



Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

1999

Volume I

Summary Report
and Financial
Statements

Canada 

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Available in Canada through

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Canadian Government Publishing

Ottawa, Canada K1A 0S9

Catalogue No. P51-1/1999-1E

ISBN 0-660-17792-7

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:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 1999.

All of which is respectfully submitted.



Lucienne Robillard,
President of the Treasury Board.

OTTAWA, SEPTEMBER 28, 1999

To The Honourable Lucienne Robillard,
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, 1999, to be laid by you before the House of Commons.

Respectfully submitted,



Alfonso Gagliano,
Receiver General for Canada.

OTTAWA, SEPTEMBER 28, 1999

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, 1999.

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, 1999.

Respectfully submitted,



Ranald A. Quail,
Deputy Receiver General for Canada.

OTTAWA, SEPTEMBER 28, 1999

VOLUME I

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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

1998-99

PUBLIC ACCOUNTS OF CANADA

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

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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 and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of four statements and accompanying notes.

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

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

- Unmatured debt transactions show decreases or increases in unmatured debt, that is, the net change in amounts owing for marketable bonds, Treasury bills, Canada savings bonds and special non-marketable bonds for the Canada Pension Plan. 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. For the purposes of this statement, cash is defined as the CRF balance at March 31, adjusted for outstanding cheques, warrants and deposits on that date.

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

Other sections in this volume, together with Volume II of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The 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.

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

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

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

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

On behalf of the Government of Canada.



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, 1999 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 as to whether:

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

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.

In my opinion:

1. **Fairness:** These financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1999 and the results of its operations, the changes in its financial position, and its financial requirements for the year then ended.
2. **Compliance:** These financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements.
3. **Consistency:** The Government's stated accounting policies have been applied on a basis consistent with that of the preceding year.

My opinion on the March 31, 1998 financial statements:

In my report dated July 27, 1998, I expressed a qualified opinion on the March 31, 1998 financial statements of the Government of Canada, for the recording of a transaction related to the Canada Millennium Scholarship Foundation as if it were a liability and an expenditure. In my opinion, this understated the 1997-98 surplus by \$2.5 billion and overstated accounts payable and accrued liabilities as well as the accumulated deficit by the same amount.

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

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

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 26, 1999

GOVERNMENT OF CANADA

Statement of Transactions
for the Year Ended March 31, 1999

(in millions of dollars)

	1999	1998
BUDGETARY TRANSACTIONS		
Revenues.....	155,671	153,162
Expenditures.....	-152,787	-149,684
Surplus for the year.....	2,884	3,478
NON-BUDGETARY TRANSACTIONS		
Net source from loans, investments and advances.....	500	2,031
Net source from pension and other accounts.....	7,024	3,829
Net source from other transactions.....	1,083	3,391
Net source.....	8,607	9,251
Source of funds (excluding foreign exchange transactions).....	11,491	12,729
NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS.....	-5,700	-2,155
Total source of funds.....	5,791	10,574
NET REQUIREMENT FOR UNMATURED DEBT TRANSACTIONS.....	-6,864	-9,561
Decrease (-) or increase in cash.....	-1,073	1,013
CASH IN BANK AT BEGINNING OF YEAR⁽¹⁾.....	10,379	9,366
CASH IN BANK AT END OF YEAR⁽¹⁾.....	9,306	10,379

The accompanying notes are an integral part of these statements.

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

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

⁽¹⁾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, 1999

(in millions of dollars)

	1999		1998	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
REVENUES (Note 4)				
TAX REVENUES—				
Income tax—				
Personal	77,707	72,488	75,672	70,787
Corporation	21,575	21,575	22,496	22,496
Other income tax revenues	2,901	2,901	2,974	2,974
	102,183	96,964	101,142	96,257
Excise taxes and duties—				
Goods and services tax	23,534	20,684	22,353	19,461
Energy taxes	4,716	4,716	4,638	4,638
Customs import duties	2,359	2,359	2,766	2,766
Other excise taxes and duties	3,640	3,640	3,995	3,995
	34,249	31,399	33,752	30,860
Employment insurance premiums	19,363	19,363	18,802	18,802
TOTAL TAX REVENUES	155,795	147,726	153,696	145,919
NON-TAX REVENUES—				
Return on investments	5,072	4,991	4,511	4,427
Other non-tax revenues	6,676	2,954	6,155	2,816
TOTAL NON-TAX REVENUES	11,748	7,945	10,666	7,243
TOTAL REVENUES	167,543	155,671	164,362	153,162
EXPENDITURES (Note 5)				
TRANSFER PAYMENTS—				
Old age security benefits, guaranteed income supplement and spouse's allowance	22,285	22,781	21,758	22,225
Other levels of government	25,523	25,523	20,504	20,504
Employment insurance benefits ⁽²⁾	11,884	11,884	11,842	11,842
Canada child tax benefits	5,715		5,352	
Other transfer payments	21,585	18,735	23,557	20,664
TOTAL TRANSFER PAYMENTS	86,992	78,923	83,013	75,235
CROWN CORPORATION EXPENDITURES	4,995	3,497	3,775	2,548
OTHER PROGRAM EXPENDITURES—				
National Defence	9,125	8,781	9,240	8,879
All other departments and agencies	22,153	20,192	22,113	20,279
TOTAL OTHER PROGRAM EXPENDITURES	31,278	28,973	31,353	29,158
TOTAL PROGRAM EXPENDITURES	123,265	111,393	118,141	106,941
PUBLIC DEBT CHARGES	41,394	41,394	40,931	40,931
TOTAL EXPENDITURES	164,659	152,787	159,072	147,872
SURPLUS BEFORE CHANGE IN ACCOUNTING POLICY	2,884	2,884	5,290	5,290
Change in accounting policy (Note 2)			-1,812	-1,812
SURPLUS FOR THE YEAR	2,884	2,884	3,478	3,478
ACCUMULATED DEFICIT, BEGINNING OF YEAR	579,708	579,708	583,186	583,186
ACCUMULATED DEFICIT, END OF YEAR (Note 6)	576,824	576,824	579,708	579,708

The accompanying notes are an integral part of these statements.

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 expenditures and tax credits related to the tax system included in revenues.⁽²⁾ Employment insurance benefits exclude administration costs of \$1,360 million (\$1,322 million in 1998) 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, 1999**
(in millions of dollars)

	1999	1998
LIABILITIES		
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—		
Accounts payable and accrued liabilities	24,509	22,364
Interest and matured debt	9,791	10,419
Allowance for employee benefits	6,926	6,729
Allowance for loan guarantees and for borrowings of Crown corporations	4,090	4,188
TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES	45,316	43,700
INTEREST-BEARING DEBT—		
Unmatured debt—		
Payable in Canadian currency—		
Marketable bonds	295,752	294,583
Treasury bills	96,950	112,300
Canada savings bonds	27,662	29,769
Bonds for Canada Pension Plan	4,063	3,456
	424,427	440,108
Payable in foreign currencies	36,000	27,183
Total unmatured debt (Note 7)	460,427	467,291
Pension and other accounts—		
Public sector pensions (Note 8)	122,407	117,457
Canada Pension Plan (net of securities) (Note 9)	5,427	4,205
Other pension and other accounts	6,724	5,872
Total pension and other accounts	134,558	127,534
TOTAL INTEREST-BEARING DEBT	594,985	594,825
TOTAL LIABILITIES	640,301	638,525
ASSETS		
CASH AND ACCOUNTS RECEIVABLE—		
Cash in bank	9,306	10,379
Cash in transit	5,432	4,530
	14,738	14,909
Less outstanding cheques and warrants	4,045	3,218
Total cash	10,693	11,691
Accounts receivable (net of allowance for doubtful accounts of \$2,432 million (\$2,461 million in 1998))	4,580	4,122
TOTAL CASH AND ACCOUNTS RECEIVABLE	15,273	15,813
FOREIGN EXCHANGE ACCOUNTS (Note 10)	34,668	28,968
LOANS, INVESTMENTS AND ADVANCES—		
Enterprise Crown corporations and other government business enterprises (Notes 11 and 14)	11,052	12,601
National governments, including developing countries and international organizations (Note 12)	7,555	6,869
Provincial and territorial governments and other loans, investments and advances	3,100	2,591
Portfolio investments	1,241	1,241
	22,948	23,302
Less allowance for valuation	9,412	9,266
TOTAL LOANS, INVESTMENTS AND ADVANCES	13,536	14,036
TOTAL ASSETS	63,477	58,817
ACCUMULATED DEFICIT (Note 6)	576,824	579,708

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

GOVERNMENT OF CANADA

Statement of Changes in Financial Position
for the Year Ended March 31, 1999 ⁽¹⁾

(in millions of dollars)

	1999	1998
OPERATING ACTIVITIES —		
Surplus for the year	2,884	3,478
Expenditures not requiring cash :		
Interest on pension and other accounts	10,048	9,474
Government contribution for employee benefits	2,116	1,773
Provision for valuation of assets and liabilities	-698	2,620
	14,350	17,345
Net payments from pension and other accounts	-3,531	-5,110
Net change in accounts receivable, accounts payable and accruals	181	-470
CASH PROVIDED BY OPERATING ACTIVITIES	11,000	11,765
INVESTING ACTIVITIES —		
Net decrease in loans, investments and advances	566	1,467
CASH PROVIDED BY INVESTING ACTIVITIES	566	1,467
FOREIGN EXCHANGE ACTIVITIES —		
Net increase in foreign currencies borrowings	8,817	4,167
Net increase in foreign exchange accounts	-5,700	-2,155
CASH PROVIDED BY FOREIGN EXCHANGE ACTIVITIES	3,117	2,012
TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES	14,683	15,244
FINANCING ACTIVITIES —		
Net decrease in Canadian currency borrowings	15,681	13,728
CASH USED FOR FINANCING ACTIVITIES	15,681	13,728
Net decrease (-) or increase in cash	-998	1,516
CASH AT BEGINNING OF YEAR	11,691	10,175
CASH AT END OF YEAR	10,693	11,691

The accompanying notes are an integral part of these statements.

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.

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all departments, agencies, corporations and funds are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment and an allowance for valuation which includes their annual net profits and losses. In addition, any amounts receivable from or payable to these corporations are reported. More details on enterprise Crown corporations and other government business enterprises are provided in Note 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 the income earned on investments. 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 Notes 4 and 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 Canada child tax benefit program are charged in the period to which they relate.

Non-tax revenues are reported on an accrual basis.

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

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

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 or bilateral agreements.

Gold reserves

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of four major currencies. More details on gold reserves are provided in Note 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 cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. The Government applies exceptions to this policy in respect to claims related to the Government's arrangements with First Nations and to claims for significant tax refunds.

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 and other government business enterprises, 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 have been reclassified to conform to the current year's presentation. In particular, a reclassification was made for the effect of a change in accounting policy that occurred in 1998 for the calculation of interest costs on obligations for public sector pensions.

2. Change in Accounting Policy in 1998

In 1998, the Government changed its method of accounting for assistance to international financial institutions. Under the new accounting policy, an expenditure is recorded when a note payable is issued to an international financial institution rather than when it is redeemed.

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 through appropriation acts. Other approvals come from other legislation in the form of statutory spending authority for specific purposes (for example, old age security). During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	1999	1998
Annual spending limits voted by Parliament	48,398	46,477
Expenditures permitted under other legislation	99,001	93,978
Total expenditures authorized	147,399	140,455
Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts.	3,135	3,061
Total used	144,264	137,394
Effect of consolidating certain accounts and provision for valuation	8,523	12,290
Net total expenditures ⁽¹⁾	152,787	149,684

⁽¹⁾ The 1998 expenditures include \$1,812 million to reflect the change in accounting policy for assistance to international financial institutions.

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

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$51,576 million (\$51,524 million in 1998) was authorized for loans, investments and advances. A net amount of \$83 million was repaid (\$413 million in 1998), an amount of \$33 million lapsed (\$58 million in 1998) and an amount of \$51,626 million is available for use in subsequent years (\$51,878 million in 1998).

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, Agriculture and Agri-Food vote 5, Canadian Heritage - Payment to National Capital Commission vote 100, Finance - Office of the Superintendent of Financial Institutions vote 40, Industry - Payment to Enterprise Cape Breton Corporation vote 65, National Defence vote 5 and Privy Council - Security Intelligence Review Committee vote 40, were each overexpended by less than \$50 million.

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

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous years. This authority was not used in 1999 and remains available for future years.

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)	
	1999	1998
Gross personal income tax	77,707	75,672
Less transfer payments:		
Canada child tax benefit		
payments	5,715	5,352
Old Age Security		
benefit repayments	-496	-467
Net personal income tax	72,488	70,787

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

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)	
	1999	1998
GST and HST received	50,174	46,986
Less:		
Refunds	22,162	20,500
Rebates	1,909	1,741
GST paid by		
ministries	907	922
Transfer of HST to provinces	1,662	1,470
Gross GST	23,534	22,353
Less other transfer payments—		
Quarterly tax credits	2,850	2,892
Net GST	20,684	19,461

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

Amounts include harmonized sales tax (HST) where applicable. GST and HST received are reported net of offsetting refunds and rebates claimed by registrants. Refunds and rebates are reported net of GST and HST collected by registrants. Transfers of HST to participating provinces are calculated in accordance with formulae contained in Sales Tax Harmonization Agreements.

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)	
	1999	1998
Gross return on investments		
Loans, investments and advances	2,755	2,604
Foreign exchange accounts	1,737	1,379
Other	580	528
	5,072	4,511
Less:		
Other program expenditures—		
Revenues netted against expenditures	41	47
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	40	37
Net return on investments	4,991	4,427
Gross other non-tax revenues	6,676	6,155
Less:		
Other program expenditures—		
Revenues netted against expenditures	2,264	2,149
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	1,458	1,190
Net other non-tax revenues	2,954	2,816

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

5. Expenditures

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

i. By type of resources acquired or disbursements made

		(in millions of dollars)	
Standard Object		1999	1998
(1)	Personnel	16,348	16,342
(2)	Transportation and communications ..	1,733	1,859
(3)	Information	337	319
(4)	Professional and special services	4,007	3,515
(5)	Rentals	1,105	1,036
(6)	Purchased repair and maintenance	1,502	1,349
(7)	Utilities, materials and supplies	2,700	2,527
(8)	Construction and acquisition of land, buildings and works	743	913
(9)	Construction and acquisition of machinery and equipment	2,312	2,332
(12)	Other subsidies and payments	5,486	4,936
		36,273	35,128
(13)	Less:		
	Revenues netted against expenditures	2,305	2,196
	Revenues of consolidated Crown corporations	1,498	1,227
	Net total—Other program and Crown corporation expenditures	32,470	31,705
(10)	Gross transfer payments ⁽¹⁾	86,992	84,825
	Less tax credits and repayments	8,069	7,777
	Net transfer payments ⁽¹⁾	78,923	77,048
	Total net program expenditures	111,393	108,753
(11)	Public debt charges	41,394	40,931
	Total net expenditures	152,787	149,684
	Change in accounting policy (Note 2)		-1,812
	Total net expenditures before change in accounting policy	152,787	147,872

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

⁽¹⁾ The 1998 amount includes \$1,812 million to reflect the change in accounting policy for assistance to international financial institutions.

ii. Transfer payments to other levels of government

		(in millions of dollars)	
		1999	1998
Canada health and social transfer ⁽¹⁾		16,018	12,421
Fiscal arrangements		11,645	10,000
Canada Assistance Plan		8	24
Education support			5
Insurance and medical care		2	162
Alternative payments for standing programs ⁽²⁾		-2,150	-2,108
Total expenditures		25,523	20,504

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

⁽¹⁾ Refer to explanation at the following paragraph vi.

⁽²⁾ 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)	
		1999	1998
Foreign Affairs and International Trade		2,065	2,084
Health		1,180	902
Human Resources Development		2,429	2,076
Indian Affairs and Northern Development		4,451	3,978
Industry		2,282	2,977
Veterans Affairs		1,377	1,374
Other ministries		4,951	9,085
Total		18,735	22,476
Change in accounting policy (Note 2)			-1,812
Total net expenditures before change in accounting policy		18,735	20,664

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)	
		1999	1998
Fisheries and Oceans		1,080	1,092
Foreign Affairs and International Trade		1,248	1,153
Health		1,083	974
Human Resources Development		1,858	1,505
Industry		1,719	1,536
National Revenue		2,581	2,199
Public Works and Government Services		1,904	1,824
Solicitor General		2,664	2,637
Other ministries		6,055	7,359
Total net expenditures		20,192	20,279

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)	
	1999	1998
Interest on—		
Unmatured debt	26,052	26,289
Pension and other accounts	10,153	9,553
Amortization of discounts on Canada and Treasury bills	4,765	4,742
Amortization of premiums, discounts and commissions on all other debt	279	197
Servicing costs and costs of issuing new borrowings	145	150
Total public debt charges	41,394	40,931

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

vi. *Significant transaction**Canada Health and Social Transfer (CHST) supplement*

In the February 1999 Budget, the Government announced a decision to provide a one-time supplement to the CHST of \$3,500 million from funds available in fiscal year 1998-99. Legislation authorizing the payment of the cash contribution to a trust account received parliamentary approval in June 1999. The Government recorded the CHST supplement as a liability at March 31, 1999 and charged \$3,500 million to transfer payments to other levels of government.

6. **Accumulated Deficit**

The Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified 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)	
	1999	1998
Accumulated deficit excluding consolidated accounts	596,461	592,142
Consolidated accounts—		
Employment Insurance Account	-20,147	-12,860
Western Grain Stabilization Account	1,085	1,085
Other insurance accounts	-281	-270
Other consolidated accounts	-300	-381
	576,818	579,716
Consolidated Crown corporations	6	-8
Accumulated deficit	576,824	579,708

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.

(in millions of dollars)								
Maturing year	Marketable bonds			Canada savings bonds ⁽²⁾	Bonds for Canada Pension Plan	Canada bills	Notes ⁽³⁾	Total
	Canadian \$	Foreign ⁽¹⁾ currency expressed in Canadian \$	Treasury bills			US \$ expressed in Canadian \$	Foreign currency expressed in Canadian \$	
2000	44,903		96,950		636	10,171	718	153,378
2001	33,950	2,263			23		678	36,914
2002	28,121	1,508		2,132	18		808	32,587
2003	21,566	4,526		1,935	18			28,045
2004	28,030			2,762	17		98	30,907
2005 and subsequent	139,204	11,350		21,388	3,351		3,880	179,173
	295,774	19,647	96,950	28,217	4,063	10,171	6,182	461,004
Less Government's holdings of unmatured debt	22			555				577
	295,752	19,647	96,950	27,662	4,063	10,171	6,182	460,427
Nature of interest rate ⁽⁴⁾	Fixed ⁽⁵⁾	Fixed	Variable	Variable	Fixed	Variable	Fixed ⁽⁶⁾	
Effective average annual interest rate excluding swaps	7.62	5.83	4.94	4.28	9.39	4.81	4.70	
Range of interest rates	4-15.75	4.875-6.75	4.61-5.83	3.5-5.0	4.66-17.51	4.59-5.14	1.9-6.68	

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

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

⁽²⁾ 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.

⁽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 or London Interbank Offered Rates (LIBOR). In the case of cross currency swap agreements, Canadian dollar and other foreign currency

debt has been converted into US dollars with either fixed interest rates or variable interest rates tied to the 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, 1999 are as follow:

Maturing year	(in millions of dollars)			
	1999		1998	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
1999			1,350	
2000	500	439	500	400
2001		30		25
2002	702	1,400	250	1,360
2003		2,852		2,633
2004	50	2,288	50	4,391
2005 and subsequent	1,849	9,687		
	3,101	16,696	2,150	8,809

(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 swaps 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 credit 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)	
	1999	1998
AAA	525	
AA+	6,029	4,031
AA	1,121	1,383
AA-	7,876	5,395
A+	4,246	
A		150
	19,797	10,959

(c) Foreign currency contracts

The Government has entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involve the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen. The Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999).

As at March 31, 1999 the notional value of these outstanding forward currency contracts is \$12,240 million (\$5,720 million in 1998) and the unrealized gain which is not recognized in the books is \$62 million (\$63 million in 1998). All forward currency transactions have a maximum term of about 12 months or less. The Government manages its exposure to forward currency contract counterparties by dealing principally with financial institutions having credit ratings of at least AA-, 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)			
	1999		1998	
	Forward sale contracts	Forward purchase contracts	Forward sale contracts	Forward purchase contracts
US dollar.....	4,806	3,690	2,704	1,533
Deutsche mark	678		513	
Japanese yen.....	770		449	
Pound sterling.....	387		256	
French franc	343		265	
Euro	892	674		
Total	7,876	4,364	4,187	1,533

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)					
	1999			1998		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Financial Assets						
Cash.....	10,693	10,693		11,691	11,691	
Accounts receivable	4,580	4,580		4,122	4,122	
Foreign exchange accounts.....	34,668	35,473	805	28,968	30,082	1,114
Loans investments and advances excluding investments in enterprise Crown corporations	11,641	11,949	308	12,626	13,312	686
Liabilities						
Accounts payable, accruals and allowances	45,316	45,316		43,700	43,700	
Unmatured debt.....	460,427	508,615	-48,188	467,291	509,070	-41,779
Pension and other accounts	129,131	116,388	12,743	123,329	106,775	16,554
Canada Pension Plan deposit	5,427	5,427		4,205	4,205	
Net fair value in excess of carrying value			-34,332			-23,425

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 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), treasury bills (issued in Canadian dollars) and Euro medium-term notes 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.

(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)			
	1999		1998	
	Notional Value	Fair Value	Notional Value	Fair Value
Interest rate and cross currency swaps	19,797	-289	10,959	337
Foreign currency contracts—				
Forward sales	7,876	69	4,187	8
Forward purchases	4,364	-7	1,533	55

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, workforce 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 \$13,900 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$14,400 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 1999, which amounted to \$109,664 million (\$100,903 million in 1998) and unamortized pension adjustments of \$12,743 million (\$16,554 million in 1998). 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.

The formula to calculate the pension benefits for Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans was amended on June 17, 1999 through the *Budget Implementation Act, 1999*. As well, on November 18, 1998, the *Judges Act* was amended to add an early retirement provision to the Judges pension plan. The March 31, 1999 accrued benefit obligation incorporates the cost of providing these benefits to existing contributors and pensioners. The one time effect of these plan amendments is estimated at \$1,195 million and is charged to pension related expenditure.

Interest at the Government's long-term bond rate (9.6 percent in 1999 and 9.9 percent in 1998) is calculated on actuarial obligations and is reported as part of public debt charges. Charges to expenditures are summarized as follows:

	(in millions of dollars)	
	1999	1998
Employer contributions ⁽¹⁾	1,919	1,615
Pension plan amendment costs	1,195	
Statutory payments under various acts	90	94
Pension costs attributable to Public Service restructuring	-222	525
Amortization of estimation adjustments	-2,341	-2,440
Net pension costs	641	-206
Interest charged to public debt charges	9,468	9,016
Total pension related expenditure	10,109	8,810

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

⁽¹⁾ Net of \$241 million (\$393 million in 1998) already recorded in pension related expenditure of previous years.

9. Canada Pension Plan

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

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

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

Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in securities of provinces, territories and Canada. The Board was created on April 1, 1998 to help the Plan achieve its steady-state funding by earning investment returns on funds transferred from the Account.

The Plan's deposit with the Receiver General for Canada is reported as the liability at March 31 and represents the balance in the Account, net of short-term investments in Canada bonds and securities held by the Fund and the Board.

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

	(in millions of dollars)	
	1999	1998
Canada Pension Plan —		
Balance at beginning of year	36,664	37,759
Contributions received	14,800	12,790
Investment income	3,926	3,950
Pensions and benefits paid	-18,195	-17,537
Administration expenditures	-304	-298
Balance at end of year	36,891	36,664
Invested in—		
Canada Pension Plan Investment Fund		
Provincial and territorial securities	27,389	29,003
Canada bonds	3,444	3,456
Canada Pension Plan Account		
Deposit with the Receiver General for Canada	5,427	4,205
Short-term investment in Canada bonds	619	
Canada Pension Plan Investment Board	12	
	36,891	36,664

Details (unaudited) and the financial statements of the Plan are included in Section 6 of this volume.

As administrator, the Government's authority to spend is limited to the balance of the Plan of \$36,891 million (\$36,664 million in 1998). Governing legislation does not require the Plan obligations to be determined on an actuarial basis. The balance in the Plan is anticipated to increase to and be maintained at, over time, approximately five times the projected annual payments for the following year. The *Seventeenth 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 the 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)	
	1999	1998
International reserves held in the Exchange Fund Account.....	31,855	28,198
International Monetary Fund—		
Subscriptions	13,048	8,194
	44,903	36,392
Less:		
International Monetary Fund—		
Notes payable	8,639	5,946
Special drawing rights allocations	1,596	1,478
	10,235	7,424
Total foreign exchange accounts	34,668	28,968

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: 2.3 million fine ounces (3.1 million fine ounces in 1998). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$71.70 per fine ounce (\$66.38 in 1998), which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of four major currencies (the Euro, US dollar, Pound sterling and Japanese yen. The Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999). This valuation results in a recorded value of \$165 million (\$205 million in 1998), which is much lower than the market value of \$970 million (\$1,319 million in 1998) using a value of \$421.61 per fine ounce (\$427.36 in 1998).

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

11. Crown Corporations and Other Government Business Enterprises

The Government wholly owns fifty-one corporations referred to as Crown corporations within the meaning of the *Financial Administration Act*.

Some of these Crown corporations rely on the Government for most of their financing. There are twenty-one such corporations (twenty-two in 1998) whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

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

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

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

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

The following table presents the Government's recorded financial assets for enterprise Crown corporations and other government business enterprises. Of this amount, \$3,592 million (\$3,440 million in 1998) 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)	
	1999	1998
Canada Mortgage and Housing Corporation.....	6,323	6,733
Farm Credit Corporation.....	2,209	3,045
Export Development Corporation.....	983	983
Canada Deposit Insurance Corporation.....		395
Business Development Bank of Canada.....	454	403
Other.....	1,083	1,042
Total.....	11,052	12,601

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

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

	(in millions of dollars)	
	1999	1998
Assets (including capital assets and deferred charges of \$5,358 (\$5,909 in 1998)).....	97,099	89,481
Liabilities.....	91,312	83,857
Net equity.....	5,787	5,624
Revenues.....	19,341	20,310
Expenses.....	16,828	18,167
Net income for the year.....	2,513	2,143
Other changes in equity		
Dividends ⁽¹⁾	-1,976	-1,555
Other.....	-374	263
	163	851
Opening net equity.....	5,624	4,773
Closing net equity.....	5,787	5,624
Contractual commitments.....	8,665	9,952
Contingent liabilities.....	1,983	627

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

⁽¹⁾ Amounts reported as dividends include \$1,704 million (\$1,509 million in 1998) 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 \$3,336 million (\$2,859 million in 1998) are loans to developing countries of \$1,525 million (\$1,586 million in 1998). 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 \$4,219 million (\$4,010 million in 1998). Generally, advances to the funds are considered to be of a concessionary nature as the monies are loaned 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.

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)	
	1999	1998
Transfer payment agreements.....	13,913	13,669
Acquisition of property and equipment, and goods and services.....	5,677	4,435
Benefit plans for veterans.....	5,830	5,750
Operating and capital leases.....	3,917	4,074
International organizations.....	1,371	1,290
Pension liability under Continuation Acts.....	160	185
	30,868	29,403

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)
2000	7,953
2001	5,993
2002	4,992
2003	4,078
2004	3,596
2005 and subsequent	4,256
	<hr/> 30,868

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

i. *Transfer payment agreements*

Included in the transfer payment agreements commitments of \$13,913 million (\$13,669 million in 1998) is an amount of \$8,884 million (\$9,035 million in 1998) 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 2004 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2004.

ii. *Benefit plans for veterans*

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,200 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2004 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only the period to 2004.

iii. *Operating and capital leases*

Capital leases have various terms up to 50 years. Of the total of \$3,917 million (\$4,074 million in 1998) in operating and capital leases, \$2,706 million (\$2,827 million in 1998) represents future payments for capital leases. Of this, \$1,501 million (\$1,600 million in 1998) is imputed interest and executory costs.

14. Insurance Programs

Three enterprise Crown corporations, whose financial affairs are not consolidated with these financial statements, operate insurance programs for the Govern-

ment. 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, 1999 amounted to \$307,998 million (\$305,014 million in 1998). At March 31, 1999, the fund has a surplus of \$27 million (\$539 million deficit in 1998). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1999 was \$183,000 million (\$168,900 million in 1998). The Fund has a surplus of \$231 million at March 31, 1999 (\$21 million in 1998). 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, 1999 was \$10,224 million (\$11,500 million in 1998). The EDC insurance portfolio has a surplus of \$308 million at March 31, 1999 (\$252 million in 1998). 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 classified into three categories: guarantees by the Government, international organizations, and claims and pending and threatened litigation. The Government is confident that any ultimate settlement on these contingent liabilities will be for amounts significantly lower than those being disclosed.

i. *Guarantees by the Government*

Guarantees by the Government at March 31, 1999 amounted to \$43,655 million net of an allowance of \$4,090 million (\$39,418 million net of an allowance of \$4,188 million in 1998). The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations and other government business enterprises when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. All other loan guarantees are reported as contingencies.

ii. International Organizations

Contingent liabilities related to international organizations at March 31, 1999 amounted to \$18,104 million (\$17,097 million in 1998). The Government has callable share capital in certain international organizations that could require payments to those agencies.

iii. Claims and pending and threatened litigation

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

Aboriginal and comprehensive land claims: Aboriginal claims with specific amounts totalling to approximately \$200,000 million and comprehensive Aboriginal land claims amounting to \$742 million (\$756 million in 1998) are known to the Government. The Government is aware of an additional 2,000 potential claims currently being researched by First Nations. A reliable estimate of potential liability cannot be made at this time.

Health-related claims: There are a number of individual as well as class action suits which have been commenced against the Government with allegations of negligence. 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 costs cannot be made at this time. However, in May 1999, a final proposed settlement agreement of \$1,118 million, plus interest, was reached by federal, provincial and territorial Health Ministers, together with counsel for Canadians infected with Hepatitis C through the Canadian blood system between January 1, 1986 and July 1, 1990. This agreement is now subject to the formal approval of the Courts in Quebec, Ontario and British Columbia. Upon approvals by the Courts, the settlement agreement would become binding upon expiry of the appeals periods.

Significant tax refunds: There are \$574 million (\$1,188 million in 1998) in claims or litigation relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1999.

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

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. Progress has been made in the identification and cataloguing of suspected contaminated sites, however, the process of assessing the nature and level of contamination on these sites, and the consequent preparation and costing of a remediation plan, is technically challenging and time consuming. While reasonable estimates of the costs attributable to the Government are not yet available, the Government will continue to work toward the determination and recognition of environmental liabilities in accordance with generally accepted accounting principles.

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 December 31, 1999 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 *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, 1999. 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, 1999 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 26, 1999

Debt Servicing and Reduction Account
Statement of Transactions
for the Year Ended March 31, 1999
(in thousands of dollars)

	1999	1998
Goods and services tax and harmonized sales tax received	50,173,680	46,986,058
Less: Refunds	22,161,813	20,499,723
Rebates	1,908,794	1,741,119
Amounts paid by ministries	907,160	921,700
Quarterly tax credits	2,849,817	2,891,725
Transfer of harmonized sales tax to provinces	1,662,202	1,470,466
	<u>29,489,786</u>	<u>27,524,733</u>
Net goods and services tax	20,683,894	19,461,325
Penalties and interest received		
for goods and services tax	122,645	126,875
Gifts to the Crown	1,232	176
	<u>20,807,771</u>	<u>19,588,376</u>
Proceeds credited to the Account		
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3)	30,849,779	31,016,878
Less amount in excess of the Account's balance (Note 4)	10,042,008	11,428,502
	<u>20,807,771</u>	<u>19,588,376</u>
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)	
	1999	1998
Public debt charges	41,393,989	40,931,013
Less: amounts unrelated to a		
Borrowing Authority Act—		
Interest on unmatured debt ⁽¹⁾	390,687	361,234
Interest on pension and other		
accounts	10,153,523	9,552,901
Public debt expenditures		
chargeable to the Account	30,849,779	31,016,878

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

4. Amounts in Excess of the Account's Balance

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

SUPPLEMENTARY INFORMATION

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

INTRODUCTION AND MAIN POINTS

The purpose of these observations is to explain in more detail the meaning of my audit opinion on the Financial Statements of the Government of Canada for the year ended March 31, 1999. I also explain how I arrive at my opinion and what assurance it provides and does not provide to users. Finally, I comment on matters that will require continuing attention in future years. Listed below are the main points contained in these observations:

- My audit opinion highlights some important messages and should be carefully reviewed each year. This year, my opinion on the 1999 financial statements is without reservation. However, as these statements include comparative information from 1998, I draw the reader's attention to the reservation I included in my opinion on the 1998 financial statements.
- I agree with the Government's accounting in these financial statements for the \$3.5 billion Canada Health and Social Transfer supplement. The conditions underlying the recording of this transaction make it different from transactions recorded in the past two years for the Canada Foundation for Innovation and the Canada Millennium Scholarship Foundation.
- As the Government moves to implement full accrual accounting in 2001-02, the full amount of significant assets and liabilities will become quantifiable. The Government must move quickly to identify auditable estimates of these assets and liabilities in order to achieve its planned 2001-02 implementation date.

**MY AUDIT OPINION:
WHAT IT MEANS, HOW I ARRIVED AT IT, AND WHAT IT PROVIDES
AND DOES NOT PROVIDE**

What my audit opinion means

*Readers of the
Government's financial
statements should review
my audit opinion every
year.*

This section of my observations discusses in more detail the messages that I convey in my audit opinion. As explained below, I have structured my audit opinion to highlight the messages. 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.

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 three distinct aspects of the financial statements as required by section 6 of the *Auditor General Act* and as outlined below.

The scope of my audit. In the second 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.

I complete the second paragraph by noting 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 continue to use this year are the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements, pertinent legislation, and the recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (referred to as "PSAB").

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 three 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 each of these three aspects of the Government's financial statements for 1999 does not include any reservations. The readers are therefore entitled to conclude that the amounts shown in the financial statements are fairly stated within the limits of materiality. Further, the Government has prepared its financial statements in compliance with its stated accounting policies set out in Note 1 to the financial statements. The reader may also conclude that the accounting policies used by the Government to prepare the financial statements are the same policies as were used last year.

My opinion on the March 31, 1998 financial statements. In last year's observations, I reported that, in my opinion, the Government's accounting policy for transfer payments did not comply with objective accounting standards as a result of changes made to the policy in 1998. Although this policy remains in effect, there have been no transactions that have the same characteristics.

This year, I have also included a paragraph in my audit opinion that discusses the fairness of the March 31, 1998 financial statements. Last year, my opinion on the 1998 financial statements included a reservation for the recording of a transaction related to the Canada Millennium Scholarship Foundation. I reported that in my opinion, the 1997-98 surplus was understated by \$2.5 billion and accounts payable and accrued liabilities, as well as the accumulated deficit, were overstated by the same amount. Because the 1998 financial statements are included as comparative figures in the 1999 financial statements, I refer to my 1998 opinion in this year's opinion.

During 1998-99, the Government actually made the \$2.5 billion payment to the Canada Millennium Scholarship Foundation. This payment was recorded as a reduction to accounts payable and accrued liabilities, and had no impact on the 1998-99 surplus.

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 did last 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.

My opinion on the Government's financial statements for 1999 states that they are "fairly" presented, are prepared in compliance with stated accounting policies and use policies that are consistent with 1998.

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 \$165 billion.

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 fail to detect whether the financial statements are 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

My opinion adds credibility to the Government's financial statements; it does not address value for money issues.

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 my work is separate from my 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 and Crown corporations. 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 separate 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 is adequate or that its systems will become Year 2000-compliant in time. I have reported twice on this matter in my October 1997 and December 1998 Reports. In 1997, Chapter 12 reported on the Government's overall state of preparedness for Year 2000. In 1998, Chapter 20 focussed on the Government's progress in making its mission-critical systems compliant for Year 2000. My audit work in this area is continuing and I will be reporting 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

The \$3.5 billion supplement to the Canada Health and Social Transfer (CHST) program

Accounting for the transaction. Recorded in these financial statements is a \$3.5 billion liability and transfer payment expenditure related to a supplement to the CHST program announced in the February 1999 Budget. I agree that the Government incurred a liability and expenditure due to this announcement and the events surrounding the supplement that occurred prior to March 31, 1999, and obtained parliamentary approval for the payment prior to completion of the 1999 financial statements. The 1997 and 1998 Budgets announced respectively an \$800 million liability and expenditure for the Canada Foundation for Innovation and a \$2.5 billion liability and expenditure for the Canada Millennium Scholarship Foundation (referred to as "the Foundations"). However, I did not agree with the accounting for those transactions and said so in my opinions on the 1997 and 1998 financial statements.

The criteria underlying the accounting recognition of these transactions are laid out in objective accounting standards for governments in Canada as enunciated by PSAB. Below, I review these criteria and summarize why I have accepted the accounting for the CHST supplement and why I did not accept the accounting for the Foundations:

The \$3.5 billion liability established at March 31, 1999 for the CHST supplement was recorded in accordance with objective accounting standards. The liabilities at March 31, 1998 and 1997 to the Canada Millennium Scholarship Foundation and the Canada Foundation for Innovation were not.

Summary of criteria for accounting recognition.

Criteria for Recognition	CHST Supplement	Foundations
Was the transfer authorized at March 31?	Yes; the CHST program had been authorized at March 31, 1999. The supplement to the program was approved by Parliament prior to completion of the 1999 financial statements.	No; both Foundations represented new programs that had not been authorized by Parliament at March 31, although the programs were approved by Parliament prior to completion of the financial statements.
Was there a legal recipient at March 31?	Yes; the provinces and territories of Canada.	No; neither Foundation legally existed at March 31. They did not come into existence until several months after that date.
Had the recipients met any eligibility criteria prior to March 31? (For grants, there are no eligibility criteria other than the signing of an agreement between the parties.)	Yes; the premiers of the provinces, the government leaders of the territories and the Prime Minister of Canada had signed an agreement prior to March 31, 1999.	No; no agreements could be signed because no recipients existed. The agreements were signed several months after March 31, only after the recipients had been legally created by Parliament.
Could a reasonable estimate of the amount have been made at March 31?	Yes.	Yes.

Substance of the Foundations. My observations in the 1997 and 1998 Public Accounts described quite extensively my reservations on the recording of transfer payments to the Foundations. In addition, in 1998 I drew attention to the fact that the substance of these Foundations should be examined by PSAB, on the recommendation of the Government and in consultation with other governments in Canada. By “substance”, I mean whether – in accordance with objective accounting standards – such organizations are considered not to be dealing at arm’s length with governments and are therefore consolidated in government financial statements.

The Government has not reviewed this matter either with other governments in Canada, or with PSAB. I continue to believe that it should and, therefore, undertook my own research into the matter. My research included a review of relevant literature such as Canadian generally accepted accounting principles (GAAP) applicable to entities in the private sector and not-for-profit organizations, and Canadian GAAP for public sector entities. The authoritative literature from the United States, the United Kingdom, Australia and the International Accounting Standards Committee was also reviewed.

Objective accounting standards used to determine whether organizations such as the Foundations are part of the Government should be enhanced.

From this research I conclude that the application of the present PSAB recommendations requires considerable judgment to determine the appropriate accounting by governments for such “special purpose entities” as the Foundations. Different aspects of control and accountability must be assessed, individually and in aggregate, when deciding if consolidation is appropriate. Given the recent trend in the Government toward providing more goods and services through channels outside the traditional public service, it is important to establish acceptable practices for the accounting by governments for such organizations, and to maintain accountability to the users of the Public Accounts.

I therefore continue to strongly recommend that the Government encourage PSAB to provide additional guidance in the form of either an Accounting Guideline or a change in the PSAB Handbook. Although this would still require the exercise of professional judgment, I believe that it would limit the need for judgment in determining what should be included in the government reporting entity.

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

What does the move to full accrual accounting mean?

FIS has three main elements; renewal of the accounting systems, the move to full accrual accounting and providing improved information for management decision making. Last year, I mentioned that I would devote sufficient Office resources to monitoring this important government initiative. In my November 1999 Report, I will report again on the status of these three elements of FIS and will continue this practice until the Government completes this important initiative. As well, I noted last year that FIS is critical to the Government's continuing ability to produce these Public Accounts and to my ability to audit the financial statements contained herein. Hence I would like to describe here some of the more important changes that the full accrual accounting element of FIS will bring, so that readers can fully appreciate their potential impact on the financial statements.

The Government's current *basis of accounting*, as described in Note 1 to the financial statements, is known as modified accrual accounting. This term means that while most operating expenditures and all non-tax revenues are recorded in the financial statements when they are incurred or earned (even if cash is paid out or received later), tax revenues are accounted for when cash is received and the entire amount of capital acquisitions, such as buildings, is treated as an expenditure when acquired.

The Government has announced that it intends to move its accounting policies to full accrual accounting by recording all expenditures and tax revenues when incurred or earned and reporting as expenditures only the portion of capital acquisitions that have been used up during the year. As described below, this means that all liabilities (including those for Aboriginal claims and the environment), and all assets (including those for taxes receivable, investments in enterprise Crown corporations, capital assets, prepaid expenses and inventories), will be recorded or recognized in the financial statements. However, it is important to keep in mind that the recording of these assets and liabilities will in no way alter the current level of government debt reflected in the financial statements.

What is the status of the move to full accrual accounting?

Aboriginal claims – After reporting on this issue extensively in last year's observations, I am pleased to report that the Government has made progress toward quantifying its liability for both types of Aboriginal claims: those being pursued through the courts and those being pursued through Indian and Northern Affairs Canada. The current Government policy for reporting Aboriginal claims (found in Note 1 to the financial statements) is neither thorough nor complete. However, we believe that both the progress made to date by the Department to quantify the liability and the time frame for completing the work for 2001-02 are reasonable.

The Government has made progress toward its objective of preparing full accrual financial statements for 2001-02.

Environmental liabilities – The Government has not yet approved a formal accounting policy for reporting environmental costs and liabilities. In an attempt to identify and estimate the environmental costs and liabilities at March 31, 1999, the Treasury Board Secretariat issued in February 1999 an updated draft of the *Policy on Accounting for Costs and Liabilities Related to Contaminated Sites*. As data were received from departments based on the draft policy, it became apparent that the systems they use to collect information are not yet adequate for reporting on these amounts. Although much work remains to be done in some departments, the time frame for completing the work for 2001-02 is reasonable.

Accrual of tax revenue – Accrual accounting for tax revenue is intended to ensure that tax revenues reported in the Government's financial statements reflect more accurately the underlying economic activity during the fiscal period, and that tax amounts owed to the Government are reported in the financial statements. The Government has not finalized its approach in developing a practical methodology to accrue tax revenues and the related accounting policy. In July 1999, however, Revenue Canada established a team that is responsible for continuing the development of an appropriate form of accrual accounting for tax revenue. The team is working under the direction of a steering committee of officials from Revenue Canada, the Department of Finance and the Treasury Board Secretariat. My officials are working closely with these committee members to ensure that all related audit concerns are dealt with. Due to its scope, much remains to be done before the Government is in a position to implement this initiative for 2001-02.

