



Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

2000

Volume I

**Summary Report
and Financial
Statements**

Canada¹

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To Her Excellency

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

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2000.

All of which is respectfully submitted.



Lucienne Robillard,
President of the Treasury Board

Ottawa, September 11, 2000

To The Honourable Lucienne Robillard,
President of the Treasury Board

Madam:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2000, to be laid by you before the House of Commons.

Respectfully submitted,



Alfonso Gagliano,
Receiver General for Canada

Ottawa, September 11, 2000

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, 2000.

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, 2000.

Respectfully submitted,



Ranald A. Quail,
Deputy Receiver General for Canada

Ottawa, September 11, 2000

VOLUME I

1999-2000

PUBLIC ACCOUNTS OF CANADA

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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

1999-2000

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 the **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

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

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

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

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

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

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

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

The financial statements consist of four statements and accompanying notes.

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

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

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

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

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

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

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

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



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



KEVIN G. LYNCH
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, 2000 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 and compliance:** These financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2000 and the results of its operations, the changes in its financial position, and its financial requirements for the year then ended, in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the financial statements.
2. **Consistency:** The Government's stated accounting policies have been applied on a basis consistent with that of the preceding year.

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

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 24, 2000

GOVERNMENT OF CANADA

Statement of Transactions
for the Year Ended March 31, 2000

(in millions of dollars)

	2000	1999
BUDGETARY TRANSACTIONS—		
Revenues	165,708	155,671
Expenditures	-153,410	-152,787
Surplus for the year	12,298	2,884
NON-BUDGETARY TRANSACTIONS—		
Net requirement (-) or source from loans, investments and advances	-260	500
Net source from pension and other accounts	6,968	7,024
Net requirement (-) or source from other transactions	-4,440	1,083
Net source from non-budgetary transactions	2,268	8,607
Net source of funds (excluding foreign exchange transactions)	14,566	11,491
NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS	-6,826	-5,700
Total source of funds	7,740	5,791
NET REQUIREMENT FOR UNMATURED DEBT TRANSACTIONS	-4,021	-6,864
Increase or decrease (-) in cash	3,719	-1,073
CASH IN BANK AT BEGINNING OF YEAR⁽¹⁾	9,306	10,379
CASH IN BANK AT END OF YEAR⁽¹⁾	13,025	9,306

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, 2000

(in millions of dollars)

	2000		1999	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
REVENUES (Note 3)				
TAX REVENUES—				
Income tax—				
Personal	84,824	79,378	77,707	72,488
Corporation	23,170	23,170	21,575	21,575
Other income tax revenues	3,499	3,499	2,901	2,901
	111,493	106,047	102,183	96,964
Excise taxes and duties—				
Goods and services tax	25,710	22,790	23,534	20,684
Energy taxes	4,757	4,757	4,716	4,716
Customs import duties	2,105	2,105	2,359	2,359
Other excise taxes and duties	3,234	3,234	3,640	3,640
	35,806	32,886	34,249	31,399
Employment insurance premiums	18,512	18,512	19,363	19,363
TOTAL TAX REVENUES	165,811	157,445	155,795	147,726
NON-TAX REVENUES—				
Return on investments	5,403	5,251	5,072	4,991
Other non-tax revenues	6,876	3,012	6,676	2,954
TOTAL NON-TAX REVENUES	12,279	8,263	11,748	7,945
TOTAL REVENUES	178,090	165,708	167,543	155,671
EXPENDITURES (Note 4)				
TRANSFER PAYMENTS—				
Old age security benefits, guaranteed income supplement and spouse's allowance	22,856	23,410	22,285	22,781
Other levels of government	23,243	23,243	25,523	25,523
Employment insurance benefits	11,301	11,301	11,884	11,884
Canada child tax benefits	6,000		5,715	
Other transfer payments	21,455	18,535	21,585	18,735
TOTAL TRANSFER PAYMENTS	84,855	76,489	86,992	78,923
CROWN CORPORATION EXPENDITURES	4,344	2,953	4,995	3,497
OTHER PROGRAM EXPENDITURES—				
National Defence	10,574	10,201	9,125	8,781
All other departments and agencies	24,372	22,120	22,153	20,192
TOTAL OTHER PROGRAM EXPENDITURES	34,946	32,321	31,278	28,973
TOTAL PROGRAM EXPENDITURES	124,145	111,763	123,265	111,393
PUBLIC DEBT CHARGES	41,647	41,647	41,394	41,394
TOTAL EXPENDITURES	165,792	153,410	164,659	152,787
SURPLUS	12,298	12,298	2,884	2,884
ACCUMULATED DEFICIT, BEGINNING OF YEAR	576,824	576,824	579,708	579,708
ACCUMULATED DEFICIT, END OF YEAR (Note 5)	564,526	564,526	576,824	576,824

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.

GOVERNMENT OF CANADA

Statement of Assets and Liabilities
at March 31, 2000

(in millions of dollars)

	2000	1999
LIABILITIES		
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—		
Accounts payable and accrued liabilities	20,551	24,509
Interest and matured debt	8,353	9,791
Allowance for employee benefits	7,924	6,926
Allowance for loan guarantees and for borrowings of Crown corporations	3,920	4,090
TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES	40,748	45,316
INTEREST-BEARING DEBT—		
Unmatured debt—		
Payable in Canadian currency—		
Marketable bonds	293,927	295,752
Treasury bills	99,850	96,950
Canada savings bonds	26,489	27,662
Non-marketable bonds and notes	3,552	4,063
	423,818	424,427
Payable in foreign currencies	32,588	36,000
Total unmaturred debt (Note 6)	456,406	460,427
Pension and other accounts—		
Public sector pensions (Note 7)	128,346	122,407
Due to Canada Pension Plan (Note 8)	6,217	5,427
Other pension and other accounts	6,963	6,724
Total pension and other accounts	141,526	134,558
TOTAL INTEREST-BEARING DEBT	597,932	594,985
TOTAL LIABILITIES	638,680	640,301
ASSETS		
CASH AND ACCOUNTS RECEIVABLE—		
Cash in bank	13,025	9,306
Cash in transit	5,386	5,432
	18,411	14,738
Less outstanding cheques and warrants	3,900	4,045
Total cash	14,511	10,693
Accounts receivable (net of allowance for doubtful accounts of \$2,261 million (\$2,432 million in 1999))	4,353	4,580
TOTAL CASH AND ACCOUNTS RECEIVABLE	18,864	15,273
FOREIGN EXCHANGE ACCOUNTS (Note 9)	41,494	34,668
LOANS, INVESTMENTS AND ADVANCES—		
Enterprise Crown corporations and other government business enterprises (Notes 10 and 13)	10,562	11,052
National governments, including developing countries and international organizations (Note 11)	7,316	7,555
Provincial and territorial governments and other loans, investments and advances	2,944	3,100
Portfolio investments	1,240	1,241
	22,062	22,948
Less allowance for valuation	8,266	9,412
TOTAL LOANS, INVESTMENTS AND ADVANCES	13,796	13,536
TOTAL ASSETS	74,154	63,477
ACCUMULATED DEFICIT (Note 5)	564,526	576,824

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, 2000⁽¹⁾

(in millions of dollars)

	2000	1999
OPERATING ACTIVITIES —		
Surplus for the year	12,298	2,884
Expenditures not requiring cash:		
Interest on pension and other accounts	10,541	9,787
Government contribution for employee benefits	2,371	1,927
Provision for valuation of assets and liabilities	-4,402	-698
	20,808	13,900
Net payments from pension and other accounts	-4,010	-3,081
Net change in accounts receivable, accounts payable and accruals	-3,272	181
CASH PROVIDED BY OPERATING ACTIVITIES	13,526	11,000
INVESTING ACTIVITIES —		
Net decrease in loans, investments and advances	1,139	566
CASH PROVIDED BY INVESTING ACTIVITIES	1,139	566
FOREIGN EXCHANGE ACTIVITIES —		
Net decrease (-) or increase in foreign currencies borrowings	-3,412	8,817
Net increase in foreign exchange accounts	-6,826	-5,700
CASH REQUIRED FOR (-) OR PROVIDED BY FOREIGN EXCHANGE ACTIVITIES	-10,238	3,117
TOTAL CASH GENERATED BEFORE FINANCING ACTIVITIES	4,427	14,683
FINANCING ACTIVITIES —		
Net decrease in Canadian currency borrowings	609	15,681
CASH USED FOR FINANCING ACTIVITIES	609	15,681
Net increase or decrease (-) in cash	3,818	-998
CASH AT BEGINNING OF YEAR	10,693	11,691
CASH AT END OF YEAR	14,511	10,693

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 10.

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

Basis of accounting

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

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. 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 prior to the completion of the financial statements.

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.

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

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

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

Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are 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 9.

Employee benefits

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

Contingent liabilities

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

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 14.

Foreign currency translation

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

Use of estimates and measurement uncertainty

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

Comparative information

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

2. Spending and Borrowing Authorities

i. Spending authorities

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

	(in millions of dollars)	
	2000	1999
Annual spending limits voted by Parliament	52,638	48,398
Expenditures permitted under other legislation	100,869	99,001
Total expenditures authorized	153,507	147,399
Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts	3,946	3,135
Total used	149,561	144,264
Effect of consolidating certain accounts and provision for valuation	3,849	8,523
Net total expenditures	153,410	152,787

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 \$49,987 million (\$51,576 million in 1999) was authorized for loans, investments and advances. A net amount of \$26 million was repaid (\$83 million in 1999), an amount of \$22 million lapsed (\$33 million in 1999) and an amount of \$49,991 million is available for use in subsequent years (\$51,626 million in 1999).

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 – Capital expenditures; Canadian Heritage vote 40 – Payments to the Canadian Film Development Corporation; Canadian Heritage vote 85 – Payments to the National Capital Commission for grants and contributions; Indian Affairs and Northern Development vote L20 Loans and guarantees of loans through the Indian economic development account and, Treasury Board Secretariat vote 2 – Grants and contributions, 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 2000 and remains available for future years.

3. Revenues

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

i. Personal income tax

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

	(in millions of dollars)	
	2000	1999
Gross personal income tax	84,824	77,707
Less transfer payments:		
Canada child tax benefit		
payments	6,000	5,715
Old Age Security		
benefit repayments	-554	-496
Net personal income tax	79,378	72,488

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)	
	2000	1999
GST and HST received	56,383	50,174
Less:		
Refunds	25,741	22,162
Rebates	2,194	1,909
GST paid by		
ministries	1,012	907
Transfer of HST to provinces	1,726	1,662
Gross GST	25,710	23,534
Less other transfer payments—		
Quarterly tax credits	2,847	2,850
Other HST payable to provinces	73	
Net GST	22,790	20,684

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

iii. Non-tax revenues

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

	(in millions of dollars)	
	2000	1999
Gross return on investments		
Loans, investments and advances	2,732	2,755
Foreign exchange accounts	2,086	1,737
Other	585	580
	5,403	5,072
Less:		
Other program expenditures—		
Revenues netted against expenditures . . .	91	41
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	61	40
Net return on investments	5,251	4,991
Gross other non-tax revenues	6,876	6,676
Less:		
Other program expenditures—		
Revenues netted against expenditures . . .	2,534	2,264
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	1,330	1,458
Net other non-tax revenues	3,012	2,954

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

4. Expenditures

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

i. By type of resources acquired or disbursements made

	(in millions of dollars)	
Standard Object	2000	1999
(1) Personnel	18,390	16,348
(2) Transportation and communications . .	1,896	1,733
(3) Information	327	337
(4) Professional and special services	4,467	4,007
(5) Rentals	1,117	1,105
(6) Purchased repair and		
maintenance	1,577	1,502
(7) Utilities, materials and		
supplies	1,916	1,697
(8) Acquisition of land, buildings		
and works	679	743
(9) Acquisition of machinery and		
equipment	3,741	3,315
(12) Other subsidies and payments	5,180	5,486
	39,290	36,273
Less:		
(13) Revenues netted against		
expenditures	2,625	2,305
Revenues of consolidated		
Crown corporations	1,391	1,498
Net total—Other program and		
Crown corporation		
expenditures	35,274	32,470
(10) Gross transfer payments	84,855	86,992
Less tax credits and		
repayments	8,366	8,069
Net transfer payments	76,489	78,923
Total net program		
expenditures	111,763	111,393
(11) Public debt charges	41,647	41,394
Total net expenditures	153,410	152,787

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

ii. *Transfer payments to other levels of government*

	(in millions of dollars)	
	2000	1999
Canada health and social transfer ⁽¹⁾	14,891	16,018
Fiscal arrangements	10,721	11,645
Other	56	10
Alternative payments for standing programs ⁽²⁾	-2,425	-2,150
Total expenditures	23,243	25,523

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)	
	2000	1999
Agriculture and Agri-Food	1,518	794
Foreign Affairs and International Trade	2,114	2,065
Health	1,161	1,180
Human Resources Development	2,008	2,429
Indian Affairs and Northern Development	4,185	4,451
Industry	2,971	2,282
Veterans Affairs	1,402	1,377
Other ministries	3,176	4,157
Total	18,535	18,735

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)	
	2000	1999
Canada Customs and Revenue Agency	2,731	2,581
Fisheries and Oceans	1,127	1,080
Foreign Affairs and International Trade	1,335	1,248
Health	2,053	1,083
Human Resources Development	1,687	1,858
Industry	1,779	1,719
Public Works and Government Services	1,833	1,904
Solicitor General	2,920	2,664
Other ministries	6,655	6,055
Total net expenditures	22,120	20,192

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)	
	2000	1999
Interest on—		
Unmatured debt	25,598	26,052
Pension and other accounts	10,711	10,153
Amortization of discounts on Canada and Treasury bills	4,716	4,765
Amortization of premiums, discounts and commissions on all other debt	503	279
Servicing costs and costs of issuing new borrowings	119	145
Total public debt charges	41,647	41,394

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

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

In the February 2000 Budget, the Government announced a decision to provide a one-time supplement to the CHST of \$2,500 million from funds available in fiscal year 1999-2000. Legislation authorizing the payment of the cash contribution to a trust account received parliamentary approval in June 2000. The Government recorded the CHST supplement as a liability at March 31, 2000 and charged \$2,500 million to transfer payments to other levels of government. In 1999, a one time CHST supplement of \$3,500 million was charged to transfer payments to other levels of Government.

5. **Accumulated Deficit**

The Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified 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)	
	2000	1999
Accumulated deficit excluding consolidated accounts	591,502	596,461
Consolidated accounts—		
Employment Insurance Account	-27,399	-20,147
Western Grain Stabilization Account	1,085	1,085
Other insurance accounts	-296	-281
Other consolidated accounts	-304	-300
	564,588	576,818
Consolidated Crown corporations	-62	6
Accumulated deficit	564,526	576,824

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

6. Unmatured Debt and Other Financial Instruments

i. Unmatured debt

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

(in millions of dollars)								
Maturing year	Marketable bonds			Canada savings bonds ⁽²⁾	Non-marketable bonds and notes ⁽³⁾	Canada bills	Notes ⁽⁴⁾	Total
	Canadian \$	Foreign ⁽¹⁾ currency expressed in Canadian \$	Treasury bills			US \$ expressed in Canadian \$	Foreign currency expressed in Canadian \$	
2001	33,950	2,174	99,850		23	6,008	651	142,656
2002	34,876	1,449		1,942	143		777	39,187
2003	28,412	4,348		1,771	17			34,548
2004	27,936			2,526	17		94	30,573
2005	29,015	2,899		2,931	17		1,449	36,311
2006 and subsequent	140,252	10,542		17,729	3,335		2,197	174,055
	294,441	21,412	99,850	26,899	3,552	6,008	5,168	457,330
Less Government's holdings of unmatured debt.	514			410				924
	293,927	21,412	99,850	26,489	3,552	6,008	5,168	456,406
Nature of interest rate ⁽⁵⁾	Fixed ⁽⁶⁾	Fixed	Variable	Variable	Fixed	Variable	Fixed ⁽⁷⁾	
Effective weighted average annual interest rates including swaps	7.37	5.04	5.31	5.13	10.04	5.87	4.95	
Range of interest rates	4-15.75	4.875-6.75	4.56-5.98	3.85-5.6	5.17-17.51	5.45-6.29	1.9-6.54	

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

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

⁽²⁾ Canada savings bonds are redeemable on demand.

⁽³⁾ Non-marketable bonds and notes are comprised of \$3,427 million of bonds issued to the Canada Pension Plan and of \$126 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health Care.

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

⁽⁵⁾ Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

⁽⁶⁾ Includes real return bonds which have a variable component based on the consumer price index.

⁽⁷⁾ Includes medium-term notes which have variable rates.

ii. *Derivative financial instruments and foreign currency contracts*

(a) *Swap agreements*

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

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

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

Swaps with contractual or notional principal amounts outstanding at March 31, 2000 are as follow:

Maturing year	(in millions of dollars)			
	2000		1999	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2000			500	439
2001		28		30
2002	685	1,486	702	1,400
2003		3,222		2,852
2004	50	3,042	50	2,288
2005		4,140		1,456
2006 and subsequent	1,776	9,067	1,849	8,231
	2,511	20,985	3,101	16,696

(b) *Credit risk to swap agreements*

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

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

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

Standard & Poor's	(in millions of dollars)	
	2000	1999
AAA	1,085	525
AA+	3,308	6,029
AA	5,008	1,121
AA-	9,578	7,876
A+	4,517	4,246
	23,496	19,797

(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). These hedges are presently being unwound and only forward sales and purchases against the US dollar are outstanding as of March 31, 2000.

As at March 31, 2000 the notional value of these outstanding forward currency contracts is \$2,357 million (\$12,240 million in 1999) and the unrealized gain which is not recognized in the financial statements is \$16 million (\$62 million in 1999). All forward currency transactions have a maximum term of about 12 months or less. The Government manages its exposure to forward currency contract counterparties by dealing principally with financial institutions having a credit rating from recognized credit rating agencies of at least AA-.

