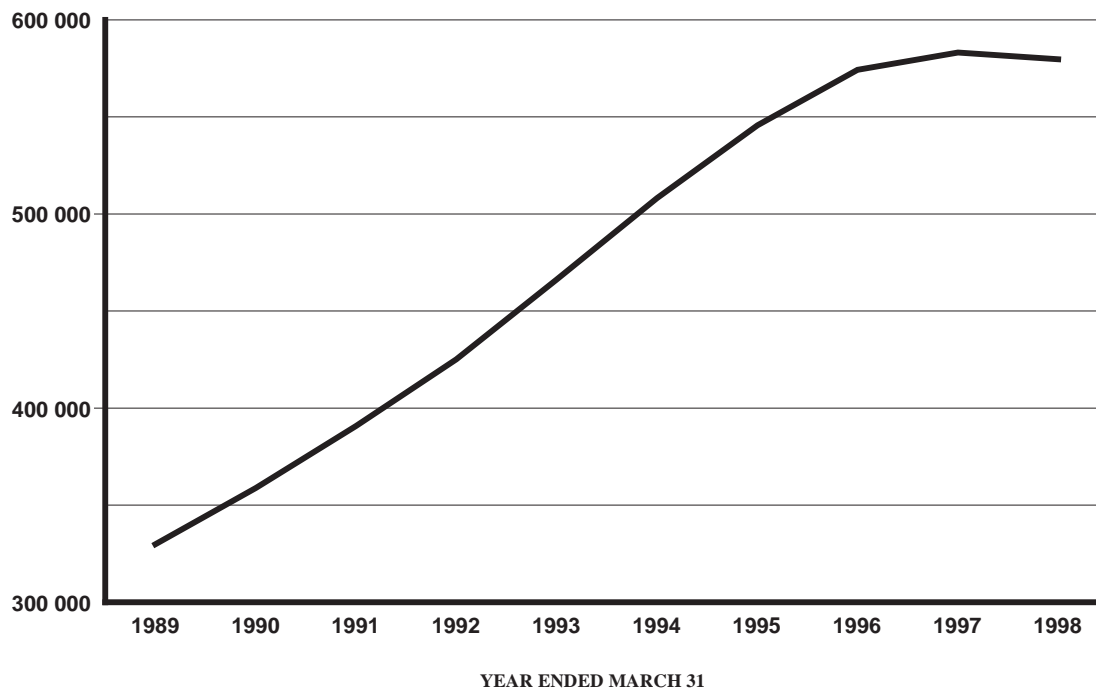
(in millions of dollars)

As at March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase
1998	638,525	58,817	579,708	(3,478)
1997	640,657	57,471	583,186	8,897
1996	624,701	50,412	574,289	28,617
1995	584,798	39,126	545,672	37,462
1994	546,437	38,227	508,210	42,012
1993	503,884	37,686	466,198	41,021
1992	467,377	42,200	425,177	34,357
1991	433,353	42,533	390,820	32,000
1990	397,217	38,397	358,820	28,930
1989	371,541	41,651	329,890	28,773

CHART 3E

ACCUMULATED DEFICIT

(in millions of dollars)



SECTION 4

1997-98

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

CONTENTS

	<i>Page</i>
Consolidated Crown corporations	4.3
Summary financial statements of consolidated Crown corporations	4.3
Borrowings by consolidated agent Crown corporations	4.8
Contingent liabilities of consolidated Crown corporations	4.8
Financial assistance under budgetary appropriations to consolidated Crown corporations	4.9
Consolidated specified purpose accounts	4.10
Major Accounts—	
Western Grain Stabilization Account	4.12
Crop Reinsurance Fund	4.13
Agricultural Commodities Stabilization Accounts	4.13
Employment Insurance Account	4.13
Insurance Accounts	4.14
Other Specified Purpose Accounts	4.15
Supplementary statement—	
Employment Insurance Account	4.18

CONSOLIDATED CROWN CORPORATIONS

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

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

Summary Financial Statements of Consolidated Crown Corporations

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

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

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

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

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

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. 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 during the year ended March 31, 1998. Contingent liabilities of consolidated corporations are presented in Table 4.4.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 1998 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 — ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Third parties	Government and Crown corporations		
Crown corporations ⁽¹⁾				
Atomic Energy of Canada Limited	251,182	41,601	721,853	1,014,636
Canada Council	191,609	59,075	22,236	272,920
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc. ⁽²⁾				
Old Port of Montreal Corporation Inc.	2,568		403	2,971
Canada Museums Construction Corporation Inc. ⁽³⁾				
Canada Mortgage and Housing Corporation				
Minister's Account				
Canadian Broadcasting Corporation	139,427	83,024	1,290,652	1,513,103
Canada Race Relations Foundation ⁽⁴⁾	2,349	24,000	133	26,482
Canadian Dairy Commission				
Dairy Support Operation Financed by the Government of Canada		21,789		21,789
Canadian Film Development Corporation	9,750	38,687	2,860	51,297
Canadian Museum of Civilization	7,790	7,697	16,136	31,623
Canadian Museum of Nature	4,245	937	39,229	44,411
Defence Construction (1951) Limited	3,671	2,150	1,153	6,974
Enterprise Cape Breton Corporation	6,379	3,147	230	9,756
Queens Quay West Land Corporation ⁽⁵⁾	1,872			1,872
International Development Research Centre	37,806	8,500	9,589	55,895
Jacques Cartier and Champlain Bridges Incorporated, The	3,620	4,082	8,694	16,396
Marine Atlantic Inc. ⁽⁶⁾	14,756		222,440	237,196
National Arts Centre Corporation	5,674	412	9,596	15,682
National Capital Commission	32,482	3,394	360,859	396,735
National Gallery of Canada	13,347	1,187	10,903	25,437
National Museum of Science and Technology	3,785	602	8,545	12,932
Standards Council of Canada	2,225	598	1,279	4,102
VIA Rail Canada Inc.	60,999	50,124	558,366	669,489
Total	795,536	351,006	3,285,156	4,431,698
Conversion to the Government accounting basis for consolidation purposes	3,521		3,285,156	3,288,677
Total on the Government accounting basis	792,015	351,006		1,143,021

⁽¹⁾ All Crown corporations listed in this table are parent Crown corporations except the following: Canada Lands Company Vieux-Port de Québec Inc., Canada Museums Construction Corporation Inc., Old Port of Montreal Corporation Inc., and The Jacques Cartier and Champlain Bridges Incorporated.

⁽²⁾ The corporation was dissolved in April 20, 1998.

⁽³⁾ The Corporation was dissolved on April 1997.

⁽⁴⁾ The Canada Race Relations Foundation was created pursuant to Bill C-93 in December 1990 and commenced operations in November 1996.

⁽⁵⁾ Pursuant to Bill C-8, the dissolution of Queens Quay West Land Corporation has been delayed indefinitely.

⁽⁶⁾ Subsection 140 (2) of the *Canada Marine Act*, which received Royal Assent on June 11, 1998, authorizes Marine Atlantic Inc. to transfer, sell or otherwise dispose of all or substantially all of its assets used in any major business or activity of the Corporation, including the shares of a subsidiary.

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	462,265	115,464	577,729	436,907	1,014,636
	93,415	349	93,764	179,156	272,920
	1,203	499	1,702	1,269	2,971
	830,820	747,717	1,578,537	(65,434)	1,513,103
	22	567	589	25,893	26,482
	21,789		21,789		21,789
	12,596		12,596	38,701	51,297
	10,706	363	11,069	20,554	31,623
	37,953	2,389	40,342	4,069	44,411
	4,876	77	4,953	2,021	6,974
	1,583	3,823	5,406	4,350	9,756
	1,062	45,800	46,862	(44,990)	1,872
	14,566	27,550	42,116	13,779	55,895
	4,907	71	4,978	11,418	16,396
	254,458		254,458	(17,262)	237,196
	5,727	20	5,747	9,935	15,682
	32,856	3,165	36,021	360,714	396,735
	6,605	1,712	8,317	17,120	25,437
	4,608	438	5,046	7,886	12,932
	1,716		1,716	2,386	4,102
	105,423	6,703	112,126	557,363	669,489
	1,909,156	956,707	2,865,863	1,565,835	4,431,698
	785,916	693,260	1,479,176	1,809,501	3,288,677
	1,123,240	263,447	1,386,687	(243,666)	1,143,021

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1998

(in thousands of dollars)

Crown corporations	Third parties	Revenues		Total
		Financial assistance	Government and Crown corporations Other	
Atomic Energy of Canada Limited	512,412	170,290	52,708	735,410
Canada Council	11,631	113,968	4,855	130,454
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc.				
Old Port of Montreal Corporation Inc.	7,882	9,000		16,882
Canada Museums Construction Corporation Inc.				
Canada Mortgage and Housing Corporation				
Minister's Account		1,863,045		1,863,045
Canadian Broadcasting Corporation	520,912	702,985	154,860	1,378,757
Canada Race Relations Foundation	1,445	818		2,263
Canadian Dairy Commission				
Dairy Support Operation Financed				
by the Government of Canada		2,355	142,995	145,350
Canadian Film Development Corporation	27,430	157,946		185,376
Canadian Museum of Civilization	8,767	46,685		55,452
Canadian Museum of Nature	1,924	22,933		24,857
Defense Construction (1951) Limited	11		16,488	16,499
Enterprise Cape Breton Corporation	944	9,787	29	10,760
Queens Quay West Land Corporation	1,144			1,144
International Development Research Centre	7,218	89,911	25,149	122,278
Jacques Cartier and Champlain Bridges Incorporated, The	738	25,477		26,215
Marine Atlantic Inc	67,032	91,290		158,322
National Arts Centre Corporation	18,530	19,842	1,059	39,431
National Capital Commission	16,900	72,771	5,057	94,728
National Gallery of Canada	12,834	35,997		48,831
National Museum of Science and Technology	4,069	20,966	50	25,085
Standards Council of Canada	4,913	5,111	275	10,299
VIA Rail Canada Inc	186,673	209,580	594	396,847
Total	1,413,409	3,670,757	404,119	5,488,285
Conversion to the Government accounting				
basis for consolidation purposes	(856,174)	6,690		(849,484)
Total on the Government accounting basis	557,235	3,677,447	404,119	4,638,801

Notes to Table 4.1 are an integral part of this table.

Expenses			Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Third parties	Government and Crown corporations	Total				Dividends	Capital	
683,376	45,005	728,381	7,029	458,085	(28,207)			436,907
120,228		120,228	10,226	232,117	(66,379)		3,192	179,156
203		203	(203)	203				
15,616		15,616	1,266	3 (892)	892			1,269
1,743,300	119,745	1,863,045						
1,395,312	18,955	1,414,267	(35,510)	757,953	(882,017)		94,140	(65,434)
727		727	1,536	24,357				25,893
145,350		145,350						
176,382	1,435	177,817	7,559	31,142				38,701
47,431	6,620	54,051	1,401	16,381			2,772	20,554
23,748	3,183	26,931	(2,074)	6,143				4,069
	16,245	16,245	254	450			1,317	2,021
10,275	204	10,479	281	4,069				4,350
1,436		1,436	(292)	(44,698)				(44,990)
117,671		117,671	4,607	9,172				13,779
27,008	372	27,380	(1,165)	12,567			16	11,418
118,336		118,336	39,986	(72,997)	15,749			(17,262)
40,835	818	41,653	(2,222)	12,157				9,935
85,278	3,772	89,050	5,678	357,729	(2,693)			360,714
37,656	8,114	45,770	3,061	11,988			2,071	17,120
20,864	3,270	24,134	951	7,328	(393)			7,886
10,170	119	10,289	10	2,376				2,386
439,380	2,604	441,984	(45,137)	588,092			14,408	557,363
5,260,582	230,461	5,491,043	(2,758)	2,413,725	(963,048)		117,916	1,565,835
(84,021)	(740,959)	(824,980)	(24,504)	(2,630,127)	963,048		(117,916)	(1,809,501)
5,176,561	(510,498)	4,666,063	(27,262)	(216,402)				(243,666)

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 1/1997	Borrowings and other credits	Payments and other charges	Balance March 31/1998
Atomic Energy of Canada Limited	3,581	100	3,681	

Notes to Table 4.1 are an integral part of this table.

Contingent Liabilities of Consolidated Crown Corporations

Table 4.4 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.4

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS (in thousands of dollars)

	March 31/1998
<u>Agent Crown corporations</u>	
Canada Mortgage and Housing Corporation	
Minister's Account—Miscellaneous litigation	3,000
Defence Construction (1951) Limited—Contract disputes	9,287
Canadian Film Development Corporation—Loan guarantees	2,107
International Development Research Centre	800
National Capital Commission—Miscellaneous litigation and agreements.	12,800
	27,994
<u>Non-agent Crown corporation</u>	
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigation	30,351
Total	58,345

Notes to Table 4.1 are an integral part of this table.

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 to cover operating expenses and (b) amounts for capital expenditures.

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

TABLE 4.5

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited	142,615	142,615	
Canada Lands Company Limited			
Old Port of Montreal Corporation Inc ⁽²⁾	9,000	9,000	
Canada Mortgage and Housing Corporation	1,863,053	1,863,053	
Canadian Broadcasting Corporation	806,485	712,345	94,140
Canadian Dairy Commission	144,746	144,746	
Canadian Film Development Corporation	81,146	81,146	
Canadian Museum of Civilization	46,685	46,685	
Canadian Museum of Nature	22,768	22,768	
Defence Construction (1951) Limited	1,864	1,864	
Enterprise Cape Breton Corporation	9,787	9,787	
National Capital Commission	72,771	52,278	20,493
National Gallery of Canada	33,816	30,816	3,000
National Museum of Science and Technology	20,966	20,966	
<i>Sub Total</i>	<i>3,255,702</i>	<i>3,138,069</i>	<i>117,633</i>
<u>Non-agent Crown corporations</u>			
Canada Council	113,968	113,968	
International Development Research Centre	88,111	88,111	
Jacques Cartier and Champlain Bridges Incorporated, The	25,566	25,566	
Marine Atlantic Inc	91,290	91,290	
National Arts Centre Corporation	20,390	20,390	
Standards Council of Canada	5,111	5,111	
Queens Quay West Land Corporation	4,100	4,100	
VIA Rail Canada Inc.	216,204	216,204	
	<i>564,740</i>	<i>564,740</i>	
Total	3,820,442	3,702,809	117,633

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

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

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

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

In the past, earmarked revenues were credited to non-budgetary accounts, with related offsetting payments and expenditures charged thereto. The transactions of these accounts are now reported with revenues and expenditures, in order to

provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.6 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 Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/1997	Receipts and other credits		Payments and other charges		March 31/1998
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Major Accounts—						
Agriculture and Agri-Food—						
Western Grain Stabilization Account	26,610,881	2,193	563	(335,336)		26,948,973
Less interest-bearing loans	1,112,000,000					1,112,000,000
	(1,085,389,119)	2,193	563	(335,336)		(1,085,051,027)
Crop Reinsurance Fund	221,461,081	58,504,867		(164,004,533)	165,000,000	278,970,481
Less interest-bearing loans	443,156,751				165,000,000	278,156,751
	(221,695,670)	58,504,867		(164,004,533)		813,730
Agricultural Commodities						
Stabilization Accounts	19,483,821	(36,068)	(3,629,346)	8,161,645		7,656,762
	(1,287,600,968)	58,470,992	(3,628,783)	(156,178,224)		(1,076,580,535)
Human Resources Development—						
Employment Insurance Account, Table 4.7	6,493,652,588	18,802,265,964	765,806,675	13,193,713,373		12,868,011,854
Total major accounts	5,206,051,620	18,860,736,956	762,177,892	13,037,535,149		11,791,431,319
Insurance Accounts—						
Finance—						
Investors' Indemnity Account	45,303					45,303
Health—						
Health Insurance Supplementary Account	28,387					28,387
Natural Resources—						
Atomic Energy Control Board—						
Nuclear Liability Reinsurance Account	544,321	3,000				547,321
Transport—						
Ship-Source Oil Pollution Fund	260,637,469		13,987,904	5,694,102		268,931,271
Total insurance accounts	261,255,480	3,000	13,987,904	5,694,102		269,552,282

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1997	Receipts and other credits		Payments and other charges		March 31/1998
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other Specified Purpose Accounts—						
Agriculture and Agri-Food—						
Crops Sector Companion Program	111,511,975					111,511,975
Canadian Heritage—						
Alexander Graham Bell National Historic Site	5,933					5,933
Claudia de Hueck Bequest Account	392,562	11,904		22,500		381,966
Marconi Celebration Trust Fund	4,321	27,500		28,541		3,280
National Archives of Canada—						
Donations	208,526	99,555		113,993		194,088
National Battlefields Commission—						
Trust Fund Account	592,446	1,165,610	30,635	1,009,581		779,110
National Library—						
Special Operating Account	78,553	178,663		178,214		79,002
	1,282,341	1,483,232	30,635	1,352,829		1,443,379
Citizenship and Immigration—						
50th Anniversary of the Canadian Citizenship Act Celebrations	106,524	90,000		115,513		81,011
Environment—						
Endangered Species—Donations	164	54				218
Fish Habitat Restoration Account	253,848	26,100		165,514		114,434
	254,012	26,154		165,514		114,652
Finance—						
Canadian Commercial Bank and Northland Bank Holdback Account	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish Account	91,802	125,482		45,474		171,810
Governor General—						
Friends of Rideau Hall Account	25,421	4,468		1,590		28,299
Health—						
Dawson City Nursing Station—						
Father Judge Memorial	49,817			49,817		
Medical Research Council—						
Donations for Research	4,287,651	2,782,297	56,973	5,484,193		1,642,728
	4,337,468	2,782,297	56,973	5,534,010		1,642,728
Human Resources Development—						
Canadian Centre for Occupational Health and Safety—Donations	80,521	500				81,021
Indian Affairs and Northern Development—						
Environmental Studies Research Fund	167,156	35,943		50,000		153,099
Industry—						
Prime Minister Awards		150,813		3,238		147,575
National Research Council of Canada—						
H. L. Holmes Fund	19,368	131,847		75,000		76,215
	19,368	282,660		78,238		223,790
Natural Resources—						
Environmental Studies Research Fund	207,527	46,606		70,000		184,133

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1997	Receipts and other credits		Payments and other charges		March 31/1998
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Privy Council—						
Canadian Transportation Accident Investigation and Safety Board—						
Flight Recorder Software Systems Account	98,238	210,727		119,873		189,092
National Round Table on the Environment and Economy—Donations . . .	43,957	666,755		464,513		246,199
	142,195	877,482		584,386		435,291
Public Works and Government Services—						
Seized Property Proceeds Account	11,910,320	17,414,537		13,544,960		15,779,897
Transport—						
Fines for the Transportation of Dangerous Goods	40,793	13,500				54,293
Total other specified purpose accounts	376,400,887	23,182,861	87,608	21,542,514		378,128,842
Total	5,843,707,987	18,883,922,817	776,253,404	13,064,771,765		12,439,112,443

Western Grain Stabilization Account

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

This account recorded funds which were received from:

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

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

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

Payments and other charges to outside parties of -\$0.3 million (-\$2.9 million in 1997) are reported and presented in the Statement of Revenues, Expenditures and Accumulated Deficit.

Crop Reinsurance Fund

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

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

Receipts and other credits from outside parties of \$59 million (\$61 million in 1997) are reported as revenues, while payments and other charges show a credit of \$164 million due to recovery of previous payments and writedowns of Saskatchewan and New Brunswick deficit (\$2.1 million in 1997), are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Agricultural Commodities Stabilization Accounts

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

The Sugar Beet Program and account remains active. The remaining accounts are active solely for the collection of accounts receivable as the programs have already terminated. These accounts are as follows:

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

These accounts are continued in the accounts of Canada pursuant to section 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and re-

placed by the *Farm Income Protection Act* effective April 1, 1991.

Receipts and other credits from outside parties of -\$36 thousand (\$1 million in 1997) are reported as revenues, while payments and other charges to outside parties of \$8 million (\$14 million in 1997) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of -\$3.6 million (\$1 million in 1997), and payments and other charges of «nil» (\$2 million as revised in 1997), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Employment Insurance Account

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

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

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

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

Premium rates for each \$100 of insurable earnings were \$2.90 from April 1, 1997 to December 31, 1997 and \$2.70 from January 1, 1998 to March 31, 1998. Maximum weekly benefits were \$413 for the whole period.

Receipts and other credits from outside parties of \$18,802 million (\$19,816 million in 1997) are reported as revenues, while payments and other charges to outside parties of \$13,193 million (\$13,902 million in 1997) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$766 million (\$552 million in 1997), and payments and other charges of «nil» («nil» in 1997), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Table 4.7 presents a statement of the transactions in the Employment Insurance Account. Notwithstanding the accounting policies of the Government, the data in Table 4.7, except for administration costs, are presented on a cash basis. This method is used to permit a direct reconciliation of data with the accounts of Canada and the data in Table 4.6. For the purpose of presentation in the financial statements of the Government of Canada, adjusting entries have been brought to these accounts in order to conform to the stated accounting policies.

The Employment insurance benefits as reported in Table 4.7 (\$11,872 million) differ from the benefits (\$11,842 million) reported in the Statement of Revenues, Expenditures and Accumulated Deficit (Section 1 of this volume). The difference is attributed to further adjustments due to the provision for valuation (\$-83 million) and the employment insurance benefits recovery of \$53 million through the Income Tax System.

TABLE 4.7

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	1997-98	1996-97
RECEIPTS AND OTHER CREDITS—		
Premiums—		
Employers and employees	19,151	20,207
Penalties	53	53
Interest earned	364	108
	19,568	20,368
PAYMENTS AND OTHER CHARGES—		
Benefits	11,822	12,528
Transfers to the provinces -		
Part II	50	
Administration costs	1,301	1,374
Administration cost		
transferred to provinces	20	
	13,193	13,902
Net change	6,375	6,466
Repayments		
Balance at beginning of year	6,493	27
Balance at end of year	12,868	6,493

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$3 thousand (-\$27 million in 1997) are reported as revenues, while payments and other charges to outside parties of \$6 million (\$3 million in 1997) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$14 million (\$15 million in 1997), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Investors' Indemnity Account

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

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

Health Insurance Supplementary Account

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

Nuclear Liability Reinsurance Account

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

Ship-Source Oil Pollution Fund

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

Other Specified Purpose Accounts

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$23 million (\$18 million in 1997) are reported as revenues, while payments and other charges to outside parties of \$22 million (\$20 million in 1997) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$88 thousand (\$112 million in 1997), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Crops Sector Companion Program

The Crops Sector Companion Program will provide additional assistance to Net Income Stabilization Account (NISA) participants in Saskatchewan, who produce eligible commodities, in the event of reduced farm cash receipts in the 1995 and 1996 calendar years. Payments will be made to producers if crop sector revenue falls below a guaranteed revenue target for each of the two years.

Under the Program, the federal Government and Saskatchewan will provide annual premium contributions of \$54.5 million and \$30.5 million, respectively for each of the two years.

In the event that triggered program payouts exceed the program funds available, the federal Government will make an additional contribution not exceeding \$50 million for the two-year period. Saskatchewan has also contributed an additional \$45 million, from its share of the Gross Revenue Insurance Program (GRIP) surplus.

Although the federal liability under the Program is capped at a maximum of \$159 million, the actual federal contributions are subject to payments being triggered. Any unused premium contributions at the conclusion of the Program will be refunded to the federal Government and to Saskatchewan in proportion to their respective contributions.

This account records the federal Government's share of the Program. The Saskatchewan share is reported in Table 6.26 (Section 6 of this volume).

No payments will be triggered to producers for either the 1995 or 1996 calendar years based upon the calculation formula using annual farm cash receipts from Saskatchewan. An amendment to the agreement has been prepared for signature which directs how the monies paid into the account, plus interest earned and the \$50 million additional federal contribution would be paid out. The federal monies would be transferred to the Crop Reinsurance Fund of Canada for Saskatchewan and the provincial monies would be paid to Saskatchewan to reduce the deficit in the Crop Reinsurance Fund of Saskatchewan and to provide \$5 million as start-up funding for a New Crops Companion Program in 1997. Once these monies are paid out, the account will then be closed.

Alexander Graham Bell National Historic Site

This account was established to accept donations from various companies of the Canadian telecommunications industry for the redevelopment of the Alexander Graham Bell National Historic Site. These donations will be used for the construction of facilities for disabled visitors in addition to improving the reception, orientation and special events services.

Claudia de Hueck Bequest Account

This account was established pursuant to section 15 of the *Science Council of Canada Act*, to record a bequest made by Mrs. Claudia de Hueck to be used to promote the study of humanities and for general educational purposes.

Marconi Celebration Trust Fund

This account was established for the purpose of raising monies through public subscriptions and others to construct, operate and maintain a National Historic Site in Glace Bay, Nova Scotia to commemorate the efforts and accomplishments of Guglielmo Marconi in the field of wireless communications.

National Archives of Canada—Donations

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

National Battlefields Commission—Trust Fund Account

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

National Library—Special Operating Account

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

50th Anniversary of the Canadian Citizenship Act Celebrations

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

Endangered Species—Donations

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

Fish Habitat Restoration Account

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

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

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

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

Canadian Commercial Bank and Northland Bank Holdback Account

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

During 1997-98, no claims have been received for potential payments from the holdback.

Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under subsection 79.2 (f) of the Act.

Friends of Rideau Hall Account

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

Dawson City Nursing Station—Father Judge Memorial

The account was established to record an amount received as an unconditional gift for use at Dawson City Nursing Station—Father Judge Memorial. The gift, given by Mr. Ole Sigur Lunde of Dawson City, Yukon Territory will be disbursed for the specified purpose (i.e. Dawson City Nursing Station—Father Judge Memorial) in accordance with the mandate of Health Canada.

Medical Research Council — Donations for Research

This account was established under section 5(3) of the *Medical Research Council Act* to record donations and contributions received from organizations and individuals for biomedical research.

Canadian Centre for Occupational Health and Safety—Donations

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

Indian Affairs and Northern Development—Environmental Studies Research Fund

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

Prime Ministers Awards

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

H.L. Holmes Fund

This account was established pursuant to section 13(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 School or Research Institutes under outstanding research persons.

Natural Resources—Environmental Studies Research Fund

This account was established pursuant to section 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.

Flight Recorder Software Systems Account

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

National Round Table on the Environment and Economy—Donations

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

Seized Property Proceeds Account

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

Fines for the Transportation of Dangerous Goods

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

SUPPLEMENTARY STATEMENT

Employment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

MEL CAPPE
Chairperson

SERGE RAINVILLE
*Assistant Deputy Minister
Financial and Administrative Services*

July 24, 1998

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 1998 and the statement of operations and surplus for the year then ended. These financial statements are the responsibility of the Management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 24, 1998

Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 1998**

(in thousands of dollars)

ASSETS	1998	1997	LIABILITIES AND SURPLUS	1998	1997
Balance of the account with Receiver			Unredeemed warrants	246,385	233,758
General for Canada	13,493,287	7,099,716	Amounts payable (Note 4)	420,347	393,068
Premiums receivable	825,000	854,000	Accrued benefits	376,063	459,751
Due from claimants				1,042,795	1,086,577
(Note 3)	369,436	433,738			
			Surplus	13,644,928	7,300,877
	14,687,723	8,387,454		14,687,723	8,387,454

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

Approved by the Commission:

MEL CAPPE*Chairperson***SERGE RAINVILLE***Assistant Deputy Minister**Financial and Administrative Services***STATEMENT OF OPERATIONS AND SURPLUS****FOR THE YEAR ENDED MARCH 31, 1998**

(in thousands of dollars)

	1998 (12 months)	1997 (15 months)
Revenue		
Premiums (Note 5)	19,121,666	24,815,170
Interest on the balance of the account with Receiver General for Canada (Note 6)	363,828	119,447
Penalties	67,084	88,223
	19,552,578	25,022,840
Expenses		
Benefits and support measures (Note 7 and Schedule I)	11,798,307	16,602,394
Administration costs (Note 8)	1,320,864	1,712,570
Doubtful debts	89,356	73,038
	13,208,527	18,388,002
Surplus for the period	6,344,051	6,634,838
Surplus at beginning of the period	7,300,877	666,039
Surplus at the end of the period	13,644,928	7,300,877

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

Comparative data for the 12 months ending March 31, 1997 are presented in Schedule II.

NOTES TO FINANCIAL STATEMENTS**MARCH 31, 1998****1. Authority, objective and responsibilities**

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

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

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

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998—Continued

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

Responsibility sharing varies from one agreement to the other. In some cases, the provinces have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government. Agreements with Alberta, Manitoba, and New Brunswick were implemented during 1997-98; the remainder will come into force over the next two years.

2. Accounting policies

All financial transactions affecting the Employment Insurance Account are governed by the Act and/or the Regulations.

a) Basis of accounting

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

b) Premiums

Premiums are based on an estimate of the amount to be collected that relates to the period and include adjustments between actual and estimated premiums of previous years.

c) Benefits

Benefits represent the amounts to be paid to claimants for the period relating to the financial reporting period, less benefit overpayments established by the Commission during the period, and estimated benefit repayments to be received from higher income claimants.

d) Administration costs

The costs include the costs of administration of the Act based on an estimate of costs incurred by the Commission during the period for administering the Employment Insurance Account and administration costs incurred by provinces to administer labour market development agreements.

e) Financial instruments

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

3. Due from claimants

	1998	1997
	(in thousands of dollars)	
Balance of benefit overpayments and penalties	586,455	590,857
Less: allowance for doubtful debts	305,339	261,748
	281,116	329,109
Estimated benefit repayments to be received from higher income claimants	88,320	104,629
	369,436	433,738

Uncollectable benefit overpayments and penalties written off during the year amounted to \$46 million (\$47 million for the 15 months ending March 31, 1997).

Continuous efforts have been made by the Commission in detecting overpayments on claims processed during the current and preceding years and, where necessary, imposing penalties. During the year, overpayments and penalties totalling \$373 million (\$496 million for the 15 months ending March 31, 1997) were established. During 1997-98, \$332 million have been recovered (\$438 million for the 15 months ending March 31, 1997).

4. Amounts payable

	1998	1997
	(in thousands of dollars)	
To Canada		
Employment benefits and support measures	315,495	304,223
Tax deductions from warrants	41,832	26,002
Administration costs	36,739	52,426
Amount related to Labour Market Development Agreements paid to provinces	14,031	
Recoupments from warrants	2,813	3,241
	410,910	385,892
To provinces		
Quebec tax deductions from warrants	5,828	4,581
Recoupments from warrants	3,609	2,595
	9,437	7,176
	420,347	393,068

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998—Continued

5. Premiums

Premiums are based on an estimate of insurable earnings for each calendar year. Calculation of insurable earnings is based on a formula using many factors such as previous calendar year's total insurable earnings, the growth in the number of paid workers and in the average weekly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may occur. For example, in the calendar year 1997, a variation of one percentage point in insurable earnings would result in a change of \$206 million in premiums.

Actual amounts for insurable earnings and premiums for calendar years 1997 and 1998 will be known only when Revenue Canada has processed all employer declarations of premiums for these years. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in the period for the previous years amounted to \$123 million (\$143 million in 1996-97).

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 1997, the total amount of reductions is estimated at \$544 million. Actual reductions for the calendar year 1996 were \$502 million.

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

	1998	1997	1996
	(in dollars)		
For employees.....	2.70	2.90	2.95
For employers (calculated at 1.4 times the employee rate).....	3.78	4.06	4.13

6. Interest on the balance of the account with Receiver General for Canada

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

The interest on the daily operating balance is calculated daily and is credited to the Account on the first day of the following month. The interest rate on the operating balance is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 2.61 percent to 4.15 percent during the period (2.55 percent to 4.88 percent in 1996-97).

7. Estimated overpayments and underpayments of benefits

The large number of claimants to be monitored and the need for prompt service require a selective rather than universal application of internal 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 12 months ending December 31, 1997, these undetected overpayments and underpayments are estimated to be \$521 million and \$172 million respectively (\$334 million and \$125 million for the 12 months ending December 31, 1996). At the time of preparing these statements, information for the first three months of 1998 was not readily available. 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.

As indicated in Note 3, continuous efforts are made by the Commission to detect, establish and recover overpayments. There is not a direct link between these detection activities and the estimating techniques referred to above.

8. Administration costs

	1998 (12 months)	1997 (15 months)
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance.....	560,298	736,832
Corporate management and services.....	302,341	374,092
Human Resources Investment.....	246,800	342,201
HRCC management and joint services.....	195,808	265,506
	1,305,247	1,718,631
Add: administration costs incurred by provinces ⁽¹⁾	20,156	
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards.....	4,539	6,061
	1,320,864	1,712,570

⁽¹⁾These costs include \$12 million for start-up costs.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998—Concluded

Administration costs—related party transactions

The administration costs include \$119 million (\$145 million for the 15 months ending March 31, 1997) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$99 million (\$115 million for the 15 months ending March 31, 1997) by Revenue Canada for collecting premiums from employers and employees and other related activities.

In addition to those related party transactions disclosed elsewhere in these financial statements, 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 business.

9. Financial statement presentation

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

In 1996, in order to be more consistent with the policy and decision-making framework of the Government of Canada, the Employment Insurance Account, in accordance with section 32 of the *Department of Human Resources Development Act*, changed the financial year end from December 31 to March 31. Accordingly, these financial statements cover the twelve month period ending March 31, 1998 with comparative figures for the fifteen month period of January 1, 1996 to March 31, 1997. Additional comparative data of the Statement of Operations and Surplus for a period of twelve months ending March 31, 1997 are presented in Schedule II.

It is management's opinion that a statement of changes in financial position for the Account is not necessary since information concerning operational activities, and their effects on cash resources, are readily apparent in the Statement of Operations and Surplus. The Account is not involved in any financing or investment activities.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Account's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Account, including those related to the efforts of federal Government departments providing services to the Account, or other third parties, will be fully resolved.

Employment Insurance Account—Continued

SCHEDULE I

BENEFITS AND SUPPORT MEASURES

FOR THE YEAR ENDED MARCH 31, 1998

(in thousands of dollars)

	1998 (12 months)	1997 (15 months)
Part I—Income benefits		
Regular	8,399,465	12,283,942
Fishing	236,754	307,155
Worksharing	7,137	19,557
	8,643,356	12,610,654
Special benefits		
Maternity	703,365	901,016
Parental	448,890	576,742
Sickness	443,131	526,307
Adoption	5,340	7,248
	1,600,726	2,011,313
	10,244,082	14,621,967
Part II—Employment benefits and support measures		
Employment benefits		
Training/skills loans and grants	770,111	1,541,295
Self-employment	133,372	227,532
Job creation partnerships	129,632	143,576
Targeted wage subsidies	79,242	17,473
Targeted earnings supplements	3	2
	1,112,360	1,929,878
Support measures		
Employment assistance services	234,813	96,156
Labour market partnerships	201,516	45,644
Research and innovation	7,129	11,693
	443,458	153,493
Transferred to provinces	50,376	
	1,606,194	2,083,371
Benefits and support measures	11,850,276	16,705,338
Less: benefit repayments by higher income claimants	51,969	102,944
	11,798,307	16,602,394

Benefit Rates

Since July 1, 1996, benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. However, as of January 5, 1997, claimants that have collected more than 20 weeks of regular benefits in the past five years, since June 30, 1996, will see the benefit rate for their new claim reduced. The benefit rate can be increased to a maximum of 65 percent in 1997, and 70 percent in 1998 for claimants who are in a low income family with children.

From January 1 to June 30, 1996, benefits paid represented the lesser of 55 percent of average insurable earnings, or \$465 per week. During 1996, for claimants who had low average insurable earnings and dependants, the rate was 60 percent.

Employment Insurance Account—Concluded

SCHEDULE II
 STATEMENT OF OPERATIONS AND SURPLUS
 FOR COMPARATIVE PURPOSES
 (in thousands of dollars)

	March 31, 1998 (12 months)	March 31, 1997 (12 months)	March 31, 1997 (15 months)
Revenue			
Premiums.....	19,121,666	20,307,171	24,815,170
Interest on the balance of the account with Receiver General for Canada.....	363,828	108,461	119,447
Penalties	67,084	67,852	88,223
	19,552,578	20,483,484	25,022,840
Expenses			
Benefits and support measures.....	11,798,307	12,376,948	16,602,394
Administration costs	1,320,864	1,375,247	1,712,570
Doubtful debts	89,356	60,639	73,038
	13,208,527	13,812,834	18,388,002
Surplus for the period	6,344,051	6,670,650	6,634,838
Surplus at beginning of the period.....	7,300,877	630,227	666,039
Surplus at the end of the period.....	13,644,928	7,300,877	7,300,877

SECTION 5

1997-98

PUBLIC ACCOUNTS OF CANADA

Accounts Payable, Accruals and Allowances

CONTENTS

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

ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

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

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

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

TABLE 5.1
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

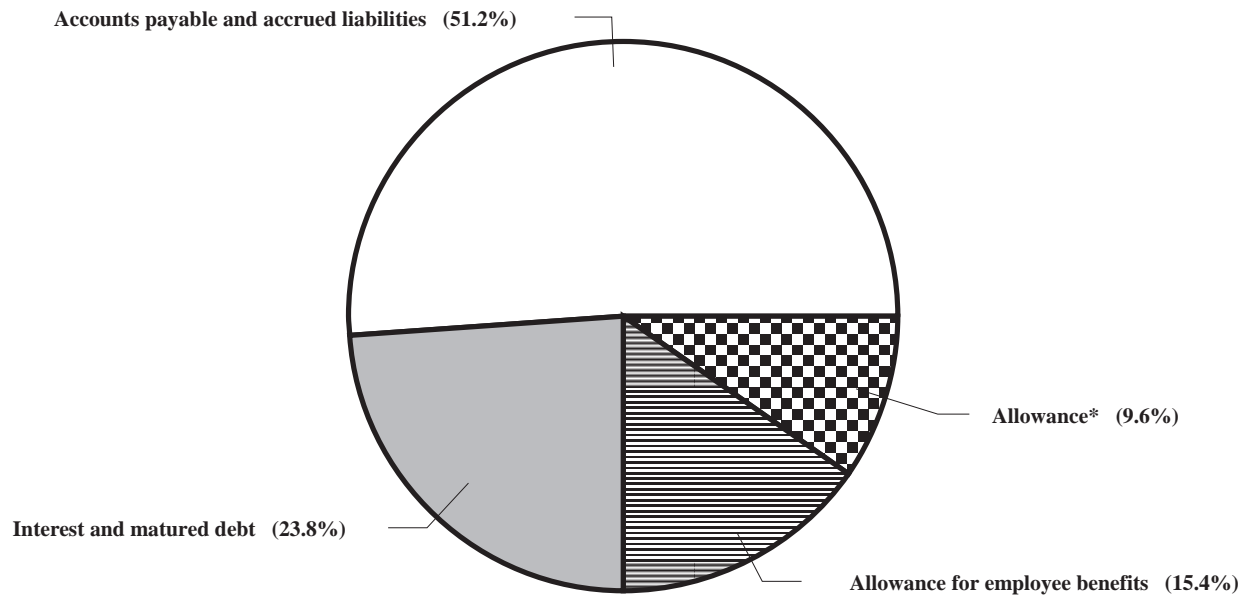
	April 1/1997	March 31/1998
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	19,265,248,238	22,364,376,137
Interest and matured debt, Table 5.5	10,402,405,666	10,418,670,926
Allowance for employee benefits	5,000,000,000	6,520,000,000
Add: consolidation adjustment ⁽¹⁾	180,000,000	209,000,000
	5,180,000,000	6,729,000,000
Allowance for loan guarantees and borrowings of Crown corporations, Table 5.6	5,253,000,000	4,188,000,000
Total	40,100,653,904	43,700,047,063

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

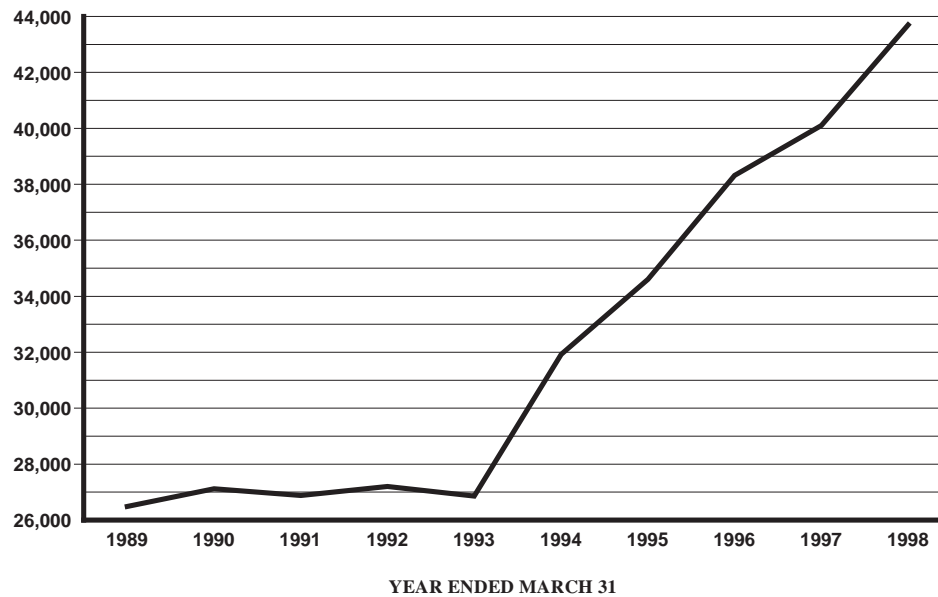
5.2 ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

CHART 5A

ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES BY CATEGORY AS AT MARCH 31, 1998



* Allowance for loan guarantees and borrowings of Crown corporations

CHART 5BACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES
(in millions of dollars)

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous payroll deductions, deferred revenues, borrowings of consolidated Crown corporations, suspense accounts and other accounts.