Enterprise Crown corporations – The Government still intends to adopt PSAB's recommendation for the reporting of profits and losses of enterprise Crown corporations on a modified equity basis, when it moves to full accrual accounting. This change in accounting practice will eliminate the approach used in recent years, that of adjusting allowances to include corporate profits and losses in the surplus for the year.

Capital assets – In December 1998, the Government's draft *Accounting Standard on Capital Assets* that outlines the Government's policy to capitalize and amortize capital assets was refined and issued as a revised draft to departments. Much remains to be done before the Government is in a position to implement this initiative. For example, departments must translate the draft standard into more detailed departmental policies that take into account the unique nature of their capital assets; complete inventories of capital assets administered by the departments must be prepared; and the capital assets must be valued in accordance with the policies. Many departments have not begun to assemble this information and there is, therefore, a tremendous amount of work to do before implementing this accounting policy for 2001-02.

Prepaid expenses and inventories – The Government intends to record these assets for 2001-02, but has not yet drafted an accounting policy and instructions to departments for determining either of these asset balances. Therefore, much remains to be done before implementing this accounting policy for 2001-02.

The Government's plan to implement full accrual accounting by 2001-02 is very ambitious and requires a tremendous effort by departments and agencies.

Can the Government implement full accrual accounting for 2001-02?

The Government has an enormous challenge to achieve its objective of implementing full accrual accounting for 2001-02. I am concerned that planning for the move to full accrual accounting is starting only now in many departments and agencies. They should not underestimate the level of effort and time it will take to do this. My November 1999 Report chapter on FIS will elaborate on this matter and I will continue to monitor the Government's efforts to identify and quantify these assets and liabilities.

Netting

For several years, beginning soon after my appointment as Auditor General, I included in these observations a matter that concerned me – the offsetting of expenditures against revenues, or, simply, “netting”. In 1995, I stopped drawing attention to this issue in my annual observations because there were other important matters that, in my view, needed attention. However, the time has come to put the issue forward again. Consider the following:

- When I first raised this issue in 1992, the Child Tax Credit payments netted against revenue amounted to \$1.4 billion. This year, its successor, the Canada Child Tax Benefit payments, amounted to \$5.7 billion (see Note 4 to the financial statements). And, as announced in the 1999 Budget, these payments will eventually grow to over \$7 billion. This massive and important expenditure program continues to be delivered through the tax system and is shown in Budget documents and in the Annual Financial Report⁽¹⁾ as a net reduction of income tax revenue. This is incomplete financial disclosure.
- The Condensed Statement of Revenues, Expenditures and Accumulated Deficit included in the Government's Annual Financial Report is presented on a gross basis. The remainder of the document presents analyses of revenues and expenditures on essentially a net basis. This results in confusion, because the financial statement amounts do not agree with these analyses.
- The Statement of Revenues, Expenditures and Accumulated Deficit in this section has four columns – two showing gross amounts for the current and the preceding years, and two showing net amounts for the current and the preceding years. This results in a statement that is cluttered and difficult to understand.

“Netting” obscures significant expenditure programs because they are buried in revenues resulting in incomplete financial disclosure.

The reason given by the Government for netting in the financial statements is that netting is consistent with the way Parliament appropriates funds to the Government and is used in the preparation of Budget documents. Nonetheless, I strongly recommend that the financial statements and Budget documents be prepared on solely a gross basis of accounting.

⁽¹⁾ The Department of Finance publishes the Annual Financial Report of the Government of Canada. It presents and analyzes information taken from the Public Accounts, but in a concise and summarized form.

Timely financial statements

Another issue I have raised in my observations in previous years is the length of time it takes after the Government's year end to produce the audited financial statements and make public the final fiscal results. I provided examples in those observations of large corporations, including Crown corporations, that published their audited financial statements less than two to four months after their fiscal year end. More recently, a few provincial governments are beginning to achieve that time frame as well.

While there has been a slight improvement in the timeliness of final fiscal results since I last highlighted this matter in 1993, the Government has not been able to release its final fiscal results until the end of September — six months after the fiscal year end!

This year, the three central agencies responsible for the Public Accounts, the Department of Finance, the Treasury Board Secretariat and the Receiver General function in Public Works and Government Services Canada, set the objective of an earlier release date for the 1999 Public Accounts. They and my Office agreed together that it was feasible to have final audited financial statements ready for release by early September 1999. However, the central agencies can prepare the financial statements only after the departments, agencies and Crown corporations submit the financial information to be consolidated in the financial statements.

Some of these organizations take very seriously their responsibility to provide the central agencies with information on a timely basis. They plan their schedules carefully, are available to answer our questions as part of the audit, and review the audit results with us by early August. Other organizations are not as co-operative. My sense is that they do not view this work in the context of their own accountability. In their view, accountability for the Public Accounts rests with the central agency ministers (the Minister of Finance, the President of the Treasury Board and the Receiver General), not with their own minister. Accountability for their financial information comes later, when their Departmental Performance Report is tabled in Parliament.

Despite the good intentions of the three central agencies, the timeliness of the release of final fiscal results will never improve as long as this attitude exists in departments and agencies. In fact, when the Government implements FIS, departments and agencies will have even more responsibility for the preparation of year-end financial statements. I therefore strongly recommend strict enforcement of department and agency reporting dates, so that timeliness will improve — both in the current process of preparing the financial statements and in the framework envisioned under FIS.

The Government releases its audited fiscal results six months after its fiscal year end. Most corporations in Canada and an increasing number of provincial governments release them much earlier.

Debt Servicing and Reduction Account (DSRA)

My observations in the 1997 Public Accounts drew attention to the Statement of Transactions of the DSRA and suggested that the Government and Parliament may wish to re-examine whether it is still needed and useful. I did not discuss this in last year's Public Accounts because the Government had responded positively and had asked the House of Commons' Finance Committee to take the necessary action.

The Committee has this issue on its agenda and has asked me for additional information on the rationale for my suggestion. I have provided this additional information to the Committee but to date the Committee has not reported the results of its deliberations to the House. I continue to believe that the Committee should re-examine the continuing need for and usefulness of the DSRA.

The Annual Financial Report (AFR)

From the time of its introduction in 1994 until 1998, there were few substantive changes to the AFR. Yet events both domestic and international have heightened the need for improved financial reporting by governments and suggested new ways of bringing this about. I concluded that it was time to revisit the AFR in order to make it more useful and facilitate its access by interested Canadians, and in Chapter 29 of my December 1998 Report I called on the Department of Finance to do so.

The Department is acting on that recommendation. It has initiated the following actions since our Report was released:

- A user survey was included in the 1999 AFR; the purpose of the survey is to solicit users' suggestions for improving the AFR's usefulness and understandability.
- The Department undertook a detailed communications review to simplify the document and eliminate duplication.
- The "Report Highlights" section of the AFR was made more user-friendly by including more charts and graphs.
- The highly technical and complicated economic analysis in the "Economic Developments" section of the AFR was eliminated, although some of that analysis was used in the "Budgetary Revenues" and "Budgetary Expenditures" sections.
- Interested Canadians can view the AFR on the Department of Finance internet site.

The Government has made significant improvements in its 1999 Annual Financial Report.

I applaud these initiatives and believe that the AFR has been significantly improved for 1999. I encourage the Government to use the results of the user survey and to continually improve the document so that all interested Canadians and parliamentarians will use it regularly.

CONCLUSION

I believe strongly that the Government's financial statements included in these Public Accounts, together with the AFR, are extremely important accountability documents that must be credible, understandable, useful and available on a timely basis. For 1999, the Government has achieved all but timeliness, as the audited final fiscal results again were not available until six months after the Government's fiscal year end. My 1999 opinion on the financial statements is without qualification, lending credibility to the assertions they contain. And I continue to see improvements in the understandability and usefulness of the financial statements and AFR.

However, I am worried about the future. The Government's goal is to introduce full accrual accounting in one fell swoop in 2001-02. I sincerely hope that it is able to do so and I fully support and encourage this goal. While the Government's plan is achievable, it is ambitious.

I strongly encourage the Government, with the support of Parliament, to do whatever it takes to meet its announced target date of 2001-02 for implementation of full accrual accounting.

SECTION 2

1998-99

PUBLIC ACCOUNTS OF CANADA

Supplementary Financial Information

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SUPPLEMENTARY FINANCIAL INFORMATION

Introduction

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

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

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

	Year ended March 31									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Budgetary transactions										
Revenues	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162	155,671
Expenditures	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785	-158,918	-149,793	-149,684	-152,787
Surplus or deficit (-) for the year	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462	-28,617	-8,897	3,478	2,884
Non-budgetary transactions										
Loans, investments and advances	1,020	96	-409	533	562	331	2,698	275	2,031	500
Pension and other accounts	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024
Other transactions	594	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391	1,083
Net source	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251	8,607
Source of funds or financial requirements (-)	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842	-17,183	1,265	12,729	11,491
Net source or requirements (-) from foreign exchange transactions	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700
Total source of funds or financial requirements (-)	-18,582	-28,284	-29,777	-28,749	-31,978	-27,267	-21,887	-6,494	10,574	5,791
Net source from unmatured debt transactions ⁽²⁾	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864
Change in cash in bank ⁽³⁾	-321	1,057	-1,795	2,107	-744	-244	6,662	811	1,013	-1,073
Cash in bank at beginning of year	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379
Cash in bank at end of year	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306

Details can be found in other sections of this volume.

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

⁽²⁾ Cash requirements (-)

⁽³⁾ Cash decrease (-)

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

	Year ended March 31									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Tax revenues—										
Income tax—										
Personal	51,895	57,601	61,222	58,283	51,427	56,329	60,167	63,282	70,787	72,488
Corporation	13,021	11,726	9,359	7,206	9,444	11,604	15,955	17,020	22,496	21,575
Other income tax revenues	1,587	1,651	1,534	1,462	1,593	1,769	2,105	2,847	2,974	2,901
	<i>66,503</i>	<i>70,978</i>	<i>72,115</i>	<i>66,951</i>	<i>62,464</i>	<i>69,702</i>	<i>78,227</i>	<i>83,149</i>	<i>96,257</i>	<i>96,964</i>
Excise taxes and duties—										
Goods and services tax		2,574	15,168	14,868	15,696	16,786	16,375	18,079	19,461	20,684
Energy taxes	2,471	3,192	3,441	3,437	3,640	3,824	4,404	4,467	4,638	4,716
Customs import duties	4,587	4,001	3,999	3,811	3,652	3,575	2,969	2,676	2,766	2,359
Other excise taxes and duties	21,097	16,346	2,588	3,964	3,647	2,904	2,856	3,876	3,995	3,640
	<i>28,155</i>	<i>26,113</i>	<i>25,196</i>	<i>26,080</i>	<i>26,635</i>	<i>27,089</i>	<i>26,604</i>	<i>29,098</i>	<i>30,860</i>	<i>31,399</i>
Employment insurance premiums	<i>10,738</i>	<i>12,707</i>	<i>15,394</i>	<i>17,535</i>	<i>18,233</i>	<i>18,928</i>	<i>18,510</i>	<i>19,816</i>	<i>18,802</i>	<i>19,363</i>
Total tax revenues	105,396	109,798	112,705	110,566	107,332	115,719	123,341	132,063	145,919	147,726
Non-tax revenues—										
Return on investments—										
Bank of Canada	2,239	2,809	1,844	1,806	1,452	1,571	1,841	1,310	1,509	1,704
Canada Mortgage and Housing Corporation	822	772	753	800	719	706	680	632	610	591
Farm Credit Corporation	239	230	215	226	211	199	208	171	169	133
Exchange Fund Account	1,661	2,258	2,900	3,209	2,916	1,816	1,138	1,423	1,499	1,770
Interest on bank deposits	278	285	192	169	128	155	370	229	326	380
Other return on investments	611	453	617	628	716	574	238	445	314	413
	<i>5,850</i>	<i>6,807</i>	<i>6,521</i>	<i>6,838</i>	<i>6,142</i>	<i>5,021</i>	<i>4,475</i>	<i>4,210</i>	<i>4,427</i>	<i>4,991</i>
Other non-tax revenues	<i>2,461</i>	<i>2,748</i>	<i>2,806</i>	<i>2,976</i>	<i>2,510</i>	<i>2,583</i>	<i>2,485</i>	<i>4,623</i>	<i>2,816</i>	<i>2,954</i>
Total non-tax revenues	8,311	9,555	9,327	9,814	8,652	7,604	6,960	8,833	7,243	7,945
Total net revenues	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162	155,671

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

	Year ended March 31									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Transfer payments—										
Old age security benefits, guaranteed income supplement and spouse's allowance	16,154	17,131	18,393	19,106	19,903	20,511	21,034	21,606	22,225	22,781
Other levels of Government ⁽¹⁾	23,417	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504	25,523
Employment insurance benefits	11,694	14,665	18,126	19,065	17,626	14,815	13,476	12,380	11,842	11,884
Family allowances and Child tax Credits ⁽²⁾	2,653	2,736	2,821	2,194	7					
Other transfer payments ⁽³⁾	15,926	15,340	17,389	18,125	18,459	19,993	18,154	17,460	22,476	18,735
Total transfer payments	69,844	72,800	81,594	85,034	82,942	81,632	78,740	73,608	77,047	78,923
Crown corporation expenditures	5,237	5,713	5,252	6,219	5,298	5,003	4,321	3,578	2,548	3,497
Other program expenditures—										
National Defence	11,249	11,518	10,901	10,939	11,282	10,693	9,935	8,661	8,879	8,781
All other departments and agencies	17,518	18,734	17,468	20,384	20,492	21,411	19,017	18,973	20,279	20,192
Total other program expenditures	28,767	30,252	28,369	31,323	31,774	32,104	28,952	27,634	29,158	28,973
Total program expenditures	103,848	108,765	115,215	122,576	120,014	118,739	112,013	104,820	108,753	111,393
Public debt charges	38,789	42,588	41,174	38,825	37,982	42,046	46,905	44,973	40,931	41,394
Total net expenditures	142,637	151,353	156,389	161,401	157,996	160,785	158,918	149,793	149,684	152,787

⁽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 a change in accounting policy described in Note 2 of section 1 of this volume.

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

	Year ended March 31									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Canada health and social transfer ⁽¹⁾								14,911	12,421	16,018
Fiscal arrangements	9,582	9,245	9,935	8,664	10,101	8,870	9,405	9,418	10,000	11,645
Canada Assistance Plan	5,006	5,788	6,099	6,686	7,236	7,266	7,191	105	24	8
Insurance and medical care	6,663	6,033	6,689	8,307	7,232	7,691	7,115	-217	162	2
Education support	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	-2,150
Total	23,417	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504	25,523

⁽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									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Accumulated deficit—Beginning of year	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708
Deficit or surplus (-) for the year	28,930	32,000	34,357	41,021	42,012	37,462	28,617	8,897	-3,478	-2,884
Accumulated deficit—End of year	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708	576,824

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

	Year ended March 31									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
LIABILITIES										
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—										
Accounts payable and accrued liabilities	13,230	13,269	13,550	13,144	16,977	20,325	21,181	19,265	22,364	24,509
Interest and matured debt	5,683	5,489	6,576	5,866	6,465	4,831	7,403	10,402	10,419	9,791
Allowance for employee benefits	4,200	3,950	3,050	3,285	3,555	3,910	4,290	5,180	6,729	6,926
Allowance for loan guarantees and borrowings of Crown corporations	4,000	4,170	4,020	4,555	4,930	5,540	5,440	5,253	4,188	4,090
Total accounts payable, accruals and allowances	27,113	26,878	27,196	26,850	31,927	34,606	38,314	40,100	43,700	45,316
INTEREST-BEARING DEBT—										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	127,532	143,485	158,051	178,412	203,392	225,679	252,700	282,498	294,583	295,752
Treasury bills	118,550	139,150	152,300	162,050	166,000	164,450	166,100	135,400	112,300	96,950
Canada saving bonds	39,733	33,250	34,589	33,365	30,418	30,460	30,460	32,470	29,769	27,662
Bonds for Canada Pension Plan	3,072	3,492	3,501	3,505	3,497	3,488	3,478	3,468	3,456	4,063
	288,887	319,377	348,441	377,332	403,307	424,077	452,738	453,836	440,108	424,427
Payable in foreign currencies	5,675	4,526	3,444	5,409	10,668	16,921	16,809	23,016	27,183	36,000
	294,562	323,903	351,885	382,741	413,975	440,998	469,547	476,852	467,291	460,427
Pension and other accounts—										
Public sector pensions	69,626	76,139	81,881	87,911	94,097	101,033	107,882	114,205	117,457	122,407
Canada Pension Plan	2,962	3,459	3,181	2,839	2,728	3,406	3,636	3,718	4,205	5,427
Other	2,954	2,974	3,234	3,543	3,710	4,755	5,322	5,782	5,872	6,724
	75,542	82,572	88,296	94,293	100,535	109,194	116,840	123,705	127,534	134,558
Total interest-bearing debt	370,104	406,475	440,181	477,034	514,510	550,192	586,387	600,557	594,825	594,985
TOTAL LIABILITIES	397,217	433,353	467,377	503,884	546,437	584,798	624,701	640,657	638,525	640,301
ASSETS										
CASH AND ACCOUNTS RECEIVABLE—										
Cash in bank	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306
Cash in transit	2,035	2,196	2,902	2,931	3,313	3,241	4,189	4,062	4,530	5,432
	3,547	4,765	3,676	5,812	5,450	5,134	12,744	13,428	14,909	14,738
Less outstanding cheques and warrants	2,546	4,022	2,695	3,228	4,015	3,751	3,700	3,253	3,218	4,045
Total cash	1,001	743	981	2,584	1,435	1,383	9,044	10,175	11,691	10,693
Accounts receivable	2,421	3,165	4,208	4,372	4,496	4,353	5,972	4,416	4,122	4,580
Total cash and accounts receivable	3,422	3,908	5,189	6,956	5,931	5,736	15,016	14,591	15,813	15,273
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	15,393	19,066	17,148	10,879	13,156	14,356	18,908	26,726	28,198	31,855
International Monetary Fund—Subscriptions	4,474	4,565	4,797	7,599	8,443	9,433	8,580	8,295	8,194	13,048
Less International Monetary Fund—Notes payable and special drawing rights allocations	5,045	5,063	5,400	7,681	8,674	9,439	8,434	8,208	7,424	10,235
Total net foreign exchange accounts	14,822	18,568	16,545	10,797	12,925	14,350	19,054	26,813	28,968	34,668
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other										
government business enterprises	17,678	17,428	18,150	19,543	19,283	18,218	14,663	13,842	12,601	11,052
Joint and mixed enterprises	4,461	4,461	4,461	4,374	4,374	4,374	1,300	1,300	1,241	1,241
National governments including developing										
countries										
	3,495	3,476	3,535	3,382	3,434	3,282	3,221	3,074	2,859	3,336
International organizations ⁽¹⁾	4,666	4,898	5,179	5,436	5,691	5,480	5,565	5,617	4,010	4,219
Provincial and territorial governments	1,023	937	819	1,086	1,111	876	709	554	318	48
Other	1,744	1,832	1,918	1,417	1,478	1,710	2,154	2,234	2,273	3,052
	33,067	33,032	34,062	35,238	35,371	33,940	27,612	26,621	23,302	22,948
Less allowance for valuation	12,914	12,975	13,596	15,305	16,000	14,900	11,270	10,554	9,266	9,412
Total loans, investments and advances	20,153	20,057	20,466	19,933	19,371	19,040	16,342	16,067	14,036	13,536
TOTAL ASSETS	38,397	42,533	42,200	37,686	38,227	39,126	50,412	57,471	58,817	63,477
ACCUMULATED DEFICIT	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708	576,824

⁽¹⁾ The 1998 expenditures incorporate a change in accounting policy 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									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Loans, investments and advances—										
Enterprise Crown corporations and other government business enterprises—										
Business Development Bank of Canada			-10				-50	-50		-50
Canada Deposit Insurance Corporation	320	150	-560	-1,300	-66	991	533	772	460	395
Canada Mortgage and Housing Corporation	201	194	65	238	105	240	571	325	230	410
Canadian National Railway System	12	13	15	16	17	19	2,360			
Export Development Corporation	-75	-16			-25	-38	-132			
Farm Credit Corporation	104	-82	-159	71	-68	-35	214	-197	580	836
Other	-2	-9	-73	-412	297	-112	59	-29	-29	-43
	560	250	-722	-1,387	260	1,065	3,555	821	1,241	1,548
Other loans, investments and advances—										
Joint and mixed enterprises	362			88			3,074		59	
National governments including developing countries ..	696	19	-59	152	-52	152	61	147	215	-476
International organizations ⁽¹⁾	-45	-232	-281	-256	-255	211	-86	-52	1,607	-209
Provincial and territorial governments	-140	86	118	-268	-25	235	167	155	236	270
Other	142	-88	-86	495	-61	-232	-443	-80	-39	-779
	1,015	-215	-308	211	-393	366	2,773	170	2,078	-1,194
Total loans, investments and advances	1,575	35	-1,030	-1,176	-133	1,431	6,328	991	3,319	354
Allowance for valuation	-555	61	621	1,709	695	-1,100	-3,630	-716	-1,288	146
Total loans, investments and advances after allowance for valuation	1,020	96	-409	533	562	331	2,698	275	2,031	500
Pension and other accounts—										
Public sector pensions (net)	6,385	6,511	5,742	6,030	6,186	6,936	6,849	6,323	3,252	4,950
Canada Pension Plan (net)	422	497	-278	-342	-111	678	230	82	487	1,222
Other	-21	22	260	309	167	1,045	567	460	90	852
Total pension and other accounts	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024
Other transactions—										
Cash in transit	52	-161	-706	-29	-382	72	-948	127	-468	-902
Outstanding cheques and warrants	177	1,476	-1,327	533	787	-264	-51	-447	-35	827
Accounts receivable	-264	-744	-1,043	239	27	-412	-1,619	1,556	294	-458
Provincial and territorial tax collection agreements account	-368	-813	-241	-747	-151	870	1,058	352	-551	1,267
Other liabilities	997	578	559	-2	5,077	2,364	2,650	1,434	4,151	349
Total other transactions	594	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391	1,083
Net non-budgetary transactions after allowance for valuation	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251	8,607

Source/requirement (—)

⁽¹⁾ The 1998 expenditures incorporate a change in accounting policy 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									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Foreign exchange transactions—										
International reserves held in the Exchange Fund										
Account	2,029	-3,673	1,918	6,269	-2,277	-1,200	-4,552	-7,818	-1,472	-3,657
International Monetary Fund—Subscriptions	60	-91	-232	-2,802	-844	-990	853	285	101	-4,854
	2,089	-3,764	1,686	3,467	-3,121	-2,190	-3,699	-7,533	-1,371	-8,511
Less International Monetary Fund—Notes payable	126	5	-275	-2,181	-841	-586	851	174	766	-2,693
Special drawing rights allocations	15	-23	-62	-100	-152	-179	154	52	18	-118
	141	-18	-337	-2,281	-993	-765	1,005	226	784	-2,811
Total foreign exchange transactions	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700
Unmatured debt transactions—										
Marketable bonds	10,575	15,404	14,499	19,781	27,142	25,142	28,660	32,744	15,788	9,575
Treasury bills	15,850	20,600	13,150	9,750	3,950	-1,550	1,650	-30,700	-23,100	-15,350
Canada savings bonds	-6,812	-6,482	1,339	-1,224	-2,947	43		2,010	-2,701	-2,107
Bonds for the Canada Pension Plan	67	420	9	4	-8	-9	-10	-10	-12	607
Canada notes and loans	-1,734	-163	-7	-7			310	1,811	-456	-404
Canada bills	315	-438	-1,008	2,552	3,097	3,397	-2,061	1,450	920	815
Total unmaturred debt transactions	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864
Cash in bank at end of year—										
In Canadian currency	1,369	2,459	677	2,774	2,032	1,817	8,479	9,254	10,293	9,275
In foreign currencies	143	110	97	107	105	76	76	112	86	31
Total cash in bank	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306

Source/requirement (-)

THE NATIONAL ACCOUNTS PRESENTATION FOR THE YEAR ENDED MARCH 31, 1999 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

1998-99

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenditures and Accumulated Deficit

CONTENTS

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REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

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

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

TABLE 3.1

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

	1998-99		1997-98	
	Gross	Net	Gross	Net
Revenues—				
Tax revenues	155,795	147,726	153,696	145,919
Non-tax revenues	11,748	7,945	10,666	7,243
Total revenues, Table 3.2	167,543	155,671	164,362	153,162
Expenditures—⁽¹⁾				
Transfer payments	86,992	78,923	84,825	77,047
Crown corporation expenditures	4,995	3,497	3,775	2,548
Other program expenditures	31,278	28,973	31,353	29,158
Total program expenditures	123,265	111,393	119,953	108,753
Public debt charges	41,394	41,394	40,931	40,931
Total expenditures, Table 3.6	164,659	152,787	160,884	149,684
Surplus for the year	2,884	2,884	3,478	3,478
Accumulated deficit, beginning of year	(579,708)	(579,708)	(583,186)	(583,186)
Accumulated deficit, end of year, Table 3.12	(576,824)	(576,824)	(579,708)	(579,708)

⁽¹⁾ The 1998 expenditures incorporate the effect of a change in accounting policy 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 Canada child tax benefit program are charged in the period to which they relate.

Tax revenues for a fiscal year include receipts credited to the Receiver General for Canada by the Bank of Canada and the chartered banks by March 31 and amounts received in federal government offices by March 31, but not deposited until April

or not credited to the Receiver General until April. Tax revenues also include amounts received in the mail on the first working day of April, except when it is clear that it was the remitter's intention to discharge an obligation arising in the new fiscal year.

Although a taxpayer's income tax liability relates to a taxation year, collection of individual and corporation income taxes by 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;

3.2 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

- tax credits and repayments where certain tax credits are related to expenditures but are determined through the Income Tax System; and
- revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

“Net revenues” exclude the above three categories.

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.

TABLE 3.2

EXTERNAL REVENUES BY MAIN CLASSIFICATION (in millions of dollars)

	1998-99					1997-98	
	Gross revenues ⁽¹⁾	Revenues netted against expenditures	Deferred revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net revenues ⁽¹⁾	Gross revenues ⁽¹⁾ Net revenues ⁽¹⁾
Tax revenues—							
Income tax—							
Personal	77,707			5,219		72,488	75,672 70,787
Corporation	21,575					21,575	22,496 22,496
Other income tax revenues	2,901					2,901	2,974 2,974
	102,183			5,219		96,964	101,142 96,257
Employment insurance premiums	19,363					19,363	18,802 18,802
Excise taxes and duties—							
Goods and services tax, Table 3.4	23,534			2,850		20,684	22,353 19,461
Energy taxes —							
Excise tax—Gasoline	4,264					4,264	4,144 4,144
Excise tax—Aviation gasoline and diesel fuel	452					452	494 494
	4,716					4,716	4,638 4,638
Customs import duties	2,359					2,359	2,766 2,766
Other excise taxes and duties—							
Excise duties	3,411					3,411	3,283 3,283
Miscellaneous excise taxes and duties	229					229	712 712
	3,640					3,640	3,995 3,995
	34,249			2,850		31,399	33,752 30,860
Total tax revenues	155,795			8,069		147,726	153,696 145,919
Non-tax revenues—							
Return on investments, Table 3.5	5,072	41			40	4,991	4,511 4,427
Other non-tax revenues—							
Privileges, licences and permits	784	209	(1)			576	809 691
Refunds of previous years' expenditures	456					456	751 751
Service fees	1,863	1,399	4			460	1,816 461
Proceeds from sales	396	301				95	360 82
Proceeds from the disposal of surplus Crown assets	43					43	50 50
Domestic coinage	81					81	103 103
Net gain on exchange	94					94	215 213
Miscellaneous non-tax revenues	2,959	352			1,458	1,149	2,050 465
	6,676	2,261	3		1,458	2,954	6,155 2,816
Total non-tax revenues	11,748	2,302	3		1,498	7,945	10,666 7,243
Total revenues ⁽³⁾	167,543	2,302	3	8,069	1,498	155,671	164,362 153,162

⁽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, 1999

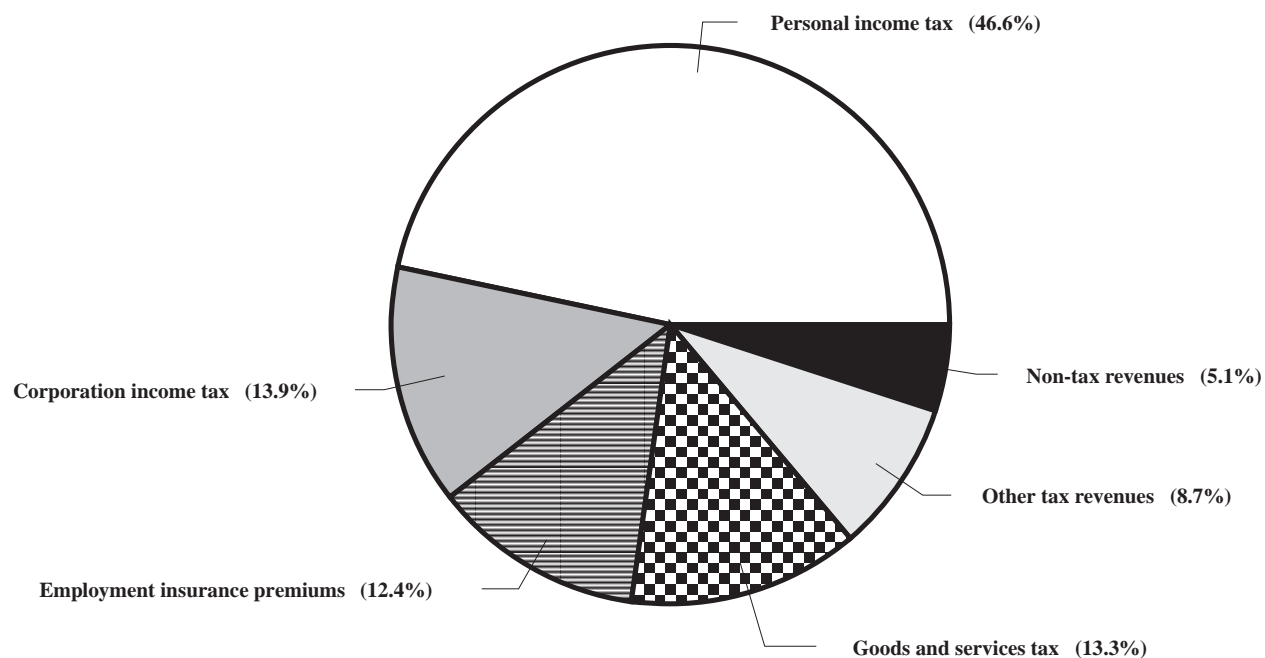
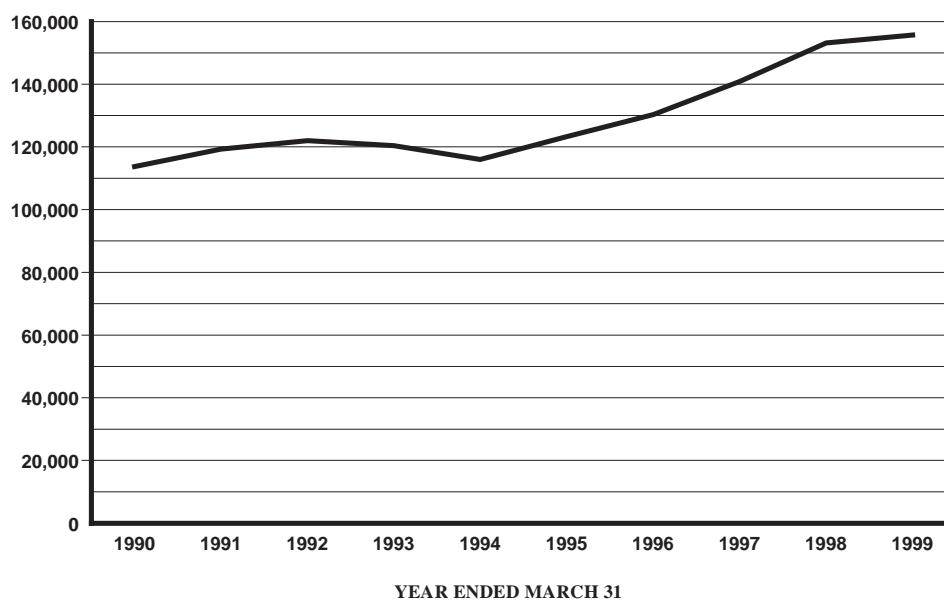


CHART 3B

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 \$172,517 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 \$155,821 million from all sources. The interdepartmental revenues of \$150 million are deducted from the net total revenues to report the net external revenues of \$155,671 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	167,543	1,498	2,302		3	8,069	155,671
Internal transactions by main classification—							
Excise taxes and duties							
Return on investments	27						27
Privileges, licences and permits	5						5
Refunds of previous years' expenditures	59						59
Service fees	3,113			3,103			10
Proceeds from sales	277			277			
Proceeds from the disposal of surplus Crown assets	11						11
Miscellaneous non-tax revenues	1,482			1,444			38
Total internal transactions	4,974			4,824			150
Total revenues	172,517	1,498	2,302	4,824	3	8,069	155,821

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)

	1998-99	1997-98
GST and HST received (National Revenue)	50,114,236	46,933,965
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food	5,767	5,943
Canadian Heritage	5,350	4,886
Citizenship and Immigration	5	5
Environment	2,864	2,772
Finance	401	72
Fisheries and Oceans	2,163	2,162
Foreign Affairs and International Trade	1	3
Governor General	13	10
Health	231	51
Human Resources Development	104	116
Indian Affairs and Northern Development	406	362
Industry	3,120	3,258
Justice	109	57
National Defence	1,529	1,371
National Revenue	134	129
Natural Resources	1,384	1,357
Parliament	53	52
Privy Council	67	12
Public Works and Government Services	8,545	11,827
Solicitor General	1,438	1,079
Transport	25,166	16,132
Treasury Board	568	576
Veterans Affairs	26	28
	59,444	52,260
Total GST and HST received	50,173,680	46,986,225
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (National Revenue)	907,160	921,700
refunds paid (National Revenue)	22,161,813	20,499,723
rebates paid (National Revenue)	1,908,794	1,741,119
harmonized sales tax—Transfer to provinces	1,662,202	1,470,466
Gross GST received from outside parties	23,533,711	22,353,217
Less: quarterly tax credits paid (National Revenue)	2,849,817	2,891,725
Net GST received from outside parties	20,683,894	19,461,492

⁽¹⁾ Reported in: —Note 4 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)

	1998-99	1997-98
Consolidated accounts—		
Atomic Energy of Canada Limited	1	1
Cash and accounts receivable—		
Interest on bank deposits	380	326
Foreign exchange accounts—		
Exchange Fund Account	1,656	1,336
International Monetary Fund—Subscriptions	81	43
	1,737	1,379
Loans, investments and advances—		
Enterprise Crown corporations—		
Business Development Bank of Canada	6	4
Canada Deposit Insurance Corporation	15	49
Canada Mortgage and Housing Corporation	591	610
Farm Credit Corporation	133	169
Other—		
Bank of Canada	1,704 ⁽²⁾	1,509 ⁽²⁾
Miscellaneous	75	53
	2,524	2,394
Joint and mixed enterprises	20	14
National governments including developing countries	157	143
International organizations	39	33
Provincial and territorial governments	7	9
Other loans, investments and advances	8	11
	2,755	2,604
Other accounts—		
Esso Ltd—Norman Wells Project profits	12	7
Other	4	12
	16	19
Total ministerial net return on investments	4,889	4,329
Exchange Fund Account adjustment ⁽³⁾	114	163
Accrual of non-tax revenues	15	(43)
Total net return on investments	5,018	4,449
Return on investments internal to the Government	(27)	(22)
Total net return on investments from outside parties	4,991	4,427
External revenues netted against expenditures	41	47
Consolidated Crown corporations	40	37
Total gross return on investments from outside parties	5,072	4,511

⁽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: \$1,760 million for 1998-99 and \$1,480 million for 1997-98.

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

Other non-tax revenues

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

privileges, 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 netted against expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues netted against expenditures.

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

	1998-99				1997-98		
	Gross expendi- tures ⁽¹⁾	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net expendi- tures ⁽¹⁾	Gross expendi- tures ⁽¹⁾	Net expendi- tures ⁽¹⁾
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance.	22,285		(496)		22,781	21,758	22,225
Employment insurance benefits	11,884				11,884	11,842	11,842
Other levels of government—							
Canada health and social transfer	16,018				16,018	12,421	12,421
Fiscal arrangements.	11,645				11,645	10,000	10,000
Canada Assistance Plan	8				8	24	24
Insurance and medical care.	2				2	162	162
Education support						5	5
Alternative payments for standing programs.	(2,150)				(2,150)	(2,108)	(2,108)
	25,523				25,523	20,504	20,504
Canada child tax benefits	5,715		5,715			5,352	
	65,407		5,219		60,188	59,456	54,571
Other transfer payments —							
Foreign Affairs and International Trade	2,065				2,065	2,084	2,084
Health.	1,180				1,180	902	902
Human Resources Development	2,429				2,429	2,076	2,076
Indian Affairs and Northern Development	4,451				4,451	3,978	3,978
Industry	2,282				2,282	2,977	2,977
Veterans Affairs.	1,377				1,377	1,374	1,374
Other ⁽³⁾	7,801		2,850		4,951	11,978	9,085
Total other transfer payments.	21,585		2,850		18,735	25,369	22,476
Total transfer payments.	86,992		8,069		78,923	84,825	77,047
Crown corporation expenditures.	4,995			1,498	3,497	3,775	2,548
Other program expenditures—							
Fisheries and Oceans.	1,119	39			1,080	1,128	1,092
Foreign Affairs and International Trade	1,315	67			1,248	1,215	1,153
Health.	1,135	52			1,083	1,031	974
Human Resources Development	1,835	(23)			1,858	1,550	1,505
Industry	1,836	117			1,719	1,652	1,536
National Defence.	9,125	344			8,781	9,240	8,879
National Revenue	2,641	60			2,581	2,199	2,199
Public Works and Government Services	2,124	220			1,904	2,064	1,824
Solicitor General	3,423	759			2,664	3,367	2,637
Other	6,725	670			6,055	7,907	7,359
Total other program expenditures.	31,278	2,305			28,973	31,353	29,158
Total program expenditures	123,265	2,305	8,069	1,498	111,393	119,953	108,753
Public debt charges, Table 3.9	41,394				41,394	40,931	40,931
Total expenditures ⁽⁴⁾	164,659	2,305	8,069	1,498	152,787	160,884	149,684

⁽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 effect of a change in accounting policy 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, 1999

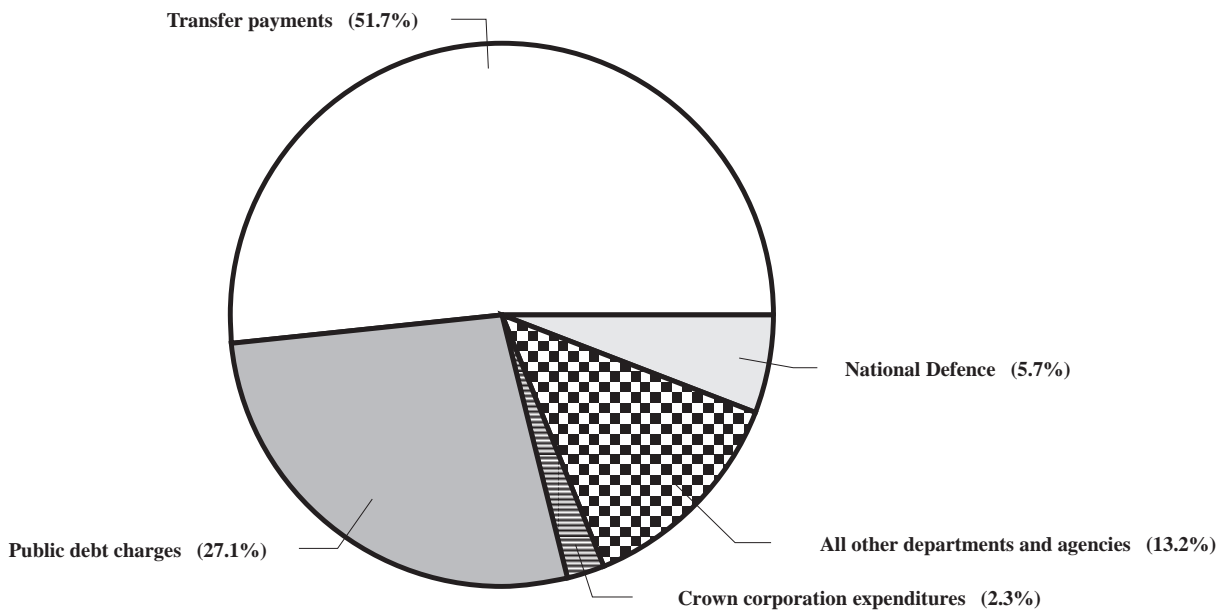
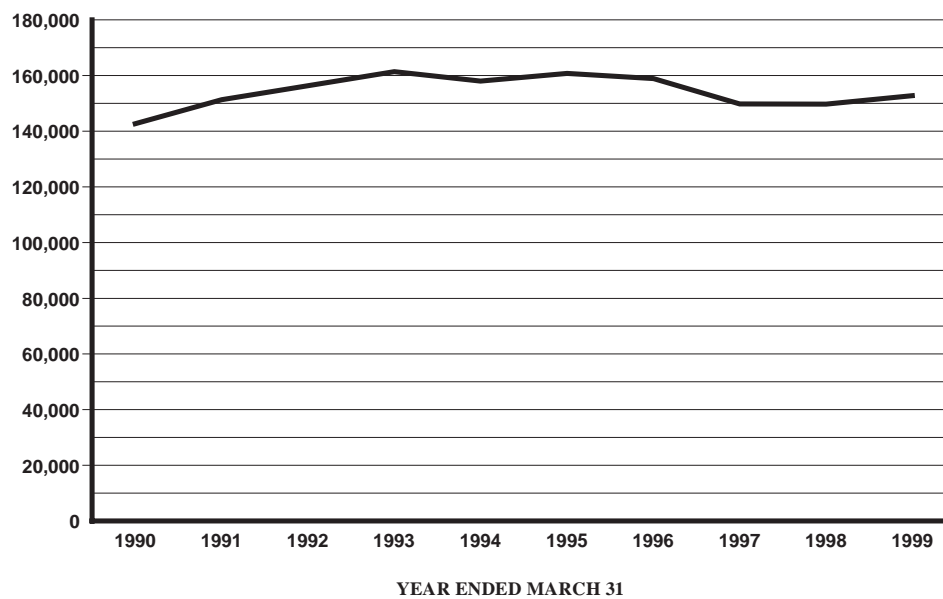


CHART 3D

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	164,659	8,069	1,498	2,305		152,787
Internal transactions —						
Canadian Heritage	17				15	2
Environment	30				30	
Foreign Affairs and International Trade	13				7	6
Industry	68				54	14
National Defence	54				19	35
National Revenue	89				77	12
Public Works and Government Services	3,084				3,068	16
Solicitor General	83				75	8
Transport	30				28	2
Treasury Board	70				69	1
Other	76				22	54
Total internal transactions	3,614				3,464	150
Total expenditures	168,273	8,069	1,498	2,305	3,464	152,937

Government Spending

Government spending consists of four major types:

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

Transfer payments

Transfer payments include:

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

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

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

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

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

	Old age security benefits ⁽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	Canada Child tax benefits	Total
						Extended health care	Insured health				
Newfoundland	474	690	1,226		275		(1)				2,664
	<i>468</i>	<i>685</i>	<i>1,039</i>		<i>280</i>		<i>(1)</i>				<i>2,471</i>
Prince Edward Island	124	167	268		62						621
	<i>123</i>	<i>174</i>	<i>208</i>		<i>59</i>		<i>(1)</i>	5			<i>568</i>
Nova Scotia	808	567	1,339		432			(1)			3,145
	<i>803</i>	<i>571</i>	<i>1,258</i>		<i>419</i>	<i>1</i>	<i>(1)</i>				<i>3,051</i>
New Brunswick	667	647	1,210		339			1			2,864
	<i>659</i>	<i>642</i>	<i>1,043</i>		<i>328</i>		<i>(1)</i>	<i>4</i>	23		<i>2,698</i>
Quebec	6,059	3,642	4,946	(2,150)	3,851	(3)	(11)				16,334
	<i>5,893</i>	<i>3,717</i>	<i>3,779</i>	<i>(2,108)</i>	<i>3,779</i>	<i>5</i>	<i>41</i>				<i>15,106</i>
Ontario	7,965	3,096	5		3,939	(5)	(26)	6			14,980
	<i>7,763</i>	<i>3,316</i>	<i>31</i>		<i>3,913</i>	<i>7</i>	<i>(24)</i>		(38)		<i>14,968</i>
Manitoba	972	322	915		516		1	2			2,728
	<i>962</i>	<i>331</i>	<i>1,127</i>		<i>489</i>		<i>(3)</i>		27		<i>2,933</i>
Saskatchewan	941	276	444		425		3				2,089
	<i>933</i>	<i>236</i>	<i>11</i>		<i>439</i>		<i>(2)</i>		(1)		<i>1,616</i>
Alberta	1,734	810	5		968	1	9				3,527
	<i>1,678</i>	<i>655</i>	<i>3</i>		<i>903</i>	<i>2</i>	<i>(4)</i>	33	(1)		<i>3,269</i>
British Columbia	2,865	1,600	5		1,862	3	30				6,365
	<i>2,779</i>	<i>1,537</i>	<i>3</i>		<i>1,542</i>	<i>2</i>	<i>(12)</i>	(5)	(5)		<i>5,841</i>
Total provinces	22,609	11,817	10,363	(2,150)	12,669	(4)	5	8			55,317
	<i>22,061</i>	<i>11,864</i>	<i>8,502</i>	<i>(2,108)</i>	<i>12,151</i>	<i>17</i>	<i>(8)</i>	<i>37</i>	5		<i>52,521</i>
Northwest Territories	19	33	996		46		1				1,095
	<i>17</i>	<i>31</i>	<i>848</i>		<i>39</i>		<i>1</i>				<i>936</i>
Yukon Territory	10	29	329		19						387
	<i>9</i>	<i>28</i>	<i>284</i>		<i>15</i>						<i>336</i>
International	143	2									145
	<i>144</i>	<i>2</i>									<i>146</i>
Sub-total	22,781	11,881	11,688	(2,150)	12,734	(4)	6	8			56,944
	<i>22,231</i>	<i>11,925</i>	<i>9,634</i>	<i>(2,108)</i>	<i>12,205</i>	<i>17</i>	<i>(7)</i>	<i>37</i>	5		<i>53,939</i>
Provision for valuation		3	(43)		3,284						3,244
		<i>(83)</i>	<i>366</i>		<i>216</i>			<i>(13)</i>			<i>486</i>
Total (Net)	22,781	11,884	11,645	(2,150)	16,018	(4)	6	8			60,188
	<i>22,231</i>	<i>11,842</i>	<i>10,000</i>	<i>(2,108)</i>	<i>12,421</i>	<i>17</i>	<i>(7)</i>	<i>24</i>	5		<i>54,425</i>
Add tax credits and repayments	(496)									5,715	5,219
	<i>(473)</i>						<i>152</i>			<i>5,352</i>	<i>5,031</i>
Total (Gross)	22,285	11,884	11,645	(2,150)	16,018	(4)	6	8		5,715	65,407
	<i>21,758</i>	<i>11,842</i>	<i>10,000</i>	<i>(2,108)</i>	<i>12,421</i>	<i>17</i>	<i>145</i>	<i>24</i>	5	<i>5,352</i>	<i>59,456</i>

Amounts in roman type are 1998-99 transfer payments.