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)			
	2000		1999	
	Forward sale contracts	Forward purchase contracts	Forward sale contracts	Forward purchase contracts
US dollar.....	2,299	58	4,806	3,690
Deutsche mark.....			678	
Japanese yen.....			770	
Pound sterling.....			387	
French franc.....			343	
Euro.....			892	674
Total.....	2,299	58	7,876	4,364

iii. Fair values of financial instruments

(a) Financial assets and liabilities

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

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

Financial assets and liabilities	(in millions of Canadian dollars)					
	2000			1999		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial Assets						
Cash.....	14,511	14,511		10,693	10,693	
Accounts receivable.....	4,353	4,353		4,580	4,580	
Foreign exchange accounts.....	41,494	42,005	511	34,668	35,473	805
Loans investments and advances excluding investments in enterprise Crown corporations....	11,068	11,640	572	11,641	11,949	308
Liabilities						
Accounts payable, accruals and allowances.....	40,748	40,748		45,316	45,316	
Unmatured debt.....	456,406	479,316	-22,910	460,427	508,615	-48,188
Pension and other accounts.....	135,309	124,077	11,232	129,131	116,388	12,743
Due to Canada Pension Plan.....	6,217	6,217		5,427	5,427	
Net fair value in excess of carrying value.....			-10,595			-34,332

Fair values are determined using the following methods and assumptions:

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

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market

quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

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

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

For marketable bonds (denominated in Canadian dollars and foreign currencies), treasury bills (issued in Canadian dollars), Euro medium-term notes and Canada notes, fair values are established using market quotes or the discounted cash flow calculated using year end market interest and exchange rates. Fair values of other instruments comprising the 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)			
	2000		1999	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps	23,496	-253	19,797	-289
Foreign currency contracts—				
Forward sales	2,299	16	7,876	69
Forward purchases	58		4,364	-7

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

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

7. Public Sector Pensions

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

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

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

their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, work-force composition, retirement rates and mortality rates. The long-term rate of inflation used in the valuation is 2 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$14,800 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$15,100 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 2000, which amounted to \$117,114 million (\$109,664 million in 1999) and unamortized pension adjustments of \$11,232 million (\$12,743 million in 1999). 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.

Amendments were made to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans on September 14, 1999 to provide for extended survivor's benefits and the charging of administration costs directly to the pension plans. The March 31, 2000 accrued benefit obligation incorporates the cost of these changes. The one time effect of these amendments is estimated at \$822 million and is charged to the pension related expenditure.

Interest at the Government's long-term bond rate (9.3 percent in 2000 and 9.6 percent in 1999) 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)	
	2000	1999
Employer contributions ⁽¹⁾	2,362	1,919
Pension plan		
amendment costs	822	1,195
Statutory payments under various acts	91	90
Pension costs attributable to Public		
Service restructuring		-222
Amortization of estimation		
adjustments	-2,501	-2,341
Net pension costs	774	641
Interest charged to public		
debt charges	9,982	9,468
Total pension related		
expenditure	10,756	10,109

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

⁽¹⁾ Net of \$254 million (\$241 million in 1999) already recorded in pension related expenditure of previous years.

8. Due to Canada Pension Plan

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

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. As administrator, the Government's authority to spend is limited to the Plan's net assets of \$41,261 million (\$39,100 million in 1999).

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

The Plan's deposit with the Receiver General for Canada of \$6,217 million (\$5,427 million in 1999) is reported as the Government's liability to the Plan at March 31 and represents the balance in the Account, net of short-term investments in Canada bonds.

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

9. Foreign Exchange Accounts

i. Foreign exchange accounts

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

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	2000	1999
International reserves held in the Exchange		
Fund Account	38,630	31,855
International Monetary Fund—		
Subscriptions	12,390	13,048
	51,020	44,903
Less:		
International Monetary Fund—		
Notes payable	8,005	8,639
Special drawing rights allocations	1,521	1,596
	9,526	10,235
Total foreign exchange accounts	41,494	34,668

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

ii. Gold reserves

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is in the form of gold: 1.5 million fine ounces (2.3 million fine ounces in 1999). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$68.33 per fine ounce (\$71.70 in 1999), 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 \$102 million (\$165 million in 1999), which is much lower than the market value of \$602 million (\$970 million in 1999) using a value of \$401.12 per fine ounce (\$421.61 in 1999).

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

10. Crown Corporations and Other Government Business Enterprises

The Government wholly owns forty-one corporations. Some of these Crown corporations rely on the Government for most of their financing. There are twenty such corporations (twenty-one in 1999) whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

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

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

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

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

The following table presents the Government's recorded financial assets for enterprise Crown corporations and other government business enterprises. Of this amount, \$3,619 million (\$3,592 million in 1999) 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)	
	2000	1999
Canada Mortgage and Housing Corporation	6,101	6,323
Farm Credit Corporation	1,973	2,209
Export Development Corporation	983	983
Business Development Bank of Canada	561	454
Other	944	1,083
Total	10,562	11,052

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)	
	2000	1999
Assets (including capital assets and deferred charges of \$6,273 (\$5,358 in 1999))	106,022	97,099
Liabilities	99,517	91,312
Net equity	6,505	5,787
Revenues	17,984	19,341
Expenses	15,329	16,828
Net income for the year	2,655	2,513
Other changes in equity		
Dividends ⁽¹⁾	-1,792	-1,976
Other	-145	-374
	718	163
Opening net equity	5,787	5,624
Closing net equity	6,505	5,787
Contractual commitments	8,561	8,665
Contingent liabilities	1,946	1,983

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

⁽¹⁾ Amounts reported as dividends include \$1,766 million (\$1,704 million in 1999) from the Bank of Canada.

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

11. National Governments, including Developing Countries and International Organizations

i. Loans to developing countries

Included in loans to national governments of \$3,138 million (\$3,336 million in 1999) are loans to developing countries of \$1,479 million (\$1,525 million in 1999). 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 \$4,178 million (\$4,219 million in 1999). 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.

12. Contractual Commitments

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

	(in millions of dollars)	
	2000	1999
Transfer payment agreements	14,749	13,913
Acquisition of property and equipment, and goods and services	7,449	5,677
Benefit plans for veterans	6,142	5,830
Operating and capital leases	3,546	3,917
International organizations	1,220	1,371
Pension liability under Continuation Acts	145	160
	33,251	30,868

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)
2001	7,959
2002	6,483
2003	5,343
2004	4,294
2005	4,029
2006 and subsequent	5,143
	33,251

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

i. Transfer payment agreements

Included in the transfer payment agreements commitments of \$14,749 million (\$13,913 million in 1999) is an amount of \$8,592 million (\$8,884 million in 1999) related to various contractual obligations of the Government through Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,700 million per year. Uncertainty in forecasting makes estimates beyond the year 2005 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2005.

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 2005 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only the period to 2005.

iii. Operating and capital leases

Capital leases have various terms up to 50 years. Of the total of \$3,546 million (\$3,917 million in 1999) in operating and capital leases, \$2,384 million (\$2,706 million in 1999) represents future payments for capital leases. Of this, \$1,304 million (\$1,501 million in 1999) is imputed interest and executory costs.

13. Insurance Programs

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

Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 2000 amounted to \$327,037 million (\$307,998 million in 1999). At March 31, 2000, the fund has a surplus of \$184 million (\$27 million surplus in 1999). 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, 2000 was \$189,400 million (\$183,000 million in 1999). The Fund has a surplus of \$525 million at March 31, 2000 (\$231 million in 1999). Canada Mortgage and Housing Corporation also operates the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act*. Guarantees in force as at March 31, 2000 totalled approximately \$27,709 million (\$21,002 million in 1999). As at March 31, 2000 the fund has a surplus of \$58 million (\$47 million in 1999). 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, 2000 was \$11,100 million (\$10,224 million in 1999). EDC set aside an allowance of \$353 million as at March 31, 2000 (\$308 million in 1999) to cover the cost of current and expected future claims. The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

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

14. Contingent Liabilities

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

i. Guarantees by the Government

Guarantees by the Government at March 31, 2000 amounted to \$49,434 million net of an allowance of \$3,920 million (\$43,655 million net of an allowance of \$4,090 million in 1999). 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, 2000 amounted to \$17,504 million (\$18,104 million in 1999). 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 in excess of \$200,000 million and comprehensive Aboriginal land claims amounting to \$583 million (\$742 million in 1999) 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.

Significant tax refunds: There are \$802 million (\$574 million in 1999) 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, 2000.

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

15. Environmental Liabilities

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

SUPPLEMENTARY STATEMENT

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

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

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, 2000. 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, 2000 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 24, 2000

Debt Servicing and Reduction Account Statement of Transactions for the Year Ended March 31, 2000

(in thousands of dollars)

	2000	1999
Goods and services tax and harmonized sales tax received	56,382,962	50,173,680
Less: Refunds	25,740,951	22,161,813
Rebates	2,194,154	1,908,794
Amounts paid by ministries	1,011,290	907,160
Quarterly tax credits	2,846,993	2,849,817
Transfer of harmonized sales tax to provinces	1,726,169	1,662,202
Harmonized sales tax payable to provinces	73,198	
	33,592,755	29,489,786
Net goods and services tax	22,790,207	20,683,894
Penalties and interest received		
for goods and services tax	103,648	122,645
Gifts to the Crown	285	1,232
Proceeds credited to the Account	22,894,140	20,807,771
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3)	30,536,407	30,849,779
Less amount in excess of the Account's balance (Note 4)	7,642,267	10,042,008
	22,894,140	20,807,771
Account balance, end of year	NIL	NIL

The accompanying notes are an integral part of this statement.

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

1. Authority and Objective

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

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

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

2. Significant Accounting Policies

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

i. Goods and services tax (GST)

The Government generally reports the GST and the HST (harmonized sales tax) in the 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, and are generally recorded in the year paid.

ii. Other amounts credited to the Account

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

iii. Public debt expenditures charged to the Account

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

3. Public Debt Expenditures Chargeable to the Account

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

	(in thousands of dollars)	
	2000	1999
Public debt charges	41,647,288	41,393,989
Less: amounts unrelated to a Borrowing Authority Act—		
Interest on unmatured debt ⁽¹⁾	400,153	390,687
Interest on pension and other accounts	10,710,728	10,153,523
Public debt expenditures chargeable to the Account	30,536,407	30,849,779

⁽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
FOR THE YEAR ENDED MARCH 31, 2000

INTRODUCTION AND MAIN POINTS

My opinion on the Financial Statements of the Government of Canada for the year ended March 31, 2000 will be my last as Auditor General of Canada. During my term as Auditor General, I have rendered 10 such opinions: 7 have been unqualified, or “clean” opinions and three have been qualified opinions. My predecessor was able to issue only one clean opinion during his 10 year term as Auditor General.

Obviously, this is a tremendous improvement for which many should be congratulated. The efforts of the central agencies (Finance, Treasury Board and Receiver General) to improve summary financial reporting have paid off; other government departments⁽¹⁾ have improved the financial information they provide to the central agencies; the Standing Committee on Public Accounts has kept pressure on the Government to improve its summary financial reporting practices; and the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has continued to publish recommendations for governments in Canada that have moved them toward improved summary financial reporting.

For my part, every year I have included in these Observations a number of matters that require continuing attention. During my 10-year term, I have raised 23 such matters (described in the Appendix to these Observations), some of them a number of times. The Government has satisfactorily addressed eight of them and is considering seven. Unfortunately, on three of these matters the Government disagrees with me.

Each of the five other matters I have raised over the years was an observation on a specific transaction, in a particular year, not one repeated regularly. The most recent examples relate to accounting for the transactions with the Canada Foundation for Innovation in 1997 and the Canada Millennium Scholarship Foundation in 1998. That the Government changed its accounting policy to accommodate these transactions continues to trouble me. And because that change in accounting policy remains in effect today, I am worried that the next Auditor General may be faced with similarly inappropriate accounting transactions.

I do not raise matters in these Observations lightly. My purpose has always been – and continues to be – to draw the Government’s and Parliament’s attention to issues that, left unresolved, could lead to qualified opinions in future years.

My Observations this year therefore include a number of such matters. In addition, I explain in the Observations how I arrive at my opinion and what assurance it provides and does not provide to users. The main points contained in these Observations are the following:

- Under its Financial Information Strategy, the Government plans to implement full accrual accounting by 2001-02. As that fiscal year starts in about six months, the Government must move quickly to develop auditable estimates of significant assets and liabilities in order to prepare its 2001-02 financial statements. I am concerned that these estimates may not be ready on a timely basis.

During my term I have issued 7 clean opinions out of a possible 10. The matters raised in these Observations will be a continuing challenge for my successor and the Government.

(1) Throughout these Observations, the term “departments” includes the Divisions and Branches of the Public Service of Canada listed in Schedule 1.1 of the *Financial Administration Act*.

- The balance of the Employment Insurance Account stood at \$28 billion on March 31, 2000. This balance is \$13 billion more than the Chief Actuary of Human Resources Development Canada has estimated is necessary – and this excess continues to grow.
- Netting expenditures against revenues obscures large expenditure programs, results in the presentation of information inconsistently, and makes the Government's financial statements difficult to understand.

MATTERS REQUIRING CONTINUING ATTENTION

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

FIS is a multi-year project that will modernize financial systems and accounting practices in order to strengthen financial management. It is a cornerstone of the Government's plan to modernize comptrollership in departments. Under FIS, the responsibility for maintaining detailed accounting and other financial information will move from the centre to departments. FIS consists of three components: the implementation of new financial systems, the adoption of full accrual accounting, and the provision of improved financial information to managers for day-to-day decision making and when formulating key decisions. The Government has set a target date of 2001-02 for implementing the first two components of FIS. The third component will take more time, as managers need to become more familiar with using this improved information in formulating key decisions.

In the financial systems component, 14 departments connected their own financial systems to the new FIS central systems maintained by the Receiver General on April 1, 1999. Another 21 departments connected on April 1, 2000. At this writing, the 63 remaining departments are scheduled to connect on April 1, 2001. Therefore, all departments are scheduled to have implemented, by April 1, 2001, new financial systems capable of producing both summary information for government-wide reporting and auditable financial statements for their own operations. All of this financial information will be prepared under full accrual accounting.

What does the move to full accrual accounting mean ?

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 non-tax revenues are recorded in the financial statements when they are incurred or earned (even if cash is not paid out or received until later), tax revenues are accounted for when cash is received, and the entire amount of capital acquisitions such as buildings are treated as expenditures when acquired.

Full accrual accounting means a shift from the expenditure basis (recognition of resources acquired) to the expense basis (recognition of resources consumed), together with the recognition of tax revenues when earned. Using capital acquisitions as an example, "expenses" include only the portion of capital acquisitions that have been used up or consumed during the year, whereas "expenditures" include the entire amount of capital acquisitions.

While the Government's budgeting and reporting will move to an accrual basis of accounting, Parliament's granting of spending authority (appropriations) will remain on the present basis for the time being. The Treasury Board Secretariat (TBS) recently consulted with departments on the issue of accrual-based appropriations through a discussion paper, "Forging Stronger Links". It presented the arguments for changing the present basis of appropriations to an accrual basis so that ultimately appropriation authorities, with budgeting and reporting, would all be accounted for on the same basis, while providing additional information on resources acquired. TBS also held preliminary consultations on accrual appropriations with a sub-committee of the Standing Committee on Procedure and House Affairs.

The Financial Information Strategy is designed to modernize government financial systems; introduce full accrual accounting; and result in more informed day-to-day decisions.

The modernization of new financial systems is going well but achieving more informed day-to-day decision making will take longer.

Full accrual accounting will recognize resources as they are consumed rather than only when acquired, and revenues as they are earned rather than only when received.

Full accrual accounting also means that all liabilities and all assets will be recorded or recognized in the financial statements. The recognition of these assets and liabilities, however, will in no way alter the current level of government interest-bearing debt reflected in the financial statements. The next section describes the concerns I have about certain of these assets and liabilities.

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

The introduction of full accrual accounting is not going quite as well as the modernization of government financial systems.

I am concerned that TBS and departments appear to be putting considerable effort into developing accounting policies that are not currently required in the recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB). For example, a lot of effort has gone into developing policies on the capitalization of inventory for consumption (as opposed to inventory for resale) and intangible assets such as research and development costs and internally developed software.

Quite apart from the need to debate these issues in order to make the right choices for the longer term, many departments, particularly the smaller ones, already have their hands full capitalizing tangible capital assets without the added complexity of these additional policies. I am concerned that if this development continues, departments may not be ready to implement full accrual accounting – as recommended by PSAB – by 2001-02. Worse, information may be insufficient for the Auditor General to audit some of these financial statement components.

Recently, we expressed our concerns to TBS and I am pleased that in response, TBS has established a senior-level committee – on which my Office participates – to investigate the situation. At this writing, the committee was investigating the nature and extent of concerns expressed in departments. I hope this committee will develop practical solutions to those concerns in order to help departments meet the 2001-02 target.

I am also concerned about departmental readiness to implement the following full accrual accounting policies:

Aboriginal claims. The current Government policy for Aboriginal claims (found in Note 1 to the financial statements) does not result in the reporting of a reasonable estimate of the Government's liabilities for two types of Aboriginal claims: those being pursued through the courts and those being pursued through Indian and Northern Affairs Canada (INAC). While INAC currently complies with the policy in Note 1, in 2001-02 that policy will be amended to conform with full accrual accounting. We believe that the progress made to date by INAC to quantify these liabilities is not sufficient to ensure that the 2001-02 deadline will be met. My Office will continue to monitor the Government's efforts to properly quantify its estimated liabilities for Aboriginal claims being pursued through the courts and through INAC.

Prepaid expenses and transfer payments. Towards year end, departments make decisions regarding the timing of payments to recipients – particularly for transfer payments – on the basis more of using up lapsing spending authority than reflecting expenses in the proper accounting period. Further, transfer payments made as repayable contributions are often more in the nature of a loan but are authorized under a budgetary (expenditure) appropriation and therefore not recorded as a loan. A policy to deal with these situations is needed to provide for better reporting of costs in the period to which they relate and more effective budget management. TBS has yet to finalize an accounting policy for these situations.

Tangible capital assets. All tangible capital assets held by departments on April 1, 2001 must be identified and valued at historical cost. Many departments are having difficulty determining historical cost because original acquisition documents are often difficult to retrieve. To address this difficulty with real property, TBS and some departments are considering the use of the Book Value Calculator (BVC) developed by the Chief Appraiser of Public Works and Government Services Canada to establish reasonable estimates of these costs. This approach for real property seems reasonable, and my Office plans to use the Chief Appraiser's

assessment in our future audits. While departments are making progress in valuing and taking inventory of their tangible capital assets, a significant amount of work remains to be done before the 2001-02 target.