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

TABLE 5.2
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/1997	March 31/1998
	\$	\$
Accounts payable	14,445,656,086	18,089,084,553
Add: consolidation adjustment ⁽¹⁾	996,260,000	895,919,000
	<i>15,441,916,086</i>	<i>18,985,003,553</i>
Notes payable to international organizations, Table 5.3	1,793,139,936	1,811,620,352
Provincial and territorial tax collection agreements account, Table 5.4	1,726,001,559	1,174,735,067
Miscellaneous payroll deductions	8,888,154	45,857,208
Deferred revenues	231,613,947	232,763,920
Borrowings of consolidated Crown corporations ⁽¹⁾	3,581,000	
Suspense accounts	59,481,691	113,867,639
Other	625,865	528,398
Total	19,265,248,238	22,364,376,137

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

Accounts payable

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

Notes payable to international organizations

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

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

TABLE 5.3
NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

	April 1/1997	Receipts and other credits		Payments and other charges		March 31/1998
		Note issuances	Revaluation ⁽¹⁾	Note encashments	Revaluation ⁽¹⁾	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development	5,493,069			5,493,069		
Multilateral Investment Guarantee Agency	4,441,335	113,568				4,554,903
International Development Association	871,046,000	195,155,000		203,751,000 ⁽²⁾		862,450,000
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank	9,273,905	4,801,409	191,252			14,266,566
Caribbean Development Bank	4,976,987		73,986			5,050,973
Inter-American Development Bank	15,736,837	9,095,657	434,282	8,088,737		17,178,039
International financial institutions—						
African Development Fund	363,266,197	56,719,411		103,242,663		316,742,945
Asian Development Fund	383,244,900	43,064,726		3,358,550		422,951,076
Caribbean Development Bank—Special	32,633,819					32,633,819
Global Environment Facility Trust Fund	67,900,000	37,110,000		13,655,000		91,355,000
Inter-American Development Bank—Fund for Special Operations	9,182,489	5,700,193		1,108,947		13,773,735
International Fund for Agriculture Development	25,944,398	9,095,582		4,376,684		30,663,296
Montreal Protocol Fund		7,318,567		7,318,567		
	882,171,803	159,008,479		133,060,411		908,119,871
Total	1,793,139,936	368,174,113	699,520	350,393,217		1,811,620,352

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

⁽²⁾ This amount includes an adjustment of \$12,810,000 to reduce and cancel a note dated November 30, 1992. The adjustment represents the amount of investment income credited to Canada against an advance encashment made on March 31, 1995.

Provincial and territorial tax collection agreements account

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

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

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

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

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

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1993	26,135,669,183			26,135,669,183
Less: payments to provinces and territories—				
Newfoundland.....	499,740,450			499,740,450
Prince Edward Island.....	107,749,593			107,749,593
Nova Scotia.....	905,156,370			905,156,370
New Brunswick	688,556,296			688,556,296
Ontario.....	14,428,877,881			14,428,877,881
Manitoba.....	1,088,670,036			1,088,670,036
Saskatchewan	1,061,836,044			1,061,836,044
Alberta.....	2,891,617,488			2,891,617,488
British Columbia	4,383,100,452			4,383,100,452
Yukon.....	29,294,731			29,294,731
Northwest Territories.....	65,479,692			65,479,692
	26,150,079,033			26,150,079,033
Net collections (overpayments) of personal income taxes for 1993.....	(14,409,850)			(14,409,850)
Personal income taxes collected by National				
Revenue for 1994	27,192,694,641			27,192,694,641
Less: payments to provinces and territories—				
Newfoundland.....	518,119,207			518,119,207
Prince Edward Island.....	111,999,370			111,999,370
Nova Scotia.....	907,544,001			907,544,001
New Brunswick	735,708,010			735,708,010
Ontario.....	14,938,222,817			14,938,222,817
Manitoba.....	1,148,404,078			1,148,404,078
Saskatchewan	1,128,473,132			1,128,473,132
Alberta.....	2,992,001,738			2,992,001,738
British Columbia	4,633,047,786			4,633,047,786
Yukon.....	29,747,070			29,747,070
Northwest Territories.....	54,147,962			54,147,962
	27,197,415,171			27,197,415,171
Net collections (overpayments) of personal income taxes for 1994.....	(4,720,530)			(4,720,530)
Personal income taxes collected by National				
Revenue for 1995	29,224,024,975			29,224,024,975
Less: payments to provinces and territories—				
Newfoundland.....	562,804,968			562,804,968
Prince Edward Island.....	120,209,760			120,209,760
Nova Scotia.....	935,338,399			935,338,399
New Brunswick	782,393,181			782,393,181
Ontario.....	16,041,791,470			16,041,791,470
Manitoba.....	1,236,043,536			1,236,043,536
Saskatchewan	1,187,061,340			1,187,061,340
Alberta.....	3,214,439,434			3,214,439,434
British Columbia	5,050,381,139			5,050,381,139
Yukon.....	33,967,043	2,055		33,969,098
Northwest Territories.....	59,593,564			59,593,564
	29,224,023,834	2,055		29,224,025,889
Net collections (overpayments) of personal income taxes for 1995.....	1,141		2,055	(914)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1996	31,303,405,436		721,428,020	30,581,977,416
Less: payments to provinces and territories—				
Newfoundland	592,638,000	39,157,187		553,480,813
Prince Edward Island	127,830,000	1,765,109		126,064,891
Nova Scotia	980,746,000	21,593,967		959,152,033
New Brunswick	823,102,000	22,006,679		801,095,321
Ontario	17,402,442,000	651,505,729		16,750,936,271
Manitoba	1,398,557,000	140,297,294		1,258,259,706
Saskatchewan	1,226,837,000		1,705,071	1,228,542,071
Alberta	3,357,339,000		136,228,394	3,493,567,394
British Columbia	5,370,075,925	92,901,599		5,277,174,326
Yukon	35,196,000		2,548,243	37,744,243
Northwest Territories	72,629,000	10,536,776		62,092,224
	31,387,391,925	979,764,340	140,481,708	30,548,109,293
Net collections (overpayments) of personal income taxes for 1996	(83,986,489)	979,764,340	861,909,728	33,868,123
Personal income taxes collected by National				
Revenue for 1997	5,527,915,000	26,429,009,500		31,956,924,500
Less: payments to provinces and territories—				
Newfoundland	91,868,000		499,987,183	591,855,183
Prince Edward Island	19,712,000		116,706,000	136,418,000
Nova Scotia	148,022,000		851,817,000	999,839,000
New Brunswick	121,716,000		729,193,384	850,909,384
Ontario	2,401,917,000		13,995,658,634	16,397,575,634
Manitoba	216,699,000		1,259,033,121	1,475,732,121
Saskatchewan	187,271,000		1,126,505,000	1,313,776,000
Alberta	519,008,000		3,209,997,567	3,729,005,567
British Columbia	814,219,000		4,898,139,888	5,712,358,888
Yukon	5,509,000		34,546,224	40,055,224
Northwest Territories	11,459,000		65,553,141	77,012,141
	4,537,400,000		26,787,137,142	31,324,537,142
Net collections (overpayments) of personal income taxes for 1997	990,515,000	26,429,009,500	26,787,137,142	632,387,358
Personal income taxes collected by National				
Revenue for 1998		5,932,579,000		5,932,579,000
Less: payments to provinces and territories—				
Newfoundland			90,587,000	90,587,000
Prince Edward Island			20,902,000	20,902,000
Nova Scotia			151,235,000	151,235,000
New Brunswick			127,248,713	127,248,713
Ontario			3,094,137,000	3,094,137,000
Manitoba			291,798,000	291,798,000
Saskatchewan			199,493,000	199,493,000
Alberta			573,192,411	573,192,411
British Columbia			1,150,518,959	1,150,518,959
Yukon			7,965,000	7,965,000
Northwest Territories			15,444,000	15,444,000
			5,722,521,083	5,722,521,083
Net collections (overpayments) of personal income taxes for 1998		5,932,579,000	5,722,521,083	210,057,917
Total personal income taxes on hand	887,399,272	33,341,352,840	33,371,570,008	857,182,104

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1993	1,475,995,380			1,475,995,380
Less: payments to provinces and territories—				
Newfoundland	43,417,966			43,417,966
Prince Edward Island	15,587,447			15,587,447
Nova Scotia	97,442,653			97,442,653
New Brunswick	139,012,155			139,012,155
Quebec	22,061,665			22,061,665
Ontario	68,222,516			68,222,516
Manitoba	126,397,504			126,397,504
Saskatchewan	115,137,124			115,137,124
Alberta	12,627,257			12,627,257
British Columbia	800,683,512			800,683,512
Yukon	10,016,862			10,016,862
Northwest Territories	25,428,719			25,428,719
	1,476,035,380			1,476,035,380
Net collections (overpayments) of corporation income taxes for 1993	(40,000)			(40,000)
Corporation income taxes collected by National				
Revenue for 1994	1,769,187,042			1,769,187,042
Less: payments to provinces and territories—				
Newfoundland	61,559,537			61,559,537
Prince Edward Island	15,822,936			15,822,936
Nova Scotia	82,223,546			82,223,546
New Brunswick	106,814,756			106,814,756
Quebec	24,723,743			24,723,743
Ontario	73,260,410			73,260,410
Manitoba	166,367,531			166,367,531
Saskatchewan	188,042,850			188,042,850
Alberta	13,709,965			13,709,965
British Columbia	1,002,857,279			1,002,857,279
Yukon	7,983,642			7,983,642
Northwest Territories	25,131,276			25,131,276
	1,768,497,471			1,768,497,471
Net collections (overpayments) of corporation income taxes for 1994	689,571			689,571
Corporation income taxes collected by National				
Revenue for 1995	2,178,085,883			2,178,085,883
Less: payments to provinces and territories—				
Newfoundland	62,522,673			62,522,673
Prince Edward Island	18,572,471			18,572,471
Nova Scotia	133,302,557			133,302,557
New Brunswick	210,304,631			210,304,631
Quebec	19,486,657			19,486,657
Ontario	60,192,996			60,192,996
Manitoba	201,472,046			201,472,046
Saskatchewan	228,492,496			228,492,496
Alberta	9,686,773			9,686,773
British Columbia	1,195,751,282			1,195,751,282
Yukon	10,549,038		205,418	10,754,456
Northwest Territories	33,776,494	5,278,058		28,498,436
	2,184,110,114	5,278,058	205,418	2,179,037,474
Net collections (overpayments) of corporation income taxes for 1995	(6,024,231)	5,278,058	205,418	(951,591)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1996	2,237,882,947		307,758,237	1,930,124,710
Less: payments to provinces and territories—				
Newfoundland	51,427,000		13,089,544	64,516,544
Prince Edward Island	20,204,000		1,059,888	21,263,888
Nova Scotia	100,694,000		28,434,155	129,128,155
New Brunswick	126,641,000	3,086,110		123,554,890
Quebec			18,747,577	18,747,577
Ontario			50,150,131	50,150,131
Manitoba	233,920,000	30,162,551		203,757,449
Saskatchewan	202,518,000		6,016,233	208,534,233
Alberta			10,031,649	10,031,649
British Columbia	1,180,183,000	122,778,096		1,057,404,904
Yukon	12,515,000		490,695	13,005,695
Northwest Territories	30,500,000	469,251		30,030,749
	<i>1,958,602,000</i>	<i>156,496,008</i>	<i>128,019,872</i>	<i>1,930,125,864</i>
Net collections (overpayments) of corporation income taxes for 1996	279,280,947	156,496,008	435,778,109	(1,154)
Corporation income taxes collected by National				
Revenue for 1997	729,870,000	1,916,609,000		2,646,479,000
Less: payments to provinces and territories—				
Newfoundland	4,760,000		58,507,000	63,267,000
Prince Edward Island	1,740,000		22,037,000	23,777,000
Nova Scotia	10,836,000		147,333,128	158,169,128
New Brunswick	15,960,000		216,961,000	232,921,000
Manitoba	16,878,000		208,999,000	225,877,000
Saskatchewan	18,008,000		226,708,000	244,716,000
British Columbia	93,492,000		1,163,842,000	1,257,334,000
Yukon	726,000		8,892,000	9,618,000
Northwest Territories	2,774,000		34,012,000	36,786,000
	<i>165,174,000</i>		<i>2,087,291,128</i>	<i>2,252,465,128</i>
Net collections (overpayments) of corporation income taxes for 1997	564,696,000	1,916,609,000	2,087,291,128	394,013,872
Corporation income taxes collected by National				
Revenue for 1998		105,752,000		105,752,000
Less: payments to provinces and territories—				
Newfoundland			6,472,000	6,472,000
Prince Edward Island			2,310,000	2,310,000
Nova Scotia			14,719,688	14,719,688
New Brunswick			17,301,500	17,301,500
Manitoba			19,228,000	19,228,000
Saskatchewan			19,184,000	19,184,000
British Columbia			98,728,000	98,728,000
Yukon			856,000	856,000
Northwest Territories			2,968,000	2,968,000
			<i>181,767,188</i>	<i>181,767,188</i>
Net collections (overpayments) of corporation income taxes for 1998		105,752,000	181,767,188	(76,015,188)
Total corporation income taxes on hand	838,602,287	2,184,135,066	2,705,041,843	317,695,510

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Harmonized sales tax collected by National				
Revenue for 1997		1,332,931,647		1,332,931,647
Less: payments to provinces and territories—				
Newfoundland			282,787,806	282,787,806
Nova Scotia			506,467,031	506,467,031
New Brunswick			406,142,957	406,142,957
			<i>1,195,397,794</i>	<i>1,195,397,794</i>
Net collections (overpayments) of harmonized sales tax for 1997		1,332,931,647	1,195,397,794	137,533,853
Harmonized sales tax collected by National				
Revenue for 1998		137,533,853		137,533,853
Less: payments to provinces and territories—				
Newfoundland			65,388,673	65,388,673
Nova Scotia			116,276,712	116,276,712
New Brunswick			93,544,868	93,544,868
			<i>275,210,253</i>	<i>275,210,253</i>
Net collections (overpayments) of harmonized sales tax for 1998		137,533,853	275,210,253	(137,676,400)
Total harmonized sales tax on hand		1,470,465,500	1,470,608,047	(142,547)
First Nations Tax Agreements—				
Revenue for 1998		27,695		27,695
Less: payments to First Nations—				
First Nations			27,695	27,695
			<i>27,695</i>	<i>27,695</i>
Net collections (overpayments) of First Nations Tax Agreements taxes for 1998		27,695	27,695	
Total First Nations Tax Agreements taxes on hand		27,695	27,695	
Total	1,726,001,559	36,995,981,101	37,547,247,593	1,174,735,067

Miscellaneous payroll deductions

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

Deferred revenues

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year.

Borrowings of consolidated Crown corporations

This account records the unconditional obligations of the Government for the consolidated Crown corporations.

Suspense accounts

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

Other

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

Interest and Matured Debt

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

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

TABLE 5.5
INTEREST AND MATURED DEBT

	April 1/1997	March 31/1998
	\$	\$
Interest due	4,888,213,630	4,197,224,447
Interest accrued	7,025,433,668	6,484,255,847
Matured debt	109,443,770	347,603,287
	12,023,091,068	11,029,083,581
Less: unamortized discounts on Canada bills	67,562,820	73,558,791
unamortized discounts on Treasury bills	1,518,592,652	1,468,226,383
unamortized discounts and premiums on marketable bonds	(27,081,663)	(992,984,112)
unamortized commissions on Canada savings bonds	61,611,593	61,611,593
	1,620,685,402	610,412,655
Total	10,402,405,666	10,418,670,926

Interest due

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

Interest accrued

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

Matured debt

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

Unamortized discounts on Canada bills

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

Unamortized discounts on Treasury bills

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

Unamortized discounts and premiums on marketable bonds

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

Unamortized commissions on Canada savings bonds

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

Allowance for Employee Benefits

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

Allowance for Loan Guarantees and Borrowings of Crown Corporations

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

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

TABLE 5.6

ALLOWANCE FOR LOAN GUARANTEES AND BORROWINGS OF CROWN CORPORATIONS

	April 1/1997	March 31/1998
	\$	\$
Allowance for loan guarantees	1,273,000,000	923,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations	28,115,270,000	34,278,732,000
Less: borrowings expected to be repaid by these enterprise Crown corporations	24,135,270,000	31,013,732,000
	3,980,000,000	3,265,000,000
Total	5,253,000,000	4,188,000,000

Allowance for loan guarantees

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

Allowance for borrowings of Crown corporations

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

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

SECTION 6

1997-98

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

CONTENTS

	<i>Page</i>
Unmatured debt—	
Marketable bonds	6.4
Treasury bills	6.9
Canada savings bonds	6.10
Bonds for Canada Pension Plan	6.11
Canada bills	6.12
Canada notes	6.13
Euro medium-term notes	6.14
Interest rates	6.15
Maturity of Government debt	6.16
Statement of all borrowing transactions on behalf of Her Majesty	6.16
Pension and other accounts—	
Public sector pensions	6.17
Canada Pension Plan	6.26
Other—	
Government Annuities Account	6.28
Confederation Bridge	6.28
Deposit and trust accounts	6.29
Other specified purpose accounts	6.34
Supplementary statements—	
Canada Pension Plan Account and the Canada Pension Plan Investment Fund	6.47
Government Annuities Account	6.55
Royal Canadian Mounted Police (Dependants) Pension Plan	6.63

INTEREST-BEARING DEBT

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

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

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

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

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

TABLE 6.1
INTEREST-BEARING DEBT

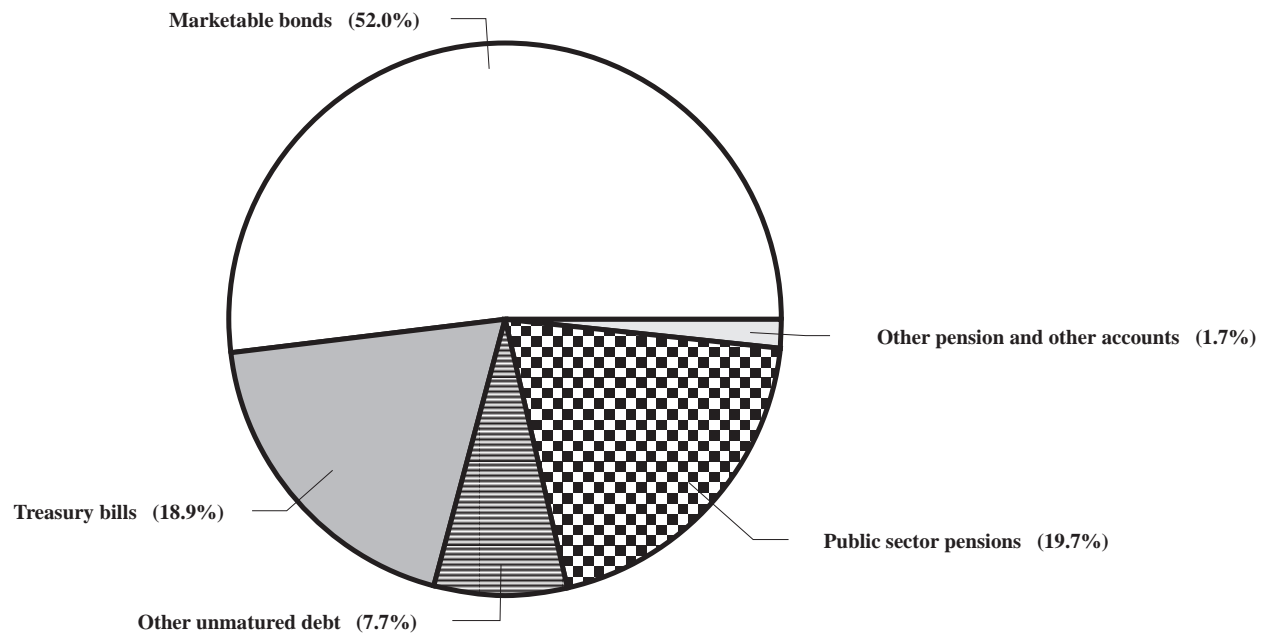
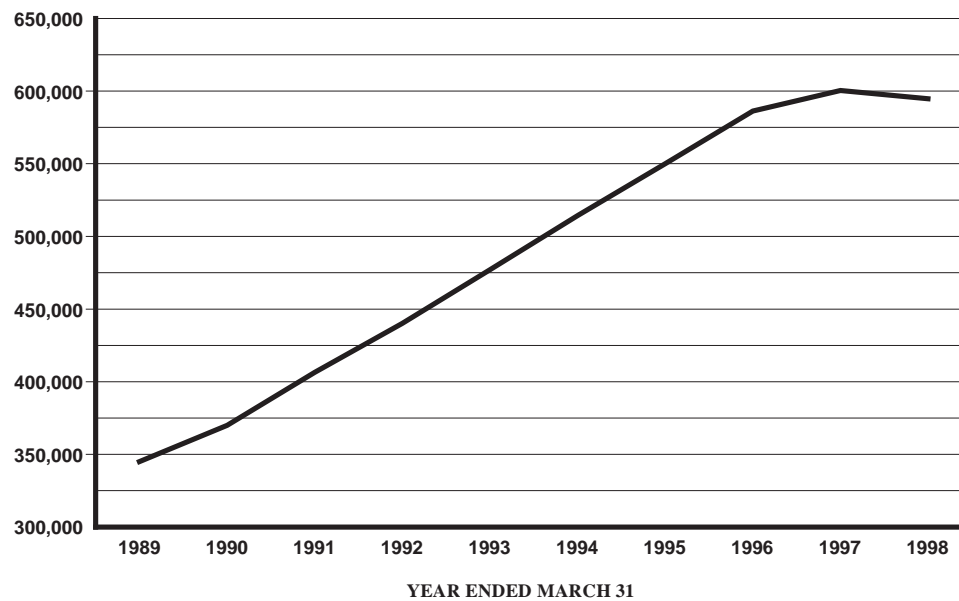
	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Unmatured debt ⁽¹⁾ —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2.....	282,497,913,715	40,058,083,003	27,973,045,000	294,582,951,718
Treasury bills, Table 6.3	135,400,000,000	236,800,000,000	259,900,000,000	112,300,000,000
Canada savings bonds, Table 6.4	32,470,420,023	5,431,606,092	8,132,851,211	29,769,174,904
Bonds for Canada Pension Plan, Table 6.5	3,467,583,000	1,007,818,000	1,019,169,000	3,456,232,000
	<i>453,835,916,738</i>	<i>283,297,507,095</i>	<i>297,025,065,211</i>	<i>440,108,358,622</i>
Payable in foreign currencies—				
Marketable bonds, Table 6.2.....	12,459,600,000	4,960,116,652	2,768,800,000	14,650,916,652
Canada bills, Table 6.6	8,435,635,124	35,996,931,497	35,076,753,347	9,355,813,274
Canada notes, Table 6.7	2,121,108,460	117,666,200	573,349,260	1,665,425,400
Euro medium-term notes, Table 6.7A		1,511,026,000		1,511,026,000
	<i>23,016,343,584</i>	<i>42,585,740,349</i>	<i>38,418,902,607</i>	<i>27,183,181,326</i>
Total—Unmatured debt	476,852,260,322	325,883,247,444	335,443,967,818	467,291,539,948
Pension and other accounts—				
Public sector pensions, Table 6.12—				
Superannuation accounts	119,126,435,825	14,756,767,363	6,507,852,667	127,375,350,521
Allowance for pension adjustments	(4,922,000,000)	668,000,000	5,665,000,000	(9,919,000,000)
	<i>114,204,435,825</i>	<i>15,424,767,363</i>	<i>12,172,852,667</i>	<i>117,456,350,521</i>
Canada Pension Plan, Table 6.21—				
Canada Pension Plan Account	37,758,999,101	16,740,074,157	17,834,654,552	36,664,418,706
Less: securities held by the Canada Pension Plan Investment Fund	34,040,685,000	1,581,761,000		32,458,924,000
	<i>3,718,314,101</i>	<i>18,321,835,157</i>	<i>17,834,654,552</i>	<i>4,205,494,706</i>
Other—				
Government Annuities Account	609,660,950	43,998,070	25,350,819	628,308,201
Confederation Bridge	822,691,000		10,242,000 ⁽²⁾	812,449,000
Deposit and trust accounts, Table 6.23	1,265,039,858	807,265,619	817,164,821	1,255,140,656
Other specified purpose accounts, Table 6.26	3,084,325,874	1,104,282,227	1,012,773,009	3,175,835,092
	<i>5,781,717,682</i>	<i>1,955,545,916</i>	<i>1,865,530,649</i>	<i>5,871,732,949</i>
Total—Pension and other accounts	123,704,467,608	35,702,148,436	31,873,037,868	127,533,578,176
Total	600,556,727,930	361,585,395,880	367,317,005,686	594,825,118,124

⁽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.

⁽²⁾ Reflects the principal portion of the annual subsidy payments (\$38 million) for the Confederation Bridge.

CHART 6A

INTEREST-BEARING DEBT BY CATEGORY AS AT MARCH 31, 1998

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

UNMATURED DEBT

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

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

Marketable Bonds

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

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

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

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

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1998.

TABLE 6.2
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 1997-98							
1997—May 15	9.25	May 15/77-July 1/77					
		Sept 1/77-Feb 1/78	J9	876,000,000		876,000,000	
July 1	7.5	Feb 1/92-June 1/92					
		July 1/92	A50	4,200,000,000		4,200,000,000	
Sept 15	7	June 15/95-Sept 15/95	A82	5,400,000,000		5,400,000,000	
Oct 1	9.75	Aug 13/87-Sept 1/87					
		Nov 15/87-Feb 1/88					
		May 12/88-Jan 4/90					
		Feb 21/91	A8	2,775,000,000		2,775,000,000	
1998—Feb 1	6.25	Sept 1/92-Oct 15/92					
		Dec 1/92-Mar 5/93	A56	6,600,000,000		6,600,000,000	
Mar 15	3.75	Sept 15/56	T15 ⁽²⁾	197,045,000		197,045,000	
Mar 15	6	Dec 15/95-Mar 15/96	VT87	5,700,000,000		5,700,000,000	
Mar 15	10.75	Oct 15/87-Mar 15/89					
		Apr 13/89-Aug 16/90	A10	2,225,000,000		2,225,000,000	
				27,973,045,000		27,973,045,000	
Maturing 1998-99							
1998—Sept 1	6.5	May 1/93-June 1/93					
		Sept 1/93-Oct 29/93	A60	6,800,000,000			6,800,000,000
Sept 15	6.25	June 17/96-Sept 16/96	VZ48	6,000,000,000			6,000,000,000
Oct 1	9.5	June 30/88- July 21/88					
		Nov 15/88-July 1/89					
		Aug 15/91	A17	3,100,000,000			3,100,000,000
Nov 1	8	Apr 18/95-July 17/95	A80	5,100,000,000			5,100,000,000
Dec 1	10.25	Sept 1/88-Oct 15/88					
		Dec 15/88-Jan 26/89	A18	2,275,000,000			2,275,000,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
1999—Mar 1	5.75	Dec 1/93-Dec 29/93					
		Mar 1/94	A70	6,700,000,000			6,700,000,000
Mar 15	4	Dec 16/96-Mar 17/97	WD27	6,000,000,000			6,000,000,000
				35,975,000,000			35,975,000,000
Maturing 1999-2000							
1999—Aug 1	6.5	Apr 15/96-July 17/96	VV34	5,600,000,000			5,600,000,000
Sept 1	7.75	Apr 15/94-June 1/94					
		July 4/94-Sept 1/94	A73	8,500,000,000			8,500,000,000
Sept 15	4.75	June 16/97-Sept 15/97	WF74		7,000,000,000		7,000,000,000
Oct 15	9	Oct 15/77-Dec 15/77	J13	527,500,000			527,500,000
Dec 1	13.5	Dec 1/80	J53	400,000,000			400,000,000
Dec 1	9.25	Sept 21/89-Oct 1/89					
		Nov 16/89-Dec 15/89	A27	2,825,000,000			2,825,000,000
2000—Feb 1	5.5	Oct 15/96-Jan 15/97	WC44	5,500,000,000			5,500,000,000
Mar 1	8.5	Oct 1/94-Dec 1/94					
		Mar 1/95	A77	6,500,000,000			6,500,000,000
Mar 15	5	Dec 15/97-Mar 2/98	WK69		7,000,000,000		7,000,000,000
Mar 15	13.75	Mar 31/80-Mar 1/81					
		Mar 31/81-Oct 15/82	J39	1,050,000,000			1,050,000,000
				30,902,500,000	14,000,000,000		44,902,500,000
Maturing 2000-01							
2000—May 1	9.75	Feb 1/90-Feb 15/90	A30	1,575,000,000			1,575,000,000
July 1	10.5	Mar 15/90-Mar 29/90					
		June 21/90-Aug 1/90	A32	2,900,000,000			2,900,000,000
July 1	15	July 1/81	J70	175,000,000			175,000,000
Sept 1	11.5	May 1/90-Nov 1/90	A33	1,200,000,000			1,200,000,000
Sept 1	7.5	June 1/95-July 4/95					
		Sept 1/95	A81	7,600,000,000			7,600,000,000
Dec 15	9.75	Dec 15/78	J22	500,000,000			500,000,000
2001—Feb 1	15.75	June 1/81-July 31/81	J66	425,000,000			425,000,000
Mar 1	10.5	Sept 20/90-Oct 1/90					
		Dec 15/90-Feb 1/91	A37	3,175,000,000			3,175,000,000
Mar 1	7.5	Oct 2/95-Dec 1/95					
		Jan 4/96-Mar 1/96	VR22	9,400,000,000			9,400,000,000
				26,950,000,000			26,950,000,000
Maturing 2001-02							
2001—May 1	13	May 1/80-Oct 1/80					
		Feb 1/81	J42	1,325,000,000			1,325,000,000
June 1	9.75	Feb 21/91-Mar 1/91					
		Mar 28/91-May 16/91	A40	3,550,000,000			3,550,000,000
Sept 1	7	June 3/96-July 2/96					
		Sept 3/96-Dec 2/96	VX99	10,600,000,000			10,600,000,000
Oct 1	9.5	Oct 1/76-Dec 1/76					
		Apr 1/78-May 15/78					
		July 1/78	J2	1,232,750,000			1,232,750,000
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000			3,850,000,000
2002—Feb 1	8.75	Feb 1/77	J7	213,000,000			213,000,000
Mar 15	15.5	Mar 31/82-May 1/82	J79	350,000,000			350,000,000
				21,120,750,000			21,120,750,000
Maturing 2002-03							
2002—Apr 1	8.5	Nov 14/91-Dec 15/91					
		Mar 1/92-May 1/92					
		July 15/92	A47	5,450,000,000			5,450,000,000
May 1	10	May 1/79-June 1/79					
		July 15/79	J25	1,850,000,000			1,850,000,000
Sept 1	5.5	Mar 3/97-June 2/97					
		Sept 2/97-Dec 1/97	WE00	2,700,000,000	7,500,000,000		10,200,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,625,000,000			1,625,000,000

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
2003—Feb 1	11.75	Feb 1/80-June 1/80 Aug 1/80-Feb 1/83 Apr 27/83-June 21/83 July 12/83	J35	2,700,000,000 14,325,000,000	7,500,000,000		2,700,000,000 21,825,000,000
Maturing 2003-04							
2003—June 1	7.25	Sept 25/92-Oct 26/92 Nov 20/92-Jan 18/93 Feb 15/93	A57	6,900,000,000			6,900,000,000
Sept 1	5.25	Mar 2/98	WN09		2,400,000,000		2,400,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	670,500,000			670,500,000
Dec 1	7.5	May 21/93-July 1/93 Aug 16/93-Sept 28/93 Nov 15/93	A61	8,800,000,000			8,800,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79 Mar 21/79-Aug 15/79	J24	2,200,000,000 18,570,500,000	2,400,000,000		2,200,000,000 20,970,500,000
Maturing 2004-05							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	550,000,000			550,000,000
June 1	6.5	Jan 14/94-Feb 15/94 Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	875,000,000			875,000,000
Dec 1	9	July 15/94-Aug 15/94 Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000
2005—Mar 1	12	Oct 15/83-Nov 8/83 Dec 15/83-Feb 1/84 Feb 21/84-Dec 15/84	H9	1,775,000,000 18,800,000,000			1,775,000,000 18,800,000,000
Maturing 2005-06							
2005—Sept 1	12.25	Aug 1/83-Sept 1/83 Sept 27/83-Apr 10/85	H6	1,375,000,000			1,375,000,000
Dec 1	8.75	Apr 3/95-May 15/95 Aug 15/95-Nov 15/95	A79	8,000,000,000			8,000,000,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84 Mar 19/85	H18	975,000,000 10,350,000,000			975,000,000 10,350,000,000
Maturing 2006-07							
2006—Oct 1	14	June 1/84-July 11/84 Aug 1/84	H26	1,025,000,000			1,025,000,000
Dec 1	7	Feb 15/96-Mar 29/96 May 15/96-Aug 15/96	VU50	9,100,000,000			9,100,000,000
2007—Mar 1	13.75	June 19/84	H30	325,000,000 10,450,000,000			325,000,000 10,450,000,000
Maturing 2007-08							
2007—June 1	7.25	Oct 1/96-Nov 15/96 Feb 17/97-May 15/97	WB60	7,100,000,000	2,400,000,000		9,500,000,000
Oct 1	13	Aug 22/84-Sept 12/84	H36	700,000,000			700,000,000
2008—Mar 1	12.75	Oct 1/84-Oct 24/84	H41	750,000,000 8,550,000,000	2,400,000,000		750,000,000 10,950,000,000
Maturing 2008-09							
2008—June 1	6	Aug 15/97-Nov 17/97 Feb 16/98	WH31		6,900,000,000		6,900,000,000
June 1	10	Dec 15/85-Sept 1/87 Feb 1/88-Apr 14/88 June 1/88-July 21/88 Oct 15/88-Dec 15/88 Feb 23/89-June 1/89	H74	3,450,000,000			3,450,000,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	725,000,000			725,000,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000 4,575,000,000	6,900,000,000		400,000,000 11,475,000,000

6. 6 INTEREST-BEARING DEBT

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
Maturing 2009-10 2009—June 1	11	Oct 1/85-Oct 23/85 Oct 15/87	H68	925,000,000			925,000,000
Oct 1	10.75	June 12/85-July 1/85 Sept 1/85-Sept 1/88	H63	1,300,000,000			1,300,000,000
2010—Mar 1	9.75	Mar 15/86	H79	325,000,000			325,000,000
				2,550,000,000			2,550,000,000
Maturing 2010-11 2010—June 1	9.5	Apr 10/86-July 1/87 July 1/89-Aug 10/89 Oct 1/89-Dec 15/89	H81	2,975,000,000			2,975,000,000
Oct 1	8.75	Feb 1/90	H85	325,000,000			325,000,000
2011—Mar 1	9	Apr 28/86 July 3/86-Sept 2/86 Oct 23/86-Dec 15/86 May 1/87-Mar 15/88	H87	1,975,000,000			1,975,000,000
				5,275,000,000			5,275,000,000
Maturing 2011-12 2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	750,000,000			750,000,000
Maturing 2013-14 2014—Mar 15	10.25	Mar 15/89-Mar 30/89 Mar 15/90-July 1/90 Aug 1/90-Feb 21/91	A23	3,150,000,000			3,150,000,000
Maturing 2015-16 2015—June 1	11.25	May 1/90-May 31/90 Oct 1/90-Nov 15/90	A34	2,350,000,000			2,350,000,000
Maturing 2019-20 2019—Dec 31	10.186	Mar 23/90	M1	8,436,324			8,436,324
Maturing 2020-21 2021—Mar 15	10.5	Dec 15/90-Jan 9/91 Feb 1/91	A39	1,800,000,000			1,800,000,000
Maturing 2021-22 2021—June 1	9.75	May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91	A43	4,650,000,000			4,650,000,000
Dec 1	4.25 ⁽³⁾	Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-June 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	L25	5,622,781,837 10,272,781,837	32,810,648 32,810,648		5,655,592,485 10,305,592,485
Maturing 2022-23 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	2,550,000,000			2,550,000,000
Maturing 2023-24 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000			8,200,000,000

TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
Maturing 2025-26 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	8,900,000,000			8,900,000,000
Maturing 2026-27 2026—Dec 1	4.25 ⁽³⁾	Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 6/96-Mar 12/97 June 9/97-Sept 8/97 Dec 8/97-Mar 9/98	L26	2,415,285,554	1,782,112,355		4,197,397,909
Maturing 2027-28 2027—June 1	8	May 1/96-Aug 1/96 Nov 1/96-Feb 1/97 May 1/97-Aug 1/97 Nov 1/97	VW17	5,800,000,000	3,800,000,000		9,600,000,000
Maturing 2029-30 2029—June 1	5.75	Feb 2/98	WL43		1,200,000,000		1,200,000,000
				282,563,298,715	40,014,923,003	27,973,045,000	294,605,176,718
Less: Government's holdings				65,385,000	43,160,000		22,225,000
Total marketable bonds (Canadian currency)				282,497,913,715	40,058,083,003	27,973,045,000	294,582,951,718
Payable in foreign currencies—							
US dollars—							
1997—July 7	6.5	July 7/94		2,768,800,000		2,768,800,000	
1999—Feb 10	⁽⁴⁾	Feb 10/94		2,768,800,000	70,800,000		2,839,600,000
2000—May 30	6.5	May 30/95		2,076,600,000	53,100,000		2,129,700,000
2001—May 30	6.5	May 30/96		1,384,400,000	35,400,000		1,419,800,000
2002—July 15	6.125	July 15/97			1,419,800,000		1,419,800,000
2003—Feb 19	5.625	Feb 19/98			2,839,600,000		2,839,600,000
2005—July 21	6.375	July 21/95		2,076,600,000	53,100,000		2,129,700,000
2006—Aug 28	6.75	Aug 28/96		1,384,400,000	35,400,000		1,419,800,000
2007—Oct 3	6.625 ⁽⁵⁾	Oct 3/97			452,916,652		452,916,652
Total marketable bonds (foreign currencies)				12,459,600,000	4,960,116,652	2,768,800,000	14,650,916,652
Total				294,957,513,715	45,018,199,655	30,741,845,000	309,233,868,370

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

⁽²⁾ Redeemable before maturity.

⁽³⁾ The rate of return of this issue is linked to the Consumer Price Index for Canada.

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

⁽⁵⁾ This bond was originally issued in New Zealand dollars and subsequently converted into US dollars through a swap agreement.

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;
- common terms: 3 months, 6 months and 12 months;
- issued in Canadian currency only;
- transferable; and,
- bought and sold on the open market.

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1998 consists of CAN\$8,000 million in odd issue bills; CAN\$28,000 million in three-month bills; CAN\$24,700 million in six-month bills; and, CAN\$51,600 million in 364-day bills.

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

TABLE 6.3
TREASURY BILLS
(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 1997	10,100	5,100	4,600	19,800	9,600	5,700	8,200	23,500	(3,700)
May	11,000	5,600	5,400	22,000	13,500	5,400	9,000	27,900	(5,900)
June	8,900	4,500	4,200	17,600	13,400	5,100	4,500	23,000	(5,400)
July	12,100	5,900	8,300	26,300	12,400	7,600	4,600	24,600	1,700
August	8,700	4,400	4,500	17,600	8,700	5,300	8,200	22,200	(4,600)
September	7,900	4,900	4,800	17,600	8,900	5,900	5,000	19,800	(2,200)
October	12,500	6,100	10,700	29,300	12,100	5,000	7,600	24,700	4,600
November	8,000	4,200	3,800	16,000	8,700	4,400	6,400	19,500	(3,500)
December	7,200	3,800	3,400	14,400	7,900	6,800	7,300	22,000	(7,600)
January, 1998	8,000	4,200	3,800	16,000	8,400	4,700	4,300	17,400	(1,400)
February	8,200	4,300	6,300	18,800	8,100	4,400	4,500	17,000	1,800
March	8,400	4,200	8,800	21,400	7,800	5,900	4,600	18,300	3,100
Balance at April 1, 1997	111,000	57,200	68,600	236,800	119,500	66,200	74,200	259,900	(23,100)
Balance at March 31, 1998									135,400
									112,300

Canada Savings Bonds

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

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;
- not subject to call before maturity; and,
- term to maturity of seven years or more.

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

TABLE 6.4
CANADA SAVINGS BONDS

Maturity date	%	Issue date	Series	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
				\$	\$	\$	\$
1997—Nov 1	7.5	1987-88	S42	3,372,894,550		3,372,894,550	
1998—Nov 1	7.5-3.25	1988-89	S43	3,211,891,487		291,094,287	2,920,797,200
2001—Nov 1	7.5-3.25	1989-90	S44	2,557,287,400		207,395,350	2,349,892,050
2002—Nov 1	7.5-3.25	1990-91	S45	2,322,969,000		196,317,850	2,126,651,150
2003—Nov 1	7.5-3.25	1991-92	S46	3,341,114,100		290,584,300	3,050,529,800
2004—Nov 1	7.5-3.25	1992-93	S47	3,867,987,800		335,925,800	3,532,062,000
2005—Nov 1	7.5-3.25	1993-94	S48	2,385,658,600		223,163,800	2,162,494,800
2006—Nov 1	7.5-3.25	1994-95	S49	4,016,529,000		574,501,400	3,442,027,600
2007—Nov 1	6-6.75	1995-96	S50	2,985,104,852		380,251,400	2,604,853,452
2008—Nov 1	3-4	1996-97	S51	5,431,755,876		1,804,622,998	3,627,132,878
2007—Nov 1	3	1997-98	S52 ⁽¹⁾		5,084,253,855	439,423,100	4,644,830,755
2007—Dec 1	3	1997-98	S53		18,000,000		18,000,000
				33,493,192,665	5,102,253,855	8,116,174,835	30,479,271,685
Less: Government's holdings—							
Canada savings bonds held on account of							
employees				75,984,642	25,675,237	15,849,876	66,159,281
Canada savings bonds held on account of the							
Payroll Savings Plan				674,177,000	184,471,000	826,500	490,532,500
Consolidation adjustment ⁽²⁾				272,611,000	119,206,000		153,405,000
				1,022,772,642	329,352,237	16,676,376	710,096,781
Total				32,470,420,023	5,431,606,092	8,132,851,211	29,769,174,904

⁽¹⁾ S52 includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

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

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 Investment Fund, 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 the bonds for Canada Pension Plan.