Amounts in *italic* type are 1997-98 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.

Public debt charges

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

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the 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.

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

	1998-99	1997-98
Unmatured debt—		
Interest on:		
Marketable bonds	24,198	23,819
Canada savings bonds	1,272	1,969
Bonds for Canada Pension Plan	391	361
Canada notes	54	114
Euro medium term notes	137	26
	26,052	26,289
Amortization of premiums, discounts and commissions on:		
Treasury bills	4,266	4,314
Marketable bonds	242	160
Canada bills	499	428
Canada savings bonds	37	37
	5,044	4,939
Servicing costs and costs of issuing new borrowings	145	150
Total public debt charges related to unmatured debt	31,241	31,378
Interest on:		
Pension and other accounts—		
Public sector pensions—Superannuation accounts	12,160	11,705
Canada Pension Plan	261	158
Government Annuities Account	41	43
Deposit and trust accounts	57	66
Other specified purpose accounts	221	191
	12,740	12,163
Other accounts	73	52
Total public debt charges related to pension and other accounts	12,813	12,215
Interest on consolidated specified purpose accounts—		
Employment Insurance Account	764 ⁽²⁾	364 ⁽²⁾
Agricultural Commodities Stabilization Accounts		
Other	14	14
Total public debt charges related to consolidated specified purpose accounts	778	378
Total public debt charges ⁽³⁾	44,832	43,971
Provision for valuation and other items	(2,660)	(2,662)
	42,172	41,309
Less: total public debt charges related to consolidated specified purpose accounts	778	378
Total net/gross public debt charges with outside parties	41,394	40,931

⁽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).

3. 12 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

Expenditures by Standard Object

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

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

	Total expenditures	Less:		Total external expenditures
		Internal expenditures	Internal revenues netted against expenditures	
Personnel	16,334		(14)	16,348
Transportation and communications	1,920	8	179	1,733
Information	379	2	40	337
Professional and special services	5,161	48	1,106	4,007
Rentals	1,833	30	698	1,105
Purchased repair and maintenance	1,780	11	267	1,502
Utilities, materials and supplies	2,791	4	87	2,700
Construction or acquisition of land, buildings and works	1,191	18	430	743
Construction or acquisition of machinery and equipment	2,335	1	22	2,312
Transfer payments	86,992			86,992
Public debt charges	41,394			41,394
Other subsidies and payments	6,163	28	649	5,486
Total gross expenditures	168,273	150	3,464	164,659
Add:				
Employment Insurance Account	1,360		1,360	
Internal expenditures		150		(150)
Less:				
Revenues netted against expenditures—				
External revenues	2,305			2,305
Internal revenues	4,824	150	4,824	(150)
Revenues of consolidated Crown corporations	1,498			1,498
Tax credits and repayments	8,069			8,069
	(15,336)		(3,464)	(11,872)
Total net expenditures	152,937	150		152,787

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)

	1998-99	1997-98
Public debt charges	44,832	43,971
Old age security payments (<i>Old Age Security Act</i>)	17,564	17,114
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i>)	12,734	12,205
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>)	10,766	8,868
Guaranteed income supplement payments (<i>Old Age Security Act</i>)	4,835	4,729
Canadian Millennium Scholarship Foundation	2,500	
Spouse's allowance payments (<i>Old Age Security Act</i>)	383	389
Transition period payments to NAV CANADA under the <i>Civil Air Navigation Services Commercialization Act</i>	216	686
Payment to the Canada Foundation for Innovation (Part XI— <i>Budget Implementation Act, 1997</i>)		801
Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽¹⁾		
Public Service—		
Government's matching contributions to the Public Service Superannuation Account	1,339	1,050
Government's contribution as employer to the Employment Insurance Account	285	285
Government's matching contributions to the Canada and the Quebec Pension Plans	240	194
Government's matching contributions to the Death Benefit Account	6	7
	1,870	1,536
Less: recoveries from revolving funds	69	76
	1,801	1,460
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account	398	404
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	13	13
Government's contribution as employer to the Employment Insurance Account	91	92
Government's matching contribution to the Canada and the Quebec Pension Plans	78	66
Government's matching contribution to the Death Benefit Account	3	3
	583	578
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account	141	126
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	19	25
Government's contribution as employer to the Employment Insurance Account	24	25
Government's matching contribution to the Canada and the Quebec Pension Plans	21	17
	205	193
All other statutory expenditures	1,184	1,446
Total ministerial expenditures under statutory authorities	97,603	92,440
Consolidated specified purpose accounts—		
Employment Insurance Account	11,881	11,925
Crop Reinsurance Fund	(1)	(164)
Agricultural Commodities Stabilization Accounts		12
Other	214	569
Total expenditures of consolidated specified purpose accounts	12,094	12,342
Provision for valuation and other items ⁽²⁾	(3,412)	(69)
Total net statutory expenditures with outside parties	106,285	104,713
External revenues netted against expenditures	2,305	2,196
Total gross statutory expenditures with outside parties	108,590	106,909

⁽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 effect of a change in accounting policy described in Note 2 in Section 1 of this volume.

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

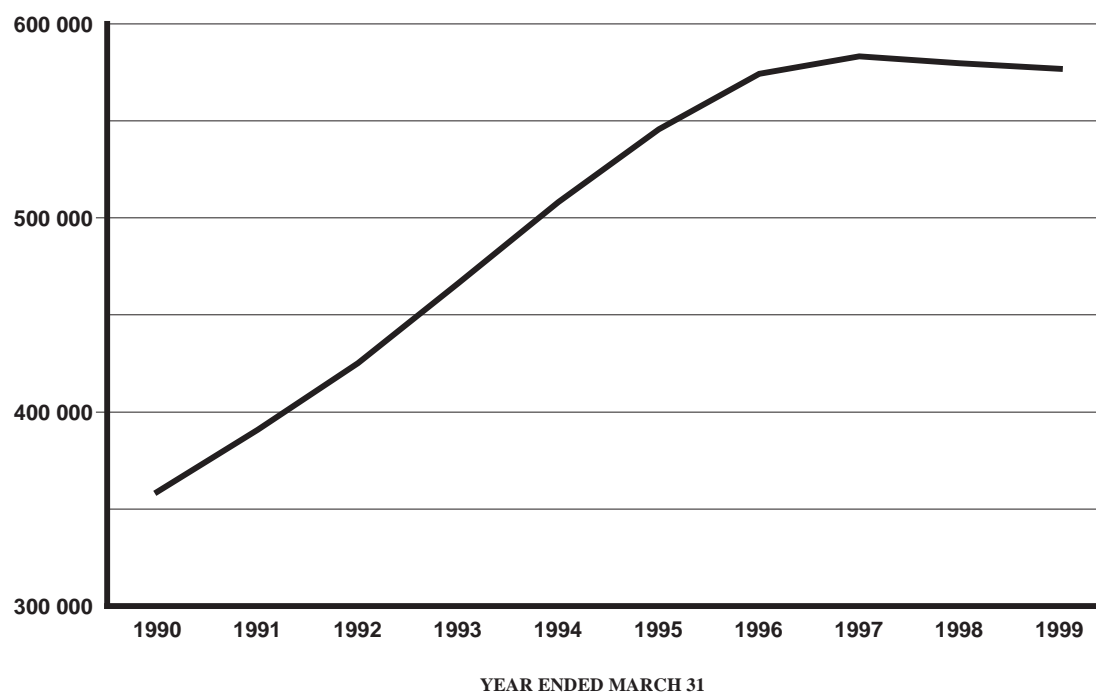
STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS
(in millions of dollars)

As at March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase (Decrease)
1999	640,301	63,477	576,824	(2,884)
1998	638,525	58,817	579,708	(3,478)
1997	640,657	57,471	583,186	8,897
1996	624,701	50,412	574,289	28,617
1995	584,798	39,126	545,672	37,462
1994	546,437	38,227	508,210	42,012
1993	503,884	37,686	466,198	41,021
1992	467,377	42,200	425,177	34,357
1991	433,353	42,533	390,820	32,000
1990	397,217	38,397	358,820	28,930

CHART 3E

ACCUMULATED DEFICIT

(in millions of dollars)



SECTION 4

1998-99

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

CONTENTS

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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. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 1999. Contingent liabilities of consolidated corporations are presented in Table 4.3.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 1999 is provided in Table 4.4. Differences in figures reported in Table 4.2 and those reported in Table 4.4 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1999
(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	220,896	15,973	695,240	932,109
Canada Council	205,685	59,780	23,558	289,023
Canada Lands Company Limited				
Old Port of Montreal Corporation Inc.	5,657		143	5,800
Canada Mortgage and Housing Corporation				
Minister's Account				
Canadian Broadcasting Corporation	103,731	92,571	1,278,211	1,474,513
Canada Race Relations Foundation	2,876	24,000	96	26,972
Canadian Dairy Commission				
Dairy Support Operation Financed by the Government of Canada		17,179		17,179
Canadian Film Development Corporation	11,766	27,777	2,497	42,040
Canadian Museum of Civilization	18,171	709	15,198	34,078
Canadian Museum of Nature	4,590	326	38,096	43,012
Defence Construction (1951) Limited	2,970	3,967	871	7,808
Enterprise Cape Breton Corporation	6,942	3,285	310	10,537
Queens Quay West Land Corporation ⁽²⁾	1,510			1,510
International Development Research Centre	31,260	15,620	9,043	55,923
Jacques Cartier and Champlain Bridges Incorporated, The	3,207	3,660	11,901	18,768
Marine Atlantic Inc	11,897		199,497	211,394
National Arts Centre Corporation	9,644	322	8,222	18,188
National Capital Commission	48,330	1,218	375,279	424,827
National Gallery of Canada	9,856	914	9,960	20,730
National Museum of Science and Technology	3,549	361	8,375	12,285
Standards Council of Canada	1,846	627	1,189	3,662
VIA Rail Canada Inc	74,427	24,223	533,074	631,724
Total	778,810	292,512	3,210,760	4,282,082
Conversion to the Government accounting basis for consolidation purposes	354		3,210,760	3,211,114
Total on the Government accounting basis	778,456	292,512		1,070,968

⁽¹⁾ All Crown corporations listed in this table are parent Crown corporations except the following: Old Port of Montreal Corporation Inc., and The Jacques Cartier and Champlain Bridges Incorporated.

⁽²⁾ Pursuant to Bill C-8, the dissolution of Queens Quay West Land Corporation has been delayed indefinitely.

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	405,827	106,835	512,662	419,447	932,109
	101,368	321	101,689	187,334	289,023
	4,956	702	5,658	142	5,800
	817,483	732,629	1,550,112	(75,599)	1,474,513
	61	283	344	26,628	26,972
	17,179		17,179		17,179
	10,807	10	10,817	31,223	42,040
	11,326	13,076	24,402	9,676	34,078
	36,860	6,925	43,785	(773)	43,012
	5,453	89	5,542	2,266	7,808
	6,055	705	6,760	3,777	10,537
	1,986	45,800	47,786	(46,276)	1,510
	18,740	32,742	51,482	4,441	55,923
	4,431	5	4,436	14,332	18,768
	227,397	6,602	233,999	(22,605)	211,394
	14,590	2,128	16,718	1,470	18,188
	35,091	3,036	38,127	386,700	424,827
	6,363	10,401	16,764	3,966	20,730
	3,504	224	3,728	8,557	12,285
	1,742	300	2,042	1,620	3,662
	123,521	7,333	130,854	500,870	631,724
	1,854,740	970,146	2,824,886	1,457,196	4,282,082
	788,064	708,004	1,496,068	1,715,046	3,211,114
	1,066,676	262,142	1,328,818	(257,850)	1,070,968

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1999

(in thousands of dollars)

Crown corporations	Third parties	Revenues		Total
		Government and Crown corporations	Other	
Atomic Energy of Canada Limited	613,634	133,178	498	747,310
Canada Council	19,365	116,169	5,854	141,388
Canada Lands Company Limited Old Port of Montreal Corporation Inc.	8,495			8,495
Canada Mortgage and Housing Corporation Minister's Account.		1,865,469		1,865,469
Canadian Broadcasting Corporation	480,130	775,006	3,935	1,259,071
Canada Race Relations Foundation.	1,235	1,033		2,268
Canadian Dairy Commission Dairy Support Operation Financed by the Government of Canada.		2,465	120,088	122,553
Canadian Film Development Corporation	24,684			24,684
Canadian Museum of Civilization.	11,428	43,722	3,050	58,200
Canadian Museum of Nature.	1,649	20,737	536	22,922
Defense Construction (1951) Limited.			17,320	17,320
Enterprise Cape Breton Corporation.	777		31	808
Queens Quay West Land Corporation.	348	3,500		3,848
International Development Research Centre	10,443	86,086	28,521	125,050
Jacques Cartier and Champlain Bridges Incorporated, The	822	22,265	73	23,160
Marine Atlantic Inc.	50,328	21,349		71,677
National Arts Centre Corporation	23,082	21,285	1,669	46,036
National Capital Commission	20,194	91,623	4,485	116,302
National Gallery of Canada.	8,976	33,272		42,248
National Museum of Science and Technology	4,125	19,627	51	23,803
Standards Council of Canada	2,956	5,107	955	9,018
VIA Rail Canada Inc.	208,233	162,728	1,492	372,453
Total	1,490,904	3,424,621	188,558	5,104,083
Conversion to the Government accounting basis for consolidation purposes.	50,702	404,521		455,223
Total on the Government accounting basis	1,541,606	3,829,142	188,558	5,559,306

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

(1) Expenses—Government and Crown corporations includes amortization of deferred capital funding of \$161 million for the Canadian Broadcasting Corporation and of \$50 million for Via Rail Canada Inc.

Expenses			Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Third parties	Government and Crown corporations ⁽¹⁾	Total				Dividends	Capital	
709,476	32,540	742,016	5,294	436,907	(261)		(22,493)	419,447
133,741		133,741	7,647	179,156			531	187,334
23,819		23,819	(15,324)	1,269			14,197	142
1,754,044	111,425	1,865,469						
1,410,251	(137,015)	1,273,236	(14,165)	(65,434)			4,000	(75,599)
1,533		1,533	735	25,893				26,628
122,553		122,553						
171,665	1,436	173,101	(148,417)	38,701	(2,232)		143,171	31,223
48,465	6,901	55,366	2,834	20,554	(13,712)			9,676
21,262	1,963	23,225	(303)	4,069	(4,539)			(773)
	17,075	17,075	245	2,021				2,266
9,522	258	9,780	(8,972)	4,350	(1)		8,400	3,777
5,134		5,134	(1,286)	(44,990)				(46,276)
129,834		129,834	(4,784)	13,779	(4,554)			4,441
24,282	172	24,454	(1,294)	11,418	(230)		4,438	14,332
77,020		77,020	(5,343)	(17,262)				(22,605)
45,783	1,054	46,837	(801)	9,935	(7,664)			1,470
86,341	4,223	90,564	25,738	360,714			248	386,700
38,997	8,637	47,634	(5,386)	17,120			(7,768)	3,966
20,871	3,004	23,875	(72)	7,886	(879)		1,622	8,557
8,971	90	9,061	(43)	2,386	(723)			1,620
457,986	(48,951)	409,035	(36,582)	557,363	(1,415)		(18,496)	500,870
5,301,550	2,812	5,304,362	(200,279)	1,565,835	(36,210)		127,850	1,457,196
152,594	116,534	269,128	186,095	(1,809,501)	36,210		(127,850)	(1,715,046)
5,454,144	119,346	5,573,490	(14,184)	(243,666)				(257,850)

Contingent Liabilities of Consolidated Crown Corporations

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

TABLE 4.3

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

	March 31, 1999
<u>Agent Crown corporations</u>	
Canada Mortgage and Housing Corporation	
Minister's Account.—Miscellaneous litigation	1,000
Defence Construction (1951) Limited—Contract disputes	9,909
Canadian Film Development Corporation—Loan guarantees	2,661
International Development Research Centre	800
National Capital Commission—Miscellaneous litigation and agreements	47,200
	<u>61,570</u>
<u>Non-agent Crown corporation</u>	
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigation	30,000
Total	<u>91,570</u>

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

Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

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

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

TABLE 4.4

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited	126,000	126,000	
Canada Lands Company Limited			
Old Port of Montreal Corporation Inc	14,197	14,197	
Canada Mortgage and Housing Corporation ⁽²⁾	1,865,470	1,865,470	
Canadian Broadcasting Corporation	916,960	775,006	141,954
Canadian Dairy Commission.	122,118	122,118	
Canadian Film Development Corporation.	78,460	78,460	
Canadian Museum of Civilization.	45,878	45,878	
Canadian Museum of Nature.	20,848	20,848	
Enterprise Cape Breton Corporation	8,400	8,400	
National Capital Commission	91,623	58,614	33,009
National Gallery of Canada.	34,113	31,113	3,000
National Museum of Science and Technology.	19,628	19,628	
	3,343,695	3,165,732	177,963
<u>Non-agent Crown corporations</u>			
Canada Council	116,168	116,168	
International Development Research Centre	86,488	86,488	
Jacques Cartier and Champlain Bridges Incorporated, The	23,711	23,711	
Marine Atlantic Inc	29,088	29,088	
National Arts Centre Corporation	21,001	21,001	
Standards Council of Canada	5,004	5,004	
Queens Quay West Land Corporation	3,500	3,500	
VIA Rail Canada Inc.	200,490	200,490	
	485,450	485,450	
Total	3,829,145	3,651,182	177,963

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

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

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

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

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

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

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

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/1998	Receipts and other credits		Payments and other charges		March 31/1999
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Major Accounts—						
Agriculture and Agri-Food—						
Western Grain Stabilization						
Account	26,948,973			(31,905)		26,980,878
Less: interest-bearing loans.	1,112,000,000					1,112,000,000
	(1,085,051,027)			(31,905)		(1,085,019,122)
Human Resources Development—						
Employment Insurance Account,						
Table 4.6.	12,868,011,854	19,362,775,301	1,157,581,543	11,951,546,249	1,360,445,311	20,076,377,138
Total major accounts	11,782,960,827	19,362,775,301	1,157,581,543	11,951,514,344	1,360,445,311	18,991,358,016
Insurance Accounts—						
Finance—						
Investors' Indemnity						
Account	45,303					45,303
Health—						
Health Insurance Supple-						
mentary Account	28,387					28,387
Natural Resources—						
Atomic Energy Control						
Board—						
Nuclear Liability						
Reinsurance Account	547,321	1,500				548,821
Transport—						
Ship-Source						
Oil Pollution						
Fund	268,931,271		13,588,035	2,053,252		280,466,054
Total insurance accounts	269,552,282	1,500	13,588,035	2,053,252		281,088,565
Other Specified Purpose Accounts—						
Agriculture and Agri-Food—						
Crops Sector Companion						
Program	111,511,975				111,511,975	
Crop Reinsurance Fund.	278,970,481	24,486,010		(765,168)	165,000,000	139,221,659
Less: interest-bearing loans.	278,156,751				165,000,000	113,156,751
	813,730	24,486,010		(765,168)		26,064,908

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Continued*

	Receipts and other credits						Payments and other charges		March 31/1999
	April 1/1998	External transactions	Internal transactions	External transactions	Internal transactions				
	\$	\$	\$	\$	\$		\$		
Agricultural Commodities									
Stabilization Accounts	7,656,762			427,885	(453,803)		7,682,680		
	119,982,467	24,486,010		(337,283)	111,058,172		33,747,588		
Canadian Heritage—									
Alexander Graham Bell National									
Historic Site	5,933						5,933		
Claudia de Hueck Bequest Account	381,966		16,599	15,000			383,565		
Marconi Celebration Trust Fund	3,280			3,274			6		
National Archives of Canada—									
Donations	194,088	79,027		78,208			194,907		
National Battlefields Commission—									
Trust Fund Account	779,110	50,756	23,591	472,691			380,766		
National Library—									
Special Operating Account	79,002	175,496		161,627			92,871		
	1,443,379	305,279	40,190	730,800			1,058,048		
Citizenship and Immigration—									
50th Anniversary of the Canadian									
Citizenship Act Celebrations	81,011						81,011		
Environment—									
Endangered Species—Donations	218	103,539					103,757		
Fish Habitat Restoration									
Account	114,434	155,000		121,963			147,471		
	114,652	258,539		121,963			251,228		
Finance—									
Canadian Commercial Bank and Northland									
Bank Holdback Account	246,223,464						246,223,464		
Fisheries and Oceans—									
Supplementary Fines Fish									
Account	171,810	262,800		109,672			324,938		
Foreign Affairs and									
International Trade—									
Canadian Landmine Action Fund		13,578					13,578		
Governor General—									
Rideau Hall—Donations	28,299	(247)		25,213			2,839		
Health—									
Medical Research Council—									
Donations for Research	1,642,728	1,855,521	75,666	2,231,686			1,342,229		
Human Resources Development—									
Canadian Centre for Occupational Health									
and Safety—Donations	81,021						81,021		
Indian Affairs and Northern Development—									
Environmental Studies									
Research Fund	153,099	22,424		30,000			145,523		
Industry—									
Prime Minister Awards	147,575	202,444		179,073			170,946		
H. L. Holmes Fund	76,215	100,209		100,000			76,424		
	223,790	302,653		279,073			247,370		
National Defence—									
Corporate sponsorships									
and donations				40,300			(40,300)		
Natural Resources—									
Environmental Studies									
Research Fund	184,133			10,356			173,777		

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	Receipts and other credits		Payments and other charges		March 31/1999
	April 1/1998	External transactions	Internal transactions	External transactions	
	\$	\$	\$	\$	\$
Privy Council—					
Canadian Transportation Accident Investigation and Safety Board—					
Flight Recorder Software Systems Account	189,092	134,173		166,952	156,313
National Round Table on the Environment and Economy—Donations . . .	246,199	290,992		516,128	21,063
	435,291	425,165		683,080	177,376
Public Works and Government Services—					
Seized Property Proceeds Account	15,779,897	21,567,809		18,283,637	19,064,069
Transport—					
Fines for the Transportation of Dangerous Goods	54,293	29,500			83,793
Total other specified purpose accounts	386,599,334	49,529,031	115,856	22,208,497	302,977,552
Total	12,439,112,443	19,412,305,832	1,171,285,434	11,975,776,093	19,575,424,133

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 -\$32 thousand (-\$0.3 million in 1998) are reported and presented in the Statement of Revenues, Expenditures and Accumulated Deficit. This amount represents recoveries of overpayments to producers when the program was active.

Employment Insurance Account

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

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

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

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

Employee premium rates for each \$100 of insurable earnings were \$2.70 from April 1, 1998 to December 31, 1998 and \$2.55 from January 1, 1999 to March 31, 1999. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

Receipts and other credits from outside parties of \$19,363 million (\$18,802 million in 1998) are reported as revenues, while payments and other charges to outside parties of \$11,952 million (\$11,872 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,157 million (\$766 million in 1998), and payments and other charges of \$1,360 million (\$1,322 million in 1998), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

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

The Employment insurance benefits as reported in Table 4.6 (\$11,952 million) differ from the benefits (\$11,884 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 (\$3 million) and the employment insurance benefits recovery of -\$71 million through the Income Tax System.

TABLE 4.6

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	1998-99	1997-98
RECEIPTS AND OTHER CREDITS—		
Premiums—		
Employers and employees	19,704	19,151
Penalties	52	53
Interest earned	764	364
	20,520	19,568
PAYMENTS AND OTHER CHARGES—		
Benefits	11,495	11,822
Transfers to the provinces -		
Part II	457	50
Administration costs	1,246	1,301
Administration cost transferred to provinces	114	20
	13,312	13,193
Net change	7,208	6,375
Repayments		
Balance at beginning of year	12,868	6,493
Balance at end of year	20,076	12,868

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$1.5 thousand (\$3 thousand in 1998) are reported as revenues, while payments and other charges to outside parties of \$2 million (\$6 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$14 million (\$14 million in 1998), 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 Number 817667 dated December 12, 1991.

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

Health Insurance Supplementary Account

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

Nuclear Liability Reinsurance Account

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

Ship-Source Oil Pollution Fund

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

Other Specified Purpose Accounts

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$50 million (\$82 million in 1998) are reported as revenues, while payments and other charges to outside parties of \$22 million (-\$134 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$116 thousand (-\$4 million in 1998), and payments and other charges of \$111 million («nil» in 1998) 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 was designed to 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 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.

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

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. These monies have been paid out and the account is now closed.

Crop Reinsurance Fund

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

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance 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 \$24 million (\$59 million in 1998) are reported as revenues, while payments and other charges show a credit of \$0.8 million due to recovery of previous payments and writedown of New Brunswick deficit (-\$164 million in 1998), 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 accounts remain 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 subsection 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Receipts and other credits from outside parties of «nil» (-\$36 thousand in 1998) are reported as revenues, while payments and other charges to outside parties of \$0.4 million (\$8 million in 1998) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of «nil» (-\$3.6 million in 1998), and payments and other charges of \$0.5 million («nil» in 1998), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

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 required for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

National Battlefields Commission—Trust Fund Account

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

National Library—Special Operating Account

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

50th Anniversary of the Canadian Citizenship Act Celebrations

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

Endangered Species—Donations

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

Fish Habitat Restoration Account

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

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

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

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

Canadian Commercial Bank and Northland Bank Holdback Account

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

During the fiscal year 1998-99, no claims have been received for potential payments from the holdback.

Supplementary Fines Fish Account

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

Canadian Landmine Action Fund

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

Rideau Hall Donations

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

Medical Research Council — Donations for Research

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

Indian Affairs and Northern Development—Environmental Studies Research Fund

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

Prime Ministers Awards

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

H.L. Holmes Fund

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

Corporate Sponsorships and Donations

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

Natural Resources—Environmental Studies Research Fund

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

Flight Recorder Software System Account

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

National Round Table on the Environment and Economy—Donations

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

Seized Property Proceeds Account

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

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 financial statements and reports to the Minister of Human Resources Development.

SERGE RAINVILLE
*Assistant Deputy Minister
Financial and Administrative Services*

CLAIRE M. MORRIS
Chairperson

July 23, 1999

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, 1999 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, 1999 and the results of its operations and its cash flows for the year ended in accordance with the accounting policies set out in Note 2 to the financial statements.

I wish to draw to your attention that the surplus of the Employment Insurance Account has increased during the current year by \$7.3 billion, to \$21 billion. Under the *Employment Insurance Act*, and as described in Note 5 to the financial statements, premium rates should be established at a level sufficient to ensure that there will be enough revenue over a business cycle to pay the amounts authorized, while maintaining relatively stable rates throughout the cycle. The Act does not define the level of surplus or reserve deemed sufficient to meet the objective. However, according to a report by the Chief Actuary of the Department of Human Resources Development on employment insurance premium rates for 1999, a reserve of between \$10 and \$15 billion, attained just before an economic downturn, should allow meeting all additional costs during the period of decline. In my opinion, in view of the current level of the surplus, clarification and disclosure of the factors to be used in determining an appropriate level of reserve are necessary.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 23, 1999

Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 1999**

(in thousands of dollars)

ASSETS	1999	1998	LIABILITIES AND SURPLUS	1999	1998
Balance of the account with Receiver			Unredeemed warrants	240,804	246,385
General for Canada	20,763,865	13,493,287	Amounts payable (Note 4)	469,515	420,347
Premiums receivable	849,000	825,000	Accrued benefits	378,454	376,063
Due from claimants				1,088,773	1,042,795
(Note 3)	452,577	369,436			
Amount due from provinces			Surplus	20,977,116	13,644,928
related to Labour Market					
Development Agreements	447				
	22,065,889	14,687,723		22,065,889	14,687,723

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

Approved by the Commission:

SERGE RAINVILLEAssistant Deputy Minister
Financial and Administrative Services**CLAIRE M. MORRIS**

Chairperson

**STATEMENT OF OPERATIONS AND SURPLUS
FOR THE YEAR ENDED MARCH 31, 1999**

(in thousands of dollars)

	1999	1998
Revenue		
Premiums (Note 5)	19,728,061	19,121,666
Interest on the balance of the		
account with Receiver General		
for Canada (Note 6)	764,161	363,828
Penalties	79,270	67,084
	20,571,492	19,552,578
Expenses		
Benefits and support		
measures (Note 7		
and Schedule)	11,834,038	11,798,307
Administration costs (Note 8)	1,360,193	1,320,864
Provision for doubtful debts	45,073	89,356
	13,239,304	13,208,527
Surplus for the period	7,332,188	6,344,051
Surplus at beginning		
of the period	13,644,928	7,300,877
Surplus at the end of the period	20,977,116	13,644,928

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

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999****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, 1999—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 active employment benefits and support measures contained in the Act. With the exception of Ontario, agreements with all provinces and territories have been entered into and implemented.

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

2. 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 and support measures

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. Benefits include the amounts transferred to the provinces and territories for the design and delivery of the employment benefits and support measures.

d) Administration costs

These 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 the end of the period.

3. Due from claimants

	1999	1998
	(in thousands of dollars)	
Balance of benefit overpayments and penalties	594,586	586,455
Less: allowance for doubtful debts	298,791	305,339
	295,795	281,116
Estimated benefit repayments to be received from higher income claimants	156,782	88,320
	452,577	369,436

Uncollectable benefit overpayments and penalties written off during the period amounted to \$52 million (\$46 million in 1997-98).

Continuous efforts have been made by the Commission in detecting overpayments on claims processed during the current and preceding periods and, where necessary, imposing penalties. During the period, overpayments and penalties totalling \$404 million (\$373 million in 1997-98) were established. During 1998-99, \$344 million have been recovered (\$332 million in 1997-98).

4. Amounts payable

	1999	1998
	(in thousands of dollars)	
To Canada		
Employment benefits and support measures	293,271	315,495
Amount paid to provinces related to Labour Market Development Agreements	111,746	14,031
Tax deductions from warrants ...	42,657	41,832
Administration costs	10,074	36,739
Recoupments from warrants	2,859	2,813
	460,607	410,910
To provinces		
Quebec tax deductions from warrants	5,898	5,828
Recoupments from warrants	3,010	3,609
	8,908	9,437
	469,515	420,347

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—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 the 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 1998, a variation of one percentage point in insurable earnings would result in a change of \$201 million in premiums.

Actual amounts for insurable earnings and premiums for calendar years 1998 and 1999 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 \$342 million (\$123 million in 1997-98).

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 1998, the total amount of reductions is estimated at \$500 million. Actual reductions for the calendar year 1997 were \$521 million.

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

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

	1999	1998	1997
	(in dollars)		
For employees.....	2.55	2.70	2.90
For employers (calculated at 1.4 times the employee rate).....	3.57	3.78	4.06

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 4.18 percent to 4.72 percent during the period (2.61 percent to 4.15 percent in 1997-98).

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 the 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 benefits payouts. For benefits paid during the 12 months ending March 31, 1999, these undetected overpayments and underpayments are estimated to be \$445 million and \$211 million respectively (\$604 million and \$174 million for the 12 months ending March 31, 1998). 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

	1999	1998
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance		
Income Benefits	631,032	560,298
Corporate services	303,726	302,341
Human Resources		
Investment	167,173	246,800
Human Resource Centres of Canada Management and Joint Services	150,332	195,808
	1,252,263	1,305,247
Add: administration costs incurred by provinces ⁽¹⁾	114,221	20,156
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards	6,291	4,539
	1,360,193	1,320,864

⁽¹⁾These costs include \$33 million for start-up costs (\$12 million in 1997-98).

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—Concluded

Administration costs—related party transactions

The administration costs include \$113 million (\$119 million in 1997-98) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$103 million (\$99 million in 1997-98) 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*.

It is management's opinion that a cash flow statement 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—Concluded

SCHEDULE

BENEFITS AND SUPPORT MEASURES

FOR THE YEAR ENDED MARCH 31, 1999

(in thousands of dollars)

	1999	1998
Part I—Income benefits		
Regular	8,194,882	8,399,465
Fishing	226,731	236,754
Worksharing	16,379	7,137
	8,437,992	8,643,356
Special benefits		
Maternity	704,756	703,365
Sickness	474,232	443,131
Parental	449,188	448,890
Adoption	6,731	5,340
	1,634,907	1,600,726
	10,072,899	10,244,082
Part II—Employment benefits and support measures		
Employment benefits		
Training/skills loans and grants	630,207	770,111
Job creation partnerships	134,707	129,632
Self-employment	107,879	133,372
Targeted wage subsidies	61,818	79,242
Targeted earnings supplements		3
	934,611	1,112,360
Support measures		
Labour market partnerships	261,781	201,516
Employment assistance services	237,718	234,813
Research and innovation	11,391	7,129
	510,890	443,458
Amounts transferred to provinces and territories	456,940	50,376
	1,902,441	1,606,194
Benefits and support measures	11,975,340	11,850,276
Less: benefit repayments by higher income claimants	141,302	51,969
	11,834,038	11,798,307

Benefit Rates

Since July 1, 1996, benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. 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 70 percent in 1998 and 75 percent in 1999 (65 percent in 1997) for claimants who are in a low income family with children.

SECTION 5

1998-99

PUBLIC ACCOUNTS OF CANADA

Accounts Payable, Accruals and Allowances

CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities.....	5.4
Interest and matured debt.....	5.13
Allowance for employee benefits.....	5.13
Allowance for loan guarantees and borrowings of Crown corporations.....	5.14

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.