Environmental liabilities. TBS has not yet approved a formal accounting policy for reporting environmental costs and liabilities. It issued a draft *Policy on Accounting for Costs and Liabilities Related to Contaminated Sites* in February 1999. Subsequently it issued in draft form the *Treasury Board Federal Contaminated Sites and Solid Waste Inventory Policy*, which was formally approved in June 2000. This inventory policy requires all custodial departments to input into the TBS inventories information on contaminated sites and solid waste landfills identified as at April 1, 1998. This initial input is to be completed by March 31, 2001. Both the accounting policy and the inventory policy are closely linked, yet the accounting policy remains in draft form.

In addition, TBS recently introduced the Federal Contaminated Sites Assessment Initiative. One of the Initiative's key goals is to improve the quality of the cost estimates of environmental liabilities that are to be reported in 2001-02. Although much work remains to be done in some departments, TBS is committed to its timeframe for reporting environmental costs and liabilities in 2001-02.

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. The effort and time this will take should not be underestimated.

FIS is critical to the Government's continuing ability to produce the Public Accounts and to the Auditor General's ability to audit the financial statements contained therein. It will also be critical to the production of departmental financial statements and their potential future audit. My Office will continue to devote resources to monitoring this important project carefully. In my December 2000 Report to Parliament, I will report the results of a follow-up to both my September 1998 Chapter "The Financial Information Strategy: A Key Ingredient in Getting Government Right" and my November 1999 Chapter "Financial Information Strategy: Departmental Readiness". The follow-up will report on progress to date in all aspects of FIS implementation, including systems, policies and people. Future chapters will look at the actual implementation.

The effort it will take to implement full accrual accounting should not be underestimated.

The excessive and growing balance in the Employment Insurance Account

The Employment Insurance Account is an integral part of the Government's financial statements (in other words, it is consolidated). Included in Section 4 of this Volume are the audited financial statements of the Account. The balance of this Account at March 31, 2000 stood at \$28 billion, almost twice the maximum amount considered necessary by the Chief Actuary of Human Resources Development Canada in his report for 2000. My opinion on the financial statements of the Employment Insurance Account is in Section 4 of this Volume. It draws attention to this situation and urges the Canada Employment Insurance Commission to clarify and disclose the way it interprets the *Employment Insurance Act* in setting premiums to ensure that the intent of the *Act* has been observed.

The balance in the Employment Insurance Account is \$13 billion more than the Chief Actuary of Human Resources Development Canada considers is necessary.

The House of Commons Standing Committee on Finance made certain recommendations on the issue of the Employment Insurance Account balance in its Report on Budget 2000. The Government's response to the Committee, summarized in *The Budget Plan 2000*, stated that it would "closely examine the recommendations..."⁽²⁾

⁽²⁾ *The Budget Plan 2000*, p.62.

Canada Health and Social Transfer (CHST) program

In the 2000 Budget, the Government announced a \$2.5 billion Supplement to the CHST program. This was similar to the \$3.5 billion Supplement announced in the 1999 Budget. These Supplements were accounted for in the March 31, 2000 and March 31, 1999 financial statements, respectively. Although legislative authority for these Supplements did not receive royal assent until after the end of the respective fiscal year, in my view the accounting was appropriate in both years, since the Supplements met the accounting criteria for recognition in those years.

Parliament normally leaves the accounting for individual transactions up to the Government, but for the 1999 and 2000 Canada Health and Social Transfer Supplements, the accounting treatment was legislated.

However, an unusual feature of the legislation authorizing the Supplements was the stipulation of the fiscal year in which they were to be recorded in the government's financial statements. Both the *Budget Implementation Act, 2000* and the *Budget Implementation Act, 1999* contain the following words: "The Canada Health and Social Transfer shall consist of...a cash contribution of \$2.5 billion [or \$3.5 billion in 1999] **for the fiscal year beginning on April 1, 1999 [or April 1, 1998]**,....."⁽³⁾ (Emphasis added.) Normally, the accounting for economic events is determined by the Government and audited by the Auditor General in accordance with the standards for governments enunciated by the Canadian Institute of Chartered Accountants. For these Supplements, however, the stipulation of the fiscal year in the Budget Implementation Acts is, in my view, a parliamentary direction on the way the Government shall account for these amounts in its financial statements.

I fully recognize Parliament's legislative supremacy. To date, however, Parliament's control over fiscal matters has provided authority for payments into and out of the Consolidated Revenue Fund without specifying how economic events should be accounted for under accrual accounting. My point is a delicate one. I am concerned, however, that the practice of dictating accounting treatment in legislation, if continued, may undermine the certainty implicit in the use of the accounting treatment determined according to objective accounting standards, which users of the Government's financial statements expect. The practice may even put the Auditor General in the awkward situation of disagreeing with such directions. I make these observations simply to bring to Parliament's attention a major implication of this practice.

Netting

On several occasions I have described my concern about the Government's practice of offsetting expenditures against revenues. In my 1999 Observations I noted that a \$5.7 billion expenditure program was netted against personal income tax revenue; that the Government's Annual Financial Report⁽⁴⁾ included financial statements on a gross basis, whereas the remainder of the Report presented analyses on a net basis; and that the presentation of both gross and net in the financial statements published in the Public Accounts resulted in a cluttered statement that was difficult to understand.

The Government's response to my 1999 Observation stated, "The net presentation is the appropriate approach for the budget because it is consistent with the way that Parliament appropriates funds. Furthermore, programs like the CCTB [Canada Child Tax Benefit] and the quarterly GST credit are integral parts of the tax system. These programs are administered through the tax system. They are thus netted from tax revenues for budgetary purposes."⁽⁵⁾

I have had no success in convincing the Government to stop the practice of netting expenditures against revenues; I will elaborate on this issue in my next Report to Parliament.

⁽³⁾ *Budget Implementation Act, 2000*, Section 13 and *Budget Implementation Act, 1999*, Section 4.

⁽⁴⁾ The Department of Finance publishes the *Annual Financial Report* of the Government of Canada. It presents and analyzes information taken from the *Public Accounts of Canada*, but in a concise and summarized form.

⁽⁵⁾ *The Budget Plan 2000*, p.190.

I do not agree with this position and again in these Observations I call for information to be presented only on a gross basis. However, to ensure that Parliament understands my rationale completely, I will be discussing this in more detail in my October Report.

Debt Servicing and Reduction Account (DSRA)

I have been concerned about the DSRA for some time now. I have continually suggested that the Government and Parliament may wish to re-examine whether the DSRA is still needed and useful.

After I raised this issue last year, the House of Commons Standing Committee on Finance recommended the elimination of the DSRA. And yet the Government's response to my 1999 Observations – and presumably to the Committee – stated, “At this time, the DSRA provides important information to Canadians on the flow of GST revenues, gifts to the Crown and the net gains associated with disposals of investments in Crown corporations. This information is enhanced through the presentation of a separate audited statement. As a result, the government does not propose any changes be made at this time.”⁽⁶⁾

I completely disagree with this position. In my view, the DSRA creates more confusion than useful information.

The DSRA was created along with the introduction of the GST. Essentially, it keeps track of GST and other revenues (gifts to the Crown and the gains on disposals of investments in Crown corporations). The *Debt Servicing and Reduction Account Act* requires that after interest is paid on the Government's debt, any remaining such revenues be used to actually pay down the debt. If that sounds complicated, it is – so let's look at some of the numbers in the DSRA financial statement that is included in the several pages just before my Observations.

The GST and other revenues amounted to \$23 billion in 1999-00 (\$21 billion in 1998-99). The interest on the public debt that this amount must cover before being applied to the debt itself amounted to \$31 billion in 1999-00 (\$31 billion in 1998-99)⁽⁷⁾. So unless the GST increases significantly in the near future, or interest on our debt decreases significantly in the near future, it will be a long time – if ever – before these “earmarked revenues” can be used to retire our debt.

Recently, I have seen several articles generally related to the disclosures contained in the DSRA financial statement. The articles imply that if the GST revenue had been applied to reduce our debt, we would have retired hundreds of billions of dollars of debt by now. But, of course, if all GST revenues collected since its introduction had been applied to reducing our debt, the Government would have had to borrow an equivalent amount to finance its operations – resulting in a nil net reduction; or it would have had to reduce spending by an equivalent amount; or to the extent available, draw down on its cash reserves or other assets. There is also perhaps a misconception that money actually flows into and out of a separate DSRA bank account. It does not. All public money first flows into the Consolidated Revenue Fund, and Parliament then appropriates funds for spending, including debt servicing and debt retirement. The DSRA is simply a tracking account; the notion that it is anything more is simply a myth.

I recommend that the Government accept the recommendation of Parliament, through the House of Commons Standing Committee on Finance, to eliminate the DSRA.

The Debt Servicing and Reduction Account financial statement may not be very meaningful to Canadians and Parliamentarians.

⁽⁶⁾ The Budget Plan 2000, p.192.

⁽⁷⁾ Note 3 to the *Debt Servicing and Reduction Account Statement of Transactions* in this section explains why this amount differs from the amount for Public Debt Charges reported in the Statements of Revenues, Expenditures and Accumulated Deficit.

MY AUDIT OPINION

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 key 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 that range, I conclude that the specific estimate is not misstated.

Finally in the paragraph, I note that my audit also includes assessing the appropriateness of the accounting policies used by the Government and evaluating the overall presentation of the financial statements. In order to make that assessment, there must be standards that I can use as a basis for my judgments. The standards that I 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.

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 2000 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.

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, 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.

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 \$166 billion.

Thus, 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

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

Furthermore, my audit of the Government's financial statements is neither extensive enough nor specifically designed to provide assurance of the integrity of each of the Government's many and varied systems of internal control, nor its compliance with the spending limits on

My opinion on the Government's financial statements for 2000 states that they are "fairly" presented, are prepared in compliance with stated accounting policies and use policies that are consistent with 1999.

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

each of its several hundred individual appropriations. My Office conducts additional work in each of these areas on a cyclical basis in departments and Crown corporations. I consider the results of all of 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.

Finally, my audit work on the Government's financial statements is not designed to, and the opinion does not, provide assurance that all the transactions of the Government are in compliance with laws and regulations. I have reported different cases of non-compliance with authorities in my previous separate reports to the House of Commons. My audit work in this area is continuing and I will report to Parliament any significant cases observed in the course of my additional audit work.

CONCLUSION

Notwithstanding issues raised in these Observations, the Government of Canada remains a world leader in government-wide financial reporting

Throughout my term as the Auditor General of Canada, I have said publicly that the Government of Canada remains a world leader in government-wide financial reporting, as evidenced by the financial statements included in the Public Accounts and the Annual Financial Report. In this, my final year as Auditor General, I again congratulate those responsible for this significant and continuing achievement.

Why do I emphasize this? Just take a look at the summary-level financial reporting practices of other nations. In the United States, my counterpart has had to deny an opinion on that government's financial statements because he has been unable to audit some of the key components in those statements. My counterpart in the United Kingdom has not yet been asked to render such an opinion because that government has not yet produced a summary-level financial statement, although this is coming. And while my counterparts in New Zealand and Australia have been able to render "clean" opinions on their governments' financial statements, summary-level or government-wide reporting has been provided only in the past few years. In Canada, we have been doing this for decades. All Canadians should be proud of their government's achievements in this area.

Last year I was concerned about the timeliness of information provided by departments and the central agencies. This year, departments have significantly improved in meeting the reporting deadlines established. As a result, I have been able to sign my opinion on the government's financial statements earlier than at any time during my 10 year term.

But we must not rest on our laurels. The issues that I raise in these, my last Observations, will be a continuing challenge for my successor and the Government. I urge the Government to take action on a priority basis to address and resolve these issues.

As I complete my term as Auditor General over the next few months, I take great personal satisfaction in the role I have been privileged to play in Canada's achievements at summary-level financial reporting. I consider the aspects of my role that relate to these Public Accounts and the Annual Financial Report as one of the most important parts of my mandate. And I wish my successor and the Government well in this important area.

**SUMMARY OF AUDIT OBSERVATIONS
1991 to 2000**

Appendix

	Observation	Year(s) Made	Description of Issue	Resolved (Yes/No/In process/ Single occurrence)
1	Improper accounting for the effect of short-term wage restraint on employee pensions	1991	The Government's adjustment of its pension liability did not fully conform to PSAAC's Accounting Statement 5, nor did it use the Chief Actuary's assumptions when estimating employee pension liabilities at year-end.	Single occurrence
2	Improper accounting for a reduction in the value of the investment in Petro-Canada	1991	The Government restated previously reported deficits rather than including the reduction in value in the current year's deficit. The amount of the allowance was not in question, just the Government's handling of it. In previous years, all such allowances were charged to the deficit of the year in which they occurred. As such, there is a lack of consistency.	Single occurrence
3	Improper accounting for income tax revenue collected on behalf of provinces	1991	The Government's approach to adjusting tax revenues due the provinces resulted in an overstatement of the deficit and an overstatement of the associated liability account.	Yes
4	Publishing a "scorecard"	1991, 1992	The Government should consider publishing a comparison of actual results with budget forecasts to inform Canadians about its performance in carrying out its action plan for deficit reduction.	Yes
5	Accrual accounting for tax revenues	1991, 1997, 1999	The Government currently recognizes tax revenue on the cash basis of accounting. With full accrual accounting, however, tax revenue would be recognized in the year that gave rise to the revenue. The accounting systems currently in use are not capable of dealing with full accrual of tax revenue. Therefore the Government should take the time necessary to ensure the integrity and auditability of that information.	In process (to be implemented with full accrual accounting)
6	Modified equity method of accounting for enterprise Crown corporations to be used in place of recording an allowance	1992, 1993, 1994, 1995, 1997, 1998, 1999	The Government currently uses allowances to include corporate profits and losses in the surplus for the year rather than the more appropriate modified equity method of accounting.	In process (to be implemented with full accrual accounting)
7	Allowances for loans	1992	The Government has not reassessed the allowance for loans made to other sovereign states since 1990. This reassessment should be done on a regular basis. The shortfall was not material in 1992 but it may become so in future years.	Yes
8	Offsetting Child Tax Benefit disbursements against revenues – "netting"	1992, 1994, 1999, 2000	The Government has offset disbursements under the Canada Child Tax Benefit program against personal income tax revenues. However, these disbursements are more properly classified as "program spending" and should be reported as such.	No

Summary of Audit Observations

1991 to 2000

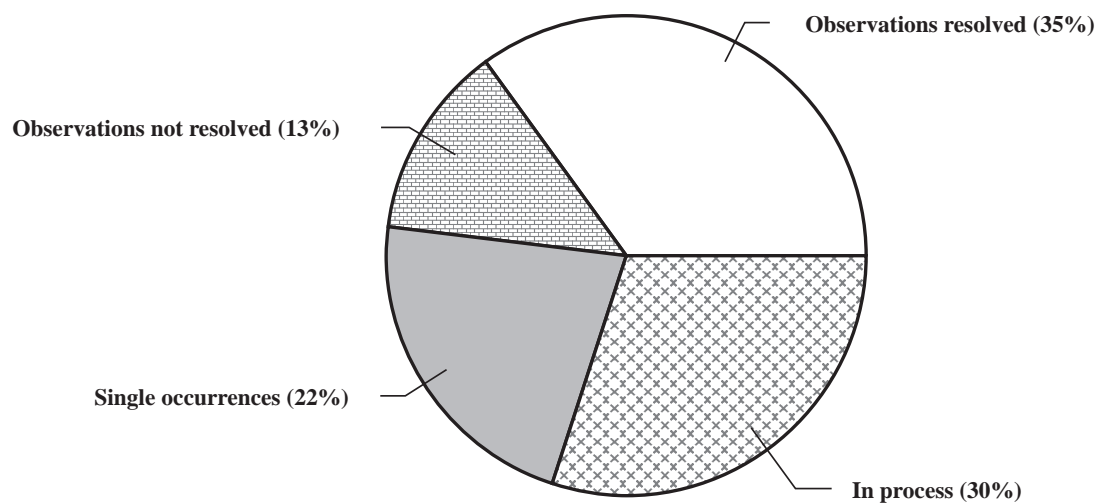
	Observation	Year(s) Made	Description of Issue	Resolved (Yes/No/In process/ Single occurrence)
9	Making loan guarantees	1992	All loan guarantees are disclosed in a note to the financial statements. However, these guarantees are not recorded as expenditures until they are honoured. This is too late. If it is likely a guarantee will have to be honoured and the amount can be reasonably estimated, an expenditure should be recorded.	Yes
10	Tax expenditures – delivering programs by forgoing revenues	1992	Tax expenditures can be used as substitutes for direct expenditures in the pursuit of public policy goals. However, tax expenditures are all but invisible. As such, they should be disclosed on a regular basis in a note or supplementary table.	Yes
11	Understandable financial statements	1992, 1993	The Government's financial statements would be more understandable if they were presented in a comprehensive but succinct annual financial report.	Yes
12	Timely financial statements	1993, 1994, 1999	The Public Accounts are tabled too late for meaningful analysis and discussion by members of Parliament and other users of the audited financial statements.	Yes
13	Capitalization of fixed assets as part of the adoption of full accrual accounting	1995, 1996, 1997, 1999, 2000	The OAG supports the Government's decision to adopt full accrual accounting and the capitalization of fixed assets. There are a few cautionary notes, though. For example, the capitalization and depreciation of physical assets and the Government's appropriation process should be harmonized. In addition, certain physical assets may require special consideration.	In process (to be implemented with full accrual accounting)
14	Accounting for environmental liabilities and contingencies	1995, 1996, 1997, 1998, 1999, 2000	1995 was the first year when the Government disclosed potential environmental liabilities of \$2.8 billion in the notes to the financial statements. The Auditor General commends this step forward and encourages the Government to improve its reporting of these types of potential liabilities.	In process (to be implemented with full accrual accounting)
15	Recording of transitional assistance for harmonizing GST and PST	1996	The Government expensed and recorded a liability of \$961 million for transitional assistance. However, the Auditor General disagreed that a liability existed because the eligibility criteria had not been met by the three provinces as of March 31, 1996.	Single occurrence
16	Accounting for employee pensions	1996, 1997	The pension liability reported in the financial statements is significantly higher than the actuarial obligation. Part of the discrepancy is caused by the way the Government calculates pension interest expense. If it were to fully comply with PSAAB recommendations, the difference would be reduced over time.	Yes
17	Overstatement of the 1996-97 deficit by inappropriately recording a transfer payment to the Canada Foundation for Innovation	1997	The Government recorded both an expenditure and a liability of \$800 million. However, the recipient of the money, the Canada Foundation for Innovation, did not even exist until April 25, 1997. As well, the funding agreement that set out the eligibility criteria was not signed until July 2, 1997.	Single occurrence