TABLE 6.5
BONDS FOR CANADA PENSION PLAN

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 1997-98	11,351,000	1,007,818,000	1,019,169,000	
Maturing 1998-99	12,015,000			12,015,000
1999-2000	17,709,000			17,709,000
2000-01	22,971,000			22,971,000
2001-02	17,622,000			17,622,000
2002-03	17,414,000			17,414,000
2003-04	17,259,000			17,259,000
2004-05	16,661,000			16,661,000
2005-06	239,955,000			239,955,000
2006-07	1,352,282,000			1,352,282,000
2007-08	699,981,000			699,981,000
2008-09	519,360,000			519,360,000
2009-10	71,112,000			71,112,000
2010-11	425,010,000			425,010,000
2011-12	15,763,000			15,763,000
2012-13	11,118,000			11,118,000
Total	3,467,583,000	1,007,818,000	1,019,169,000	3,456,232,000

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, 1998.

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

TABLE 6.6
CANADA BILLS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1997	3,022,445,161	3,962,768,858	(940,323,697)
May	2,408,188,070	2,369,539,189	38,648,881
June	2,571,294,563	1,946,524,744	624,769,819
July	1,811,658,886	3,401,781,421	(1,590,122,535)
August	3,101,010,011	2,183,968,524	917,041,487
September	3,459,259,899	3,738,159,230	(278,899,331)
October	2,850,021,118	2,651,832,806	198,188,312
November	3,740,662,982	3,399,028,322	341,634,660
December	2,967,621,696	2,850,167,230	117,454,466
January, 1998	3,404,142,732	3,399,557,684	4,585,048
February	3,591,450,521	2,481,431,334	1,110,019,187
March	3,069,175,858	2,633,408,771	435,767,087
	35,996,931,497	35,018,168,113	978,763,384
Balance at April 1, 1997			8,435,635,124
Balance before revaluation			9,414,398,508
Exchange valuation adjustment at March 31, 1998			58,585,234
Balance at March 31, 1998			9,355,813,274

Canada Notes

Canada notes are issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term US funds.

The year-end balances of Canada notes payable in US dollars were translated into Canadian dollars using the closing rate of exchange at March 31, 1998.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

TABLE 6.7
CANADA NOTES

Maturity date	%	Issue date	Note #	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
Payable in foreign currencies—							
US dollars—							
Matured 1997-98							
1997—Apr 1	5.452	Mar 29/96	016	13,844,000		13,844,000	
Apr 1	5.458	Apr 1/96	017	13,844,000		13,844,000	
Apr 2	5.519	Apr 2/96	019	13,844,000		13,844,000	
Apr 3	5.479	Apr 3/96	022	13,844,000		13,844,000	
Apr 9	5.457	Apr 9/96	026	34,610,000		34,610,000	
Apr 11	5.624	Apr 11/96	027	34,610,000		34,610,000	
Apr 14	5.612	Apr 12/96	028	34,610,000		34,610,000	
Apr 15	5.595	Apr 15/96	029	34,610,000		34,610,000	
Apr 16	5.633	Apr 16/96	030	13,844,000		13,844,000	
Apr 16	5.639	Apr 16/96	031	20,766,000		20,766,000	
Apr 17	5.585	Apr 17/96	032	13,844,000		13,844,000	
Apr 18	5.493	Apr 18/96	034	20,766,000		20,766,000	
Apr 21	5.482	Apr 19/96	037	6,922,000		6,922,000	
Apr 22	5.498	Apr 22/96	038	13,844,000		13,844,000	
Apr 22	5.487	Apr 22/96	039	20,766,000		20,766,000	
May 12	5.651	May 10/96	042	13,844,000		13,844,000	
June 12	5.887	June 12/96	045	13,844,000		13,844,000	
July 25	5.829	July 25/96	055	13,844,000		13,844,000	
Oct 2	5.843	Apr 2/96	020 & 023	69,220,000		69,220,000	
Dec 30	5.6	Jan 14/97	059	13,844,000		13,844,000	
1998—Mar 26	5.825	Mar 26/96	001	47,277,260		47,277,260	
Mar 26	5.82	Mar 26/96	002	27,688,000		27,688,000	
Mar 30	5.781	Mar 29/96	012	69,220,000		69,220,000	
				573,349,260		573,349,260	
Maturing 1998-99							
1998—Apr 1	5.798	Apr 1/96	018	20,766,000	531,000		21,297,000
Apr 3	5.864	Apr 3/96	021	41,532,000	1,062,000		42,594,000
Apr 9	5.793	Apr 9/96	025	41,532,000	1,062,000		42,594,000
Apr 17	6.077	Apr 17/96	033	20,766,000	531,000		21,297,000
Apr 20	5.957	Apr 18/96	035	13,844,000	354,000		14,198,000
Apr 21	5.963	Apr 19/96	036	27,688,000	708,000		28,396,000
May 1	6.396	June 18/96	047	138,440,000	3,540,000		141,980,000
May 1	6.350	June 19/96	048	69,220,000	1,770,000		70,990,000
May 1	6.280	June 21/96	049	69,220,000	1,770,000		70,990,000
May 1	6.300	June 24/96	050	138,440,000	3,540,000		141,980,000
May 1	6.345	June 27/96	051	69,220,000	1,770,000		70,990,000
May 1	6.310	June 28/96	052	24,919,200	637,200		25,556,400
May 28	6.087	May 26/96	043	62,298,000	1,593,000		63,891,000
June 4	6.223	June 4/96	044	69,220,000	1,770,000		70,990,000
June 15	6.430	June 13/96	046	23,534,800	601,800		24,136,600
July 13	5.54	July 14/97	062		21,297,000		21,297,000
Sept 10	6.400	Sept 10/96	056	51,222,800	1,309,800		52,532,600
Oct 30	5.38	Nov 3/97	064		21,297,000		21,297,000
Dec 16	5.806	Dec 16/96	058	124,596,000	3,186,000		127,782,000
1999—Mar 26	5.934	Mar 26/96	005	1,384,400	35,400		1,419,800
				1,007,843,200	68,365,200		1,076,208,400

TABLE 6.7

CANADA NOTES —*Concluded*

Maturity date	%	Issue date	Note #	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1998
				\$	\$	\$	\$
Maturing 1999-2000							
1999—Jul 15	6.677	July 12/96-July 15/96	053 & 054	207,660,000	5,310,000		212,970,000
Sept 23	6.250	Sept 23/96	057	27,688,000	708,000		28,396,000
2000—Jan 31	6.17	Jan 31/97	060	6,922,000	177,000		7,099,000
				242,270,000	6,195,000		248,465,000
Maturing 2000-01							
2000—Oct 23	6.029	Oct 23/97	063		35,495,000		35,495,000
2001—Mar 27	6.188	Mar 27/96	011	6,922,000	177,000		7,099,000
				6,922,000	35,672,000		42,594,000
Maturing 2001-02							
2001—Apr 4	6.280	Apr 4/96	024	69,220,000	1,770,000		70,990,000
Apr 25	6.496	Apr 25/96	040	27,688,000	708,000		28,396,000
May 7	6.542	May 6/96	041	55,376,000	1,416,000		56,792,000
2002—Feb 5	6.379	Feb 5/97	061	138,440,000	3,540,000		141,980,000
				290,724,000	7,434,000		298,158,000
Total				2,121,108,460	117,666,200	573,349,260	1,665,425,400

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

Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program. The proceeds of Euro medium-term notes issues are swapped back to US dollars, and thus provide Canada with an additional source of medium-term US funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the US dollars closing rate of exchange at March 31, 1998.

Table 6.7A presents a summary of the balances and transactions for the Euro medium-term notes.

TABLE 6.7A

EURO MEDIUM TERM NOTES

Maturity date	%	Issue date	April 1/1997	Receipts and other credits ⁽¹⁾	Payments and other charges	March 31/1998
			\$	\$	\$	\$
Payable in foreign currencies—						
US dollars—						
Maturing 2000-01						
2000—Oct 2 ⁽²⁾	(3)	Feb 20/98		27,195,000		27,195,000
2001—Jan 30	5.5	July 30/97		567,920,000		567,920,000
				595,115,000		595,115,000
Maturing 2004-05						
2004—Nov 26 ⁽⁴⁾	(3)	Mar 26/98		702,801,000		702,801,000
Dec 22 ⁽⁵⁾	(3)	Dec 22/97		108,217,000		108,217,000
				811,018,000		811,018,000
Maturing 2007-08						
2007—Nov 19	4	Nov 19/97		42,594,000		42,594,000
2008—Jan 31 ⁽²⁾	(3)	July 30/97		62,299,000		62,299,000
				104,893,000		104,893,000
Total				1,511,026,000		1,511,026,000

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

⁽²⁾ This bond was originally issued in Japanese Yen and converted into US dollars through a swap agreement.

⁽³⁾ The rate of interest is variable throughout the year.

⁽⁴⁾ This bond was originally issued in Pound Sterling and converted into US dollars through a swap agreement.

⁽⁵⁾ This bond was originally issued in Danish Kroner and converted into US dollars through a swap agreement.

Interest Rates

Table 6.8 sets out unmatured debt as at March 31, for each of the years 1993-94 to 1997-98 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, Treasury bills, non-marketable bonds (include Canada savings bonds and the bonds for the Canada Pension Plan), Canada bills and Foreign currency notes.

TABLE 6.8

UNMATURED DEBT AS AT MARCH 31, FROM 1994 TO 1998, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
1998	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.64
1997	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66
1996	262,214	8.39	166,100	5.89	30,460	6.58	3,478	10.21	6,985	5.20	310	5.64	469,547	7.34
1995	233,554	8.58	164,450	7.60	30,460	5.75	3,488	10.21	9,046	6.16			440,998	7.97
1994	208,411	8.79	166,000	4.47	30,418	5.5	3,497	10.20	5,649	3.44			413,975	6.75

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 1993-94 to 1997-98 inclusively.

TABLE 6.9

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
Three-month bills—			
1998	4.65	4.17	4.58
1997	3.19	2.80	3.19
1996	5.02	8.29	5.02
1995	8.35	5.29	8.22
1994	5.39	3.62	5.39
Six-month bills—			
1998	4.94	3.69	4.75
1997	3.71	2.87	3.48
1996	4.98	8.36	5.24
1995	8.54	5.59	8.28
1994	5.88	3.75	5.88
Other bills—			
1998	5.20	3.60	4.96
1997	5.60	2.21	3.92
1996	5.08	8.30	5.58
1995	8.96	4.84	8.27
1994	6.26	3.93	6.25

Maturity of Government Debt

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

TABLE 6.10

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(million)	%
1999	38,815	6.52	112,300	4.41	2,920	3.25	12	9.56	9,356	5.49	1,076	6.15	164,479	4.96
2000	44,903	6.83					18	10.51			248	6.61	45,169	6.83
2001	29,079	8.54					23	12.98			638	5.53	29,740	8.48
2002	22,541	8.51			2,350	3.25	17	15.43			298	6.40	25,206	8.00
2003	26,084	7.50			2,127	3.25	17	14.67					28,228	7.18
2004/08 . .	75,523	8.09			19,455	3.66	2,326	9.94			916	5.40	98,220	7.23
2009/13 . .	20,050	8.56			3,627	4.00	1,043	10.62					24,720	7.98
2014/18 . .	5,500	10.68											5,500	10.68
2019/23 . .	14,664	7.63											14,664	7.63
2024/28 . .	30,897	7.78											30,897	7.78
2029/32 . .	1,200	5.75											1,200	5.75
	309,256	7.75	112,300	4.41	30,479	3.60	3,456	10.22	9,356	5.49	3,176	5.87	468,023	6.54
Less: Gov- ernment's hold- ings	22	9.42			710	3.00							732	3.19
	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.82

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.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.11 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise

Crown corporations. Borrowings by non-agent enterprise Crown corporations 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 1/1997	Issues/ Borrowings	Retirements	March 31/1998
Unmatured debt of the Government of Canada ⁽¹⁾	476,852	325,883	335,443	467,292
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	28,115	251,467	245,303	34,279
Total	504,967	577,350	580,746	501,571

⁽¹⁾ Details can be found in this section.

⁽²⁾ Details can be found in Section 9 (Table 9.6) of this volume.

PENSION AND OTHER ACCOUNTS

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: (a) the accumulated amortization of any shortfall or excess between the liability for public sector pensions as determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, and (b) the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, commencing April 1, 1997, as explained in Note 2 to the financial statements.

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but separate market invested funds are not maintained.

i. Pension plans

Employee pension plans

Basic pensions for the three major employee plans are generally based on the best six consecutive years' average earnings and are accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

Employee contributions for these benefits are 7.5 percent of pay, less contributions to the Canada or Quebec Pension Plan. Employer contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 1997-98, the employer contribution rates averaged about 1.8, 2.9 and 2.3 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions, including the *Special Retirement Arrangements Act* (SRAA), to allow various federal service superannuation plans to adapt to the tax restrictions. These include a retirement compensation arrangement established under the SRAA to record transactions for those pension benefits above the limits allowed under the *Income Tax Act*.

Contributions are credited to the superannuation accounts. The accounts earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 9.9 percent for 1998 and 10.2 percent for 1997.

Members of Parliament retiring allowances

Members of Parliament are eligible to receive a basic retiring allowance upon termination of membership and after having reached age 55 and contributed to the plan for at least six years. The basic allowance is based on the best six year average sessional indemnity and is accrued at a rate of 4 percent and 3 percent of these average indemnities for Members of the House of Commons and for Senators, respectively. Basic allowances are indexed annually (on January 1) to the cost of living once recipients reach age 60.

Members' contributions for these benefits are 9 percent for Members of the House of Commons and 7 percent for Senators. The Government contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	1998	1997
Members of Parliament		
House of Commons		
Retiring allowances account	2.18	2.10
Retiring compensation arrangements	5.40	5.51
The Senate		
Retirement allowances account	1.40	1.39
Retirement compensation arrangements	2.65	2.60

Contributions are credited to the appropriate superannuation accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

Pension plan for federally appointed judges

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits instead, the full benefit amount is generally payable when the member reaches age 65 and completed 15 years of pensionable service.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this pension plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$44 million.

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the five major pension plans using the projected benefit method pro-rated on services.

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

Public Service—March 31, 1996;

Canadian Forces—March 31, 1997;

Royal Canadian Mounted Police—March 31, 1996;

Federally appointed judges—March 31, 1995;

Members of Parliament—March 31, 1998.

As at March 31, 1998, the actuarial valuation report for the Members of Parliament pension plan was not yet tabled before Parliament.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be divided into equal instalments and credited to the appropriate account over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no credits were required to the appropriate accounts as a result of actuarial deficits.

Table 6.12 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the superannuation accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments and interest. Payments and other charges for the superannuation accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, transfers to other plans, and remittances of refundable tax. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes. Effective April 1, 1997, they also result from the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

TABLE 6.12
PUBLIC SECTOR PENSIONS

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.14	70,313,703,283	8,767,034,077	4,272,015,407	74,808,721,953
Allowance for pension adjustments	(1,866,000,000)		2,517,000,000	(4,383,000,000)
	68,447,703,283	8,767,034,077	6,789,015,407	70,425,721,953
Canadian Forces Superannuation Account,				
Table 6.15	39,746,849,655	4,454,781,438	1,714,952,605	42,486,678,488
Allowance for pension adjustments	(3,527,000,000)		2,355,000,000	(5,882,000,000)
	36,219,849,655	4,454,781,438	4,069,952,605	36,604,678,488
Royal Canadian Mounted Police Superannuation Account,				
Table 6.16	8,260,502,596	998,932,256	227,402,539	9,032,032,313
Allowance for pension adjustments	(590,000,000)		388,000,000	(978,000,000)
	7,670,502,596	998,932,256	615,402,539	8,054,032,313
Members of Parliament Retiring Allowances Account,				
Table 6.17	258,105,826	28,911,217	16,092,426	270,924,617
Allowance for pension adjustments	29,000,000		10,000,000	19,000,000
	287,105,826	28,911,217	26,092,426	289,924,617
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.18	29,758,940	9,816,100	5,655,499	33,919,541
Allowance for pension adjustments	(2,000,000)		2,000,000	(4,000,000)
	27,758,940	9,816,100	7,655,499	29,919,541
Retirement Compensation Arrangements				
(RCA) Account, Table 6.19	463,940,735	486,941,777	271,668,269	679,214,243
Allowance for pension adjustments	502,000,000	598,000,000	393,000,000	707,000,000
	965,940,735	1,084,941,777	664,668,269	1,386,214,243
Supplementary Retirement Benefits Account,				
Table 6.20	53,574,790	10,350,498	65,922	63,859,366
Allowance for pension adjustments	532,000,000	70,000,000		602,000,000
	585,574,790	80,350,498	65,922	665,859,366
Total	114,204,435,825	15,424,767,363	12,172,852,667	117,456,350,521
SUMMARY—				
Superannuation accounts	119,126,435,825	14,756,767,363	6,507,852,667	127,375,350,521
Allowance for pension adjustments	(4,922,000,000)	668,000,000	5,665,000,000	(9,919,000,000)
Total	114,204,435,825	15,424,767,363	12,172,852,667	117,456,350,521

Table 6.13 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Effective April 1, 1997, interest is based on the actuarial obligations under the various plans. The interest credited to the superannuation accounts in accordance with the pension legislation is shown net of an allowance of \$2,689 million.

TABLE 6.13
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES
(in millions of dollars)

	1997-98								Total	1996-97
	Statutory payments under				Public service restructuring costs	Amortization of estimation adjustments ⁽¹⁾	Net pension costs	Net interest charged to public debt charges ⁽²⁾		
	Government contributions	Various acts	Supplementary Retirement Benefits Act							
Public Service Superannuation Account	1,050			(61)		(1,175)	(186)	5,609	5,423	6,334
Canadian Forces Superannuation Account	403					(1,105)	(702)	2,658	1,956	2,944
Defence Services Pension Continuation Act		3	13				16		16	18
Royal Canadian Mounted Police Superannuation Account	126					(159)	(33)	590	557	711
Royal Canadian Mounted Police Continuation Act		8	25				33		33	26
Members of Parliament Retiring Allowances Account	2					(6)	(4)	22	18	20
Members of Parliament Retirement Compensation Arrangements Account	5					(1)	4	2	6	7
Retirement Compensation Arrangements (RCA) Account	415				586	2	1,003	67	1,070	432
Supplementary Retirement Benefits Account	7					4	11	68	79	6
Judges Act		44					44		44	41
Other (diplomatic services, lieutenant governors, etc.)		1					1		1	1
Subtotal	2,008	56	38		525	(2,440)	187	9,016	9,203	10,540
Less: costs already recorded in the allowance for pension adjustments of previous year	(393)						(393)		(393)	
Total	1,615	56	38		525	(2,440)	(206)	9,016	8,810	10,540

⁽¹⁾ Net of an adjustment of \$211 million related to the change in accounting policy described in Note 2 in section 1 of this volume.

⁽²⁾ Net of an adjustment of \$2,689 million related to the change in accounting policy described in Note 2 in section 1 of this volume.

Public Service Superannuation Account

This account is operated under the *Public Service Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1997-98 or 1996-97.

TABLE 6.14**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	1997-98	1996-97
	\$	\$
Opening balance	70,313,703,283	64,997,316,133
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	473,160,411	502,481,570
Retired employees	44,735,026	41,980,964
Public Service corporation employees	151,169,456	157,949,819
Employer contributions—		
Government	1,050,141,087	954,800,618
Public Service corporations	146,380,221	159,211,059
Transfers from other pension funds	11,823,854	6,408,240
Interest	6,889,624,022	6,562,571,170
	8,767,034,077	8,385,403,440
	79,080,737,360	73,382,719,573
PAYMENTS AND OTHER CHARGES—		
Annuities	3,021,564,883	2,876,822,137
Cash termination allowances	26,633	103,196
Minimum benefits	12,602,996	15,541,356
Pension division payments	32,394,713	36,379,740
Pension—Transfer value payments	191,899,574	
Returns of contributions—		
Government employees	33,080,060	64,788,655
Public Service corporation employees	12,520,000	20,105,589
Transfers to other pension funds	967,926,548	55,275,617
	4,272,015,407	3,069,016,290
Closing balance	74,808,721,953	70,313,703,283

Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1997-98 or 1996-97.

TABLE 6.15**CANADIAN FORCES SUPERANNUATION ACCOUNT**

	1997-98	1996-97
	\$	\$
Opening balance	39,746,849,655	37,122,160,427
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	138,825,398	137,856,454
Contributions by the Government	402,644,956	389,606,155
Interest	3,907,770,726	3,733,960,211
Other	5,540,358	5,582,608
	4,454,781,438	4,267,005,428
	44,201,631,093	41,389,165,855
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,642,704,202	1,570,609,971
Pension division payments	40,456,721	36,526,304
Cash termination allowances and returns of contributions	31,084,224	34,354,017
Transfers to Public Service Superannuation Account (Treasury Board)	707,458	825,908
	1,714,952,605	1,642,316,200
Closing balance	42,486,678,488	39,746,849,655

Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

No credit adjustment was required to the account as a result of triennial actuarial reviews in either 1997-98 or 1996-97.

TABLE 6.16

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1997-98	1996-97
	\$	\$
Opening balance	8,260,502,596	7,527,706,009
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	53,507,238	54,360,830
Transfers from other pension funds	621,013	508,167
Contributions by the Government	125,678,662	120,139,473
Interest	819,125,343	764,039,487
	998,932,256	939,047,957
	9,259,434,852	8,466,753,966
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	216,057,280	191,033,133
Pension division payments	8,170,310	12,716,892
Return of contributions	1,601,087	1,975,263
Cash termination allowance and gratuities	249,834	
Transfers to other pension funds	1,002,705	131,906
Interest on returns of contributions	321,323	394,176
	227,402,539	206,251,370
Closing balance	9,032,032,313	8,260,502,596

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 6.17

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1997-98	1996-97
	\$	\$
Opening balance	258,105,826	245,777,087
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	848,013	807,042
Arrears of principal, interest and mortality insurance	93,047	69,535
Government contributions—		
Current	1,707,658	1,561,870
Interest	26,262,499	25,029,451
	28,911,217	27,467,898
	287,017,043	273,244,985
PAYMENTS AND OTHER CHARGES—		
Annual allowances	15,251,902	15,000,643
Withdrawal allowances	417,913	43,877
Interest on withdrawals	16,482	29,267
Pension division payments	406,129	65,372
	16,092,426	15,139,159
Closing balance	270,924,617	258,105,826

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 6.18

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	1997-98	1996-97
	\$	\$
Opening balance.....	29,758,940	25,600,159
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current.....	1,147,880	1,074,385
Government contributions—		
Current.....	5,410,244	4,944,660
Interest.....	3,257,976	2,853,534
	9,816,100	8,872,579
	39,575,040	34,472,738
PAYMENTS AND OTHER CHARGES—		
Annual allowances.....	954,739	772,012
Refundable tax remitted to		
Revenue Canada.....	3,982,375	3,884,619
Withdrawals.....	679,330	48,111
Pension division payments.....	39,055	9,056
	5,655,499	4,713,798
Closing balance.....	33,919,541	29,758,940

Retirement Compensation Arrangements (RCA) Account

The RCA No.1 was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements. 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 was established by the Retirement Compensation Arrangement regulations. These regulations established a 3 year program for Public Service employees who are declared surplus as part of the Government's downsizing initiative, who are between age 50 and 54 and who meet other conditions specified in the regulations. RCA No.2 pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

TABLE 6.19

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	26,946,719	8,803,559	3,252,777	743,381	363,168	10,287	433,378,071	398,365,273	463,940,735	407,922,500
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government employees	1,657,313	1,674,291	90,390	128,394	15,722	17,310			1,763,425	1,819,995
Public Service corporation employees	964,852	895,116							964,852	895,116
Employer contributions—										
Government	20,073,090	19,980,072	1,654,236	2,294,474	270,533	325,916	392,706,598	250,466,676	414,704,457	273,067,138
Public Service corporations	12,973,492	6,560,991							12,973,492	6,560,991
Interest	3,824,594	1,830,084	384,813	156,384	39,714	9,682	52,286,430	43,635,512	56,535,551	45,631,662
	39,493,341	30,940,554	2,129,439	2,579,252	325,969	352,908	444,993,028	294,102,188	486,941,777	327,974,902
	66,440,060	39,744,113	5,382,216	3,322,633	689,137	363,195	878,371,099	692,467,461	950,882,512	735,897,402
PAYMENTS AND OTHER CHARGES—										
Annuities	205,479	69,658	167,782	69,856	964	27	47,158,696	30,383,768	47,532,921	30,523,309
Pension division	1,125,230								1,125,230	
Returns of contributions—										
Government	5,794	4,872							5,794	4,872
Public Service corporation employees	15,086	21,643							15,086	21,643
Refundable tax	17,678,312	12,701,221			315,288		204,995,638	228,705,622	222,989,238	241,406,843
	19,029,901	12,797,394	167,782	69,856	316,252	27	252,154,334	259,089,390	271,668,269	271,956,667
Closing balance	47,410,159	26,946,719	5,214,434	3,252,777	372,885	363,168	626,216,765	433,378,071	679,214,243	463,940,735

Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.20
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others ⁽¹⁾		Total	
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	3,907,833	5,551,391	105,719	97,973	49,561,238	43,818,533	53,574,790	49,467,897
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government			143	644	1,451,168	1,407,068	1,451,311	1,407,712
Matching contributions—								
Government	5,261,337		143	644	1,451,168	1,405,752	6,712,648	1,406,396
Interest			5,400	6,458	2,181,139	2,973,896	2,186,539	2,980,354
	5,261,337		5,686	7,746	5,083,475	5,786,716	10,350,498	5,794,462
	9,169,170	5,551,391	111,405	105,719	54,644,713	49,605,249	63,925,288	55,262,359
PAYMENTS AND OTHER CHARGES—								
Annuities		1,643,558	11,318		42,841	36,511	54,159	1,680,069
Return of contributions			5,013		6,750	7,500	11,763	7,500
		1,643,558	16,331		49,591	44,011	65,922	1,687,569
Closing balance	9,169,170	3,907,833	95,074	105,719	54,595,122	49,561,238	63,859,366	53,574,790

⁽¹⁾ Includes all federally appointed judges, lieutenant governors and non-career diplomats.

Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations. Effective April 1, 1997, it also records the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

Estimation adjustments of \$2,440 million (\$2,575 million in 1997) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. In addition, \$393 million (\$250 million in 1997) was recorded in this account to offset pension costs charged to program expenditures in previous years but recorded in the superannuation accounts in 1998. To

record the additional pension liabilities related to public sector restructuring, \$525 million (\$397 million in 1997) was recorded in this account and charged to other program expenditures. In 1997-98, an amount of \$2,689 million was recorded in this account as a reduction of interest expenditures to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

The unamortized estimation adjustment of \$16,554 million (\$20,631 million in 1997) will be amortized to this account and will reduce expenditures in future years.

As a result of annual actuarial valuations for accounting purposes, the liability for public sector pensions was found to be \$27,064 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$13,389 million related to the Public Service pension plan;
- an excess of \$12,743 million related to the Canadian Forces pension plan;
- an excess of \$2,340 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$31 million related to the Members of Parliament retiring allowances;
- a shortfall of \$731 million related to the federally appointed judges pension plan; and,
- a shortfall of \$708 million related to the Retirement Compensation Arrangements plan.

Canada Pension Plan

The Canada Pension 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 interest earned from the investment of funds.

The Government's authority to spend, as administrator of the Canada Pension Plan, is limited to the balance in the Account.

Table 6.21 presents a summary of the balances and transactions in the Canada Pension Plan Account less investment in securities of the federal, provincial and territorial governments held by the Canada Pension Plan Investment Fund.

TABLE 6.21
CANADA PENSION PLAN

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Canada Pension Plan Account, Table 6.22	37,758,999,101	16,740,074,157	17,834,654,552	36,664,418,706
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada	3,467,583,000	11,351,000		3,456,232,000
Newfoundland	706,276,000	33,037,000		673,239,000
Nova Scotia	1,277,003,000	62,852,000		1,214,151,000
Prince Edward Island	155,468,000	6,841,000		148,627,000
New Brunswick	943,341,000	48,004,000		895,337,000
Quebec	111,133,000	7,509,000		103,624,000
Ontario	14,956,869,000	851,058,000		14,105,811,000
Manitoba	1,788,963,000	91,052,000		1,697,911,000
Saskatchewan	1,522,134,000	69,290,000		1,452,844,000
Alberta	4,335,559,000	163,457,000		4,172,102,000
British Columbia	4,772,630,000	237,310,000		4,535,320,000
Northwest Territories				
Yukon Territory	3,726,000			3,726,000
	34,040,685,000	1,581,761,000		32,458,924,000
Operating balance	3,718,314,101	18,321,835,157	17,834,654,552	4,205,494,706

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 6 percent and 6.4 percent of pensionable earnings for the 1997 and 1998 calendar years, subject to maximum combined contributions of \$1,938 and \$2,138 respectively. The 1997 contribution rate was adjusted retroactively to January 1, 1997 when Bill C-2 was proclaimed on December 18, 1997;
- (b) interest on investment in securities held by the Canada Pension Plan Investment Fund, from short term investments and from the average daily operating balance; and,
- (c) funds received from the federal, provincial and territorial governments for the securities which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Canada Pension Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability pensions and benefits to children of disabled contributors;
- (b) pensions and benefits paid and recovered from the Canada Pension Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Canada Pension Plan Account, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan; and,
- (e) funds, when available, invested during the year in the securities of the federal, provincial and territorial governments.

When the operating balance exceeds the estimated amount required to meet all payments in the following three-month period, the excess is available for the purchase of securities of the provinces, territories and Canada.

Provinces and territories are advised monthly of the amount of excess funds in the Canada Pension Plan Account that is available for the purchase of provincial and territorial securities. The monies available for purchases of securities are allocated to the provinces and territories in proportion to the contributions received in those provinces or territories during the preceeding 10 years. Contributions received in respect of employment from employees outside Canada as well as any excess funds not invested in the securities of the provinces and territories are invested in the special non-marketable bonds of the Government of Canada. In 1998, there were no funds available for long-term investment in provincial and territorial securities.

The legislation covering the new Canada Pension Plan Investment Board came into force on April 1, 1998. The purpose of the Board is to improve the rate of return on the CPP fund by investing it prudently in a diversified portfolio of securities.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Canada Pension Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

TABLE 6.22

CANADA PENSION PLAN ACCOUNT

(in millions of dollars)

	1997-98	1996-97
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees, employers and self-employed	12,790	11,391
Interest on investments	3,792	3,940
Interest on average daily balance	158	178
	16,740	15,509
PAYMENTS AND OTHER CHARGES—		
Pensions and benefits	17,537	16,676
Administration	298	242
	17,835	16,918
Net decrease	(1,095)	(1,409)
Funds applied—		
Increase in deposits with Receiver General	487	81
Less: funds provided—		
Disposals of bonds—		
Provincial and territorial	1,571	1,479
Federal	11	11
	1,582	1,490
Net decrease	(1,095)	(1,409)
Balance at beginning of year	37,759	39,168
Balance at end of year	36,664	37,759

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 1998, over 106,300 annuitants held slightly less than 116,800 active contracts, each annuitant receiving an average payment of \$658.99. During the year, 1,689 deferred annuities came into payment and another 442 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 1998, there were 11,146 outstanding deferred annuities, the last of which will come into payment around the year 2020.

During the 1997-98 fiscal year, 6,777 annuities were terminated or adjusted as a result of annuitant deaths: 4,439 group certificates and 2,338 individual contracts. Of those, 4,954 were held by males and 1,823 by females. The average age at death for males was 81.0 while the female age at death averaged 86.2. Seventy-three annuitants reached age 100 for a total of 141 centenarians as of March 31, 1998. The four oldest annuitants, females, are 107 years old.

Total income amounted to \$43.6 million, \$43.5 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$101,828. Total disbursements of \$79.6 million originated mainly from the \$78.5 million in payments made under matured annuities. An amount of \$550,000 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$511,000 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

Since disbursements exceeded income by \$35.9 million, the \$664.4 million opening balance decreased to \$628.5 million as of March 31, 1998. However, as of that date, the actuarial reserves required were only \$623.9 million. The excess balance of \$4.6 million was thus released to the Consolidated Revenue Fund as an actuarial surplus arising from operations over the 1997-98 fiscal year.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island.

The first subsidy payment of \$38 million was made on May 31, 1997. These subsidy payments will continue for a period of 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. The amortization in 1997-98 was \$20 million.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$812 million, offset by deferred subsidies of \$803 million which are recorded in an account under other loans, investments and advances in Section 9 of this volume. These deferred subsidies will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding ac-

counts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.23 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.23
DEPOSIT AND TRUST ACCOUNTS

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission account	7,784,128	485,314,262	482,787,291	10,311,099
Guarantee deposits—Board of Arbitration and Review Tribunal	2,863			2,863
	7,786,991	485,314,262	482,787,291	10,313,962
Citizenship and Immigration—				
General security deposits	170,000	87,643	5,766	251,877
Immigration guarantee fund	15,927,225	6,328,837	5,645,640	16,610,422
	16,097,225	6,416,480	5,651,406	16,862,299
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization	83,560,000	12,440,000		96,000,000
Crown corporations' surplus moneys—				
St Lawrence Seaway Authority, The	13,000,000			13,000,000
Petro-Canada Limited—Cash reserve ⁽¹⁾	2,808,888	184,395		2,993,283
	99,368,888	12,624,395		111,993,283
Foreign Affairs and International Trade—				
Fairs and missions	402,387		402,387	
Indian Affairs and Northern Development—				
Field British Columbia and Yukon Operations of the Northern Canada Power Commission	992,588			992,588
Guarantee deposits	15,767,748	8,219,548	6,352,436	17,634,860
Less: securities held in trust	12,728,493	4,709,757	5,076,012	13,094,748
	3,039,255	12,929,305	11,428,448	4,540,112
Guarantee deposits—Oil and gas	14,305,100	15,932,056	11,324,105	18,913,051
Less: securities held in trust	12,923,955	4,579,048	8,143,745	16,488,652
	1,381,145	20,511,104	19,467,850	2,424,399
Guarantee deposits—Reserve resources	2,105,943	838,342	1,476,947	1,467,338
Less: securities held in trust	1,037,700	1,176,450	676,250	537,500
	1,068,243	2,014,792	2,153,197	929,838
	6,481,231	35,455,201	33,049,495	8,886,937
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act	15,000			15,000
Justice—				
Supreme Court of Canada—				
Security for costs	337,399	24,717	6,874	355,242
Tax Court of Canada—				
Security for costs	30,212	717	13,160	17,769
	367,611	25,434	20,034	373,011
National Revenue—				
Guarantee deposits	9,701,514	1,900,135	979,575	10,622,074
Less: securities held in trust	2,199,800	453,000	192,000	1,938,800
	7,501,714	2,353,135	1,171,575	8,683,274
Temporary deposits received from importers	612,543	319,070		931,613
Less: deposits in special bank accounts	612,543		319,070	931,613
	7,501,714	2,672,205	1,490,645	8,683,274

TABLE 6.23

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Natural Resources—				
Guarantee deposits—Oil and gas	68,519,561	49,009,540	12,033,102	105,495,999
Less: securities held in trust	67,948,258	(45,496,512)	(10,469,983)	102,974,787
	571,303	3,513,028	1,563,119	2,521,212
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum	11,100	1,680,000	1,558,000	133,100
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds	18,125,603		11,471,231	6,654,372
Less: securities held in trust	18,125,603	11,471,231		6,654,372
		11,471,231	11,471,231	
Cash	17,653,894	11,608,754	16,935,840	12,326,808
Certified cheques	2,056,603	8,000	1,239,337	825,266
Less: securities held in trust	2,056,603	1,239,337	8,000	825,266
		1,247,337	1,247,337	
Seized property—Cash	13,934,438	14,842,496	17,139,856	11,637,078
	31,588,332	39,169,818	46,794,264	23,963,886
Total deposit accounts	170,191,782	586,870,823	573,316,641	183,745,964
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account	296,963	3,797	87,225	213,535
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.24	804,168,681	92,825,369	93,670,878	803,323,172
Revenue accounts, Table 6.25	121,716,221	75,531,380	79,240,641	118,006,960
	925,884,902	168,356,749	172,911,519	921,330,132
Indian estate accounts	6,986,816	6,414,855	5,607,509	7,794,162
Indian savings accounts	139,194,751	10,779,636	28,123,769	121,850,618
	1,072,066,469	185,551,240	206,642,797	1,050,974,912
National Defence—				
Estates—Armed services	240,113	970,398	935,518	274,993
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards	34,514	1,076	2,000	33,590
Correctional Service—				
Inmates' trust fund	8,270,710	30,136,294	29,913,598	8,493,406
Royal Canadian Mounted Police—				
Benefit trust fund	2,545,936	135,539	378,323	2,303,152
	10,851,160	30,272,909	30,293,921	10,830,148
Veterans Affairs—				
Administered trust accounts	8,919,983	1,950,237	3,420,310	7,449,910
Estates fund	516,991	1,338,114	1,043,592	811,513
Veterans administration and welfare trust fund	1,956,397	308,101	1,424,817	839,681
	11,393,371	3,596,452	5,888,719	9,101,104
Total trust accounts	1,094,848,076	220,394,796	243,848,180	1,071,394,692
Total deposit and trust accounts	1,265,039,858	807,265,619	817,164,821	1,255,140,656

⁽¹⁾ This account was previously reported in Table 6.26.

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*.

Guarantee deposits—Board of Arbitration and Review Tribunal

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with section 92(1) of the *Immigration Act*.

Immigration guarantee fund

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Holdback—Privatization—Canada Development Investment Corporation (previously Canadair holdback)

This account was established pursuant to section 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Crown corporations' surplus moneys

These accounts were established pursuant to section 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Petro-Canada Limited—Cash reserve

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

Fairs and missions

This account was established to record deposits which may be refunded, in part or in total, in accordance with contractual agreements concerning the participation of Canadian sector enterprises at international trade fairs.

During the year, the account was closed.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by the Appellant with the Registrar of the Supreme Court of Canada in accordance with section 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Guarantee deposits—National Revenue

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

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.

During the year, an amount of \$438,500 was transferred to non-tax revenues.

Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

Halifax 1917 explosion pension account

This account was established by section 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.24**INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	1997-98	1996-97
	\$	\$
Opening balance	804,168,681	791,770,726
RECEIPTS AND OTHER CREDITS—		
Oil royalties	16,604,969	31,061,676
Gas royalties	54,090,419	48,919,269
British Columbia agreement		21,748
Land and other claim settlements	3,700,000	3,078,096
Sundries	18,429,981	11,089,053
	92,825,369	94,169,842
	896,994,050	885,940,568
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	7,422,629	6,464,042
Transfer pursuant to section 64 of the Indian Act	86,004,451	75,306,621
Sundries	243,798	1,224
	93,670,878	81,771,887
Closing balance	803,323,172	804,168,681

TABLE 6.25

INDIAN BAND FUNDS—REVENUE ACCOUNTS

	1997-98	1996-97
	\$	\$
Opening balance	121,716,221	120,515,205
RECEIPTS AND OTHER CREDITS—		
Government interest	55,206,404	65,520,648
Land and other claim settlements	624,730	1,299,451
Sundries	19,700,246	19,741,600
	75,531,380	86,561,699
	197,247,601	207,076,904
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	1,717,998	1,916,402
Transfer pursuant to section 69 of the Indian Act	69,215,025	74,129,989
Sundries	8,307,618	9,314,292
	79,240,641	85,360,683
Closing balance	118,006,960	121,716,221

Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered trust accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.26
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation.....	38,097,873	823,205		38,921,078
Human Resources Development—				
Civil service insurance fund.....	9,254,246	316,183	655,760	8,914,669
National Defence—				
Regular forces death benefit account,				
Table 6.27.....	172,073,804	29,564,994	23,877,375	177,761,423
Treasury Board—				
Public Service death benefit account,				
Table 6.28.....	1,343,318,410	203,012,831	87,285,086	1,459,046,155
Veterans Affairs—				
Returned soldiers' insurance fund.....	185,820		24,780	161,040
Veterans insurance fund.....	14,581,820	343,424	1,156,611	13,768,633
	14,767,640	343,424	1,181,391	13,929,673
Total insurance and death benefit accounts.....	1,577,511,973	234,060,637	112,999,612	1,698,572,998
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account.....	19,362	2,585		21,947
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund.....	27,572,681	2,700,731	1,508,099	28,765,313
Treasury Board—				
Locally engaged contributory pension				
account.....		360,039	360,039	
Total pension accounts.....	27,592,043	3,063,355	1,868,138	28,787,260
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification.....	1,203,900	6,533,109	7,620,071	116,938
Commodity Industry Development Fund—Province.....	9,155,181	231,508	3,284,717	6,101,972
Crops Sector Companion Program—				
Saskatchewan.....	109,540,268	555,578	110,095,846	
Net Income Stabilization Account.....	1,190,702,185	451,813,537	386,213,947	1,256,301,775
Shared-cost agreements—				
Research.....	11,102,002	20,725,838	16,925,346	14,902,494
	1,321,703,536	479,859,570	524,139,927	1,277,423,179

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Canadian Heritage—				
Mackenzie King trust account	286,565	14,738	16,290	285,013
Miscellaneous projects deposits	276,441	1,623,813	1,221,028	679,226
Shared-cost agreements—Conferences and training	9,432		4,093	5,339
Shared-cost/joint project agreements	18,014		1,114	16,900
Canadian Film Development Corporation— Advance account ⁽¹⁾	14,524,318 15,114,770	38,024,771 39,663,322	25,449,677 26,692,202	27,099,412 28,085,890
Environment—				
Miscellaneous projects deposits	2,765,036	3,587,150	3,207,437	3,144,749
Canadian Environmental Assessment Agency— Public participation funding program	122,466 2,887,502	93,000 3,680,150	64,151 3,271,588	151,315 3,296,064
Finance—				
Common school funds—Ontario and Quebec	2,677,771			2,677,771
Foreign claims fund	179,020			179,020
Petro-Canada Limited—Cash reserve ⁽²⁾				
War claims fund—World War II	4,236 2,861,027			4,236 2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements	1,111,750	3,697,514	3,012,837	1,796,427
Miscellaneous projects deposits	6,286,799	13,912,810	12,422,887	7,776,722
Sales of seized assets	717,054 8,115,603	285,162 17,895,486	248,064 15,683,788	754,152 10,327,301
Foreign Affairs and International Trade—				
Canada Foundation account	312,965	37,999	41,649	309,315
Less: securities held in trust	309,381	327,961	314,174	295,594
deposits in a special bank account	3,584	324,809 690,769	334,946 690,769	13,721
Financial assistance to Canadians abroad	238,390	1,089,959	1,186,409	141,940
Funds from non-governmental organizations	525,023	6,131,089	5,932,532	723,580
Shared-cost projects	882,971	9,886,900	10,228,842	541,029
Canadian International Development Agency— Shared-cost projects—International conferences	11,922	343,936	337,675	18,183
NAFTA Secretariat, Canadian Section— Shared-cost agreements		16,152	4,134	12,018
	1,658,306	18,158,805	18,380,361	1,436,750
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities	50,000			50,000
Collaborative research projects	137,640	627,471	362,304	402,807
Miscellaneous federal/provincial projects	316,397	5,254,324	4,838,052	732,669
Pan American Health Organization (SIREVA)	25,792	125,706	122,401	29,097
World Health Organization	149,153	94,319	155,533	87,939
Medical Research Council— Dyskinesia and torticollis reseach	84,164 763,146	2,566 6,104,386	9,000 5,487,290	77,730 1,380,242
Human Resources Development—				
Fair wages suspense account	10,935	1,676	1,677	10,934
Federal/provincial shared-cost project	96,925	12,395,884	12,395,740	97,069
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS) ..	1,477,475	218,466		1,695,941
Labour standards suspense account	2,448,676 4,034,011	1,905,736 14,521,762	940,669 13,338,086	3,413,743 5,217,687

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Fines—Indian Act	357,170	22,069		379,239
Indian agencies revenue trust bank accounts	72,214	4,179,347	4,158,834	92,727
Less: deposits in special bank accounts	72,214	4,179,347	4,158,834	92,727
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	23,781,719	15,278,779	16,811,751	22,248,747
Indian special accounts	1,256,324	348,074	233,660	1,370,738
Treaty Land Entitlement (Saskatchewan) Fund		12,706,210	12,706,210	
	25,617,553	28,355,132	29,751,621	24,221,064
Industry—				
Canada/Provinces Business Service Centre		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act	42,956	3,132		46,088
Petro-Canada Enterprises Inc.—Unclaimed shares	746,910		33,038	713,872
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost agreements—Tourism	191,463	653,027	594,817	249,673
Shared-cost/joint project agreements—Research	462,380	112,849	220,049	355,180
Shared-cost projects	287,735	1,389,277	1,154,305	522,707
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	2,127,652	2,128,765	2,133,117	2,123,300
Canada Business Corporations Act	1,073,901	3,500,534	3,362,980	1,211,455
Winding-up Act	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account	519,511	2,772,800	3,081,688	210,623
Canadian Space Agency—				
Radarsat	449,704		45,794	403,910
National Research Council of Canada—				
Trust fund	10,487,330	12,690,683	12,571,225	10,606,788
Natural Sciences and Engineering Research Council—				
Trust fund	1,044,457	708,849	769,146	984,160
Social Sciences and Humanities Research Council—				
Queen's Fellowship fund	257,288	7,854	15,000	250,142
Trust fund	24,136	226,377	20,000	230,513
Statistics Canada—				
Project deposits	4,414,492	54,016,301	54,710,649	3,720,144
Western Economic Diversification—				
Jobs and economic restoration initiative		4,800,000	2,025,831	2,774,169
	22,659,574	83,010,448	80,737,639	24,932,383
Justice—				
Federal Court of Canada—				
Federal Court special account	23,062,599	12,286,726	15,340,561	20,008,764
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta	8,616,503	45,445,984	48,513,886	5,548,601
Wainwright, Alberta	1,947,405	4,886,753	6,126,257	707,901
Other activities	4,579,295	19,078,898	20,406,796	3,251,397
United States of America	33,902	213,095	32,682	214,315
Federal Republic of Germany—				
German Army—Shilo, Manitoba	6,835,430	23,055,617	21,818,506	8,072,541
Other activities	8,827,227	36,317,602	31,046,441	14,098,388
Netherlands	4,081,712	11,718,361	10,692,958	5,107,115
Joint research and development projects		920,022	789,684	130,338

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1997	Receipts and other credits	Payments and other charges	March 31/1998
	\$	\$	\$	\$
Non-government agencies	1,204,525	1,322,921	796,006	1,731,440
North Atlantic Treaty Organization (NATO)— Infrastructure projects	6,579,359	104,095	11,564	6,671,890
	42,705,358	143,063,348	140,234,780	45,533,926
Natural Resources—				
Atomic Energy of Canada Limited regional seismic monitoring station		48,533	48,533	
Continental geoscience division—Ontario Hydro	32,458			32,458
Market development incentive payments—Alberta	9,841,156		2,593,146	7,248,010
Miscellaneous projects deposits	4,883,110	3,342,180	4,110,942	4,114,348
Shared-cost agreements—Research	2,308,489	2,354,377	2,770,630	1,892,236
Shared-cost projects	2,348,523	4,246,755	3,321,954	3,273,324
	19,413,736	9,991,845	12,845,205	16,560,376
Public Works and Government Services—				
Francophone Summits	170,515	128,502	110,989	188,028
Interest on bonds—Insurance companies		170,463	170,463	
Military purchases excess funds deposit	39,001,588	9,228,548		48,230,136
Less: securities held in trust	39,001,588		9,228,548	48,230,136
		9,228,548	9,228,548	
	170,515	9,527,513	9,510,000	188,028
Solicitor General—				
Joint research and development projects	187,244	197,497		384,741
Royal Canadian Mounted Police—				
Joint research and development projects		486,483	20,931	465,552
Mounted Police Foundation	34,752	120,377	10,802	144,327
Seized assets—Canadian funds	2,270,265	78,154	2,280,296	68,123
Seized assets—US funds	(4,410)	4,770		360
Sponsorship Agreement—Contributions	388,642	151,701	74,668	465,675
	2,876,493	1,038,982	2,386,697	1,528,778
Treasury Board—				
Egypt-Canada Memorandum of Cooperation	9,450		2,075	7,375
Veterans Affairs—				
Army benevolent fund	102,679	760	103,439	
Total	1,493,755,858	867,158,235	897,905,259	1,463,008,834
Less: consolidation adjustment ⁽¹⁾	14,534,000			14,534,000
Total other accounts	1,479,221,858	867,158,235	897,905,259	1,448,474,834
Total other specified purpose accounts	3,084,325,874	1,104,282,227	1,012,773,009	3,175,835,092

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

⁽²⁾ This account is now reported in Table 6.23.

Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate of Northumberland General Insurance Company.

Civil service insurance fund

This fund was established by the *Civil Service Insurance Act*, to provide life insurance coverage for civil servants who bought policies before 1955-56. The purchase of policies was discontinued in 1954-55, pursuant to section 62(2) of the *Public Service Superannuation Act*. As of April 1, 1997, the Department of Human Resources Development assumed the responsibility for the administration of the *Civil Service Insurance Act*.

The number of policies in force now stands at 2,372 and the average age of the policyholders is 80.6 years. During the year, receipts and other credits consisted of premiums of \$7,315 on 67 contracts and, an amount of \$308,844 (charged to expenditures) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1997. Payments and other charges consisted of death benefits for 144 claims, \$618,569; cash surrender value paid on 3 policies, \$13,115; and settlement annuities paid to 48 beneficiaries, \$24,052.

On the prescribed actuarial assumptions, the liabilities in respect of the benefit plan established under the Act are estimated at \$9,227,488 as of March 31, 1998. The balance of the Account as of that date is \$8,914,669. The deficit is therefore at \$312,819. Pursuant to subsection 16(3) of the *Civil Service Insurance Regulations*, this amount will be credited to the Account in the current fiscal year from the Consolidated Revenue Fund.

Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.27

REGULAR FORCES DEATH BENEFIT ACCOUNT

	1997-98	1996-97
	\$	\$
Opening balance	172,073,804	168,100,581
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	10,212,396	10,024,503
Government's contribution	1,988,115	2,118,281
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution	657,434	632,090
Interest	16,707,049	16,622,721
	29,564,994	29,397,595
	201,638,798	197,498,176
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pen- sions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act	23,877,375	25,424,372
Closing balance	177,761,423	172,073,804

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 \$5,000 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 \$5,000 death benefit coverage for life has been made.

TABLE 6.28

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1997-98	1996-97
	\$	\$
Opening balance	1,343,318,410	1,231,507,422
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	60,951,305	61,586,332
Government—		
General	5,429,724	5,367,269
Single premium for \$5,000	1,311,978	1,466,856
Public Service corporations	2,424,788	2,412,118
Interest	132,895,036	124,806,807
	203,012,831	195,639,382
	1,546,331,241	1,427,146,804
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	65,156,693	63,810,982
Life coverage of \$5,000	22,049,933	19,809,912
Other death benefit payments	78,460	207,500
	87,285,086	83,828,394
Closing balance	1,459,046,155	1,343,318,410

Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 1997 of \$143 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1997 of \$293,202 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

Commodity Industry Development Fund—Province

This account was established to record contributions received from provincial governments equal to a maximum of one-half of the premium contributions made under the National Tripartite Stabilization Program for Beef in respect of sales in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

Crops Sector Companion Program—Saskatchewan

The Crops Sector Companion Program was designed to provide additional assistance to Net Income Stabilization Account (NISA) participants in Saskatchewan, who produced eligible commodities, in the event of reduced farm cash receipts in the 1995 and 1996 calendar years. Payments were to be made to producers if crop sector revenue fell below a guaranteed revenue target for each of the two years.

Under the Program, the federal Government and Saskatchewan provided annual premium contributions of \$54.5 million and \$30.5 million, respectively for each of the two years.

In the event that triggered program payouts exceed the program funds available, the federal Government would make an additional contribution not exceeding \$50 million for the two-year period. Saskatchewan contributed an additional \$45 million, from its share of the Gross Revenue Insurance Program (GRIP) surplus.

Although the federal liability under the Program was capped at a maximum of \$159 million, the actual federal contributions were subject to payments being triggered. Any unused premium contributions at the conclusion of the Program were to be refunded to the federal Government and to Saskatchewan in proportion to their respective contributions.

No payments were triggered to producers for either the 1995 or 1996 calendar years based upon the calculation formula using annual farm cash receipts from Saskatchewan. An amendment to the agreement specified how the monies paid into the account, plus interest earned and the \$50 million additional federal contribution would be paid out. The federal monies have been transferred to the Crop Reinsurance Fund of Canada for Saskatchewan and the provincial monies have been paid to Saskatchewan to reduce the deficit in the Crop Reinsurance Fund of Saskatchewan and to provide \$5 million as start-up funding for a New Crops Companion Program in 1997. The monies have been paid out and the account has been closed.

This account recorded the Saskatchewan's share of the Program. The federal Government's share is reported in Table 4.6 (Section 4 of this volume).

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

For the fiscal year ending March 31, 1998, participant deposits pertained in most part, to the 1996 stabilization year (the period for which a participant filed a 1996 tax return). Participants are entitled to make matchable deposits based on eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1996 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The account records transactions relating to the Consolidated Revenue Fund as follows:

- (a) Government matching contributions on participant matchable deposits, for the 1996 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal government contributed the full 3 percent for Alberta;

- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger)).

Shared-cost agreements—Research—Agriculture and Agri-Food

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is to be credited to the account at the end of each year, and charged to interest on the public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Shared-cost agreements—Conferences and training—Canadian Heritage

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

Shared-cost/joint project agreements—Canadian Heritage

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Advance account—Canadian Film Development Corporation

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Public participation funding program

This account was established to record deposits received from provinces, territories or private organizations to provide funds to assist public participation on high level nuclear fuel waste in the Canadian Environmental Assessment Agency.

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record moneys received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development of common information management systems.

Canadian Sports Pool Corporation—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

Collaborative research projects

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial projects in the areas of hospital administration, hospital facilities design and other related health issues.

Pan American Health Organization (SIREVA)

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enteric pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of *S. pneumoniae* in support of vaccine development.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Dyskinesia and torticollis research

This account was established by section 5(3) of the *Medical Research Council Act*, to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

Fair wages suspense account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

Federal/provincial shared-cost project—Human Resources Development

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

Labour standards suspense account

This account is operated under the authority of the Canada Labour Code, Part III, section 251, and the Canada Labour Standards Regulations section 23.

The account records:

- (a) funds received from employers as a result of assessments made by inspectors regarding underpayments of minimum wages, overtime, vacation pay, holiday pay, termination, severance or bereavement pay. The assessments are payable either directly to the employee, or to the Minister of Human Resources Development who is required to transmit the payment to the employee;
- (b) payments received from employers who are in arrears in paying their employees. Such amounts are repaid to employees; and,
- (c) wages received by the Minister of Human Resources Development from employers who cannot locate employees. Efforts are then made to locate employees.

Fines—Indian Act

Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

Indian agencies revenue trust bank accounts

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands.

Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) Missing individual—Estate distribution to which a missing individual is entitled is held in this account.
- (b) Quebec fur account—This account records moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

Treaty Land Entitlement (Saskatchewan) Fund

This account was established to record contributions and payments pertaining to settling of Saskatchewan Indian Nation's land claims. Interest credited on the Province of Saskatchewan deposits was charged to public debt while interest on federal contribution was charged to expenditures of the Department of Indian Affairs and Northern Development.

Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safe-keeping.

Petro-Canada Enterprises Inc—Unclaimed shares

This account was established to record the liability to shareholders who have not presented their shares for payment.

Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

Shared-cost agreements—Tourism

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

Unclaimed dividends and undistributed assets—Winding-up Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Radarsat

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act*, to record funds received from other governments and organizations outside the accounting entity, to cover expenditures made on their behalf.

Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

Queen's Fellowship fund—Social Sciences and Humanities Research Council

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

Trust fund—Social Sciences and Humanities Research Council

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

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Jobs and economic restoration initiative

This account was established through a federal-provincial cost-shared program designed to help prevent permanent job loss in flood affected areas and to restore economic activity.

Federal Court special account

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

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.

Atomic Energy of Canada Limited regional seismic monitoring station

This account was established to record funds received from Atomic Energy of Canada Limited, to accommodate the cost-sharing of expenses required to operate a network of regional seismic monitoring stations in the provinces of Ontario and Alberta.

Continental geoscience division—Ontario Hydro

This account was established to facilitate a cost sharing agreement between Natural Resources and Ontario Hydro to acquire, compile, process and interpret seismic reflection data recorded in Lake Ontario, Lake Erie, and Lake Huron.

Market development incentive payments—Alberta

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for the Natural Gas Vehicle Program, the Natural Gas Fuelling Station Program, and the Energy Efficiency and Alternative Energy Program through to March 31, 1998.

Miscellaneous projects deposits—Natural Resources

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

Francophone Summits

This account was established to record moneys granted since 1994 by the "Agence de coopération culturelle et technique" (Paris) for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

Interest on bonds—Insurance companies

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unutilized funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Joint research and development projects—Solicitor General

This account was established to record funds received to conduct joint research and development projects.

Joint research and development projects—Royal Canadian Mounted Police

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

Mounted Police Foundation

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

Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Seized assets—US funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Egypt-Canada Memorandum of Cooperation

This account was established to facilitate funding of expenditures as outlined in the Egypt-Canada Memorandum of Cooperation.

Army benevolent fund

Pursuant to section 3 of the *Army Benevolent Fund Act*, this account was credited with certain canteen profits and other funds from World War II. Interest at the rate of 9.01 percent per annum was credited semi-annually for the period June 29, 1995 to June 28, 1997 on the minimum monthly balances.

Payments were made out of the fund to or for the benefit of World War II veterans or their dependents or the widows, children or other dependents of deceased veterans.

During the year, the account was closed.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan Account and the Canada Pension Plan Investment Fund

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following financial statements have been prepared by management of the Department of Human Resources Development in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and estimates in these financial statements are management's responsibility. Management is also responsible for all other information in the *Annual Report of the Canada Pension Plan* and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund.

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 financial information, and to ensure that transactions are in accordance with the *Canada Pension Plan (Act)* and Regulations, as well as the *Financial Administration Act* and Regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, audits the financial statements and reports to the Minister of Human Resources Development.

SERGE RAINVILLE
Assistant Deputy Minister
Financial and Administrative Services

MEL CAPPE
Deputy Minister

July 30, 1998

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of revenue, expenditures and balance of the Canada Pension Plan Account and the statement of purchases, disposals and balance of the Canada Pension Plan Investment Fund for the year ended March 31, 1998. These financial statements are the responsibility of the management of the Department of Human Resources Development. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the balances of the Account and the Investment Fund as at March 31, 1998 and the revenue and expenditures of the Account and the purchases and disposals of the Investment Fund for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

I wish to draw to your attention that, as disclosed in Note 5, overpayments for disability benefits occur. Plan administrators have taken additional measures to prevent, detect and estimate the occurrence of mispayments. At the present time, these measures are not fully operational. This situation will require close monitoring to ensure that these measures, including sufficient reassessments to verify the continuing eligibility of beneficiaries, are implemented satisfactorily.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 30, 1998

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

CANADA PENSION PLAN ACCOUNT

**STATEMENT OF REVENUE, EXPENDITURES AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1998**

(in millions of dollars)

	1998	1997
Revenue		
Contributions (Note 3)	12,790	11,391
Interest (Note 4)	3,950	4,118
	16,740	15,509
Expenditures		
Pensions and benefits (Note 5)		
Retirement	11,827	11,179
Disability	2,542	2,512
Survivor	2,447	2,309
Death	269	234
Disabled contributor's child	250	245
Orphan	202	197
	17,537	16,676
Administration costs (Note 6)	298	242
	17,835	16,918
Excess of expenditures over revenue.	(1,095)	(1,409)
Balance at beginning of year	37,759	39,168
Balance at end of year	36,664	37,759
Represented by:		
Canada Pension Plan		
Investment Fund	32,459	34,041
Deposit with the Receiver		
General for Canada.	4,205	3,718
	36,664	37,759

Contingencies (Note 8)

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

Approved by the Department of Human Resources Development:

SERGE RAINVILLE

*Assistant Deputy Minister**Financial and Administrative Services*

MEL CAPPE

Deputy Minister

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

CANADA PENSION PLAN INVESTMENT FUND

STATEMENT OF PURCHASES, DISPOSALS AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1998
(in millions of dollars)

	Balance at beginning of year	Purchases	Disposals	Balance at end of year
Investment in securities (Note 7)				
Newfoundland	706		33	673
Prince Edward Island	156		7	149
Nova Scotia	1,277		63	1,214
New Brunswick	944		48	896
Quebec	111		8	103
Ontario	14,957		851	14,106
Manitoba	1,789		91	1,698
Saskatchewan	1,522		69	1,453
Alberta	4,335		163	4,172
British Columbia	4,773		238	4,535
Yukon Territory	4			4
	30,574		1,571	29,003
Canada	3,467		11	3,456
	34,041		1,582	32,459

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

Approved by the Department of Human Resources Development:

SERGE RAINVILLE
Assistant Deputy Minister
Financial and Administrative Services

MEL CAPPE
Deputy Minister

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1998

1. Description of the Canada Pension Plan

(a) General

The Canada Pension Plan began in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates 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.

(b) Establishment and authority

The Canada Pension Plan (CPP) is a federal/provincial plan established by act of Parliament in 1965.

The Minister of Human Resources Development is responsible for the administration of the act governing the Canada Pension Plan, other than collecting contributions, which is the responsibility of the Minister of National Revenue. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by the Act, to record the contributions, interest, pensions, benefits and administration costs of the Plan. The authority to spend is limited to the balance of the Account.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by the Act, to record the investment in securities of provinces, territories and Canada.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

(c) Financing

CPP is financed on a pay-as-you-go basis, which means that the Plan operates on a current basis with pensions and benefits being paid out of current contributions. The balance in the Account is planned, over time, to equal approximately four times the annual payments projected for the following year.

CPP is financed from contributions and interest earned by the Investment Fund. Contributions are paid equally by employers and employees. Self-employed workers pay the full amount.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and has increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997 and 1998, the combined contribution rate was increased by 0.4 percent to reach 6.0 and 6.4 percent respectively. The maximum combined contributions are \$1,938 for 1997 and \$2,138 for 1998.

Bill C-2, which was proclaimed on December 18, 1997, provides a schedule of contribution rates for 1997 to 2003 and subsequent years. As required by the Act, the Chief Actuary of the Office of the Superintendent of Financial Institutions prepares a periodic actuarial report whenever a Bill is introduced in the House of Commons to amend the CPP. Therefore, the Chief Actuary prepared the Sixteenth Actuarial Report, on the basis of the Fifteenth Report, to show the effect of Bill C-2 on the long-term financial status of the CPP.

As stated in the Act, changes to contribution rates require the approval of at least two-thirds of the provinces having in the aggregate not less than two-thirds of the population of all included provinces.

(d) Pensions and benefits

Retirement pensions—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum monthly pension payable at age 65 in 1998 is \$744.79.

Disability benefits—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum monthly disability benefit in 1998 is \$895.36.

Survivor's benefits—A survivor's benefit is payable to the surviving spouse of a deceased contributor, according to the provisions of the Act. For a spouse 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 surviving spouse between the ages of 35 and 45 who

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1998—Continued

is not disabled or who has no dependent children receives reduced benefits. For spouses aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum monthly benefit payable to a surviving spouse in 1998 is \$446.87.

Disabled contributor's child and orphan benefits—According to the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between 18 and 25 and attending school full-time. The flat-rate monthly benefit in 1998 is \$169.80.

Death benefits—According to 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 1998 is \$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 1998 is 1.9 percent.

2. Accounting policies

The financial transactions affecting the Account and the Fund are governed by the Act governing the *Canada Pension Plan* and its regulations.

The Act does not require that the pensions and benefits be prefunded. Accordingly, the financial statements do not provide information on the adequacy of the balance in the CPP Account to meet, on an actuarial basis, the future obligations of the CPP.

(a) Canada Pension Plan Account

Contributions are recorded when funds are received from Revenue Canada. As stated in Note 3, funds transferred by Revenue Canada are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year the funds are received or reimbursed.

Interest revenues are recorded when received.

Pensions and benefits are recorded when paid.

Administration costs are recorded on a modified cash basis of accounting. This basis of accounting allows the recording of amounts paid in a specific period after year-end.

(b) Canada Pension Plan Investment Fund

Securities are shown at cost, which is equal to the face value at the time of purchase.

3. Contributions

The Department of Finance estimates annual contributions based on an estimate of pensionable earnings. The calculation of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate the pensionable earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 1997, would result, in each case, in a change of \$142 million in estimated contributions.

Revenue Canada transfers contributions to CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year as well as its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 1997 and 1998 will only be known once Revenue Canada has processed all employers' and self-employed workers' declarations of contributions for 1997 and 1998.

Adjustments, if any, are recorded in the year in which the funds are received or reimbursed. The reimbursements for 1996 and preceding years, paid in 1998, amounted to \$145 million (reimbursement of \$304 million in 1997).

4. Interest

	1998	1997
	(in millions of dollars)	
Interest on investment in long term securities		
Provinces and Yukon Territory . . .	3,431	3,572
Canada	354	355
	3,785	3,927
Interest on short term investments (3 month term) with Canada	7	13
Interest on deposit with the Receiver General for Canada, at a weighted-average rate of 3.53 percent (3.85 percent in 1997)	158	178
	3,950	4,118

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1998—Continued

5. Pension and benefit mispayments

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made. Such "mispayments" occur more frequently for disability benefits. There is greater subjectivity in the adjudication of these applications and, once accepted, beneficiaries must continue to meet the eligibility criteria.

Management of the Canada Pension Plan periodically undertakes a study of the extent and nature of pension and benefit mispayments. The current study, which is based on the 1996 payment year, includes new procedures to improve the assessment of medical information for determining the continuing eligibility of beneficiaries to receive disability benefits. Through statistical extrapolation, the study estimates the most likely value of undetected mispayments at \$40 million. This includes underpayments of \$16 million and overpayments of \$24 million. Disability mispayments, based on a review of 86.4 percent of the accounts selected as the study sample, have a most likely value of \$23 million, which includes underpayments of \$8 million and overpayments of \$15 million.

The previous year's study, which was based on the 1995 payment year, has now been revised to include the application of the new procedures. The revised estimate of the most likely value of undetected mispayments is \$47 million (compared to \$38 million estimated originally) of which underpayments represents \$13 million (\$12 million originally) and overpayments \$34 million (\$26 million originally).

Management has taken several initiatives to improve the administration of the Plan. Treasury Board has approved \$268 million for the years 1997 to 2001 and subsequent years for the implementation of key initiatives which include, for example:

- implementation of a quality assurance program;

- significant increases in the number of reassessments, verifying the continuing eligibility of beneficiaries; and,

- introduction of new procedures used by the annual study on the extent and nature of pension and benefit mispayments.

6. Administration costs

	1998	1997
	(in millions of dollars)	
Pension and benefit delivery and corporate services (Human Resources Development Canada)	189	143
Collection of contributions (Revenue Canada)	75	70
Cheque issue and computer services (Public Works and Government Services Canada)	17	15
Accommodation (Public Works and Government Services Canada)	15	13
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
Investment services (Finance)	1	
	298	242

Administration costs of the Account represent the cost of services received from a number of federal government departments and an agency. Those costs are charged to the Account in accordance with memoranda of understanding.

The costs for pension and benefit delivery charged to CPP by Human Resources Development Canada include \$43.4 million (\$23 million in 1997) for the Income Security Programs Redesign Project (the Project). At March 31, 1998 the cumulative charges to CPP for this project amounted to \$142.7 million. In 1997, an independent assessment of the Project implementation strategy was carried out. The assessment examined a series of risk mitigation options for consideration by management of the departments involved in the Project, i.e. Human Resources Development Canada, Public Works and Government Services Canada and Treasury Board Secretariat. It was concluded that the Project's functionality, architecture and implementation strategy were valid as developed, but due to a number of significant changes to the business environment over the six year life of the Project, and the challenges presented by the upcoming Year 2000, successful implementation as scheduled would be unlikely.

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1998—Continued

In light of the benefits already provided by the Project and the significant level of risk, effort and cost associated with pursuing the full implementation of a client service delivery network, and the recommendations of the independent assessment, it was decided to conclude the Project and to redirect the implementation strategy.

7. Investment in securities

The amounts invested in securities constitute the Canada Pension Plan Investment Fund. Investments in provincial, territorial and federal government securities are made with the cash on hand in excess of the three-month operating requirement. As required by the Act, the amount made available to each province is proportional to the total contributions made by residents of each province and territories during the previous 10-year period. Funds not borrowed by the provinces and territories are invested in federal securities. The securities of Quebec relate to the contributions of certain federal employees residing in Quebec.

All securities are non-negotiable and have a 20-year term or less as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the securities is determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. All disposals of securities are made, at maturity date, at face value. Interest earned on the investments is credited semi-annually to the Account. Funds derived from the disposal of securities in 1998 were added to the operating balance. In 1998, there were no funds available for long-term investment in provincial and territorial securities.

At March 31, 1998, the balance in the Investment Fund was \$32.5 billion. The following schedule presents the classification of securities by maturity dates and the weighted average annual rate of return on securities currently held. Due to the redemption terms described above, the carrying value of these investments approximate fair value at year end.

(in millions of dollars)

Investment maturing	March 31, 1998		March 31, 1997	
	Investment	Average yield	Investment	Average yield
Long term investments:				
Within 1 year.....	1,645	9.53%	1,582	9.08%
1 to 5 years	8,674	13.48%	7,935	12.27%
Over 5 years	22,140	10.66%	24,524	11.06%
Total—Long term investments	<u>32,459</u>		<u>34,041</u>	
Weighted average yield on long term investments.....		11.36%		11.25%

8. Contingencies

At March 31, 1998, there were 21,980 (26,131 in 1997) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum of \$55 million (\$31 million in 1997).

A number of persons who have not applied for a disability benefit, but who are potentially eligible, are being assisted by their respective provinces to secure their entitlement. Estimated unpaid retroactive entitlements related to these potential claims at March 31, 1998 amount to \$11 million (\$22 million in 1997).

Any claim resulting from the resolution of these appeals or from retroactive entitlements will be accounted for as an expenditure of the period in which the claim is paid.

9. Subsequent event

The legislation covering the new Canada Pension Plan Investment Board came into force on April 1, 1998. The purpose of this Board is to improve the rate of return on the CPP fund by investing it prudently in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to both the public and governments through regular reports.

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1998—*Concluded*

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect CPP's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting CPP, including those related to the efforts of a number of federal government departments and an agency providing services to CPP, or other third parties, will be fully resolved.

Government Annuities Account**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements have been prepared by the Account's management in accordance with generally accepted accounting principles consistently applied. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The Account's management recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, *Government Annuities Improvement Act* and the regulations.

The Department of Human Resources Development oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing his report thereon.

MEL CAPPE
Deputy Minister

SERGE RAINVILLE
*Assistant Deputy Minister
Financial and Administrative Services*
July 17, 1998

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 1998 and the statements of operations and actuarial liabilities and changes in financial position for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Donald M. Young, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 17, 1998

Government Annuities Account—Continued

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account at March 31, 1998 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the 1983 mortality rates, those of Table *a* for individual contracts and those of the Group Annuity Mortality Table for group contracts, with projection Scale G in both cases. The assumed interest rate was seven percent annually, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General of Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources Development Canada

Hull, Canada
July 17, 1998

BALANCE SHEET AS AT MARCH 31, 1998
(in thousands of dollars)

ASSETS	1998	1997	LIABILITIES	1998	1997
Deposit with Receiver General for Canada (Note 3)	584,845	567,329	Actuarial surplus due to Canada	4,622	
Actuarial deficit due from Canada		54,608	Actuarial liabilities (Note 4)	623,876	664,415
Accrued interest due from Canada	43,463	42,332			
Accounts receivable	190	146			
	628,498	664,415		628,498	664,415

Contingency (Note 7)

See accompanying notes.

Approved by the Department:

MEL CAPPE
Deputy Minister

SERGE RAINVILLE
*Assistant Deputy Minister
Financial and Administrative Services*

Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1998**

(in thousands of dollars)

	1998	1997
Payments and other charges		
Annuity payments.....	78,500	81,839
Premium refunds.....	550	571
Unclaimed annuities.....	511	546
	79,561	82,956
Income		
Interest from Canada	43,463	42,332
Premiums (Note 3)	102	154
Other	79	99
	43,644	42,585
Excess of payments and other charges over income for the year	35,917	40,371
Actuarial liabilities, balance at begin- ning of the year.....	664,415	650,178
	628,498	609,807
Actuarial surplus (deficit)	4,622	(54,608)
Actuarial liabilities, balance at end of the year (Note 4)	623,876	664,415
Actuarial liabilities are comprised of:		
Deferred annuities, present value	65,896	79,536
Matured annuities, present value	557,980	584,879
	623,876	664,415

See accompanying notes.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1998**

(in thousands of dollars)

	1998	1997
Funds were provided by (used for):		
Operations		
Excess of payments and other charges over income for the year.....	(35,917)	(40,371)
(Increase) decrease in accrued interest and accounts receivable ...	(1,175)	2,809
	(37,092)	(37,562)
Actuarial deficit recovered from (surplus remitted to) Consolidated Revenue Fund	54,608	(1,735)
Total funds provided (used)	17,516	(39,297)
Deposit with Receiver General for Canada, balance at beginning of the year	567,329	606,626
Deposit with Receiver General for Canada, balance at end of the year	584,845	567,329

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998

1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the "Act"), as modified by the *Government Annuities Improvement Act* (the "Improvement Act").

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. The *Improvement Act* discontinued future sales of Government Annuity contracts.

The Account is administered by the Department of Human Resources Development and operates through the Consolidated Revenue Fund.

2. Significant accounting policies

(a) Basis of accounting

The accounts of the Government Annuities Account are prepared in accordance with generally accepted accounting principles.

(b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is reasonably possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

(c) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

(d) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the calculated amount of actuarial liabilities. The difference represents an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

(e) Interest from Canada

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

Government Annuities Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998—Concluded

(f) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

3. Premiums

Premiums are deposited with the Receiver General for Canada and earn interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

4. Actuarial liabilities

The *Government Annuities Act* and *Regulations* prescribe the basis upon which actuarial values are to be determined. The *Regulations* require the discounting of expected future payments using seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

- (a) The actuary, being in this case the Chief Actuary employed by the Department of Human Resources Development, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with generally accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.
- (b) The auditor expresses an opinion on the fairness of financial statements prepared by management. The audit is conducted in accordance with generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account does not record the value of administrative services it receives without charge from the Department of Human Resources Development and other government entities. For the year ended March 31, 1998, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.2 million (1997—\$2.6 million).

7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the Government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government Annuities Account's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Account, including those related to the efforts of Government departments or other third parties, will be fully resolved.

Government Annuities Account—Continued**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements have been prepared by the Account's management in accordance with generally accepted accounting principles consistently applied. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The Account's management recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, *Government Annuities Improvement Act* and the regulations.

The Department of Human Resources Development oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing his report thereon.

MEL CAPPE
Deputy Minister

GUY TREMBLAY
*Acting Assistant Deputy Minister
Financial and Administrative Services*
November 6, 1997

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 1997 and the statements of operations and actuarial liabilities and changes in financial position for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
November 6, 1997

Government Annuities Account—Continued

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account at March 31, 1997 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the 1983 mortality rates, those of Table *a* for individual contracts and those of the Group Annuity Mortality Table for group contracts, with projection Scale G in both cases. The assumed interest rate was seven percent annually, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General of Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources Development Canada

Hull, Canada
November 6, 1997

BALANCE SHEET AT MARCH 31, 1997
(in thousands of dollars)

ASSETS	1997	1996	LIABILITIES	1997	1996
Deposit with Receiver General for Canada (Note 3)	567,329	606,626	Actuarial surplus due to Canada		1,735
Actuarial deficit due from Canada	54,608		Actuarial liabilities (Note 4)	664,415	650,178
Accrued interest due from Canada	42,332	45,116			
Accounts receivable	146	171			
	664,415	651,913		664,415	651,913

Contingency (Note 7)

Subsequent event (Note 8)

See accompanying notes

Approved by the Department:

MEL CAPPE
Deputy Minister

GUY TREMBLAY
*Acting Assistant Deputy Minister
Financial and Administrative Services*

6. 60 INTEREST-BEARING DEBT

Government Annuities Account—Continued

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1997

(in thousands of dollars)

	1997	1996
Payments and other charges		
Annuity payments.....	81,839	84,847
Premium refunds.....	571	862
Unclaimed annuities.....	546	568
	82,956	86,277
Income		
Interest from Canada	42,332	45,116
Premiums (Note 3)	154	116
Other.....	99	87
	42,585	45,319
Excess of payments and other charges over income for the year	40,371	40,958
Actuarial liabilities, balance at begin- ning of the year.....	650,178	692,871
	609,807	651,913
Actuarial (deficit) surplus	(54,608)	1,735
Actuarial liabilities, balance at end of the year (Note 4)	664,415	650,178
Actuarial liabilities are comprised of:		
Deferred annuities, present value	79,536	92,337
Matured annuities, present value	584,879	557,841
	664,415	650,178

See accompanying notes

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1997

(in thousands of dollars)

	1997	1996
Funds were used for:		
Operations		
Excess of payments and other charges over income for the year.....	40,371	40,958
Decrease in accrued interest and accounts receivable	(2,809)	(2,835)
	37,562	38,123
Actuarial surplus remitted to Consoli- dated Revenue Fund.....	1,735	334
Total funds used.....	39,297	38,457
Deposit with Receiver General for Canada, balance at beginning of the year	606,626	645,083
Deposit with Receiver General for Canada, balance at end of the year.....	567,329	606,626

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1997

1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the "Act"), as modified by the *Government Annuities Improvement Act* (the "Improvement Act").

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. The *Improvement Act* discontinued future sales of Government Annuity contracts.

The Account is administered by the Department of Human Resources Development and operates through the Consolidated Revenue Fund.

2. Significant accounting policies

(a) Basis of accounting

The accounts of the Government Annuities Account are prepared in accordance with generally accepted accounting principles.

(b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is reasonably possible that the amounts for the actuarial liabilities and related amounts could change materially in the near term.

(c) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

(d) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the calculated amount of actuarial liabilities. The difference represents an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

Government Annuities Account—Concluded

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1997—Concluded

(e) Interest from Canada

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

(f) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

3. Premiums

Premiums are deposited with the Receiver General for Canada and earn interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

4. Actuarial liabilities

The *Government Annuities Act* and *Regulations* prescribe the basis upon which actuarial values are to be determined. The *Regulations* require the discounting of expected future payments using seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account. (See also Note 8.)

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

(a) The actuary, being in this case the Chief Actuary employed by the Department of Human Resources Development, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with generally accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

(b) The auditor expresses an opinion on the fairness of financial statements prepared by management. The audit is conducted in accordance with generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account does not record the value of administrative services it receives without charge from the Department of Human Resources Development and other government entities. For the year ended March 31, 1997, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.6 million (1996—\$2.7 million).

7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the Government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

8. Subsequent event

An amendment to the *Government Annuities Regulations* came into force on November 6, 1997. This amendment modified the mortality tables to be used for determining the value of annuities and changed the method of valuing the deferred annuities from a premium basis to the present value of future payments. The management of the Account chose to present the financial statements based on the new mortality tables in order to provide the reader with the most current, relevant and reliable information. The effect of the amendment resulted in a \$53.891 million increase in the actuarial liabilities and deficit. The change was accounted for in 1996-97 as a change in an accounting estimate.

Royal Canadian Mounted Police (Dependants) Pension Plan

MANAGEMENT REPORT

The management of the Royal Canadian Mounted Police (Dependants) Pension Plan is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Plan's results of operations and financial situation and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

G. BÉNARD
for the Manager
Public Works and Government Services Canada
RCMP Specialized Services

J.P.R. MURRAY
Commissioner
Royal Canadian Mounted Police

July 6, 1998

AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Plan as at March 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1998 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 6, 1998

**Royal Canadian Mounted Police (Dependants)
Pension Plan—Continued**
**STATEMENT OF NET ASSETS AVAILABLE FOR
BENEFITS
AS AT MARCH 31, 1998**

	1998	1997
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund	28,765,313	27,572,681

See accompanying notes to the financial statements.

Approved:

G. BÉNARD
for the Manager
Public Works and Government Services Canada
RCMP Specialized Services

J.P.R. MURRAY
Commissioner
Royal Canadian Mounted Police

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 1998**

	1998	1997
	\$	\$
Increase in assets		
Interest income on amount due from the Consolidated Revenue Fund	2,686,373	2,624,931
Contributions from participants	14,358	14,646
Total increase in assets	2,700,731	2,639,577
Decrease in assets		
Benefits payments to widows and children	1,508,099	1,385,545
Total decrease in assets	1,508,099	1,385,545
Increase in net assets	1,192,632	1,254,032
Net assets available for benefits at beginning of year	27,572,681	26,318,649
Net assets available for benefits at end of year	28,765,313	27,572,681

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998**
1. Description of the plan

The following brief description of the Royal Canadian Mounted Police (Dependants) Pension Plan is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Plan are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Plan was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Plan; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Plan prepared at least every 5 years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Plan, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Plan.

(c) Interest income

The Government of Canada credits the Plan with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government superannuation accounts.

Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Plan.

i) Widows' pensions

The widow is entitled to the pension purchased by the member. In many cases the pension equals approximately 1.5 percent of the member's final pay multiplied by his years of credited service. The pension is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pay, is payable to each surviving child eligible in accordance with the provisions of the Act at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The Act provides that if the Plan is substantially in excess of the amount required to make adequate provision for the prospective payments to be made out of it, the Governor in Council may, by order, increase the benefits provided under Part IV in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Plan upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV and those of his dependants shall cease upon such election.

All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan.

Increases and decreases in assets are recorded on the accrual basis. Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

(b) Services provided without charge

The Plan does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- accounting and cheque issue from Public Works and Government Services Canada.

3. Pension obligations

The most recent actuarial valuation was performed as at March 31, 1997 by the Office of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$8,622,000. A portion of this surplus is to be distributed by annual increases in the basic pension amount of 70 percent effective April 1, 1998, an additional 76 percent effective April 1, 1999, and by increases to lump sum death benefit and residual payments. The cumulative increase to the basic pension amount is 745 percent effective April 1, 1998 and 821 percent effective April 1, 1999.

**Royal Canadian Mounted Police (Dependants)
Pension Plan—Concluded**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1998—Concluded

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Plan for the payment of increases (averaging somewhat more than the rate of inflation) in the pension benefits. The average age of the members and widows was estimated to be 76 and 77 years respectively as at March 31, 1997. The expected average remaining lifetime of the widows was about 13 years. The remaining lifetime of the Plan itself was estimated at 42 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future plan yields, mortality rates, proportion of members married, and age of new widows. The current plan yield of 10.01 percent per annum (10.25 percent in 1997) is consistent with the estimated yield (10.05 percent) used for the immediate future in the actuarial valuation. The expected long-term plan yield is estimated to decline to 6.08 percent per annum by the year 2020. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 1998. The actuarial present value of accrued pension benefits as at March 31, 1998 (net of an \$84,000 deduction (\$85,000 in 1997) representing the present value of participants' future instalment payments) and the principal components of changes in the actuarial present value during the year were estimated as follows:

	1998	1997
	(in thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	19,755	19,266
Net interest accrued on benefits	2,116	1,860
Net adjustment arising from experience gains and losses and from valuation changes	(622)	
Amendments to the Plan including dividend increases	2,836	
Contributions from participants (instalment payments)	14	15
Benefits payments	(1,508)	(1,386)
Actuarial present value of accrued pension benefits at end of year	22,591	19,755

4. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two rather than four digits to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of this Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Plan's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Plan, including those related to the efforts of federal government departments or other third parties, will be fully resolved.

SECTION 7

1997-98

PUBLIC ACCOUNTS OF CANADA

Cash and Accounts Receivable

CONTENTS

	<i>Page</i>
Cash in bank	7.3
Cash in transit	7.4
Outstanding cheques and warrants	7.5
Accounts receivable	7.6

CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Cash and Accounts Receivable".