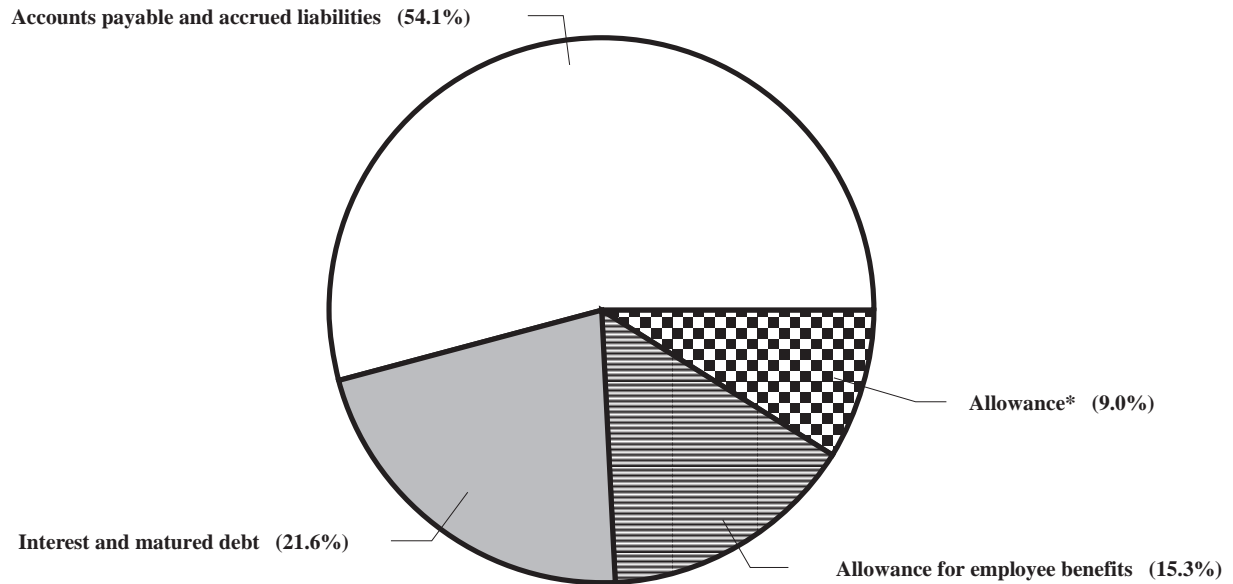
TABLE 5.1
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

	April 1/1998	March 31/1999
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	22,364,376,137	24,508,603,759
Interest and matured debt, Table 5.5	10,418,670,926	9,790,983,410
Allowance for employee benefits	6,520,000,000	6,720,000,000
Add: consolidation adjustment ⁽¹⁾	209,000,000	206,330,000
	6,729,000,000	6,926,330,000
Allowance for loan guarantees and borrowings of Crown corporations, Table 5.6	4,188,000,000	4,090,000,000
Total	43,700,047,063	45,315,917,169

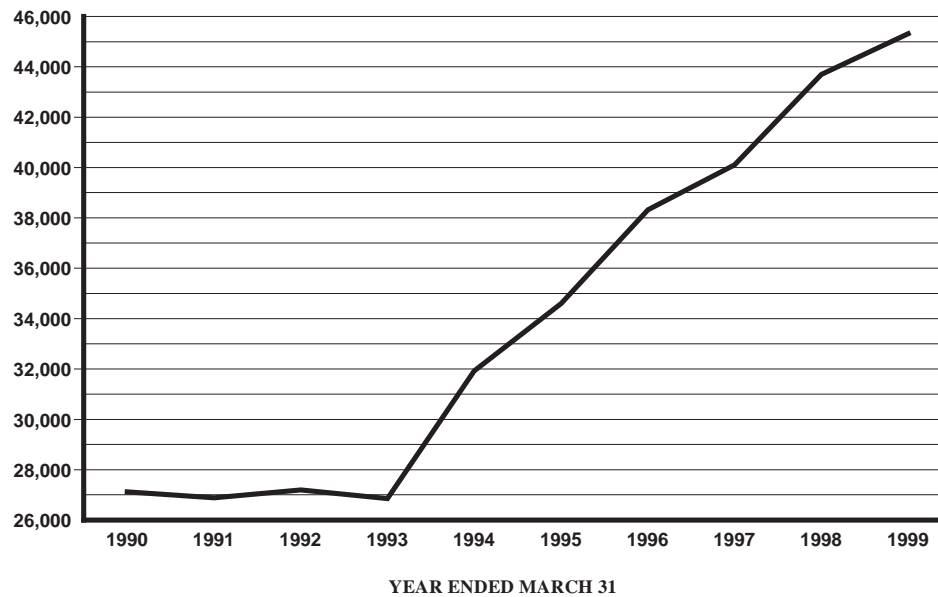
⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

CHART 5A

ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES BY CATEGORY AS AT MARCH 31, 1999



* 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 1/1998	March 31/1999
	\$	\$
Accounts payable	18,089,084,553	18,495,071,431
Add: consolidation adjustment ⁽¹⁾	895,919,000	936,252,000
	<i>18,985,003,553</i>	<i>19,431,323,431</i>
Notes payable to international organizations, Table 5.3	1,811,620,352	1,654,386,985
Provincial and territorial tax collection agreements account, Table 5.4	1,174,735,067	2,440,359,553
Miscellaneous payroll deductions	45,857,208	61,989,524
Deferred revenues	232,763,920	343,506,486
Suspense accounts	113,867,639	576,547,770
Other	528,398	490,010
Total	22,364,376,137	24,508,603,759

⁽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 1/1998	Receipts and other credits		Payments and other charges		March 31/1999
		Note issuances	Revaluation ⁽¹⁾	Note encashments	Revaluation ⁽¹⁾	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development		10,704,894	231,442	2,140,979		8,795,357
International Development Association	862,450,000	195,155,000		267,000,000		790,605,000
Multilateral Investment Guarantee Agency	4,554,903		285,203			4,840,106
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank	14,266,566	5,019,122	927,457			20,213,145
Caribbean Development Bank	5,050,973	2,108,316	185,801			7,345,090
Inter-American Development Bank	17,178,039	6,169,142	866,413	8,497,528		15,716,066
International financial institutions—						
African Development Fund	316,742,945	70,487,880		96,031,874		291,198,951
Asian Development Fund	422,951,076	43,064,726		119,593,896		346,421,906
Caribbean Development Bank—Special	32,633,819	8,130,000				40,763,819
Global Environment Facility Trust Fund	91,355,000			10,650,000		80,705,000
Inter-American Development Bank—Fund for Special Operations	13,773,735			1,108,947		12,664,788
International Fund for Agriculture Development	30,663,296	9,095,581		4,641,120		35,117,757
	908,119,871	130,778,187		232,025,837		806,872,221
Total	1,811,620,352	349,934,661	2,496,316	509,664,344		1,654,386,985

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

Provincial and territorial tax collection agreements account

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

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

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

Because the *Public Accounts of Canada* reports information on 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 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1993	26,135,669,183	9,491,792		26,145,160,975
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
Unidentified payments by province		4,918,058		(4,918,058)
	26,150,079,033	4,918,058		26,145,160,975
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	9,638,588		27,202,333,229
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
Unidentified payments by province			4,918,058	4,918,058
	27,197,415,171		4,918,058	27,202,333,229
Net collections (overpayments) of personal income taxes for 1994	(4,720,530)	9,638,588	4,918,058	
Personal income taxes collected by National				
Revenue for 1995	29,224,024,975		1,152	29,224,023,823
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	33,969,098			33,969,098
Northwest Territories	59,593,564			59,593,564
Unidentified payments by province		2,066		(2,066)
	29,224,025,889	2,066		29,224,023,823
Net collections (overpayments) of personal income taxes for 1995	(914)	2,066	1,152	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1996	30,581,977,416	85,764		30,582,063,180
Less: payments to provinces and territories—				
Newfoundland	553,480,813			553,480,813
Prince Edward Island	126,064,891			126,064,891
Nova Scotia	959,152,033			959,152,033
New Brunswick	801,095,321			801,095,321
Ontario	16,750,936,271			16,750,936,271
Manitoba	1,258,259,706			1,258,259,706
Saskatchewan	1,228,542,071			1,228,542,071
Alberta	3,493,567,394			3,493,567,394
British Columbia	5,277,174,326			5,277,174,326
Yukon	37,744,243			37,744,243
Northwest Territories	62,092,224			62,092,224
Unidentified payments by province			33,953,887	33,953,887
	30,548,109,293		33,953,887	30,582,063,180
Net collections (overpayments) of personal income taxes for 1996	33,868,123	85,764	33,953,887	
Personal income taxes collected by National				
Revenue for 1997	31,956,924,500	709,668,495	825,550,297	31,841,042,698
Less: payments to provinces and territories—				
Newfoundland	591,855,183	37,695,895		554,159,288
Prince Edward Island	136,418,000	7,117,189		129,300,811
Nova Scotia	999,839,000	6,407,885		993,431,115
New Brunswick	850,909,384	31,118,299		819,791,085
Ontario	16,397,575,634		368,827,973	16,766,403,607
Manitoba	1,475,732,121		62,416,490	1,538,148,611
Saskatchewan	1,313,776,000		31,267,661	1,345,043,661
Alberta	3,729,005,567		305,834,957	4,034,840,524
British Columbia	5,712,358,888	111,792,756		5,600,566,132
Yukon	40,055,224	3,169,268		36,885,956
Northwest Territories	77,012,141	16,540,870		60,471,271
Unidentified payments by province		37,441,964		(37,441,964)
	31,324,537,142	251,284,126	768,347,081	31,841,600,097
Net collections (overpayments) of personal income taxes for 1997	632,387,358	960,952,621	1,593,897,378	(557,399)
Personal income taxes collected by National				
Revenue for 1998	5,932,579,000	28,421,538,000	1,811,700	34,352,305,300
Less: payments to provinces and territories—				
Newfoundland	90,587,000		478,873,000	569,460,000
Prince Edward Island	20,902,000		111,458,000	132,360,000
Nova Scotia	151,235,000		844,638,000	995,873,000
New Brunswick	127,248,713		676,318,787	803,567,500
Ontario	3,094,137,000		13,258,076,000	16,352,213,000
Manitoba	291,798,000		1,355,022,000	1,646,820,000
Saskatchewan	199,493,000		1,157,142,000	1,356,635,000
Alberta	573,192,411		3,433,549,250	4,006,741,661
British Columbia	1,150,518,959		4,498,935,630	5,649,454,589
Yukon	7,965,000		28,603,000	36,568,000
Northwest Territories	15,444,000		56,996,000	72,440,000
	5,722,521,083		25,899,611,667	31,622,132,750
Net collections (overpayments) of personal income taxes for 1998	210,057,917	28,421,538,000	25,901,423,367	2,730,172,550

5.8 ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1999		6,049,749,000	122,730,000	5,927,019,000
Less: payments to provinces and territories—				
Newfoundland			111,366,000	111,366,000
Prince Edward Island			26,271,000	26,271,000
Nova Scotia			199,209,038	199,209,038
New Brunswick			158,787,381	158,787,381
Ontario			3,119,760,000	3,119,760,000
Manitoba			319,491,000	319,491,000
Saskatchewan			265,706,027	265,706,027
Alberta		138,150	793,070,612	792,932,462
British Columbia			1,123,443,955	1,123,443,955
Yukon			7,556,575	7,556,575
Northwest Territories			14,837,574	14,837,574
		138,150	6,139,499,162	6,139,361,012
Net collections (overpayments) of personal income taxes for 1999		6,049,887,150	6,262,229,162	(212,342,012)
Total personal income taxes on hand	857,182,104	35,456,514,039	33,796,423,004	2,517,273,139
Corporation income taxes collected by National				
Revenue for 1993	1,475,995,380	40,000		1,476,035,380
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	39,947		1,769,226,989
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
Unidentified payments by province			729,518	729,518
	1,768,497,471		729,518	1,769,226,989
Net collections (overpayments) of corporation income taxes for 1994	689,571	39,947	729,518	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1995	2,178,085,883		1	2,178,085,882
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	10,754,456			10,754,456
Northwest Territories	28,498,436	15,974		28,482,462
Unidentified payments by province		935,618		(935,618)
	2,179,037,474	951,592		2,178,085,882
Net collections (overpayments) of corporation income taxes for 1995	(951,591)	951,592	1	
Corporation income taxes collected by National				
Revenue for 1996	1,930,124,710	1,053		1,930,125,763
Less: payments to provinces and territories—				
Newfoundland	64,516,544			64,516,544
Prince Edward Island	21,263,888			21,263,888
Nova Scotia	129,128,155			129,128,155
New Brunswick	123,554,890			123,554,890
Quebec	18,747,577			18,747,577
Ontario	50,150,131			50,150,131
Manitoba	203,757,449			203,757,449
Saskatchewan	208,534,233			208,534,233
Alberta	10,031,649			10,031,649
British Columbia	1,057,404,904			1,057,404,904
Yukon	13,005,695			13,005,695
Northwest Territories	30,030,749	15,974	15,974	30,030,749
Unidentified payments by province		201		(201)
	1,930,125,864	16,175	15,974	1,930,125,663
Net collections (overpayments) of corporation income taxes for 1996	(1,154)	17,228	15,974	100
Corporation income taxes collected by National				
Revenue for 1997	2,646,479,000	1,000	438,622,541	2,207,857,459
Less: payments to provinces and territories—				
Newfoundland	63,267,000		7,584,056	70,851,056
Prince Edward Island	23,777,000	302,213		23,474,787
Nova Scotia	158,169,128	293,688	9,489,842	167,365,282
New Brunswick	232,921,000	42,821,010		190,099,990
Quebec			10,696,431	10,696,431
Ontario			33,137,772	33,137,772
Manitoba	225,877,000		17,806,195	243,683,195
Saskatchewan	244,716,000		5,686,844	250,402,844
Alberta			12,227,439	12,227,439
British Columbia	1,257,334,000	54,834,092		1,202,499,908
Yukon	9,618,000		110,662	9,728,662
Northwest Territories	36,786,000	1,292,850		35,493,150
Unidentified payments by province		15,795,296		(15,795,296)
	2,252,465,128	115,339,149	96,739,241	2,233,865,220
Net collections (overpayments) of corporation income taxes for 1997	394,013,872	115,340,149	535,361,782	(26,007,761)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1998	105,752,000	2,507,675,000	427,652,000	2,185,775,000
Less: payments to provinces and territories—				
Newfoundland	6,472,000		70,242,000	76,714,000
Prince Edward Island	2,310,000		25,036,000	27,346,000
Nova Scotia	14,719,688		152,968,312	167,688,000
New Brunswick	17,301,500		176,717,500	194,019,000
Manitoba	19,228,000		198,516,000	217,744,000
Saskatchewan	19,184,000		203,589,000	222,773,000
British Columbia	98,728,000		1,071,786,000	1,170,514,000
Yukon	856,000		9,296,000	10,152,000
Northwest Territories	2,968,000		32,225,000	35,193,000
	181,767,188		1,940,375,812	2,122,143,000
Net collections (overpayments) of corporation income taxes for 1998	(76,015,188)	2,507,675,000	2,368,027,812	63,632,000
Corporation income taxes collected by National				
Revenue for 1999		680,831,000	639,424,000	41,407,000
Less: payments to provinces and territories—				
Newfoundland			5,302,000	5,302,000
Prince Edward Island			1,828,000	1,828,000
Nova Scotia			13,776,000	13,776,000
New Brunswick			13,781,333	13,781,333
Manitoba			17,540,000	17,540,000
Saskatchewan			17,724,000	17,724,000
British Columbia			84,120,000	84,120,000
Yukon			682,000	682,000
Northwest Territories			1,048,000	1,048,000
			155,801,333	155,801,333
Net collections (overpayments) of corporation income taxes for 1999		680,831,000	795,225,333	(114,394,333)
Total corporation income taxes on hand	317,695,510	3,304,894,916	3,699,360,420	(76,769,994)
Harmonized sales tax collected by National				
Revenue for 1997	1,332,931,647		137,533,853	1,195,397,794
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
	1,195,397,794			1,195,397,794
Net collections (overpayments) of harmonized sales tax for 1997	137,533,853		137,533,853	
Harmonized sales tax collected by National				
Revenue for 1998	137,533,853	1,512,990,057		1,650,523,910
Less: payments to provinces and territories—				
Newfoundland	65,388,673		325,735,792	391,124,465
Nova Scotia	116,276,712		582,338,358	698,615,070
New Brunswick	93,544,868		467,239,507	560,784,375
	275,210,253		1,375,313,657	1,650,523,910
Net collections (overpayments) of harmonized sales tax for 1998	(137,676,400)	1,512,990,057	1,375,313,657	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Harmonized sales tax collected by National				
Revenue for 1999		286,053,663		286,053,663
Less: payments to provinces and territories—				
Newfoundland			67,851,588	67,851,588
Nova Scotia			121,251,322	121,251,322
New Brunswick			97,094,345	97,094,345
			286,197,255	286,197,255
Net collections (overpayments) of harmonized sales tax for 1999		286,053,663	286,197,255	(143,592)
Total harmonized sales tax on hand	(142,547)	1,799,043,720	1,799,044,765	(143,592)
First Nations Tax Agreements—				
Revenue for 1998	27,695	692,163		719,858
Less: payments to First Nations—				
First Nations	27,695		692,163	719,858
	27,695		692,163	719,858
Net collections (overpayments) of First Nations Tax Agreements taxes for 1998		692,163	692,163	
Total First Nations Tax Agreements taxes on hand		692,163	692,163	
Total	1,174,735,067	40,561,144,838	39,295,520,352	2,440,359,553

Miscellaneous payroll deductions

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

Deferred revenues

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

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 1/1998	March 31/1999
	\$	\$
Interest due	4,197,224,447	3,190,419,057
Interest accrued	6,484,255,847	6,752,206,215
Matured debt	347,603,287	388,621,740
	11,029,083,581	10,331,247,012
Less: unamortized discounts on Canada bills	73,558,791	61,502,612
unamortized discounts on Treasury bills	1,468,226,383	1,327,244,109
unamortized discounts and premiums on marketable bonds	(992,984,112)	(912,445,631)
unamortized commissions on Canada savings bonds	61,611,593	63,962,512
	610,412,655	540,263,602
Total	10,418,670,926	9,790,983,410

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 1/1998	March 31/1999
	\$	\$
Allowance for loan guarantees	923,000,000	890,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations	34,278,732,000	39,698,016,000
Less: borrowings expected to be repaid by these enterprise Crown corporations	31,013,732,000	36,498,016,000
	3,265,000,000	3,200,000,000
Total	4,188,000,000	4,090,000,000

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

1998-99

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

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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.

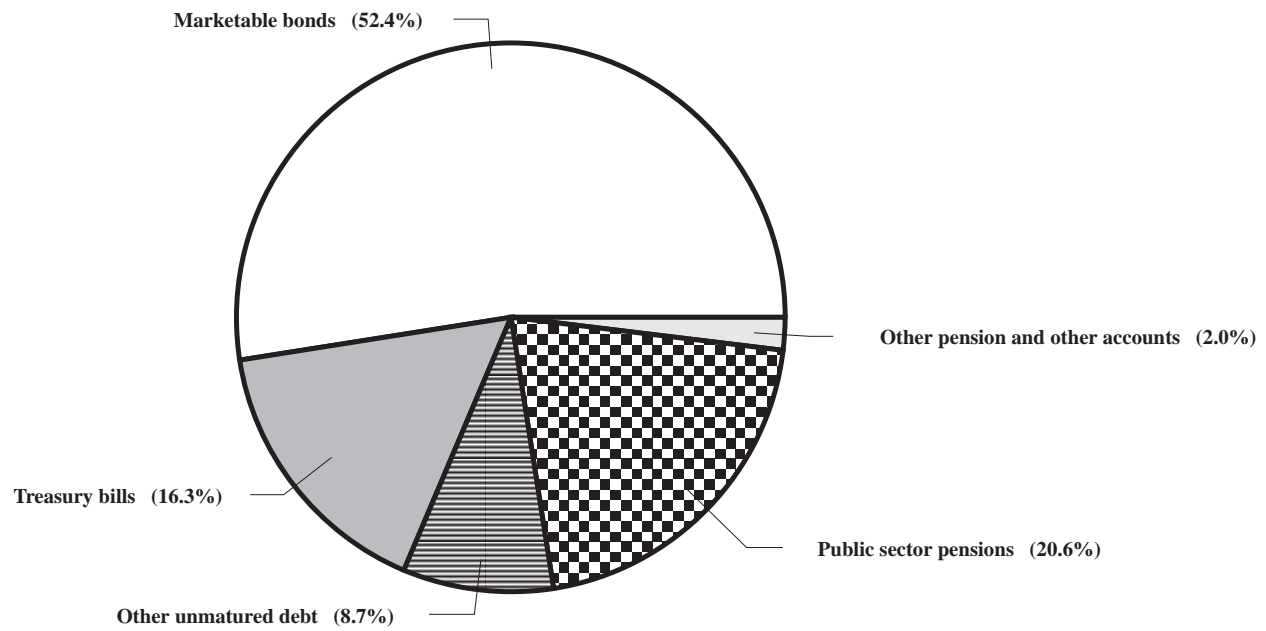
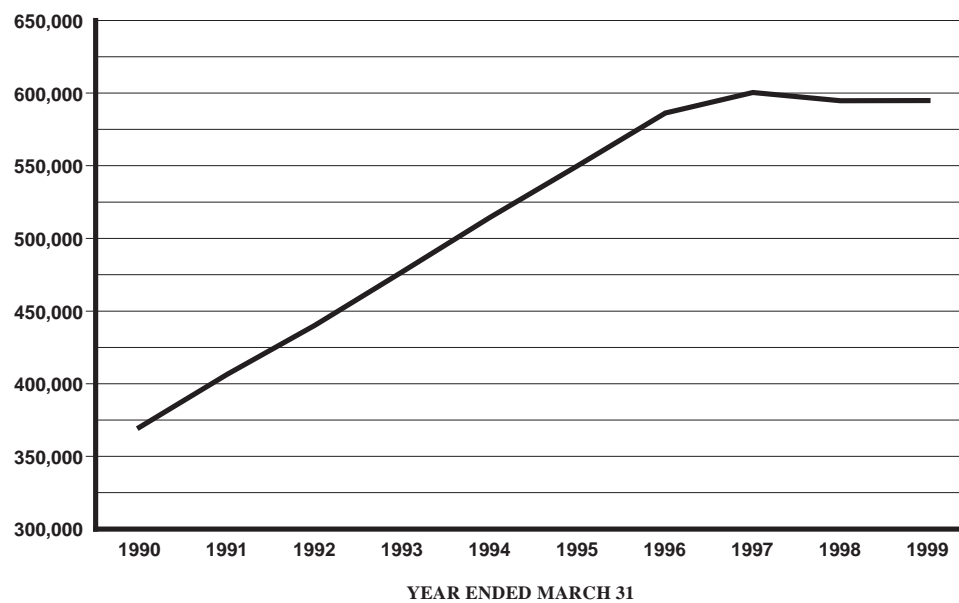
TABLE 6.1
INTEREST-BEARING DEBT

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Unmatured debt ⁽¹⁾ —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	294,582,951,718	38,143,883,659	36,975,000,000	295,751,835,377
Treasury bills, Table 6.3	112,300,000,000	198,650,000,000	214,000,000,000	96,950,000,000
Canada savings bonds, Table 6.4	29,769,174,904	4,929,748,641	7,037,054,793	27,661,868,752
Bonds for Canada Pension Plan, Table 6.5	3,456,232,000	3,520,147,000	2,913,612,000	4,062,767,000
	440,108,358,622	245,243,779,300	260,925,666,793	424,426,471,129
Payable in foreign currencies—				
Marketable bonds, Table 6.2	14,650,916,652	7,836,108,648	2,839,600,000	19,647,425,300
Canada bills, Table 6.6	9,355,813,274	39,842,573,753	39,027,520,677	10,170,866,350
Canada notes, Table 6.7	1,665,425,400	671,393,500	1,076,208,400	1,260,610,500
Euro medium-term notes, Table 6.8	1,511,026,000	3,508,491,578	98,400,000	4,921,117,578
	27,183,181,326	51,858,567,479	43,041,729,077	36,000,019,728
Total—Unmatured debt	467,291,539,948	297,102,346,779	303,967,395,870	460,426,490,857
Pension and other accounts—				
Public sector pensions, Table 6.13—				
Superannuation accounts	127,375,350,521	15,392,805,721	6,140,700,451	136,627,455,791
Allowance for pension adjustments	(9,919,000,000)	1,277,000,000	5,578,000,000	(14,220,000,000)
	117,456,350,521	16,669,805,721	11,718,700,451	122,407,455,791
Canada Pension Plan Account, Table 6.22—				
Canada Pension Plan	36,664,418,706	18,725,522,654	18,499,237,449	36,890,703,911
Less: securities held and short-term investments	32,458,924,000	4,614,918,000	3,619,947,000	31,463,953,000
	4,205,494,706	23,340,440,654	22,119,184,449	5,426,750,911
Other—				
Government Annuities Account	628,308,201	41,338,191	84,042,108	585,604,284
Confederation Bridge	812,449,000		13,005,000	799,444,000
Pilot Training Program—MILIT-AIR Inc.		703,000,000		703,000,000
Deposit and trust accounts, Table 6.24	1,255,140,656	817,527,039	915,613,500	1,157,054,195
Other specified purpose accounts, Table 6.27	3,175,835,092	1,147,617,893	844,244,066	3,479,208,919
	5,871,732,949	2,709,483,123	1,856,904,674	6,724,311,398
Total—Pension and other accounts	127,533,578,176	42,719,729,498	35,694,789,574	134,558,518,100
Total	594,825,118,124	339,822,076,277	339,662,185,444	594,985,008,957

⁽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 6.12.

CHART 6A

INTEREST-BEARING DEBT BY CATEGORY AS AT MARCH 31, 1999

**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, 1999.

TABLE 6.2
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 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	
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 16/98	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
				44,902,500,000			44,902,500,000

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
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 1	5	June 15/98-Sept 15/98	WP56		7,000,000,000		7,000,000,000
Dec 15	9.75	Dec 15/78	J22	500,000,000			500,000,000
2001—Feb 1	15.75	June 1/81-July 31/81	J66	425,000,000			425,000,000
Mar 1	10.5	Sept 20/90-Oct 1/90					
		Dec 15/90-Feb 1/91	A37	3,175,000,000			3,175,000,000
Mar 1	7.5	Oct 2/95-Dec 1/95					
		Jan 4/96-Mar 1/96	VR22	9,400,000,000			9,400,000,000
				26,950,000,000	7,000,000,000		33,950,000,000
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	4.5	Dec 15/98-Mar 15/99	WT78		7,000,000,000		7,000,000,000
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	7,000,000,000		28,120,750,000
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	10,200,000,000			10,200,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,625,000,000		185,299,000	1,439,701,000
2003—Feb 1	11.75	Feb 1/80-June 1/80					
		Aug 1/80-Feb 1/83					
		Apr 27/83-June 21/83					
		July 12/83	J35	2,700,000,000		73,325,000	2,626,675,000
				21,825,000,000		258,624,000	21,566,376,000
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-June 1/98					
		Sept 1/98-Dec 1/98	WN09	2,400,000,000	7,300,000,000		9,700,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	670,500,000		25,822,000	644,678,000
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		214,554,000	1,985,446,000
				20,970,500,000	7,300,000,000	240,376,000	28,030,124,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
Maturing 2004-05							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	550,000,000		1,000,000	549,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
Sept 1	5	Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
Oct 1	10.5	Mar 1/99	WU42		2,500,000,000		2,500,000,000
Dec 1	9	Oct 1/79-Dec 15/87	J30	875,000,000			875,000,000
		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			1,775,000,000
				18,800,000,000	2,500,000,000	1,000,000	21,299,000,000
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			975,000,000
				10,350,000,000			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			325,000,000
				10,450,000,000			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	9,500,000,000			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			750,000,000
				10,950,000,000			10,950,000,000
Maturing 2008-09							
2008—June 1	6	Aug 15/97-Nov 17/97					
		Feb 16/98-May 15/98	WH31	6,900,000,000	2,300,000,000		9,200,000,000
June 1	10	Dec 15/85-Sept 1/87					
		Feb 1/88-Apr 14/88					
		June 1/88-July 21/88					
		Oct 15/88-Dec 15/88					
		Feb 23/89-June 1/89	H74	3,450,000,000		192,146,000	3,257,854,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	725,000,000		80,247,000	644,753,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000			400,000,000
				11,475,000,000	2,300,000,000	272,393,000	13,502,607,000
Maturing 2009-10							
2009—June 1	5.5	Aug 17/98-Nov 16/98					
		Feb 15/99	WR13		6,900,000,000		6,900,000,000
June 1	11	Oct 1/85-Oct 23/85					
		Oct 15/87	H68	925,000,000		56,743,000	868,257,000
Oct 1	10.75	June 12/85-July 1/85					
		Sept 1/85-Sept 1/88	H63	1,300,000,000		75,864,000	1,224,136,000
2010—Mar 1	9.75	Mar 15/86	H79	325,000,000			325,000,000
				2,550,000,000	6,900,000,000	132,607,000	9,317,393,000

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
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 Feb 1/90	H81	2,975,000,000		95,000,000	2,880,000,000
Oct 1	8.75	Apr 28/86	H85	325,000,000			325,000,000
2011—Mar 1	9	July 3/86-Sept 2/86 Oct 23/86-Dec 15/86 May 1/87-Mar 15/88	H87	1,975,000,000 5,275,000,000		95,000,000	1,975,000,000 5,180,000,000
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 ⁽²⁾	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	5,655,592,485 10,305,592,485	106,668,358 106,668,358		5,762,260,843 10,412,260,843
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
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

TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
Maturing 2026-27 2026—Dec 1	4.25 ⁽²⁾	Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 6/96-Mar 12/97 June 9/97-Sept 8/97 Dec 8/97-Mar 9/98 June 8/98-Sept 7/98 Dec 7/98	L26	4,197,397,909	1,332,302,935		5,529,700,844
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	9,600,000,000			9,600,000,000
Maturing 2029-30 2029—June 1	5.75	Feb 2/98-May 1/98 Nov 2/98	WL43	1,200,000,000	3,300,000,000		4,500,000,000
Maturing 2031-32 2031—Dec 1	4	Mar 8/99	L 27		404,912,366		404,912,366
				294,605,176,718	38,143,883,659	36,975,000,000	295,774,060,377
Less: Government's holdings				22,225,000			22,225,000
Total marketable bonds (Canadian currency)				294,582,951,718	38,143,883,659	36,975,000,000	295,751,835,377
Payable in foreign currencies—							
1999—Feb 10 ⁽³⁾		Feb 10/94		2,839,600,000		2,839,600,000	
2000—May 30	6.5	May 30/95		2,129,700,000	133,350,000		2,263,050,000
2001—May 30	6.5	May 30/96		1,419,800,000	88,900,000		1,508,700,000
2002—July 15	6.125	July 15/97		1,419,800,000	88,900,000		1,508,700,000
2003—Feb 19	5.625	Feb 19/98		2,839,600,000	177,800,000		3,017,400,000
2005—July 21	6.375	July 21/95		2,129,700,000	133,350,000		2,263,050,000
2006—Aug 28	6.75	Aug 28/96		1,419,800,000	88,900,000		1,508,700,000
2007—Oct 3	6.625	Oct 3/97		452,916,652	28,358,648		481,275,300
2008—July 7	4.875	July 7/98			3,324,800,000		3,324,800,000
2008—Nov 5	5.25	Nov 5/98			3,771,750,000		3,771,750,000
Total marketable bonds (foreign currencies)				14,650,916,652	7,836,108,648	2,839,600,000	19,647,425,300
Total				309,233,868,370	45,979,992,307	39,814,600,000	315,399,260,677

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

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

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, 1999 consists of CAN\$9,750 million in odd issue bills; CAN\$27,700 million in three-month bills; CAN\$20,000 million in six-month bills; and, CAN\$39,500 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, 1998	10,800	5,400	9,300	25,500	11,400	4,000	14,300	29,700	(4,200)
May	6,400	3,100	2,700	12,200	8,200	4,200	8,700	21,100	(8,900)
June	6,400	3,000	2,600	12,000	8,400	3,800	4,300	16,500	(4,500)
July	6,600	3,100	2,900	12,600	7,300	4,200	4,200	15,700	(3,100)
August	6,900	3,300	3,200	13,400	6,700	4,300	4,500	15,500	(2,100)
September	6,600	3,200	2,900	12,700	6,400	4,200	5,700	16,300	(3,600)
October	9,700	4,500	7,200	21,400	9,800	7,000	3,800	20,600	800
November	6,400	3,000	6,800	16,200	6,900	3,000	6,800	16,700	(500)
December	6,600	3,000	5,300	14,900	6,600	3,000	4,400	14,000	900
January, 1999	7,400	3,100	5,100	15,600	6,400	3,200	9,300	18,900	(3,300)
February	8,200	3,700	6,000	17,900	6,600	3,300	5,800	15,700	2,200
March	8,800	4,200	11,250	24,250	6,400	3,100	3,800	13,300	10,950
Balance at April 1, 1998	90,800	42,600	65,250	198,650	91,100	47,300	75,600	214,000	(15,350)
Balance at March 31, 1999									112,300
									96,950

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 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
				\$	\$	\$	\$
1998—Nov 1	3.25-4	1988-89	S43	2,920,797,200		2,920,797,200	
2001—Nov 1	3.25-4.25	1989-90	S44	2,349,892,050		218,670,922	2,131,221,128
2002—Nov 1	3.25-4.25	1990-91	S45	2,126,651,150		191,229,030	1,935,422,120
2003—Nov 1	3.25-4.25	1991-92	S46	3,050,529,800		288,390,459	2,762,139,341
2004—Nov 1	3.25-4.25	1992-93	S47	3,532,062,000		335,111,563	3,196,950,437
2005—Nov 1	3.25-4.25	1993-94	S48	2,162,494,800		209,167,570	1,953,327,230
2006—Nov 1	3.25-4.25	1994-95	S49	3,442,027,600		471,643,707	2,970,383,893
2007—Mar 1	4-5	1997-98	P1	88,916,364		3,834,370	85,081,994
2007—Nov 1	6.75-4	1995-96	S50	2,604,853,452		436,212,965	2,168,640,487
2007—Nov 1	3-4	1997-98	S52	4,555,914,391		1,215,375,880	3,340,538,511
2007—Dec 1	3-4	1997-98	S53	18,000,000		5,980	17,994,020
2008—Mar 1	4-4.25	1997-98	P2	11,375,877	14,951,310		26,327,187
2008—Nov 1	4-5	1996-97	S51	3,615,757,001		563,296,297	3,052,460,704
2008—Nov 1	4	1998-99	S54 ⁽¹⁾		2,075,320,195		2,075,320,195
2008—Nov 1	4.5	1998-99	P3		2,029,257,528		2,029,257,528
2008—Dec 1	4	1998-99	P4		141,802,595		141,802,595
2008—Dec 1	3.75	1998-99	S55		103,071,975		103,071,975
2009—Jan 1	3.75	1998-99	S56		26,186,281		26,186,281
2009—Feb 1	3.5	1998-99	S57		18,675,919		18,675,919
2009—Mar 1	3.65	1998-99	S58		37,801,912		37,801,912
2009—Jan 1	4	1998-99	P5		30,808,358		30,808,358
2009—Feb 1	4	1998-99	P6		27,651,149		27,651,149
2009—Mar 1	4.25	1998-99	P7		85,644,542		85,644,542
				30,479,271,685	4,591,171,764	6,853,735,943	28,216,707,506
Less: Government's holdings—							
Canada savings bonds held on account of							
employees				66,159,281	133,614,377	141,797,850	74,342,754
Canada savings bonds held on account of the							
Payroll Savings Plan				490,532,500	204,962,500		285,570,000
Consolidation adjustment ⁽²⁾				153,405,000		41,521,000	194,926,000
				710,096,781	338,576,877	183,318,850	554,838,754
Total				29,769,174,904	4,929,748,641	7,037,054,793	27,661,868,752

⁽¹⁾ S54 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 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 1998-99	12,015,000	2,901,597,000	2,913,612,000	
Maturing 1999-2000	17,709,000	618,550,000		636,259,000
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	3,456,232,000	3,520,147,000	2,913,612,000	4,062,767,000

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, 1999.

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

TABLE 6.6
CANADA BILLS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1998	2,789,229,406	3,606,725,039	(817,495,633)
May	2,879,973,516	3,341,816,524	(461,843,008)
June	2,548,056,238	2,671,450,319	(123,394,081)
July	2,848,731,806	2,597,059,772	251,672,034
August	3,500,691,719	2,067,885,222	1,432,806,497
September	4,632,143,589	2,878,421,839	1,753,721,750
October	4,182,512,828	4,395,685,019	(213,172,191)
November	3,425,876,252	3,561,592,739	(135,716,487)
December	3,030,832,603	3,916,250,107	(885,417,504)
January, 1999	2,204,702,508	3,814,019,370	(1,609,316,862)
February	3,216,348,197	2,846,606,067	369,742,130
March	4,583,475,091	3,270,872,290	1,312,602,801
	39,842,573,753	38,968,384,307	874,189,446
Balance at April 1, 1998			9,355,813,274
Balance before revaluation			10,230,002,720
Exchange valuation adjustment at March 31, 1999			59,136,370
Balance at March 31, 1999			10,170,866,350

Canada Notes

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

The year-end balances of Canada notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 1999.

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 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1999
				\$	\$	\$	\$
Payable in foreign currencies—							
Matured 1998-99							
1998—Apr 1	5.798	Apr 1/96	018	21,297,000		21,297,000	
Apr 3	5.864	Apr 3/96	021	42,594,000		42,594,000	
Apr 9	5.793	Apr 9/96	025	42,594,000		42,594,000	
Apr 17	6.077	Apr 17/96	033	21,297,000		21,297,000	
Apr 20	5.957	Apr 18/96	035	14,198,000		14,198,000	
Apr 21	5.963	Apr 19/96	036	28,396,000		28,396,000	
May 1	6.396	June 18/96	047	141,980,000		141,980,000	
May 1	6.350	June 19/96	048	70,990,000		70,990,000	
May 1	6.280	June 21/96	049	70,990,000		70,990,000	
May 1	6.300	June 24/96	050	141,980,000		141,980,000	
May 1	6.345	June 27/96	051	70,990,000		70,990,000	
May 1	6.310	June 28/96	052	25,556,400		25,556,400	
May 28	6.087	May 26/96	043	63,891,000		63,891,000	
June 4	6.223	June 4/96	044	70,990,000		70,990,000	
June 15	6.430	June 13/96	046	24,136,600		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	52,532,600		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	127,782,000		127,782,000	
1999—Mar 26	5.934	Mar 26/96	005	1,419,800		1,419,800	
				<i>1,076,208,400</i>		<i>1,076,208,400</i>	
Maturing 1999-2000							
1999—Jul 15	6.677	July 12/96-July 15/96	053 & 054	212,970,000	13,335,000		226,305,000
Sept 23	6.250	Sept 23/96	057	28,396,000	1,778,000		30,174,000
2000—Jan 31	6.17	Jan 31/97	060	7,099,000	444,500		7,543,500
				<i>248,465,000</i>	<i>15,557,500</i>		<i>264,022,500</i>
Maturing 2000-01							
2000—Oct 23	6.029	Oct 23/97	063	35,495,000	2,222,500		37,717,500
2001—Mar 27	6.188	Mar 27/96	011	7,099,000	444,500		7,543,500
				<i>42,594,000</i>	<i>2,667,000</i>		<i>45,261,000</i>
Maturing 2001-02							
2001—Apr 4	6.280	Apr 4/96	024	70,990,000	4,445,000		75,435,000
Apr 25	6.496	Apr 25/96	040	28,396,000	1,778,000		30,174,000
May 7	6.542	May 6/96	041	56,792,000	3,556,000		60,348,000
2002—Feb 5	6.379	Feb 5/97	061	141,980,000	8,890,000		150,870,000
				<i>298,158,000</i>	<i>18,669,000</i>		<i>316,827,000</i>
Maturing 2008-09							
2009—Mar 23	1.9	Mar 23/99	065		634,500,000		634,500,000
Total				1,665,425,400	671,393,500	1,076,208,400	1,260,610,500

⁽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, and thus provide Canada with an additional source of medium-term foreign funds.

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 1999.

Table 6.8 presents a summary of the balances and transactions for the Euro medium-term notes.

TABLE 6.8

EURO MEDIUM -TERM NOTES

Maturity date	%	Issue date	April 1/1998	Receipts and other credits ⁽¹⁾	Payments and other charges	March 31/1999
			\$	\$	\$	\$
Payable in foreign currencies—						
Maturing 1999-2000						
1999—Aug 29	5.337	Aug 27/98		113,152,500		113,152,500
1999—Sept 23	4.991	Sept 23/98		301,740,000		301,740,000
2000—Feb 9	4.5325	Feb 9/99		38,944,657		38,944,657
				453,837,157		453,837,157
Maturing 2000-01						
2000—Oct 2	(2)	Feb 20/98	27,195,000	1,702,686		28,897,686
2001—Jan 30	5.5	July 30/97	567,920,000	35,560,000		603,480,000
			595,115,000	37,262,686		632,377,686
Maturing 2001-02						
2001—June 12	4.62	June 12/98		38,936,706		38,936,706
2002—Jan 22	5.125	Jan 22/99		452,610,000		452,610,000
				491,546,706		491,546,706
Maturing 2003-04						
2003—July 16	5.1875	July 16/98		98,065,500		98,065,500
				98,065,500		98,065,500
Maturing 2004-05						
2004—Nov 26	(2)	Mar 26/98	702,801,000	44,005,500		746,806,500
Nov 26	4.784	Oct 30/98		513,863,220		513,863,220
Nov 30	4.8113	Mar 22/99		132,650,939		132,650,939
Dec 22	(2)	Dec 22/97	108,217,000	6,776,113		114,993,113
			811,018,000	697,295,772		1,508,313,772
Maturing 2007-08						
2007—Nov 19	4.71	Nov 19/97	42,594,000	2,667,000		45,261,000
2008—Jan 31	(2)	July 30/97	62,299,000	3,901,247		66,200,247
			104,893,000	6,568,247		111,461,247
Maturing 2009-10						
2009—Apr 28	4.5	Nov 12/98		1,089,600,000	98,400,000	991,200,000
Apr 28	4.5	Mar 30/99		634,315,510		634,315,510
				1,723,915,510	98,400,000	1,625,515,510
Total.....			1,511,026,000	3,508,491,578	98,400,000	4,921,117,578

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

Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1994-95 to 1998-99 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 6.9

UNMATURED DEBT AS AT MARCH 31, FROM 1995 TO 1999, 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)	%
1999.....	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70
1998.....	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.64
1997.....	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66
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

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

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1994-95 to 1998-99 inclusively.

TABLE 6.10

TREASURY BILLS AVERAGE YIELDS AT TENDER

	High	Low	Last issue
Year ended			
March 31	%	%	%
Three-month bills—			
1999.....	5.64	4.55	4.89
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
Six-month bills—			
1999.....	5.81	4.70	4.98
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
Other bills—			
1999.....	5.83	4.62	4.97
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

Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

TABLE 6.11

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings 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)	%
2000	44,903	6.83	96,950	4.94			636	4.96	10,171	4.81	718	5.62	153,378	5.49
2001	36,213	7.85					23	12.98			678	5.51	36,914	7.81
2002	29,629	7.56			2,132	4.25	18	15.43			808	5.60	32,587	7.30
2003	26,092	7.44			1,935	4.25	18	14.67					28,045	7.23
2004	28,030	6.90			2,762	4.25	17	11.60			98	5.19	30,907	6.66
2005/09 . .	77,901	7.75			21,388	4.29	2,828	9.98			2,254	3.97	104,371	7.02
2010/14 . .	18,397	8.18					523	11.03			1,626	4.50	20,546	7.96
2015/19 . .	2,350	11.25											2,350	11.25
2020/24 . .	22,971	7.75											22,971	7.75
2025/29 . .	24,030	7.51											24,030	7.51
2030/32 . .	4,905	5.61											4,905	5.61
	315,421	7.51	96,950	4.94	28,217	4.28	4,063	9.39	10,171	4.81	6,182	4.70	461,004	6.69
Less: Gov- ernment's hold- ings	22	9.42			555	4.00							577	4.21
	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise

Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

TABLE 6.12

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/1998	Issues/ Borrowings	Retirements	March 31/1999
Unmatured debt of the Government of Canada ⁽¹⁾	467,292	297,102	303,967	460,427
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	34,279	120,406	114,986	39,699
Total	501,571	417,508	418,953	500,126

⁽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) since April 1, 1997, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations.

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 employees plans were, up to June 1999, generally based on the best six consecutive years' average earnings and accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. For employees terminating their service on, or after June 17, 1999, basic pensions are now based on the best five consecutive year's average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

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 1998-99, the employer contribution rates averaged about 2.2, 3.2 and 2.7 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.

On June 17, 1999, the formula to calculate the pension benefits under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* was amended through the *Budget Implementation Act, 1999*. The amendments have improved pension entitlements by:

- (a) calculating pension benefits using the average of the best five consecutive years of earnings rather than the best six consecutive years;
- (b) calculating the annual Canada Pension Plan/Quebec Pension Plan integrated reduction by using an average of earnings over the last five years of pensionable service instead of the last three years; and,
- (c) modifying the integration formula for pensioners who were under age 65 on June 17, 1999.

The one-time cost of providing these benefits to existing contributors and pensioners is estimated at \$1,168 million and is charged to the current year pension expenditure.

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 9.6 percent for 1999 and 9.9 percent for 1998.

Members of Parliament retiring allowances

Members of Parliament are eligible to receive a basic pension 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:

	1999	1998
Members of Parliament		
House of Commons		
Retiring allowances account	2.51	2.18
Retiring compensation arrangements	5.94	5.40
The Senate		
Retirement allowances account	1.61	1.40
Retirement compensation arrangements	2.80	2.65

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, up to November 1998, the full benefit amount was generally payable when the member reached age 65 and had completed 15 years of pensionable service. In 1998-99, the *Judges Act* was amended by Bill C-37, which received Royal Assent on November 18, 1998. With this amendment, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80. The one-time cost of providing this early retirement provision to existing contributors is estimated at \$27 million and is charged to the current year pension expenditure.

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 \$46 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, 1998;

Members of Parliament—March 31, 1998.

As at March 31, 1999, 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 accounts as a result of actuarial deficits.