Summary of Audit Observations

1991 to 2000

	Observation	Year(s) Made	Description of Issue	Resolved (Yes/No/In process/ Single occurrence)
18	Statement of Transactions of the Debt Servicing and Reduction Account	1997, 1999, 2000	The Debt Servicing and Reduction Account applies specific revenues against charges associated with public debt. However, the very nature of the Consolidated Revenue Fund ensures that all revenues are deposited into it and all expenditures coming from it are authorized by Parliament. As a result, there is no need to issue a separate auditable statement; note disclosure would suffice.	No
19	Understatement of the 1997-98 surplus by inappropriate recording of a transfer payment to the Canada Millennium Scholarship Foundation	1998	\$2.5 billion was recorded as owing to an organization that was not in existence at March 31, 1998. Although this was in accordance with the Government's stated accounting policies, this particular policy was considered inappropriate. Note that the Government had changed its policy on transfer payments following the payment to the Canada Foundation for Innovation and its associated issues.	Single occurrence
20	Recorded and contingent liabilities for Aboriginal claims	1998, 1999, 2000	The Government needs to develop an appropriate accounting policy that addresses both the quantification of contingent liabilities for Aboriginal claims and the point in time at which they should be recognized in the financial statements as actual liabilities. In order to do this, the Government needs to improve the systems and processes that are used to monitor and provide management information on these claims.	In process (to be implemented with full accrual accounting)
21	Financial Information Strategy (FIS): the move to accrual accounting	1998, 1999, 2000	FIS involves significant changes in the Government's accounting systems and rules over the next several years. These changes include systems renewal, accrual accounting throughout the year, accrual accounting for tax revenue and full accrual accounting for capital assets. This strategy will be monitored carefully over the next few years.	In process (to be implemented with full accrual accounting)
22	Simplified and useful financial statements	1999	The annual financial report should be revised so that it is more useful and understandable. As well, it should be easy to access by interested Canadians.	In process
23	Employment Insurance Surplus: clarification of the intent of the legislation	2000	In view of the size and the continued rate of growth of the accumulated surplus in the Employment Insurance Account, it is important that the Commission clarify and disclose the way it interprets the <i>Employment Insurance Act</i> in setting premiums. Such clarification and disclosure are necessary to ensure that the intent of the <i>Act</i> has been observed.	No

SUMMARY OF AUDIT OBSERVATIONS
1991 to 2000



SECTION 2

1999-2000

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									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Budgetary transactions										
Revenues	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162	155,671	165,708
Expenditures	-151,353	-156,389	-161,401	-157,996	-160,785	-158,918	-149,793	-149,684	-152,787	-153,410
Surplus or deficit (-) for the year	-32,000	-34,357	-41,021	-42,012	-37,462	-28,617	-8,897	3,478	2,884	12,298
Non-budgetary transactions										
Loans, investments and advances	96	-409	533	562	331	2,698	275	2,031	500	-260
Pension and other accounts	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968
Other transactions	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391	1,083	-4,440
Net source from non-budgetary transactions	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251	8,607	2,268
Source of funds or financial requirements (-)	-24,538	-31,800	-34,497	-29,850	-25,842	-17,183	1,265	12,729	11,491	14,566
Net source or requirements (-) from foreign exchange transactions	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826
Total source of funds or financial requirements (-)	-28,284	-29,777	-28,749	-31,978	-27,267	-21,887	-6,494	10,574	5,791	7,740
Net source from unmatured debt transactions⁽²⁾	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021
Change in cash in bank ⁽³⁾	1,057	-1,795	2,107	-744	-244	6,662	811	1,013	-1,073	3,719
Cash in bank at beginning of year	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306
Cash in bank at end of year	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025

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									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Tax revenues—										
Income tax—										
Personal	57,601	61,222	58,283	51,427	56,329	60,167	63,282	70,787	72,488	79,378
Corporation	11,726	9,359	7,206	9,444	11,604	15,955	17,020	22,496	21,575	23,170
Other income tax revenues	1,651	1,534	1,462	1,593	1,769	2,105	2,847	2,974	2,901	3,499
	70,978	72,115	66,951	62,464	69,702	78,227	83,149	96,257	96,964	106,047
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	22,790
Energy taxes	3,192	3,441	3,437	3,640	3,824	4,404	4,467	4,638	4,716	4,757
Customs import duties	4,001	3,999	3,811	3,652	3,575	2,969	2,676	2,766	2,359	2,105
Other excise taxes and duties	16,346	2,588	3,964	3,647	2,904	2,856	3,876	3,995	3,640	3,234
	26,113	25,196	26,080	26,635	27,089	26,604	29,098	30,860	31,399	32,886
Employment insurance premiums	12,707	15,394	17,535	18,233	18,928	18,510	19,816	18,802	19,363	18,512
Total tax revenues	109,798	112,705	110,566	107,332	115,719	123,341	132,063	145,919	147,726	157,445
Non-tax revenues—										
Return on investments—										
Bank of Canada	2,809	1,844	1,806	1,452	1,571	1,841	1,310	1,509	1,704	1,766
Canada Mortgage and Housing Corporation	772	753	800	719	706	680	632	610	591	561
Farm Credit Corporation	230	215	226	211	199	208	171	169	133	87
Exchange Fund Account	2,258	2,900	3,209	2,916	1,816	1,138	1,423	1,499	1,770	1,934
Interest on bank deposits	285	192	169	128	155	370	229	326	380	460
Other return on investments	453	617	628	716	574	238	445	314	413	443
	6,807	6,521	6,838	6,142	5,021	4,475	4,210	4,427	4,991	5,251
Other non-tax revenues	2,748	2,806	2,976	2,510	2,583	2,485	4,623	2,816	2,954	3,012
Total non-tax revenues	9,555	9,327	9,814	8,652	7,604	6,960	8,833	7,243	7,945	8,263
Total net revenues	119,353	122,032	120,380	115,984	123,323	130,301	140,896	153,162	155,671	165,708

TABLE 2.3

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

	Year ended March 31									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Transfer payments—										
Old age security benefits, guaranteed income supplement and spouse's allowance	17,131	18,393	19,106	19,903	20,511	21,034	21,606	22,225	22,781	23,410
Other levels of Government ⁽¹⁾	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504	25,523	23,243
Employment insurance benefits	14,665	18,126	19,065	17,626	14,815	13,476	12,380	11,842	11,884	11,301
Family allowances and Child tax Credits ⁽²⁾	2,736	2,821	2,194	7						
Other transfer payments	15,340	17,389	18,125	18,459	19,993	18,154	17,460	22,476	18,735	18,535
Total transfer payments	72,800	81,594	85,034	82,942	81,632	78,740	73,608	77,047	78,923	76,489
Crown corporation expenditures	5,713	5,252	6,219	5,298	5,003	4,321	3,578	2,548	3,497	2,953
Other program expenditures—										
National Defence	11,518	10,901	10,939	11,282	10,693	9,935	8,661	8,879	8,781	10,201
All other departments and agencies	18,734	17,468	20,384	20,492	21,411	19,017	18,973	20,279	20,192	22,120
Total other program expenditures	30,252	28,369	31,323	31,774	32,104	28,952	27,634	29,158	28,973	32,321
Total program expenditures	108,765	115,215	122,576	120,014	118,739	112,013	104,820	108,753	111,393	111,763
Public debt charges	42,588	41,174	38,825	37,982	42,046	46,905	44,973	40,931	41,394	41,647
Total net expenditures	151,353	156,389	161,401	157,996	160,785	158,918	149,793	149,684	152,787	153,410

⁽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.

TABLE 2.3a

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

	Year ended March 31									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Canada health and social transfer ⁽¹⁾							14,911	12,421	16,018	14,891
Fiscal arrangements	9,245	9,935	8,664	10,101	8,870	9,405	9,418	10,000	11,645	10,721
Canada Assistance Plan	5,788	6,099	6,686	7,236	7,266	7,191	105	24	8	56
Insurance and medical care	6,033	6,689	8,307	7,232	7,691	7,115	-217	162	2	
Education support	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	-2,425
Total	22,928	24,865	26,544	26,947	26,313	26,076	22,162	20,504	25,523	23,243

⁽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									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Accumulated deficit—Beginning of year	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708	576,824
Deficit or surplus (-) for the year	32,000	34,357	41,021	42,012	37,462	28,617	8,897	-3,478	-2,884	-12,298
Accumulated deficit—End of year	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708	576,824	564,526

TABLE 2.5

GOVERNMENT OF CANADA
STATEMENT OF ASSETS AND LIABILITIES

(in millions of dollars)

	Year ended March 31									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
LIABILITIES										
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—										
Accounts payable and accrued liabilities	13,269	13,550	13,144	16,977	20,325	21,181	19,265	22,364	24,509	20,551
Interest and matured debt	5,489	6,576	5,866	6,465	4,831	7,403	10,402	10,419	9,791	8,353
Allowance for employee benefits	3,950	3,050	3,285	3,555	3,910	4,290	5,180	6,729	6,926	7,924
Allowance for loan guarantees and borrowings of Crown corporations	4,170	4,020	4,555	4,930	5,540	5,440	5,253	4,188	4,090	3,920
Total accounts payable, accruals and allowances	26,878	27,196	26,850	31,927	34,606	38,314	40,100	43,700	45,316	40,748
INTEREST-BEARING DEBT —										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	143,485	158,051	178,412	203,392	225,679	252,700	282,498	294,583	295,752	293,927
Treasury bills	139,150	152,300	162,050	166,000	164,450	166,100	135,400	112,300	96,950	99,850
Canada saving bonds	33,250	34,589	33,365	30,418	30,460	30,460	32,470	29,769	27,662	26,489
Non-marketable bonds	3,492	3,501	3,505	3,497	3,488	3,478	3,468	3,456	4,063	3,552
	319,377	348,441	377,332	403,307	424,077	452,738	453,836	440,108	424,427	423,818
Payable in foreign currencies	4,526	3,444	5,409	10,668	16,921	16,809	23,016	27,183	36,000	32,588
	323,903	351,885	382,741	413,975	440,998	469,547	476,852	467,291	460,427	456,406
Pension and other accounts—										
Public sector pensions	76,139	81,881	87,911	94,097	101,033	107,882	114,205	117,457	122,407	128,346
Due to Canada Pension Plan	3,459	3,181	2,839	2,728	3,406	3,636	3,718	4,205	5,427	6,217
Other	2,974	3,234	3,543	3,710	4,755	5,322	5,782	5,872	6,724	6,963
	82,572	88,296	94,293	100,535	109,194	116,840	123,705	127,534	134,558	141,526
Total interest-bearing debt	406,475	440,181	477,034	514,510	550,192	586,387	600,557	594,825	594,985	597,932
TOTAL LIABILITIES	433,353	467,377	503,884	546,437	584,798	624,701	640,657	638,525	640,301	638,680
ASSETS										
CASH AND ACCOUNTS RECEIVABLE —										
Cash in bank	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025
Cash in transit	2,196	2,902	2,931	3,313	3,241	4,189	4,062	4,530	5,432	5,386
	4,765	3,676	5,812	5,450	5,134	12,744	13,428	14,909	14,738	18,411
Less outstanding cheques and warrants	4,022	2,695	3,228	4,015	3,751	3,700	3,253	3,218	4,045	3,900
Total cash	743	981	2,584	1,435	1,383	9,044	10,175	11,691	10,693	14,511
Accounts receivable	3,165	4,208	4,372	4,496	4,353	5,972	4,416	4,122	4,580	4,353
Total cash and accounts receivable	3,908	5,189	6,956	5,931	5,736	15,016	14,591	15,813	15,273	18,864
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	19,066	17,148	10,879	13,156	14,356	18,908	26,726	28,198	31,855	38,630
International Monetary Fund—Subscriptions	4,565	4,797	7,599	8,443	9,433	8,580	8,295	8,194	13,048	12,390
Less International Monetary Fund—Notes payable and special drawing rights allocations	5,063	5,400	7,681	8,674	9,439	8,434	8,208	7,424	10,235	9,526
Total net foreign exchange accounts	18,568	16,545	10,797	12,925	14,350	19,054	26,813	28,968	34,668	41,494
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other										
government business enterprises	17,428	18,150	19,543	19,283	18,218	14,663	13,842	12,601	11,052	10,562
Joint and mixed enterprises	4,461	4,461	4,374	4,374	4,374	1,300	1,300	1,241	1,241	1,240
National governments including developing countries	3,476	3,535	3,382	3,434	3,282	3,221	3,074	2,859	3,336	3,138
International organizations	4,898	5,179	5,436	5,691	5,480	5,565	5,617	4,010	4,219	4,177
Provincial and territorial governments	937	819	1,086	1,111	876	709	554	318	48	1
Other	1,832	1,918	1,417	1,478	1,710	2,154	2,234	2,273	3,052	2,944
	33,032	34,062	35,238	35,371	33,940	27,612	26,621	23,302	22,948	22,062
Less allowance for valuation	12,975	13,596	15,305	16,000	14,900	11,270	10,554	9,266	9,412	8,266
Total loans, investments and advances	20,057	20,466	19,933	19,371	19,040	16,342	16,067	14,036	13,536	13,796
TOTAL ASSETS	42,533	42,200	37,686	38,227	39,126	50,412	57,471	58,817	63,477	74,154
ACCUMULATED DEFICIT	390,820	425,177	466,198	508,210	545,672	574,289	583,186	579,708	576,824	564,526

TABLE 2.6

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

	Year ended March 31									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Loans, investments and advances—										
Enterprise Crown corporations and other government business enterprises—										
Business Development Bank of Canada		-10				-50	-50		-50	-108
Canada Deposit Insurance Corporation	150	-560	-1,300	-66	991	533	772	460	395	
Canada Mortgage and Housing Corporation	194	65	238	105	240	571	325	230	410	223
Canadian National Railway System	13	15	16	17	19	2,360				
Export Development Corporation	-16			-25	-38	-132				
Farm Credit Corporation	-82	-159	71	-68	-35	214	-197	580	836	236
Other	-9	-73	-412	297	-112	59	-29	-29	-43	139
	250	-722	-1,387	260	1,065	3,555	821	1,241	1,548	490
Other loans, investments and advances—										
Joint and mixed enterprises			88			3,074		59		
National governments including developing countries ..	19	-59	152	-52	152	61	147	215	-476	198
International organizations	-232	-281	-256	-255	211	-86	-52	1,607	-209	41
Provincial and territorial governments	86	118	-268	-25	235	167	155	236	270	47
Other	-88	-86	495	-61	-232	-443	-80	-39	-779	110
	-215	-308	211	-393	366	2,773	170	2,078	-1,194	396
Total loans, investments and advances	35	-1,030	-1,176	-133	1,431	6,328	991	3,319	354	886
Allowance for valuation	61	621	1,709	695	-1,100	-3,630	-716	-1,288	146	-1,146
Total loans, investments and advances after allowance for valuation	96	-409	533	562	331	2,698	275	2,031	500	-260
Pension and other accounts—										
Public sector pensions (net)	6,511	5,742	6,030	6,186	6,936	6,849	6,323	3,252	4,950	5,938
Due to Canada Pension Plan (net)	497	-278	-342	-111	678	230	82	487	1,222	791
Other	22	260	309	167	1,045	567	460	90	852	239
Total pension and other accounts	7,030	5,724	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968
Other transactions—										
Cash in transit	-161	-706	-29	-382	72	-948	127	-468	-902	46
Outstanding cheques and warrants	1,476	-1,327	533	787	-264	-51	-447	-35	827	-144
Accounts receivable	-744	-1,043	239	27	-412	-1,619	1,556	294	-458	227
Provincial and territorial tax collection agreements account	-813	-241	-747	-151	870	1,058	352	-551	1,267	-1,402
Other liabilities	578	559	-2	5,077	2,364	2,650	1,434	4,151	349	-3,167
Total other transactions	336	-2,758	-6	5,358	2,630	1,090	3,022	3,391	1,083	-4,440
Net non-budgetary transactions after allowance for valuation	7,462	2,557	6,524	12,162	11,620	11,434	10,162	9,251	8,607	2,268
Source/requirement (—)										

TABLE 2.7

GOVERNMENT OF CANADA

DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Foreign exchange transactions—										
International reserves held in the Exchange Fund										
Account	-3,673	1,918	6,269	-2,277	-1,200	-4,552	-7,818	-1,472	-3,657	-6,775
International Monetary Fund—Subscriptions	-91	-232	-2,802	-844	-990	853	285	101	-4,854	658
	-3,764	1,686	3,467	-3,121	-2,190	-3,699	-7,533	-1,371	-8,511	-6,117
Less International Monetary Fund—Notes payable	5	-275	-2,181	-841	-586	851	174	766	-2,693	634
Special drawing rights allocations	-23	-62	-100	-152	-179	154	52	18	-118	75
	-18	-337	-2,281	-993	-765	1,005	226	784	-2,811	709
Total foreign exchange transactions	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826
Unmatured debt transactions—										
Marketable bonds	15,404	14,499	19,781	27,142	25,142	28,660	32,744	15,788	9,575	-866
Treasury bills	20,600	13,150	9,750	3,950	-1,550	1,650	-30,700	-23,100	-15,350	2,900
Canada savings bonds	-6,482	1,339	-1,224	-2,947	43		2,010	-2,701	-2,107	-1,173
Non-marketable bonds	420	9	4	-8	-9	-10	-10	-12	607	-511
Canada notes and loans	-163	-7	-7			310	1,811	-456	-404	-208
Canada bills	-438	-1,008	2,552	3,097	3,397	-2,061	1,450	920	815	-4,163
Total unmaturred debt transactions	29,341	27,982	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021
Cash in bank at end of year—										
In Canadian currency	2,459	677	2,774	2,032	1,817	8,479	9,254	10,293	9,275	12,981
In foreign currencies	110	97	107	105	76	76	112	86	31	44
Total cash in bank	2,569	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025

Source/requirement (—)

SECTION 3

1999-2000

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)

	1999-2000		1998-99	
	Gross	Net	Gross	Net
Revenues—				
Tax revenues	165,811	157,445	155,795	147,726
Non-tax revenues	12,279	8,263	11,748	7,945
Total revenues, Table 3.2.....	178,090	165,708	167,543	155,671
Expenditures—				
Transfer payments	84,855	76,489	86,992	78,923
Crown corporation expenditures	4,344	2,953	4,995	3,497
Other program expenditures	34,946	32,321	31,278	28,973
Total program expenditures.....	124,145	111,763	123,265	111,393
Public debt charges	41,647	41,647	41,394	41,394
Total expenditures, Table 3.6.....	165,792	153,410	164,659	152,787
Surplus for the year	12,298	12,298	2,884	2,884
Accumulated deficit, beginning of year	(576,824)	(576,824)	(579,708)	(579,708)
Accumulated deficit, end of year, Table 3.12.....	(564,526)	(564,526)	(576,824)	(576,824)

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;

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

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

“Net revenues” exclude the above three categories.