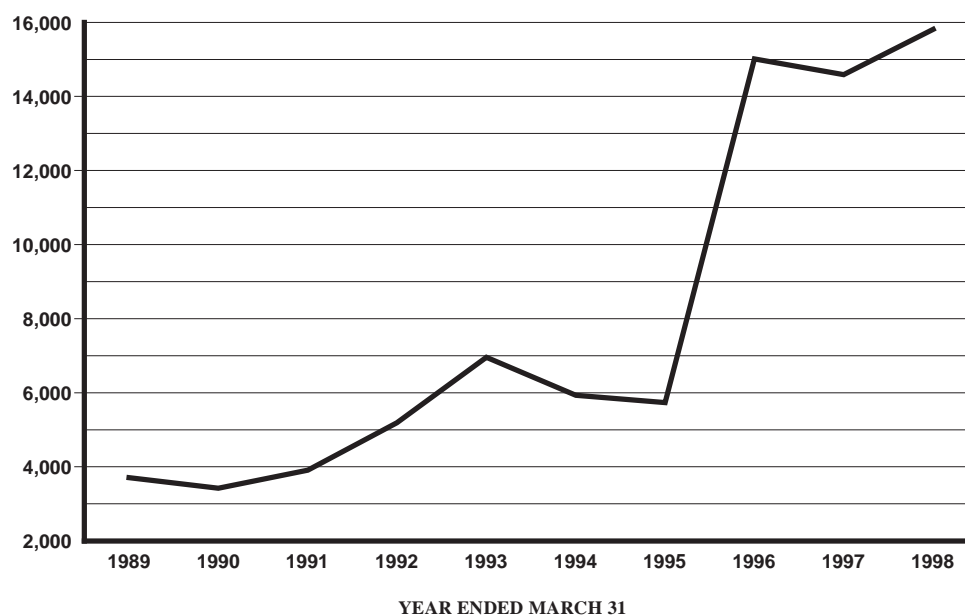
Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

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

TABLE 7.1
CASH AND ACCOUNTS RECEIVABLE

	April 1/1997	March 31/1998
	\$	\$
Cash in bank, Table 7.2	9,365,873,897	10,378,656,498
Cash in transit, Table 7.5	4,062,353,132	4,530,389,216
	<i>13,428,227,029</i>	<i>14,909,045,714</i>
Less: outstanding cheques and warrants, Table 7.6	3,252,759,741	3,217,941,571
Total cash	10,175,467,288	11,691,104,143
Accounts receivable, Table 7.7	4,415,573,000	4,122,170,907
Total	14,591,040,288	15,813,275,050

CHART 7A
CASH AND ACCOUNTS RECEIVABLE
(in millions of dollars)



Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, and German marks.

TABLE 7.2
CASH IN BANK

	April 1/1997	March 31/1998
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3	9,253,539,750	10,292,909,205
Foreign currencies, Table 7.4	111,336,269	(43,529,440)
Special deposits	997,878	129,276,733
Total	9,365,873,897	10,378,656,498

Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

TABLE 7.3
CANADIAN CURRENCY DEPOSITS
(in millions of dollars)

	Year ended March 31	
At end of month of	1998	1997
April	4,836	1,896
May	2,965	2,981
June	3,969	2,358
July	2,896	4,731
August	3,541	4,207
September	2,715	4,207
October	5,398	2,662
November	7,604	3,659
December	11,259	5,152
January	9,137	2,042
February	9,647	4,862
March	10,293	9,254

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)

(in millions of dollars)

	Year ended March 31	
At end of month of	1998	1997
April	1	34
May	16	15
June	39	31
July	37	30
August	1	20
September	(45)	40
October	(1)	7
November	(7)	3
December	24	11
January	26	47
February	(8)	13
March	(44)	111

Receiver General special deposits

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

TABLE 7.5
CASH IN TRANSIT

	April 1/1997	March 31/1998
	\$	\$
Cash in hands of collectors and in transit	3,764,791,345	4,283,638,216
Moneys received after March 31 but applicable to the current year	79,932,787	65,179,907
Less: portion transferred to accounts receivable—Other receivables	79,855,000	65,179,907
	77,787	
Other cash—Consolidated Crown corporations ⁽¹⁾	297,484,000	246,751,000
Total	4,062,353,132	4,530,389,216

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

Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

Moneys received after March 31 but applicable to the current year

Public moneys received after March 31, but applicable to the year just ended, are recorded in this account.

This account includes receipts to be credited to asset, liability and (in exceptional cases) tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

TABLE 7.6
OUTSTANDING CHEQUES AND WARRANTS

	April 1/1997	March 31/1998
	\$	\$
Outstanding cheques	3,016,169,403	2,968,092,133
Imprest account cheques	467,994	1,090,599
Employment insurance warrants	236,122,344	248,758,839
Total	3,252,759,741	3,217,941,571

Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$13,207,466 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$924,658 was transferred to non-tax revenues.

Employment insurance warrants

This account records outstanding employment insurance benefit warrants.

Accounts Receivable

Accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to a Government body for use of its assets, or from the proceeds for provision of services as of March 31, 1998. Non-tax revenues and revenues netted against expenditures are accounted for in the period the transactions or events give rise to the revenues.

Accounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Statement of debts, obligations and claims written off or forgiven).

Accounts receivable for tax revenues are not recorded in the accounts of Canada. However, these amounts are reported on a memorandum basis and details of the balances are included in Section 4 of Volume II Part II.

Table 7.7 presents a summary of the balances for accounts receivable.

TABLE 7.7
ACCOUNTS RECEIVABLE

	April 1/1997	March 31/1998
	\$	\$
Non-tax revenues and revenues netted against expenditures ⁽¹⁾	4,046,271,000	3,703,164,000
Other receivables	79,855,000	65,179,907
Accounts receivable of consolidated Crown corporations ⁽²⁾	289,447,000	353,827,000
Total	4,415,573,000	4,122,170,907

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,461 million for 1998 (\$2,246 million for 1997).

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

Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It includes refunds of old year expenditures received prior to the closing of the accounts, and receipts to be credited to non-tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 1998.

TABLE 7.8

**LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

Categories of accounts receivable	1998		1997	
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments	441,213	1,756	439,457	445,007
Refunds of previous years' expenditures	839,593	198,856	640,737	641,801
Service fees	4		4	
Privileges, licences and permits	1,446		1,446	1,559
Miscellaneous	3,861		3,861	
Total long-term accounts receivable.	1,286,117	200,612	1,085,505	1,088,367

Table 7.9 presents the aging for non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) for the period over which claims at March 31, 1998 have been outstanding.

TABLE 7.9

**AGING OF ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

Categories of accounts receivable	Outstanding days				Total as at March 31, 1998
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments	304,833	217	102	18,833	323,985
Proceeds from sales	3,905	705	858	1,593	7,061
Refunds of previous years' expenditures	36,838	6,801	2,883	126,981	173,503
Privileges, licences and permits	57,074	1,219	572	19,718	78,583
Service fees	49,644	5,642	3,818	76,510	135,614
Miscellaneous	145,151	13,600	10,668	921,897	1,091,316
Revenues netted against expenditures	317,336	41,375	19,798	286,388	664,897
	914,781	69,559	38,699	1,451,920	2,474,959
Other amounts					1,228,205 ⁽¹⁾
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts)					3,703,164

⁽¹⁾ This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

SECTION 8

1997-98

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account .	8.3
International Monetary Fund—Subscriptions	8.3
International Monetary Fund—Notes payable	8.3
Special drawing rights allocations	8.3
Supplementary statement—	
Exchange Fund Account	8.4

FOREIGN EXCHANGE ACCOUNTS

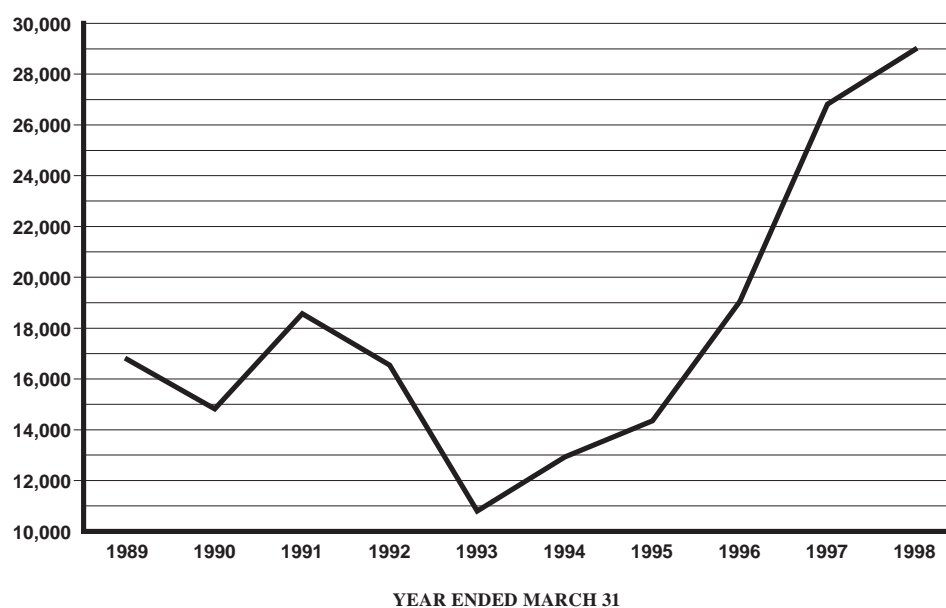
Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$27,183 million as at March 31, 1998 (\$23,016 million as at March 31, 1997); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

TABLE 8.1
FOREIGN EXCHANGE ACCOUNTS

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	26,725,747,047	82,609,403,646	81,137,491,744	28,197,658,949
International Monetary Fund—Subscriptions	8,295,019,203		100,706,193	8,194,313,010
	<i>35,020,766,250</i>	<i>82,609,403,646</i>	<i>81,238,197,937</i>	<i>36,391,971,959</i>
Less:				
International Monetary Fund—Notes payable	6,711,588,976	1,026,003,295	260,411,024	5,945,996,705
Special drawing rights allocations	1,496,244,593	18,165,250		1,478,079,343
	<i>8,207,833,569</i>	<i>1,044,168,545</i>	<i>260,411,024</i>	<i>7,424,076,048</i>
Total	26,812,932,681	83,653,572,191	81,498,608,961	28,967,895,911

CHART 8A
FOREIGN EXCHANGE ACCOUNTS
(in millions of dollars)



International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 1997, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 1998. Gold held by the Account is valued at 35 SDRs per fine ounce (\$66.38 Cdn as at March 31, 1998 and \$67.20 Cdn as at March 31, 1997).

In 1997-98, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$82,168 million and an adjustment of \$441 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$80,892 million and a valuation adjustment of \$245 million.

TABLE 8.2
INTERNATIONAL RESERVES HELD IN
THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/1998	March 31/1997
US dollar cash on deposits	44	77
US dollar short-term deposits	4,719	4,079
US dollar investments	20,882	20,086
Deutsche marks short-term deposits	268	343
Deutsche marks investments	104	
Japanese yen investment	8	2
Japanese yen short-term deposits	353	339
Special drawing rights	1,608	1,580
Gold	208	211
Canadian cash on deposits	1	1
Unrealized exchange gains	3	8
Total	28,198	26,726
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (1998, \$24,429 million US; 1997, \$18,385 million US)	34,759	25,452
Special drawing rights (1998, SDR 40 million; 1997, SDR 39 million)	73	74
Canadian dollars	(7,075)	922
Total advances from the Consolidated Revenue Fund	27,757	26,448
Total net income from January 1 to March 31	441	278
Total	28,198	26,726

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 the SDR, a unit of account defined in terms of a "basket" of five major currencies.

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 1997-98, receipts and other credits consisted of a maintenance of value adjustment of \$81 million and a valuation adjustment of \$20 million.

International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1997-98, notes payable to the IMF decreased by \$766 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1997-98, payments and other charges consisted of a valuation adjustment of \$18 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for Exchange Fund Account transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts, and are referred to the Standing Committee on Public Accounts for their review.

GORDON THIESSEN
*Governor
Bank of Canada*

SCOTT CLARK
*Deputy Minister
Department of Finance*

RON PARKER
*Chief, Financial Markets Department
Bank of Canada*

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1997 and the statement of revenues for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 1997 and its revenues and changes in its financial position for the year then ended in accordance with the accounting policies of the Government of Canada set out in Note 2 to the financial statements.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part II of the *Currency Act*.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 6, 1998

Exchange Fund Account—Continued

BALANCE SHEET AS AT DECEMBER 31, 1997
(in millions of dollars)

ASSETS	1997		1996		DUE TO THE CONSOLIDATED REVENUE FUND	1997	1996
	US	C	US	C		C	C
Denominated in US dollars					Advances (Note 8).....	18,506	21,030
Cash and short-term deposits ...	2,985	4,270	2,431	3,332	Revenues for the year.....	1,336	1,302
Marketable securities (Note 4) ..	9,089	13,002	12,007	16,457			
	12,074	17,272	14,438	19,789			
Denominated in other foreign currencies							
Cash and short-term deposits (Note 5)	226	324	256	351			
Marketable securities (Note 5) ..	289	413	244	335			
	515	737	500	686			
Denominated in special drawing rights							
Special drawing rights (Note 6)	1,134	1,622	1,176	1,612			
Gold and gold loans (Note 7) ...	148	211	157	215			
	1,282	1,833	1,333	1,827			
Official international reserve assets	13,871	19,842	16,271	22,302			
Denominated in Canadian dollars							
Cash							
Other (Note 9a).....				30			
		19,842		22,332		19,842	22,332

Commitments (Note 9)

See accompanying notes

Approved:

GORDON THIESSEN

Governor

Bank of Canada

SCOTT CLARK

Deputy Minister

Department of Finance

RON PARKER

Chief, Financial Markets Department

Bank of Canada

Exchange Fund Account—Continued

STATEMENT OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 1997
(in millions of Canadian dollars)

	1997	1996
Investment income		
Marketable securities	1,030	961
Cash and short-term deposits	260	197
Special drawing rights	64	63
Gold	23	26
	1,377	1,247
Other income		
Gain on sales of gold		156
Net foreign exchange gains (losses) (Note 10)	(41)	(101)
	(41)	55
Revenues for the year due to the Consolidated Revenue Fund	1,336	1,302

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act* (the *Act*). The Account is in the name of the Minister of Finance (the Minister) and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the *Act*. The *Act* requires that the Minister publish in the *Canada Gazette* the list of currencies and units of account deemed eligible as assets of the Exchange Fund Account, as well as the investment criteria used for the designation of eligible issuers and securities.

2. Significant accounting policies

Significant account policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements.

(a) Valuation of assets

The estimated fair market value of cash and short-term deposits, which are generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts where applicable, and are reported at the lower of their amortized cost and year-end market value. Purchases and sales of securities are recorded at the settlement date.

Marketable securities, short-term deposits and special drawing rights (SDRs) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of five major currencies.

Gold and gold loans include accrued interest. Gold is carried in the Account at a value of 35 SDRs per fine ounce, which conforms to the value used in the *Public Accounts of Canada*.

The reported amount at year end of assets that are hedged against exchange rate fluctuations includes unrealized gains or losses on the translation of the related outstanding hedge contracts. See also Notes 5 and 9.

(b) Investment income

Investment income is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Write downs of securities to their year-end market value (if applicable) are recorded as a charge to investment income in the year in which they occur.

(c) Foreign exchange gains and losses

Foreign exchange gains or losses result from the translation of foreign currency assets and liabilities, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on short-term currency swaps arrangements with the Bank of Canada and on currency hedges are recorded in income as *Net foreign exchange gains or losses*. See also Note 9.

(d) Gold

Gold sales and net gains on gold sales are recorded at settlement date. Interest revenue from gold loans is recorded on an accrual basis and is included in investment income. Premiums received on the sale of call options on gold are recorded as investment income at the time options are entered into.

(e) Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies and SDRs that are not hedged through foreign exchange contracts are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	Canadian dollars	
	1997	1996
US dollar	1.43050	1.37060
Japanese yen	0.01096	0.01182
Deutsche mark	0.79580	0.89070
Special drawing right	1.93010	1.97087

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997—Continued

Investment income in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the income is earned.

(f) Disposition of revenues

The revenues for the year are payable to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the year in accordance with the *Act*.

(g) Services received without charge

The Account receives, without charge, administrative, custodial and fiscal agency services from the Bank of Canada.

(h) Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund.

3. Official government operations

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar, or to meet net government requirements of foreign exchange. During the year, US\$ 4,848 million (net) in official international reserves were used for these operations (1996: net use of US\$ 1,692 million).

Of these, transactions during the year aimed at moderating movements in the value of the Canadian dollar comprised sales of foreign currency of US\$ 5,326 million (1996: US\$ 1,241 million) and purchases of foreign currency of US\$ 1,665 million (1996: US\$ 225 million).

4. Marketable securities denominated in US dollars

Securities	1997			1996		
	Par value	Amortized cost at year end		Par value	Amortized cost at year end	
	US	US	C	US	US	C
	(in millions of dollars)					
US Government	6,662	6,723	9,617	8,965	8,978	12,305
US Federal Agencies	1,178	1,166	1,669	1,529	1,519	2,082
Sovereign paper	534	531	760	896	885	1,213
International Institutions	590	586	838	526	515	706
Accrued interest		83	118		119	163
	8,964	9,089	13,002	11,916	12,016	16,469
Estimated market value at year end		9,200	13,160		12,007	16,457

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997—Continued

Marketable securities are reported at the lower of their amortized cost or year-end market value. Market values are based on quoted market prices. As 1997 year-end market values exceeded amortized cost, no write down was required. At year end in 1996, the value of securities was written down by US \$9 million (C\$ 12 million) from their amortized cost, to reflect the lower estimated net market value of these assets. A charge of C\$ 12 million was made against that year's investment income.

At year-end, a portion of the Account's holdings of US government securities consisting of US\$ 2,250 million (par values) in Treasury Notes and US\$ 525 million in US Treasury Bills (1996: US\$ 1,800 million in Treasury Notes and US\$ 175 million in Treasury Bills) were being used in securities lending operations with financial institutions. Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral from their counterparties in these transactions.

5. Assets denominated in other foreign currencies

	Cash and Short-Term Deposits			
	1997		1996	
	US	C	US	C
	(in millions of dollars)			
Deutsche marks.....	224	322	254	348
Japanese yen.....	1	1	1	1
Accrued interest.....	1	1	1	2
	226	324	256	351
	Marketable Securities			
	1997		1996	
	US	C	US	C
	(in millions of dollars)			
Japanese Government.....	263	376	244	335
German Government.....	26	37		
Amortized cost at year end.....	289	413	244	335
Estimated market value at year end.....	290	415	246	338

During the year, the Account began hedging the US dollar value of its holdings of deutsche marks and Japanese yen, by entering into forward foreign exchange contracts. As a result of these operations, the Account had year-end commitments for forward sales of 463 million deutsche marks and 30 billion Japanese yen, against purchases totalling US\$ 264 million and US\$ 255 million respectively. Unrealized exchange gains of C\$ 45 million resulting from these hedging operations are included in the year-end value of the Account's holdings of marks and yen, and in income as *Net foreign exchange gains (losses)*. See also Note 9.

Marketable securities are reported at the lower of their amortized cost or year-end market value. Market values are based on quoted market prices. As 1996 and 1997 year-end market values exceeded amortized cost, no write downs were required.

6. Special drawing rights

	1997	1996		
	(in millions of SDRs)			
Held at the end of the year	834	812		
Accrued interest	6	5		
	840	817		
	1997	1996		
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year . . .	1,126	1,610	1,168	1,601
Accrued interest	8	12	8	11
	1,134	1,622	1,176	1,612

7. Gold and gold loans

	1997	1996
	(in thousands of fine ounces)	
Held at the beginning of the year		
Gold	109	122
Gold loans	2,978	3,292
	3,087	3,414
Sold during the year		(327)
Held at the end of the year	3,087	3,087
Composed of		
Gold	109	109
Gold loans	2,978	2,978
	3,087	3,087

	1997		1996	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year				
Gold	5	7	5	8
Gold loans	141	201	150	205
Accrued interest on gold loans	2	3	2	2
	148	211	157	215

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997—Continued

The year-end carrying value and market value (based on London fixings) of gold and gold loans excluding accrued interest are:

		1997		1996	
		Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value	—US	47.22	146	50.33	155
	—Canadian ..	67.55	209	68.98	213
Market value	—US	289.20	893	369.55	1,141
	—Canadian ..	413.70	1,277	506.51	1,564

8. Due to the Consolidated Revenue Fund—Advances

The Account is funded by advances from the CRF. The limit on advances was revised by Order in Council to C\$ 35 billion effective February 21, 1997 (C\$ 25 billion prior to that date). At year end, advances from (deposits with) the CRF consisted of:

		1997	1996
		(in millions of Canadian dollars)	
US dollars		26,839	23,802
Canadian dollars		(8,407)	(2,848)
Special drawing rights		74	76
		18,506	21,030

The proceeds of Canada's borrowings in foreign currency and allocations of SRDs by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

Canadian dollar advances are required by the Account for the settlement of its purchases of foreign currency. Sales of foreign currency result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian dollar advances. Cumulative net sales of foreign currency result in overall net deposits of Canadian dollars by the Account with the CRF. The Account had net deposits of Canadian dollars with the CRF at the end of 1996 and 1997.

9. Commitments**(a) Currency swaps**

The Account enters into short-term currency swap arrangements with the Bank of Canada. The objective of these swaps is to assist the Bank in its cash management operations. Under these agreements, the Account sells US dollar-denominated US government securities for Canadian dollars, with simultaneous agreements to repurchase these securities from the Bank on

future dates at the same exchange rates in effect at the time the swaps were entered into. The maximum term of the swaps is equivalent to the term of the underlying securities; however they are generally reversed earlier based on operational requirements of the Bank.

These swaps result in receipts of Canadian dollars by the Account, and in temporary decreases in the level of Canadian dollar advances from the CRF. These operations are reversed when the swaps mature.

At year end, the Account had the following commitments to repurchase US dollars under swap arrangements with the Bank of Canada:

		1997		1996	
		US	C	US	C
		(in millions of dollars)			
Value at cost		2,430	3,476	2,944	4,005
Value at year-end closing rates		2,430	3,476	2,944	4,035

In 1997, an unrealized exchange loss of C\$ 0.4 million (1996: gain of C\$ 30 million) related to currency swap arrangements outstanding at year end with the Bank of Canada was included in *Other assets* and *Net foreign exchange gains (losses)*. See also Note 10.

(b) Currency hedges and other uncompleted transactions

Hedges of the Account's holdings of deutsche marks and Japanese yen resulted in year-end commitments for forward sales of 463 million deutsche marks and 30 billion Japanese yen, against total purchases of US\$ 519 million; the maturity dates of these contracts extend until June 1998.

The Account also had other commitments to purchase US\$ 1.3 million against C\$ 1.8 million (1996: net purchases of US\$ 10 million and 520 million Japanese yen, and sales of 5 million deutsche marks and C\$ 15 million) maturing in January 1998.

(c) Gold options and forward contracts

The Minister has authorized the sale of call options as well as forward sales on part of the Account's gold holdings.

Under gold options, the Account receives a premium against commitments to sell gold, at predetermined prices. No gold is sold unless the holders of the options exercise their right on the expiry dates. At year end, the Account had outstanding commitments to sell 90,000 fine ounces of gold under call option contracts with a potential total value, if the options were exercised, of US\$ 31 million (1996: 70,000 fine ounces with a total value of US\$ 27 million). These options mature by March 1998.

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997—*Concluded*

Under forward contracts, the Account is committed to sell gold at predetermined prices on future dates. At year end, the Account had outstanding commitments to sell, by October 1998, 444,000 fine ounces of gold for a total value of US\$ 152 million. There were no forward contracts for gold sales outstanding at the end of 1996.

10. Net foreign exchange gains (losses)

	1997			1996
	Assets	Liabilities	Net	Net
	(in millions of Canadian dollars)			
Assets and liabilities denominated in:				
US dollars	1,098	(1,068)	30	(23)
Japanese yen	(47)		(47)	(37)
Deutsche marks	(33)		(33)	(22)
Special drawing rights	(37)	1	(36)	(49)
	981	(1,067)	(86)	(131)
Unrealized gains				
Bank of Canada swaps (Note 9(a))				30
Currency hedges (Note 5)			45	
Net foreign exchange gains (losses) for the year			(41)	(101)

SECTION 9

1997-98

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

CONTENTS

	<i>Page</i>
Enterprise Crown corporations	9.5
Summary financial statements of enterprise Crown corporations	9.12
Borrowings by agent enterprise Crown corporations	9.18
Borrowings by enterprise Crown corporations	9.19
Maturity and currency of borrowings by enterprise Crown corporations	9.19
Contingent liabilities of enterprise Crown corporations ..	9.20
Financial assistance under budgetary appropriations to enterprise Crown corporations	9.21
Joint and mixed enterprises	9.22
National governments including developing countries	9.24
International organizations	9.29
Provincial and territorial governments	9.35
Other loans, investments and advances	9.39
Allowance for valuation	9.47

LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenues, while net losses are charged to expenditures of the Department of Finance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

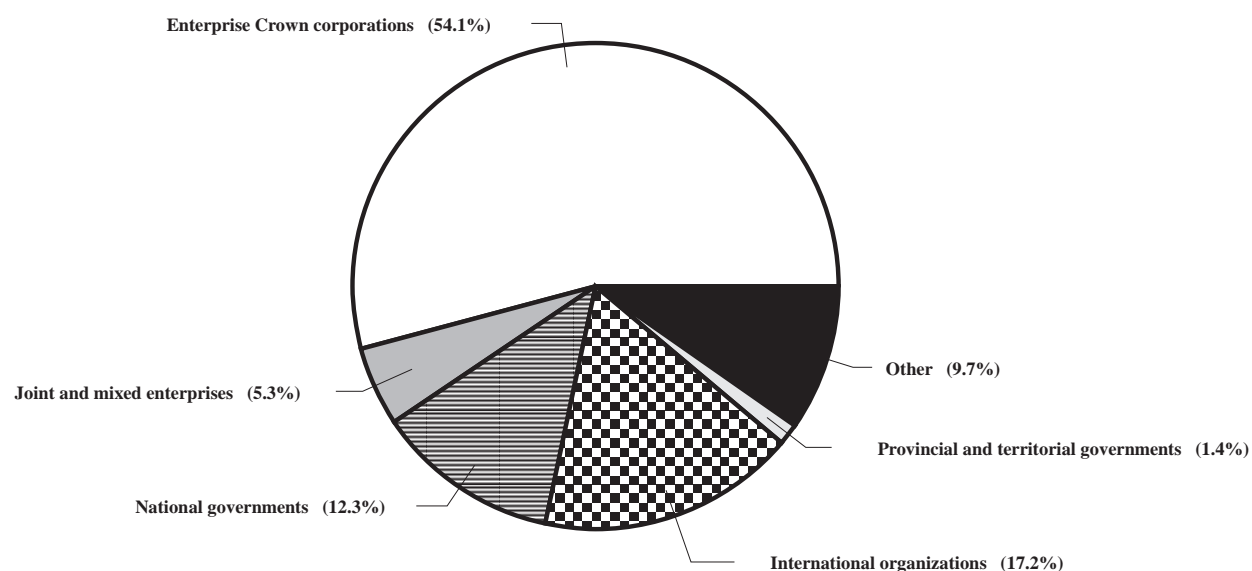
Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order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

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Enterprise Crown corporations, Table 9.2	13,841,604,282	1,521,758,895	2,762,563,260	12,600,799,917
Joint and mixed enterprises, Table 9.11	1,299,457,574		59,540,000	1,239,917,574
National governments including developing countries, Table 9.12	3,074,367,595	360,211,790	575,096,607	2,859,482,778
International organizations, Table 9.13	5,617,349,687	581,932,256	2,188,869,670	4,010,412,273
Provincial and territorial governments, Table 9.14	553,880,557	7,987,276	243,710,584	318,157,249
Other loans, investments and advances, Table 9.15	2,234,570,759	1,475,969,790	1,437,270,609	2,273,269,940
	26,621,230,454	3,947,860,007	7,267,050,730	23,302,039,731
Less: allowance for valuation	10,554,000,000	1,300,716,340	13,000,000	9,266,283,660
Total	16,067,230,454	5,248,576,347	7,280,050,730	14,035,756,071

CHART 9A

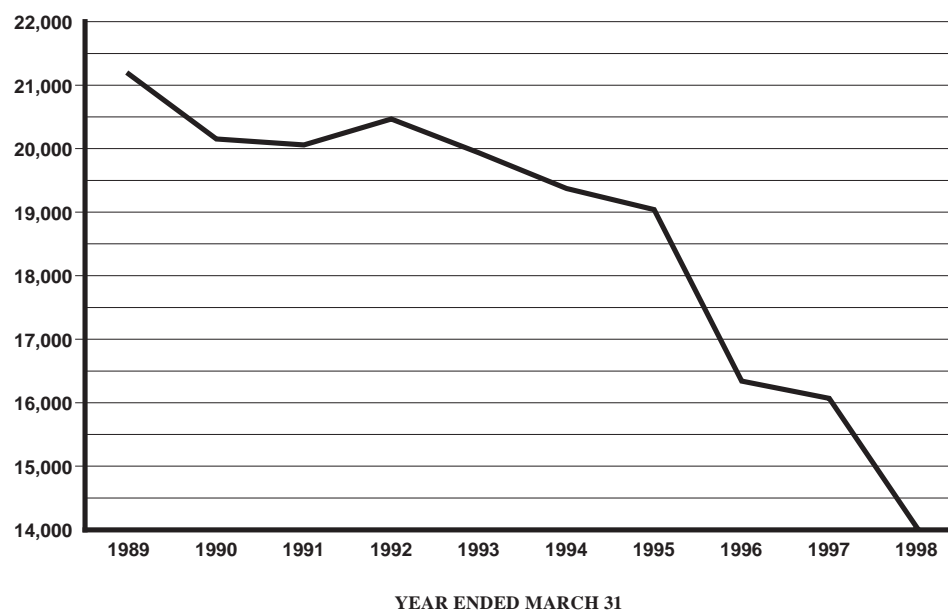
LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AS AT MARCH 31, 1998 ⁽¹⁾



⁽¹⁾ Before the allowance for valuation

CHART 9B

LOANS, INVESTMENTS AND ADVANCES ⁽¹⁾
(in millions of dollars)



⁽¹⁾ Before the allowance for valuation

Enterprise Crown Corporations

Loans and advances to, and investments in, enterprise Crown corporations represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are defined as those corporate organizations 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 corporations listed in Part I and all the corporations listed in Part II of Schedule III of the *Financial Administration Act*, the Bank of Canada and the Canadian Wheat Board.

An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs. Most of the enterprise Crown corporations listed in Schedule III to the *Financial Administration Act* are agents of Her Majesty in Right of Canada. 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*.

Financial statements of parent enterprise Crown corporations can be found in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. The financial statements of wholly-owned subsidiaries of enterprise Crown corporations are also included in that report whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent enterprise Crown corporation.

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.

TABLE 9.2

ENTERPRISE CROWN CORPORATIONS

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares	303,400,000			303,400,000
Preferred shares	100,000,000			100,000,000
	<i>403,400,000</i>			<i>403,400,000</i>
Canada Deposit Insurance Corporation	855,000,000		460,000,000	395,000,000
Canada Mortgage and Housing Corporation—				
Capital stock	25,000,000			25,000,000
Housing	4,262,562,548		108,645,350	4,153,917,198
Real estate	246,649,464		6,351,731	240,297,733
Joint projects	1,418,397,338		66,846,979	1,351,550,359
Urban renewal scheme	379,876		250,942	128,934
Student housing projects	292,338,202		8,291,697	284,046,505
Sewage treatment projects	672,605,539		37,110,233	635,495,306
Ownership assistance	45,594,591		2,807,217	42,787,374
	<i>6,963,527,558</i>		<i>230,304,149</i>	<i>6,733,223,409</i>
Export Development Corporation	983,200,000			983,200,000
Farm Credit Corporation—				
Contributed capital	1,118,333,000	50,000,000		1,168,333,000
Notes	2,497,723,578	1,185,000,000	1,814,876,322	1,867,847,256
Farm syndicates loan fund	9,287,362		86,264	9,201,098
	<i>3,625,343,940</i>	<i>1,235,000,000</i>	<i>1,814,962,586</i>	<i>3,045,381,354</i>
Other—				
Bank of Canada	5,920,000			5,920,000
Canada Development Investment Corporation	395,658,315			395,658,315
Canada Hibernia Holding Corporation—				
Contributed surplus	366,383,115	52,906,895		419,290,010
Canada Ports Corporation—				
Loans	362,667		82,364	280,303
Interport Loan Fund	43,682,462			43,682,462
	<i>44,045,129</i>		<i>82,364</i>	<i>43,962,765</i>
Canada Post Corporation	80,000,000			80,000,000
Canadian Dairy Commission	64,418,000	233,852,000	244,770,000	53,500,000
Montreal Port Corporation	2,902,928		661,129	2,241,799
Prince Rupert Port Corporation	9,997,202		9,997,202	
Royal Canadian Mint—				
Capital stock	40,000,000			40,000,000
Loans	98,380		76,115	22,265
	<i>40,098,380</i>		<i>76,115</i>	<i>40,022,265</i>
Vancouver Port Corporation	1,709,715		1,709,715	
	<i>1,011,132,784</i>	<i>286,758,895</i>	<i>257,296,525</i>	<i>1,040,595,154</i>
Total	13,841,604,282	1,521,758,895	2,762,563,260	12,600,799,917

Business Development Bank of Canada

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Common shares

This account records the Government's investment in the common shares of the Corporation.

Preferred shares

The Government purchased to date, \$100 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*.

Canada Deposit Insurance Corporation

The Corporation was established by the *Canada Deposit Insurance Corporation Act*, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Section 42 of the *Canada Deposit Insurance Corporation Act* provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$6,000,000,000.

The loans bear interest at rates from 6.16 percent to 7.33 percent per annum, and are repayable on July 17, 1998.

During the year, the Corporation paid interest of \$49 million to the Government.

Canada Mortgage and Housing Corporation

The Corporation was established by the *Canada Mortgage and Housing Corporation Act*, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$610 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is authorized by section 16 of the *Canada Mortgage and Housing Corporation Act*.

Housing

Advances have been made to enable the Corporation to lend money under the following sections and subsections of the *National Housing Act*:

- (a) Subsection 24(1)—for rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Subsection 26(1)—to any person to assist in
 - (i) the construction, purchase or improvement of a low-rental housing project;

- (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,
 - (iii) the conversion of existing buildings into a low-rental housing project;
- (c) Section 27.5—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;
- (d) Subsection 51(1)—
- (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof;
 - (ii) to an occupier of a family housing unit for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,
 - (iii) to a non profit corporation for the purpose of assisting in the conversion of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;
- (e) Subsection 61(1)—to cooperatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;
- (f) Subsection 76(1)—to any person that wishes to undertake a project
- (i) for individuals or families of low income; or,
 - (ii) to meet the needs of individuals resulting from age, infirmity or other disability;
- (g) Subsection 80(1)—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;
- (h) Subsection 81(1)—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;
- (i) Subsection 97(1)—to persons to whom a loan is not being made available pursuant to Part I of section 24, the Corporation may make such a loan subject to the same terms, conditions and limitations that exist under Part I of section 24; and,
- (j) Section 98—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

The advances bear interest at rates from 3.5 percent to 16.09 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 1998 and September 30, 2037.

Real estate

Subsection 92(1) of the *National Housing Act* authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials and equipment and other personal property for use in connection with housing projects.

The advances bear interest at rates from 2 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on December 30, 2037.

Joint projects

Subsection 79(1) of the *National Housing Act* authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereof; (b) the construction of housing projects or housing accommodation of the hostel or dormitory type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing project or for housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 3 percent to 17.9 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 1998 and December 30, 2039.

Urban renewal scheme

Advances have been made to enable the Corporation to lend money under subsection 25(1) of the *National Housing Act*, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at rates from 7.03 percent to 7.19 percent per annum, and are repayable over 15 to 50 years, with instalments between June 30, 1998 and December 31, 1999.

Student housing projects

Advances have been made to enable the Corporation to lend money under subsection 88(1) of the *National Housing Act*, to a province or an agency thereof, a municipality or an agency thereof, or a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 1998 and September 30, 2030.

Sewage treatment projects

Advances have been made to enable the Corporation to lend money under section 53 of the *National Housing Act*, to any province, municipality or municipal sewage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 1998 and March 31, 2023.

Ownership assistance

Advances have been made to enable the Corporation to lend money under subsections 57(1) and 58(1) of the *National Housing Act*, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 8.58 percent to 8.75 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 1998 and December 31, 2008.

Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by subsection 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Contributed capital

The Government's contribution to the capital of the Corporation is authorized by subsection 11(1) of the *Farm Credit Corporation Act*.

Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the Act, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 20 years, bearing interest at rates from 9.7150 percent to 9.7850 percent per annum, with final instalments between July 1, 1998 and November 30, 1998, \$34,242,543;
- (b) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between November 30, 1999 and December 1, 2009, \$496,024,974;
- (c) repayable over 2 to 9 years, bearing interest at rates from 6.29 percent to 10.08 percent per annum, with final instalments between April 1, 1998 and April 4, 2003, \$937,579,739; and,
- (d) repayable in under 2 years, bearing interest at rates from 4.0048 percent to 4.7241 percent per annum, \$400,000,000.

During the year, the Corporation paid interest of \$168 million to the Government.

Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to section 8 of the *Farm Syndicates Credit Act*, to enable the Corporation to make loans. Subsection 3(1) of the Act allowed the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings were or were to be erected for use primarily by the syndicate or its members, in their farming operations.

The *Farm Syndicates Credit Act* was repealed in 1993-94. This account will remain open for repayments.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at the rate of 9.555 percent per annum, with the final instalment on February 26, 2001, \$201,098; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.95 percent to 8.17 percent per annum, with final instalments between April 1, 1998 and March 1, 1999, \$9,000,000.

During the year, the Corporation paid interest of \$0.7 million to the Government.

Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,509.4 million to the Government.

Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

During the year, the Corporation paid dividends of \$5.0 million to the Government.

Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. To honor its obligations to fund the Project, the Corporation receives financial assistance from the Government. Such financial assistance is treated as contributed surplus.

During the year, payments totalling \$52,906,894 were made to the Canada Hibernia Development Corporation as authorized by Finance Vote L25, *Appropriation Acts No. 1 and No. 2, 1997-98*.

Canada Ports Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans

Under the authority of the *Canada Ports Corporation Act*, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation.

The remaining loan to Belledune bears interest at a rate of 6.44 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

The Corporation paid interest of \$23,356 and dividends of \$242,593 to the Government in 1997-98.

Interport Loan Fund

This Fund was established to provide financing for financially viable capital projects of the Corporation and of the seven local port corporations.

The aggregate amount of loans authorized to be outstanding, at any time, is not to exceed \$50,000,000.

The Corporation will make annual repayments equal to 90 percent of the net income related to each of the loans advanced to the Interport Loan Fund.

During the year, the Corporation transferred \$1.8 million of profit to the Government.

Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan has been made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*, to finance capital expenditures. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

The loan bears interest at the rate of 9.705 percent per annum, and is repayable on April 27, 1998.

The Corporation paid interest of \$7.8 million and dividends of \$10 million to the Government in 1997-98.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 3.0183 percent to 5.3862 percent per annum, and are repayable within 1 year.

The Corporation paid interest of \$2.8 million to the Government in 1997-98.

Montreal Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Montreal.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Montreal.

The remaining loan bears interest at the rate of 6.25 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$181,433 and dividends of \$3.4 million to the Government.

Prince Rupert Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Prince Rupert.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans were made to finance capital expenditures related to the Port of Prince Rupert.

In 1997-98, loans were repaid in full and the account was closed.

During the year, the Corporation paid dividends of \$468,590 to the Government.

Royal Canadian Mint

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Capital stock

Subsection 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

Loans

Subsection 17(1) of the Act states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$50,000,000.

Subsection 17(3) of the Act states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

The remaining loan bears interest at an annual rate of 9.5 percent and is repayable annually, with a final instalment on June 1, 1998.

During the year, the Corporation paid interest of \$2,469 to the Government.

Vancouver Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Vancouver.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans were made to finance capital expenditures related to the Port of Vancouver.

In 1997-98, the loan was repaid in full and the account was closed.

During the year, the Corporation paid interest of \$51,994 to the Government.

Summary Financial Statements of Enterprise Crown Corporations

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

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act*.

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

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation in accordance with its own respective accounting policies. Most Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations 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 agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1998 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations is presented in Table 9.7. The maturity and currency of enterprise Crown corporations' borrowings is presented in Table 9.8. Contingent liabilities of enterprise Crown corporations are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations for the year ended March 31, 1998 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS BY SEGMENT
(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
ASSETS AND LIABILITIES						
AS AT MARCH 31, 1998						
Assets						
Financial						
Outside parties	1,341,051	1,552,757	39,778,356	7,372,990	80,431	50,125,585
Government and Crown corporations	1,184,839	27,734,496	4,460,178	258	65,959	33,445,730
Total financial assets	2,525,890	29,287,253	44,238,534	7,373,248	146,390	83,571,315
Physical assets and deferred charges	3,446,814	209,774	598,096	939,477	715,215	5,909,376
Total assets	5,972,704	29,497,027	44,836,630	8,312,725	861,605	89,480,691
Liabilities						
Outside parties						
Borrowings	696,565		26,875,366	6,706,793	5,386	34,284,110
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	1,760,598	3,897,442	5,543,275	1,528,282	344,217	13,073,814
Government and Crown corporations	594,065	55,712	10,261,356	60,133	13,994	10,985,260
Total liabilities	3,051,228	29,467,027	42,679,997	8,295,208	363,597	83,857,057
Equity of Canada	2,921,476	30,000	2,156,633	17,517	498,008	5,623,634
Total liabilities and equity	5,972,704	29,497,027	44,836,630	8,312,725	861,605	89,480,691
Contingent liabilities	29,742		597,392			627,134
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY						
FOR THE YEAR ENDED MARCH 31, 1998						
Revenues						
Outside parties	5,740,420		4,120,020	7,855,782	362,275	18,078,497
Government and Crown corporations						
Financial assistance				10,738		10,738
Other	337,061	1,652,275	228,511		2,932	2,220,779
Total revenues	6,077,481	1,652,275	4,348,531	7,866,520	365,207	20,310,014
Expenses						
Outside parties	5,687,728		2,825,899	7,859,263	387,605	16,760,495
Government and Crown corporations	298,950	142,900	794,086	6,992	163,630	1,406,558
Total expenses	5,986,678	142,900	3,619,985	7,866,255	551,235	18,167,053
Net income/loss(-) for the year	90,803	1,509,375	728,546	265	(186,028)	2,142,961
Equity of Canada, beginning of the year	2,824,102	30,000	1,239,692	17,252	661,931	4,772,977
Adjustments	(5,989)		144,405			138,416
Equity transactions with the Government—						
Dividends	(39,934)	(1,509,375)	(6,010)			(1,555,319)
Capital	52,494		50,000		22,105	124,599
Equity of Canada, end of the year	2,921,476	30,000	2,156,633	17,517	498,008	5,623,634

Notes to Table 9.4 are an integral part of this table.