Table 6.13 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, pension division payments, transfer value payments, transfers to other plans, and remittances of refundable tax. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes and from the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

TABLE 6.13
PUBLIC SECTOR PENSIONS

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.15	74,808,721,953	9,327,389,283	3,861,567,556	80,274,543,680
Allowance for pension adjustments	(4,383,000,000)	742,000,000	2,485,000,000	(6,126,000,000)
	<i>70,425,721,953</i>	<i>10,069,389,283</i>	<i>6,346,567,556</i>	<i>74,148,543,680</i>
Canadian Forces Superannuation Account,				
Table 6.16	42,486,678,488	4,587,569,226	1,751,888,900	45,322,358,814
Allowance for pension adjustments	(5,882,000,000)	329,000,000	2,300,000,000	(7,853,000,000)
	<i>36,604,678,488</i>	<i>4,916,569,226</i>	<i>4,051,888,900</i>	<i>37,469,358,814</i>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.17	9,032,032,313	1,060,289,336	239,716,205	9,852,605,444
Allowance for pension adjustments	(978,000,000)	82,000,000	385,000,000	(1,281,000,000)
	<i>8,054,032,313</i>	<i>1,142,289,336</i>	<i>624,716,205</i>	<i>8,571,605,444</i>
Members of Parliament Retiring Allowances Account,				
Table 6.18	270,924,617	30,964,111	15,885,368	286,003,360
Allowance for pension adjustments	19,000,000		22,000,000	(3,000,000)
	<i>289,924,617</i>	<i>30,964,111</i>	<i>37,885,368</i>	<i>283,003,360</i>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.19	33,919,541	11,939,047	6,191,532	39,667,056
Allowance for pension adjustments	(4,000,000)		2,000,000	(6,000,000)
	<i>29,919,541</i>	<i>11,939,047</i>	<i>8,191,532</i>	<i>33,667,056</i>
Retirement Compensation Arrangements				
(RCA) Account, Table 6.20	679,214,243	367,745,709	265,405,466	781,554,486
Allowance for pension adjustments	707,000,000	15,000,000	384,000,000	338,000,000
	<i>1,386,214,243</i>	<i>382,745,709</i>	<i>649,405,466</i>	<i>1,119,554,486</i>
Supplementary Retirement Benefits Account,				
Table 6.21	63,859,366	6,909,009	45,424	70,722,951
Allowance for pension adjustments	602,000,000	109,000,000		711,000,000
	<i>665,859,366</i>	<i>115,909,009</i>	<i>45,424</i>	<i>781,722,951</i>
Total	117,456,350,521	16,669,805,721	11,718,700,451	122,407,455,791
SUMMARY—				
Superannuation accounts	127,375,350,521	15,392,805,721	6,140,700,451	136,627,455,791
Allowance for pension adjustments	(9,919,000,000)	1,277,000,000	5,578,000,000	(14,220,000,000)
Total	117,456,350,521	16,669,805,721	11,718,700,451	122,407,455,791

Table 6.14 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Effective April 1, 1997, interest is based on the actuarial obligations under the various plans. The interest credited to the superannuation accounts in accordance with the pension legislation is shown net of an allowance of \$2,692 million (\$2,689 million in 1998).

TABLE 6.14
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES
(in millions of dollars)

	1998-99									Total	1997-98
	Statutory payments under			Pension plan amendment costs	Public service restructuring costs	Amortization of estimation adjustments	Net pension costs	Net interest charged to public debt charges			
	Government contributions	Various acts	Supplementary Retirement Benefits Act								
Public Service Superan- nuation Account	1,339			742	(68)	(1,114)	899	5,828	6,727	5,423	
Canadian Forces Superan- nuation Account	396			329		(1,053)	(328)	2,803	2,475	1,956	
Defence Services Pension Continuation Act		3	13				16		16	16	
Royal Canadian Mounted Police Superannuation Account	140			82		(160)	62	642	704	557	
Royal Canadian Mounted Police Continuation Act		8	19				27		27	33	
Members of Parliament Retiring Allowances Account	2					(18)	(16)	24	8	18	
Members of Parliament Retirement Compensation Arrangements Account	7					(1)	6	3	9	6	
Retirement Compensation Arrangements (RCA) Account	274			15	(154)	(5)	130	93	223	1,070	
Supplementary Retirement Benefits Account	2			27		10	39	75	114	79	
Judges Act		46					46		46	44	
Other (diplomatic services, lieutenant governors, etc.)...		1					1		1	1	
Subtotal	2,160	58	32	1,195	(222)	(2,341)	882	9,468	10,350	9,203	
Less: costs already recorded in the allowance for pension adjustments of previous year	(241)						(241)		(241)	(393)	
Total	1,919	58	32	1,195	(222)	(2,341)	641	9,468	10,109	8,810	

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 1998-99 or 1997-98.

TABLE 6.15**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	1998-99	1997-98
	\$	\$
Opening balance	74,808,721,953	70,313,703,283
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	491,570,441	473,160,411
Retired employees	51,516,681	44,735,026
Public Service corporation employees	149,195,226	151,169,456
Employer contributions—		
Government	1,339,433,597	1,050,141,087
Public Service corporations	152,035,537	146,380,221
Transfers from other pension funds	12,551,787	11,823,854
Interest	7,131,086,014	6,889,624,022
	9,327,389,283	8,767,034,077
	84,136,111,236	79,080,737,360
PAYMENTS AND OTHER CHARGES—		
Annuities	3,171,053,453	3,021,564,883
Cash termination allowances	65,604	26,633
Minimum benefits	12,761,035	12,602,996
Pension division payments	32,056,707	32,394,713
Pension—Transfer value payments	550,202,193	191,899,574
Returns of contributions—		
Government employees	16,929,470	33,080,060
Public Service corporation employees	7,740,595	12,520,000
Transfers to other pension funds	70,758,499	967,926,548
	3,861,567,556	4,272,015,407
Closing balance	80,274,543,680	74,808,721,953

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 1998-99 or 1997-98.

TABLE 6.16**CANADIAN FORCES SUPERANNUATION ACCOUNT**

	1998-99	1997-98
	\$	\$
Opening balance	42,486,678,488	39,746,849,655
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	136,672,152	138,825,398
Contributions by the Government	396,037,389	402,644,956
Interest	4,049,739,362	3,907,770,726
Other	5,120,323	5,540,358
	4,587,569,226	4,454,781,438
	47,074,247,714	44,201,631,093
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,725,029,690	1,642,704,202
Pension division payments	23,089,941	40,456,721
Cash termination allowances and returns of contributions	3,512,551	31,084,224
Transfers to Public Service Superannuation Account	256,718	707,458
	1,751,888,900	1,714,952,605
Closing balance	45,322,358,814	42,486,678,488

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 1998-99 or 1997-98.

TABLE 6.17

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1998-99	1997-98
	\$	\$
Opening balance	9,032,032,313	8,260,502,596
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	52,904,532	53,507,238
Transfers from other pension funds	167,832	621,013
Contributions by the Government	140,495,680	125,678,662
Interest	866,721,292	819,125,343
	1,060,289,336	998,932,256
	10,092,321,649	9,259,434,852
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	225,712,499	216,057,280
Pension division payments	11,522,576	8,170,310
Return of contributions	1,826,251	1,601,087
Cash termination allowance and gratuities	24,567	249,834
Transfers to other pension funds	265,616	1,002,705
Interest on returns of contributions	364,696	321,323
	239,716,205	227,402,539
Closing balance	9,852,605,444	9,032,032,313

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 6.18

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1998-99	1997-98
	\$	\$
Opening balance	270,924,617	258,105,826
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	971,713	848,013
Arrears of principal, interest and mortality insurance	110,231	93,047
Government contributions—		
Current	2,261,589	1,707,658
Interest	27,620,578	26,262,499
	30,964,111	28,911,217
	301,888,728	287,017,043
PAYMENTS AND OTHER CHARGES—		
Annual allowances	15,211,454	15,251,902
Withdrawal allowances	15,897	417,913
Interest on withdrawals	1,116	16,482
Pension division payments	656,901	406,129
	15,885,368	16,092,426
Closing balance	286,003,360	270,924,617

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 6.19

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	1998-99	1997-98
	\$	\$
Opening balance	33,919,541	29,758,940
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	1,353,367	1,147,880
Government contributions—		
Current	6,816,386	5,410,244
Interest	3,769,294	3,257,976
	11,939,047	9,816,100
	45,858,588	39,575,040
PAYMENTS AND OTHER CHARGES—		
Annual allowances	976,109	954,739
Refundable tax remitted to		
Revenue Canada	5,101,490	3,982,375
Withdrawals	76,253	679,330
Pension division payments	37,680	39,055
	6,191,532	5,655,499
Closing balance	39,667,056	33,919,541

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 ending on March 31, 1998 for Public Service employees who were declared surplus as part of the Government's downsizing initiative, who were between age 50 and 54 and who met 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 6.20

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening 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
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees.....	2,721,303	1,657,313	197,166	90,390	52,526	15,722			2,970,995	1,763,425
Public Service										
corporation										
employees.....	994,943	964,852							994,943	964,852
Employer										
contributions—										
Government.....	29,872,255	20,073,090	2,294,089	1,654,236	789,464	270,533	241,437,024	392,706,598	274,392,832	414,704,457
Public Service										
corporations.....	12,193,086	12,973,492							12,193,086	12,973,492
Interest.....	6,107,386	3,824,594	140,675	384,813	70,481	39,714	70,875,311	52,286,430	77,193,853	56,535,551
	51,888,973	39,493,341	2,631,930	2,129,439	912,471	325,969	312,312,335	444,993,028	367,745,709	486,941,777
	99,299,132	66,440,060	7,846,364	5,382,216	1,285,356	689,137	938,529,100	878,371,099	1,046,959,952	950,882,512
PAYMENTS AND OTHER CHARGES—										
Annuities.....	352,222	205,479	235,126	167,782	1,773	964	67,808,864	47,158,696	68,397,985	47,532,921
Pension division.....	883,363	1,125,230	29,702						913,065	1,125,230
Returns of										
contributions—										
Government.....	3,213	5,794							3,213	5,794
Public Service										
corporation										
employees.....	57,389	15,086							57,389	15,086
Refundable tax.....	24,607,837	17,678,312	3,672,886		428,110	315,288	167,324,981	204,995,638	196,033,814	222,989,238
	25,904,024	19,029,901	3,937,714	167,782	429,883	316,252	235,133,845	252,154,334	265,405,466	271,668,269
Closing balance.....	73,395,108	47,410,159	3,908,650	5,214,434	855,473	372,885	703,395,255	626,216,765	781,554,486	679,214,243

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 6.21
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others ⁽¹⁾		Total	
	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	9,169,170	3,907,833	95,074	105,719	54,595,122	49,561,238	63,859,366	53,574,790
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government				143	1,703,343	1,451,168	1,703,343	1,451,311
Matching contributions—								
Government		5,261,337		143	1,703,759	1,451,168	1,703,759	6,712,648
Interest			4,764	5,400	3,497,143	2,181,139	3,501,907	2,186,539
		5,261,337	4,764	5,686	6,904,245	5,083,475	6,909,009	10,350,498
	9,169,170	9,169,170	99,838	111,405	61,499,367	54,644,713	70,768,375	63,925,288
PAYMENTS AND OTHER CHARGES—								
Annuities				11,318	45,424	42,841	45,424	54,159
Return of contributions.....				5,013		6,750		11,763
				16,331	45,424	49,591	45,424	65,922
Closing balance	9,169,170	9,169,170	99,838	95,074	61,453,943	54,595,122	70,722,951	63,859,366

⁽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. Since April 1, 1997, it also records the annual adjustment due to the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts.

Estimation adjustments of \$2,341 million (\$2,440 million in 1998) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. An amount of \$241 million (\$393 million in 1998) was recorded in this account to offset pension costs charged to expenditures in previous years but recorded in the superannuation accounts in 1999. To adjust the pension liabilities related to public sector restructuring, \$222 million was recorded to this account and credited to pension expenditures, while in 1998, \$525 million was recorded in this account and charged to pension expenditures. An amount of \$1,195 million was credited to this account and charged to expenditures to reflect pension plan amendments made during the year. As well, an amount of \$2,692 million (\$2,689 million in 1998) 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 \$12,743 million (\$16,554 million in 1998) 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 adjusted for cumulative refundable tax remitted to Revenue Canada was found to be \$27,755 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$13,321 million related to the Public Service pension plan;
- an excess of \$13,069 million related to the Canadian Forces pension plan;
- an excess of \$2,490 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$51 million related to the Members of Parliament retiring allowances;
- a shortfall of \$895 million related to the federally appointed judges pension plan; and,
- a shortfall of \$281 million related to the Retirement Compensation Arrangements plan.

Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

The Plan was initially designed to be financed on a pay-as-you-go basis, which means that pensions and benefits are paid out of current contributions. With changes made in 1997-98, the Plan is now intended to be funded on a steady-state basis—that is, combined contributions are planned to increase to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend, is limited to the balance of the Plan of \$36,891 million (\$36,664 million in 1998).

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

The legislation establishing the Board came into force on April 1, 1998. The purpose of the Board is to help the Plan achieve its steady-state funding by investing in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

Table 6.22 presents a summary of the balances and transactions in the Plan less investment in securities of the federal, provincial and territorial governments held by the Fund and transfers to the Board.

TABLE 6.22
CANADA PENSION PLAN ACCOUNT

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Canada Pension Plan, Table 6.23	36,664,418,706	18,725,522,654	18,499,237,449	36,890,703,911
Less: securities held by the Canada Pension Plan				
Investment Fund —				
Canada	3,456,232,000	12,015,000		3,444,217,000
Newfoundland	673,239,000	36,622,000	1,827,000	638,444,000
Nova Scotia	1,214,151,000	68,176,000	27,102,000	1,173,077,000
Prince Edward Island	148,627,000	7,537,000	376,000	141,466,000
New Brunswick	895,337,000	53,269,000		842,068,000
Quebec	103,624,000	7,324,000	350,000	96,650,000
Ontario	14,105,811,000	915,916,000	45,270,000	13,235,165,000
Manitoba	1,697,911,000	99,309,000		1,598,602,000
Saskatchewan	1,452,844,000	76,002,000		1,376,842,000
Alberta	4,172,102,000	176,645,000		3,995,457,000
British Columbia	4,535,320,000	260,506,000	12,933,000	4,287,747,000
Yukon Territory	3,726,000			3,726,000
	32,458,924,000	1,713,321,000	87,858,000	30,833,461,000
Less: securities held by the Canada Pension Plan				
Investment Board			11,942,000	11,942,000
Less: short-term investments in				
Canada bonds		2,901,597,000	3,520,147,000	618,550,000
	32,458,924,000	4,614,918,000	3,619,947,000	31,463,953,000
Operating balance—Deposit with the				
Receiver General for Canada	4,205,494,706	23,340,440,654	22,119,184,449	5,426,750,911

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 6.4 percent and 7.0 percent of pensionable earnings for the 1998 and 1999 calendar years, subject to maximum combined contributions of \$2,138 and \$2,373 respectively;
- (b) income from investments in securities held by the Fund, from short-term investments in Canada bonds, from the average daily operating balance deposited with the Receiver General for Canada, and from investments made by the Board; 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 Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the securities of the provincial governments;
- (f) funds invested during the year in short-term investments in Canada bonds; and,
- (g) funds transferred to the Board.

Until 1997-98, cash on hand in excess of the three-month operating requirement was invested entirely in provincial, territorial and federal government bonds. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Starting in 1998-99, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the Board. The Board is mandated to invest these funds in a manner to increase the long-term value of the Canada Pension Plan's assets through prudent participation in capital markets.

In 1999, \$87,858,000 was reinvested in the securities of provincial governments, and \$11,942,000 was transferred to the Board.

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

TABLE 6.23
CANADA PENSION PLAN

(in millions of dollars)

	1998-99	1997-98
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees, employers and self-employed	14,800	12,790
Investment income	3,665	3,792
Interest on average daily balance	261	158
	18,726	16,740
PAYMENTS AND OTHER CHARGES—		
Pensions and benefits	18,195	17,537
Administration	304	298
	18,499	17,835
Net increase (decrease)	227	(1,095)
Funds applied—		
Reinvestments in bonds—		
Provincial and territorial	87	
Increase in deposits with the Receiver General for Canada	1,222	487
Short-term investments in Canada bonds	619	
Transfer to Canada Pension Plan Investment Board	12	
	1,940	487
Less: funds provided—		
Disposals of bonds—		
Provincial and territorial	1,701	1,571
Federal	12	11
	1,713	1,582
Net increase (decrease)	227	(1,095)
Balance at beginning of year	36,664	37,759
Balance at end of year	36,891	36,664

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, 1999, over 101,800 annuitants held 111,693 active contracts, each annuitant receiving an average payment of \$658.67. During the year, 1,378 deferred annuities came into payment and another 436 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 1999, there were 9,372 outstanding deferred annuities, the last of which will come into payment around the year 2020.

During the 1998-99 fiscal year, 6,460 annuities were terminated or adjusted as a result of annuitant deaths: 4,220 group certificates and 2,240 individual contracts. The average age at death for males was 81.5 while the female age at death averaged 86.2. Eighty-five annuitants reached age 100 for a total of 148 centenarians as of March 31, 1999. The two oldest annuitants, females, are 108 years old.

Total income amounted to \$40.9 million, \$40.7 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$97,961. Total disbursements of \$76 million originated mainly from the \$75 million in payments made under matured annuities. An amount of \$408,600 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$563,900 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$628.3 million was reduced due to a surplus as at April 1, 1998 of \$4.6 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$35 million during 1998-99. Since the actuarial reserves required as of March 31, 1999 were only \$585.4 million, a surplus of \$3 million was also transferred to the Consolidated Revenue Fund.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island.

The second subsidy payment of \$46 million was made on April 1, 1998. These subsidy payments will continue for a period of 34 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 \$799 million, offset by deferred subsidies of \$780 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 34-year period ending on April 30, 2032. The amortization in 1998-99 was \$24 million.

Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75 percent semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$703 million, offset by deferred payments. These deferred payments will be amortized over the 18-year period ending on June 30, 2019.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.24 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.24

DEPOSIT AND TRUST ACCOUNTS

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission account	10,311,099	430,759,896	448,781,832	(7,710,837)
Guarantee deposits—Board of Arbitration and Review Tribunal	2,863	800	2,854	809
	10,313,962	430,760,696	448,784,686	(7,710,028)
Citizenship and Immigration—				
General security deposits	251,877	5,156	10,117	246,916
Immigration guarantee fund	16,610,422	7,623,274	6,460,341	17,773,355
	16,862,299	7,628,430	6,470,458	18,020,271
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization	96,000,000		10,000,000	86,000,000
Crown corporations' surplus moneys—				
St Lawrence Seaway Authority, The	13,000,000		5,000,000	8,000,000
Petro-Canada Limited—Cash reserve	2,993,283	180,686	71,275	3,102,694
	111,993,283	180,686	15,071,275	97,102,694
Human Resources Development—				
Canada Labour Code—Other		443,245	409,260	33,985
Canada Labour Code—Wage Recovery Appeals		902,707	1,891,183	(988,476)
		1,345,952	2,300,443	(954,491)
Indian Affairs and Northern Development—				
Agent administered Indian minors account		991,660		991,660
Less: securities held in Peace Hills Trust			991,660	991,660
		991,660	991,660	
Field British Columbia and Yukon Operations of the Northern Canada Power Commission	992,588			992,588
Guarantee deposits	17,634,860	7,139,769	5,352,316	19,422,313
Less: securities held in trust	13,094,748	3,930,642	5,479,439	14,643,545
	4,540,112	11,070,411	10,831,755	4,778,768
Guarantee deposits—Oil and gas	18,913,051	3,385,846	8,778,173	13,520,724
Less: securities held in trust	16,488,652	7,671,775	3,268,022	12,084,899
	2,424,399	11,057,621	12,046,195	1,435,825
Guarantee deposits—Reserve resources	1,467,338	145,015	836,374	775,979
Less: securities held in trust	537,500	537,500		
	929,838	682,515	836,374	775,979
	8,886,937	23,802,207	24,705,984	7,983,160
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act	15,000	100,000	100,000	15,000
Justice—				
Supreme Court of Canada—				
Security for costs	355,242	25,947	6,276	374,913
Tax Court of Canada—				
Security for costs	17,769	617	12,398	5,988
	373,011	26,564	18,674	380,901

TABLE 6.24

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
National Revenue—				
Guarantee deposits	10,622,074	1,904,439	1,128,492	11,398,021
Less: securities held in trust	1,938,800	553,000		1,385,800
	8,683,274	2,457,439	1,128,492	10,012,221
Temporary deposits received from importers	931,613		186,987	744,626
Less: deposits in special bank accounts	931,613	186,987		744,626
		186,987	186,987	
	8,683,274	2,644,426	1,315,479	10,012,221
Natural Resources—				
Guarantee deposits—Oil and gas	105,495,999	74,070,342	23,275,188	156,291,153
Less: securities held in trust	102,974,787	23,275,187	74,026,478	153,726,078
	2,521,212	97,345,529	97,301,666	2,565,075
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum	133,100	13,000	135,100	11,000
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds	6,654,372	196,706	1,534,812	5,316,266
Less: securities held in trust	6,654,372	2,030,125	715,705	5,339,952
		2,226,831	2,250,517	(23,686)
Cash	12,326,808	11,808,291	10,888,194	13,246,905
Certified cheques	825,266		357,608	467,658
Less: securities held in trust	825,266	379,788		445,478
		379,788	357,608	22,180
Seized property—Cash	11,637,078	2,946,398	2,231,653	12,351,823
	23,963,886	17,361,308	15,727,972	25,597,222
Total deposit accounts	183,745,964	581,208,798	611,931,737	153,023,025
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account	213,535	20,341	83,882	149,994
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.25	803,323,172	95,396,113	156,639,036	742,080,249
Revenue accounts, Table 6.26	118,006,960	86,636,263	71,634,431	133,008,792
	921,330,132	182,032,376	228,273,467	875,089,041
Indian estate accounts	7,794,162	4,646,252	3,895,793	8,544,621
Indian savings accounts	121,850,618	8,199,931	27,407,076	102,643,473
	1,050,974,912	194,878,559	259,576,336	986,277,135
National Defence—				
Estates—Armed services	274,993	9,093,332	10,257,802	(889,477)
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards	33,590	1,659	2,000	33,249
Correctional Service—				
Inmates' trust fund	8,493,406	29,274,350	29,596,677	8,171,079
Royal Canadian Mounted Police—				
Benefit trust fund	2,303,152	251,090	316,833	2,237,409
	10,830,148	29,527,099	29,915,510	10,441,737
Veterans Affairs—				
Administered trust accounts	7,449,910	1,652,336	2,392,660	6,709,586
Estates fund	811,513	922,695	1,115,916	618,292
Veterans administration and welfare trust fund	839,681	223,879	339,657	723,903
	9,101,104	2,798,910	3,848,233	8,051,781
Total trust accounts	1,071,394,692	236,318,241	303,681,763	1,004,031,170
Total deposit and trust accounts	1,255,140,656	817,527,039	915,613,500	1,157,054,195

Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

Guarantee deposits—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 subsection 92(1) of the *Immigration Act*.

Immigration guarantee fund

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Holdback—Privatization—Canada Development Investment Corporation

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Crown corporations' surplus moneys

These accounts were established pursuant to subsection 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Petro-Canada Limited—Cash reserve

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

Canada Labour Code—Other

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

Canada Labour Code—Wage Recovery Appeals

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

The debit balance is due to amounts not yet transferred from the Labour standards suspense account. The amounts will be transferred in the following year.

Agent administered Indian minors account

This account was established to record moneys belonging to Indian minors transferred to and held by an appointed agent pursuant to section 52 of the *Indian Act*.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by the Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

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 \$35,100 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 subsection 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.25**INDIAN BAND FUNDS—CAPITAL ACCOUNTS**

	1998-99	1997-98
	\$	\$
Opening balance	803,323,172	804,168,681
RECEIPTS AND OTHER CREDITS—		
Oil royalties	12,625,063	16,604,969
Gas royalties	70,654,199	54,090,419
Land and other claim settlements	500,000	3,700,000
Sundries	11,616,851	18,429,981
	95,396,113	92,825,369
	898,719,285	896,994,050
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	4,890,138	7,422,629
Transfer pursuant to section 64 of the Indian Act	147,848,453	86,004,451
Sundries	3,900,445	243,798
	156,639,036	93,670,878
Closing balance	742,080,249	803,323,172

TABLE 6.26**INDIAN BAND FUNDS—REVENUE ACCOUNTS**

	1998-99	1997-98
	\$	\$
Opening balance	118,006,960	121,716,221
RECEIPTS AND OTHER CREDITS—		
Government interest	47,763,446	55,206,404
Land and other claim settlements	16,116,620	624,730
Sundries	22,756,197	19,700,246
	86,636,263	75,531,380
	204,643,223	197,247,601
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	11,923,324	1,717,998
Transfer pursuant to section 69 of the Indian Act	52,550,467	69,215,025
Sundries	7,160,640	8,307,618
	71,634,431	79,240,641
Closing balance	133,008,792	118,006,960

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.

The debit balance in this account is due to incorrect coding of transactions that should have been charged to the “Contractors’ Deposit Account”. These coding errors will be corrected in the new fiscal year.

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 6.27 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.27
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation	38,921,078	2,092,184	338,949	40,674,313
Human Resources Development—				
Civil service insurance fund	8,914,669	319,232	561,553	8,672,348
National Defence—				
Regular forces death benefit account,				
Table 6.28	177,761,423	29,940,408	26,022,189	181,679,642
Treasury Board—				
Public Service death benefit account,				
Table 6.29	1,459,046,155	211,001,949	77,062,212	1,592,985,892
Veterans Affairs—				
Returned soldiers' insurance fund	161,040		29,938	131,102
Veterans insurance fund	13,768,633	383,476	1,131,203	13,020,906
	13,929,673	383,476	1,161,141	13,152,008
Total insurance and death benefit accounts	1,698,572,998	243,737,249	105,146,044	1,837,164,203
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account	21,947	2,780		24,727
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund	28,765,313	2,715,933	1,790,368	29,690,878
Treasury Board—				
Locally engaged contributory pension				
account		60,148	60,148	
Total pension accounts	28,787,260	2,778,861	1,850,516	29,715,605
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification	116,938	1,080,524	921,935	275,527
Commodity Industry Development Fund—Province	6,101,972	227,249	3,997,313	2,331,908
Net Income Stabilization Account	1,256,301,775	491,538,438	326,416,863	1,421,423,350
Net Income Stabilization Account				
Fund No. 1—Deposits		7,866,658	7,866,658	
Shared-cost agreements—Research	14,902,494	27,797,697	21,486,086	21,214,105
Canadian Food Inspection Agency—				
Shared-cost agreements		779,471	502,637	276,834
	1,277,423,179	529,290,037	361,191,492	1,445,521,724
Canadian Heritage—				
Mackenzie King trust account	285,013	11,002	14,738	281,277
Miscellaneous projects deposits	679,226	1,265,779	173,750	1,771,255
Shared-cost agreements—Conferences				
and training	5,339		5,339	
Shared-cost/joint project agreements	16,900	23,100	22,000	18,000

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Canadian Film Development Corporation—				
Advance account ⁽¹⁾	27,099,412	29,453,152	36,626,502	19,926,062
Canadian Radio-television and Telecommunications Commission—				
Shared-costs projects		161,263	161,263	
	28,085,890	30,914,296	37,003,592	21,996,594
Environment—				
Miscellaneous projects deposits	3,144,749	4,992,166	4,821,737	3,315,178
Canadian Environmental Assessment Agency—				
Public participation funding program	151,315		151,315	
	3,296,064	4,992,166	4,973,052	3,315,178
Finance—				
Common school funds—Ontario and Quebec	2,677,771			2,677,771
Foreign claims fund	179,020			179,020
War claims fund—World War II	4,236			4,236
	2,861,027			2,861,027
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements	1,796,427	1,635,189	2,340,875	1,090,741
Miscellaneous projects deposits	7,776,722	11,526,756	11,611,678	7,691,800
Sales of seized assets	754,152	500,799	597,384	657,567
	10,327,301	13,662,744	14,549,937	9,440,108
Foreign Affairs and International Trade—				
Canada Foundation account	309,315	41,330	11,049	339,596
Less: securities held in trust	295,594	764	41,184	336,014
deposits in a special bank account	13,721	27,810	17,671	3,582
		69,904	69,904	
Financial assistance to Canadians abroad	141,940	1,705,338	1,781,209	66,069
Funds from non-governmental organizations	723,580	11,461,074	11,260,322	924,332
Shared-cost projects	541,029	6,613,853	6,327,502	827,380
Canadian International Development Agency—				
Shared-cost projects—International conferences	18,183	59,513	48,534	29,162
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements	12,018		2,863	9,155
	1,436,750	19,909,682	19,490,334	1,856,098
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities	50,000			50,000
Collaborative research projects	402,807	589,189	636,346	355,650
Miscellaneous federal/provincial projects	732,669	1,934,539	1,783,202	884,006
Pan American Health Organization	29,097	136,620	181,668	(15,951)
World Health Organization	87,939	41,619	16,411	113,147
Medical Research Council—				
Dyskinesia and torticollis research	77,730	3,372		81,102
	1,380,242	2,705,339	2,617,627	1,467,954
Human Resources Development—				
Fair wages suspense account	10,934	904	7,634	4,204
Federal/provincial shared-cost project	97,069	14,167,525	14,087,323	177,271
Federal/provincial shared-cost project—Interprovincial				
Computerized Examination Management System (ICEMS) . .	1,695,941	90,709	209,124	1,577,526
Labour standards suspense account	3,413,743	832,861	1,570,410	2,676,194
Canadian Centre for Occupational Health and Safety—				
PanAsia Research and Development Grants Program		300,000	69,726	230,274
	5,217,687	15,391,999	15,944,217	4,665,469

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Fines—Indian Act	379,239	12,734	16,911	375,062
Indian agencies revenue trust bank accounts	92,727	5,176,499	5,030,018	239,208
Less: deposits in special bank accounts	92,727	5,176,499	5,030,018	239,208
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	22,248,747	17,905,909	14,891,369	25,263,287
Indian special accounts	1,370,738	445,564	576,891	1,239,411
Treaty Land Entitlement (Saskatchewan) Fund		12,706,210	12,706,210	
	24,221,064	31,070,417	28,191,381	27,100,100
Industry—				
Canada/Provinces Business Service Centre		300,000	300,000	
Income from securities in trust—Bankruptcy and Insolvency Act	46,088	339		46,427
Petro-Canada Enterprises Inc.—Unclaimed shares	713,872		6,910	706,962
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost agreements—Tourism	249,673	1,076,129	665,605	660,197
Shared-cost/joint project agreements—Research	355,180	195,317	479,433	71,064
Shared-cost projects	522,707	1,540,030	987,152	1,075,585
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	2,123,300	853,229	576,474	2,400,055
Canada Business Corporations Act	1,211,455	2,932,697	2,939,237	1,204,915
Winding-up Act	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account	210,623	2,620,000	2,380,685	449,938
Canadian Space Agency—				
Radarsat	403,910		32,675	371,235
National Research Council of Canada—				
Trust fund	10,606,788	14,345,804	13,628,150	11,324,442
Natural Sciences and Engineering Research Council—				
Trust fund	984,160	709,529	408,855	1,284,834
Social Sciences and Humanities Research Council—				
Queen's Fellowship fund	250,142	12,332	1,422	261,052
Trust fund	230,513	14,807	5,000	240,320
Statistics Canada—				
Project deposits	3,720,144	54,036,582	53,709,782	4,046,944
Western Economic Diversification—				
Jobs and economic restoration initiative	2,774,169	6,166,965	8,718,234	222,900
Shared-cost agreements—Port of Churchill		3,000,000		3,000,000
	24,932,383	87,803,760	84,839,614	27,896,529
Justice—				
Federal Court of Canada—				
Federal Court special account	20,008,764	4,120,516	9,979,821	14,149,459
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta	5,548,601	55,124,806	45,160,428	15,512,979
Wainwright, Alberta	707,901	7,083,743	6,123,109	1,668,535
Other activities	3,251,397	15,714,925	16,305,491	2,660,831
United States of America	214,315	492,432	631,308	75,439

TABLE 6.27

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1998	Receipts and other credits	Payments and other charges	March 31/1999
	\$	\$	\$	\$
Federal Republic of Germany—				
German Army—Shilo, Manitoba	8,072,541	20,398,000	20,601,347	7,869,194
Other activities	14,098,388	25,536,108	28,293,019	11,341,477
Netherlands	5,107,115	11,847,000	8,898,830	8,055,285
Joint research and development projects	130,338	346,712	74,693	402,357
Non-government agencies	1,731,440	1,427,252	2,047,988	1,110,704
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects	6,671,890		13,399	6,658,491
	45,533,926	137,970,978	128,149,612	55,355,292
Natural Resources—				
Atomic Energy of Canada Limited regional seismic				
monitoring station		36,425	36,425	
Continental geoscience division—Ontario Hydro	32,458		25,306	7,152
Market development incentive payments—Alberta	7,248,010	149,753	36,250	7,361,513
Miscellaneous projects deposits	4,114,348	2,135,051	3,137,404	3,111,995
Shared-cost agreements—Research	1,892,236	2,095,398	2,369,646	1,617,988
Shared-cost projects	3,273,324	4,059,317	4,260,970	3,071,671
	16,560,376	8,475,944	9,866,001	15,170,319
Public Works and Government Services—				
Crown Corporation Trusts—Donations		65,100		65,100
Francophone Summits	188,028	60,240	94,270	153,998
Interest on bonds—Insurance companies		127,463	127,463	
Military purchases excess funds deposit	48,230,136	13,618,408		61,848,544
Less: securities held in trust	48,230,136		13,618,408	61,848,544
	188,028	13,618,408	13,618,408	
		13,871,211	13,840,141	219,098
Solicitor General—				
Joint research and development projects	384,741	443,854	633,557	195,038
Royal Canadian Mounted Police—				
Joint research and development projects	465,552	71,628	30,700	506,480
Mounted Police Foundation	144,327	25,364	26,999	142,692
Seized assets—Canadian funds	68,123	139,516	68,697	138,942
Seized assets—US funds	360		360	
Sponsorship Agreement—Contributions	465,675	242,332	458,372	249,635
	1,528,778	922,694	1,218,685	1,232,787
Treasury Board—				
Egypt-Canada Memorandum of Cooperation	7,375			7,375
Total	1,463,008,834	901,101,783	731,855,506	1,632,255,111
Less: consolidation adjustment ⁽¹⁾	14,534,000		5,392,000	19,926,000
Total other accounts	1,448,474,834	901,101,783	737,247,506	1,612,329,111
Total other specified purpose accounts	3,175,835,092	1,147,617,893	844,244,066	3,479,208,919

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

Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate of Northumberland General Insurance Company.

Civil service insurance fund

This fund was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service for the payment of certain sums of money to be paid on the death of that person. No new contracts have been entered into since 1954 when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 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 2,234 and the average age of the policyholders is 81.4 years. During the year, receipts and other credits consisted of premiums of \$6,413 on 67 contracts and, an amount of \$312,819 (charged to expenditures) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1998. Payments and other charges consisted of death benefits for 105 claims, \$531,613; cash surrender values paid on 1 policy, \$8,068; settlement annuities paid to 44 beneficiaries, \$21,798; and, premiums refund, \$74.

On the prescribed actuarial assumptions, the liabilities in respect of the benefit plan established under the Act are estimated at \$8,910,639 as of March 31, 1999. The balance of the Account as of that date is \$8,672,348. The deficit is therefore at \$238,291. 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 6.28

REGULAR FORCES DEATH BENEFIT ACCOUNT

	1998-99	1997-98
	\$	\$
Opening balance	177,761,423	172,073,804
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	10,456,551	10,212,396
Government's contribution	2,125,788	1,988,115
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution	646,350	657,434
Interest	16,711,719	16,707,049
	29,940,408	29,564,994
	207,701,831	201,638,798
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	26,022,189	23,877,375
Closing balance	181,679,642	177,761,423

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 6.29

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1998-99	1997-98
	\$	\$
Opening balance	1,459,046,155	1,343,318,410
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	62,563,036	60,951,305
Government—		
General	4,503,393	5,429,724
Single premium for \$5,000	1,334,835	1,311,978
Public Service corporations	2,451,902	2,424,788
Interest	140,148,783	132,895,036
	211,001,949	203,012,831
	1,670,048,104	1,546,331,241
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	54,040,721	65,156,693
Life coverage of \$5,000	20,673,916	22,049,933
Other death benefit payments	2,347,575	78,460
	77,062,212	87,285,086
Closing balance	1,592,985,892	1,459,046,155

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, 1998 of \$12,728 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, 1998 of \$340,664 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

Commodity Industry Development Fund—Province

This account was established to record contributions received from provincial governments equal to a maximum of one-half of the premium contributions made under the National Tripartite Stabilization Program for Beef in respect of sales in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to pre-determined 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, 1999, participant deposits pertained in most part, to the 1997 stabilization year (the period for which a participant filed a 1997 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 1997 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 1997 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger).

Net Income Stabilization Account Fund No. 1—Deposits

This account was established on the basis of an agreement between the Minister of Finance and the Minister of Agriculture and Agri-Food. The account is of a short-term nature and it records the deposits of NISA participants that were using the Farm Credit Corporation as a default financial institution; the legal authority for the Farm Credit Corporation to accept NISA deposits was rescinded on March 31, 1998. NISA participants have now selected their own financial institution for deposits and this account will be closed shortly.

Shared-cost agreements—Research—Agriculture and Agri-Food

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost agreements—Canadian Food Inspection Agency

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

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.

Shared-costs projects—Canadian Radio-television and Telecommunications Commission

This account was established to record advance payments from private industry in support of joint initiatives with the Commission.

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.

During the year, the account was closed.

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 monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development 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

This account was established to record funds for a collaborative laboratory and epidemiology strengthening project for the prevention and control of selected enterics pathogens and their antibiotic resistance pattern in the region of the Americas. It also includes a project to strengthen epidemiological and laboratory infrastructure for the diagnosis and surveillance of *S. pneumonia* in support of vaccine development.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Dyskinesia and torticollis research

This account was established by subsection 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 was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Human Resources Development from employers who cannot locate employees. Efforts are then made to locate employees.

PanAsia Research and Development Grants Program

This account was established to record monies being administered on behalf of the International Development Research Centre for various grants to support research and development and research projects in Asia and Pacific region in networking applications, technologies and regulatory issues. The project addresses the region's economic, social and environmental problems.

Fines—Indian Act

Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

Indian agencies revenue trust bank accounts

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) Missing individual—Estate distribution to which a missing individual is entitled is held in this account.
- (b) Quebec fur account—This account records moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for 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.

Shared-cost agreements—Port of Churchill

This account was established through a federal-provincial cost-shared program in sharing the dredging costs of the upgrade to the Port of Churchill.

Federal Court special account

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

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 selected programs which encourage the use of natural gas for vehicles.

Miscellaneous projects deposits—Natural Resources

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

Crown Corporation Trusts—Donations

This account was established to record, on a temporary basis, (a) donations intended for the development and operations of the Downsview Park, Toronto; and, (b) donations from private sector entities to support the Old Port of Montreal.

Francophone Summits

This account was established to record moneys granted since 1994 by the «Agence de la Francophonie (Paris)» for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

Interest on bonds—Insurance companies

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Joint research and development projects—Solicitor General

This account was established to record funds received to conduct joint research and development projects.

Joint research and development projects—Royal Canadian Mounted Police

This account was established to record monies received from other government organizations in order to share costs incurred under various research project agreements.

Mounted Police Foundation

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

Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

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.

During the year, the account was closed.

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.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan

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.

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* (the 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*

CLAIRE M. MORRIS
Deputy Minister

July 23, 1999

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 and the statement of disposals, re-investments and balance of the Canada Pension Plan Investment Fund for the year ended March 31, 1999. 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 Plan and the Investment Fund as at March 31, 1999 and the results of operations of the Plan and the disposals and re-investments of the Investment Fund 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 23, 1999

Canada Pension Plan —Continued

CANADA PENSION PLAN

STATEMENT OF REVENUE, EXPENDITURES AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1999

(in millions of dollars)

	1999	1998
Revenue		
Contributions (Note 3)	14,800	12,790
Investment income (Note 4)	3,926	3,950
	18,726	16,740
Expenditures		
Pensions and benefits (Note 5)		
Retirement	12,381	11,827
Disability	2,579	2,542
Survivor	2,561	2,447
Disabled contributor's child	248	250
Death	224	269
Orphan	202	202
	18,195	17,537
Administration costs (Note 6)	304	298
	18,499	17,835
Excess of revenue over expenditures (expenditures over revenue)	227	(1,095)
Balance at beginning of year	36,664	37,759
Balance at end of year	36,891	36,664
Represented by:		
Canada Pension Plan		
Investment Fund (Note 7)	30,833	32,459
Canada Pension Plan		
Investment Board (Note 8)	12	
Canada Pension Plan		
Account (Note 9)	6,046	4,205
	36,891	36,664

Contingencies (Note 10)

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*

CLAIRE M. MORRIS

Deputy Minister

Canada Pension Plan—Continued

CANADA PENSION PLAN INVESTMENT FUND

STATEMENT OF DISPOSALS, RE-INVESTMENTS AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1999
(in millions of dollars)

	Balance at beginning of year	Disposals	Re-investments	Balance at end of year
Investment in securities (Note 7)				
Newfoundland	673	37	2	638
Prince Edward Island	149	8		141
Nova Scotia	1,214	68	27	1,173
New Brunswick	896	53		843
Quebec	103	6		97
Ontario	14,106	916	45	13,235
Manitoba	1,698	99		1,599
Saskatchewan	1,453	76		1,377
Alberta	4,172	177		3,995
British Columbia	4,535	261	13	4,287
Yukon Territory	4			4
	29,003	1,701	87	27,389
Canada	3,456	12		3,444
	32,459	1,713	87	30,833

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*

CLAIRE M. MORRIS

Deputy Minister

Canada Pension Plan—ContinuedNOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

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* (the Act), 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. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund and the Canada Pension Plan Investment Board. 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 Canada Pension Plan Investment Board was established by act of Parliament in 1997. The Board was created in 1998 to help the CPP achieve its steady-state funding by earning investment returns on funds transferred from the CPP Account.

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 by contributions and investment returns.

Employers and employees pay contributions equally to the CPP. Self-employed workers pay the full amount.

CPP was designed to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, CPP is now intended to be funded on a "steady-state" basis—that is, combined contributions are planned to increase to 9.9 percent of pensionable earnings by 2003 and are then expected to level off.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and 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 and in 1999, it was increased by 0.6 percent to reach 7 percent. The maximum combined contributions are \$2,138 for 1998 and \$2,373 for 1999.

The Act provides that an actuarial report shall be prepared every three years for purposes of the contribution rates review by the Minister of Finance and his provincial counterparts. The Seventeenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions was tabled in the House of Commons in December 1998. Discussions between the federal and provincial ministers of Finance are under way to determine whether benefits or contribution rates or both should be changed.

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) Investments

The balance in the CPP is composed of deposits, short term and long term investments and net assets of the CPP Investment Board. The balance is anticipated to increase to and be maintained at, over time, approximately five times the annual payments projected for the following year.

Canada Pension Plan—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—Continued

Until 1997, cash on hand in excess of the three-month operating requirement was invested entirely in provincial, territorial and federal government bonds. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Starting in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years if both, the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board. The Board is mandated to invest these funds in a manner to increase the long-term value of the CPP assets through prudent participation in capital markets. The bond portfolio is administered by the federal Department of Finance.

(e) 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 1999 is \$751.67.

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 1999 is \$903.55.

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 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 1999 is \$451.00.

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 the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 1999 is \$171.33.

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 earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 1999 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 1999 is 0.9 percent.

2. Accounting policies

The CPP financial statements report the financial activities of the CPP Account, the CPP Investment Fund and the CPP Investment Board.

The financial transactions affecting the Account and the Fund are governed by the Act governing the *Canada Pension Plan* and its regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying 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 to meet, on an actuarial basis, the future obligations of the CPP.

(a) 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.

(b) Pensions and benefits are recorded when paid.

(c) 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.

(d) Investments:

Canada Pension Plan Account and Investment Fund

Securities are shown at cost, which is equal to the face value at the time of purchase.

Interest revenues are recorded when received.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—Continued

Canada Pension Plan Investment Board

The balance is stated at the value of the Investment Board's net assets as at March 31.

Investment income is the Board's net income from operations. This is determined based on income from interest, realized and unrealized gains less investment and administrative expenses.