TABLE 3.2
EXTERNAL REVENUES BY MAIN CLASSIFICATION

(in millions of dollars)

	1999-2000					1998-99		
	Gross revenues ⁽¹⁾	Revenues netted against expenditures	Other 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	84,824			5,446		79,378	77,707	72,488
Corporation	23,170					23,170	21,575	21,575
Other income tax revenues	3,499					3,499	2,901	2,901
	111,493			5,446		106,047	102,183	96,964
Employment insurance premiums	18,512					18,512	19,363	19,363
Excise taxes and duties—								
Goods and services tax, Table 3.4	25,710			2,920		22,790	23,534	20,684
Energy taxes —								
Excise tax—Gasoline	4,284					4,284	4,264	4,264
Excise tax—Aviation gasoline and diesel fuel	473					473	452	452
	4,757					4,757	4,716	4,716
Customs import duties	2,105					2,105	2,359	2,359
Other excise taxes and duties—								
Excise duties	3,412					3,412	3,411	3,411
Miscellaneous excise taxes and duties	(178)					(178)	229	229
	3,234					3,234	3,640	3,640
	35,806			2,920		32,886	34,249	31,399
Total tax revenues	165,811			8,366		157,445	155,795	147,726
Non-tax revenues—								
Return on investments, Table 3.5	5,403	91			61	5,251	5,072	4,991
Other non-tax revenues—								
Privileges, licences and permits	2,091	1,212	(30)			909	784	576
Refunds of previous years' expenditures	559					559	456	456
Service fees	1,061	507	27			527	1,863	460
Proceeds from sales	323	277				46	396	95
Proceeds from the disposal of surplus Crown assets	43					43	43	43
Domestic coinage	170					170	81	81
Net gain on exchange							94	94
Miscellaneous non-tax revenues	2,629	539	2		1,330	758	2,959	1,149
	6,876	2,535	(1)		1,330	3,012	6,676	2,954
Total non-tax revenues	12,279	2,626	(1)		1,391	8,263	11,748	7,945
Total revenues ⁽³⁾	178,090	2,626	(1)	8,366	1,391	165,708	167,543	155,671

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

CHART 3A

TOTAL NET REVENUES BY MAIN CLASSIFICATION AS OF MARCH 31, 2000

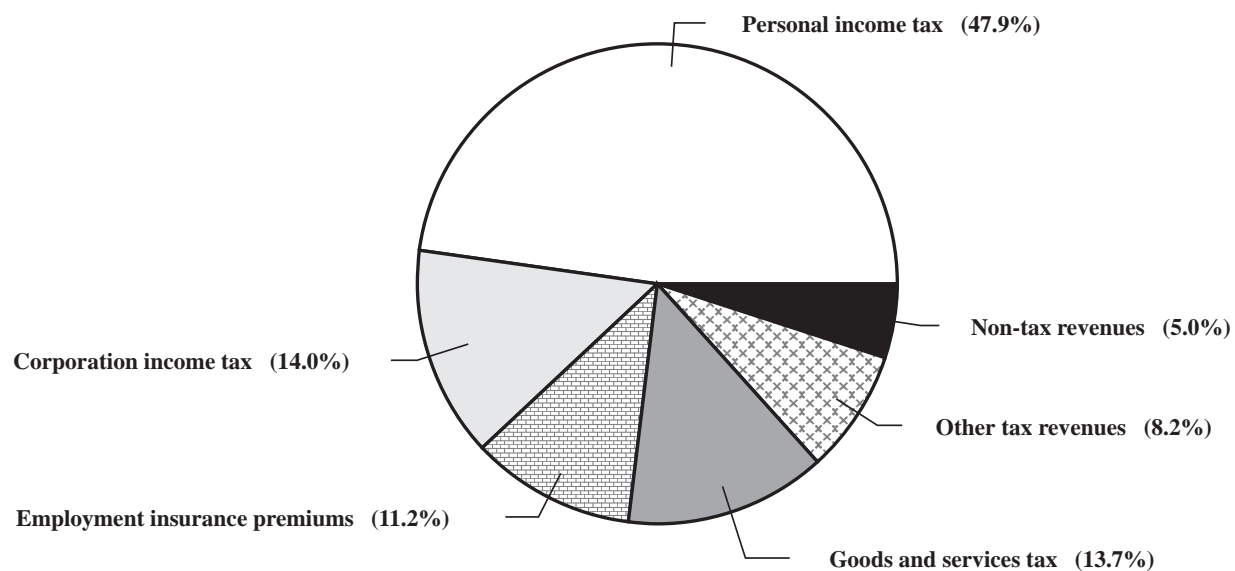
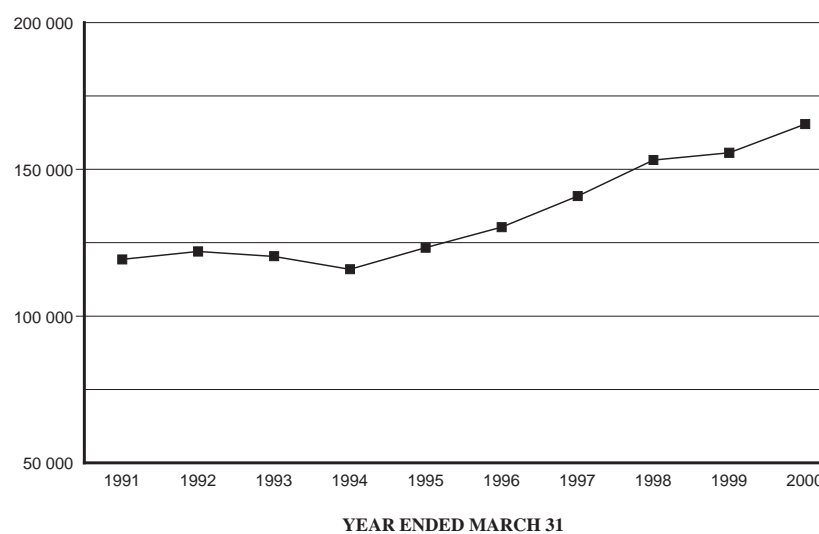


CHART 3B

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 \$182,707 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 \$165,858 million from all sources. The interdepartmental revenues of \$150 million are deducted from the net total revenues to report the net external revenues of \$165,708 million which are detailed in Table 4a in Section 1 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 other revenues netted against expenditures	Less tax credits and repayments	Net revenues
			External revenues	Internal revenues			
External transactions	178,090	1,391	2,626		(1)	8,366	165,708
Internal transactions by main classification—							
Excise taxes and duties							26
Return on investments	26						
Privileges, licences and permits	4						4
Refunds of previous years' expenditures	37						37
Service fees	2,937			2,927			10
Proceeds from sales	271			271			
Proceeds from the disposal of surplus Crown assets	10						10
Miscellaneous non-tax revenues	1,332			1,269			63
Total internal transactions	4,617			4,467			150
Total revenues	182,707	1,391	2,626	4,467	(1)	8,366	165,858

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*. 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 exception of basic groceries, most

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

TABLE 3.4
GOODS AND SERVICES TAX (GST)⁽¹⁾

(in thousands of dollars)

	1999-2000	1998-99
GST and HST received (Canada Customs and Revenue Agency)	56,322,393	50,114,236
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food	5,855	5,767
Canada Customs and Revenue Agency	676	134
Canadian Heritage	5,685	5,350
Citizenship and Immigration	5	5
Environment	3,082	2,864
Finance	858	401
Fisheries and Oceans	2,950	2,163
Foreign Affairs and International Trade	2	1
Governor General	11	13
Health	253	231
Human Resources Development	225	104
Indian Affairs and Northern Development	405	406
Industry	2,779	3,120
Justice	89	109
National Defence	3,621	1,529
Natural Resources	1,264	1,384
Parliament	57	53
Privy Council	41	67
Public Works and Government Services	4,659	8,545
Solicitor General	1,845	1,438
Transport	25,633	25,166
Treasury Board	546	568
Veterans Affairs	28	26
	60,569	59,444
Total GST and HST received	56,382,962	50,173,680
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (Canada Customs and Revenue Agency)	999,094	907,160
refunds paid (Canada Customs and Revenue Agency)	25,740,951	22,161,813
rebates paid (Canada Customs and Revenue Agency)	2,194,154	1,908,794
harmonized sales tax—Transfer to provinces	1,726,169	1,662,202
GST in transit related to departments which implemented the Financial Information Strategy	12,196	
Gross GST received from outside parties	25,710,398	23,533,711
Less: quarterly tax credits paid (Canada Customs and Revenue Agency)	2,846,993	2,849,817
Less: other HST payable	73,198	
Net GST received from outside parties	22,790,207	20,683,894

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

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)

	1999-2000	1998-99
Consolidated accounts—		
Atomic Energy of Canada Limited	1	1
Cash and accounts receivable—		
Interest on bank deposits	460	380
Foreign exchange accounts—		
Exchange Fund Account	1,934	1,656
International Monetary Fund—Subscriptions	152	81
	2,086	1,737
Loans, investments and advances—		
Enterprise Crown corporations—		
Business Development Bank of Canada	6	6
Canada Deposit Insurance Corporation		15
Canada Mortgage and Housing Corporation	562	591
Farm Credit Corporation	87	133
Other—		
Bank of Canada	1,766 ⁽²⁾	1,704 ⁽²⁾
Miscellaneous	64	75
	2,485	2,524
Joint and mixed enterprises	18	20
National governments including developing countries	160	157
International organizations	54	39
Provincial and territorial governments	6	7
Other loans, investments and advances	9	8
	2,732	2,755
Other accounts—		
Esso Ltd—Norman Wells Project profits	61	12
Other	5	4
	66	16
Total ministerial net return on investments	5,345	4,889
Exchange Fund Account adjustment ⁽³⁾	(1)	114
Accrual of non-tax revenues	(67)	15
Total net return on investments	5,277	5,018
Return on investments internal to the Government	(26)	(27)
Total net return on investments from outside parties	5,251	4,991
External revenues netted against expenditures	91	41
Consolidated Crown corporations	61	40
Total gross return on investments from outside parties	5,403	5,072

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

⁽²⁾ On an accrual basis, the revenues are as follows: \$1,811 million for 1999-2000 and \$1,760 million for 1998-99.

⁽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 prior to the completion of the financial statements. 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)

	1999-2000				1998-99		
	Gross expenditures ⁽¹⁾	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net expenditures ⁽¹⁾	Gross expenditures ⁽¹⁾	Net expenditures ⁽¹⁾
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance	22,856		(554)		23,410	22,285	22,781
Employment insurance benefits	11,301				11,301	11,884	11,884
Other levels of government—							
Canada health and social transfer	14,891				14,891	16,018	16,018
Fiscal arrangements	10,721				10,721	11,645	11,645
Canada Assistance Plan	56				56	8	8
Insurance and medical care						2	2
Education support							
Alternative payments for standing programs	(2,425)				(2,425)	(2,150)	(2,150)
	23,243				23,243	25,523	25,523
Canada child tax benefits	6,000		6,000			5,715	
	63,400		5,446		57,954	65,407	60,188
Other transfer payments—							
Foreign Affairs and International Trade	2,114				2,114	2,065	2,065
Health	1,161				1,161	1,180	1,180
Human Resources Development	2,008				2,008	2,429	2,429
Indian Affairs and Northern Development	4,185				4,185	4,451	4,451
Industry	2,971				2,971	2,282	2,282
Veterans Affairs	1,402				1,402	1,377	1,377
Other	7,614		2,920		4,694	7,801	4,951
<i>Total other transfer payments</i>	21,455		2,920		18,535	21,585	18,735
Total transfer payments	84,855		8,366		76,489	86,992	78,923
Crown corporation expenditures	4,344			1,391	2,953	4,995	3,497
Other program expenditures—							
Canada Customs and Revenue Agency	2,789	58			2,731	2,641	2,581
Fisheries and Oceans	1,168	41			1,127	1,119	1,080
Foreign Affairs and International Trade	1,408	73			1,335	1,315	1,248
Health	2,108	55			2,053	1,135	1,083
Human Resources Development	2,025	338			1,687	1,835	1,858
Industry	1,901	122			1,779	1,836	1,719
National Defence	10,574	373			10,201	9,125	8,781
Public Works and Government Services	1,968	135			1,833	2,124	1,904
Solicitor General	3,707	787			2,920	3,423	2,664
Other	7,298	643			6,655	6,725	6,055
<i>Total other program expenditures</i>	34,946	2,625			32,321	31,278	28,973
Total program expenditures	124,145	2,625	8,366	1,391	111,763	123,265	111,393
Public debt charges, Table 3.9	41,647				41,647	41,394	41,394
Total expenditures ⁽³⁾	165,792	2,625	8,366	1,391	153,410	164,659	152,787

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

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

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

3.8 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

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

CHART 3C
TOTAL NET EXPENDITURES BY TYPE AS OF MARCH 31, 2000

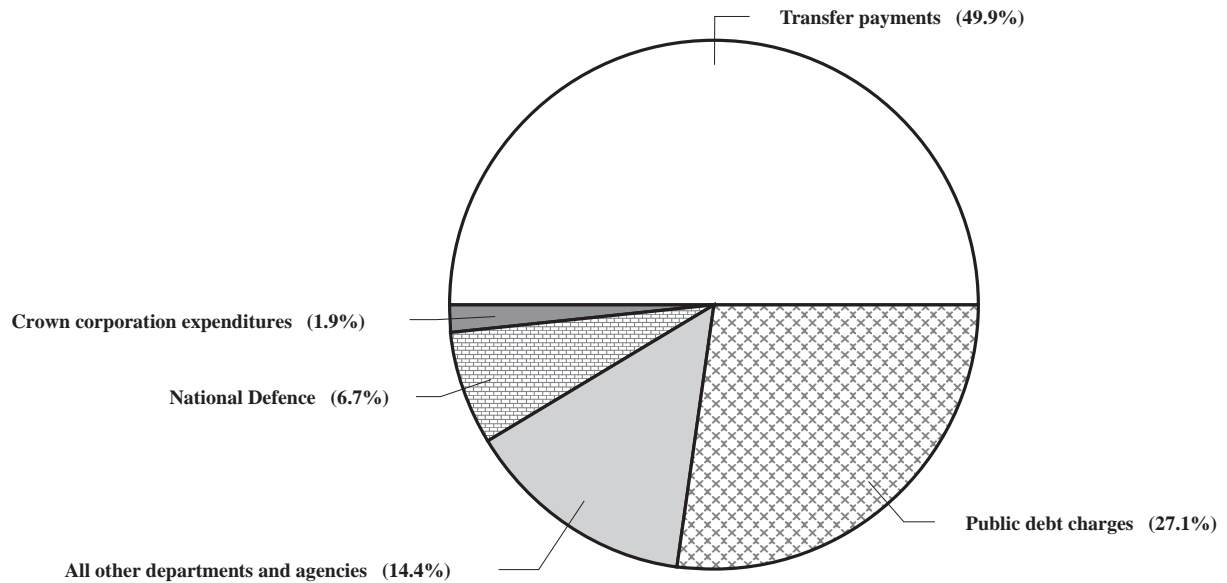
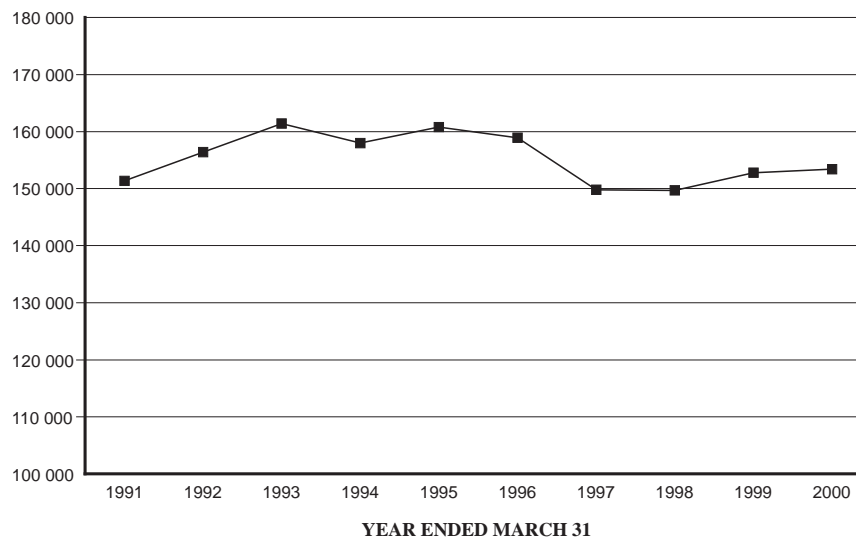


CHART 3D
TOTAL NET EXPENDITURES
(in millions of dollars)



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 transactions" are eliminated

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

TABLE 3.7
EXPENDITURES BY SOURCE

(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Net expenditures
				External revenues	Internal revenues	
External transactions.....	165,792	8,366	1,391	2,625		153,410
Internal transactions —						
Canada Customs and Revenue Agency	99				78	21
Canadian Heritage	19				16	3
Environment	30				29	1
Foreign Affairs and International Trade.....	13				7	6
Industry	66				52	14
National Defence	32				23	9
Public Works and Government Services	2,917				2,894	23
Solicitor General	73				66	7
Transport	33				31	2
Treasury Board	61				58	3
Other.....	85				24	61
Total internal transactions.....	3,428				3,278	150
Total expenditures.....	169,220	8,366	1,391	2,625	3,278	153,560

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 arran- gements	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	483	732	1,061		317						2,593
	474	690	1,226		275		(1)				2,664
Prince Edward Island	825	161	257		78			1			1,322
	124	167	268		62						621
Nova Scotia	680	548	1,195		532						2,955
	808	567	1,339		432			(1)			3,145
New Brunswick	126	616	1,217		426						2,385
	667	647	1,210		339			1			2,864
Quebec	6,226	3,498	3,834	(2,425)	4,345			14			15,492
	6,059	3,642	4,946	(2,150)	3,851	(3)	(11)				16,334
Ontario	8,186	2,884	7		5,224			30			16,331
	7,965	3,096	5		3,939	(5)	(26)	6			14,980
Manitoba	983	329	1,274		640						3,226
	972	322	915		516		1	2			2,728
Saskatchewan	950	254	544		556						2,304
	941	276	444		425		3				2,089
Alberta	1,797	846	4		1,219			11			3,877
	1,734	810	5		968	1	9				3,527
British Columbia	2,973	1,441	3		2,490						6,907
	2,865	1,600	5		1,862	3	30				6,365
Total provinces	23,229	11,309	9,396	(2,425)	15,827			56			57,392
	22,609	11,817	10,363	(2,150)	12,669	(4)	5	8			55,317
Northwest Territories	18	30	545		21						614
	19	33	996		46		1				1,095
Nunavut		2	539		22						563
Yukon Territory	11	25	318		21						375
	10	29	329		19						387
International	156	2									158
	143	2									145
Sub-total	23,414	11,368	10,798	(2,425)	15,891			56			59,102
	22,781	11,881	11,688	(2,150)	12,734	(4)	6	8			56,944
Provision for valuation		(67)	(77)		(1,000)						(1,144)
		3	(43)		3,284						3,244
Total (Net)	23,414	11,301	10,721	(2,425)	14,891			56			57,958
	22,781	11,884	11,645	(2,150)	16,018	(4)	6	8			60,188
Add tax credits and repayments	(558)									6,000	5,442
	(496)									5,715	5,219
Total (Gross)	22,856	11,301	10,721	(2,425)	14,891			56		6,000	63,400
	22,285	11,884	11,645	(2,150)	16,018	(4)	6	8		5,715	65,407

Amounts in roman type are 1999-2000 transfer payments.