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS —ASSETS AND LIABILITIES
AS AT MARCH 31, 1998
(in thousands of dollars)

	Assets			Total assets
	Financial	Government and Crown corporations	Physical assets and deferred charges	
Enterprise Crown corporations ⁽¹⁾	Outside parties			
Competitive, self-sustaining				
Canada Development Investment Corporation	13,187	96,000		109,187
Theratronics International Limited ⁽²⁾	11,423		15,957	27,380
Canada Hibernia Holding Corporation	7,582		449,178	456,760
Canada Lands Company Limited	152,778	272	265,182	418,232
Canada Ports Corporation ⁽³⁾	20,935	159,329	111,606	291,870
Canada Post Corporation	816,278	457,721	1,645,220	2,919,219
Halifax Port Corporation ⁽³⁾	3,637	6,920	66,832	77,389
Montreal Port Corporation ⁽³⁾	8,126	87,708	157,257	253,091
Petro-Canada Limited	221,717	260,267		481,984
Port of Quebec Corporation ⁽³⁾	19,519	3,966	49,398	72,883
Prince Rupert Port Corporation ⁽³⁾	2,712	10,544	92,300	105,556
Royal Canadian Mint	37,832	1,973	94,904	134,709
Saint John Port Corporation ⁽³⁾	1,112	13,821	56,791	71,724
St John's Port Corporation ⁽³⁾	569	6,370	11,261	18,200
Vancouver Port Corporation ⁽³⁾	23,644	79,948	430,928	534,520
<i>Total—Competitive, self-sustaining</i>	<i>1,341,051</i>	<i>1,184,839</i>	<i>3,446,814</i>	<i>5,972,704</i>
Bank of Canada	<i>1,552,757</i>	<i>27,734,496</i>	<i>209,774</i>	<i>29,497,027</i>
Lending and Insurance				
Business Development Bank of Canada	4,488,132	1,450	98,407	4,587,989
Canada Deposit Insurance Corporation	881,917	224	971	883,112
Canada Mortgage and Housing Corporation	16,539,571	475,834	59,886	17,075,291
Insurance Programs	645,819	3,217,437	280,141	4,143,397
Export Development Corporation	11,805,503	615,307	19,828	12,440,638
Farm Credit Corporation	5,417,414	149,926	138,863	5,706,203
<i>Total—Lending and insurance</i>	<i>39,778,356</i>	<i>4,460,178</i>	<i>598,096</i>	<i>44,836,630</i>
Marketing				
Canadian Commercial Corporation	306,825	240		307,065
Canadian Dairy Commission				
Marketing operations	30,699		82,621	113,320
Canadian Wheat Board, The ⁽⁴⁾	7,031,660	18	844,850	7,876,528
Freshwater Fish Marketing Corporation	3,806		12,006	15,812
<i>Total—Marketing</i>	<i>7,372,990</i>	<i>258</i>	<i>939,477</i>	<i>8,312,725</i>
Other				
Atlantic Pilotage Authority	2,077	1,010	872	3,959
Cape Breton Development Corporation	29,305		190,070	219,375
Great Lakes Pilotage Authority, Ltd	7,159		185	7,344
Laurentian Pilotage Authority	4,454		3,131	7,585
Pacific Pilotage Authority	6,913		673	7,586
St. Lawrence Seaway Authority, The ⁽⁵⁾	29,754	64,949	518,863	613,566
Seaway International Bridge Corporation Ltd, The	769		1,421	2,190
<i>Total—Other</i>	<i>80,431</i>	<i>65,959</i>	<i>715,215</i>	<i>861,605</i>
Total—Enterprise	50,125,585	33,445,730	5,909,376	89,480,691

(1) All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd. and Seaway International Bridge Corporation Ltd, which is an unconsolidated subsidiary.

(2) On May 20, 1998, the Government announced the sale of Theratronics International Limited to MDS Inc.

(3) The Canada Marine Act received Royal Assent on June 11, 1998 (Chapter 10). Section 139 of the Act provides for the dissolution of Canada Ports Corporation on January 1, 1999 or on a date to be fixed by order of the Governor in Council. The Act also provides for the creation of Canada Port Authorities (CPAs) Local port corporations (Halifax, Montreal, Quebec, Vancouver, Saint John, St. John's and Prince Rupert) will become CPAs. These entities will be non-share-capital, shared-governance corporations with municipalities and provinces each appointing a member to the board, with port users recommending the majority of the board of directors. This will take effect on January 1, 1999 or on a date to be fixed by order of the Governor in Council.

(4) Legislation was passed to change The Canadian Wheat Board from a parent Crown corporation to a shared governance corporation with farmers electing a majority of the board of directors. This legislation (Bill C-4) received Royal Assent on June 11, 1998 (Chapter 17) and will come into force on a date to be fixed by order of the Governor in Council.

(5) Another provision of the Act, section 96 provides for the dissolution of The St. Lawrence Seaway Authority on a date to be fixed by order of the Governor in Council.

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	7,572	20,104	27,676	81,511	109,187
	15,997	1,279	17,276	10,104	27,380
	42,579		42,579	414,181	456,760
36,913	82,869	55,943	175,725	242,507	418,232
3,067	20,546	243,961	267,574	24,296	291,870
170,877	1,464,360	128,975	1,764,212	1,155,007	2,919,219
	5,723	429	6,152	71,237	77,389
	11,564	3,280	14,844	238,247	253,091
443,140	34,711		477,851	4,133	481,984
11,568	2,429	239	14,236	58,647	72,883
	1,755		1,755	103,801	105,556
31,000	27,395	10,022	68,417	66,292	134,709
	4,898	115	5,013	66,711	71,724
	626	86	712	17,488	18,200
	37,574	129,632	167,206	367,314	534,520
696,565	1,760,598	594,065	3,051,228	2,921,476	5,972,704
	29,411,315	55,712	29,467,027	30,000	29,497,027
3,838,505	230,543	11,883	4,080,931	507,058	4,587,989
	1,020,082	401,957	1,422,039	(538,927)	883,112
9,933,761	310,366	6,790,521	17,034,648	40,643	17,075,291
	3,012,052	1,110,500	4,122,552	20,845	4,143,397
10,076,995	751,827	34,088	10,862,910	1,577,728	12,440,638
3,026,105	218,405	1,912,407	5,156,917	549,286	5,706,203
26,875,366	5,543,275	10,261,356	42,679,997	2,156,633	44,836,630
	288,450	1,098	289,548	17,517	307,065
1,548	58,019	53,753	113,320		113,320
6,698,124	1,177,275	1,129	7,876,528		7,876,528
7,121	4,538	4,153	15,812		15,812
6,706,793	1,528,282	60,133	8,295,208	17,517	8,312,725
	1,665		1,665	2,294	3,959
	297,402	8,719	306,121	(86,746)	219,375
	2,632		2,632	4,712	7,344
5,378	4,931		10,309	(2,724)	7,585
	3,880		3,880	3,706	7,586
	32,859	3,949	36,808	576,758	613,566
8	848	1,326	2,182	8	2,190
5,386	344,217	13,994	363,597	498,008	861,605
34,284,110	38,587,687	10,985,260	83,857,057	5,623,634	89,480,691

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

Enterprise Crown corporations	Outside parties	Revenues		Total
		Government and Crown corporations		
		Financial assistance ⁽¹⁾	Other	
Competitive, self-sustaining				
Canada Development Investment Corporation	612		275	887
Theratronics International Limited	43,467			43,467
Canada Hibernia Holding Corporation	2,640			2,640
Canada Lands Company Limited	184,977		2,448	187,425
Canada Ports Corporation	60,000		3,282	63,282
Canada Post Corporation	4,825,944		262,872	5,088,816
Halifax Port Corporation	14,408		245	14,653
Montreal Port Corporation	51,054		12,702	63,756
Petro-Canada Limited	17,468		21,622	39,090
Port of Quebec Corporation	12,942		882	13,824
Prince Rupert Port Corporation	13,188		462	13,650
Royal Canadian Mint	427,282		28,563	455,845
Saint John Port Corporation	11,767		509	12,276
St John's Port Corporation	3,008		373	3,381
Vancouver Port Corporation	71,663		2,826	74,489
<i>Total—Competitive, self-sustaining.</i>	<i>5,740,420</i>		<i>337,061</i>	<i>6,077,481</i>
Bank of Canada			<i>1,652,275</i>	<i>1,652,275</i>
Lending and insurance				
Business Development Bank of Canada	378,617		2,595	381,212
Canada Deposit Insurance Corporation	552,502			552,502
Canada Mortgage and Housing Corporation	1,189,775		53,004	1,242,779
Insurance Programs	574,239		122,887	697,126
Export Development Corporation	995,755		34,635	1,030,390
Farm Credit Corporation	429,132		15,390	444,522
<i>Total—Lending and insurance</i>	<i>4,120,020</i>		<i>228,511</i>	<i>4,348,531</i>
Marketing				
Canadian Commercial Corporation	956,757	10,738		967,495
Canadian Dairy Commission				
Marketing operations	336,932			336,932
Canadian Wheat Board, The	6,519,050			6,519,050
Freshwater Fish Marketing Corporation	43,043			43,043
<i>Total—Marketing</i>	<i>7,855,782</i>	<i>10,738</i>		<i>7,866,520</i>
Other				
Atlantic Pilotage Authority	9,818			9,818
Cape Breton Development Corporation	167,917			167,917
Great Lakes Pilotage Authority, Ltd	12,975			12,975
Laurentian Pilotage Authority	39,848			39,848
Pacific Pilotage Authority	39,161			39,161
St. Lawrence Seaway Authority, The	89,846		2,932	92,778
Seaway International Bridge Corporation Ltd, The	2,710			2,710
<i>Total—Other.</i>	<i>362,275</i>		<i>2,932</i>	<i>365,207</i>
Total—Enterprise	18,078,497	10,738	2,220,779	20,310,014

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. A further amount of \$124,599 representing capital and operating appropriations received by the corporations is included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Income/or loss(-)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
2,933		2,933	(2,046)	94,142	(5,585)	(5,000)		81,511
37,882		37,882	5,585	4,519				10,104
3,880	931	4,811	(2,171)	363,858			52,494	414,181
172,036	2,105	174,141	13,284	249,623		(20,400)		242,507
36,349	16,880	53,229	10,053	14,647	(404)			24,296
4,786,512	266,035	5,052,547	36,269	1,128,738		(10,000)		1,155,007
11,291	291	11,582	3,071	68,753		(587)		71,237
49,254	1,156	50,410	13,346	228,279		(3,378)		238,247
38,440		38,440	650	3,483				4,133
13,427	295	13,722	102	58,545				58,647
11,111	(250)	10,861	2,789	101,480		(468)		103,801
452,756	164	452,920	2,925	63,367				66,292
10,524	291	10,815	1,461	65,342		(92)		66,711
2,600	217	2,817	564	16,933		(9)		17,488
58,733	10,835	69,568	4,921	362,393				367,314
5,687,728	298,950	5,986,678	90,803	2,824,102	(5,989)	(39,934)	52,494	2,921,476
	142,900	142,900	1,509,375	30,000		(1,509,375)		30,000
333,445	2,293	335,738	45,474	467,594		(6,010)		507,058
12,793	46,861	59,654	492,848	(1,176,180)	144,405			(538,927)
788,069	442,705	1,230,774	12,005	28,638				40,643
536,351	158,676	695,027	2,099	18,746				20,845
914,847	(19,016)	895,831	134,559	1,443,169				1,577,728
240,394	162,567	402,961	41,561	457,725			50,000	549,286
2,825,899	794,086	3,619,985	728,546	1,239,692	144,405	(6,010)	50,000	2,156,633
963,101	4,129	967,230	265	17,252				17,517
334,069	2,863	336,932						
6,519,050		6,519,050						
43,043		43,043						
7,859,263	6,992	7,866,255	265	17,252				17,517
8,837		8,837	981	1,313				2,294
196,813	158,325	355,138	(187,221)	78,370			22,105	(86,746)
12,045		12,045	930	3,782				4,712
40,220		40,220	(372)	(2,352)				(2,724)
38,105		38,105	1,056	2,650				3,706
88,928	5,252	94,180	(1,402)	578,160				576,758
2,657	53	2,710		8				8
387,605	163,630	551,235	(186,028)	661,931			22,105	498,008
16,760,495	1,406,558	18,167,053	2,142,961	4,772,977	138,416	(1,555,319)	124,599	5,623,634

Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise 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 of all borrowing transactions on behalf of Her Majesty shall be included in the *Public Accounts of Canada*". The borrowings are from other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 1998, an allowance for borrowings expected to be repaid by the Government was established at \$3,265 million.

Borrowings by non-agent enterprise Crown corporations are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1997	Borrowings and other credits	Repayments and other charges	Balance March 31/1998
Business Development Bank of Canada	3,370,970	10,407,943	9,940,408	3,838,505
Canada Lands Company Limited	37,057		144	36,913
Canada Mortgage and Housing Corporation	7,865,662	20,167,929	18,099,830	9,933,761
Canada Ports Corporation		3,067		3,067
Canada Post Corporation	176,602		5,725	170,877
Canadian Dairy Commission (Marketing)		27,121	25,573	1,548
Canadian Wheat Board, The	6,473,651	184,969,401	184,744,928	6,698,124
Export Development Corporation	7,820,423	33,452,565	31,195,993	10,076,995
Farm Credit Corporation	1,925,603	2,378,431	1,277,929	3,026,105
Freshwater Fish Marketing Corporation	13,204	7,121	13,204	7,121
Petro-Canada Limited	432,090	11,050		443,140
Port of Quebec Corporation		11,568		11,568
Royal Canadian Mint		31,000		31,000
Seaway International Bridge Corporation, Ltd., The	8			8
Total	28,115,270	251,467,196	245,303,734	34,278,732
Borrowings expected to be repaid by agent enterprise Crown corporations	(24,135,270)	251,467,196	246,018,734	(31,013,732)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities	3,980,000		715,000	3,265,000

Notes to Table 9.4 are an integral part of this table.

Borrowings by Enterprise Crown Corporations

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations. Borrowings of non-agent Crown corporations are not on behalf of Her Majesty.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1997	Borrowings and other credits	Repayments and other charges	Balance March 31/1998
Borrowings by agent enterprise Crown corporations	28,115,270	251,467,196	245,303,734	34,278,732
Borrowings by a non-agent enterprise Crown corporation— Laurentian Pilotage Authority	4,847	536		5,378
Total	28,120,117	251,467,732	245,303,734	34,284,110

Notes to Table 9.4 are an integral part of this table.

Maturity and Currency of Borrowings by Enterprise Crown Corporations

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations, as at March 31, 1998.

TABLE 9.8

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
1999	20,991,230	948	20,992,178
2000	2,910,617	2,251	2,912,868
2001	2,953,847	2,179	2,956,026
2002	2,045,280		2,045,280
2003	2,444,769		2,444,769
2004 to 2008	2,566,027		2,566,027
2009 to 2013	366,962		366,962
Total	34,278,732	5,378	34,284,110 ⁽¹⁾

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ The borrowings are composed of \$13,579,577 US, £ 1,251,594, ¥ 405,859, DM 885,175, N2D dollar 77,689, AUD. 503,094, ITL. 165,105 and \$17,416,017 Cdn.

Contingent Liabilities of Enterprise Crown Corporations

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.9

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	March 31, 1998
Agent enterprise Crown corporations	
Canada Mortgage and Housing Corporation—Insurance programs.	17,000
Canada Lands Company Limited—Loan guarantee	4,153
Canada Ports Corporation—Miscellaneous litigation	5,895
Export Development Corporation—Loan guarantees and loans with recourse	579,692
Farm Credit Corporation—Loan guarantee	700
Halifax Port Corporation—Miscellaneous litigation	1,000
Montreal Port Corporation—Miscellaneous litigation	7,694
Vancouver Port Corporation—Claims for damages	11,000
Total	627,134

Notes to Table 9.4 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent and non-agent enterprise Crown corporations. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

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

TABLE 9.10

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1998
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
<u>Agent enterprise Crown corporations</u>			
Canada Ports Corporation	715	715	
Canada Post Corporation ⁽²⁾	87,133	87,133	
Canadian Commercial Corporation	10,738	10,738	
Canadian Wheat Board, The	18,991	18,991	
Cape Breton Development Corporation	22,105	22,105	
Export Development Corporation ⁽³⁾	36,366	36,366	
Total	176,048	176,048	

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

(2) Includes payment of \$57,600 for costs associated with cultural publication mailings.

(3) Payment made pursuant to section 32 of the *Export Development Act* concerning the concessional (Canada Account) loans.

Joint and Mixed Enterprises

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's loans, investments and advances to such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 9.11
JOINT AND MIXED ENTERPRISES

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Petro-Canada—Finance	1,225,167,174			1,225,167,174
Other—				
Lower Churchill Development Corporation Limited—				
Natural Resources	14,750,000			14,750,000
National Sea Products Ltd—Finance	59,540,000		59,540,000	
North Portage Development Corporation—				
Industry—Western Economic Diversification				
NPM Nuclear Project Managers Canada Inc—				
Natural Resources				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Economic Development Agency of Canada for the Regions of Quebec	400			400
	74,290,400		59,540,000	14,750,400
Total	1,299,457,574		59,540,000	1,239,917,574

Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 1998, the Government's holding represents 49.4 million shares, approximately 20 percent ownership of Petro-Canada.

Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

National Sea Products Ltd

The Corporation was incorporated under the *Nova Scotia Companies Act*, to process and market fish, seafoods and fish by-products. The objective of the Government's participation was to restructure the Nova Scotia fishery.

Pursuant to the *Atlantic Fisheries Restructuring Act*, the Government had acquired shares in the Corporation. During the year, the Government sold all of its shares of National Sea Products Ltd.

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.

NPM Nuclear Project Managers Canada Inc

The Corporation was incorporated under the *Canada Business Corporations Act*, to manage nuclear projects and construction. The objective of the Government's participation is to transfer this activity from Atomic Energy of Canada Ltd to the private sector.

The Government has purchased 60 no par value common shares. The purchase cost of these shares was charged to expenditures.

The Government's holding of shares represents 17.14 percent of the shares outstanding. The balance of the outstanding shares is owned by three private sector corporations.

Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now propose a development alternative to the two levels of government.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12

NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Finance—				
China	49,426,118		49,426,118	
Jamaica	19,083,334	12,735,233	15,901,900	15,916,667
United Kingdom—				
United Kingdom Financial Agreement Act, 1946	143,609,837	115,802,213	150,640,271	108,771,779
Deferred principal	94,990,863			94,990,863
	238,600,700	115,802,213	150,640,271	203,762,642
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	1,090,024,920	230,186,169	266,917,199	1,053,293,890
Developing countries—Canadian International Development Agency—International development assistance	1,676,848,649	1,439,852	92,078,351	1,586,210,150
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable	383,874	48,323	132,768	299,429
Total	3,074,367,595	360,211,790	575,096,607	2,859,482,778

China

A loan to China was authorized under the *Export Credits Insurance Act*.

During the year, loans totalling \$49,426,118 were forgiven under the authority of Finance Vote 6b, *Appropriation Act No. 3, 1997-98* and the account was closed.

Jamaica

A loan has been made to the Government of Jamaica, to provide economic assistance.

The loan agreement has been amended by the following Rescheduling Agreements:

- (a) the Rescheduling Agreement dated October 18, 1985, provided for the deferment of the principal repayment in the amount of \$5,000,000 due on August 9, 1985;
- (b) the Rescheduling Agreement dated June 4, 1987, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1986 and August 9, 1987; and,
- (c) the Rescheduling Agreement dated July 25, 1989, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1988 and August 9, 1989.

United Kingdom

United Kingdom Financial Agreement Act, 1946

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000.

Deferred principal

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority

because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/1998	
	April 1/1997	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾		Revaluation
	\$	\$	\$	\$		\$
NON-BUDGETARY LOANS						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 1988 and November 1997:						
Argentina.....	29,836,856		1,707	16,870,211	23,353	12,944,999
Brazil.....	1,773,687		27,029	917,700		883,016
Cameroun.....	1,776,403		52,241	1,828,644		
Jamaica.....	1,208,577		19,692	614,601		613,668
Kazakhstan.....	993,730		17,372	672,130		338,972
Madagascar.....		14,669,387				14,669,387
Mexico.....	4,779,980		89,598	1,504,939		3,364,639
Peru.....	1,036,324					1,036,324
Russia and USSR.....	68,435,158	34,955,797	1,693,985	34,597,892		70,487,048
Sudan.....	1,739,131		40,579			1,779,710
Tanzania.....		37,465,541				37,465,541
Ukraine.....	705,993			701,811	4,182	
	112,285,839	87,090,725	1,942,203	57,707,928	27,535	143,583,304
(b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:						
Algeria.....	21,584,206	15,138,109	485,293	3,098,133	175,886	33,933,589
Argentina.....	65,295,361	418,629	1,451,487	6,628,223		60,537,254
Cameroun.....	9,523,366		216,974	1,777,655		7,962,685
China.....	91,246,091		2,086,808	4,843,059		88,489,840
Congo.....	796,302	66,000	117,074			979,376
Cuba.....	6,946,459	29,832,988			44	36,779,403
Ecuador.....	5,594,341		120,498	1,898,256		3,816,583
Egypt.....	2,762,881		43,909	1,393,117		1,413,673
Gabon.....	20,326,619	2,818,688	385,526	3,973,278		19,557,555
Jamaica.....	6,583,464		132,685	1,819,177		4,896,972
Kazakhstan.....	9,893,934		194,330	2,708,638		7,379,626
Kenya.....	11,975,194		269,268	1,623,798		10,620,664
Lithuania.....	2,658,437	172,854	61,762	345,644		2,547,409
Morocco.....	134,171,519		2,993,558	19,477,516		117,687,561
Romania.....	310,745,726	9,175,207	7,114,547	33,924,115		293,111,365
Russia.....	9,042,085	97,359	201,576	1,322,471		8,018,549
Rwanda.....	6,210,887		144,919			6,355,806
Sudan.....	7,361,959		171,778			7,533,737
Venezuela.....	25,120,052	2,613,178	1,329,178	1,774,944	715,007	26,572,457
	747,838,883	60,333,012	17,521,170	86,608,024	890,937	738,194,104
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:						
Algeria.....	999,165		568,000			1,567,165
Argentina.....	30,798,847			1,235,729		29,563,118
Brazil.....	7,342,736		17,861	552,604		6,807,993
	39,140,748		585,861	1,788,333		37,938,276
Insurance claims paid during the year:						
Cuba.....	25,574,094	4,187,403				29,761,497
Russia.....	14,789,892		204,075			14,993,967
	40,363,986	4,187,403	204,075			44,755,464
Total—Non-budgetary.....	939,629,456	151,611,140	20,253,309	146,104,285	918,472	964,471,148

	Payments and other charges			Receipts and other credits		March 31/1998
	April 1/1997	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
	\$	\$	\$	\$	\$	\$
BUDGETARY LOANS⁽³⁾						
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:						
Argentina	12,945,000			8,630,000		4,315,000
Chile	698,395		13,555	473,720		238,230
Egypt	3,961,211		77,690	998,672		3,040,229
Madagascar	24,802,259		553,144	14,669,387	1,095,905	9,590,111
Poland	43,069,919		991,273	913,622		43,147,570
Tanzania	37,870,388		883,634	37,865,534		888,488
Zambia	8,166,490		160,981	1,267,225		7,060,246
	131,513,662		2,680,277	64,818,160	1,095,905	68,279,874
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:						
Cameroun		489,829				489,829
Mexico	20,343,673		443,486	1,861,383		18,925,776
Thailand	28,395,928		358,604	2,114,239		26,640,293
Zambia		1,267,225	48,354			1,315,579
	48,739,601	1,757,054	850,444	3,975,622		47,371,477
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:						
Algeria	12,017,000			568,000		11,449,000
China	397,306,932	19,288,255	9,583,954	70,153		426,108,988
Congo	3,197,733			66,000	46,378	3,085,355
Indonesia	44,554,401		1,039,592			45,593,993
	457,076,066	19,288,255	10,623,546	704,153	46,378	486,237,336
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun	20,571,526			485,242	1,161,830	18,924,454
China	194,978,838		4,549,566	62,757		199,465,647
Egypt	14,207,491		106,133	241,472		14,072,152
Gabon	12,554,481	828,815	309,701			13,692,997
India	70,256,213	263,238	1,633,232			72,152,683
Jamaica	10,131,897		236,409			10,368,306
Kenya	10,244,219		237,409	281,711		10,199,917
Morocco	142,123,052		3,316,170			145,439,222
Pakistan	10,042,205		361,116	393,723		10,009,598
Turkey	150,648,416	381,395	3,524,021			154,553,832
	635,758,338	1,473,448	14,273,757	1,464,905	1,161,830	648,878,808
Subtotal—Budgetary	1,273,087,667	22,518,757	28,428,024	70,962,840	2,304,113	1,250,767,495
Less: budgetary treatment	1,122,692,203	5,689,690	1,685,249	20,761,702	25,865,787	1,161,944,753
Total—Budgetary	150,395,464	28,208,447	30,113,273	91,724,542	28,169,900	88,822,742
Total	1,090,024,920	179,819,587	50,366,582	237,828,827	29,088,372	1,053,293,890
SUMMARY						
Total—Non-budgetary	939,629,456	151,611,140	20,253,309	146,104,285	918,472	964,471,148
Total—Budgetary	1,273,087,667	22,518,757	28,428,024	70,962,840	2,304,113	1,250,767,495
	2,212,717,123	174,129,897	48,681,333	217,067,125	3,222,585	2,215,238,643
Less: budgetary treatment	1,122,692,203	5,689,690	1,685,249	20,761,702	25,865,787	1,161,944,753
Total	1,090,024,920	179,819,587	50,366,582	237,828,827	29,088,372	1,053,293,890

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Concessional non-budgetary loans made prior to April 1, 1987 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans in this table.

9. 26 LOANS, INVESTMENTS AND ADVANCES

Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 have been fully provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

During the year, loans totalling \$23,446,289 were forgiven under the authority of Foreign Affairs and International Trade Vote 26b, *Appropriation Act No. 3, 1997-98*.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to

individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/1997	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1998
	\$	\$	\$	\$
(a) rescheduling as per agreement with Government of Egypt in August 1992, Phase III of reorganization schedule. Next principal repayment due January 1, 2017:				
Egypt	44,995,933			44,995,933
(b) 20 year term, 5 year grace period, 5 percent interest per annum, with final repayments between September 2000 and March 2001:				
Turkey	5,492,168		2,064,110	3,428,058
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil	6,222,054		737,239	5,484,815
Chile	274,362		182,919	91,443
Colombia	4,090,563		2,088,756	2,001,807
Cuba	9,547,012			9,547,012
Dominican Republic	1,335,600		96,005	1,239,595
Malaysia	3,939,942		589,366	3,350,576
Turkey	3,201,981		428,261	2,773,720
	28,611,514		4,122,546	24,488,968
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El	1,069,423		171,939	897,484
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	328,321		33,334	294,987

	April 1/1997	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1998
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	12,786,873		186,968	12,599,905
Argentina	382,666		18,667	363,999
Bolivia	1,059,877		42,395	1,017,482
Brazil	470,792		20,914	449,878
Chile	2,077,924		98,061	1,979,863
Colombia	11,367,890		10,194,550	1,173,340
Costa Rica	18,169,295		2,271,162	15,898,133
Dominican Republic	6,338,342		236,046	6,102,296
Ecuador	7,549,304		304,949	7,244,355
Guatemala	2,985,613		54,260	2,931,353
Honduras	21,459,920		3,301,526	18,158,394
India	547,646,898		19,647,064	527,999,834
Indonesia	227,391,159		7,046,795	220,344,364
Malaysia	2,179,990		62,935	2,117,055
Malta	674,980		25,000	649,980
Mexico	56,813		2,771	54,042
Morocco	14,691,199		1,338,177	13,353,022
Myanmar (Burma)	8,306,202			8,306,202
Nicaragua	15,123,270		15,123,270	
Pakistan	463,564,698		16,056,664	447,508,034
Paraguay	398,069		20,006	378,063
Peru	72,038		3,729	68,309
Philippines	2,956,551		202,409	2,754,142
Sri Lanka	131,754,077		4,325,400	127,428,677
Thailand	27,595,307		1,184,430	26,410,877
Tunisia	89,684,898		3,295,729	86,389,169
	1,616,744,645		85,063,877	1,531,680,768
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	36,730,193		622,545	36,107,648
Subtotal	1,733,972,197		92,078,351	1,641,893,846
Less: budgetary treatment	57,123,548	1,439,852 ⁽²⁾		55,683,696
Total	1,676,848,649	1,439,852	92,078,351	1,586,210,150

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

⁽¹⁾ Receipts and other credits may include transactions such as repayments, forgiveness, etc.

⁽²⁾ This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investments but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represent a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

The notes payable outstanding at year end of \$1,811,620,352 (\$1,793,139,936 in 1997) 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 31/1998
	Participation or other charges	Revaluation	Reimbursements or other credits		
			April 1/1997	Revaluation	
	\$	\$	\$	\$	\$
NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES					
Capital subscriptions—					
Finance—					
European Bank for Reconstruction and Development	164,792,082		4,213,839		169,005,921
International Bank for Reconstruction and Development (World Bank)	393,613,587		4,047,678		397,661,265
International Finance Corporation	112,609,865		2,879,506		115,489,371
Multilateral Investment Guarantee Agency	8,882,670		227,136		9,109,806
	679,898,204		11,368,159		691,266,363
Foreign Affairs and International Trade—					
Canadian International Development Agency—					
African Development Bank	93,621,928		896,801		94,518,729
Asian Development Bank	189,749,190	11,079,359	4,065,443		204,893,992
Caribbean Development Bank	21,821,250		486,406		22,307,656
Inter-American Development Bank	226,848,131	9,095,657	5,800,653		241,744,441
	532,040,499	20,175,016	11,249,303		563,464,818
	1,211,938,703	20,175,016	22,617,462		1,254,731,181
Loans and advances—					
Finance—					
International Monetary Fund—					
Enhanced Structural Adjustment Facility	537,566,303	162,232,063		21,172,318	6,928,046
Foreign Affairs and International Trade—					
International organizations and associations—					
Berne Union of the World Intellectual Property Organization	42,082				42,082
Customs Co-operation Council	11,082				11,082
Food and Agriculture Organization	1,245,870				1,245,870
General Agreement on Tariffs and Trade	52,405				52,405
International Maritime Organization	2,471				2,471
International Atomic Energy Agency	529,910				529,910
International Civil Aviation Organization	237,546				237,546
Paris Union of the World Intellectual Property Organization	108,436				108,436
United Nations Educational, Scientific and Cultural Organization	1,034,654				1,034,654
United Nations organizations	4,305,173				4,305,173
World Health Organization	214,664				214,664
	7,784,293				7,784,293
	545,350,596	162,232,063		21,172,318	6,928,046
					679,482,295
Total—Non-budgetary	1,757,289,299	182,407,079	22,617,462	21,172,318	6,928,046
					1,934,213,476

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	Payments and other charges			Receipts and other credits		March 31/1998
	April 1/1997	Participation or other charges	Revaluation	Reimbursements or other credits		
	\$	\$	\$	\$	\$	
BUDGETARY LOANS AND ADVANCES⁽¹⁾						
Finance—						
Global Environment Facility	10,000,000					10,000,000
International Development Association	5,169,128,061	195,155,000				5,364,283,061
	<i>5,179,128,061</i>	<i>195,155,000</i>				<i>5,374,283,061</i>
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank	2,968,896			125,000		2,843,896
African Development Fund	1,202,847,866	56,719,411	2,654,996			1,262,222,273
Andean Development Corporation	3,312,576			125,000		3,187,576
Asian Development Bank—Special	27,027,000					27,027,000
Asian Development Fund	1,398,435,880	43,064,726				1,441,500,606
Caribbean Development Bank—						
Agricultural Development Fund	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional	5,537,600		141,600			5,679,200
Caribbean Development Bank—Special	113,810,595		444,270			114,254,865
Central American Bank for Economic Integration	1,568,279			76,500		1,491,779
Global Environment Facility Trust Fund	74,000,000	37,110,000				111,110,000
Inter-American Development Bank—Fund for Special						
Operations	370,546,239	17,099,645	6,396,008			394,041,892
Multilateral Investment Fund	11,388,294					11,388,294
International Bank for Reconstruction and						
Development	27,688,000		708,000			28,396,000
International Fund for Agriculture Development	90,207,432	9,095,582				99,303,014
International Monetary Fund	15,186,082		388,318			15,574,400
Montreal Protocol Fund	17,314,690	7,318,567	611,592			25,244,849
	<i>3,363,839,429</i>	<i>170,407,931</i>	<i>11,344,784</i>	<i>326,500</i>		<i>3,545,265,644</i>
Subtotal—Budgetary	8,542,967,490	365,562,931	11,344,784	326,500		8,919,548,705
Less: budgetary treatment	4,682,907,102			2,160,442,806		6,843,349,908
Total—Budgetary	3,860,060,388	365,562,931	11,344,784	2,160,769,306		2,076,198,797
Total	5,617,349,687	547,970,010	33,962,246	2,181,941,624	6,928,046	4,010,412,273
SUMMARY						
Participation	10,300,256,789	547,970,010	33,962,246	21,498,818	6,928,046	10,853,762,181
Less: budgetary treatment	4,682,907,102			2,160,442,806		6,843,349,908
Total	5,617,349,687	547,970,010	33,962,246	2,181,941,624	6,928,046	4,010,412,273

⁽¹⁾ Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development, as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 34,000 shares of the capital stock of which 30 percent of the subscribed capital is paid-in. These 34,000 shares represent Canada's initial subscription, as authorized by the *European Bank for Reconstruction and Development Agreement Act*. The Act quoted a limit of US \$120 million in respect of the paid-in portion. The subscription for the paid-in portion was paid over a five-year period starting in 1991. Paid-in shares were purchased using cash and notes payable that were or will be later encashed.

The total value of these shares is \$396,783,400 US, of which 30 per cent or \$119,035,020 US is paid-in capital. The rest is subject to call by the Bank under certain circumstances. As at March 31, 1998, Canada has subscribed to paid-in shares valued at \$119,035,020 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn).

During the year, the only transaction was a revaluation adjustment.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1998, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable. The foreign portion of the payments was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn).

During the year, the only transaction was a revaluation adjustment of \$4.0 million.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1998, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in. The paid-in amounts were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn).

During the year, the only transaction was a revaluation adjustment of \$2.9 million.

Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1998, Canada has subscribed to 2,965 shares. The total value of these shares is \$32,081,300 US, of which \$6,416,260 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn).

During the year, the only transaction involving the paid-in portion was a revaluation adjustment.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$25,665,040 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 6,300 paid-in shares and 44,100 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1998, Canada's participation to the paid-in capital is \$94,518,729 Cdn for 6,300 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn). During the year, transactions involving paid-in shares included only an adjustment to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$409,853,052 Cdn and \$177,333,450 US for a total value of \$661,631,084 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 (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2, 1997-98*).

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1998, Canada's participation to the paid-in capital is \$204,893,992 Cdn for 12,498 paid-in shares. Of these paid-in shares, 10,128 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn). During the year, transactions involving paid-in shares included additional subscriptions in cash and through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,773,828,534 Cdn. Of this latter amount, \$388,337,641 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

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 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1998, Canada's participation to the paid-in capital is \$22,307,656 Cdn for 2,278 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn). During the year, transactions involving paid-in shares included only an adjustment made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$69,572,835 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 (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2, 1997-98*).

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1998, Canada's participation to the paid-in capital is \$241,744,441 Cdn for 13,725 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4198 Cdn). During the year, transactions involving paid-in shares included additional subscriptions made through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$5,489,243,084 Cdn. Of this latter amount, \$637,799,725 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

International Monetary Fund—Enhanced Structural Adjustment Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 500 million.

As at March 31, 1998, Canada has lent a total of 381,046,125 SDR to the Enhanced Structural Adjustment Facility. Of this amount, 26,905,775 SDR has been repaid. The outstanding balance of 354,140,350 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.8967 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 79,297,586 SDR, which do not appear in Table 9.13.

International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, no transactions were made.

As at March 31, 1998, advances to the GEF amounted to \$10,000,000 Cdn.

International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 1998, Canada's total participation in IDA amounted to \$5,364,283,061 Cdn.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30, *Appropriation Acts No. 1 and No. 2, 1997-98*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
NEWFOUNDLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	22,950,339	67,664	11,846,289	11,171,714
Municipal Development and Loan Board	2,416,429		341,641	2,074,788
Winter capital projects fund	2,884,411		47,653	2,836,758
	28,251,179	67,664	12,235,583	16,083,260
Industry—				
Atlantic Development Board carry-over projects	413,831		80,978	332,853
Atlantic Provinces Power Development Act.....	46,703,667		4,103,969	42,599,698
	47,117,498		4,184,947	42,932,551
Total Newfoundland.....	75,368,677	67,664	16,420,530	59,015,811
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrange- ments.....	36,720,400		18,360,200	18,360,200
Municipal Development and Loan Board	210,146		18,986	191,160
	36,930,546		18,379,186	18,551,360
Industry—				
Atlantic Development Board carry-over projects	1,511,144		336,899	1,174,245
Atlantic Canada Opportunities Agency— Special areas and highways agreement.....	1,162,449		651,403	511,046
	2,673,593		988,302	1,685,291
Total Nova Scotia.....	39,604,139		19,367,488	20,236,651
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	25,978,152		3,058,152	22,920,000
Municipal Development and Loan Board	327,428		44,141	283,287
Winter capital projects fund	205,651		114,347	91,304
	26,511,231		3,216,640	23,294,591
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement.....	5,881,863		910,047	4,971,816
Total Prince Edward Island.....	32,393,094		4,126,687	28,266,407
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments.....		7,828,000		7,828,000
Municipal Development and Loan Board	1,620,319		130,081	1,490,238
	1,620,319	7,828,000	130,081	9,318,238

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Industry—				
Atlantic Provinces Power Development Act.....	17,342,334		2,564,761	14,777,573
Atlantic Canada Opportunities Agency— Special areas and highways agreement.....	7,270,791 24,613,125		3,298,084 5,862,845	3,972,707 18,750,280
Natural Resources—				
Regional electrical interconnec- tions	3,832,065		3,832,065	
Total New Brunswick.....	30,065,509	7,828,000	9,824,991	28,068,518
QUEBEC—				
Finance—				
Federal-provincial fiscal arran- gements.....	96,212,300		96,212,300	
Municipal Development and Loan Board	18,498,334		2,074,716	16,423,618
Total Quebec.....	114,710,634		98,287,016	16,423,618
ONTARIO—				
Finance—				
Municipal Development and Loan Board	51,082		46,112	4,970
Total Ontario.....	51,082		46,112	4,970
MANITOBA—				
Finance—				
Federal-provincial fiscal arran- gements.....	71,041,000		22,840,000	48,201,000
Municipal Development and Loan Board	196,013 297,295		102,881 297,295	93,132
Winter capital projects fund	71,534,308		23,240,176	48,294,132
Industry—				
Western Economic Diversification— Special areas and highways agreement	83,124		83,124	
Total Manitoba.....	71,617,432		23,323,300	48,294,132
SASKATCHEWAN—				
Agriculture and Agri-Food— Agricultural service centres	1,177,514		426,966	750,548
Finance—				
Federal-provincial fiscal arran- gements.....	159,269,388	2,826	31,343,981	127,928,233
Municipal Development and Loan Board	44,394 159,313,782		5,772 31,349,753	38,622 127,966,855
Total Saskatchewan.....	160,491,296	2,826	31,776,719	128,717,403
ALBERTA—				
Finance—				
Federal-provincial fiscal arran- gements.....	19,501,349		19,501,349	
Municipal Development and Loan Board	757,143 20,258,492		61,027 19,562,376	696,116 696,116
Industry—				
Western Economic Diversification— Special areas and highways agreement	112,222		64,242	47,980
Total Alberta.....	20,370,714		19,626,618	744,096

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements.....	7,812,687		7,812,687	
Municipal Development and Loan Board	722,760		64,178	658,582
Winter capital projects fund	(3,229)		(3,229)	
Total British Columbia	8,532,218		7,873,636	658,582
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements.....	92,939	80,613	8,198,011	(8,024,459)
Indian Affairs and Northern Development— Government of the Yukon Territory	582,823		196,775	386,048
Total Yukon Territory	675,762	80,613	8,394,786	(7,638,411)
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrangements		8,173	4,642,701	(4,634,528)
Total Northwest Territories		8,173	4,642,701	(4,634,528)
Total	553,880,557	7,987,276	243,710,584	318,157,249

Federal-provincial fiscal arrangements

These amounts represent overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These overpayments are non-interest bearing and are recovered in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1998 and March 31, 2016.

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, with final repayments between April 1, 1998 and February 28, 1999.

Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 2 to 9 years at various anniversary amortization dates, with final instalments between July 31, 1999 and April 1, 2006.

Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 16 years, with final instalments due between March 31, 1999 and March 31, 2014.

Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 6.3519 percent to 9.5757 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1998 and April 1, 2005.

Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

Regional electrical interconnections

Loans were made to assist in financing regional electrical interconnections, under agreements between the Government of Canada and the Provinces of Manitoba, New Brunswick and Nova Scotia.

During the year, the loans were repaid in full and the account was closed.

Special areas and highways agreement—Western Economic Diversification

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 7.3274 percent to 7.6323 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1998 and April 1, 1999.

Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Second mortgage	13,586		3,193	10,393
Capital expenditures . .	253,610		74,120	179,490
Outside parties—				
Capital projects	315,627		119,462	196,165
	582,823		196,775	386,048

The loans bear interest at rates from 5.375 percent to 11.375 percent per annum, and are repayable in equal annual instalments over 20 to 35 years, with final instalments between July 1, 1998 and November 24, 2003.

Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	7,398,531	711,291,513	709,318,456	9,371,588
Personnel posted abroad	11,086,488	9,897,167	9,687,520	11,296,135
	<i>18,485,019</i>	<i>721,188,680</i>	<i>719,005,976</i>	<i>20,667,723</i>
National Defence—				
Imprest accounts, standing advances and authorized loans	24,409,822	567,866,775	558,648,413	33,628,184
Public Works and Government Services—				
Miscellaneous accountable advances	5,913,799	9,553,815	5,860,254	9,607,360
Miscellaneous accountable imprest and standing advances	18,334,156	3,193,318	1,091,434	20,436,040
	<i>24,247,955</i>	<i>12,747,133</i>	<i>6,951,688</i>	<i>30,043,400</i>
Total— Loans and accountable advances	67,142,796	1,301,802,588	1,284,606,077	84,339,307
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	7,986,332		2,577,686	5,408,646
Canadian Heritage—				
Cultural industries	26,675,570	4,150,000		30,825,570
Cultural property	<i>26,675,570</i>	<i>4,150,000</i>		<i>30,825,570</i>
Citizenship and Immigration—				
Transportation and assistance loans	55,241,911	17,480,642	12,918,449	59,804,104
Finance—				
Canadian Commercial Bank	65,380,074		13,005,590	52,374,484
Ottawa Civil Service Recreational Association	106,165		10,612	95,553
	<i>65,486,239</i>		<i>13,016,202</i>	<i>52,470,037</i>
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
Haddock fishermen	1,346,337			1,346,337
	<i>1,474,652</i>			<i>1,474,652</i>
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	282,504,477	62,377,602	69,311,827	275,570,252
Human Resources Development—				
Provincial workers' compensation boards	10,183,467	377,750	25,000	10,536,217
Indian Affairs and Northern Development—				
Council for Yukon Indians (Elders)	16,328,428	662,496	361,492	16,629,432
First Nations in British Columbia	51,500,030	22,640,000		74,140,030
Indian Economic Development Fund	1,853,317		24,522	1,828,795
Indian Housing Assistance Fund	154,196		141,246	12,950
Inuit Loan Fund	102,342		394	101,948
Native claimants	302,011,423	27,958,539	5,137,385	324,832,577
Yukon Energy Corporation	31,414,274		1,000,000	30,414,274
	<i>403,364,010</i>	<i>51,261,035</i>	<i>6,665,039</i>	<i>447,960,006</i>

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1997	Payments and other charges	Receipts and other credits	March 31/1998
	\$	\$	\$	\$
Industry—				
Company stock option				
Manufacturing, processing and service industries in Canada	110,000,000			110,000,000
Atlantic Canada Opportunities Agency—				
Loans to assist industry in the Cape Breton area	3,442,816			3,442,816
Loans to enterprises in Newfoundland and Labrador	611,230		24,000	587,230
	4,054,046		24,000	4,030,046
	114,054,046		24,000	114,030,046
National Defence—				
Canadian Forces housing projects	6,892,393		1,011,770	5,880,623
Natural Resources—				
Hibernia Development Project	132,000,000			132,000,000
Nordion International Inc.		14,878,000		14,878,000
	132,000,000	14,878,000		146,878,000
Public Works and Government Services—				
Confederation Bridge	822,691,000		19,642,000 ⁽¹⁾	803,049,000
Seized Property Working Capital Account	2,557,956	20,925,364	24,024,210	(540,890)
	825,248,956	20,925,364	43,666,210	802,508,110
Solicitor General—Correctional Service—				
Parolees	17,352	15,190	13,092	19,450
Transport—				
Hamilton Harbour Commissioners	175,000		50,000	125,000
Saint John Harbour Bridge Authority	28,633,491			28,633,491
	28,808,491		50,000	28,758,491
Veterans Affairs—				
Commonwealth War Graves Commission	68,091	3,051 ⁽²⁾		71,142
Veterans' Land Act Fund—				
Advances	7,107,776	477,168	3,385,257	4,199,687
Less: allowance for conditional benefits	2,800	1,400		1,400
	7,104,976	478,568	3,385,257	4,198,287
	7,173,067	481,619	3,385,257	4,269,429
Subtotal	1,967,110,963	171,947,202	152,664,532	1,986,393,633
Add: consolidation adjustment ⁽³⁾	200,317,000	2,220,000		202,537,000
Total—Other	2,167,427,963	174,167,202	152,664,532	2,188,930,633
Total	2,234,570,759	1,475,969,790	1,437,270,609	2,273,269,940

⁽¹⁾ Reflects amortization of the deferred subsidies related to the Confederation Bridge.⁽²⁾ This amount represents a revaluation adjustment.⁽³⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$8,924,239; advances for medical expenses, \$954,968; security and other deposits under Foreign Service Directives, \$442,865; and, school and club debentures, \$974,063.

The loans to employees bear interest at rates from 3 percent to 9 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 1998 and March 1, 2002.

During the year, loans totalling \$31,426 were written off by Foreign Affairs and International Trade Vote 11b, *Appropriation Act No. 3, 1997-98*.

Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$100,000,000.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.375 percent per annum, and are repayable over 20 to 30 years, with final instalments between September 1, 1998 and October 1, 2006.

Cultural industries

Payments have been made to the Cultural Industries Development Fund to establish a program of loans to cultural industries. These loans are made to Canadian owned and controlled firms in cultural industries to encourage the growth of the Canadian book publishing, film and video and sound recording industries.

During the year, additional loans were authorized by Canadian Heritage Votes L21a and L21b, *Appropriation Acts No 2 and No. 3, 1997-98*.

Amounts accumulated in the Fund only have to be repaid if the program is terminated. Interest on the loans issued by the Fund is at the prime rate and is fixed for the life of a particular loan.

Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L20, *Appropriation Acts No. 1 and No. 2, 1997-98*, no loans were made during the year. The total loan authority is \$10,000 per year.

Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 4.85 percent to 15 percent per annum, with final instalments between April 1, 1998 and April 1, 2005, \$39,170,635; and,
- (b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1998 and April 1, 2005, \$20,633,469.

During the year, loans totalling \$2,669,616 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 3, 1997-98*.

Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

Ottawa Civil Service Recreational Association

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

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.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	April 1/1997	Payments and other charges		Receipts and other credits		March 31/1998
		Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
	\$	\$	\$	\$	\$	\$
NON-BUDGETARY LOANS						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001:						
Brazil	4,577,402		106,805			4,684,207
Iran	38,875,434	8,203,219	1,090,115	4,704,107		43,464,661
South Africa	153,449,274		4,050,669	59,606,229		97,893,714
	<i>196,902,110</i>	<i>8,203,219</i>	<i>5,247,589</i>	<i>64,310,336</i>		<i>146,042,582</i>
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:						
Antigua		44,934,137		364,423	1,224,765	43,344,949
Kyrgyzstan	69,215,000		1,615,000			70,830,000
	<i>69,215,000</i>	<i>44,934,137</i>	<i>1,615,000</i>	<i>364,423</i>	<i>1,224,765</i>	<i>114,174,949</i>
Total—Non-budgetary	266,117,110	53,137,356	6,862,589	64,674,759	1,224,765	260,217,531
BUDGETARY LOANS						
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:						
Antigua	12,547,028		271,554	2,276,018		10,542,564
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:						
Thailand	36,289,525		846,748			37,136,273
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:						
Antigua	3,840,339		1,259,355	289,537		4,810,157
Subtotal—Budgetary	52,676,892		2,377,657	2,565,555		52,488,994
Less: budgetary treatment	36,289,525				846,748	37,136,273
Total—Budgetary	16,387,367		2,377,657	2,565,555	846,748	15,352,721
Total	282,504,477	53,137,356	9,240,246	67,240,314	2,071,513	275,570,252
SUMMARY						
Total—Non-budgetary	266,117,110	53,137,356	6,862,589	64,674,759	1,224,765	260,217,531
Total—Budgetary	52,676,892		2,377,657	2,565,555		52,488,994
Total	318,794,002	53,137,356	9,240,246	67,240,314	1,224,765	312,706,525
Less: budgetary treatment	36,289,525				846,748	37,136,273
Total	282,504,477	53,137,356	9,240,246	67,240,314	2,071,513	275,570,252

⁽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.

Provincial workers' compensation boards

This account is operated under the authority of section 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Council for Yukon Indians (Elders)

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indian pending settlement of Yukon Indian land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Votes L25 and L25a, *Appropriation Acts No. 1 and No. 2, 1997-98*.

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, 2006, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 6 percent to 11 percent per annum.

First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Acts No. 1 and No. 2, 1997-98*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

(c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

All the loans outstanding at year end are non-interest bearing.

Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

The loans bear interest at rates from 5 percent to 21 percent per annum, and are repayable over 4 months to 15 years, with final instalments between April 1, 1998 and April 1, 2008.

During the year, loans totalling \$10,025, were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1997-98*.

Indian Housing Assistance Fund

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10 percent per annum for up to 10 years. The Indian Housing Assistance Program expired on March 31, 1996. As such, any outstanding balance will be written off in 1998-99 and future fiscal years, unless recovery is possible.

During the year, \$11,600 was forgiven under the authority of Northern Affairs and National Resources Vote L51a, *Appropriation Act No. 9, 1966*.

Loans totalling \$129,647 were also written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1997-98*.

Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 5 percent to 19.5 percent per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1998 and February 2, 2004.

Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Votes L20, L20a and L20b, *Appropriation Acts No. 1, No. 2 and No. 3, 1997-98*.

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, 2006, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$196,881,659 and \$127,950,918 respectively. Rates are from 6 percent to 11 percent per annum for the interest-bearing portion.

Yukon Energy Corporation

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Arfhihik-Fara (WAF) System are less than 310 GWH per year. The level of sales exceeded 310 GWH this fiscal year. As such clause 2 was not applied and no principal and interest was deferred for fiscal year 1997-98.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
 - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
 - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Acts No. 1 and No. 2, 1997-98*.

Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L15, *Appropriation Acts No. 1 and No. 2, 1997-98*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Loans to assist industry in the Cape Breton area

Loans have been made for the purpose of promoting the establishment, growth, efficiency and international competitiveness of Canadian industry or to assist them in their financial restructuring and to foster the expansion of Canadian trade to a person engaged or about to engage in a manufacturing, processing or service industry in the Cape Breton area.

Loans are not expected to be recovered. Parliamentary authority is required to write off the balance.

Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Enterprise Newfoundland Labrador on behalf of the Government of Canada.

These loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates, with final instalments by April 1, 1999.

Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1998 and November 1, 2010.

Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

Nordion International Inc.

A \$100 million loan is being made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

During the year, loan payments were made as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1997-98*.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island.

The first subsidy payment of \$38 million was made on May 31, 1997. These subsidy payments will continue for a period of 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has a recorded liability of \$812 million offset by deferred subsidies of \$803 million which are recorded in this account and which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

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.

The credit balance in the account represents the excess of seized cash and proceeds of disposal from cases of forfeiture over total expenses incurred to date. Only when cases are finalized and all assets have been liquidated will the net proceeds be transferred to the Seized Property Proceeds Account.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$6,885 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

The remaining loan bears interest at the rate of 4.125 per cent per annum, and is repayable in semi-annual instalments over 39 years, with the final instalment on March 20, 2004.

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.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

Veterans' Land Act Fund

Advances

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

Allowance for conditional benefits

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SECTION 10

1997-98

PUBLIC ACCOUNTS OF CANADA

Other Information Related to the Financial Statements

CONTENTS

	<i>Page</i>
Contractual commitments	10.2
Insurance programs of agent enterprise Crown corporations ..	10.13
Contingent liabilities	10.15
International organizations	10.19

OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to the following:

- contractual commitments;
- insurance programs of agent enterprise Crown corporations;
- contingent liabilities; and,
- international organizations.

Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. In the case of contractual commitments to international organizations, some will result in future budgetary expenditures while others will result in non-budgetary payments.

Contractual commitments can be classified into five main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating and capital leases, international organizations and benefit and pension plans.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases.

All outstanding contractual commitments of \$10 million or more per project at year end are reported in the case of fixed assets, purchases, operating leases and transfer payment agreements. All capital lease arrangements with total minimum lease

payments remaining at year end in excess of \$1 million per contract are reported. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

While no details are provided in this section, as indicated in Note 13 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,200 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Pension Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *Royal Canadian Mounted Police Pension Continuation Act*. The estimated total obligations of these plans amount to \$70 million and \$115 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

TABLE 10.1
CONTRACTUAL COMMITMENTS
(in millions of dollars)

	Transfer payments	Acquisition of property	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3.	13,669	4,435	1,247			19,351
Table 10.4.			2,827			2,827
Table 10.6.				1,290		1,290
Pension plans for veterans					5,750	5,750
Liability under Continuation Acts					185	185
Total	13,669	4,435	4,074	1,290	5,935	29,403

Table 10.2 summarizes the information presented in Table 10.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 1999 to 2003 inclusive, and a total for amounts due in the year 2004 and subsequently.

TABLE 10.2**SCHEDULE OF MINIMUM PAYMENTS**

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Commitments under operating and capital lease arrangements	Commitments to international organizations	Benefit and pension plans	Total
1999	3,862	1,889	250	552	1,203	7,756
2000	2,965	1,156	238	248	1,200	5,807
2001	2,439	600	230	207	1,197	4,673
2002	2,163	309	221	120	1,171	3,984
2003	2,026	196	212	86	1,164	3,684
2004 and subsequently	214	285	2,923	77		3,499
Total	13,669	4,435	4,074	1,290	5,935	29,403

Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 13 to the audited financial statements in Section 1 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2004 and subse- quently
					1999	2000	2001	2002	2003	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program	22,229 ⁽¹⁾	22,229	13,194	9,035 ⁽²⁾	1,861	1,798	1,791	1,790	1,795	
Agriculture and Agri-Food—										
Economic Recovery Assistance Program—										
Ice Storm	52	10		10	10					
Health—										
Indian and Northern Health Services	533	533	248	285	108	90	54	30	3	
Moose Factory Hospital	49	49	20	29	10	10	9			
Canadian International Development Agency—										
Geographic Programs	290	290	62	228	51	57	53	32	18	17
Partnership Program	151	151	87	64	26	36	2			
Country in Transition Program	49	49	2	47	4	9	8	10	16	
Multilateral Program	53	53	8	45	38	7				
Citizenship and Immigration—										
Canada-Quebec Accord	540	540	90	450	90	90	90	90	90	
Canadian Heritage—										
Contributions—										
Pan American Games	51	51	32	19	9	10				
Indian Affairs and Northern Development—										
Canada Infrastructure Works Agreement										
Indian and Inuit Affairs	36	36	35	1 ⁽³⁾	1					
Northern Affairs	9	9	7	2 ⁽³⁾	2					
Comprehensive Land Claims Agreement										
Indian and Inuit Affairs	574	574	271	303	51	43	43	42	40	84
Northern Affairs	142	142	76	66	15	12	12	12	12	3
Alternative Funding Arrangement	1,151	1,151	777	374	185	111	50	28		
Financial Transfer Arrangement	1,988	1,988	930	1,058	403	354	202	66	33	
Comprehensive Funding Arrangement	225	225	107	118	108	10				
Moushau Innu Relocation Agreement	82	82	12	70	26	27	12	5		
Contribution Agreement	75	75	17	58	28	17	8	5		
Atlantic Canada Opportunities Agency—										
Economic Development Programs										
Canada/Newfoundland Strategic Regional Diversification Agreement	60	60	40	20 ⁽³⁾	20					
Canada/PEI Economic Development Agreement	25	25	13	12	6	3	3			
Canada/Nova Scotia Co-operation Agreement on Economic Diversification	144	144	58	86	20	19	24	23		
Canada/New Brunswick Regional Economic Development Agreement	178	178	141	37	26	7	4			
TAGS-ER Agreement	74	74	28	46	18	15	13			
Canada Infrastructure Works Agreement/Atlantic	219	219	183	36	36					
Other Regional Economic Development Programs	48	48	4	44	16	14	9	5		

10.4 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Continued*

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31						
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	1999	2000	2001	2002	2003	2004 and subse- quently	
Industry—											
Province of Ontario											
Canada Infrastructure											
Works Agreement	875	863	783	80	74	6					
CRJX development	87	87	27	60	36	17	7				
CAE Electronics visual											
technology	31	31	12	19	7	8	4				
DASH-8-400 development	56	56	31	25	25						
PW150 Turboprop engine											
design and development	100	100	74	26	17	9					
Pratt & Whitney product											
oriented development	47	47	21	26	18	8					
Ballard Power Systems-Fuel cell											
power plant	29	29	9	20	10	10					
Canarie Inc.-Phase 2 TAD.	34	34	23	11	11						
Connaught Laboratories Ltd-Cancer											
Vaccines	60	60	3	57	4	6	7	7	7	26	
International Tele-											
communication Union- -											
ITU operations.	63	63	36	27	7	7	7	6			
Precarn Associates—Precarn											
Phase 2	19	19	9	10	5	5					
School Net/Community											
Access	37	37	13	24	14	10					
Canada-Ontario Agreement—Ice											
Storm Economic Recovery	25	25	3	22	17	5					
Economic Development Agency of											
Canada for the Regions of											
Quebec—											
Canada Infrastructure											
Works Agreement-Quebec	638	638	549	89	89						
Innovation Development											
Entrepreneurship and Access											
Program—Idea	220	220	101	119	78	33	7	1			
Temporary Economic Reconstruction											
Program—TREP	23	12	7	5	5						
Economic Recovery Assistance											
Program—ERAP	93	1	1								
Community Futures											
Program	50	50	50	(3)							
Regional Strategic Initiative											
Program	78	78	9	69	23	26	11	4	5		
National Research Council											
of Canada—											
James Clerk Maxwell Telescope											
Mauna Kea, Hawaii, USA.	36	36	24	12	1	1	1	1	1	7	
Gemini Twin											
Telescope Project—											
Cerro Pachon, Chile and											
Mauna Kea, Hawaii, U.S.A.	39	39	23	16	3	3	3	3	3	1	
Tri-University Meson											
Facility (TRIUMF)											
Vancouver, B.C.	166	166	97	69	35	34					
Canada-France-Hawaii Telescope											
Corporation, Mauna Kea,											
Hawaii, USA	59	59	52	7 (3)	3	4					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2004 and subse- quently
					1999	2000	2001	2002	2003	
Transport—										
Province of Quebec										
Road Agreement	271	271	182	89	1	3	3	3	3	76
Western Economic										
Diversification—										
Canada Infrastructure Program										
Works Agreement										
Province of Manitoba	82	82	67	15	15					
Province of Alberta	207	207	169	38	38					
Province of British										
Columbia	277	277	213	64	64					
Western Diversification										
Program										
Telecommunications Research										
Laboratories and										
Technologies Inc.	10	10	3	7 ⁽³⁾	3	2	2			
Province of British										
Columbia	60	60	55	5 ⁽³⁾	5					
Canada-Manitoba Red River Flood										
Assistance										
Province of Manitoba	12	12	10	2 ⁽³⁾	2					
Grant to Canadian										
National Railway										
Company	16	16	16	⁽³⁾						
Western Economic										
Partnership										
Agreements										
Province of Alberta	20	8	3	5	4	1				
Province of Manitoba	20	2	2							
Upgrading the Port of										
Churchill- -Hudson Bay										
Port Company	14	14		14	7	7				
Loan/Investment Fund										
Program- -										
Agricultural Value-Added										
Loan Fund- -Farm										
Credit Corporation and										
Canadian Imperial Bank of										
Commerce	10	10	2	8 ⁽³⁾	1	1	1	1	1	3
Subtotal	32,881	32,694	19,119	13,575	3,789	2,944	2,439	2,163	2,026	214
Consolidated Crown										
Corporations—										
Canadian Film										
Development										
Corporation—										
Financial Assistance to										
producers and distributors	38	38		38	38					
International Development										
Research Centre—										
Micronutrient Initiative	70	70	44	26	19	7				
Essential Health										
Program	19	19	6	13	6	7				
The Canada Council										
for the Arts—										
Future year										
grants	17	17		17	10	7				
Subtotal	144	144	50	94	73	21				
Total transfer										
payment agreements	33,025	32,838	19,169	13,669	3,862	2,965	2,439	2,163	2,026	214

10. 6 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2004 and subse- quently
					1999	2000	2001	2002	2003		
Fixed assets and purchases—											
Fixed assets—											
Finance—											
Equity interest in											
Hibernia Project	425	425	419	6 ⁽³⁾	6						
Canadian Heritage—											
Lachine Canal											
Enhancement	33	33	2	31	6	9	8	8			
Grosse-île Development	15	15	13	2 ⁽³⁾	2						
Fortifications of Quebec											
Pincers Nouvelles casernes	11	11	4	7 ⁽³⁾	3	3	1				
Saguenay Marine Park											
Development	32	32	18	14	3	4	4	3			
National Defence—											
Electronic Support and Training											
Systems	203	141	117	24	10	14					
North American											
Air Defence											
Modernization	1,062	17	6	11	8		3				
Tactical Transport											
Tanker	348	76	51	25		18	7				
Military Automated Air Traffic											
System	162	75	21	54	17	17	11	9			
Utility Tactical Transport											
Helicopters	1,183	41	26	15	15						
Strategic Airlift Aircraft	474	75	75								
Low Level Air Defence	1,074	32	25	7	7						
Tactical Command Control											
and Communication											
System	1,928	1,538	1,278	260	129	45	86				
Land Forces Command											
System	178	139	14	125	44	39	31	9	2		
Short Range Anti-Armour Weapons	174	130	104	26	7	19					
Lynx Replacement Project	870	735	686	49	40	9					
Armoured Personnel Carriers	792	622	103	519	284	235					
Leopard Thermal Sight	139	125	48	77	40	28	9				
Canadian Forces											
Supply System											
upgrade	266	167	83	84	40	39	5				
Canadian Patrol Frigate	9,006	6,838	6,771	67	57	10					
Tribal Class Update and											
Modification (TRUMP)	1,417	113	73	40	21	13	5	1			
Maritime coastal											
defence vessels	708	611	538	73	35	4			34		
Other Fixed Assets (DND)	1,284	559	304	255	137	82	36				
Fisheries and Oceans—											
SAR Lifeboat											
Replacement	35	13	3	10	5	5					
Foreign Affairs and											
International Trade—											
Site Purchase, Bonn	22	22	2	20	6	14					
B.F. Construction Ltd—Chancery											
and Staff Quarters											
Construction, Seoul	33	33		33		5	15	10	3		
Public Works and											
Government Services—											
Perley Bridge Phase I											
construction, Ottawa	27	27	14	13	13						
Surrey Taxation Centre—Ledcor											
Industries Inc.	17	17	14	3 ⁽³⁾	3						

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2004 and subse- quently
					1999	2000	2001	2002	2003		
Royal Canadian Mounted Police—											
Bird Construction Ltd.											
Construction of divisional headquarters building											
Edmonton, Alberta	35	35	32	3 ⁽³⁾	3						
Graham Construction Ltd.											
Construction of Research Center, Saskatoon	13	13	12	1 ⁽³⁾	1						
Solicitor General—											
Correctional Service—											
Construction of new facilities	69	61	60	1 ⁽³⁾	1						
Expansion and redevelopment of existing facilities	45	33	13	20	7	9	4				
Subtotal	22,080	12,804	10,929	1,875	950	621	225	40	39		
Consolidated Crown Corporation—											
National Capital Commission—											
Other Capital Projects	11	11		11	11						
Total fixed assets	22,091	12,815	10,929	1,886	961	621	225	40	39		
Purchases —											
Environment—											
Supercomputer Hardware and Software Lease											
NEC Corporation	67	67	42	25	8	8	8	1			
Industry—											
Computer Maintenance Services											
ISM Canada	13	13	2	11	3	3	3	2			
Canadian Space Agency—											
Radarsat I	28	28	17	11	4	3	3	1			
International Space Station Program											
MSS Development—											
Phase 1	423	415	407	8 ⁽³⁾	6	2					
Mobile Service System—SPDM Development	170	170	19	151	76	54	18	3			
National Defence—											
Ammunition	397	397	201	196	166	30					
Military pilot training	221	221	164	57	35	22					
Bombardier Inc.-CF18 System engineering support	202	202	116	86	69	17					
Canadian Airlines International- -CC-150											
Integrated Services	125	125	74	51	20	17	14				
Frontec Logistics Corporation- - North Warning System											
support	258	258	167	91	44	42	5				
Other Purchases (DND)	642	638	366	272	161	71	20	12	7	1	
Human Resources Development—											
EDS Canada Ltd design and build											
CSDN and install											
WAN/LAN	171	165	165	⁽³⁾							
Canada Student Financial Assistance Act											
(Risk premium)	404	229	88	141	53	54	24	10			

10.8 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2004 and subse- quently
					1999	2000	2001	2002	2003	
Veterans Affairs—										
CGI Group Inc. mainframe lease and software support	16	16	7	9 ⁽³⁾	5	4				
<i>Subtotal</i>	<i>3,137</i>	<i>2,944</i>	<i>1,835</i>	<i>1,109</i>	<i>650</i>	<i>327</i>	<i>95</i>	<i>29</i>	<i>7</i>	<i>1</i>
Consolidated Crown Corporations—										
Canadian Broadcasting Corporation—										
Sports Rights	195	195	134	61	33	8	8	8	4	
National Hockey League	300	300		300	58	59	60	61	62	
I.O.C.- Olympics	216	216		216	16		37	21		142
Stentor—Network Services	67	66	27	39		10	10	10	9	
Profac Facility and Property Management	104	104	21	83	21	21	21	20		
National Capital Commission—										
Employee Take Over, Minto & Profac—										
Service Contract	31	31	10	21	11	6	4			
<i>Subtotal</i>	<i>913</i>	<i>912</i>	<i>192</i>	<i>720</i>	<i>139</i>	<i>104</i>	<i>140</i>	<i>120</i>	<i>75</i>	<i>142</i>
Total purchases	4,963	4,768	2,219	2,549	928	535	375	269	157	285
Total fixed assets and purchases	27,054	17,583	13,148	4,435	1,889	1,156	600	309	196	285
Operating leases—										
Environment—										
Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C.	491	491	44	447	4	6	6	5	5	421
Foreign Affairs and International Trade—										
Mitsui Fudosan New York	51	51	1	50	2	3	3	3	3	36
AG1824-Companie Brussels	16	16	2	14	2	2	2	2	2	4
Hong Kong Land Limited										
Hong Kong	53	53	23	30	6	6	6	6	6	
Tower Plaza Associates New York ..	20	20	5	15	1	1	1	1	2	9
Ohbayashi America Corporation Los Angeles	13	13	2	11	1	1	1	1	1	6
Public Works and Government Services—										
Journal Building, Ottawa	170	170	73	97	14	14	14	14	14	27
Place de Ville "C", Ottawa	190	190	101	89	16	16	16	16	16	9
200 Kent St., Ottawa	104	104	37	67	12	12	12	12	12	7
Standard Life Building, Ottawa	24	24	9	15	3	3	3	3	3	
Trebla Building, Ottawa	20	20	9	11	2	2	2	2	3	
234 Laurier St., Ottawa	21	21	15	6 ⁽³⁾	5	1				
344 Slater St., Ottawa	40	40	10	30	6	6	6	6	6	
333 Laurier Ave., Ottawa	19	19	3	16	4	4	4	4		
Hamilton Center, Regina	21	21	12	9 ⁽³⁾	2	2	2	3		
386 Broadway, Winnipeg	19	19	8	11	2	2	2	2	2	1
Twin Atria Bldg., Edmonton	11	11	2	9 ⁽³⁾	1	1	1	1	1	4
59 Camelot Court, Ottawa	17	17	7	10	2	2	2	2		2
VIA Rail Station—Winnipeg	13	13	1	12	1	1	1	1	1	7
<i>Subtotal</i>	<i>1,313</i>	<i>1,313</i>	<i>364</i>	<i>949</i>	<i>86</i>	<i>85</i>	<i>84</i>	<i>84</i>	<i>77</i>	<i>533</i>

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1998—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2004 and subse- quently
					1999	2000	2001	2002	2003		
Consolidated Crown Corporations—											
National Capital Commission—											
Chalmers Building											
40 Elgin St., Ottawa	126	121	5	116	5	4	5	5	5	92	
VIA Rail Canada Inc.—											
Central Station — Montreal	46	46	8	38	3	3	3	4	4	21	
Trizechahn PVM Inc.—											
Office Space.	72	72	49	23	5	5	5	2	1	5	
Canadian Broadcasting Corporation—											
Satellite lease	60	60	23	37	20	11	5	1			
Canadian Film Development Corporation—											
Office leases.	13	13	2	11	2	2	2	2	2	1	
International Development Research Centre,—											
Office space lease	28	28	4	24	2	2	2	2	2	14	
Office Maintenance	26	26	4	22	2	2	2	2	2	12	
Canada Council—											
Operating leases.	16	16		16	4	3	3	3	2	1	
National Gallery of Canada—											
Operating leases.	11	11		11	1	1		1		8	
National Museum of Science and Technology—											
Operating leases.	15	15		15	2	2	2	2	2	5	
Office Maintenance	3	3		3 ⁽³⁾	1	1	1				
Subtotal	398	393	95	298	44	33	27	22	18	154	
Total operating leases	1,711	1,706	459	1,247	130	118	111	106	95	687	
Grand total	61,790	52,127	32,776	19,351	5,881	4,239	3,150	2,578	2,317	1,186	

(¹) The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment first were reported in the Public Accounts of Canada, plus the outstanding commitment reported at fiscal year end.

(²) The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$9,035 million), should therefore not be interpreted as the total outstanding commitment at March 31, 1998.

(³) Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 13 to the audited financial statements in Section 1 of this volume. A capital lease is a lease that, from the point of view of the Government, transfers substantially all the benefits and risks incident to ownership of the asset to the Government. Table 10.5 presents commitments under capital lease arrangements in order of maturity. There were no purchase options exercised during the year.

TABLE 10.4
COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS
(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception	Total estimated minimum lease payments, full term (excluding executory costs)	Final purchase option price included in total estimated minimum lease payment	Implicit interest rate (%)	Balances at March 31, 1998		
							Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs
Canadian Heritage									
National Heritage Building									
Aylmer, Quebec	Sept 30, 1996 ⁽¹⁾	35	35,040	122,500		9.88 ⁽²⁾	117,250	83,287	33,963
Indian Affairs and Northern Development—									
Office equipment	Jan 24, 1997 ⁽¹⁾	3	2,640	2,968	81	6.00 ⁽²⁾	1,765	137	1,628
Office equipment	Sept 11, 1997 ⁽¹⁾	2	565	628	75	6.00 ⁽²⁾	475	38	437
			3,205	3,596	156		2,240	175	2,065
Public Works and Government Services—									
Guy Favreau Building, Montréal	Jan 1, 1994 ⁽³⁾	25	87,600	227,529	30,000	7.6 ⁽²⁾	209,399	118,961	90,438
240 Sparks St, Ottawa	Sept 1, 1977 ⁽⁴⁾	35	63,703	213,500		9.1 ⁽²⁾	93,843	44,474	49,369
L'Esplanade Laurier, Ottawa	Oct 1, 1995 ⁽³⁾	15	60,374	104,638	18,000	9.4 ⁽²⁾	95,607	29,582	66,025
Place du Centre, Hull	Feb 17, 1978 ⁽⁴⁾	30	26,201	96,204	6,000	11.2 ⁽²⁾	41,467	20,117	21,350
Terrasses de la Chaudière, Hull	Jan 1, 1993 ⁽³⁾	20	146,084	364,485	54,000	8.6 ⁽²⁾	313,154	163,265	149,889
Government of Canada Building, (GOCB), Cornwall	Dec 1, 1994 ⁽³⁾	25	9,600	24,771		9.2 ⁽²⁾	22,409	13,101	9,308
Scarborough (GOCB)	Dec 1, 1994 ⁽³⁾	25	38,900	111,605	10,000	9.4 ⁽²⁾	101,893	62,724	39,169
Chatham (GOCB)	June 1, 1995 ⁽³⁾	25	4,940	11,744		8.6 ⁽²⁾	10,883	6,073	4,810
Place Vincent Massey, Hull	Aug 1, 1996 ⁽³⁾	15	23,439	50,860	15,725	5.6 ⁽²⁾	49,255	18,866	30,389
Canada Place, Edmonton	Dec 1, 1993 ⁽³⁾	30	105,000	276,523		7.9 ⁽²⁾	245,353	144,054	101,299
Louis Saint-Laurent, Hull	Nov 1, 1996 ⁽³⁾	20	73,000	150,158	15,000	6.8 ⁽²⁾	147,114	70,408	76,706
Block 56, Vancouver	Apr 30, 1995 ⁽³⁾	25	54,100	166,673		11.6 ⁽²⁾	152,651	99,599	53,052
OACI, Montreal	Dec 1, 1996 ⁽⁵⁾	20	100,000	246,573	23,450	9.3 ⁽²⁾	242,237	138,705	103,532
			792,941	2,045,263	172,175		1,725,265	929,929	795,336
Veterans Affairs									
Office equipment	Mar 9, 1998 ⁽¹⁾	3	1,996	2,282	351	5.78 ⁽²⁾	2,282	286	1,996
Office equipment	Feb 12, 1998 ⁽¹⁾	3	4,499	5,093	331	6.01 ⁽²⁾	5,092	594	4,498
			6,495	7,375	682		7,374	880	6,494
Consolidated Crown corporation— Canadian Broadcasting Corporation— Canadian Broadcasting Centre, 250 Front St. W., Toronto	Oct 14, 1988 ⁽⁴⁾	30	390,990	991,164		7.53 ⁽²⁾	974,644	585,449	389,195
Total			1,228,671	3,169,898	173,013		2,826,773	1,599,720	1,227,053

(1) New addition.

(2) Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

(3) Revised by the department based on new documentation.

(4) Previous lease agreement.

(5) Previous year's addition.

TABLE 10.5**COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY**

(in thousands of dollars)

Department and agency	Payments due in											
	1999	2000	2001	2002	2003	2004 to 2008	2009 to 2013	2014 to 2018	2019 to 2023	2024 to 2028	2029 to 2033	Total
Canadian Heritage												
Remaining payments	3,500	3,500	3,500	3,500	3,500	17,500	17,500	17,500	17,500	17,500	12,250	117,250
Imputed interest	3,367	3,353	3,337	3,321	3,302	16,154	15,293	13,882	11,568	7,773	1,937	83,287
Net commitments	133	147	163	179	198	1,346	2,207	3,618	5,932	9,727	10,313	33,963
Indian Affairs and Northern Development —												
Remaining payments	1,191	1,049										2,240
Imputed interest	125	50										175
Net commitments	1,066	999										2,065
Public Works and Government												
Services—												
Remaining payments	79,957	79,957	79,957	79,957	79,957	399,785	419,509	349,838	141,420	14,928		1,725,265
Imputed interest	65,367	64,220	62,979	61,636	60,181	274,396	208,239	105,711	26,107	1,093		929,929
Net commitments	14,590	15,737	16,978	18,321	19,776	125,389	211,270	244,127	115,313	13,835		795,336
Veterans Affairs												
Remaining payments	2,231	2,231	2,912									7,374
Imputed interest	398	265	217									880
Net commitments	1,833	1,966	2,695									6,494
Canadian Broadcasting Corporation—												
Remaining payments	33,039	33,039	33,039	33,039	33,039	165,194	165,194	165,194	165,194	148,673		974,644
Imputed interest	29,236	28,944	28,630	28,292	27,928	133,118	118,776	98,021	67,984	24,520		585,449
Net commitments	3,803	4,095	4,409	4,747	5,111	32,076	46,418	67,173	97,210	124,153		389,195
Summary—												
Remaining payments	119,918	119,776	119,408	116,496	116,496	582,479	602,203	532,532	324,114	181,101	12,250	2,826,773
Imputed interest	98,493	96,832	95,163	93,249	91,411	423,668	342,308	217,614	105,659	33,386	1,937	1,599,720
Net commitments	21,425	22,944	24,245	23,247	25,085	158,811	259,895	314,918	218,455	147,715	10,313	1,227,053

International Organizations

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 13 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans, advances and paid-in share capital. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 13 to the audited financial statements in Section 1 of this volume.

TABLE 10.6**INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY**

(in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans	230	384	614
Budgetary loans and advances	676		676
Total	906	384	1,290

Insurance Programs of Agent Enterprise Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented in Table 10.7 has not been audited since the information presented therein is derived from interim financial statements. The most recent annual financial statements of these corporations may be found in the *“President of the Treasury Board’s Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada”*. Insurance programs of agent Crown corporations are summarized in Note 14 to the audited financial statements in Section 1 of this volume.

In Table 10.7, a minus “-” sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1998

(in millions of dollars)

	Canada Deposit Insurance Corporation ⁽¹⁾		Canada Mortgage and Housing Corporation ⁽²⁾						Export Development Corporation ⁽³⁾	
			Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		Rental Guarantee Fund			
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
Insurance in force as at reporting date	305,014	317,053	168,900	135,100	17	14,826	*	*	11,500	9,329
Opening balance of Fund . . .	-1,176	-1,301	19	29	31	25		13	217	184
Revenues for the period—										
Premiums and fees	531	546	454	391	8	8			93	95
Investment income	16	15	189	152	4	3				
Other revenues	6		54	2	2	1				
Total revenues	553	561	697	545	14	12		(4)	93	95
Expenses for the period—										
Loss on/provision for claims	-150	334	536	440					59	62
Interest on loans	46	85								
Administrative and tax . . .	20	17	159	115	6	6				
Funds returned to Government								13		
Total expenses	-84	436	695	555	6	6		13	58	62
Net income/loss (-) for the period—	637	125	2	-10	8	6		-13	35	33
Closing balance of Fund ⁽⁵⁾ . .	-539	-1,176	21	19	39	31	nil	nil	252	217
Net claims during the period ⁽⁶⁾	156	-139	402	348	*	*	*	*	27	50
Five year average of net claims paid	40	88	337	324	*	*	*	*	14	25

* 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 \$60,000 per depositor, per institution. In recent years, premiums paid by member institutions have not been sufficient to meet obligations incurred by CDIC under the insurance plan. This deficiency has been funded, in part, by loans from the Government of \$395 million at March 31, 1998 (\$855 million at March 31, 1997). The Government is continuing to explore alternatives to allow CDIC, over the long run, to eliminate its deficiency without budgetary support from the Government. Since there is no reason to believe that this will not be the case, no provision has been made in the accounts of Canada for the losses experienced by CDIC.

(2) Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 1997 disclosed that the Fund had a deficit of \$6 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. Therefore, operating particulars of this Program are not included in this summary but some information will be found in the notes to the Government of Canada Statement of Contingent Liabilities.

(3) The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance fund has been adequate to provide for the full cost of claims experienced to date and to establish an allowance for future claims based on previous claims experience.

(4) Less than \$500,000.

(5) Operation of the Rental Guarantee Fund was terminated and the surplus transferred to the Government on July 12, 1996.

(6) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

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.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for Government enterprises, all Government organizations are accounted for in the financial statements by consolidation. Government enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

Consequently, the contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations". However, the borrowings of agent enterprise Crown corporations are reported with the contingent liabilities of the Government in compliance with the *Financial Administration Act*. In accordance with section 54 of the Act, the repayment of all money borrowed by agent enterprise Crown corporations is payable out of the Consolidated Revenue Fund. Such borrowings therefore, constitute potential obligations of the Government and are reported as such in Table 10.8. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include borrowings by agent Crown corporations (net of allowance for losses), from non-government sources and explicit guarantees by the Government for borrowings by non-agent Crown corporations from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. These explicit guarantees cover guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total as are the contingent liabilities of consolidated Crown corporations in the following table. Also included, are contingent liabilities related to present and future callable share capital for international organizations.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations, are recorded in the accounts when they become actual liabilities. Losses on loan guarantees are accrued in the accounts through a valuation allowance calculation when it is likely that a payment will be made in the future to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

Also included in Table 10.8 are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

The following table is also summarized in Note 15 to the financial statements of the Government in Section 1 of this volume.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1998

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
GUARANTEES BY THE GOVERNMENT OF			
Borrowings by enterprise Crown corporations which are agents of Her Majesty		34,278,732,000 ⁽⁴⁾	9.5
Borrowings by other than enterprise Crown corporations			
From agents			
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing	1,200,000,000	93,271,637 ⁽⁵⁾	
From other than agents			
Guarantee programs of the Government			
Canada Student Loans Act	10,854,764,150 ⁽⁶⁾	2,663,300,109	14.6
Small Business Loans Act	2,752,413,723 ⁽⁶⁾	1,336,350,342	33.2
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act		484,635,735	1.0
Advance Payments for Crops Act	400,000,000	165,417,776	2.4
Atlantic Enterprise Program	18,010,185	18,010,185 ⁽⁷⁾	22.2
Enterprise development program and Canadian Industrial Renewal Board	1,181,989,815	5,919,521 ⁽⁸⁾	
Fisheries Improvement Loans Act	183,574 ⁽⁶⁾	183,574	
Loans to Indians by approved lenders for on-reserve housing	⁽⁹⁾	921,646,135 ⁽⁵⁾	
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	979,950,000 ⁽¹⁰⁾	401,765,778 ⁽¹⁰⁾	
Indian economic development	33,022,107 ⁽¹¹⁾	2,150,645 ⁽⁵⁾	
Aboriginal Economic Program	3,095,000	2,078,250	
Time Air (1982) Ltd	10,000,000	1,353,588	
	16,233,428,554	6,002,811,638	
Other explicit loan guarantees ⁽¹²⁾			
Loans with respect to the Hibernia Development Project Act	1,660,000,000	980,787,650 ⁽¹⁰⁾	
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader	275,000,000	131,970,211 ⁽¹³⁾	
Loan by First Union Commercial Corporation to Hibernia Project - Temporary financing loan guarantees	175,000,000	58,200,000	
Air Canada for purchase of aircraft	63,891,000	57,643,880	
Loans to Government of Romania	27,000,000	24,000,000	8.3
Loan to PWA Corporation for operating purposes	50,000,000	11,174,296	
	2,250,891,000	1,263,776,037	
Insurance programs of the Government ⁽¹⁴⁾			
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees	13,000,000,000 ⁽¹⁵⁾	1,036,258,207	4.5
Insurance against accidents at nuclear installations under the Nuclear Liability Act ⁽¹⁶⁾	600,000,000	589,452,679	
	13,600,000,000	1,625,710,886	

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1998—Continued

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
Other explicit guarantees			
Guarantees under the <i>Prairie Grain Advance Payments Act</i>	1,500,000,000	263,600,000	8.3
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i>		(17)	
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada)		45,445,899	
Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i>		32,474,172	
	<u>1,500,000,000</u>	<u>341,520,071</u>	
Total gross guarantees	<u>34,784,319,554</u>	<u>43,605,822,269</u>	
Less: allowance for losses		4,188,000,000 ⁽¹⁸⁾	
Net exposure under guarantees		39,417,822,269	
INTERNATIONAL ORGANIZATIONS		17,097,067,040 ⁽¹⁰⁾⁽¹⁹⁾	
CLAIMS AND PENDING AND THREATENED LITIGATION		7,327,661,873 ⁽¹⁰⁾⁽²⁰⁾	
COMPREHENSIVE NATIVE LAND CLAIMS		756,161,699 ⁽²¹⁾	
Subtotal ⁽²²⁾		64,598,712,882	
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS		58,345,000 ⁽²³⁾	
TOTAL		<u>64,657,057,882</u>	

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

(3) The percentage of expected losses is calculated, where applicable, by dividing the amount of allowances for loan guarantees by the amount of the corresponding outstanding guarantees computed as at March 31, 1998.