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 1998, 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 1998 and 1999 will only be known once Revenue Canada has processed all employers' and self-employed workers' declarations of contributions for 1998 and 1999.

Adjustments, if any, are recorded in the year in which the funds are received or reimbursed. The reimbursements for 1997 and preceding years, paid in 1999 amounted to \$5 million (reimbursement of \$145 million in 1998).

4. Investment income

	1999	1998
	(in millions of dollars)	
Interest on investment in long term securities		
Provinces and Yukon Territory ...	3,277	3,431
Canada	353	354
	3,630	3,785
Interest on deposit with the Receiver General for Canada, at a weighted-average rate of 4.80 percent (3.53 percent in 1998)	261	158
Interest on short term investments (3 month term) with Canada, at a weighted-average rate of 4.87 percent (2.97 percent in 1998)	35	7
Investment Board net income from operations ⁽¹⁾	3,926	3,950

⁽¹⁾ The Investment Board's investment activities commenced with the receipt of the first transfer from CPP on March 1, 1999. The investment income of \$200,000 reflects only one month's activity.

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 most recent study, which is based on the 1997 payment year, estimates through statistical extrapolation, that the most likely value of undetected mispayments at \$55.6 million. This includes underpayments of \$36.6 million and overpayments of \$19 million.

Disability mispayments, based on a review of 89 percent of the accounts selected as the study sample, have a most likely value of \$14.7 million in undetected mispayments, which include underpayments of \$7.5 million and overpayments of \$7.2 million.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—Continued

The results of the previous study, which was based on the 1996 payment year have been revised to reflect a higher completion rate for Disability accounts (originally 86.4 percent, now at 98 percent). The most likely value of undetected mispayments for Disability accounts is now estimated at \$43.3 million (compared with the \$23 million reported in the 1997-98 Financial Statements) of which underpayments represents \$14.1 million (\$8 million originally) and overpayments \$29.2 million (\$15 million originally). This increase in Disability's most likely value of undetected mispayments raises the overall estimated mispayment value for the entire CPP benefit population from \$40 million to \$60.3 million for the 1996 payment year.

Management has taken several initiatives to improve the administration of the Plan. Treasury Board has approved \$268 million for 1997-98 and subsequent years for implementation of key initiatives. Work currently under way includes the following:

- implementation of a quality assurance program;
- significant increases in the number of reassessments, verifying the continuing eligibility of beneficiaries; and,
- introduction of a new procedures used by the annual study on the extent and nature of pension and benefit mispayments.

6. Administration costs

	1999	1998
	(in millions of dollars)	
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada)	206	204
Collection of contributions (Revenue Canada)	76	75
Cheque issue and computer services (Public Works and Government Services Canada)	14	17
CPP Investment Board	6	
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
Investment services (Finance)	1	1
	304	298

Administration costs of the Account represent the cost of services received from a number of federal government departments, an agency and a board. Those costs are charged to the Account in accordance with memoranda of understanding.

7. Investment in securities

The amounts invested by CPP in long-term securities of provinces, territories and Canada constitute the Canada Pension Plan Investment Fund.

Until the end of 1997, the investments in provincial, territorial and federal government securities were made with the cash on hand in excess of the three-month operating requirement. These securities were non-negotiable and had a 20-year term or less as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the securities was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more.

Starting in 1998, the existing securities held by the CPP Investment Fund may be re-invested at maturity, either wholly or in part, if both, the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. To the extent that the issuer does not replace the matured securities and the funds are not required by the CPP, the proceeds are transferred to the CPP Investment Board.

When a matured security is re-invested, the replacement security has a term of 20 years. The replacement securities are non-negotiable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same as the interest rate that the province would pay if it were to borrow the same amount for the same term through the issuance of a security on the public capital market.

All disposals of securities are made, at maturity date, at face value. Interest earned on the investments is credited semi-annually to the Account.

At March 31, 1999, the balance in the Investment Fund was \$30.8 billion at cost (\$32.5 billion in 1998). The fair value of the balance in the Fund is estimated at \$42 billion (\$44 billion in 1998). This estimate is based on the present value of the contractual cash flows discounted at rates currently available for similar investments.

The following schedule presents the classification of securities by maturity dates and the weighted average annual rate of return on securities currently held.

Canada Pension Plan—Concluded

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999—*Concluded*

(in millions of dollars)

Investment maturing	March 31, 1999		March 31, 1998	
	Investment at cost	Average yield	Investment at cost	Average yield
Within 1 year	1,880	10.48%	1,645	9.53%
1 to 5 years	9,224	13.65%	8,674	13.48%
Over 5 years	19,729	10.50%	22,140	10.66%
Total—Investments	30,833		32,459	
Weighted average yield on investments		11.44%		11.36%

8. Canada Pension Plan Investment Board

The legislation establishing the Canada Pension Plan Investment Board came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

In March 1999, the CPP Account made an initial transfer of \$11.9 million to the Board for investment purposes. The Board's investments are distributed between Canadian and non-Canadian equities (82 percent and 18 percent respectively). The estimated fair market value of these investments as at March 31, 1999 was \$12.1 million.

During the year, CPP also transferred to the Investment Board \$6 million for start-up costs, as provided by the legislation. The Board will repay CPP \$4.9 million later in 1999.

9. Canada Pension Plan Account

The balance of the Account includes:

	March 31, 1999	March 31, 1998
	(in millions of dollars)	
Deposit with Receiver		
General for Canada	5,427	4,205
Short-term investments	619	
	6,046	4,205

The carrying value of short-term investments approximates fair value at year-end.

10. Contingencies

At March 31, 1999, there were 16,084 (21,980 in 1998) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum of \$29 million (\$55 million in 1998).

Any claims resulting from the resolution of these appeals will be accounted for as an expenditure of the period in which the claim is paid.

11. 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 possible impacts on operations and financial reporting may range from minor errors to significant systems failure which if not addressed 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 recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *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.

JAMES LAHEY
Deputy Minister

ALAN WINBERG
*Assistant Deputy Minister
Financial and Administrative Services*

July 30, 1999

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, 1999 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, 1999 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.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 30, 1999

Government Annuities Account—Continued

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 1999 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 30, 1999

BALANCE SHEET AS AT MARCH 31, 1999
(in thousands of dollars)

ASSETS	1999	1998	LIABILITIES	1999	1998
Deposit with Receiver General for Canada (Note 3)	544,848	584,845	Actuarial surplus due to Canada		4,622
Accrued interest due from Canada	40,756	43,463	Actuarial liabilities (Note 4)	585,813	623,876
Accounts receivable	209	190			
	585,813	628,498		585,813	628,498

Contingency (Note 7)

See accompanying notes.

Approved by the Department:

JAMES LAHEY
Deputy Minister

ALAN WINBERG
*Assistant Deputy Minister
Financial and Administrative Services*

Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1999**

(in thousands of dollars)

	1999	1998
Payments and other charges		
Annuity payments.....	75,056	78,500
Premium refunds.....	409	550
Unclaimed annuities.....	564	511
	76,029	79,561
Income		
Interest from Canada	40,756	43,463
Premiums (Note 3)	98	102
Other	98	79
	40,952	43,644
Excess of payments and other charges over income for the year	35,077	35,917
Actuarial liabilities, balance at begin- ning of the year.....	623,876	664,415
	588,799	628,498
Actuarial surplus	2,986	4,622
Actuarial liabilities, balance at end of the year (Note 4)	585,813	623,876
Actuarial liabilities are comprised of:		
Deferred annuities, present value	57,791	65,896
Matured annuities, present value	528,022	557,980
	585,813	623,876

See accompanying notes.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1999**

(in thousands of dollars)

	1999	1998
Funds were provided by (used for):		
Operations		
Excess of payments and other charges over income for the year.....	(35,077)	(35,917)
(Increase) decrease in accrued interest and accounts receivable ...	2,688	(1,175)
	(32,389)	(37,092)
Actuarial deficit recovered from (surplus remitted to) Consolidated Revenue Fund	(7,608)	54,608
Total funds provided (used)	(39,997)	17,516
Deposit with Receiver General for Canada, balance at beginning of the year	584,845	567,329
Deposit with Receiver General for Canada, balance at end of the year	544,848	584,845

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999

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 utilised 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—Concluded

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999—*Concluded*

(f) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

3. Premiums

Premiums are deposited with the Receiver General for Canada and earn interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*.

4. Actuarial liabilities

The *Government Annuities Act* and *Regulations* prescribe the basis upon which actuarial values are to be determined. The *Regulations* require the discounting of expected future payments using seven percent annual interest. Future payments are to be estimated by using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

5. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated March 1991, it is appropriate to include a description of the respective roles of the actuary and of the auditor with the financial statements. Their respective roles are as follows:

- (a) The actuary, being in this case the Chief Actuary employed by the Department of Human Resources Development, determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Government Annuities program. The Chief Actuary also ensures that the method utilised to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

- (b) The auditor expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with generally accepted accounting principles. The auditor also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations. The audit is conducted in accordance with 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, 1999, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.2 million (1998—\$2.2 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.

**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.

N. BEACH
Manager

*Public Works and Government Services Canada
RCMP Specialized Services*

J.P.R. MURRAY
Commissioner
Royal Canadian Mounted Police

August 17, 1999

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, 1999 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, 1999 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
August 17, 1999

Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 1999

	1999	1998
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund	29,690,878	28,765,313

See accompanying notes to the financial statements.

Approved by:

N. BEACH

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, 1999

	1999	1998
	\$	\$
Increase in assets		
Interest income on amount due from the Consolidated Revenue Fund	2,702,215	2,686,373
Contributions from participants	13,718	14,358
Total increase in assets	2,715,933	2,700,731
Decrease in assets		
Benefits payments to widows and children	1,790,368	1,508,099
Total decrease in assets	1,790,368	1,508,099
Increase in net assets	925,565	1,192,632
Net assets available for benefits at beginning of year	28,765,313	27,572,681
Net assets available for benefits at end of year	29,690,878	28,765,313

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1999

1. Description of the plan

The following brief description of the Royal Canadian Mounted Police (Dependants) Pension Plan is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Plan are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Plan was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Plan; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Plan prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Plan, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Plan.

(c) Interest income

The Government of Canada credits the Plan with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government superannuation accounts.

**Royal Canadian Mounted Police (Dependants)
Pension Plan—Continued**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1999—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Plan.

i) Widow's pensions

The widow is entitled to the pension purchased by the member. In many cases the pension equals approximately 1.5 percent of the member's final pay multiplied by his years of credited service. The pension is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pay, is payable to each surviving child eligible in accordance with the provisions of the Act at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The Act provides that if the Plan is substantially in excess of the amount required to make adequate provision for the prospective payments to be made out of it, the Governor in Council may, by order, increase the benefits provided under Part IV in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Plan upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared in accordance with 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 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, 1999—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 11 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 9.69 percent per annum (10.01 percent in 1998) is consistent with the estimated yield (9.55 percent) used for the immediate future in the actuarial valuation. The expected long-term plan yield is estimated to decline to 6.08 percent per annum by the year 2021. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed at March 31, 1999. The actuarial present value of accrued pension benefits as at March 31, 1999 (net of an \$78,000 deduction (\$84,000 in 1998) 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:

	1999	1998
	(in thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	22,591	19,755
Net interest accrued on benefits	2,131	2,116
Net adjustment arising from experience gains and losses and from valuation changes	146	(622)
Amendments to the Plan including dividend increases		2,836
Contributions from participants (instalment payments)	14	14
Benefits payments	(1,790)	(1,508)
Actuarial present value of accrued pension benefits at end of year	23,092	22,591

4. 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 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 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 and other third parties, will be fully resolved.

SECTION 7

1998-99

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”.

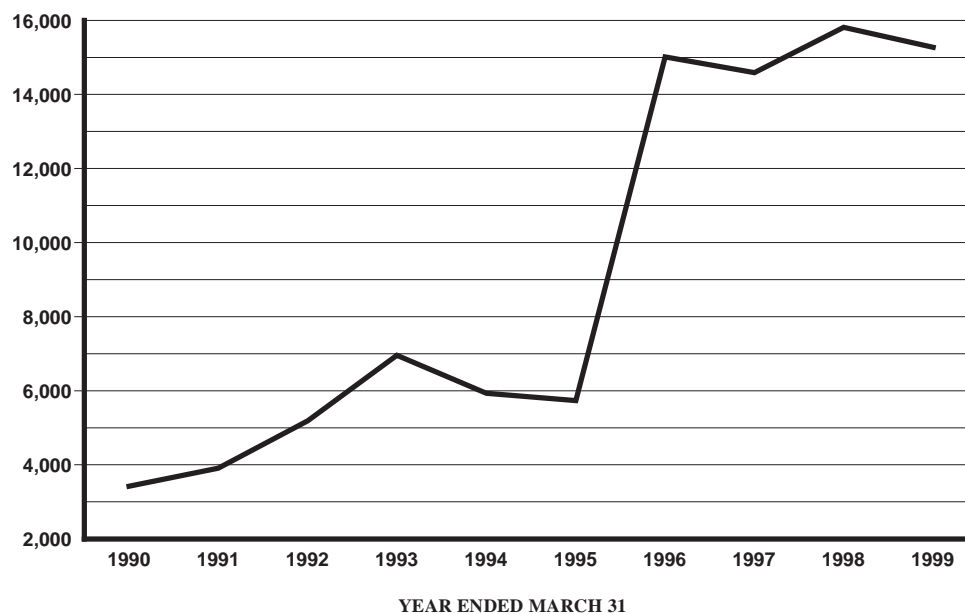
Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

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 1/1998	March 31/1999
	\$	\$
Cash in bank, Table 7.2	10,378,656,498	9,306,224,682
Cash in transit, Table 7.5	4,530,389,216	5,431,961,593
	<i>14,909,045,714</i>	<i>14,738,186,275</i>
Less: outstanding cheques and warrants, Table 7.6	3,217,941,571	4,044,919,773
Total cash	11,691,104,143	10,693,266,502
Accounts receivable, Table 7.7.	4,122,170,907	4,579,811,283
Total	15,813,275,050	15,273,077,785

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 1/1998	March 31/1999
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3	10,292,909,205	9,275,003,277
Foreign currencies, Table 7.4	(43,529,440)	(54,531,832)
Special deposits	129,276,733	85,753,237
Total	10,378,656,498	9,306,224,682

Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

TABLE 7.3
CANADIAN CURRENCY DEPOSITS
(in millions of dollars)

At end of month of	Year ended March 31	
	1999	1998
April	3,741	4,836
May	4,837	2,965
June	5,402	3,969
July	4,825	2,896
August	14,374	3,541
September	5,286	2,715
October	2,037	5,398
November	1,685	7,604
December	9,122	11,259
January	1,687	9,137
February	6,981	9,647
March	9,275	10,293

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)

(in millions of dollars)

At end of month of	Year ended March 31	
	1999	1998
April	(20)	1
May	(20)	16
June	(25)	39
July	(31)	37
August	(7)	1
September	(64)	(45)
October	18	(1)
November	(6)	(7)
December	(20)	24
January	(10)	26
February	(15)	(8)
March	(55)	(44)

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 1/1998	March 31/1999
	\$	\$
Cash in hands of collectors and in transit	4,283,638,216	5,166,280,593
Other cash—Consolidated Crown corporations ⁽¹⁾	246,751,000	265,681,000
Total	4,530,389,216	5,431,961,593

⁽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.

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 1/1998	March 31/1999
	\$	\$
Outstanding cheques	2,968,092,133	3,797,615,834
Imprest account cheques	1,090,599	1,770,880
Employment insurance warrants	248,758,839	245,533,059
Total	3,217,941,571	4,044,919,773

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 \$14,522,198 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 \$1,015 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, 1999. 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 1/1998	March 31/1999
	\$	\$
Non-tax revenues and revenues netted against expenditures ⁽¹⁾	3,703,164,000	3,996,873,000
Other receivables	65,179,907	331,137,283
Accounts receivable of consolidated Crown corporations ⁽²⁾	353,827,000	251,801,000
Total	4,122,170,907	4,579,811,283

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,432 million for 1999 (\$2,461 million for 1998).

⁽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 only includes receipts for refunds of old year budgetary expenditures of departments and agencies, and receipts for repayments of loans by Crown corporations, but only if the related payments were issued and charged to the Crown corporations' books as of March 31.

Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 1999.

TABLE 7.8

**LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES
NETTED AGAINST EXPENDITURES**

(in thousands of dollars)

Categories of accounts receivable	1999			1998
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments	564,278	194,083	370,195	439,457
Refunds of previous years' expenditures	779,128	213,396	565,732	640,737
Service fees	61		61	4
Privileges, licences and permits	937		937	1,446
Miscellaneous	10,661		10,661	3,861
Total long-term accounts receivable.	1,355,065	407,479	947,586	1,085,505

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, 1999 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, 1999
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments	340,088	15	700	22,533	363,336
Proceeds from sales	3,785	358	326	1,171	5,640
Refunds of previous years' expenditures	90,841	3,387	3,295	92,348	189,871
Privileges, licences and permits	25,314	546	337	2,628	28,825
Service fees	43,880	8,723	3,406	63,826	119,835
Miscellaneous	157,001	10,152	15,256	1,107,198	1,289,607
Revenues netted against expenditures	143,309	68,674	36,923	411,688	660,594
	804,218	91,855	60,243	1,701,392	2,657,708
Other amounts					1,339,165 ⁽¹⁾
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts)					3,996,873

⁽¹⁾ This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

SECTION 8

1998-99

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

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International reserves held in the Exchange Fund Account .	8.3
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Supplementary statement—	
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FOREIGN EXCHANGE ACCOUNTS

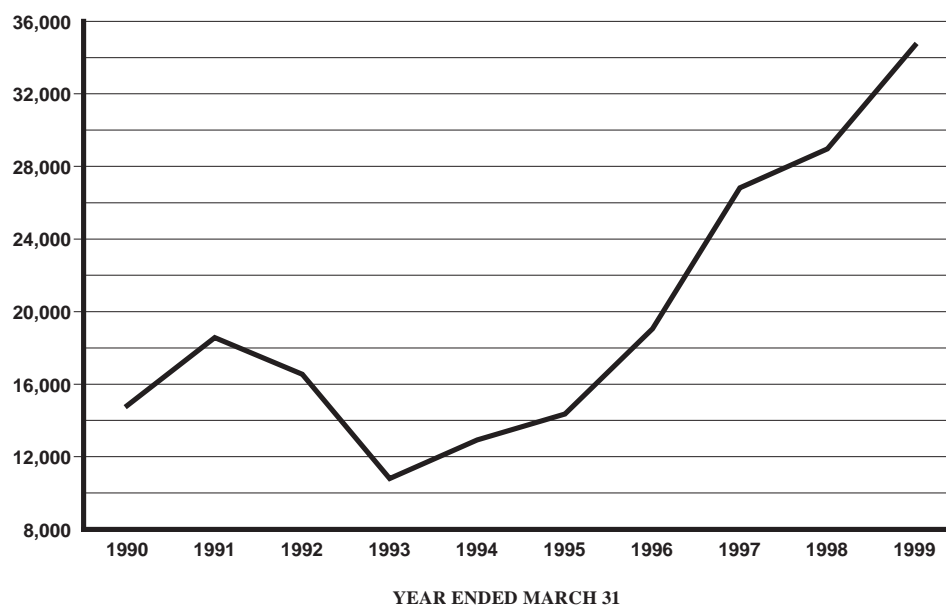
Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation 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 \$36,000 million as at March 31, 1999 (\$27,183 million as at March 31, 1998); 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 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	28,197,658,949	99,172,163,295	95,514,993,281	31,854,828,963
International Monetary Fund—Subscriptions	8,194,313,010	4,853,439,030		13,047,752,040
	<i>36,391,971,959</i>	<i>104,025,602,325</i>	<i>95,514,993,281</i>	<i>44,902,581,003</i>
Less:				
International Monetary Fund—Notes payable	5,945,996,705	1,586,569,682	4,279,494,136	8,638,921,159
Special drawing rights allocations	1,478,079,343		118,350,722	1,596,430,065
	<i>7,424,076,048</i>	<i>1,586,569,682</i>	<i>4,397,844,858</i>	<i>10,235,351,224</i>
Total	28,967,895,911	105,612,172,007	99,912,838,139	34,667,229,779

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, 1998, 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, 1999. Gold held by the Account is valued at 35 SDRs per fine ounce (\$71.70 Cdn as at March 31, 1999 and \$66.38 Cdn as at March 31, 1998).

In 1998-99, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$97,708 million, an adjustment of \$555 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31 and a net valuation adjustment of \$909 million. Receipts and other credits consisted of repayments of advances of \$95,515 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/1999	March 31/1998
US dollar cash on deposits	159	44
US dollar short-term deposits	4,070	4,719
US dollar investments	20,357	20,885
Euro/Deutsche marks short-term deposits	112	268
Euro/Deutsche marks investments	5,283	104
Japanese yen investment	1,014	353
Japanese yen short-term deposits	1	8
Special drawing rights	689	1,608
Gold	169	208
Canadian cash on deposits	1	1
Total	31,855	28,198
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (1999, \$30,166 million US; 1998, \$24,429 million US)	45,511	34,759
Euro	4,950	
Japanese yen	635	
Special drawing rights (1999, SDR 610 million; 1998, SDR 40 million)	(1,250)	73
Canadian dollars	(18,546)	(7,075)
Total advances from the Consolidated Revenue Fund	31,300	27,757
Total net income from January 1 to March 31	555	441
Total	31,855	28,198

International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen (the Deutsche mark and French franc were also composite SDR currencies prior to the introduction of the Euro on January 1, 1999).

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 1998-99, payments and other charges consisted of an increase in subscriptions of \$4,235 million, a maintenance of value adjustment of \$363 million and a valuation adjustment of \$255 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 1998-99, notes payable to the IMF increased by \$2,693 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 1998-99, payments and other charges consisted of a valuation adjustment of \$118 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies 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 the Account's transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts and are referred to the Standing Committee on Public Accounts for their review.

GORDON THIESSEN
*Governor
Bank of Canada*

C. SCOTT CLARK
*Deputy Minister
Department of Finance*

F. J. MAHONEY
*Chief Accountant
Bank of Canada*

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1998 and the statement of revenues 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 policies used and significant estimates made by the Account's management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 1998 and its revenues and its cash flows 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 Part II of the *Currency Act*.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 4, 1999

Exchange Fund Account—Continued

BALANCE SHEET AS AT DECEMBER 31, 1998
(in millions of dollars)

ASSETS	1998		1997		DUE TO THE CONSOLIDATED REVENUE FUND	1998	1997
	US	C	US	C		C	C
Denominated in US dollars					Advances (Note 8)	26,466	18,506
Cash and short-term deposits . . .	3,536	5,422	2,985	4,270	Revenues for the year	1,656	1,336
Marketable securities (Note 4) . .	9,327	14,301	9,089	13,002			
	12,863	19,723	12,074	17,272			
Denominated in other foreign currencies							
Cash and short-term deposits (Note 5)	254	390	226	324			
Marketable securities (Note 5) . .	3,708	5,685	289	413			
	3,962	6,075	515	737			
Denominated in special drawing rights							
Special Drawing Rights (Note 6)	1,391	2,133	1,134	1,622			
Gold and gold loans (Note 7) . .	124	191	148	211			
	1,515	2,324	1,282	1,833			
Official international reserve assets	18,340	28,122	13,871	19,842		28,122	19,842

See accompanying notes to the financial statements.

Approved:

GORDON THIESSEN
Governor
Bank of Canada

C. SCOTT CLARK
Deputy Minister
Department of Finance

F. J. MAHONEY
Chief Accountant
Bank of Canada

Exchange Fund Account—Continued

STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 1998
(in millions of Canadian dollars)

	1998	1997
Revenue from investments		
Marketable securities	1,364	1,030
Cash and short-term deposits	257	260
Special drawing rights	69	64
Gold	26	23
	1,716	1,377
Other revenue (loss)		
Gain on sales of gold	253	
Net foreign exchange gains/(losses)	(313)	(41)
	(60)	(41)
Net revenue for the year due to the Consolidated Revenue Fund	1,656	1,336

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister of Finance acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the *Currency Act*.

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 costs and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and Special Drawing Rights (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 (four after

January 1, 1999 when the German mark and French franc are replaced by the Euro).

Gold and gold loans include accrued interest. Gold and gold loans are 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*.

(b) Revenue from investments

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, gains or losses on sales of securities, and revenues from securities lending activities. Write downs of securities to their year-end market values (if applicable) are recorded as a charge to investment revenue in the year in which they occur.

(c) Gold

Gold sales and net gains on gold sales are recorded at settlement dates. Interest revenue from gold loans is recorded on an accrual basis and is included in revenue. Premiums received on the sales of call options on gold are recorded in revenue.

(d) Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	Canadian dollars	
	1998	1997
US dollar	1.53330	1.43050
Japanese yen	0.01350	0.01096
German mark	0.91910	0.79580
French franc	0.27410	0.23740
Special Drawing Right	2.15700	1.93010

Foreign exchange gains or losses result from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on short-term currency swap arrangements with the Bank of Canada and on currency hedges are recorded in revenue as *Net foreign exchange gains (losses)*. See also Note 9.

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.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998—Continued

(e) Disposition of revenues

The revenues for the year are payable to the Consolidated Revenue Fund of the Government of Canada within three months after the end of the year in accordance with the *Currency Act*.

(f) Services received without charge

The Account receives without charge, administrative, custodial and fiscal agency services from the Bank of Canada.

(g) 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 for foreign exchange. During the year, US\$ 10,467 million (net) in official international reserves were used for these operations (US\$ 4,848 million (net) in 1997). Of these, transactions during the year aimed at moderating movements in the value of the Canadian dollar comprised sales of foreign currency of US\$ 9,063 million (US\$ 5,326 million in 1997) and purchases of foreign currency of US\$ 51 million (US\$ 1,665 million in 1997).

4. Marketable securities denominated in US dollars

Securities	1998			1997		
	Par value	Amortized cost		Par value	Amortized cost	
	US	US	C	US	US	C
	(in millions of dollars)					
US Government	5,482	5,645	8,656	6,662	6,723	9,617
US Federal Agencies	1,856	1,855	2,844	1,178	1,166	1,669
Sovereign paper and International Institutions	1,704	1,713	2,626	1,124	1,117	1,598
Accrued interest		114	175		83	118
	9,042	9,327	14,301	8,964	9,089	13,002
Estimated market value		9,524	14,603		9,200	13,160

Estimated market values are based on quoted market prices.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998—Continued

At year-end, a portion of the Account's holdings of US Government securities consisting of US\$ 2,350 million (par values) in Treasury Notes (US\$ 2,250 million in 1997) and US\$ 425 million in US Treasury Bills (US\$ 525 million in 1997) 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 of equal or greater value from their approved counterparties in these transactions.

5. Assets denominated in other foreign currencies

	Cash and Short-Term Deposits			
	1998		1997	
	US	C	US	C
	(in millions of dollars)			
German marks	252	386	224	322
French francs	1	2		
Japanese yen	1	1	1	1
Accrued interest		1	1	1
	254	390	226	324

	Marketable Securities			
	1998		1997	
	US	C	US	C
	(in millions of dollars)			
German Government	2,747	4,211	26	37
French Government	715	1,097		
Japanese Government	246	377	263	376
Amortized cost at year end	3,708	5,685	289	413
Estimated market value at year-end	3,864	5,925	290	415

Estimated market values are based on quoted market prices.

The Account hedges the US dollar value of some of its holdings of assets denominated in other foreign currencies by entering into forward foreign exchange contracts. As a result of these operations, the Account had year-end commitments for net forward sales of 832 million German marks (463 million in 1997) and 35 billion Japanese yen (30 billion in 1997), against net forward purchases totalling US\$ 495 million (US\$ 264 million in 1997) and US\$ 279 million (US\$ 255 million in 1997), respectively. Unrealized exchange losses of C\$ 53 million (gains of C\$ 45 million in 1997) resulting from these hedging operations are included in the year-end value of the Account's holdings of German marks and Japanese yen and in revenue as *Net foreign exchange gains (losses)*. See also Note 9.

6. Special Drawing Rights (SDRs)

	1998		1997	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year	1,384	2,123	1,126	1,610
Accrued interest	7	10	8	12
	1,391	2,133	1,134	1,622

7. Gold and gold loans

During the year, the Account sold 600,000 fine ounces of gold.

	1998		1997	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year				
Gold loans	117	180	141	201
Gold	5	8	5	7
Accrued interest on gold loans	2	3	2	3
	124	191	148	211

The year-end carrying values and market values (based on London fixings) of gold and gold loans, excluding accrued interest, are:

	1998		1997	
	Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value —US	49.24	122	47.22	146
—Canadian ..	75.50	188	67.55	208
Market value —US	287.45	715	289.20	893
—Canadian ..	440.75	1,096	413.70	1,277

8. Due to the Consolidated Revenue Fund (CRF)—Advances

The Account is funded by advances from the CRF. Advances are limited to C\$ 35 billion by Order-in-Council. At year-end, advances from (deposits with) the CRF consisted of:

	1998	1997
	(in millions of Canadian dollars)	
US dollars	45,951	26,839
Canadian dollars	(24,340)	(8,407)
German marks	3,676	
French francs	1,096	
Special Drawing Rights	83	74
	26,466	18,506

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998—Concluded

The proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF have been advanced from the CRF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

Canadian dollar advances are required by the Account for the settlement of its purchases of foreign currencies. Sales of foreign currencies result in receipts of Canadian dollars that are remitted to the CRF, causing reductions in the level of outstanding Canadian dollar advances. Cumulative net sales of foreign currencies can result in overall net deposits of Canadian dollars by the Account with the CRF.

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 government securities denominated in US dollars 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, which are remitted to the Consolidated Revenue Fund. These transactions are reversed when the swaps mature.

At year-end, the Account had commitments to repurchase US dollars securities under swap arrangements with the Bank of Canada of US\$ 2,941 million (US\$ 2,430 million in 1997). The Canadian dollar equivalent at the year-end exchange rate was \$ 4,509 million (\$ 3,476 million in 1997).

(b) Currency hedges and other uncompleted transactions

Hedges of the Account's holdings of German marks and Japanese yen resulted in year-end commitments for net forward sales of 832 million German marks (463 million in 1997) and 35 billion Japanese yen (30 billion in 1997), against total net forward purchases of US\$ 774 million (US\$ 519 million in 1997). The maturity dates of these contracts extend until June 1999.

(c) Gold options and forward contracts

The Minister of Finance has authorized the sale of call options, as well as forward sales, on part of the Account's gold holdings.

Under gold options, the Account receives a premium against commitments to sell gold at predetermined prices. No gold is sold unless the holders of the options exercise their rights by the expiry dates. At year-end, the Account had outstanding commitments to sell 200,000 fine ounces of gold under call option contracts (90,000 fine ounces in 1997) with a potential total value, if the options were exercised, of US\$ 63 million (US\$ 31 million in 1997). These options mature by the end of the first quarter in 1999.

Under forward contracts, the Account is committed to sell gold at predetermined prices on future dates. At year-end, the Account had outstanding commitments to sell 270,000 fine ounces of gold (444,000 fine ounces in 1997) for a total value of US\$ 82 million (US\$ 152 million in 1997). The dates of these contracts extend until August 1999.

10. Uncertainty due to the Year 2000 issue

The Year 2000 computer issue arises chiefly because many date-sensitive automated systems have not been designed to recognize correctly the year 2000. This represents a significant challenge for all organizations. If not addressed properly, the Year 2000 issue could have an impact on operations and financial reporting, ranging from minor errors to the failures of critical systems. The effects of the Year 2000 issue could be experienced before, as well as on or after, January 1, 2000.

The Bank of Canada, the fiscal agent for the Account, has a business plan for dealing with the Year 2000 issue. The objectives of that plan are to ensure that the Bank's critical internal systems will function properly, to co-ordinate with business partners the testing of shared systems, and to ensure that appropriate contingency plans are in place in the event of disruptions or system failures. Since 1997, the Bank has had a team assigned solely to implementation of the plan, which entails the overall management, direction and support of Year 2000 initiatives.

However, it is not possible to be certain that all aspects of the Year 2000 issue, including those related to the efforts of financial institutions or other third parties, will be fully resolved.

SECTION 9

1998-99

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

CONTENTS

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LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. 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.

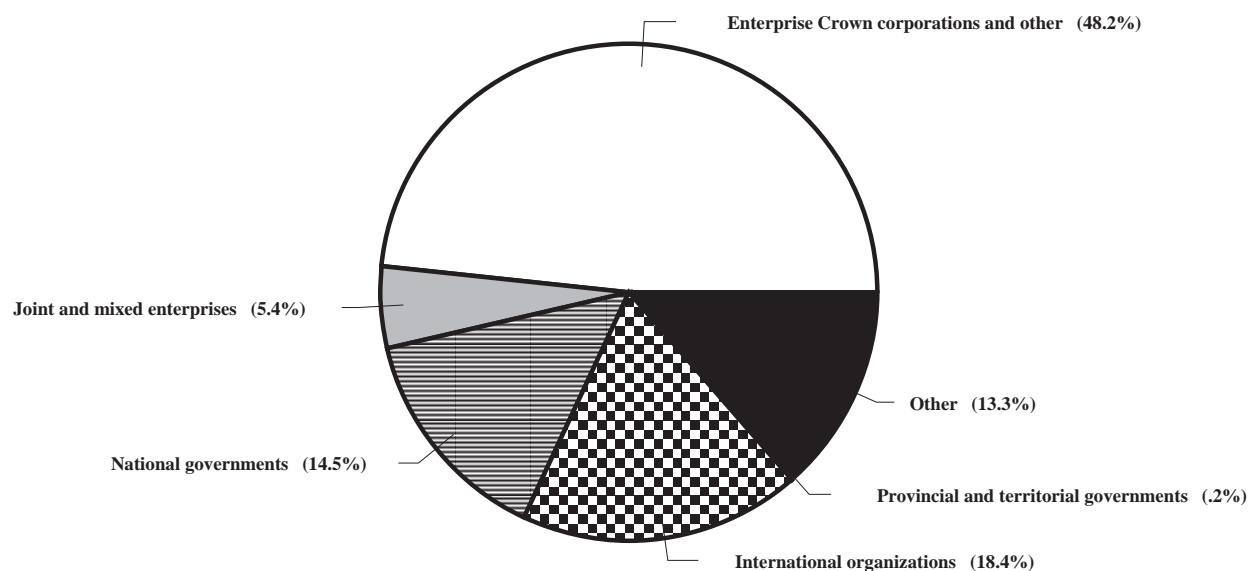
Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order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

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2	12,600,799,917	1,194,999,040	2,743,463,646	11,052,335,311
Joint and mixed enterprises, Table 9.11	1,239,917,574			1,239,917,574
National governments including developing countries, Table 9.12	2,859,482,778	832,135,827	355,562,899	3,336,055,706
International organizations, Table 9.13	4,010,412,273	1,028,844,558	819,857,855	4,219,398,976
Provincial and territorial governments, Table 9.14	318,157,249	123,189,772	393,407,828	47,939,193
Other loans, investments and advances, Table 9.15	2,273,269,940	2,089,566,220	1,310,473,248	3,052,362,912
	23,302,039,731	5,268,735,417	5,622,765,476	22,948,009,672
Less: allowance for valuation	9,266,283,660		145,716,340	9,412,000,000
Total	14,035,756,071	5,268,735,417	5,768,481,816	13,536,009,672

CHART 9A

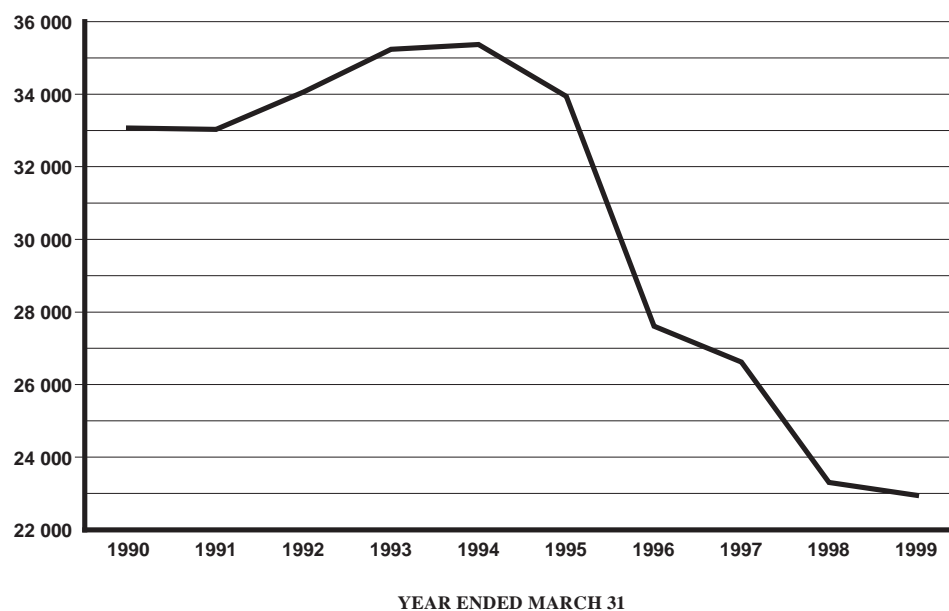
LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AS AT MARCH 31, 1999 ⁽¹⁾



⁽¹⁾ Before the allowance for valuation

CHART 9B

LOANS, INVESTMENTS AND ADVANCES ⁽¹⁾
(in millions of dollars)



⁽¹⁾ Before the allowance for valuation

9.4 LOANS, INVESTMENTS AND ADVANCES

Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are a type of government business enterprises that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada.

Commencing this year, there is also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are owned or controlled by the Government and ultimately accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the Port Authorities of Halifax, Montreal and Vancouver.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

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 and other government business enterprises.

TABLE 9.2

ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares	303,400,000			303,400,000
Preferred shares	100,000,000	50,000,000		150,000,000
	<i>403,400,000</i>	<i>50,000,000</i>		<i>453,400,000</i>
Canada Deposit Insurance Corporation	395,000,000		395,000,000	
Canada Mortgage and Housing Corporation—				
Capital stock	25,000,000			25,000,000
Housing	4,153,917,198		95,255,100	4,058,662,098
Real estate	240,297,733		149,141,317	91,156,416
Joint projects	1,351,550,359		113,940,916	1,237,609,443
Urban renewal scheme	128,934		102,155	26,779
Student housing projects	284,046,505		8,898,879	275,147,626
Sewage treatment projects	635,495,306		39,563,856	595,931,450
Ownership assistance	42,787,374		3,055,216	39,732,158
	<i>6,733,223,409</i>		<i>409,957,439</i>	<i>6,323,265,970</i>
Export Development Corporation	983,200,000			983,200,000
Farm Credit Corporation—				
Contributed capital	1,168,333,000			1,168,333,000
Notes	1,867,847,256	750,000,000	1,577,182,957	1,040,664,299
Farm syndicates loan fund	9,201,098		9,067,033	134,065
	<i>3,045,381,354</i>	<i>750,000,000</i>	<i>1,586,249,990</i>	<i>2,209,131,364</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	419,290,010	11,685,040		430,975,050
Canada Lands Company Limited		75,299,000	35,052,836	40,246,164
Canada Ports Corporation—				
Loans	280,303		87,667	192,636
Interport Loan Fund	43,682,462			43,682,462
Contributed capital		90,000,000		90,000,000
	<i>43,962,765</i>	<i>90,000,000</i>	<i>87,667</i>	<i>133,875,098</i>
Canada Post Corporation	80,000,000		80,000,000	
Canadian Dairy Commission	53,500,000	198,015,000	228,729,000	22,786,000
Cape Breton Development Corporation		20,000,000	7,662,000	12,338,000
Montreal Port Authority		1,539,350		1,539,350
Montreal Port Corporation	2,241,799	(1,539,350)	702,449	
Royal Canadian Mint—				
Capital stock	40,000,000			40,000,000
Loans	22,265		22,265	
	<i>40,022,265</i>		<i>22,265</i>	<i>40,000,000</i>
	<i>1,040,595,154</i>	<i>394,999,040</i>	<i>352,256,217</i>	<i>1,083,337,977</i>
Total	12,600,799,917	1,194,999,040	2,743,463,646	11,052,335,311

Business Development Bank of Canada

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid dividends of \$6 million to the Government.

Common shares

This account records the Government's investment in the common shares of the Corporation.

Preferred shares

During the year, the Government purchased \$50 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*, bringing total preferred shares purchased to date to \$150 million.

9. 6 LOANS, INVESTMENTS AND ADVANCES

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 10.1 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.

During the year, the loans were repaid in full.

The Corporation paid interest of \$15 million to the Government in 1998-99.

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 \$591 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 (*R.S.C., 1970*)—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 3.75 percent to 16.10 percent per annum, and are repayable over the remaining period of 39 years, with instalments between June 30, 1999 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 8.43 percent to 15 percent per annum, and are repayable over the remaining period of 39 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 18 percent per annum, and are repayable over the remaining period of 41 years, with instalments between June 30, 1999 and December 31, 2039.

Urban renewal scheme

Advances have been made to enable the Corporation to lend money under subsection 25(1) (*R.S.C., 1970*) 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 a rate of 7.19 percent per annum, and are repayable in 1999, with instalments between June 30, 1999 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 the remaining period of 32 years, with instalments between June 30, 1999 and September 30, 2030.

Sewage treatment projects

Advances have been made to enable the Corporation to lend money under section 53 (*R.S.C., 1970*) 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 the remaining period of 25 years, with instalments between June 30, 1999 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 the remaining period of 10 years, with instalments between June 30, 1999 and December 31, 2008.

Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by subsection 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Contributed capital

The Government's contribution to the capital of the Corporation is authorized by subsection 11(1) of the *Farm Credit Corporation Act*.

Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the *Act*, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between November 30, 1999 and December 1, 2009, \$481,155,137; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.69 percent to 9.78 percent per annum, with final instalments between April 14, 1999 and April 4, 2003, \$559,509,162.

During the year, the Corporation paid interest of \$132 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 remaining loans bear interest at the rate of 9.555 percent per annum, and are repayable over 10 to 19 years, with final instalment on February 26, 2001.

During the year, the Corporation paid interest of \$0.4 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 \$1,703.8 million to the Government.

Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. 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 \$11,685,041 were made to the Canada Hibernia Development Corporation as authorized by Finance Vote L15, *Appropriation Acts No. 1 and No. 2, 1998-99*.

Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation is not an agent of Her Majesty, reports through the Minister of Public Works and Government Services and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Corporation conducts its business through Canada Lands Company (CLC) Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes of \$75.3 million, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value of \$39.6 million. An amount of \$5.3 million was repaid during the year and an amount of \$6.3 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

During the year, CLC paid dividends of \$47 million to the Government.

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 \$18,052 and dividends of \$990,476 to the Government in 1998-99.

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 \$2.9 million of profit to the Government.

Contributed capital

During the year, under the authority of the *Canada Ports Corporation Act*, an equity injection of \$90 million was made in Canada Ports Corporation to increase its contributed capital for the acquisition of shares in Ridley Terminals Inc., a wholly-owned subsidiary of the Corporation for the purpose of debt restructuring.