Amounts in *italic* type are 1998-99 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)

	1999-2000	1998-99
Unmatured debt—		
Interest on:		
Marketable bonds	23,528	24,198
Canada savings bonds	1,320	1,272
Bonds for Canada Pension Plan	400	391
Promissory Note - TD Trust Company	20	
Canada notes	41	54
Euro medium term notes	289	137
	25,598	26,052
Amortization of premiums, discounts and commissions on:		
Treasury bills	4,376	4,266
Marketable bonds	465	242
Canada bills	340	499
Canada savings bonds	38	37
	5,219	5,044
Servicing costs and costs of issuing new borrowings	119	145
Total public debt charges related to unmatured debt.	30,936	31,241
Interest on:		
Pension and other accounts—		
Public sector pensions—Superannuation accounts	12,593	12,160
Canada Pension Plan	267	261
Government Annuities Account	38	41
Deposit and trust accounts	59	57
Other specified purpose accounts	229	221
	13,186	12,740
Other accounts	104	73
Total public debt charges related to pension and other accounts	13,290	12,813
Interest on consolidated specified purpose accounts—		
Employment Insurance Account	1,068	764
Agricultural Commodities Stabilization Accounts	(2)	(2)
Other	16	14
Total public debt charges related to consolidated specified purpose accounts	1,084	778
Total public debt charges ⁽³⁾	45,310	44,832
Provision for valuation and other items	(2,579)	(2,660)
	42,731	42,172
Less: total public debt charges related to consolidated specified purpose accounts	1,084	778
Total net/gross public debt charges with outside parties	41,647	41,394

⁽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).

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	18,383		(7)	18,390
Transportation and communications	2,055	7	152	1,896
Information	347	1	19	327
Professional and special services	5,600	50	1,083	4,467
Rentals	1,857	33	707	1,117
Purchased repair and maintenance	1,840	11	252	1,577
Utilities, materials and supplies	1,989	3	70	1,916
Acquisition of land, buildings and works	1,045	16	350	679
Acquisition of machinery and equipment	3,777	1	35	3,741
Transfer payments	84,855			84,855
Public debt charges	41,647			41,647
Other subsidies and payments	5,825	28	617	5,180
Total gross expenditures	169,220	150	3,278	165,792
Add:				
Employment Insurance Account	1,311	123	1,188	
Internal expenditures		150		(150)
Less:				
Revenues netted against expenditures—				
External revenues	2,625			2,625
Internal revenues	4,466	150	4,466	(150)
Revenues of consolidated Crown corporations	1,391			1,391
Tax credits and repayments	8,366			8,366
Cost credited to non-tax revenues	123	123		
	(15,660)		(3,278)	(12,382)
Total net expenditures	153,560	150		153,410

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)

	1999-2000	1998-99
Public debt charges	45,310	44,832
Old age security payments (<i>Old Age Security Act</i>)	18,089	17,564
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i>)	12,392	12,734
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i>)	9,899	10,766
Guaranteed income supplement payments (<i>Old Age Security Act</i>)	4,934	4,835
Payment to the Canada Health and Social transfer Supplement Trust for Health Care <i>Budget implementation Act, 1999</i>)	3,500	
Canadian Millennium Scholarship Foundation		2,500
Payments in respect of the judgement in favour of individuals infected with Hepatitis C (<i>Crown Liability and Proceedings Act</i>)	855	
Interests and other payments under the <i>Canada Student Financial Assistance Act</i>	510	
Contributions to employee benefit plans	394	
Spouse's allowance payments (<i>Old Age Security Act</i>)	391	383
Payments (encashments of notes) to International Development Association (<i>Bretton Woods and Related Agreements Act</i> and previous years' Appropriation Acts)	349	
Grants to the Trustees of Registered Education Savings Plan pursuant to Part III.I of the <i>Department of Human Resources Development Act</i>	334	
Transition period payments to NAV CANADA under the <i>Civil Air Navigation Services Commercialisation Act</i>		216
Superannuation, supplementary retirement benefits, death benefits and other pensions ⁽¹⁾		
Public Service—		
Government's matching contributions to the Public Service Superannuation Account	1,590	1,339
Government's contribution as employer to the Employment Insurance Account	259	285
Government's matching contributions to the Canada and the Quebec Pension Plans	253	240
Government's matching contributions to the Death Benefit Account	7	6
	<u>2,109</u>	<u>1,870</u>
Less: recoveries from revolving funds	66	69
	<u>2,043</u>	<u>1,801</u>
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account	572	398
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	12	13
Government's contribution as employer to the Employment Insurance Account	85	91
Government's matching contribution to the Canada and the Quebec Pension Plans	85	78
Government's matching contribution to the Death Benefit Account	3	3
	<u>757</u>	<u>583</u>
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account	159	141
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	18	19
Government's contribution as employer to the Employment Insurance Account	25	24
Government's matching contribution to the Canada and the Quebec Pension Plans	18	21
	<u>220</u>	<u>205</u>
All other statutory expenditures	(451)	1,184
Total ministerial expenditures under statutory authorities	<u>99,526</u>	<u>97,603</u>
Consolidated specified purpose accounts—		
Employment Insurance Account	11,463	11,881
Crop Reinsurance Fund		(1)
Agricultural Commodities Stabilization Accounts	5	
Other	(338)	214
Total expenditures of consolidated specified purpose accounts	<u>11,130</u>	<u>12,094</u>
Provision for valuation and other items	<u>(7,159)</u>	<u>(3,412)</u>
Total net statutory expenditures with outside parties	<u>103,497</u>	<u>106,285</u>
External revenues netted against expenditures	<u>2,625</u>	<u>2,305</u>
Total gross statutory expenditures with outside parties	<u>106,122</u>	<u>108,590</u>

⁽¹⁾ Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.**3.14 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT**

ACCUMULATED DEFICIT

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

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

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

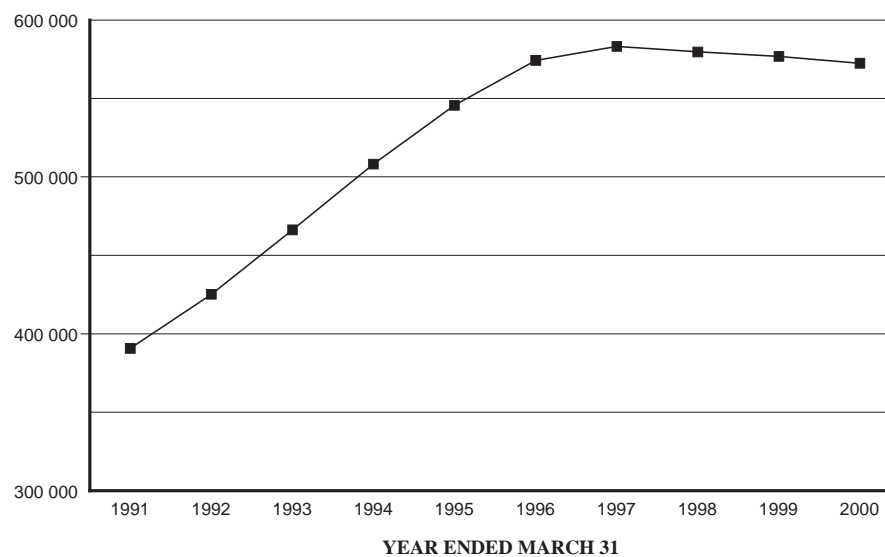
TABLE 3.12
STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS

(in millions of dollars)

As at March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase (Decrease)
2000	638,680	74,154	564,526	(12,298)
1999	640,301	63,477	576,824	(2,884)
1998	638,525	58,817	579,708	(3,478)
1997	640,657	57,471	583,186	8,897
1996	624,701	50,412	574,289	28,617
1995	584,798	39,126	545,672	37,462
1994	546,437	38,227	508,210	42,012
1993	503,884	37,686	466,198	41,021
1992	467,377	42,200	425,177	34,357
1991	433,353	42,533	390,820	32,000

CHART 3E
ACCUMULATED DEFICIT

(in millions of dollars)



SECTION 4

1999-2000

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

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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 amortized over their respective lives or as they are consumed or used. The Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

Summary Financial Statements of Consolidated Crown Corporations

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

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

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

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

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

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

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. There were no borrowings by consolidated agent Crown corporations for the year ended March 31, 2000. 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, 2000 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, 2000

(in thousands of dollars)

Crown corporations ⁽¹⁾	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Third parties	Government and Crown corporations		
Atomic Energy of Canada Limited	191,539	10,485	694,080	896,104
Canada Council	220,092	61,891	25,075	307,058
Canada Lands Company Limited Old Port of Montreal Corporation Inc.	12,071	1,760	6,886	20,717
Canada Mortgage and Housing Corporation Minister's Account				
Canadian Broadcasting Corporation	115,484	74,942	1,273,387	1,463,813
Canadian Race Relations Foundation	3,266	24,000	100	27,366
Canadian Dairy Commission Dairy Support Operation Financed by the Government of Canada		12,394		12,394
Canadian Film Development Corporation	9,946	31,454	2,653	44,053
Canadian Museum of Civilization	22,008	1,637	15,893	39,538
Canadian Museum of Nature	5,800	919	36,803	43,522
Defence Construction (1951) Limited	4,004	3,400	907	8,311
Enterprise Cape Breton Corporation	3,401	5,115	336	8,852
Federal Bridge Corporation Limited, The ⁽²⁾	12,351	6,490	37,337	56,178
International Development Research Centre	36,872	9,850	8,256	54,978
Jacques Cartier and Champlain Bridges Incorporated, The ⁽³⁾				
Marine Atlantic Inc.	61,522		195,165	256,687
National Arts Centre Corporation	12,459	306	9,867	22,632
National Capital Commission	71,456	1,377	408,329	481,162
National Gallery of Canada	5,688	4,086	10,543	20,317
National Museum of Science and Technology	2,823	452	9,438	12,713
Queens Quay West Land Corporation	8,717			8,717
Standards Council of Canada	1,792	1,083	940	3,815
VIA Rail Canada Inc.	72,494	20,726	498,993	592,213
Total	873,785	272,367	3,234,988	4,381,140
Conversion to the Government accounting basis for consolidation purposes	167		3,234,988	3,235,155
Total on the Government accounting basis	873,618	272,367		1,145,985

⁽¹⁾ All Crown corporations listed in this table are parent Crown corporations except for the Old Port of Montreal Corporation Inc.⁽²⁾ Effective this year, The Federal Bridge Corporation Limited is a consolidated Crown corporation and includes the consolidated figures of its wholly-owned subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Limited.⁽³⁾ Effective this year, the figures of The Jacques Cartier and Champlain Bridges Incorporated are consolidated with The Federal Bridge Corporation Limited (See Note 2).

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	743,863	80,039	823,902	72,202	896,104
	103,612	472	104,084	202,974	307,058
	11,338	9,433	20,771	(54)	20,717
	808,283	698,814	1,507,097	(43,284)	1,463,813
	520		520	26,846	27,366
	12,394		12,394		12,394
	9,480	2,287	11,767	32,286	44,053
	12,415	13,178	25,593	13,945	39,538
	37,443	6,107	43,550	(28)	43,522
	5,023	100	5,123	3,188	8,311
	4,386	204	4,590	4,262	8,852
	5,801	454	6,255	49,923	56,178
	19,950	33,219	53,169	1,809	54,978
	240,841	57,100	297,941	(41,254)	256,687
	12,446	8,671	21,117	1,515	22,632
	35,360	6,762	42,122	439,040	481,162
	5,178	12,890	18,068	2,249	20,317
	3,168	9,063	12,231	482	12,713
	7,205	45,800	53,005	(44,288)	8,717
	1,565	613	2,178	1,637	3,815
	141,641	485,233	626,874	(34,661)	592,213
	2,221,912	1,470,439	3,692,351	688,789	4,381,140
	1,165,714	1,209,125	2,374,839	860,316	3,235,155
	1,056,198	261,314	1,317,512	(171,527)	1,145,985

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 2000

(in thousands of dollars)

Crown corporations	Revenues			
	Third parties	Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited	602,143	122,150	8,316	732,609
Canada Council	30,495	116,584	4,153	151,232
Canada Lands Company Limited				
Old Port of Montreal Corporation Inc.	7,519	25,534		33,053
Canada Mortgage and Housing Corporation				
Minister's Account.		1,927,985		1,927,985
Canadian Broadcasting Corporation	500,897	780,235	158,120	1,439,252
Canadian Race Relations Foundation	1,558	533		2,091
Canadian Dairy Commission				
Dairy Support Operation Financed by the Government of Canada.		91,904		91,904
Canadian Film Development Corporation	25,942	135,704	998	162,644
Canadian Museum of Civilization.	11,522	44,089	3,383	58,994
Canadian Museum of Nature.	1,850	21,772	601	24,223
Defense Construction (1951) Limited.			19,564	19,564
Enterprise Cape Breton Corporation.	545	8,566	16	9,127
Federal Bridge Corporation Limited, The.	6,760	25,168	88	32,016
International Development Research Centre	14,407	87,996	33,999	136,402
Jacques Cartier and Champlain Bridges Incorporated, The				
Marine Atlantic Inc.	52,539	26,300	17,346	96,185
National Arts Centre Corporation	21,041	20,409	3,033	44,483
National Capital Commission	23,421	107,401	3,929	134,751
National Gallery of Canada.	7,367	33,369		40,736
National Museum of Science and Technology	3,686	20,036	9	23,731
Queens Quay West Land Corporation.	3,188	3,000		6,188
Standards Council of Canada	3,404	5,331	2,166	10,901
VIA Rail Canada Inc.	218,321	171,206	46,270	435,797
Total	1,536,605	3,775,272	301,991	5,613,868
Conversion to the Government accounting basis for consolidation purposes.	9,984	222,101	(231,619)	466
Total on the Government accounting basis	1,546,589	3,997,373	70,372	5,614,334

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

Expenses			Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Third parties	Government and Crown corporations	Total				Dividends	Capital	
657,530	47,429	704,959	27,650	419,447	(374,700)		(195)	72,202
135,592		135,592	15,640	187,334				202,974
33,249		33,249	(196)	142				(54)
1,797,599	130,386	1,927,985						
1,380,962	29,975	1,410,937	28,315	(75,599)			4,000	(43,284)
1,873		1,873	218	26,628				26,846
91,904		91,904						
160,069	1,512	161,581	1,063	31,223				32,286
47,331	7,394	54,725	4,269	9,676				13,945
21,834	1,644	23,478	745	(773)				(28)
18,642		18,642	922	2,266				3,188
8,489	153	8,642	485	3,777				4,262
32,401		32,401	(385)		50,308			49,923
139,034		139,034	(2,632)	4,441				1,809
				14,332	(14,332)			
88,194		88,194	7,991	(22,605)	(26,640)			(41,254)
42,292	2,146	44,438	45	1,470				1,515
87,572	4,202	91,774	42,977	386,700	9,363			439,040
34,343	8,110	42,453	(1,717)	3,966				2,249
21,327	2,530	23,857	(126)	8,557	(7,949)			482
4,200		4,200	1,988	(46,276)				(44,288)
10,843	41	10,884	17	1,620				1,637
449,277	408	449,685	(13,888)	500,870	(521,643)			(34,661)
5,264,557	235,930	5,500,487	113,381	1,457,196	(885,593)		3,805	688,789
20,187	7,337	27,524	(27,058)	(1,715,046)	885,593		(3,805)	(860,316)
5,284,744	243,267	5,528,011	86,323	(257,850)				(171,527)