(4) Borrowings by agent enterprise Crown corporations in accordance with section 54 of the *Financial Administration Act*, are considered potential obligations of the Government and are therefore included in this statement. Outstanding borrowings for these Crown corporations as at March 31, 1998 are summarized as follows:

(in thousands of dollars)

Business Development Bank of Canada	3,838,505
Canada Lands Company Limited	36,913
Canada Mortgage and Housing Corporation	9,933,761
Canada Ports Corporation	3,067
Canada Post Corporation	170,877
Canadian Dairy Commission	1,548
Canadian Wheat Board, The	6,698,124
Export Development Corporation	10,076,995
Farm Credit Corporation	3,026,105
Freshwater Fish Marketing Corporation	7,121
Petro-Canada Limited	443,140
Port of Québec Corporation	11,568
Royal Canadian Mint	31,000
Seaway International Bridge Corporation, Ltd, The	8
Total	<u>34,278,732</u>

(5) Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$91,291,030 and for Indian economic development, nil. At March 31, 1998, no loans have been reported issued for these amounts by lenders. However, since past history indicates that over 95% of these loans will be or have been advanced to clients, these amounts are included as contingencies.

(6) The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee by lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies according to the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

(7) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$16,069,974 as at March 31, 1998) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Federal Office of Regional Development - Quebec (\$1,854,405 as at March 31, 1998). The Department of Industry has responsibility for all capital projects in excess of \$20 million in the Atlantic provinces (\$85,806 as at March 31, 1998).

(8) There are no loan guarantees attributable to the Canadian Industrial Renewal Board.

(9) The authorized limit for loan guarantees for on-reserve housing totals \$1.2 billion (as shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

TABLE 10.8

STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1998—*Concluded*

- (10) Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of the statement.
- (11) The maximum aggregate amount that may be paid or that may have been paid from the Consolidated Revenue Fund (CRF) relative to Indian economic development in previous, current or subsequent years, with respect to all guarantees authorized and granted, is set at \$60 million. As at March 31, 1998, \$26,977,893 has been expended from the CRF leaving a balance of \$33,022,107 available for disbursement.
- (12) Ridley Terminals Inc. (RTI) became a wholly-owned subsidiary of Canada Ports Corporation, an enterprise agent Crown corporation, on July 30, 1991. Canada Ports Corporation has arranged long-term financing (\$165,000,000 as at March 31, 1998) with an agent Crown corporation to facilitate the acquisition of RTI, payment of which has been guaranteed by the Government. The lending Crown corporation has in turn borrowed from a private sector bank and an appropriate provision has been made in the accounts of Canada in accordance with Note 4 above and Note 18 which follows. Consequently, a contingent liability does not exist in this situation.
- (13) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.
- (14) Since 1984, the Canada Mortgage and Housing Corporation (CMHC) has operated the Mortgage Rate Protection Program on behalf of the Government. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 1998 amounted to only \$1,509,000 (\$911,000 at March 31, 1997). Premiums collected by CMHC are remitted directly to the Consolidated Revenue Fund (CRF) and obligations are ultimately payable from the CRF. Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.
- (15) The *Export Development Act* specifies that Export Development Corporation may enter into contracts of insurance, re-insurance, related guarantees and other agreements up to a maximum of \$13 billion, the authorized limit.
- (16) There have been no claims under the *Nuclear Liability Act* since its inception in 1970. The Act covers contingent liability relating to eight Canadian nuclear installations as at March 31, 1998.
- (17) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board (CWB) arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 1998, approximately \$6.7 billion was recorded as a receivable on the books of the Board for such sales. CWB borrowings from outside parties amounting to \$6.7 billion as at the same date, are considered to be a potential liability of the Government under section 54 of the *Financial Administration Act* and are recorded elsewhere on this statement (see Note 4 above). Since loans and relative accrued interest payable of approximately \$74 million, exceed the amount of receivables by approximately \$46 million there is no residual contingency (receivables less borrowings) to the Government as at March 31, 1998.
- (18) Included in the allowance for probable losses is \$3,265 million (\$3,980 million in 1997) for borrowings of agent enterprise Crown corporations.
- (19) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. Because these contingent liabilities relate to non-budgetary share capital and loans, there would be no impact on budgetary expenditures if these potential liabilities become actual liabilities, since cash would simply be exchanged for another asset.
- (20) Classified as follows:

	(in millions of dollars)
a. alleged breach of written, verbal or statutory contracts including construction disputes.	359
b. damage to property including loss of income	789
c. physical and mental injury including accidents and false imprisonment	227
d. expropriation and land claims	2,779
e. miscellaneous	3,174
Sub total	7,328
Less duplicated claims	
Total	7,328

Included in (d) is approximately 1.8 billion which represents two litigation claims for which the Department of Indian and Northern Affairs (DINA) has received risk assessments from the Department of Justice. In addition, there are 373 other cases that have not been quantified as they have not yet received risk assessment in order to determine appropriate reporting amounts.

DINA has another \$827 million also included in (d) made up of 435 active specific claims including a portion of 147 claims amounting to \$126 million which are at the negotiation stage. Four special claims have been allocated negotiating mandates totalling \$145 million and the remaining 284 claims which are estimated at \$556 million are presently under assessment to determine amount of legal obligation, if any. There are another 23 cases not in litigation of which 15 total about \$99 million and this amount is also included in (d). Amounts for the remaining 8 cases cannot be determined at this time.

Included in (e) above is \$1,187.5 million with respect to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada as at March 31, 1998.

- (21) The Government has 70 comprehensive aboriginal land claims either under negotiation, accepted for negotiation or under review. Of the 70 comprehensive claims, 8 claims relating to the Council for Yukon Indians and 5 pertaining to the Dene-Metis are in the final stages of negotiation. Should negotiations be ratified, the Government would be liable to pay financial compensation over a number of years as follows:

	(in millions of dollars)
Council for Yukon Indians	131
Portion of the Dene/Metis claim	197
Nisga'a	175
Implementation costs	503
Total	756

The remaining 57 comprehensive claims have not yet been quantified.

- (22) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Six departments reported contingent gains as at March 31, 1998 totalling approximately \$135 million.
- (23) In accordance with the Government's significant accounting policies, the contingent liabilities of Crown corporations that rely on Government funding as their principal source of revenue, are consolidated with those of the Government.

10.18 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 1998.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 13 and 15 to the financial statements which are included in Section 1 of this volume.

TABLE 10.9
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES AND COMMITMENTS
(in millions of dollars)

	Contingent liabilities ⁽¹⁾			Commitments ⁽¹⁾		
	Callable share capital	Future callable share capital	Lines of credit	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—						
African Development Bank	662		662			
Asian Development Bank	2,386	388	2,774		8 ⁽²⁾	8
Caribbean Development Bank	69		69			
Inter-American Development Bank	4,851	638	5,489		12 ⁽²⁾	12
International Bank for Reconstruction and Development (World Bank)	7,197		7,197			
Multilateral Investment Guarantee Agency	36		36			
European Bank for Reconstruction and Development	870		870		138	138
International Monetary Fund					226	226
Developing countries—Canada Account				230		230
Subtotal	16,071	1,026	17,097	230	384	614
BUDGETARY LOANS AND ADVANCES—						
African Development Bank				70 ⁽²⁾		70
Asian Development Bank				129 ⁽²⁾		129
Caribbean Development Bank - Special				12 ⁽²⁾		12
Inter-American Development Fund				4 ⁽²⁾		4
International Development Association				195		195
International Fund for Agricultural Development				18 ⁽²⁾		18
International Monetary Fund				210		210
Montreal Protocol Fund				13 ⁽²⁾		13
Developing countries—Canada Account				25		25
Subtotal				676		676
Total	16,071	1,026	17,097	906	384	1,290

⁽¹⁾ Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1998 (1\$US = \$1.4198 Cdn; 1\$SDR = \$1.89670 Cdn).

⁽²⁾ These amounts represent, in certain cases, notes payable to be issued in future years.

Note : Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 500 million of which SDR 381 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 79.3 million has been paid-in.

SECTION 11

1997-98

PUBLIC ACCOUNTS OF CANADA

Index

INDEX

A

Accounting for expenditures, 3.8
 Accounting for revenues, 3.2
 Accounting policies,
 net effect of changes, 1.8
 summary of significant, 1.11
 ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES, 5
 Accounts payable, 5.4
 accruals and allowances, 1.9, 5.2
 and accrued liabilities, 1.9, 5.2, 5.4
 Accounts receivable, 1.9, 7.2, 7.6
 ACCOUNTS RECEIVABLE, *see Volume II (Part II), Section 4*
 Accounts receivable of consolidated Crown corporations, 7.6
 Accumulated deficit, 1.9, 1.17, 3.15
 beginning of year, 1.8, 3.2
 end of year, 1.8, 3.2
 Statement of, 2.4
 Administered trust accounts, 6.30, 6.33
 Advance account—Canadian Film Development Corporation,
 6.35, 6.41
 African Development Bank, 9.30, 9.31, 9.32
 Aging of accounts receivable for non-tax revenues and revenues
 netted against expenditures, 7.7
 Agricultural Commodities Stabilization Accounts, 4.10, 4.13
 Agricultural service centres, 9.36, 9.38
 Alexander Graham Bell National Historic Site, 4.11, 4.15
 Allowance for borrowings of Crown corporations, 5.13
 Allowance for employee benefits, 1.9, 5.2, 5.12
 Allowance for loan guarantees, 5.13
 Allowance for loan guarantees and borrowings of Crown
 corporations, 1.9, 5.2, 5.13
 Allowance for pension adjustments, 6.2, 6.19, 6.25
 Allowance for valuation, 1.9, 9.3, 9.47
 Annuities agents' pension account, 6.34, 6.39
 Armed services—Estates, 6.30, 6.33
 Army benevolent fund, 6.37, 6.46
 Asian Development Bank, 5.5, 9.30, 9.31, 9.33
 Assets, 1.9
 Assets and liabilities, statement of, 1.9, 2.5
 Atlantic Development Board carry-over projects, 9.35, 9.37
 Atlantic Provinces Power Development Act, 9.35, 9.36, 9.37
 Atomic Energy of Canada Limited regional seismic monitoring
 station, 6.37, 6.45
 Authorities available from previous years, *see Volume II (Part I),
 Section 1*
 Authorities for the spending of proceeds from the disposal of
 surplus Crown assets, *see Volume II (Part I), Section 1*
 Authorities granted by statutes other than Appropriation Acts,
 see Volume II (Part I), Section 1
 Authorities granted in current year Appropriation Acts, *see
 Volume II (Part I), Section 1*
 Aviation gasoline and diesel fuel—Excise tax, 3.3

B

Bank of Canada, 9.6, 9.9
 Benefit trust fund, 6.30, 6.33
 Bonds for Canada Pension Plan, 1.9, 6.2, 6.11
 Borrowings by agent enterprise Crown corporations, 9.18
 Borrowings by consolidated agent Crown corporations, 4.8
 Borrowings by enterprise Crown corporations, 9.19

B—Concluded

Borrowings expected to be repaid by these enterprise Crown
 corporations, 5.13
 Borrowings of agent enterprise Crown corporations, 5.13
 Borrowings of consolidated Crown corporations, 5.4, 5.11
 Budgetary transactions,
 expenditures, 1.7, 2.2
 revenues, 1.7, 2.2
 Business Development Bank of Canada, 9.6

C

Canada bills, 6.2, 6.12
 Canada Deposit Insurance Corporation, 9.6, 9.7
 Canada Development Investment Corporation, 9.6, 9.9
 Canada Hibernia Holding Corporation, 9.6, 9.9
 Holdback—Privatization, 6.29, 6.31
 Canada Foundation account, 6.35, 6.42
 Canada/Manitoba partnership agreement on municipal water
 infrastructure for rural economic diversification, 6.34, 6.40
 Canada Mortgage and Housing Corporation, 9.6, 9.7
 Canada notes, 6.2, 6.13
 Canada Pension Plan, 1.9, 1.21, 6.2, 6.26
 Canada Pension Plan Account, 6.2, 6.27
 Canada Pension Plan Account and the Canada Pension Plan
 Investment Fund, 6.47
 Canada Ports Corporation, 9.6, 9.10
 Canada Post Corporation, 9.6, 9.10
 Canada/Provinces Business Service Centre, 6.36, 6.44
 Canada Savings Bonds, 1.9, 6.2, 6.10
 Canadair holdback, *see Holdback—Privatization*
 Canadian Centre for Occupational Health and Safety—
 Donations, 4.11, 4.16
 Canadian Commercial Bank, 9.39, 9.42
 Canadian Commercial Bank and Northland Bank Holdback
 Account, 4.11, 4.16
 Canadian currency deposits, 7.3
 Canadian Dairy Commission, 9.6, 9.10
 account, 6.29, 6.31
 Canadian Film Development Corporation—Advance account,
 6.35, 6.41
 Canadian Forces housing projects, 9.40, 9.46
 Canadian Forces Superannuation Account, 6.19, 6.20, 6.21
 Canadian producers of frozen groundfish, 9.39, 9.42
 Canadian Sports Pool Corporation—Other outstanding
 liabilities, 6.35, 6.42
 Candidates' and committees' deposits—Election and
 referendum, 6.30, 6.32
 Capital leases, 10.11
 Caribbean Development Bank, 5.5, 9.30, 9.31, 9.33
 CASH AND ACCOUNTS RECEIVABLE, 7
 Cash and accounts receivable, 1.9, 7.2
 Cash in bank, 1.9, 7.2, 7.3
 at beginning of year, 1.7, 2.2
 at end of year, 1.7, 2.2, 2.7
 Cash in hands of collectors and in transit, 7.4
 Cash in transit, 1.9, 7.2, 7.4
 Changes in accounting policies, 1.12
 surplus or deficit (-), 1.8
 China, 9.24
 Civil service insurance fund, 6.34, 6.38

C—Concluded

Claudia de Hueck Bequest Account, 4.11, 4.15
 Collaborative research projects, 6.35, 6.42
 Commitments under capital lease arrangements, 10.11
 in order of maturity, 10.12
 Commodity Industry Development Fund—Province, 6.34, 6.40
 Common school funds—Ontario and Quebec, 6.35, 6.41
 Commonwealth War Graves Commission, 9.40, 9.47
 Company stock option, 9.40, 9.45
 Comprehensive development plan agreement, 9.35, 9.38
 Confederation Bridge, 6.2, 6.28, 9.40, 9.46
 CONSOLIDATED ACCOUNTS, 4
 Consolidated Crown corporations, 4.3
 other cash, 7.4
 Consolidated specified purpose accounts, 4.10
 Construction of multi-purpose exhibition buildings, 9.39, 9.41
 CONSTRUCTION OR ACQUISITION OF LAND, BUILDINGS
 AND WORKS, *see Volume II (Part II), Section 6*
 CONSTRUCTION OR ACQUISITION OF MACHINERY
 AND EQUIPMENT, *see Volume II (Part II), Section 7*
 Continental geoscience division—Ontario Hydro, 6.37, 6.45
 Contingent liabilities, 1.24, 10.15
 of consolidated Crown corporations, 4.8
 of enterprise Crown corporations, 9.20
 Statement of, 10.16
 Contractors' security deposits, 6.30, 6.32
 Contractual commitments, 1.23, 10.2
 Schedule of minimum payments, 10.3
 Corporation income tax, 1.8, 3.3, 3.5
 Council for Yukon Indians (Elders), 9.39, 9.44
 Crop Reinsurance Fund, 4.10, 4.13
 Crops Sector Companion Program, 4.11, 4.15, 6.34, 6.40
 Crown corporations, 1.22
 Crown corporation expenditures, 1.8, 3.2, 3.12
 Crown corporations' surplus moneys, 6.29, 6.31
 St Lawrence Seaway Authority, The, 6.29
 Cultural industries, 9.39, 9.41
 Cultural property, 9.39, 9.41
 CURRENT ASSETS, *see CASH AND ACCOUNTS
 RECEIVABLE*
 CURRENT LIABILITIES, *see ACCOUNTS PAYABLE,
 ACCRUALS AND ALLOWANCES*
 Customs import duties, 1.8, 2.3, 3.3, 3.6

D

Dawson City Nursing Station—Father Judge Memorial,
 4.11, 4.16
 Debt Servicing and Reduction Account, Statement of
 transactions, 1.27
 Deferred revenues, 5.4, 5.11
 Deficit for the year, 1.8, 2.2, 3.2
 Dependants' pension
 fund, 6.34, 6.39
 plan, 6.63
 Deposit accounts, 6.29
 Deposit and trust accounts, 6.2, 6.29
 Detailed statement of
 expenditure transactions, 2.4
 foreign exchange, unmaturing debt and
 cash transactions, 2.7
 non-budgetary transactions, 2.6
 revenue transactions, 2.3

D—Concluded

Details of other program expenditures of other ministries, *see
 Volume II (Part I), Section 1*
 Details of other transfer payments, *see Volume II (Part I), Section 1*
 Details of spendable amounts, *see related ministerial section in
 Volume II (Part I)*
 Developing countries—International development assistance,
 9.24, 9.27
 Development of export trade, 9.24, 9.25, 9.39, 9.42
 Domestic coinage, 3.3
 Donations—Canadian Centre for Occupation Health and Safety,
 4.11, 4.16
 Donations for research—Medical Research Council, 4.11, 4.16
 Dyskinesia and torticollis research, 6.35, 6.42

E

Egypt-Canada Memorandum of Cooperation, 6.37, 6.46
 Election and referendum—Candidates' and committees'
 deposits, 6.30, 6.32
 Employment Insurance Account, 4.10, 4.13, 4.18
 Employment insurance
 premiums, 1.8, 2.3, 3.3, 3.5
 warrants, 7.5
 Endangered Species—Donations, 4.11, 4.15
 Energy taxes, 1.8, 2.3, 3.3, 3.6
 Enterprise Crown corporations, 1.9, 9.3, 9.5
 Environmental liabilities, 1.25
 Environmental Studies Research Fund,
 Indian Affairs and Northern Development, 4.11, 4.16
 Natural Resources, 4.11, 4.16
 Estates—Armed services, 6.30, 6.33
 Estates fund, 6.30, 6.33
 Euro medium term-notes, 6.2, 6.14
 European Bank for Reconstruction and Development,
 5.5, 9.30, 9.32
 Exchange Fund Account, 8.4
 Excise duties, 3.3
 Excise tax
 aviation gasoline and diesel fuel, 3.3
 gasoline, 3.3
 Excise taxes and duties, 1.8, 2.3, 3.3, 3.5
 miscellaneous, 3.3
 other, 1.8, 2.3, 3.3, 3.6
 Expenditures, 1.8, 1.15, 3.2, 3.8
 by source, 3.10
 by standard object, 3.13
 by type, total net, 3.9
 under statutory authorities, 3.13, 3.14
 Export Development Corporation, 9.6, 9.8
 External expenditures by type, 3.8
 External revenues by main classification, 3.3

F

Fair wages suspense account, 6.35, 6.43
 Fairs and missions, 6.29, 6.31
 Farm Credit Corporation, 9.6, 9.8
 Federal Court special account, 6.36, 6.45
 Federal/provincial agreement—Advance account, 6.36, 6.44
 Federal/provincial cost-sharing agreements, 6.35, 6.42
 Federal-provincial fiscal arrangements, 9.35, 9.36, 9.37
 FEDERAL-PROVINCIAL SHARED-COST PROGRAMS,
 see Volume II (Part II), Section 11

F—Concluded

Federal/provincial shared-cost project, 6.35, 6.43
 Interprovincial Computerized Examination Management System (ICEMS), 6.35, 6.43
 Field British Columbia and Yukon Operations of the Northern Canada Power Commission, 6.29, 6.31
 50th Anniversary of the Canadian Citizenship Act Celebration, 4.11, 4.15
 Financial assistance to Canadians abroad, 6.35, 6.42
 Financial assistance under budgetary appropriations to consolidated Crown corporations, 4.9
 enterprise Crown corporations, 9.21
 Financial position of consolidated Crown corporations—Assets and liabilities, 4.4
 Financial position of enterprise Crown corporations—Assets and liabilities, 9.14
 FINANCIAL STATEMENTS OF DEPARTMENTAL CORPORATIONS, *see* *Volume II (Part II), Section 2*
 FINANCIAL STATEMENTS OF REVOLVING FUNDS, *see* *Volume II (Part II), Section 1*
 FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA AND OPINIONS OF THE AUDITOR GENERAL, 1
 Fines—Indian Act, 6.36, 6.43
 Fines for the Transportation of Dangerous Goods, 4.12, 4.17
 First Nations in British Columbia, 9.39, 9.44
 Fish Habitat Restoration Account, 4.11, 4.16
 Fixed assets, purchases and operating leases, Transfer payment agreements, 10.3
 Flight Recorder Software Systems Account, 4.12, 4.17
 Foreign claims fund, 6.35, 6.41
 Foreign currency deposits, 7.3
 FOREIGN EXCHANGE ACCOUNTS, 8
 Foreign exchange accounts, 1.9, 1.22, 8.2
 Foreign exchange transactions, 2.7
 net requirement for, 1.7
 net source from, 2.2
 Foreign governments, 6.36, 6.45
 Francophone Summits, 6.37, 6.45
 Friends of Rideau Hall Account, 4.11, 4.16
 Funds from non-governmental organizations, 6.35, 6.42

G

Gasoline—Excise tax, 3.3
 General security deposits, 6.29, 6.31
 Global Environment Facility, 9.31, 9.34
 Gold reserves, 1.22
 Goods and services tax, 1.8, 2.3, 3.3, 3.6
 Government Annuities Account, 6.2, 6.28, 6.55
 Government of the Yukon Territory, 9.37, 9.38
 Government spending, 3.10
 Guarantee deposits
 Agriculture and Agri-food, 6.29, 6.31
 Indian Affairs and Northern Development, 6.29, 6.31
 oil and gas, 6.29, 6.31
 reserve resources, 6.29, 6.31
 National Revenue, 6.29, 6.32
 Natural Resources—Oil and gas, 6.30, 6.32
 Guarantees by the Government, 1.24

H

Haddock fishermen, 9.39, 9.42
 Halifax 1917 explosion pension account, 6.30, 6.32
 Hamilton Harbour Commissioners, 9.40, 9.47
 Health Insurance Supplementary Account, 4.10, 4.14
 Hibernia Development Project, 9.40, 9.46
 H.L. Holmes Fund, 4.11, 4.16
 Holdback—Privatization, 6.29, 6.31

I

Immigration guarantee fund, 6.29, 6.31
 Imprest account cheques, 7.5
 Imprest accounts, standing advances and authorized loans, 9.39, 9.41
 Income from securities in trust—Bankruptcy and Insolvency Act, 6.36, 6.44
 Income tax,
 corporation, 1.8, 2.3, 3.3, 3.5
 personal, 1.8, 2.3, 3.3, 3.5
 revenues, other, 1.8, 2.3, 3.3, 3.5
 Indian
 agencies revenue trust bank accounts, 6.36, 6.43
 band funds, 6.30, 6.32
 capital accounts, 6.30, 6.32
 revenue accounts, 6.30, 6.33
 shares and certificates, 6.36, 6.43
 compensation funds, 6.36, 6.43
 economic development fund, 9.39, 9.44
 estate accounts, 6.30, 6.33
 housing assistance fund, 9.39, 9.44
 moneys suspense account, 6.36, 6.43
 savings accounts, 6.30, 6.33
 special accounts, 6.36, 6.43
 Inmates' trust fund, 6.30, 6.33
 Insurance accounts, 4.10, 4.14
 Insurance and death benefit accounts, 6.34
 Insurance companies—Interest on bonds, 6.37, 6.46
 Insurance company liquidation, 6.34, 6.38
 Insurance programs, 1.24
 Insurance programs of agent enterprise Crown corporations, 10.13
 Summary of, 10.14
 Inter-American Development Bank, 5.5, 9.30, 9.33
 Interest
 accrued, 5.12
 due, 5.12
 on bonds—Insurance companies, 6.37, 6.46
 rates, unmatured debt, 6.15
 Interest and matured debt, 1.9, 5.2, 5.12
 INTEREST-BEARING DEBT, 6
 Interest-bearing debt, 1.9, 6.2
 International Bank for Reconstruction and Development, 9.31
 (World Bank), 9.30, 9.32
 International development assistance, 9.24, 9.27
 International Development Association, 5.5, 9.31, 9.34
 International Finance Corporation, 9.30, 9.32
 International financial institutions, 5.5, 9.31, 9.34
 International Monetary Fund
 Enhanced Structural Adjustment Facility, 9.30, 9.33
 notes payable, 8.2, 8.3
 subscriptions, 8.2, 8.3

I —Concluded

International organizations, 1.9, 1.23, 9.3, 9.29, 9.30, 10.12, 10.19
 commitment summary, 10.12
 contingent liabilities and commitments, 10.19
 International organizations and associations, 9.30, 9.34
 International reserves held in the Exchange Fund Account,
 8.2, 8.3
 Interport Loan Fund, 9.6, 9.10
 Inuit loan fund, 9.39, 9.45
 Investors' Indemnity Account, 4.10, 4.14

J

Jamaica, 9.24
 Jobs and economic restoration initiative, 6.36, 6.45
 Joint and mixed enterprises, 9.3, 9.22
 Joint research and development projects,
 National Defence, 6.36, 6.45
 Solicitor General, 6.37, 6.46
 Judges Act, 6.20

L

Labour standards suspense account, 6.35, 6.43
 Liabilities, 1.9,
 LOANS, INVESTMENTS AND ADVANCES, 9
 Loans, investments and advances, 1.9, 2.6, 9.3
 Loans and accountable advances, 9.39
 Loans to assist industry in the Cape Breton area, 9.40, 9.46
 Loans to enterprises in Newfoundland and Labrador, 9.40, 9.46
 Locally-engaged contributory pension account, 6.34, 6.39
 Long-term accounts receivable for non-tax revenues and
 revenues netted against expenditures, 7.7
 Lower Churchill Development Corporation Limited, 9.22, 9.23

M

Mackenzie King trust account, 6.35, 6.41
 Manufacturing, processing and service industries in Canada,
 9.40, 9.45
 Marconi Celebration Trust Fund, 4.11, 4.15
 Market development incentive payments—Alberta, 6.37, 6.45
 Marketable bonds, 6.2, 6.4
 payable in Canadian currency, 1.9, 6.2, 6.4
 payable in foreign currencies, 1.9, 6.2, 6.8
 Matured debt, 5.12
 Maturity and currency of borrowings by enterprise Crown
 corporations, 9.19
 Maturity of Government debt, 6.16
 Medical Research Council—Donations for Research, 4.11, 4.16
 Members of Parliament Retirement Compensation Arrangements
 Account, 6.19, 6.20, 6.23
 Members of Parliament Retiring Allowances Account,
 6.19, 6.20, 6.22
 Military purchases excess funds deposit, 6.37, 6.46
 Ministerial expenditures by standard object, *see Volume II*
 (Part I), Section 1
 Ministerial expenditures by type, *see Volume II (Part I),*
 Section 1

M—Concluded

Ministerial revenues by main classification, *see Volume II*
 (Part I), Section 1
 Ministry summary (of source and disposition of authorities),
 see related ministerial section in Volume II (Part I)
 Miscellaneous accountable advances, 9.39, 9.41
 Miscellaneous accountable imprest and standing advances,
 9.39, 9.41
 Miscellaneous federal/provincial projects, 6.35, 6.42
 Miscellaneous non-tax revenues, 3.3
 Miscellaneous payroll deductions, 5.4, 5.11
 Miscellaneous projects deposits—
 Canadian Heritage, 6.35, 6.41
 Environment, 6.35, 6.41
 Fisheries and Oceans, 6.35, 6.42
 Natural Resources, 6.37, 6.45
 Missions abroad, 9.39, 9.41
 Moneys received after March 31 but applicable to the current
 year, 7.4
 Montreal Port Corporation, 9.6, 9.10
 Mounted Police Foundation, 6.37, 6.46
 Multilateral Investment Guarantee Agency, 5.5, 9.30, 9.32
 Municipal Development and Loan Board, 9.35, 9.36, 9.37

N

National Accounts presentation, 2.8
 National Archives of Canada—Donations, 4.11, 4.15
 National Battlefields Commission—Trust Fund Account,
 4.11, 4.15
 National governments including developing countries,
 1.9, 1.23, 9.3, 9.24
 National Library—Special Operating Account, 4.11, 4.15
 National Research Council of Canada—Trust Fund,
 6.36, 6.44
 National Round Table on the Environment and Economy—
 Donations, 4.12, 4.17
 National Sea Products Ltd, 9.22, 9.23
 Native claimants, 9.39, 9.45
 NATO, *see* North Atlantic Treaty Organization
 Natural Sciences and Engineering Research Council—
 Trust Fund, 6.36, 6.45
 Net gain on exchange, 3.3
 Net Income Stabilization Account, 6.34, 6.40
 Non-budgetary transactions, 1.7, 2.2
 Non-government agencies, 6.37, 6.45
 Non-lapsing authorities granted/repealed in the current year,
 see Volume II (Part I), Section 1
 Non-tax revenues, 1.8, 2.3, 3.2, 3.3, 3.7
 Non-tax revenues and revenues netted against expenditures, 7.6
 Nordion International Inc., 9.40, 9.46
 North Atlantic Treaty Organization (NATO)
 damage claims recoverable, 9.24, 9.28
 infrastructure projects, 6.37, 6.45
 North Portage Development Corporation, 9.22, 9.23
 Notes payable to international organizations, 5.4, 5.5
 Notes to the financial statements of the Government of
 Canada, 1.11
 NPM Nuclear Project Managers Canada Inc, 9.22, 9.23
 Nuclear Liability Reinsurance Account, 4.10, 4.14

O

Observations by the Auditor General, 1.29
 Opinion of the Auditor General on the financial statements of the Government of Canada, 1.5
 Other accounts payable and accrued liabilities, 5.4, 5.11
 Other cash—Consolidated Crown corporations, 7.4
 OTHER GOVERNMENT-WIDE INFORMATION, *see* *Volume II (Part II), Section 12*
 OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS, 10
 Other information related to the financial statements, 10.2
 Other level of Government, 2.4
 Other loans, investments and advances, 1.9, 9.3, 9.39
 OTHER MISCELLANEOUS INFORMATION, *see* *Volume II (Part II), Section 13*
 Other non-tax revenues, 1.8, 2.3, 3.3, 3.7
 Other outstanding liabilities—Canadian Sports Pool Corporation, 6.35, 6.42
 Other program expenditures, 1.8, 3.2, 3.12
 Other receivables, 7.6
 Other specified purpose accounts, 4.11, 4.14, 6.2, 6.34
 Ottawa Civil Service Recreational Association, 9.39, 9.42
 Outstanding cheques, 7.5
 Outstanding cheques and warrants, 1.9, 7.2, 7.5

P

Pan American Health Organization (SIREVA), 6.35, 6.42
 Parolees, 9.40, 9.47
 PAYMENTS OF CLAIMS AGAINST THE CROWN, EX GRATIA
 PAYMENTS AND COURT AWARDS, *see* *Volume II (Part II), Section 10*
 PEI Fixed Link, *see* Confederation Bridge
 Pension accounts, 6.34
 Pension and other accounts, 1.9, 2.6, 6.2, 6.17
 other, 1.9
 Personal income tax, 1.8, 3.3, 3.5
 Personnel posted abroad, 9.39, 9.41
 Petro-Canada, 9.22, 9.23
 Petro-Canada Enterprises Inc—Shares, 6.36, 6.44
 Petro-Canada Limited—Cash reserve, 6.29, 6.31, 6.35
 Portfolio investments, 1.9
 Preface to the financial statements of the Government of Canada, 1.2
 Prime Minister Awards, 4.11, 4.16
 Prince Rupert Port Corporation, 9.6, 9.11
 Privileges, licences and permits, 3.3
 Proceeds from sales, 3.3
 Proceeds from the disposal of surplus Crown assets, 3.3
 PROFESSIONAL AND SPECIAL SERVICES, *see* *Volume II (Part II), Section 5*
 Program objective and activity description, *see related ministerial section in Volume II (Part I)*
 Programs by activity, *see related ministerial section in Volume II (Part I)*
 Project deposits—Statistics Canada, 6.36, 6.45
 Provincial and territorial governments, 1.9, 9.3, 9.35
 Provincial and territorial tax collection agreements account, 5.4, 5.6, 5.7
 Provincial workers' compensation boards, 9.39, 9.44

P—Concluded

PUBLIC DEBT CHARGES, *see* *Volume II (Part II), Section 9*
 Public debt charges, 1.8, 3.2, 3.12
 Public participation funding program, 6.35, 6.41
 Public sector pensions, 1.9, 1.20, 6.2, 6.17, 6.19
 Public Service death benefit account, 6.34, 6.39
 Public Service Superannuation Account, 6.19, 6.20, 6.21

Q

Queen's Fellowship fund—Social Sciences and Humanities Research Council, 6.36, 6.45

R

Radarsat, 6.36, 6.44
 Recapitulation of external expenditures by standard object, *see* *Volume II (Part I), Section 1*
 Recapitulation of external expenditures by type, *see* *Volume II (Part I), Section 1*
 Recapitulation of external revenues by main classification, *see* *Volume II (Part I), Section 1*
 Receiver General
 current deposits, 7.3
 special deposits, 7.3
 Refunds of previous years' expenditures, 3.3
 Regional electrical interconnections, 9.36, 9.38
 Regular forces death benefit account, 6.34, 6.38
 Retirement Compensation Arrangements (RCA) Account, 6.19, 6.20, 6.24
 Return on investments, 1.8, 2.3, 3.3, 3.7
 Returned soldiers' insurance fund, 6.34, 6.39
 Revenues, *see related ministerial section in Volume II (Part I)*
 Revenues, 1.8, 1.14, 3.2
 by main classification, total net, 3.4
 from all sources, 3.5
 other income tax, 1.8, 3.3, 3.5
 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT, 3
 Revenues, expenditures and accumulated deficit, 3.2
 Revenues, expenses and other changes in equity of consolidated Crown corporations, 4.6
 enterprise Crown corporations, 9.16
 Royal Canadian Mint, 9.6, 9.11
 Royal Canadian Mounted Police
 benefit trust fund, 6.30, 6.33
 dependants' pension fund, 6.34, 6.39
 dependants' pension plan, 6.63
 Superannuation Account, 6.19, 6.20, 6.22

S

Saint John Harbour Bridge Authority, 9.40, 9.47
 St Lawrence Seaway Authority, The, 6.29
 Sales of seized assets, 6.35, 6.42
 Schedule of minimum payments, 10.3
 Scholastic awards, 6.30, 6.33
 Securities held by the Canada Pension Plan Investment Fund, 6.2, 6.26

S—Continued

Securities in trust—Bankruptcy and Insolvency Act, 6.36, 6.44

Security for costs,
Supreme Court of Canada, 6.29, 6.32
Tax Court of Canada, 6.29, 6.32

Seized assets
Canadian funds, 6.37, 6.46
US funds, 6.37, 6.46

Seized property—Cash, 6.30, 6.32

Seized Property Proceeds Account, 4.12, 4.17

Seized Property Working Capital Account, 9.40, 9.46

Service fees, 3.3

Shared-cost agreements
conferences and training, 6.35, 6.41
NAFTA Secretariat, Canadian Section, 6.35, 6.42
research, 6.34, 6.37, 6.41, 6.45
tourism, 6.36, 6.44

Shared-cost/joint project agreements, 6.35, 6.41
research, 6.36, 6.44

Shared-cost projects
Canadian International Development Agency, 6.35, 6.42
International conferences, 6.35, 6.42
Foreign Affairs and International Trade, 6.35, 6.42
Industry, 6.36, 6.44
Natural Resources, 6.37, 6.45

Ship-Source Oil Pollution Fund, 4.10, 4.14

Social Sciences and Humanities Research Council—
Trust Fund, 6.36, 6.45

Société du parc industriel et portuaire Québec-Sud, 9.22, 9.23

Source and disposition of authorities by type (voted and statutory), *see Volume II (Part I), Section 1*

Source and disposition of budgetary authorities by ministry, *see Volume II (Part I), Section 1*

Source and disposition of non-budgetary authorities by ministry, *see Volume II (Part I), Section 1*

Special areas and highways agreement,
Atlantic Canada Opportunities Agency, 9.35, 9.36, 9.37
Western Economic Diversification, 9.36, 9.38

Special drawing rights allocations, 8.2, 8.3

Special Operating Account—National Library, 4.11, 4.15

Specified purpose accounts,
other, 4.11, 4.14, 6.2, 6.34

Spending and borrowing authorities, 1.13

Sponsorship Agreement—Contributions, 6.37, 6.46

Statement of accumulated deficit, 2.4

Statement of accumulated deficit in terms of total liabilities and total assets, 3.15

Statement of all borrowing transactions on behalf of Her Majesty, 6.16

Statement of assets and liabilities, 1.9, 2.5

Statement of changes in financial position, 1.10

Statement of contingent liabilities, 10.16

Statement of responsibility, 1.4

Statement of revenues, expenditures and accumulated deficit, 1.8

Statement of revenues and expenditures, *see Volume II (Part I), Section 1*

Statement of transactions, 1.7

Statement of transactions of the Debt Servicing and Reduction Account, 1.26

S—Concluded

Summary combined financial statements of enterprise
Crown corporations by segment, 9.13

Summary financial statements of
consolidated Crown corporations, 4.3
enterprise Crown corporations, 9.12

Summary of insurance programs of agent enterprise
Crown corporations, 10.14

Summary of significant accounting policies, 1.11

Summary of transactions in public sector pensions that resulted in charges to expenditures, 6.20

Summary statement of transactions, 2.2

Superannuation accounts, 6.2, 6.19

SUPPLEMENTARY FINANCIAL INFORMATION, 2

Supplementary financial information, 2.2

Supplementary Fines Fish Account, 4.11, 4.16

SUPPLEMENTARY INFORMATION REQUIRED BY THE FINANCIAL ADMINISTRATION ACT, *see Volume II (Part II), Section 3*

Supplementary Retirement Benefits Account, 6.19, 6.20, 6.25

Surplus for the year, 1.8, 2.2, 3.2

Suspense accounts, 5.4, 5.11

T

Tax revenues, 1.8, 2.3, 3.2, 3.3, 3.5

Temporary deposits received from importers, 6.29, 6.32

Transactions in the Employment Insurance Account, 4.14

Transfer payment agreements, fixed assets, purchases and operating leases, 10.3, 10.4

TRANSFER PAYMENTS, *see Volume II (Part II), Section 8*

Transfer payments, *see related ministerial section in Volume II (Part I)*

Transfer payments, 1.8, 3.2, 3.10
by province, certain, 3.11

Transportation and assistance loans, 9.39, 9.41

Treasury bills, 1.9, 6.2, 6.9
average yields at tender, 6.15

Treaty Land Entitlement (Saskatchewan) Fund, 6.36, 6.44

Trust accounts, 6.30

Trust fund
National Research Council of Canada, 6.36, 6.44
Natural Sciences and Engineering Research Council, 6.36, 6.45
Social Sciences and Humanities Research Council, 6.36, 6.45

Trustee Performance Securities, 6.29, 6.31

U

Unamortized commissions on Canada savings bonds, 5.12

Unamortized discounts and premiums on marketable bonds, 5.12

Unamortized discounts on
Canada bills, 5.12
Treasury bills, 5.12

Uncertainty due to the Year 2000 Issue, 1.25

Unclaimed dividends and undistributed assets
Bankruptcy and Insolvency Act, 6.36, 6.44
Canada Business Corporations Act, 6.36, 6.44
Winding-up Act, 6.36, 6.44

U—Concluded

- United Kingdom, 9.24
 - United Kingdom Financial Agreement Act, 1946, 9.24
- Unmatured debt, 1.9, 1.17, 6.2, 6.4
 - and other financial instruments, 1.17
 - as at March 31, from 1994 to 1998, with the average rate of interest thereon, 6.15
 - payable in Canadian currency, 1.9, 6.2, 6.4
 - payable in foreign currencies, 1.9, 6.2, 6.8
- Unmatured debt transactions, 2.7
 - net requirement from, 1.7
 - net source from, 1.7, 2.2

V

- Vancouver Port Corporation, 9.6, 9.11
- Veterans administration and welfare trust fund, 6.30, 6.33
- Veterans insurance fund, 6.34, 6.39
- Veterans' Land Act Fund, 9.40, 9.47

W

- War claims fund—World War II, 6.35, 6.41
- Western Grain Stabilization Account, 4.10, 4.12
- Winding-up Act—Unclaimed dividends and undistributed assets, 6.36, 6.44
- Winter capital projects fund, 9.35, 9.36, 9.37
- World Health Organization, 6.35, 6.42

Y

- Yukon Energy Corporation, 9.39, 9.45