The Government's contribution to the capital of the Corporation was authorized under Transport Vote L29c, *Appropriation Act No. 5, 1998-99*.

Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining financial basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan was 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.

During the year, the loan was repaid in full and the Corporation returned \$200 million of contributed capital.

The Corporation paid interest of \$3.9 million and dividends of \$12 million to the Government in 1998-99.

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.

During the year, the Corporation paid interest of \$2.7 million to the Government.

Cape-Breton Development Corporation

The Corporation was established by the *Cape Breton Development Corporation Act*, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000.

The working capital advances bear interest at the rate in effect, as determined by the Minister of Finance.

During the year, the Corporation paid interest of \$58,461 to the Government and owed, at March 31, 1999, an additional \$182,431 in interest.

Montreal Port Authority

As of March 1, 1999, the Montreal Port Authority was established by the *Canada Marine Act* to take over the management of the Port of Montreal. The Corporation is a non-share capital corporation, with a majority of directors nominated in consultation with port users as well as representatives appointed by the federal, provincial and municipal governments.

The new Corporation, which is not a Crown corporation within the meaning of the *Financial Administration Act*, is nonetheless considered a government business enterprise and is therefore part of the reporting entity of the Government. The Corporation reports through the Minister of Transport and is an agent of the Crown for its port activities.

On March 1, 1999, the Port authority assumed the loan previously borne by the Montreal Port Corporation 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.

Montreal Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the port of Montreal. By virtue of the *Canada Marine Act*, the Corporation ceased operations on February 28, 1999 and transferred its activities to the Montreal Port Authority.

Before its dissolution, the Corporation was an agent of Her Majesty reported through the Minister of Transport, and was listed in Part II of Schedule III of the *Financial Administration Act*.

Loans had been made to the Corporation to finance capital expenditures related to the Port of Montreal. At the dissolution of the Corporation, the balance of the loan of \$1,539,350 was transferred to be assumed by the Montreal Port Authority.

Before its dissolution, the Corporation paid interest of \$140,112 and dividends of \$3.6 million 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 \$75,000,000.

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.

During the year, the remaining loan was repaid in full.

The Corporation paid interest of \$354 to the Government in 1998-99.

Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

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

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprises in accordance with its own respective accounting policies. Most enterprise Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations financial information on unconsolidated wholly-owned subsidiaries and other government business enterprises. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1999 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations and other government business enterprises is presented in Table 9.7. The maturity and currency of enterprise Crown corporations' and other government business enterprises borrowings are presented in Table 9.8. Contingent liabilities of enterprise Crown corporations and other government business enterprises are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations and other government business enterprises for the year ended March 31, 1999 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT
(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
ASSETS AND LIABILITIES						
AS AT MARCH 31, 1999						
Assets						
Financial						
Outside parties	1,483,793	2,217,991	45,184,098	7,282,105	76,798	56,244,785
Government and Crown corporations	936,689	30,346,157	4,209,721	136	3,978	35,496,681
Total financial assets	2,420,482	32,564,148	49,393,819	7,282,241	80,776	91,741,466
Physical assets and deferred charges	3,421,725	234,436	581,566	996,901	123,154	5,357,782
Total assets	5,842,207	32,798,584	49,975,385	8,279,142	203,930	97,099,248
Liabilities						
Outside parties						
Borrowings	773,519		32,140,160	6,792,329	4,508	39,710,516
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	1,919,680	7,083,012	5,753,336	1,431,810	403,218	16,591,056
Government and Crown corporations	286,464	171,699	8,843,435	31,836	163,108	9,496,542
Total liabilities	2,979,663	32,768,584	46,736,931	8,255,975	570,834	91,311,987
Equity of Canada	2,862,544	30,000	3,238,454	23,167	(366,904)	5,787,261
Total liabilities and equity	5,842,207	32,798,584	49,975,385	8,279,142	203,930	97,099,248
Contingent liabilities	57,287		1,925,542			1,982,829
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 1999						
Revenues						
Outside parties	6,184,105		4,658,339	5,862,450	267,475	16,972,369
Government and Crown corporations						
Financial assistance				10,443	40,662	51,105
Other	322,853	1,703,840	287,760		3,268	2,317,721
Total revenues	6,506,958	1,703,840	4,946,099	5,872,893	311,405	19,341,195
Expenses						
Outside parties	6,105,121		3,161,908	5,866,476	569,237	15,702,742
Government and Crown corporations	300,922		795,726	5,767	22,799	1,125,214
Total expenses	6,406,043		3,957,634	5,872,243	592,036	16,827,956
Net income/loss(-) for the year	100,915	1,703,840	988,465	650	(280,631)	2,513,239
Equity of Canada, beginning of the year	2,921,477	30,000	2,156,633	17,517	498,008	5,623,635
Adjustments	(3,061)		49,365		(28,995)	17,309
Equity transactions with the Government—						
Dividends	(265,302)	(1,703,840)	(6,009)		(444)	(1,975,595)
Capital	108,515		50,000	5,000	(554,842)	(391,327)
Equity of Canada, end of the year	2,862,544	30,000	3,238,454	23,167	(366,904)	5,787,261

Notes to Table 9.4 are an integral part of this table.

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 1999
(in thousands of dollars)

	Assets			Total assets
	Financial	Government and Crown corporations	Physical assets and deferred charges	
Enterprise Crown corporations and other government business enterprises ⁽¹⁾	Outside parties			
Competitive, self-sustaining				
Canada Development Investment Corporation	19,936	86,000		105,936
Theratronics International Limited ⁽²⁾				
Canada Hibernia Holding Corporation	36,904		443,501	480,405
Canada Lands Company Limited	170,592		258,616	429,208
Canada Ports Corporation ⁽³⁾	14,102	157,887	112,729	284,718
Canada Post Corporation	872,695	301,771	1,627,745	2,802,211
Halifax Port Authority ⁽⁴⁾	4,441	3,395	78,069	85,905
Halifax Port Corporation ⁽⁴⁾				
Montreal Port Authority ⁽⁴⁾	29,652	63,598	168,844	262,094
Montreal Port Corporation ⁽⁴⁾				
Petro-Canada Limited	235,600	276,486		512,086
Port of Quebec Corporation ⁽⁴⁾	47,692	3,261	27,278	78,231
Prince Rupert Port Corporation ⁽⁴⁾	1,729	8,218	94,775	104,722
Royal Canadian Mint	29,466	4,786	124,877	159,129
Saint John Port Corporation ⁽⁴⁾	1,806	14,073	57,224	73,103
St John's Port Corporation ⁽⁴⁾	646	6,689	12,172	19,507
Vancouver Port Authority ⁽⁴⁾	18,532	10,525	415,895	444,952
Vancouver Port Corporation ⁽⁴⁾				
<i>Total—Competitive, self-sustaining</i>	<i>1,483,793</i>	<i>936,689</i>	<i>3,421,725</i>	<i>5,842,207</i>
Bank of Canada	<i>2,217,991</i>	<i>30,346,157</i>	<i>234,436</i>	<i>32,798,584</i>
Lending and Insurance				
Business Development Bank of Canada	4,929,408	496	168,557	5,098,461
Canada Deposit Insurance Corporation	1,006,684	27	898	1,007,609
Canada Mortgage and Housing Corporation	16,902,752	557,679	56,116	17,516,547
Insurance Programs	1,162,895	3,156,755	214,297	4,533,947
Mortgage Backed Securities Guarantee Fund	80,286	2,643		82,929
Export Development Corporation	15,196,013	389,331	25,487	15,610,831
Farm Credit Corporation	5,906,060	102,790	116,211	6,125,061
<i>Total—Lending and insurance</i>	<i>45,184,098</i>	<i>4,209,721</i>	<i>581,566</i>	<i>49,975,385</i>
Marketing				
Canadian Commercial Corporation	286,066	136		286,202
Canadian Dairy Commission				
Marketing operations	17,661		56,648	74,309
Canadian Wheat Board, The ⁽⁵⁾	6,971,820		928,098	7,899,918
Freshwater Fish Marketing Corporation	6,558		12,155	18,713
<i>Total—Marketing</i>	<i>7,282,105</i>	<i>136</i>	<i>996,901</i>	<i>8,279,142</i>
Other				
Atlantic Pilotage Authority	1,874	1,843	808	4,525
Canada Pension Plan Investment Board	17,957			17,957
Cape Breton Development Corporation	26,130		94,789	120,919
Federal Bridge Corporation Limited, The	9,116	2,135	22,394	33,645
Great Lakes Pilotage Authority, Ltd	8,903		179	9,082
Laurentian Pilotage Authority	4,329		3,172	7,501
Pacific Pilotage Authority	7,157		613	7,770
St. Lawrence Seaway Authority, The ⁽⁶⁾				
Seaway International Bridge Corporation Ltd, The	1,332		1,199	2,531
<i>Total—Other</i>	<i>76,798</i>	<i>3,978</i>	<i>123,154</i>	<i>203,930</i>
Total	56,244,785	35,496,681	5,357,782	97,099,248

(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 are unconsolidated subsidiaries.

(2) Theratronics International Limited was sold on May 20, 1998.

(3) The *Canada Marine Act* that received Royal Assent on June 11, 1998 provides for the dissolution of Canada Ports Corporation on a date to be fixed by order of the Governor in Council. Ridley Terminal Inc., a subsidiary of Canada Ports Corporation, will become a parent Crown corporation upon dissolution which is planned to take place in 1999-2000.

(4) The *Canada Marine Act* also provides for the creation of Canada Port Authorities (CPAs) that are non-share capital corporations, with a majority of directors nominated in consultation with port users as well as representatives appointed by the federal, provincial and municipal governments. The new corporations, which are not Crown corporations but considered government business enterprises, are agent of the Crown for their port activities. On March 1, 1999, Halifax Port

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	8,466	2,000	10,466	95,470	105,936
	49,302	2,578	51,880	428,525	480,405
	100,699	118,832	219,531	209,677	429,208
78,692	13,011	72,967	164,670	120,048	284,718
166,477	1,611,856	30,710	1,809,043	993,168	2,802,211
8,000	3,494	544	12,038	73,867	85,905
	11,622	2,230	13,852	248,242	262,094
470,887	36,249		507,136	4,950	512,086
18,463	2,888	227	21,578	56,653	78,231
	902		902	103,820	104,722
31,000	43,840	9,000	83,840	75,289	159,129
	4,171	140	4,311	68,792	73,103
	1,405	6	1,411	18,096	19,507
	31,775	47,230	79,005	365,947	444,952
773,519	1,919,680	286,464	2,979,663	2,862,544	5,842,207
	32,596,885	171,699	32,768,584	30,000	32,798,584
4,223,355	279,590	11,683	4,514,628	583,833	5,098,461
	979,894	800	980,694	26,915	1,007,609
10,632,785	107,942	6,734,153	17,474,880	41,667	17,516,547
	3,284,836	1,017,931	4,302,767	231,180	4,533,947
	34,908	816	35,724	47,205	82,929
12,967,328	914,795	12,900	13,895,023	1,715,808	15,610,831
4,316,692	151,371	1,065,152	5,533,215	591,846	6,125,061
32,140,160	5,753,336	8,843,435	46,736,931	3,238,454	49,975,385
	262,147	888	263,035	23,167	286,202
964	50,528	22,817	74,309		74,309
6,785,535	1,110,405	3,978	7,899,918		7,899,918
5,830	8,730	4,153	18,713		18,713
6,792,329	1,431,810	31,836	8,255,975	23,167	8,279,142
	1,439		1,439	3,086	4,525
	13,009	4,948	17,957		17,957
	376,483	156,406	532,889	(411,970)	120,919
	150		150	33,495	33,645
	2,427		2,427	6,655	9,082
4,500	5,279		9,779	(2,278)	7,501
	3,831		3,831	3,939	7,770
8	600	1,754	2,362	169	2,531
4,508	403,218	163,108	570,834	(366,904)	203,930
39,710,516	42,104,929	9,496,542	91,311,987	5,787,261	97,099,248

Authority, Montreal Port Authority and Vancouver Port Authority commenced operations, and the former enterprise Crown corporations Halifax Port Corporation, Montreal Port Corporation and Vancouver Port Corporation were dissolved. The activities of the remaining four local port corporations and of the divisional ports of Canada Ports are scheduled to be transferred to new Port Authorities during the course of 1999-2000.

⁽⁵⁾ During the year, the June 1998 amendments to the *Canadian Wheat Board Act* took effect to convert the Canadian Wheat Board from a Crown corporation to a shared governance corporation with farmers electing a majority of the board of directors. The Corporation is no longer an agent enterprise Crown corporation, but remains a government business enterprise.

⁽⁶⁾ The St. Lawrence Seaway Authority was dissolved on October 2, 1998. Upon dissolution, its subsidiary The Federal Bridge Corporation Limited was converted into a parent Crown corporation and operational responsibility for the Great Lakes/St. Lawrence Seaway system was transferred to the St. Lawrence Seaway Management Corporation, which is a private-sector corporation established by Seaway users.

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

	Outside parties	Revenues		Total
		Government and Crown corporations		
		Financial assistance ⁽¹⁾	Other	
Enterprise Crown corporations and other government business enterprises				
Competitive, self-sustaining				
Canada Development Investment Corporation	7,211			7,211
Theratronics International Limited				
Canada Hibernia Holding Corporation	51,077			51,077
Canada Lands Company Limited	189,181			189,181
Canada Ports Corporation	51,376		5,470	56,846
Canada Post Corporation	5,183,013	225,835		5,408,848
Halifax Port Authority	1,563	13		1,576
Halifax Port Corporation	12,301	68		12,369
Montreal Port Authority	4,498	725		5,223
Montreal Port Corporation	50,693	8,784		59,477
Petro-Canada Limited	18,749	22,886		41,635
Port of Quebec Corporation	14,421	515		14,936
Prince Rupert Port Corporation	6,276	434		6,710
Royal Canadian Mint	505,322	53,598		558,920
Saint John Port Corporation	11,314	717		12,031
St John's Port Corporation	2,859	471		3,330
Vancouver Port Authority	5,594	62		5,656
Vancouver Port Corporation	68,657	3,275		71,932
<i>Total—Competitive, self-sustaining</i>	<i>6,184,105</i>	<i>322,853</i>		<i>6,506,958</i>
Bank of Canada			1,703,840	1,703,840
Lending and insurance				
Business Development Bank of Canada	446,816		996	447,812
Canada Deposit Insurance Corporation	578,503			578,503
Canada Mortgage and Housing Corporation	1,233,108		43,170	1,276,278
Insurance Programs	626,178		187,587	813,765
Mortgage Backed Securities Guarantee Fund	15,789			15,789
Export Development Corporation	1,301,816		46,991	1,348,807
Farm Credit Corporation	456,129		9,016	465,145
<i>Total—Lending and insurance</i>	<i>4,658,339</i>		<i>287,760</i>	<i>4,946,099</i>
Marketing				
Canadian Commercial Corporation	793,376	10,443		803,819
Canadian Dairy Commission				
Marketing operations	299,929			299,929
Canadian Wheat Board, The	4,718,411			4,718,411
Freshwater Fish Marketing Corporation	50,734			50,734
<i>Total—Marketing</i>	<i>5,862,450</i>	<i>10,443</i>		<i>5,872,893</i>
Other				
Atlantic Pilotage Authority	9,672			9,672
Canada Pension Plan Investment Board	203		1,076	1,279
Cape Breton Development Corporation	98,921	40,662		139,583
Federal Bridge Corporation Limited, The	1,670		21	1,691
Great Lakes Pilotage Authority, Ltd	16,883			16,883
Laurentian Pilotage Authority	42,060			42,060
Pacific Pilotage Authority	37,414			37,414
St. Lawrence Seaway Authority, The	57,682		2,171	59,853
Seaway International Bridge Corporation Ltd, The	2,970			2,970
<i>Total—Other</i>	<i>267,475</i>	<i>40,662</i>	<i>3,268</i>	<i>311,405</i>
Total	16,972,369	51,105	2,317,721	19,341,195

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. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Expenses			Income/or loss(—)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Outside parties	Government and Crown corporations	Total				Dividends	Capital	
3,356		3,356	3,855	81,511			10,104	95,470
				10,104			(10,104)	
48,275	918	49,193	1,884	414,181			12,460	428,525
174,166	1,286	175,452	13,729	242,507		(46,559)		209,677
32,687	14,339	47,026	9,820	24,297		(2,005)	87,936	120,048
5,097,867	260,820	5,358,687	50,161	1,155,007		(212,000)		993,168
882	33	915	661				73,206	73,867
9,480	369	9,849	2,520	71,237		(550)	(73,207)	
4,078	112	4,190	1,033				247,209	248,242
45,740	1,043	46,783	12,694	238,247		(3,732)	(247,209)	
40,818		40,818	817	4,133				4,950
24,881	169	25,050	(10,114)	58,647			8,120	56,653
6,691		6,691	19	103,801				103,820
549,651	272	549,923	8,997	66,292				75,289
9,635	223	9,858	2,173	66,711		(92)		68,792
2,549	168	2,717	613	17,488		(5)		18,096
3,710	516	4,226	1,430				364,517	365,947
50,655	20,654	71,309	623	367,314	(3,061)	(359)	(364,517)	
6,105,121	300,922	6,406,043	100,915	2,921,477	(3,061)	(265,302)	108,515	2,862,544
			1,703,840	30,000		(1,703,840)		30,000
412,731	2,297	415,028	32,784	507,058		(6,009)	50,000	583,833
13,308	10,054	23,362	555,141	(538,927)	10,701			26,915
854,816	420,438	1,275,254	1,024	40,643				41,667
346,654	256,776	603,430	210,335	20,845				231,180
1,705	5,543	7,248	8,541		38,664			47,205
1,232,714	(21,988)	1,210,726	138,081	1,577,728	(1)			1,715,808
299,980	122,606	422,586	42,559	549,286	1			591,846
3,161,908	795,726	3,957,634	988,465	2,156,633	49,365	(6,009)	50,000	3,238,454
799,793	3,376	803,169	650	17,517			5,000	23,167
297,538	2,391	299,929						
4,718,411		4,718,411						
50,734		50,734						
5,866,476	5,767	5,872,243	650	17,517			5,000	23,167
8,880		8,880	792	2,294				3,086
1,077		1,077	202		(202)			
418,037	21,267	439,304	(299,721)	(86,746)	(28,861)		3,358	(411,970)
801		801	890				32,605	33,495
14,938		14,938	1,945	4,712	(2)			6,655
41,618		41,618	442	(2,724)	(6)		10	(2,278)
37,181		37,181	233	3,706				3,939
44,339	1,449	45,788	14,065	576,758			(590,823)	
2,366	83	2,449	521	8	76	(444)	8	169
569,237	22,799	592,036	(280,631)	498,008	(28,995)	(444)	(554,842)	(366,904)
15,702,742	1,125,214	16,827,956	2,513,239	5,623,635	17,309	(1,975,595)	(391,327)	5,787,261

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, 1999, an allowance for borrowings expected to be repaid by the Government was established at \$3,200 million.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1998	Borrowings and other credits	Repayments and other charges	Balance March 31/1999
Business Development Bank of Canada	3,838,505	11,348,698	10,963,848	4,223,355
Canada Lands Company Limited	36,913	10,000	46,913	
Canada Mortgage and Housing Corporation	9,933,761	9,455,713	8,756,689	10,632,785
Canada Ports Corporation	3,067	75,625		78,692
Canada Post Corporation	170,877	(3,803)	597	166,477
Canadian Dairy Commission (Marketing)	1,548	23,505	24,089	964
Canadian Wheat Board, The ⁽¹⁾	6,698,124	48,857,733	48,770,322	6,785,535
Export Development Corporation	10,076,995	45,687,591	42,797,258	12,967,328
Farm Credit Corporation	3,026,105	4,910,037	3,619,450	4,316,692
Freshwater Fish Marketing Corporation	7,121	5,830	7,121	5,830
Petro-Canada Limited	443,140	27,747		470,887
Port of Quebec Corporation	11,568	6,895		18,463
Royal Canadian Mint	31,000			31,000
Seaway International Bridge Corporation, Ltd., The	8			8
Total	34,278,732	120,405,571	114,986,287	39,698,016
Borrowings expected to be repaid by agent enterprise Crown corporations	(31,013,732)	120,405,571	115,051,287	(36,498,016)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities	3,265,000		65,000	3,200,000

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ Effective December 31, 1998 the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*. Borrowing transactions prior to December 31, 1998 are reported here, while borrowings subsequent to this date will be reported in Table 9.7 with the borrowings of non-agent enterprise Crown corporations and other government business enterprises.

Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations and other government business enterprises. Borrowings of non-agent Crown corporations and other government business enterprises are not on behalf of Her Majesty.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/1998	Borrowings and other credits	Repayments and other charges	Balance March 31/1999
Borrowings by agent enterprise Crown corporations	34,278,732	120,405,571	114,986,287	39,698,016
Borrowings by non-agent enterprise Crown corporations and other government business enterprises —				
Laurentian Pilotage Authority	5,378	5	878	4,500
Halifax Port Authority ⁽¹⁾		8,000		8,000
Total	34,284,110	120,405,576	114,987,165	39,710,516

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ Halifax Port Authority is an agent of the Crown only for its port activities. The Authority is considered a non-agent of the Crown for borrowings purposes.

Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 1999.

TABLE 9.8

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
2000	18,690,586	1,032	18,691,618
2001	5,322,818	2,545	5,325,363
2002	2,827,346	2,123	2,829,469
2003	2,931,897	1,600	2,933,497
2004	4,634,961	5,200	4,640,161
2005 to 2009	3,334,784		3,334,784
2010 to 2014	1,955,624		1,955,624
Total	39,698,016	12,500	39,710,516 ⁽¹⁾

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ The borrowings are composed of \$20,005,786 US, £ 642,127, ¥25,397, DM 127,359, NZ dollar 80,504, AUD. 1,835, ITL. 1,001, Euro 408,908, Neth Guilder 266, HK\$ 50,828, Nor Krone 7,823, Ecu dollar 11,259 and \$18,347,423 Cdn.

Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.9

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	March 31, 1999
Enterprise Crown corporations and other government business enterprises	
Canada Mortgage and Housing Corporation—Miscellaneous Litigation	1,000
Canada Mortgage and Housing Corporation—Insurance programs	14,000
Canada Lands Company Limited—Loan guarantee	22,605
Canada Ports Corporation—Miscellaneous litigation	5,807
Export Development Corporation—Loan guarantees and loans with recourse	1,909,442
Farm Credit Corporation—Loan guarantee	1,100
Halifax Port Authority—Miscellaneous Litigation	1,487
Montreal Port Authority—Miscellaneous Litigation	188
Vancouver Port Authority—Claims for damages	27,200
Total	1,982,829

Notes to Table 9.4 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent, non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

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

TABLE 9.10

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
Enterprise Crown corporations and other government business enterprises			
Canada Post Corporation ⁽²⁾	76,846	76,846	
Canadian Commercial Corporation	15,443	15,443	
Canadian Wheat Board, The ⁽³⁾	20,963	20,963	
Cape Breton Development Corporation	44,020	44,020	
Export Development Corporation ⁽⁴⁾	22,234	22,234	
Port of Quebec Corporation ⁽⁵⁾	10,380		10,380
Total	189,886	179,506	10,380

- (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 \$47,300 for costs associated with cultural publication mailings and \$15,545 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.
 (3) Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.
 (4) Consists of payments of \$60 made pursuant to section 32 of the *Export Development Act* concerning the concessional (Canada Account) loans and \$22,174 from the Department of Foreign Affairs and International Trade as administration expenses.
 (5) Payment made to Port of Québec Corporation via Canada Ports Corporation for the restoration of the wharf.

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 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
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
North Portage Development Corporation—				
Industry—Western Economic Diversification				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Economic Development Agency of Canada				
for the Regions of Quebec.....	400			400
	14,750,400			14,750,400
Total.....	1,239,917,574			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, 1999, 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).

North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to favor and manage the development of an industrial park intended for major industrial projects in the Township of Lévis. In order to achieve this objective, the Corporation may acquire, sell or exchange lands in this Township.

In 1995, the mandate was modified after the lands were ascertained as inappropriate for industrial infrastructure. The Corporation must now propose a development alternative to the two levels of government with the amounts gathered from these land disposals.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12
NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
Finance—				
Jamaica	15,916,667	1,295,629	4,309,518	12,902,778
Bank of Thailand		616,781,445	18,431,025	598,350,420
United Kingdom—				
United Kingdom Financial Agreement Act, 1946	108,771,779		35,534,819	73,236,960
Deferred principal	94,990,863			94,990,863
	203,762,642		35,534,819	168,227,823
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	1,053,293,890	213,250,928	235,263,200	1,031,281,618
Developing countries—Canadian International Development Agency—International development assistance	1,586,210,150	726,676	62,024,285	1,524,912,541
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable	299,429	81,149	52	380,526
Total	2,859,482,778	832,135,827	355,562,899	3,336,055,706

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 totaling \$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 totaling \$10,000,000 due on August 9, 1988 and August 9, 1989.

Bank of Thailand

Under authority of the *Bretton Woods and Related Agreements Act*, a loan has been made to the Bank of Thailand to a maximum of \$500,000,000 US to provide financial assistance.

The loan has been issued in tranches and each tranche pays interest at the six-month LIBOR rate established by the British Bankers' Association less 0.100 percent. The interest is calculated every six-month period and the principal is repayable over four equal consecutive semi-annual instalments commencing on the seventh interest payment date.

As of March 31, 1999, the Bank of Thailand has borrowed \$396,600,000 US translated into Canadian dollars at the closing rate of exchange (\$1 US/ \$1.5087 Cdn.).

United Kingdom

United Kingdom Financial Agreement Act, 1946

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000.

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 31/1999	
	April 1/1998	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 11 percent interest per annum, with final repayments between May 1988 and November 1997:						
Argentina.....	12,944,999			8,965,913		3,979,086
Brazil.....	883,016		50,460	536,464		397,012
Jamaica.....	613,668		48,848	600,375		62,141
Kazakhstan.....	338,972		9,691	348,663		
Madagascar.....	14,669,387		2,669,756			17,339,143
Mexico.....	3,364,639		184,638	1,833,499		1,715,778
Peru.....	1,036,324					1,036,324
Russia and USSR.....	70,487,048	7,808,690	9,611,276	7,808,690	5,816,328	74,281,996
Sudan.....	1,779,710		116,336			1,896,046
Tanzania.....	37,465,541		2,451,560			39,917,101
	<i>143,583,304</i>	<i>7,808,690</i>	<i>15,142,565</i>	<i>20,093,604</i>	<i>5,816,328</i>	<i>140,624,627</i>
(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.....	33,933,589	28,010,676	4,781,295	3,312,273		63,413,287
Argentina.....	60,537,254		4,031,971	7,240,834		57,328,391
Cameroun.....	7,962,685		495,709	1,874,640		6,583,754
China.....	88,489,840		5,744,553	5,164,815		89,069,578
Congo.....	979,376	99,488	163,746			1,242,610
Cuba.....	36,779,403	3,995,469	140,297	1,982,842	140,296	38,792,031
Ecuador.....	3,816,583		250,762	1,017,796		3,049,549
Egypt.....	1,413,673		87,609	1,501,282		
Gabon.....	19,557,555	2,126,959	1,323,742	1,376,661		21,631,595
Jamaica.....	4,896,972		287,796	1,090,443		4,094,325
Kazakhstan.....	7,379,626		497,076	2,976,187		4,900,515
Kenya.....	10,620,664		684,848	1,731,355		9,574,157
Lithuania.....	2,547,409		162,562	383,748		2,326,223
Morocco.....	117,687,561		8,212,530	20,783,909	632,401	104,483,781
Romania.....	293,111,365	10,005	19,422,164	37,020,835		275,522,699
Russia.....	8,018,549		503,831	1,398,775		7,123,605
Rwanda.....	6,355,806		410,216	4,396,077		2,369,945
Sudan.....	7,533,737		492,463			8,026,200
Venezuela.....	26,572,457		1,767,228	3,965,089		24,374,596
	<i>738,194,104</i>	<i>34,242,597</i>	<i>49,460,398</i>	<i>97,217,561</i>	<i>772,697</i>	<i>723,906,841</i>
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:						
Algeria.....	1,567,165	219,000		4,085		1,782,080
Argentina.....	29,563,118			1,853,593		27,709,525
Brazil.....	6,807,993		71,315	655,420	27,197	6,196,691
	<i>37,938,276</i>	<i>219,000</i>	<i>71,315</i>	<i>2,513,098</i>	<i>27,197</i>	<i>35,688,296</i>
Insurance claims paid during the year:						
Cuba.....	29,761,497			7,424,456		22,337,041
Russia.....	14,993,967		585,055			15,579,022
	<i>44,755,464</i>		<i>585,055</i>	<i>7,424,456</i>		<i>37,916,063</i>
Total—Non-budgetary.....	964,471,148	42,270,287	65,259,333	127,248,719	6,616,222	938,135,827

	Payments and other charges			Receipts and other credits		March 31/1999
	April 1/1998	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	4,315,000			4,315,000		
Chile	238,230		26,168	264,398		
Egypt	3,040,229		204,061	1,084,983		2,159,307
Madagascar	9,590,111		626,884			10,216,995
Poland	43,147,570		2,827,776	1,489,193		44,486,153
Tanzania	888,488		58,078			946,566
Zambia	7,060,246		461,514			7,521,760
	68,279,874		4,204,481	7,153,574		65,330,781
(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	521,226	293,254		260,613	1,043,696
Mexico	18,925,776		1,278,018	2,057,173		18,146,621
Rwanda		4,396,077	1,679,523			6,075,600
Thailand	26,640,293		986,393	2,205,366		25,421,320
Zambia	1,315,579		85,996			1,401,575
	47,371,477	4,917,303	4,323,184	4,262,539	260,613	52,088,812
(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	11,449,000			568,000		10,881,000
China	426,108,988	8,969,970	28,198,344		228,600	463,048,702
Congo	3,085,355		101,956	99,488		3,087,823
Indonesia	45,593,993		2,980,378			48,574,371
	486,237,336	8,969,970	31,280,678	667,488	228,600	525,591,896
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun	18,924,454		819,027	260,613		19,482,868
China	199,465,647		13,029,169	2,068,532		210,426,284
Egypt	14,072,152		304,269	241,472		14,134,949
Gabon	13,692,997	366,195	918,826			14,978,018
India	72,152,683	259,549	4,731,656	79,541		77,064,347
Jamaica	10,368,306		677,589	137,911		10,907,984
Kenya	10,199,917		662,988	147,166		10,715,739
Morocco	145,439,222		9,492,980	2,589,399		152,342,803
Pakistan	10,009,598		650,764	138,643		10,521,719
Turkey	154,553,832		10,102,841			164,656,673
	648,878,808	625,744	41,390,109	5,663,277		685,231,384
Subtotal—Budgetary	1,250,767,495	14,513,017	81,198,452	17,746,878	489,213	1,328,242,873
Less: budgetary treatment	1,161,944,753	9,781,239	228,600	9,595,684	73,566,484	1,235,097,082
Total—Budgetary	88,822,742	24,294,256	81,427,052	27,342,562	74,055,697	93,145,791
Total	1,053,293,890	66,564,543	146,686,385	154,591,281	80,671,919	1,031,281,618
SUMMARY						
Total—Non-budgetary	964,471,148	42,270,287	65,259,333	127,248,719	6,616,222	938,135,827
Total—Budgetary	1,250,767,495	14,513,017	81,198,452	17,746,878	489,213	1,328,242,873
	2,215,238,643	56,783,304	146,457,785	144,995,597	7,105,435	2,266,378,700
Less: budgetary treatment	1,161,944,753	9,781,239	228,600	9,595,684	73,566,484	1,235,097,082
Total	1,053,293,890	66,564,543	146,686,385	154,591,281	80,671,919	1,031,281,618

⁽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.

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 \$24,256,992 were forgiven under the authority of Foreign Affairs and International Trade Vote 21c, *Appropriation Act No. 5, 1998-99*.

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 1/1998	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1999
	\$	\$	\$	\$
(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	3,428,058		2,064,112	1,363,946
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil	5,484,815		751,735	4,733,080
Chile	91,443		91,432	11
Colombia	2,001,807		2,001,807	
Cuba	9,547,012			9,547,012
Dominican Republic	1,239,595		1,239,595	
Malaysia	3,350,576		306,822	3,043,754
Turkey	2,773,720		428,260	2,345,460
	24,488,968		4,819,651	19,669,317
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El	897,484		171,939	725,545
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	294,987		33,333	261,654

	April 1/1998	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1999
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	12,599,905		21,562	12,578,343
Argentina	363,999		18,667	345,332
Bolivia	1,017,482		42,395	975,087
Brazil	449,878		20,913	428,965
Chile	1,979,863		147,093	1,832,770
Colombia	1,173,340		660,344	512,996
Costa Rica	15,898,133		2,271,162	13,626,971
Dominican Republic	6,102,296		236,045	5,866,251
Ecuador	7,244,355		304,919	6,939,436
Guatemala	2,931,353		106,250	2,825,103
Honduras	18,158,394		18,158,394	
India	527,999,834		19,647,064	508,352,770
Indonesia	220,344,364		3,709,871	216,634,493
Malaysia	2,117,055		62,924	2,054,131
Malta	649,980		25,000	624,980
Mexico	54,042		2,771	51,271
Morocco	13,353,022		860,712	12,492,310
Myanmar (Burma)	8,306,202			8,306,202
Pakistan	447,508,034		500	447,507,534
Paraguay	378,063		19,996	358,067
Peru	68,309		3,729	64,580
Philippines	2,754,142		146,690	2,607,452
Sri Lanka	127,428,677		4,325,399	123,103,278
Thailand	26,410,877		847,121	25,563,756
Tunisia	86,389,169		3,295,729	83,093,440
	1,531,680,768		54,935,250	1,476,745,518
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	36,107,648			36,107,648
Subtotal	1,641,893,846		62,024,285	1,579,869,561
Less: budgetary treatment	55,683,696	726,676 ⁽²⁾		54,957,020
Total	1,586,210,150	726,676	62,024,285	1,524,912,541

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 \$1,654,386,985 (\$1,811,620,352 in 1998) 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 31/1999
	April 1/1998	Participation or other charges	Revaluation	Reimbursements		
				or other credits	Revaluation	
	\$	\$	\$	\$	\$	
NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES						
Capital subscriptions—						
Finance—						
European Bank for Reconstruction and Development	169,005,921	17,675,344	11,230,531			197,911,796
International Bank for Reconstruction and Development (World Bank).	397,661,265		10,164,932			407,826,197
International Finance Corporation	115,489,371		7,231,304			122,720,675
Multilateral Investment Guarantee Agency	9,109,806		570,405			9,680,211
	691,266,363	17,675,344	29,197,172			738,138,879
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank	94,518,729		2,252,135			96,770,864
Asian Development Bank	204,893,992	8,365,203	10,918,932			224,178,127
Caribbean Development Bank	22,307,656	2,108,316	1,221,513			25,637,485
Inter-American Development Bank	241,744,441	6,169,142	14,873,607			262,787,190
	563,464,818	16,642,661	29,266,187			609,373,666
	1,254,731,181	34,318,005	58,463,359			1,347,512,545
Loans and advances—						
Finance—						
International Monetary Fund—						
Enhanced Structural Adjustment Facility	671,698,002	361,114,318	54,529,419	310,206,876		777,134,863
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
	679,482,295	361,114,318	54,529,419	310,206,876		784,919,156
Total—Non-budgetary	1,934,213,476	395,432,323	112,992,778	310,206,876		2,132,431,701

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	Payments and other charges			Receipts and other credits		March 31/1999
	April 1/1998	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
		\$	\$	\$	\$	
BUDGETARY LOANS AND ADVANCES⁽¹⁾						
Finance—						
Global Environment Facility	10,000,000					10,000,000
International Development Association	5,364,283,061	195,155,000				5,559,438,061
	5,374,283,061	195,155,000				5,569,438,061
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank	2,843,896			125,000		2,718,896
African Development Fund	1,262,222,273	70,487,880	6,667,495			1,339,377,648
Andean Development Corporation	3,187,576			125,000		3,062,576
Asian Development Bank—Special	27,027,000					27,027,000
Asian Development Fund	1,441,500,606	43,064,726				1,484,565,332
Caribbean Development Bank—						
Agricultural Development Fund	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional	5,679,200		355,600			6,034,800
Caribbean Development Bank—Special	114,254,865	8,130,000	1,115,695			123,500,560
Central American Bank for Economic Integration	1,491,779			76,500		1,415,279
Global Environment Facility Trust Fund	111,110,000					111,110,000
Inter-American Development Bank—Fund for Special						
Operations	394,041,892	1,856,700	16,062,289			411,960,881
Multilateral Investment Fund	11,388,294					11,388,294
International Bank for Reconstruction and						
Development	28,396,000		1,778,000			30,174,000
International Fund for Agriculture Development	99,303,014	9,095,581				108,398,595
International Monetary Fund	15,574,400		975,183			16,549,583
Montreal Protocol Fund	25,244,849	6,929,821	1,512,120			33,686,790
	3,545,265,644	139,564,708	28,466,382	326,500		3,712,970,234
Subtotal—Budgetary	8,919,548,705	334,719,708	28,466,382	326,500		9,282,408,295
Less: budgetary treatment	6,843,349,908	157,233,367		507,812,359	1,512,120	7,195,441,020
Total—Budgetary	2,076,198,797	491,953,075	28,466,382	508,138,859	1,512,120	2,086,967,275
Total	4,010,412,273	887,385,398	141,459,160	818,345,735	1,512,120	4,219,398,976
SUMMARY						
Participation	10,853,762,181	730,152,031	141,459,160	310,533,376		11,414,839,996
Less: budgetary treatment	6,843,349,908	157,233,367		507,812,359	1,512,120	7,195,441,020
Total	4,010,412,273	887,385,398	141,459,160	818,345,735	1,512,120	4,219,398,976

⁽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 \$431,834,000 US, of which 30 per cent or \$131,180,351 US is paid-in capital. The rest is subject to call by the Bank under certain circumstances. As at March 31, 1999, Canada has subscribed to paid-in shares valued at \$131,180,351 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 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, 1999, 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/\$1.5087 Cdn).

During the year, the only transaction was a revaluation adjustment of \$10.1 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, 1999, 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/\$1.5087 Cdn).

During the year, the only transaction was a revaluation adjustment of \$7.2 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, 1999, 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/\$1.5087 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, 1999, Canada's participation to the paid-in capital is \$96,770,864 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/\$1.5087 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 \$677,396,028 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, 1998-99*).

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, 1999, Canada's participation to the paid-in capital is \$224,178,127 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5087 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 \$2,910,130,950 Cdn.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 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, 1999, Canada's participation to the paid-in capital is \$25,637,485 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/\$1.5087 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 \$73,929,100 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, 1998-99*).

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, 1999, Canada's participation to the paid-in capital is \$262,787,190 Cdn for 14,061 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/\$1.5087 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 \$5,832,949,036 Cdn. Of this latter amount, \$338,867,603 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, 1999, Canada has lent a total of 421,376,125 SDR to the Enhanced Structural Adjustment Facility. Of this amount, 42,021,325 SDR has been repaid. The outstanding balance of 379,354,800 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$2.04857 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 128,597,586 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, 1999, 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, 1999, Canada's total participation in IDA amounted to \$5,559,438,061 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 Votes L30 and L30c, *Appropriation Acts No. 1, No. 2 and No. 5, 1998-99*).

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 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
NEWFOUNDLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	11,171,714		20,667,523	(9,495,809)
Municipal Development and Loan Board	2,074,788		179,768	1,895,020
Winter capital projects fund	2,836,758			2,836,758
	16,083,260		20,847,291	(4,764,031)
Industry—				
Atlantic Development Board carry-over projects	332,853		87,218	245,635
Atlantic Provinces Power Development Act.....	42,599,698		4,396,739	38,202,959
	42,932,551		4,483,957	38,448,594
Total Newfoundland.....	59,015,811		25,331,248	33,684,563
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrange- ments.....	18,360,200		34,196,200	(15,836,000)
Municipal Development and Loan Board	191,160		20,015	171,145
	18,551,360		34,216,215	(15,664,855)
Industry—				
Atlantic Development Board carry-over projects	1,174,245		362,560	811,685
Atlantic Canada Opportunities Agency— Special areas and highways agreement.....	511,046		443,875	67,171
	1,685,291		806,435	878,856
Total Nova Scotia.....	20,236,651		35,022,650	(14,785,999)
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	22,920,000		6,576,420	16,343,580
Municipal Development and Loan Board	283,287		33,262	250,025
Winter capital projects fund	91,304		28,225	63,079
	23,294,591		6,637,907	16,656,684
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement.....	4,971,816		443,312	4,528,504
Total Prince Edward Island.....	28,266,407		7,081,219	21,185,188

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments	7,828,000		40,373,000	(32,545,000)
Municipal Development and Loan Board	1,490,238 9,318,238		133,848 40,506,848	1,356,390 (31,188,610)
Industry—				
Atlantic Provinces Power Development Act.	14,777,573		2,726,527	12,051,046
Atlantic Canada Opportunities Agency— Special areas and highways agreement.	3,972,707 18,750,280		2,120,540 4,847,067	1,852,167 13,903,213
Total New Brunswick.	28,068,518		45,353,915	(17,285,397)
QUEBEC—				
Finance—				
Federal-provincial fiscal arrange- ments			145,129,609	(145,129,609)
Municipal Development and Loan Board	16,423,618		1,714,010	14,709,608
Total Quebec.	16,423,618		146,843,619	(130,420,001)
ONTARIO—				
Finance—				
Federal-provincial fiscal arrange- ments		66,712,000		66,712,000
Municipal Development and Loan Board	4,970		4,970	
Total Ontario.	4,970	66,712,000	4,970	66,712,000
MANITOBA—				
Finance—				
Federal-provincial fiscal arrange- ments	48,201,000		26,187,560	22,013,440
Municipal Development and Loan Board	93,132		93,132	
Total Manitoba.	48,294,132		26,280,692	22,013,440
SASKATCHEWAN—				
Agriculture and Agri-Food— Agricultural service centres	750,548		370,759	379,789
Finance—				
Federal-provincial fiscal arrange- ments	127,928,233		39,789,853	88,138,380
Municipal Development and Loan Board	38,622 127,966,855		4,047 39,793,900	34,575 88,172,955
Total Saskatchewan.	128,717,403		40,164,659	88,552,744
ALBERTA—				
Finance—				
Federal-provincial fiscal arrange- ments		43,730,000		43,730,000
Municipal Development and Loan Board	696,116 696,116	43,730,000	64,300 64,300	631,816 44,361,816
Industry—				
Western Economic Diversification— Special areas and highways agreement	47,980		47,980	
Total Alberta.	744,096	43,730,000	112,280	44,361,816

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements.....			61,675,000	(61,675,000)
Municipal Development and Loan Board	658,582		67,590	590,992
Total British Columbia	658,582		61,742,590	(61,084,008)
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements.....	(8,024,459)	8,105,071	1,465,613	(1,385,001)
Indian Affairs and Northern Development— Government of the Yukon Territory	386,048		125,200	260,848
Total Yukon Territory	(7,638,411)	8,105,071	1,590,813	(1,124,153)
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrangements	(4,634,528)	4,642,701	3,879,173	(3,871,000)
Total Northwest Territories	(4,634,528)	4,642,701	3,879,173	(3,871,000)
Total	318,157,249	123,189,772	393,407,828	47,939,193

Federal-provincial fiscal arrangements

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These underpayments are non-interest bearing and are paid in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1999 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.

Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 1 to 8 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 15 years, with final instalments due between March 31, 2000 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, 1999 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.

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.

Special areas and highways agreement—Western Economic Diversification

Loans were made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

During the year, the loans were repaid in full and the account was closed.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
Second mortgage	10,393		3,236	7,157
Capital expenditures . .	179,490		66,335	113,155
Outside parties—				
Capital projects	196,165		55,629	140,536
	386,048		125,200	260,848

The loans bear interest at rates from 6.063 percent to 11.375 percent per annum, and are repayable in equal annual instalments over 20 to 35 years, with final instalments between September 27, 1999 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 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	9,371,588	715,495,330	707,687,708	17,179,210
Personnel posted abroad	11,296,135	12,716,512	11,976,798	12,035,849
	20,667,723	728,211,842	719,664,506	29,215,059
National Defence—				
Imprest accounts, standing advances and authorized loans	33,628,184	421,897,880	432,731,033	22,795,031
Public Works and Government Services—				
Miscellaneous accountable advances	9,607,360	19,049,193	9,584,056	19,072,497
Miscellaneous accountable imprest and standing advances	20,436,040	1,691,439	6,307,928	15,819,551
	30,043,400	20,740,632	15,891,984	34,892,048
Total— Loans and accountable advances	84,339,307	1,170,850,354	1,168,287,523	86,902,138
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	5,408,646		919,690	4,488,956
Canadian Heritage—				
Cultural industries	30,825,570			30,825,570
Cultural property	30,825,570			30,825,570
Citizenship and Immigration—				
Transportation and assistance loans	59,804,104	16,724,519	18,140,983	58,387,640
Finance—				
Canadian Commercial Bank	52,374,484		1,544,047	50,830,437
Ottawa Civil Service Recreational Association	95,553		11,067	84,486
	52,470,037		1,555,114	50,914,923
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
Haddock fishermen	1,346,337			1,346,337
	1,474,652			1,474,652
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	275,570,252	21,460,784	57,515,505	239,515,531
Human Resources Development—				
Provincial workers' compensation boards	10,536,217	323,938	30,000	10,830,155
Indian Affairs and Northern Development—				
Council for Yukon Indians (Elders)	16,629,432	249,534	464,049	16,414,917
First Nations in British Columbia	74,140,030	23,560,000		97,700,030
Indian Economic Development Fund	1,828,795		99,647	1,729,148
Indian Housing Assistance Fund	12,950		12,000	950
Inuit Loan Fund	101,948		2,284	99,664
Native claimants	324,832,577	30,116,852	12,444,247	342,505,182
Yukon Energy Corporation	30,414,274		397,845	30,016,429
	447,960,006	53,926,386	13,420,072	488,466,320

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1998	Payments and other charges	Receipts and other credits	March 31/1999
	\$	\$	\$	\$
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	587,230		50,000	537,230
	4,030,046		50,000	3,980,046
	114,030,046		50,000	113,980,046
National Defence—				
Canadian Forces housing projects	5,880,623		2,323,990	3,556,633
Pilot Training Program—MILIT-AIR Inc.		703,000,000		703,000,000
	5,880,623	703,000,000	2,323,990	706,556,633
Natural Resources—				
Hibernia Development Project	132,000,000			132,000,000
Nordion International Inc.	14,878,000	37,926,000		52,804,000
	146,878,000	37,926,000		184,804,000
Public Works and Government Services—				
Confederation Bridge	803,049,000		23,505,000 ⁽¹⁾	779,544,000
Seized Property Working Capital Account	(540,890)	25,212,137	21,736,606	2,934,641
	802,508,110	25,212,137	45,241,606	782,478,641
Solicitor General—Correctional Service—				
Parolees	19,450	15,254	11,921	22,783
Transport—				
Hamilton Harbour Commissioners	125,000		50,000	75,000
Saint John Harbour Bridge Authority	28,633,491		760,333	27,873,158
St. Lawrence Seaway Management Corporation		1,298,495	51,782	1,246,713
	28,758,491	1,298,495	862,115	29,194,871
Veterans Affairs—				
Commonwealth War Graves Commission	71,142	1,956 ⁽²⁾		73,098
Veterans' Land Act Fund—				
Advances	4,199,687	273,397	2,114,729	2,358,355
Less: allowance for conditional benefits	1,400			1,400
	4,198,287	273,397	2,114,729	2,356,955
	4,269,429	275,353	2,114,729	2,430,053
Subtotal	1,986,393,633	860,162,866	142,185,725	2,704,370,774
Add: consolidation adjustment ⁽³⁾	202,537,000	58,553,000		261,090,000
Total—Other	2,188,930,633	918,715,866	142,185,725	2,965,460,774
Total	2,273,269,940	2,089,566,220	1,310,473,248	3,052,362,912

⁽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, \$9,168,839; advances for medical expenses, \$1,339,672 security and other deposits under Foreign Service Directives, \$565,816; and, school and club debentures, \$961,522.

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, 1999 and March 1, 2003.

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 May 31, 1999 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.

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 L15, *Appropriation Acts No. 1 and No. 2, 1998-99*, no loans were made during the year. The total loan authority is \$10,000 per year.

Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 4.54 percent to 15 percent per annum, with final instalments between April 1, 1999 and April 1, 2006, \$45,697,211; 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, 1999 and April 1, 2006, \$12,690,429.

During the year, loans totalling \$3,650,951 were written off by Citizenship and Immigration Vote 2c, *Appropriation Act No. 5, 1998-99*.

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".

	Payments and other charges		Receipts and other credits		March 31/1999
	April 1/1998	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	4,684,207		306,196		4,990,403
Iran	43,464,661	2,108,219	2,797,551	10,459,728	37,910,703
South Africa	97,893,714		5,252,586	30,339,279	72,807,021
	146,042,582	2,108,219	8,356,333	40,799,007	115,708,127
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:					
Antigua	43,344,949		2,825,130	4,583,887	41,586,192
Kyrgyzstan	70,830,000		4,709,178	6,348,750	69,190,428
	114,174,949		7,534,308	10,932,637	110,776,620
Total—Non-budgetary	260,217,531	2,108,219	15,890,641	51,731,644	226,484,747
BUDGETARY LOANS					
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:					
Antigua	10,542,564		733,980	3,193,693	8,082,851
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:					
Thailand	37,136,273		2,427,515		39,563,788
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:					
Antigua	4,810,157		300,429	162,653	4,947,933
Subtotal—Budgetary	52,488,994		3,461,924	3,356,346	52,594,572
Less: budgetary treatment	37,136,273			2,427,515	39,563,788
Total—Budgetary	15,352,721		3,461,924	5,783,861	13,030,784
Total	275,570,252	2,108,219	19,352,565	57,515,505	239,515,531
SUMMARY					
Total—Non-budgetary	260,217,531	2,108,219	15,890,641	51,731,644	226,484,747
Total—Budgetary	52,488,994		3,461,924	3,356,346	52,594,572
Total	312,706,525	2,108,219	19,352,565	55,087,990	279,079,319
Less: budgetary treatment	37,136,273			2,427,515	39,563,788
Total	275,570,252	2,108,219	19,352,565	57,515,505	239,515,531

⁽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 subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Council 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 Vote L26b, *Appropriation Act No. 4, 1998-99*.

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 5 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 L25, *Appropriation Acts No. 1 and No. 2, 1998-99*.

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 13 percent per annum, and are repayable over 4 months to 15 years, with final instalments between April 1, 1999 and April 1, 2008.

During the year, loans totalling \$85,937, were written off by Indian Affairs and Northern Development Vote 8c, *Appropriation Act No. 5, 1998-99*.

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 1999-2000 and future fiscal years, unless recovery is possible.

Loans totalling \$12,000 were also written off by Indian Affairs and Northern Development Vote 8c, *Appropriation Act No. 5, 1998-99*.

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 13 percent per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1999 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 and L20b, *Appropriation Acts No. 1, No. 2 and No. 4, 1998-99*.

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 \$200,161,392 and \$142,343,790 respectively. Rates are from 6 percent to 11 percent per annum for the interest-bearing portion.

During the year, loans totalling \$291,209 were forgiven pursuant to Indian Affairs and Northern Development Vote 7c, *Appropriation Act No. 5, 1998-99*. This amount was previously shown as a write-off under the authority of Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1998-99*.

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-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. As such, clause 2 was applied and principal and interest were reduced for fiscal year 1998-99.

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, 1998-99*.

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, 1998-99*.

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, 1999 and November 1, 2010.

Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million 5.75% semi-annual secured bonds issued in May 1998 by MILIT-AIR Inc. to finance the acquisition of assets for the Program.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$703 million, offset by deferred payments. These deferred payments will be amortized over the 18-year period ending on June 30, 2019.

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, 1998-99*.

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 second subsidy payment of \$46 million was made on April 1, 1998. These subsidy payments will continue for a period of 34 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 \$799 million offset by deferred subsidies of \$780 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.

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 \$6,828 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 percent 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.

St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.50 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being April 4, 2001.

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

1998-99

PUBLIC ACCOUNTS OF CANADA

Other Information Related to the Financial Statements

CONTENTS

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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 \$60 million and \$100 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.	13,913	5,677	1,211			20,801
Table 10.4.			2,706			2,706
Table 10.6.				1,371		1,371
Pension plans for veterans					5,830	5,830
Liability under continuation acts					160	160
Total	13,913	5,677	3,917	1,371	5,990	30,868

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 2000 to 2004 inclusive, and a total for amounts due in the year 2005 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
2000	3,889	2,071	257	529	1,207	7,953
2001	2,971	1,191	248	369	1,214	5,993
2002	2,478	750	243	301	1,220	4,992
2003	2,331	270	237	63	1,177	4,078
2004	2,075	94	199	56	1,172	3,596
2005 and subsequently	169	1,301	2,733	53		4,256
Total	13,913	5,677	3,917	1,371	5,990	30,868

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, 1999

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program	23,943 ⁽¹⁾	23,943	15,059	8,884 ⁽²⁾	1,802	1,796	1,789	1,765	1,732	
Agriculture and Agri-Food—										
Economic Recovery Assistance Program—										
Ice Storm	21	21	5	16	16					
Health—										
Indian and Northern Health Services	718	718	381	337	152	93	56	29	7	
Moose Factory Hospital	51	51	31	20	10	10				
Canadian International Development Agency—										
Geographic Programs	253	253	98	155	33	38	31	23	27	3
Partnership Program	57	57	20	37	18	19				
Country in Transition Program	50	50	9	41	9	9	9	14		
Multilateral Program	130	130	69	61	45	16				
Citizenship and Immigration—										
Canada-Quebec Accord	581	581	101	480	96	96	96	96	96	
Canada-Manitoba Accord	20	20		20	4	4	4	4	4	
Canada-British Columbia Accord	237	237	2	235	47	47	47	47	47	
Canadian Heritage—										
Contributions—										
Pan American Games	51	51	40	11	11					
Canadian Television and Cable Production Fund	91	91	42	49	49					
Radio Canada International (CBC)	62	62	21	41	21	20				
Indian Affairs and Northern Development—										
Canada Infrastructure Works Agreement—										
Indian and Inuit Affairs	36	36	36	(3)						
Northern Affairs	9	9	9	(3)						
Comprehensive Land Claims Agreement—										
Indian and Inuit Affairs	596	596	318	278	49	48	48	46	44	43
Northern Affairs	142	142	91	51	12	12	12	12	3	
Alternative Funding Arrangement	968	968	688	280	132	62	40	42	4	
Financial Transfer Arrangement	2,707	2,707	1,437	1,270	509	362	182	171	46	
Comprehensive Funding Arrangement	289	289	101	188	136	13	13	13	13	
Moushuau Innu Relocation Agreement	77	77	33	44	27	12	5			
Contribution Agreement	177	177	79	98	28	14	12	8	2	34
Atlantic Canada Opportunities Agency—										
Economic Development Programs—										
Canada/Newfoundland Strategic Regional Diversification Agreement	60	56	42	14	10	4				
Canada /Newfoundland Comprehensive Economic Development Agreement	35	35	7	28	13	11	4			
Canada/Newfoundland Agreement on Economic Renewal (TAGS-ER)	74	74	43	31	19	10	2			

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, 1999—*Continued*

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31						2005 and subse- quently			
					Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	2000	2001	2002	2003	2004	
Canada/Newfoundland														
Comprehensive								(3)						
Labrador Agreement					47	46	46							
Canada/PEI Economic														
Development Agreement					25	25	20	5(3)	3	2				
Canada/PEI Co-operation														
Agreement for														
Industrial Development					60	60	60	(3)						
Canada/Nova Scotia Co-operation														
Agreement on Economic														
Diversification					176	176	109	67	32	25	10			
Canada/Nova Scotia														
Industrial Development														
Agreement					31	31	24	7(3)	1	3	3			
Canada/Nova Scotia														
Technology Development														
Agreement					25	25	19	6(3)	1	1	4			
Canada/New Brunswick														
Regional Economic														
Development Agreement					178	178	160	18	10	5	2	1		
Canada Infrastructure Works														
Agreement/Atlantic					219	219	207	12	12					
Other Regional Economic														
Development Programs					13	13	7	6(3)	6					
Industry—														
Province of Ontario														
Canada Infrastructure														
Works Agreement					875	865	840	25	25					
CRJX development					87	87	71	16	16					
CAE Electronics visual														
technology					31	31	20	11	8	3				
IBM Canada Ltd.														
E-commerce software					33	33	4	29	9	10	10			
Computer Maintenance services					14	14	3	11	3	4	4			
DASH-8-400 development					56	56	56	(3)						
PW150 Turboprop engine														
design and development					100	100	84	16	2	7	7			
Pratt & Whitney product														
oriented development					46	46	34	12	12					
Pratt & Whitney—PW308-C														
development					99	99	24	75	44	18	8	5		
Ballard Power Systems—Fuel ce														
power plant					29	29	18	11	11					
Canarie Inc.—Phase 2 TAD					79	79	76	3(3)	2	1				
Connaught Laboratories Ltd—Ca														
Vaccines					60	60	7	53	5	5	9	8	6	20
International Tele-														
communication Union—														
ITU operations					63	63	42	21	7	7	7			
Precarn Associates—Precarn														
Phase 2					19	19	15	4(3)	4					
School Net/Community														
Access					37	37	27	10(3)	10					
Canada-Ontario Agreement—Ice														
Storm Economic Recovery					9	9	6	3(3)	3					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
Economic Development Agency of Canada for the Regions of Quebec—										
Canada Infrastructure Works Agreement-Quebec	638	638	594	44	38	6				
Innovation Development Entrepreneurship and Access Program—IDEA	250	250	172	78	52	20	3		3	
Temporary Economic Reconstruction Program—TREP	23	14	12	2 ⁽³⁾	2					
Economic Recovery Assistance Program—ERAP	48	7	7	⁽³⁾						
Community Futures Program	106	106	76	30	17	13				
Regional Strategic Initiative Program	143	143	31	112	50	30	13	12	7	
National Research Council of Canada—										
James Clerk Maxwell Telescope Mauna Kea, Hawaii, USA	36	36	25	11	1	1	1	1	1	6
Gemini Twin Telescope Project— Cerro Pachon, Chile and Mauna Kea, Hawaii, U.S.A.	39	39	26	13	3	4	3	3		
Tri-University Meson Facility (TRIUMF) Vancouver, B.C.	166	166	132	34	34					
Transport— Province of Quebec Road Agreement	271	271	188	83	4	4	4	4	4	63
Western Economic Diversification—										
Canada Infrastructure Program Works Agreement	635	635	601	34	34					
Western Economic Diversification Program	370	370	183	187	81	46	24	18	18	
Canada-Manitoba Red River Flood Assistance Province of Manitoba	15	15	15	⁽³⁾						
Upgrading the Port of Churchill—Hudson Bay Port Company	14	14	1	13	7	6				
Loan/Investment Fund Program	150	58	23	35	11	13	4	2	5	
<i>Subtotal</i>	<i>36,750</i>	<i>36,593</i>	<i>22,827</i>	<i>13,766</i>	<i>3,808</i>	<i>2,930</i>	<i>2,466</i>	<i>2,324</i>	<i>2,069</i>	<i>169</i>
Consolidated Crown Corporations—										
Canadian Film Development Corporation— Financial Assistance to producers and distributors	33	33		33	33					
International Development Research Centre— Micronutrient Initiative	103	103	69	34	7	7	7	7	6	
Essential Health Program	18	18	8	10 ⁽³⁾	5	5				

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, 1999—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
The Canada Council for the Arts— Future year grants	70	70		70	36	29	5			
<i>Subtotal</i>	224	224	77	147	81	41	12	7	6	
Total transfer payment agreements	36,974	36,817	22,904	13,913	3,889	2,971	2,478	2,331	2,075	169
Fixed assets and purchases—										
Fixed assets—										
Finance—										
Equity interest in Hibernia Project	431	431	431	(3)						
Canadian Heritage—										
Lachine Canal										
Enhancement	32	32	6	26	8	8	10			
Grosse-Île Development	31	31	12	19	2	3	3	11		
Fortifications of Quebec										
Pincers-New fire station	13	13	7	6 ⁽³⁾	2	2	1	1		
Saguenay Marine Park Development	37	37	21	16	4	4	5	3		
National Defence—										
Electronic Support and Training Systems	203	141	127	14	14					
North American										
Air Defence										
Modernization	1,062	17	11	6 ⁽³⁾	5	1				
Tactical Transport										
Tanker	348	90	68	22	19	3				
Military Automated Air Traffic System	162	74	20	54	15	13	21	5		
Canadian Search and Rescue										
Helicopter	765	635	61	574	134	210	186	44		
Tactical Command Control and Communication System	1,928	1,588	1,454	134	61	48	25			
Land Forces Command										
System	178	144	57	87	39	33	11	4		
Short Range Anti-Armour Weapons	186	168	143	25	25					
Lynx Replacement Project	870	711	687	24	24					
Armoured Personnel Carriers	1,272	972	359	613	431	182				
Leopard thermal sight	139	114	38	76	43	28	5			
Canadian Forces										
Supply System										
upgrade	289	173	113	60	50	10				
Canadian Patrol Frigate	8,980	6,805	6,711	94	63	24	7			
Tribal Class Update and Modernization Project (TRUMP)	1,417	114	92	22	16	4	2			
Maritime coastal										
defence vessels	708	611	567	44	16		28			
Canadian Submarine										
Capability Life										
Extension	812	250	68	182	68	54	60			
Regional/Sector Air										
Operations Centre	128	97	52	45	26	12	5	1	1	
Other Fixed Assets (DND)	623	380	177	203	124	52	27			
Fisheries and Oceans—										
SAR Lifeboat										
Replacement	47	32	25	7 ⁽³⁾	7					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
Foreign Affairs and International Trade—										
Site Purchase, Bonn.....	22	21	21	(3)						
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, Ontario.....	27	27	27	(3)						
Solicitor General— Correctional Service—										
Expansion and redevelopment of existing facilities.....	45	36	30	6 ⁽³⁾	5	1				
<i>Subtotal</i>	20,788	13,777	11,385	2,392	1,206	707	406	72	1	
Consolidated Crown Corporation—										
National Capital Commission—										
Other Capital Projects.....	33	33		33	25	8				
Total fixed assets.....	20,821	13,810	11,385	2,425	1,231	715	406	72	1	
Purchases —										
Environment—										
Supercomputer Hardware and Software Lease										
NEC Corporation.....	67	67	50	17	8	8	1			
Industry—										
Computer Maintenance Services										
IBM Canada.....	14	14	3	11	3	4	4			
Canadian Space Agency—										
Sed Systems Inc.—Radarsat 1.....	28	28	20	8 ⁽³⁾	4	3	1			
International Space Station Program—Spar Aerospace Ltd— MSS Development—										
Phase 1.....	448	433	431	2 ⁽³⁾	2					
Mobile Servicing System— SPDM Development—										
Spar Aerospace Ltd.....	171	171	89	82	60	19	3			
Radarsat-2 construction— MacDonald Dettwiler Ltd.....	205	205	56	149	81	50	18			
National Defence—										
Ammunition.....	264	264	111	153	138	8	7			
Military pilot training—Bombardier Inc.....	221	221	196	25	25					
Bombardier Inc.—CF18 System engineering support.....	202	202	173	29	29					
Canadian Airlines										
International—CC-150										
Integrated Services.....	134	134	82	52	11	13	14	14		
Frontec Logistics Corporation— North Warning System support.....	258	258	190	68	68					
Bombardier—NATO Flying Training Centre.....	2,326	1,431	12	1,419	50	55	54	55	57	1,148
Serco Ltd.—Goose Bay ASD.....	193	133	26	107	26	27	27	27		
Other purchases (DND).....	464	455	209	246	114	81	31	16	3	1

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
Health—										
First Canadian Health—										
Non-insured health program for First Nations and Inuit people	46	46	4	42	9	9	9	9	6	
Human Resources Development—										
MFP Financial Services Ltd—										
Replace all existing mainframes with Unisys Clear Path mainframes	89	89	1	88	7	14	18	22	27	
<i>Canada Student Financial Assistance Act</i> (Risk premium)	418	321	164	157	77	41	30	9		
Solicitor General—										
Correctional Service—										
EDS Canada Ltd—Year 2000 Testing and Readiness Projects	35	27	7	20	15	5				
Veterans Affairs—										
EDS Canada Ltd.										
Benefits Redesign Project—										
Consulting Services	18	18	7	11	11					
<i>Subtotal</i>	5,601	4,517	1,831	2,686	738	337	217	152	93	1,149
Consolidated Crown Corporations—										
Canadian Broadcasting Corporation—										
Sports Rights	28	28		28	8	8	8	4		
National Hockey League	214	214	22	192	54	53	53	32		
I.O.C.—Olympics	241	241	12	229		40	37			152
Stentor—Network Services	67	67	30	37	9	9	9	10		
Profac Facility and Property Management	104	104	42	62	21	21	20			
National Capital Commission—										
Employee take over, Minto & Profac—										
Service Contract	21	21	3	18	10	8				
<i>Subtotal</i>	675	675	109	566	102	139	127	46		152
Total purchases	6,276	5,192	1,940	3,252	840	476	344	198	93	1,301
Total fixed assets and purchases	27,097	19,002	13,325	5,677	2,071	1,191	750	270	94	1,301
Operating leases—										
Environment—										
Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C.	413	413	49	364	6	5	5	5	4	339
Foreign Affairs and International Trade—										
Mitsui Fudosan New York	52	52	4	48	2	2	3	3	3	35
AG1824-Compagnie Brussels	15	15	4	11	2	2	2	2	2	1
Hong Kong Land Limited										
Hong Kong	53	53	29	24	6	6	6	6		
Tower Plaza Associates New York	20	20	6	14	1	1	1	2	2	7
Ohbayashi America Corporation										
Los Angeles	13	13	3	10	1	1	1	1	1	5

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1999—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2005 and subse- quently
					2000	2001	2002	2003	2004	
Public Works and Government Services—										
Journal Building, Ottawa	170	170	87	83	14	14	14	14	14	13
Place de Ville "C", Ottawa	178	178	116	62	15	15	15	15	2	
200 Kent St., Ottawa	104	104	48	56	12	12	12	12	8	
Standard Life Building, Ottawa	24	24	12	12	3	3	3	2	1	
Trebla Building, Ottawa	20	20	11	9 ⁽³⁾	2	2	2	2	1	
344 Slater St., Ottawa	40	40	16	24	6	6	6	6		
333 Laurier Ave., Ottawa	19	19	7	12	4	4	4			
386 Broadway, Winnipeg	19	19	10	9 ⁽³⁾	2	2	2	2	1	
59 Camelot Court, Ottawa	17	17	9	8 ⁽³⁾	2	2	2	1	1	
VIA Rail Station—Winnipeg	13	13	2	11	1	1	1	1	1	6
320 Queen Street, Ottawa	37	37	1	36	4	4	4	4	4	16
Place Vanier, A,B and C.	14	14	3	11	3	3	3	2		
Solicitor General—										
Royal Canadian Mounted Police—										
Dispatch radio service—Manitoba										
Telephone Service (MTS)										
Mobility	59	59	7	52	6	6	6	6	6	22
Subtotal	1,280	1,280	424	856	92	91	92	86	51	444
Consolidated Crown Corporations—										
National Capital Commission—										
Chalmers Building										
40 Elgin St., Ottawa	130	130	4	126	5	5	5	5	5	101
VIA Rail Canada Inc.—										
Central Station — Montreal	47	47	11	36	3	4	4	4	4	17
Trizecahn PVM Inc.—										
Office Space	72	72	54	18	5	5	2	1	1	4
Canadian Broadcasting Corporation—										
Satellite lease (Telesat)	124	124	41	83	19	12	13	13	13	13
Canadian Film Development Corporation—										
Office leases	11	11	2	9 ⁽³⁾	2	2	2	2	1	
International Development Research Centre—										
Office space lease	24	24	2	22	2	2	2	2	2	12
Office Maintenance Lease	22	22	3	19	2	2	2	2	2	9
Canada Council—										
Operating leases	16	16		16	3	3	3	3	2	2
National Gallery of Canada—										
Operating leases	11	11		11	1	1		1		8
National Museum of Science and Technology—										
Operating leases	18	18	3	15	3	2	2	2	2	4
Subtotal	475	475	120	355	45	38	35	35	32	170
Total operating leases	1,755	1,755	544	1,211	137	129	127	121	83	614
Grand total	65,826	57,574	36,773	20,801	6,097	4,291	3,355	2,722	2,252	2,084

(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 (\$8,884 million), should therefore not be interpreted as the total outstanding commitment at March 31, 1999.

(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, transfers substantially all the benefits and risks incident to ownership of the asset to the lessor. 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 date	Total estimated minimum lease payments, full term (excluding executory costs)	Final purchase option price included in total estimated minimum lease payment	Implicit interest rate (%)	Balances at March 31, 1999		
							Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Net commit- ments under capital lease arrange- ments
Indian Affairs and Northern Development—									
Office equipment	Jan 24, 1997	3	2,641	2,968	81	6.00 ⁽²⁾	803	40	763
Office equipment	Sept 11, 1997	2	565	627	75	6.00 ⁽²⁾	246	11	235
			3,206	3,595	156		1,049	51	998
Public Works and Government Services—									
Guy Favreau Building, Montréal	Jan 1, 1994	25	87,600	227,569	30,000	7.6 ⁽²⁾	201,496	112,088	89,408
240 Sparks St, Ottawa	Sept 1, 1977	35	63,703	213,500		9.1 ⁽²⁾	87,743	39,957	47,786
L'Esplanade Laurier, Ottawa	Oct 1, 1995	15	60,374	104,638	18,000	4.9 ⁽²⁾	89,849	26,380	63,469
Place du Centre, Hull	Feb 17, 1978	30	26,201	96,204	6,000	11.0 ⁽²⁾	38,460	17,769	20,691
Terrasses de la Chaudière, Hull	Jan 1, 1993	20	146,084	364,485	54,000	8.6 ⁽²⁾	297,630	150,374	147,256
Government of Canada Building, (GOCB), Cornwall	Dec 1, 1994	25	9,600	24,771		9.2 ⁽²⁾	21,418	12,245	9,173
Scarborough (GOCB)	Dec 1, 1994	25	38,900	111,605	10,000	9.4 ⁽²⁾	97,829	59,061	38,768
Chatham (GOCB)	June 1, 1995	25	4,940	11,744		8.2 ⁽²⁾	10,413	5,679	4,734
Place Vincent Massey, Hull	Aug 1, 1996	15	23,439	50,860	15,725	5.6 ⁽²⁾	46,913	17,179	29,734
Canada Place, Edmonton	Dec 1, 1993	30	105,000	276,523		7.9 ⁽²⁾	236,136	136,051	100,085
Louis Saint-Laurent, Hull	Nov 1, 1996	20	73,000	150,158	15,000	6.8 ⁽²⁾	140,356	65,231	75,125
Block 56, Vancouver	Apr 30, 1995	25	54,100	166,673		11.6 ⁽²⁾	145,984	93,472	52,512
OACI, Montreal	Dec 1, 1996	20	100,000	246,573	23,450	9.3 ⁽²⁾	231,081	129,076	102,005
			792,941	2,045,303	172,175		1,645,308	864,562	780,746
Veterans Affairs—									
Office equipment	Mar 9, 1998 ⁽¹⁾	3	2,013	2,309	378	5.78 ⁽²⁾	1,338	98	1,240
Office equipment	Feb 12, 1998 ⁽¹⁾	3	5,063	5,586	373	6.01 ⁽²⁾	2,978	245	2,733
			7,076	7,895	751		4,316	343	3,973
Consolidated Crown corporation—									
Canadian Broadcasting Corporation— Canadian Broadcasting Centre, 250 Front St. W.,Toronto	Oct 14, 1988	30	485,111	1,257,734		7.53 ⁽²⁾	941,605	556,217	385,388
Canadian Museum of Nature—									
National Heritage Building Aylmer, Quebec	Sept 30, 1996	35	35,040	122,500		9.88 ⁽²⁾	113,750	79,920	33,830
Total			1,323,374	3,437,027	173,082		2,706,028	1,501,093	1,204,935

⁽¹⁾ New addition.

⁽²⁾ Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

TABLE 10.5**COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY**

(in thousands of dollars)

	Payments due in											
Department and agency	2000	2001	2002	2003	2004	2005 to 2009	2010 to 2014	2015 to 2019	2020 to 2024	2025 to 2029	2030 to 2034	Total
Indian Affairs and Northern Development —												
Remaining payments	1,049											1,049
Imputed interest	51											51
Net commitments	998											998
Public Works and Government												
Services—												
Remaining payments	79,957	79,957	79,957	79,957	79,957	399,785	404,645	314,057	112,108	14,928		1,645,308
Imputed interest	64,220	62,979	61,636	60,181	58,601	264,194	190,438	86,060	16,253			864,562
Net commitments	15,737	16,978	18,321	19,776	21,356	135,591	214,207	227,997	95,855	14,928		780,746
Veterans Affairs—												
Remaining payments	2,158	2,158										4,316
Imputed interest	252	91										343
Net commitments	1,906	2,067										3,973
Canadian Broadcasting Corporation—												
Remaining payments	33,039	33,039	33,039	33,039	33,039	165,194	165,194	165,194	165,194	115,634		941,605
Imputed interest	28,944	28,630	28,292	27,928	27,535	130,658	115,215	92,868	60,529	15,618		556,217
Net commitments	4,095	4,409	4,747	5,111	5,504	34,536	49,979	72,326	104,665	100,016		385,388
Canadian Museum of												
Nature—												
Remaining payments	3,500	3,500	3,500	3,500	3,500	17,500	17,500	17,500	17,500	17,500	8,750	113,750
Imputed interest	3,353	3,337	3,321	3,302	3,281	16,014	15,064	13,506	10,951	6,761	1,030	79,920
Net commitments	147	163	179	198	219	1,486	2,436	3,994	6,549	10,739	7,720	33,830
Summary—												
Remaining payments	119,703	118,654	116,496	116,496	116,496	582,479	587,339	496,751	294,802	148,062	8,750	2,706,028
Imputed interest	96,820	95,037	93,249	91,411	89,417	410,866	320,717	192,434	87,733	22,379	1,030	1,501,093
Net commitments	22,883	23,617	23,247	25,085	27,079	171,613	266,622	304,317	207,069	125,683	7,720	1,204,935

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. 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	358	134	492
Budgetary loans and advances	879		879
Total	1,237	134	1,371

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, 1999

(in millions of dollars)

	Canada Deposit Insurance Corporation ⁽¹⁾		Canada Mortgage and Housing Corporation ⁽²⁾				Export Development Corporation ⁽³⁾	
	1998-99	1997-98	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		1998-99	1997-98
			1998-99	1997-98	1998-99	1997-98		
Insurance in force as at reporting date.....	307,998	305,014	183,000	168,900	21,002	17,404	10,224	11,500
Opening balance of Fund.....	-539	-1,176	21	19	39	31	252	217
Revenues for the period—								
Premiums and fees.....	515	531	509	454	8	8	110	93
Investment income.....	28	16	252	189	5	4		
Other revenues.....	36	6	53	54	2	2	34	
Total revenues.....	579	553	814	697	15	14	144	93
Expenses for the period—								
Loss on/provision for claims.....	-12	-150	347	536			88	58
Interest on loans.....	8	46						
Administrative and tax.....	17	20	257	159	7	6		
Funds returned to Government.....								
Total expenses.....	13	-84	604	695	7	6	88	58
Net income/loss (-) for the period.....	566	637	210	2	8	8	56	35
Closing balance of Fund.....	27	-539	231	21	47	39	308	252
Net claims during the period ⁽⁴⁾	58	156	246	402	*	*	47	27
Five year average of net claims paid.....	14	40	330	337	*	*	31	14

* 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. As of September 30, 1998, this deficiency has been eliminated and the loans from the Government retired. As contingent liability no longer exists, particulars of this item will not appear in future reports.

(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, 1998 disclosed that the Fund had a surplus of \$146.6 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) 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. A contingent liability is recorded as an actual liability when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for enterprise Crown corporations and other government business enterprises, all Government organizations are accounted for in the financial statements by consolidation. Enterprise Crown corporations and other government business enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

The contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations and other Government business enterprises". However, in accordance with section 54 of the *Financial Administration Act*, the repayment of all money borrowed on behalf of the Crown is payable out of the Consolidated Revenue Fund and constitute potential obligations of the Government. Therefore, the borrowings of agent enterprise Crown corporations and other government business enterprises are reported with the contingent liabilities of the Government in compliance with the *Financial Administration Act* 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 and other government business enterprises made from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. 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 and other government business enterprises, are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably and reliably estimated. Losses on loan guarantees are recorded in the accounts through a valuation allowance calculation when it is likely that a payment will be made to 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 and other government business enterprises are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

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.

Additional information is available 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, 1999

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability	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		39,698,016,000 ⁽⁴⁾	8.1
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	170,857,357 ⁽⁵⁾	
From other than agents			
Guarantee programs of the Government			
<i>Canada Student Loans Act</i>	10,781,963,150 ⁽⁶⁾	1,746,490,081	14.3
<i>Small Business Loans Act</i>	2,756,735,117 ⁽⁶⁾	1,161,880,846	42.6
<i>Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act</i>		548,694,185	1.0
<i>Advance Payments for Crops Act</i>	400,000,000	207,570,365	2.2
Atlantic Enterprise Program	14,018,247	14,018,247 ⁽⁷⁾	22.8
Enterprise development program and Canadian Industrial Renewal Board	1,185,981,753	5,919,521 ⁽⁸⁾	
<i>Fisheries Improvement Loans Act</i>	80,015 ⁽⁶⁾	80,015	100.0
Loans to Indians by approved lenders for on-reserve housing	⁽⁹⁾	987,388,932 ⁽⁵⁾	Less than 1%
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	1,002,175,000 ⁽¹⁰⁾	365,884,545 ⁽¹⁰⁾	
Indian economic development	33,022,107 ⁽¹¹⁾	2,527,670 ⁽⁵⁾	
Aboriginal Economic Program	10,000,000	4,632,500	
Time Air (1982) Ltd	16,183,975,389	1,777,095	
Other explicit loan guarantees ⁽¹²⁾		5,046,864,002	
Loans with respect to the <i>Hibernia Development Project Act</i>	1,660,000,000	237,900,000 ⁽¹⁰⁾	
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader	275,000,000	122,564,987 ⁽¹³⁾	
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft	67,891,500	61,253,220	
Hibernia Project—Temporary financing loan guarantees	175,000,000		
Loans to Government of Romania	27,000,000	24,000,000	22.0
Loans to Ridley Terminals Inc. for operating and capital purposes	230,000,000	101,000,000	
Loan to PWA Corporation for operating purposes		⁽¹⁴⁾	
	2,434,891,500	546,718,207	
Insurance programs of the Government ⁽¹⁵⁾			
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees	13,000,000,000 ⁽¹⁶⁾	1,282,689,599	3.8
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> ⁽¹⁷⁾	1,050,000,000	589,451,179	
	14,050,000,000	1,872,140,778	

TABLE 10.8

STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1999—Continued

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability	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	241,100,000	6.4
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i>		(18)	
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada)		147,451,608	
Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i>		21,766,158	
	1,500,000,000	410,317,766	
Total gross guarantees.	35,368,866,889	47,744,914,110	
Less: allowance for losses		4,090,000,000	(19)
Net exposure under guarantees.		43,654,914,110	
INTERNATIONAL ORGANIZATIONS.		18,340,282,846	(2)(10)(20)(25)
CLAIMS AND PENDING AND THREATENED LITIGATION		14,143,561,075	(2)(10)(21)
COMPREHENSIVE NATIVE LAND CLAIMS		742,000,000	(22)
Subtotal ⁽²³⁾		76,880,758,031	
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS		91,570,000	(24)
TOTAL.		76,972,328,031	

(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) The amount included here represent those claims which have been assessed and for which an estimated loss has been calculated. As explained in note 15 to the financial statements of the Government in Section 1 of this volume, the total contingency related to outstanding claims is not determinable.

(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, 1999.

(4) Borrowings by agent enterprise Crown corporations and other government business enterprises 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 corporations as at March 31, 1999 are summarized as follows:

	(in thousands of dollars)
Business Development Bank of Canada	4,223,355
Canada Mortgage and Housing Corporation	10,632,785
Canada Ports Corporation	78,692
Canada Post Corporation	166,477
Canadian Dairy Commission	964
Canadian Wheat Board, The	6,785,535
Export Development Corporation	12,967,328
Farm Credit Corporation	4,316,692
Freshwater Fish Marketing Corporation	5,830
Petro-Canada Limited	470,887
Port of Quebec Corporation	18,463
Royal Canadian Mint	31,000
Seaway International Bridge Corporation, Ltd, The	8
Total	39,698,016

(5) Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$153,834,315 and for Indian economic development, \$2,527,670. At March 31, 1999, no loans have been reported issued for these amounts by lenders. However, since past history indicates that over 96% 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 (\$12,452,696 as at March 31, 1999) 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 (\$1,479,745 as at March 31, 1999). 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, 1999).

(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.

(10) Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of the statement.

TABLE 10.8

STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1999—*Concluded*

- (11) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60,000,000. As at March 31, 1999, \$26,977,893 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totalling \$2,527,670 leaving a free balance of \$30,494,436 available to issue further guarantees.
- (12) Ridley Terminals Inc.(RTI) became a wholly-owned subsidiary of Canada Ports Corporation, an enterprise agent Crown corporation, on July 30, 1991. In March 1999, Transport Canada increased its contributory capital in Canada Ports Corporation to facilitate the acquisition of additional shares in RTI for the purpose of debt restructuring. RTI has arranged long-term financing through a private sector bank for working capital and capital loan facilities. Transport Canada has guaranteed this loan to the amount of \$101 million, establishing a specific loan guarantee and consequently a contingent liability for this amount.
- (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) Loans covered by this guarantee have been retired by the borrower and as contingent liability no longer exists, particulars of this item will not appear in future reports.
- (15) 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, 1999 amounted to only \$1,299,000 (\$1,509,000 at March 31, 1998). 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.
- (16) 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.
- (17) 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, 1999.
- (18) 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, 1999, date of most recent available information, 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 \$6.8 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 \$87 million, exceed the amount of receivables by approximately \$149 million, there is no residual contingency (receivables less borrowing) to the government as at June 30, 1999.
- (19) Included in the allowance for probable losses is \$3,200 million (\$3,265 million in 1998) for borrowings of agent enterprise Crown corporations.
- (20) 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.
- (21) Classified as follows:

	(in millions of dollars)
a. alleged breach of written, verbal or statutory contracts including construction disputes	808
b. damage to property including loss of income	2,189
c. physical and mental injury including accidents and false imprisonment	245
d. expropriation and land claims	9,168
e. miscellaneous	1,734
Sub total	14,144
Less duplicated claims	-
Total.	14,144

Included in (d) is approximately 8.4 billion which represents 1,878 litigation cases, of which the Department of Indian and Northern Affairs (DIANA) has received risk assessments from the Department of Justice for 1,753 cases. Another 124 cases have not been assessed as they have been filed recently and 1 case is assessed as zero.

The DIANA has approximately 441 active specific claims in the amount of \$1.361 million which includes 139 claims in the amount of \$753 million negotiation stage. Of these, \$191 million represents 51 claims that have mandates to settle, estimates of liability, or agreement in principle (AIP) and 84 claims estimated at \$417 million for which the amounts of the mandates have been estimated using statistical methods for a total of \$608 million which represent 135 specific claims which have been accepted as legal obligations. As for the remaining 4 special claims, they have negotiating mandates totalling \$145 million. The department has received formal submissions for the remaining 302 claims estimated at \$608 million which are presently under assessment at the Department of Indian and Northern Affairs or at Department of Justice to determine legal obligation.

Included in (e) above is \$574 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, 1999.

- (22) The Government has 69 comprehensive aboriginal land claims either under negotiation, accepted for negotiation or under review. Of the 69 comprehensive claims, 7 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	109
Portion of the Dene/Metis claim	197
Nisga'a	190
Implementation costs	496
Total.	742

The remaining 57 comprehensive claims have not yet been quantified.

- (23) 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. Four departments reported contingent gains as at March 31, 1999 totalling approximately \$127.8 million.
- (24) 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.
- (25) Include a pledge for a loan guarantee to Brazil amounting to \$236 million.

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, 1999.

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⁾⁽²⁾				Commitments ⁽¹⁾		
	Callable share capital	Future callable share capital	Lines of credit	Total	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—							
African Development Bank	677			677			
Asian Development Bank	2,910			2,910			
Caribbean Development Bank	74			74			
Inter-American Development Bank	5,494	339		5,833		6 ⁽³⁾	6
International Bank for Reconstruction and Development (World Bank)	7,647			7,647			
Multilateral Investment Guarantee Agency	39			39			
European Bank for Reconstruction and Development	924			924		128	128
International Monetary Fund					161		161
Developing countries—Canada Account					197		197
Subtotal	17,765	339		18,104	358	134	492
BUDGETARY LOANS AND ADVANCES—							
African Development Bank							
Asian Development Bank					86 ⁽³⁾		86
Caribbean Development Bank—Special					4 ⁽³⁾		4
Inter-American Development Fund					4 ⁽³⁾		4
International Development Association					607		607
International Fund for Agricultural Development					9 ⁽³⁾		9
International Monetary Fund					126		126
Montreal Protocol Fund					7 ⁽³⁾		7
Developing countries—Canada Account					36		36
Subtotal					879		879
Total	17,765	339		18,104	1,237	134	1,371

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1999 (1\$US = \$1.5087 Cdn; 1SDR = \$2.04857 Cdn).

(2) Canada has also pledged a loan guarantee to Brazil for 236 millions dollars.

(3) 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

1998-99

PUBLIC ACCOUNTS OF CANADA

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