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, 2000
<u>Agent Crown corporations</u>	
Canada Mortgage and Housing Corporation	
Minister's Account.—Miscellaneous litigation	1,000
Defence Construction (1951) Limited—Contract disputes	7,115
Canadian Film Development Corporation—Loan guarantees	1,452
International Development Research Centre	800
National Capital Commission—Miscellaneous litigation and agreements	63,566
	73,933
<u>Non-agent Crown corporation</u>	
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigation	9,218
Total	83,151

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, 2000

(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited	122,150	122,150	
Canada Lands Company Limited			
Old Port of Montreal Corporation Inc	24,326	24,326	
Canada Mortgage and Housing Corporation ⁽²⁾	1,927,985	1,927,985	
Canadian Broadcasting Corporation	899,707	780,235	119,472
Canadian Dairy Commission	94,369	94,369	
Canadian Film Development Corporation	137,092	137,092	
Canadian Museum of Civilization	47,345	47,345	
Canadian Museum of Nature	21,695	21,695	
Canadian Race Relations Foundation	250	250	
Enterprise Cape Breton Corporation	8,566	8,566	
National Capital Commission	107,401	53,302	54,099
National Gallery of Canada	36,273	33,273	3,000
National Museum of Science and Technology	20,301	20,301	
	<i>3,447,460</i>	<i>3,270,889</i>	<i>176,571</i>
<u>Non-agent Crown corporations</u>			
Canada Council	116,584	116,584	
Federal Bridge Corporation Limited, The	28,011	28,011	
International Development Research Centre	87,019	87,019	
Marine Atlantic Inc	114,750	114,750	
National Arts Centre Corporation	24,915	24,915	
Standards Council of Canada	5,330	5,330	
Queens Quay West Land Corporation	3,000	3,000	
VIA Rail Canada Inc	170,304	170,304	
	<i>549,913</i>	<i>549,913</i>	
Total	3,997,373	3,820,802	176,571

⁽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 1/1999	Receipts and other credits		Payments and other charges		March 31/2000
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Major Accounts—						
Agriculture and Agri-Food—						
Western Grain Stabilization						
Account	26,980,878			(37,565)		27,018,443
Less: interest-bearing loans	1,112,000,000					1,112,000,000
	(1,085,019,122)			(37,565)		(1,084,981,557)
Human Resources Development—						
Employment Insurance Account,						
Table 4.6	20,076,377,138	18,511,711,552	1,436,105,231	11,537,966,102	1,310,994,741	27,175,233,078
Total major accounts	18,991,358,016	18,511,711,552	1,436,105,231	11,537,928,537	1,310,994,741	26,090,251,521
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	548,821	1,500				550,321
Transport—						
Ship-Source						
Oil Pollution						
Fund	280,466,054		16,252,811	1,196,506		295,522,359
Total insurance accounts	281,088,565	1,500	16,252,811	1,196,506		296,146,370
Other Specified Purpose Accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund	139,221,659	14,733,926				153,955,585
Less: interest-bearing loans	113,156,751					113,156,751
	26,064,908	14,733,926				40,798,834
Agricultural Commodities						
Stabilization Accounts	7,682,680	2,393		5,093,324	2,338,145	253,604
	33,747,588	14,736,319		5,093,324	2,338,145	41,052,438

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/1999	Receipts and other credits		Payments and other charges		March 31/2000
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Canadian Heritage—						
Alexander Graham Bell National						
Historic Site	5,933			5,933		
Claudia de Hueck Bequest Account	383,565	10,894		394,459		
Marconi Celebration Trust Fund	6	27,500		27,506		
National Archives of Canada—						
Donations	194,907	104,251		57,772		241,386
National Battlefields Commission—						
Trust Fund Account	380,766	83,068	24,143	127,112		360,865
National Library—						
Special Operating Account	92,871	632,780		505,255		220,396
Parks Canada Agency—						
New Parks and Historic						
Sites Accounts		331,523	12,000,000	10,523,902	37,083	1,770,538
	1,058,048	1,190,016	12,024,143	11,641,939	37,083	2,593,185
Citizenship and Immigration—						
50th Anniversary of the Canadian						
Citizenship Act Celebrations	81,011					81,011
Environment—						
Endangered Species—Donations	103,757	355				104,112
Fish Habitat Restoration						
Account	147,471	184,558		80,893		251,136
	251,228	184,913		80,893		355,248
Finance—						
Canadian Commercial Bank and Northland						
Bank Holdback Account	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish						
Account	324,938	235,280		195,025		365,193
Foreign Affairs and						
International Trade—						
Canadian Landmine Action Fund	13,578	18,455				32,033
Governor General—						
Rideau Hall—Donations	2,839	36,099		38,938		
Health—						
Medical Research Council—						
Donations for Research	1,342,229	2,797,590		2,663,360		1,476,459
Human Resources Development—						
Canadian Centre for Occupational Health						
and Safety—Donations	81,021					81,021
Indian Affairs and Northern Development—						
Environmental Studies						
Research Fund	145,523	7,231		18,000		134,754
Industry—						
Prime Minister Awards	170,946	200,221		210,732		160,435
H. L. Holmes Fund	76,424			25,000		51,424
	247,370	200,221		235,732		211,859
National Defence—						
Corporate sponsorships						
and donations	(40,300)					(40,300)
Natural Resources—						
Environmental Studies						
Research Fund	173,777	823,541		56,153		941,165
Privy Council—						
Canadian Transportation Accident						
Investigation and Safety						
Board—						
Flight Recorder Software						
Systems Account	156,313	239,933		194,939		201,307

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1999	Receipts and other credits		Payments and other charges		March 31/2000
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
National Round Table on the Environment and Economy—Donations . . .	21,063	597,025		420,236		197,852
	177,376	836,958		615,175		399,159
Public Works and Government Services—						
Seized Property Proceeds						
Account	19,064,069	16,847,316		22,970,975	235	12,940,175
Solicitor General—						
Royal Canadian Mounted Police						
Pipe Band (NCR)		10,500				10,500
Transport—						
Fines for the Transportation of Dangerous Goods	83,793	13,500		420		96,873
Total other specified purpose accounts	302,977,552	37,937,939	12,024,143	43,609,934	2,375,463	306,954,237
Total	19,575,424,133	18,549,650,991	1,464,382,185	11,582,734,977	1,313,370,204	26,693,352,128

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 -\$38 thousand (-\$32 thousand in 1999) 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 \$2.55 from April 1, 1999 to December 31, 1999 and \$2.40 from January 1, 2000 to March 31, 2000. Employer premium rates are 1.4 times those for employees. Maximum weekly benefits were \$413 for the whole period.

Receipts and other credits from outside parties of \$18,512 million (\$19,363 million in 1999) are reported as revenues, while payments and other charges to outside parties of \$11,538 million (\$11,952 million in 1999) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,436 million (\$1,157 million in 1999), and payments and other charges of \$1,311 million (\$1,360 million in 1999), 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 (\$11,443 million) differ from the benefits (\$11,301 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 (\$67 million) and the employment insurance benefits recovery of -\$75 million through the Income Tax System.

TABLE 4.6

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	1999-2000	1998-1999
RECEIPTS AND OTHER CREDITS—		
Premiums—		
Employers and employees	18,839	19,704
Penalties	41	52
Interest earned	1,068	764
	<u>19,948</u>	<u>20,520</u>
PAYMENTS AND OTHER CHARGES—		
Benefits	10,611	11,495
Transfers to the provinces -		
Part II	832	457
Administration costs	1,311	1,246
Administration cost transferred to provinces	95	114
	<u>12,849</u>	<u>13,312</u>
Net change	7,099	7,208
Repayments		
Balance at beginning of year	20,076	12,868
Balance at end of year	<u>27,175</u>	<u>20,076</u>

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$1.5 thousand (\$1.5 thousand in 1999) are reported as revenues, while payments and other charges to outside parties of \$1.2 million (\$2 million in 1999) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$16 million (\$14 million in 1999), 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 \$38 million (\$50 million in 1999) are reported as revenues, while payments and other charges to outside parties of \$44 million (\$22 million in 1999) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$12 million (\$116 thousand in 1999), and payments and other charges of \$2 million (\$111 million in 1999) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Crop Reinsurance Fund

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

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance 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 \$15 million (\$24 million in 1999) are reported as revenues, while payments and other charges to outside parties of «nil» (-\$0.8 million in 1999) 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;
- (l) apples; and,
- (m) sugar beets.

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

Receipts and other credits from outside parties of \$2 thousand («nil» in 1999) are reported as revenues, while payments and other charges to outside parties of \$5 million (\$0.4 million in 1999) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of «nil» («nil» in 1999), and payments and other charges of \$2 million (\$0.5 million in 1999), 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.

Parks Canada Agency—New Parks and Historic Sites Accounts

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

50th Anniversary of the Canadian Citizenship Act Celebrations

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

Endangered Species—Donations

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

Fish Habitat Restoration Account

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

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

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

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

Canadian Commercial Bank and Northland Bank Holdback Account

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

During the fiscal year 1999-2000, 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.

Royal Canadian Mounted Police Pipe Band (NCR)

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

Fines for the Transportation of Dangerous Goods

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

SUPPLEMENTARY STATEMENT

Employment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

JIM LAHEY
Vice-Chairperson of the Canada
Employment Insurance Commission

July 21, 2000

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, 2000 and the statement of operations and accumulated surplus for the year then ended. These financial statements are the responsibility of the management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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, 2000 and the results of its operations and its cash flows for the year ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

Last year, because of the level of the accumulated surplus as at March 31, 1999, I reported that it is necessary to clarify and disclose the factors used in determining an appropriate level of reserve for the Account. As described in Note 6 to the financial statements, the *Employment Insurance Act* requires that in setting premiums the Employment Insurance Commission ensure that the rate levels provide enough revenue to cover program costs and maintain relatively stable rate levels throughout a business cycle. Since March 31, 1999, the accumulated surplus has increased a further \$7.2 billion to \$28.2 billion at March 31, 2000, almost twice the maximum amount considered sufficient by the Chief Actuary of Human Resources Development Canada in his report for 2000. In view of the size and the continued rate of growth of the accumulated surplus, it is important that the Commission clarify and disclose the way it interprets the Act in setting premiums. In my opinion, such clarification and disclosure are necessary to ensure that the intent of the *Employment Insurance Act* has been observed.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 21, 2000

Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 2000**
(in thousands of dollars)

ASSETS	2000	1999	LIABILITIES	2000	1999
Balance of the account with Receiver			Unredeemed warrants	118,608	240,804
General for Canada	27,524,998	20,763,865	Amounts payable (Note 4)	265,596	469,515
Premiums receivable	836,000	849,000	Accrued benefits	310,635	378,454
Due from claimants				694,839	1,088,773
(Note 3)	536,359	452,577			
Amounts due from provinces			Accumulated surplus (Note 6)	28,202,518	20,977,116
related to Labour Market					
Development Agreements		447			
	28,897,357	22,065,889		28,897,357	22,065,889

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

Approved by:

ALAN WINBERG

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

JIM LAHEY

*Vice-Chairperson of the Canada
Employment Insurance Commission*

**STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2000**
(in thousands of dollars)

	2000	1999
Revenue		
Premiums (Note 5)	18,825,140	19,728,061
Interest on the balance of the		
account with Receiver General		
for Canada (Note 7)	1,067,726	764,161
Penalties	74,192	79,270
	19,967,058	20,571,492
Expenses		
Benefits and support		
measures (Note 8		
and Schedule)	11,280,005	11,834,038
Administration costs (Note 9)	1,406,067	1,360,193
Provision for bad debts	55,584	45,073
	12,741,656	13,239,304
Surplus for the period	7,225,402	7,332,188
Accumulated surplus at the		
beginning of the period	20,977,116	13,644,928
Accumulated surplus at the end of		
the period (Note 6)	28,202,518	20,977,116

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000****1. Authority, objective and responsibilities**

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

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

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

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—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 and territories have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-management approach with the federal government.

2. Significant accounting policies

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

a) Basis of accounting

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

b) Revenue - Premiums

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

c) Expenses - Benefits and support measures

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

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

sign and delivery of programs similar to the employment benefits and support measures.

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

d) Administration costs

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

e) Asset and liability valuation

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

f) Cash flow statement presentation

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

3. Due from claimants

	2000	1999
	(in thousands of dollars)	
Benefit overpayments to be received	374,686	375,302
Amounts of penalties to be received	231,615	219,284
	606,301	594,586
Less: allowance for doubtful debts	307,957	298,791
	298,344	295,795
Estimated benefit repayments to be received from higher income claimants	238,015	156,782
	536,359	452,577

The Commission detects overpayments on claims processed during the current and preceding periods. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the period, overpayments totaling \$279 million were established (\$324 million in 1998-99).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—Continued

During the period, the Commission imposed penalties totaling \$74 million (\$79 million in 1998-99).

During 1999-2000, the Commission recovered \$295 million (\$344 million in 1998-99). Uncollectable benefit overpayments and penalties written off during the period amounted to \$46 million (\$52 million in 1998-99).

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

4. Amounts payable

	2000	1999
	(in thousands of dollars)	
To Canada		
Administration costs.....	114,371	10,074
Employment benefits and support measures.....	70,350	293,271
Amounts paid to provinces related to Labour Market Development Agreements.....	61,649	111,746
Tax deductions from warrants.....	11,763	42,657
Recoupments from warrants.....	4,272	2,859
	262,405	460,607
To provinces		
Recoupments from warrants.....	1,637	3,010
Quebec tax deductions from warrants.....	1,554	5,898
	3,191	8,908
	265,596	469,515

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 1999, a variation of one percentage point in insurable earnings would result in a change of \$197 million in premiums (\$201 million in 1998).

Actual amounts for insurable earnings and premiums for calendar years 1999 and 2000 will be known only when the Canada Customs and Revenue Agency has processed all employer declarations of premiums for these years. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in the period for the previous

years had the effect of increasing premiums by \$23 million (increase of \$342 million in 1998-99).

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 1999, the total amount of reductions is estimated at \$485 million (\$500 million in 1998). Actual reductions for the calendar year 1998 were \$525 million (\$521 million in 1997). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Employment Insurance Account to the insured persons.

6. Accumulated surplus

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

As at March 31, 2000, the accumulated surplus of the Employment Insurance Account amounted to \$28.2 billion (\$21.0 billion as at March 31, 1999), an increase of \$7.2 billion (\$7.3 billion in 1998-99) over the previous year.

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

	2000	1999	1998
	(in dollars)		
For employees.....	2.40	2.55	2.70
For employers (calculated at 1.4 times the employee rate).....	3.36	3.57	3.78

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

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

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account on the first day of the following month. The interest rate on the balance of the account is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—*Concluded*

The interest rates varied from 3.92 percent to 4.65 percent during the period (4.18 percent to 4.72 percent in 1998-99).

8. Estimated overpayments and underpayments of benefits

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

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ending March 31, 2000, these undetected overpayments and underpayments are estimated to be \$514 million and \$137 million respectively (\$445 million and \$211 million for the 12 months ending March 31, 1999). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

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

9. Administration costs

	2000	1999
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance		
Income Benefits	594,618	631,032
Corporate services	312,347	303,726
Human Resource Centres of Canada Management and Joint Services	244,770	150,332
Human Resources Investment	164,592	167,173
	1,316,327	1,252,263
Add: administration costs incurred by provinces and territories	94,895	114,221
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards	5,155	6,291
	1,406,067	1,360,193

The administration costs of the Act are based on an estimate of costs incurred by the Commission during the period. This estimate is based on a formula allocating the expenses between the Department of Human Resources Development and the Employment Insurance Account. The formula takes into consideration the source of fund-

ing -from the Employment Insurance Account or from the Consolidated Revenue Fund - in the allocation of expenses. In addition, the administration costs incurred by the provinces and the territories to administer the labour market development agreements are included in the administration costs for the period.

10. Related party transactions

The administration costs include \$108 million (\$113 million in 1998-99) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$104 million (\$103 million in 1998-99) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Employment Insurance Account based on memorandums of understanding.

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

11. Reclassification

Some 1998-99 figures have been reclassified to conform to the current year's presentation.

Employment Insurance Account—Concluded

SCHEDULE OF BENEFITS
AND SUPPORT MEASURES
FOR THE YEAR ENDED MARCH 31, 2000
(in thousands of dollars)

	2000	1999
Part I—Income benefits		
Regular	7,543,331	8,194,882
Fishing	231,921	226,731
Worksharing	10,230	16,379
	7,785,482	8,437,992
Special benefits		
Maternity	722,522	704,756
Sickness	530,361	474,232
Parental	463,633	449,188
Adoption	6,746	6,731
	1,723,262	1,634,907
	9,508,744	10,072,899
Part II—Employment benefits and support measures		
Employment benefits		
Training and skills development	381,108	630,207
Self-employment	84,493	107,879
Job creation partnerships	72,603	134,707
Targeted wage subsidies	60,224	61,818
	598,428	934,611
Support measures		
Labour market partnerships	284,709	261,781
Employment assistance	250,929	237,718
Research and innovation	10,394	11,391
	546,032	510,890
Transfer payments to provinces and territories	835,851	456,940
	1,980,311	1,902,441
Benefits and support measures	11,489,055	11,975,340
Less: benefit repayments received or to be received from higher income claimants	209,050	141,302
	11,280,005	11,834,038

Benefit rates

Since July 1, 1996, benefits paid represent the lesser of 55 percent of average insurable earnings, or \$413 per week. The benefit rate can be increased to a maximum of 75 percent of average insurable earnings or \$413 per week in 1999 and 80 percent in 2000 (70 percent in 1998) for claimants who are in a low income family with children.

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.

SECTION 5

1999-2000

PUBLIC ACCOUNTS OF CANADA

Accounts Payable, Accruals and Allowances

CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities.....	5.4
Interest and matured debt.....	5.14
Allowance for employee benefits.....	5.14
Allowance for loan guarantees and borrowings of Crown corporations	5.15

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*.

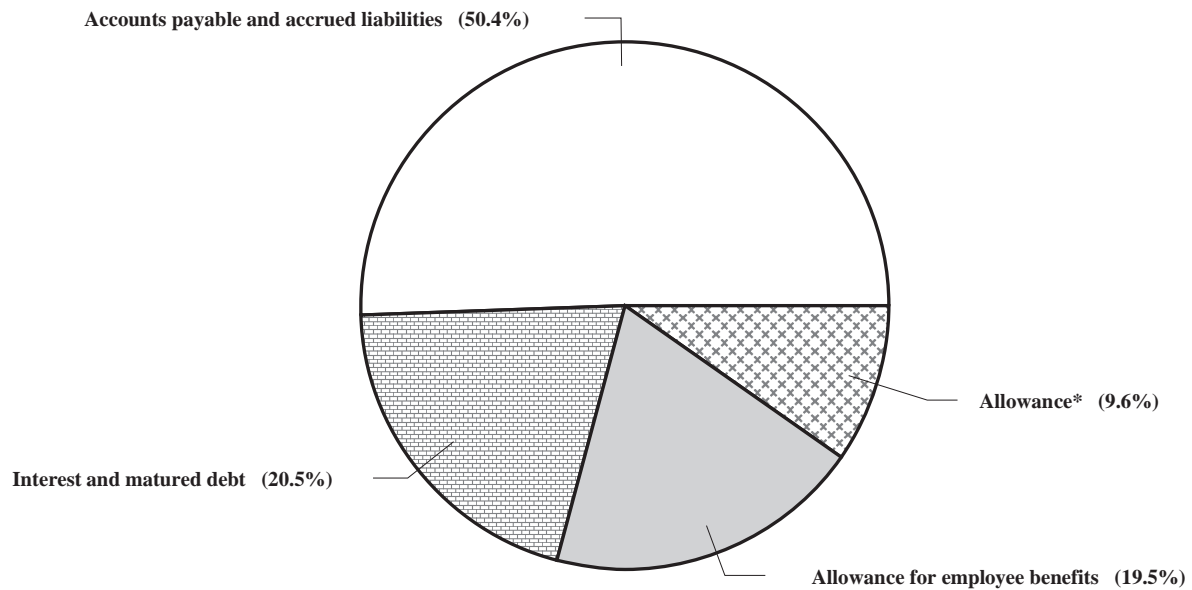
Table 5.1 presents the year-end balances of accounts payable, accruals and allowances by category. Chart 5A presents accounts payable, accruals and allowances by category at March 31, while Chart 5B compares accounts payable, accruals and allowances for the last ten fiscal years.

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.

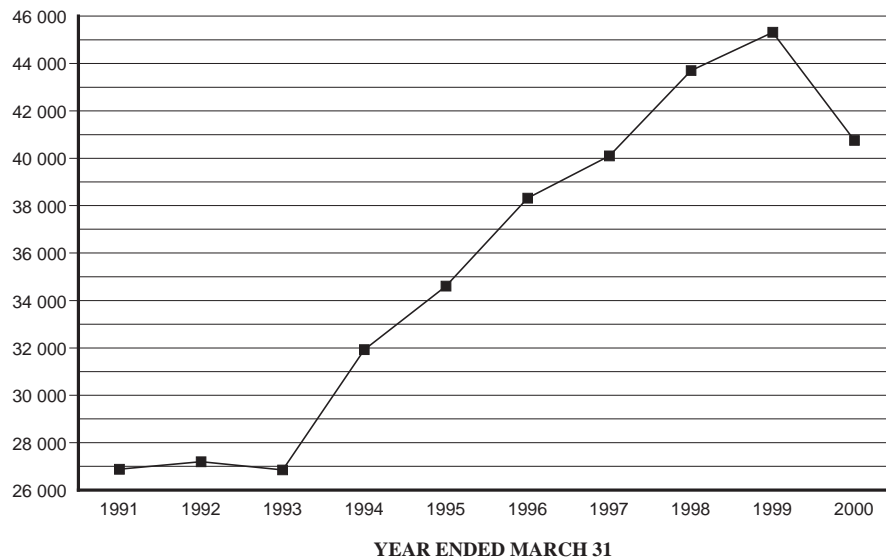
TABLE 5.1
ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES

	April 1/1999	March 31/2000
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	24,508,603,759	20,551,106,282
Interest and matured debt, Table 5.5	9,790,983,410	8,352,501,885
Allowance for employee benefits	6,720,000,000	7,611,000,000
Add: consolidation adjustment ⁽¹⁾	206,330,000	312,787,000
	6,926,330,000	7,923,787,000
Allowance for loan guarantees and borrowings of Crown corporations, Table 5.6.	4,090,000,000	3,920,000,000
Total	45,315,917,169	40,747,395,167

⁽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, 2000**

* Allowance for loan guarantees and borrowings of Crown corporations

CHART 5B**ACCOUNTS 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, cross-currency swap revaluation account, suspense accounts and other accounts.

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

TABLE 5.2
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/1999	March 31/2000
	\$	\$
Accounts payable	18,495,071,431	17,250,290,684
Add: consolidation adjustment ⁽¹⁾	936,252,000	817,323,000
	<i>19,431,323,431</i>	<i>18,067,613,684</i>
Notes payable to international organizations, Table 5.3	1,654,386,985	1,402,441,331
Provincial and territorial tax collection agreements account, Table 5.4	2,440,359,553	1,038,809,630
Miscellaneous payroll deductions	61,989,524	39,687,476
Deferred revenues	343,506,486	421,970,789
Cross-currency swap revaluation account	535,785,011	(466,503,134)
Suspense accounts	40,762,759	44,857,006
Other	490,010	2,229,500
Total	24,508,603,759	20,551,106,282

⁽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 1/1999	Receipts and other credits		Payments and other charges		March 31/2000
		Note issuances	Revaluation ⁽¹⁾	Note encashments	Revaluation ⁽¹⁾	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development	8,795,357	10,675,746		4,270,298	413,913	14,786,892
International Development Association	790,605,000	202,333,334		349,409,000		643,529,334
Multilateral Investment Guarantee Agency	4,840,106				190,242	4,649,864
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank	20,213,145	24,953			794,485	19,443,613
Caribbean Development Bank	7,345,090				123,937	7,221,153
Inter-American Development Bank	15,716,066	6,452,133		6,004,649	570,342	15,593,208
International financial institutions—						
African Development Fund	291,198,951	42,811,615		87,537,784		246,472,782
Asian Development Fund	346,421,906	43,064,726		117,634,000		271,852,632
Caribbean Development Bank—Special	40,763,819	4,065,000		6,897,372		37,931,447
Global Environment Facility Trust Fund	80,705,000	30,000,000		16,882,000		93,823,000
Inter-American Development Bank—Fund for Special Operations	12,664,788	2,003,700		6,069,842		8,598,646
International Fund for Agriculture Development	35,117,757	9,095,581		5,674,578		38,538,760
Montreal Protocol Fund		6,659,378		6,659,378		
	806,872,221	131,040,622		240,695,576		697,217,267
Total	1,654,386,985	350,526,788		600,379,523	2,092,919	1,402,441,331

⁽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 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1993	26,145,160,975			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	4,918,058		60,561,634
Adjustments ⁽¹⁾	(4,918,058)		4,918,058	
	26,145,160,975	4,918,058	4,918,058	26,145,160,975
Net collections (overpayments) of personal income taxes for 1993		4,918,058	4,918,058	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1994	27,202,333,229			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		4,918,058	59,066,020
Adjustments ⁽¹⁾	4,918,058	4,918,058		
	27,202,333,229	4,918,058	4,918,058	27,202,333,229
Net collections (overpayments) of personal income taxes for 1994		4,918,058	4,918,058	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1995	29,224,023,823			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	2,054		33,967,044
Northwest Territories	59,593,564			59,593,564
Adjustments ⁽¹⁾	(2,066)		2,054	(12)
	29,224,023,823	2,054	2,054	29,224,023,823
Net collections (overpayments) of personal income taxes for 1995		2,054	2,054	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1996	30,582,063,180			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		33,953,887	5,311,128,213
Yukon	37,744,243			37,744,243
Northwest Territories	62,092,224			62,092,224
Adjustments ⁽¹⁾	33,953,887	33,953,887		
	30,582,063,180	33,953,887	33,953,887	30,582,063,180
Net collections (overpayments) of personal income taxes for 1996		33,953,887	33,953,887	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1997	31,841,042,698			31,841,042,698
Less: payments to provinces and territories—				
Newfoundland	554,159,288	463,183		553,696,105
Prince Edward Island	129,300,811		463,183	129,763,994
Nova Scotia	993,431,115		3,404,384	996,835,499
New Brunswick	819,791,085	3,404,384		816,386,701
Ontario	16,766,403,607			16,766,403,607
Manitoba	1,538,148,611			1,538,148,611
Saskatchewan	1,345,043,661			1,345,043,661
Alberta	4,034,840,524		20,417,001	4,055,257,525
British Columbia	5,600,566,132	54,370,888		5,546,195,244
Yukon	36,885,956	1,309,151	751,752	36,328,557
Northwest Territories	60,471,271	4,096,297	4,096,297	60,471,271
Nunavut		2,646,380		
Adjustments ⁽¹⁾	(37,441,964)		33,953,887	(3,488,077)
	31,841,600,097	66,290,283	65,732,884	31,841,042,698
Net collections (overpayments) of personal income taxes for 1997	(557,399)	66,290,283	65,732,884	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1998	34,352,305,300	6,808,940	1,967,969,105	32,391,145,135
Less: payments to provinces and territories—				
Newfoundland	569,460,000	7,600,000	21,126,362	582,986,362
Prince Edward Island	132,360,000	260,000	11,198,946	143,298,946
Nova Scotia	995,873,000	3,004,028	87,465,133	1,080,334,105
New Brunswick	803,567,500	2,835,066	48,001,542	848,733,976
Ontario	16,352,213,000	1,040,593,777	1,429,771,440	16,741,390,663
Manitoba	1,646,820,000	131,003,583	33,083,181	1,548,899,598
Saskatchewan	1,356,635,000	7,000,572	29,574,236	1,379,208,664
Alberta	4,006,741,661	2,296,239	454,426,531	4,458,871,953
British Columbia	5,649,454,589	73,351,754	74,181,780	5,650,284,615
Yukon	36,568,000	467,346		36,100,654
Northwest Territories	72,440,000	6,731,831		65,708,169
Nunavut		4,268,168		(4,268,168)
	31,622,132,750	1,279,412,364	2,188,829,151	32,531,549,537
Net collections (overpayments) of personal income taxes for 1998	2,730,172,550	1,286,221,304	4,156,798,256	(140,404,402)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1999	5,927,019,000	29,860,564,000	762,000,000	35,025,583,000
Less: payments to provinces and territories—				
Newfoundland	111,366,000	8,718,288	497,406,288	600,054,000
Prince Edward Island	26,271,000		121,425,000	147,696,000
Nova Scotia	199,209,038	11,923,305	928,054,662	1,115,340,395
New Brunswick	158,787,381	16,752,450	724,163,069	866,198,000
Ontario	3,119,760,000		14,125,600,334	17,245,360,334
Manitoba	319,491,000		1,304,345,000	1,623,836,000
Saskatchewan	265,706,027	49,448,334	1,193,037,307	1,409,295,000
Alberta	792,932,462	35,228,842	3,877,518,623	4,635,222,243
British Columbia	1,123,443,955	245,999,887	4,902,114,468	5,779,558,536
Yukon	7,556,575	688,303	29,547,678	36,415,950
Northwest Territories	14,837,574	2,539,979	50,422,265	62,719,860
Nunavut		1,571,483	17,495,047	15,923,564
First Nations			1,295,000	1,295,000
	6,139,361,012	372,870,871	27,772,424,741	33,538,914,882
Net collections (overpayments) of personal income taxes for 1999	(212,342,012)	30,233,434,871	28,534,424,741	1,486,668,118
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2000		6,358,999,000	38,711,000	6,320,288,000
Less: payments to provinces and territories—				
Newfoundland		1,404,971	114,601,336	113,196,365
Prince Edward Island			28,890,000	28,890,000
Nova Scotia		2,734,852	225,641,078	222,906,226
New Brunswick		3,231,515	175,830,598	172,599,083
Ontario			3,386,523,000	3,386,523,000
Manitoba			322,257,000	322,257,000
Saskatchewan		10,636,085	289,583,315	278,947,230
Alberta		42,403,141	932,506,103	890,102,962
British Columbia		45,266,726	1,204,569,219	1,159,302,493
Yukon		158,840	7,294,791	7,135,951
Northwest Territories		308,692	12,014,840	11,706,148
Nunavut		338,250	4,736,424	4,398,174
First Nations			323,750	323,750
		106,483,072	6,704,771,454	6,598,288,382
Net collections (overpayments) of personal income taxes for 2000		6,465,482,072	6,743,482,454	(278,000,382)
Total personal income taxes on hand	2,517,273,139	38,095,220,587	39,544,230,392	1,068,263,334
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1994	1,769,226,989			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		729,518	14,439,483
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
Adjustments ⁽¹⁾	729,518	729,518		
	1,769,226,989	729,518	729,518	1,769,226,989
Net collections (overpayments) of corporation income taxes for 1994		729,518	729,518	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1995	2,178,085,882			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	729,517		8,957,256
British Columbia	1,195,751,282			1,195,751,282
Yukon	10,754,456			10,754,456
Northwest Territories	28,482,462			28,482,462
Adjustments ⁽¹⁾	(935,618)		729,517	(206,101)
	2,178,085,882	729,517	729,517	2,178,085,882
Net collections (overpayments) of corporation income taxes for 1995		729,517	729,517	
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1996	1,930,125,763			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	101		13,005,594
Northwest Territories	30,030,749			30,030,749
Adjustments ⁽¹⁾	(201)		201	
	1,930,125,663	101	201	1,930,125,763
Net collections (overpayments) of corporation income taxes for 1996	100	101	201	
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1997	2,207,857,459			2,207,857,459
Less: payments to provinces and territories—				
Newfoundland	70,851,056			70,851,056
Prince Edward Island	23,474,787			23,474,787
Nova Scotia	167,365,282	9,361,494		158,003,788
New Brunswick	190,099,990	6,433,806		183,666,184
Quebec	10,696,431			10,696,431
Ontario	33,137,772			33,137,772
Manitoba	243,683,195			243,683,195
Saskatchewan	250,402,844			250,402,844
Alberta	12,227,439			12,227,439
British Columbia	1,202,499,908			1,202,499,908
Yukon	9,728,662	674,743		9,053,919
Northwest Territories	35,493,150	4,096,297		31,396,853
Nunavut		2,656,029		(2,656,029)
Adjustments ⁽¹⁾	(15,795,296)		15,795,296	
	2,233,865,220	23,222,369	15,795,296	2,226,438,147
Net collections (overpayments) of corporation income taxes for 1997	(26,007,761)	23,222,369	15,795,296	(18,580,688)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1998	2,185,775,000	12,357,095	197,611,061	2,000,521,034
Less: payments to provinces and territories—				
Newfoundland	76,714,000		4,326,255	81,040,255
Prince Edward Island	27,346,000	9,394,310	477,261	18,428,951
Nova Scotia	167,688,000	4,870,691	8,729,127	171,546,436
New Brunswick	194,019,000	26,871,552	372,479	167,519,927
Quebec			11,424,918	11,424,918
Ontario			40,059,377	40,059,377
Manitoba	217,744,000		43,979,097	261,723,097
Saskatchewan	222,773,000		26,568,643	249,341,643
Alberta			11,666,935	11,666,935
British Columbia	1,170,514,000	237,557,857	9,078,452	942,034,595
Yukon	10,152,000	1,629,012	43,928	8,566,916
Northwest Territories	35,193,000			35,193,000
	<i>2,122,143,000</i>	<i>280,323,422</i>	<i>156,726,472</i>	<i>1,998,546,050</i>
Net collections (overpayments) of corporation income taxes for 1998	63,632,000	292,680,517	354,337,533	1,974,984
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1999	41,407,000	2,363,917,000		2,405,324,000
Less: payments to provinces and territories—				
Newfoundland	5,302,000		71,657,000	76,959,000
Prince Edward Island	1,828,000		24,755,000	26,583,000
Nova Scotia	13,776,000		178,787,000	192,563,000
New Brunswick	13,781,333		179,108,667	192,890,000
Manitoba	17,540,000		236,480,000	254,020,000
Saskatchewan	17,724,000		246,917,000	264,641,000
British Columbia	84,120,000		1,083,516,000	1,167,636,000
Yukon	682,000		9,192,000	9,874,000
Northwest Territories	1,048,000		12,442,374	13,490,374
Nunavut			1,664,626	1,664,626
	<i>155,801,333</i>		<i>2,044,519,667</i>	<i>2,200,321,000</i>
Net collections (overpayments) of corporation income taxes for 1999	(114,394,333)	2,363,917,000	2,044,519,667	205,003,000
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2000		728,663,000	760,218,000	(31,555,000)
Less: payments to provinces and territories—				
Newfoundland			7,610,000	7,610,000
Prince Edward Island			2,338,000	2,338,000
Nova Scotia			18,525,333	18,525,333
New Brunswick			16,588,667	16,588,667
Manitoba			25,670,000	25,670,000
Saskatchewan			26,148,000	26,148,000
British Columbia			86,168,000	86,168,000
Yukon			738,000	738,000
Northwest Territories			2,214,000	2,214,000
Nunavut			296,000	296,000
			<i>186,296,000</i>	<i>186,296,000</i>
Net collections (overpayments) of corporation income taxes for 2000		728,663,000	946,514,000	(217,851,000)
Total corporation income taxes on hand	(76,769,994)	3,409,942,022	3,362,625,732	(29,453,704)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1997	1,195,397,794			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
	<i>1,195,397,794</i>			<i>1,195,397,794</i>
Net collections (overpayments) of harmonized sales tax for 1997				
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1998	1,650,523,910			1,650,523,910
Less: payments to provinces and territories—				
Newfoundland	391,124,465			391,124,465
Nova Scotia	698,615,070			698,615,070
New Brunswick	560,784,375			560,784,375
	<i>1,650,523,910</i>			<i>1,650,523,910</i>
Net collections (overpayments) of harmonized sales tax for 1998				
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1999	286,053,663	1,428,328,523		1,714,382,186
Less: payments to provinces and territories—				
Newfoundland	67,851,588	6,959,458	345,254,910	406,147,040
Nova Scotia	121,251,322		604,943,193	726,194,515
New Brunswick	97,094,345		484,946,286	582,040,631
	<i>286,197,255</i>	<i>6,959,458</i>	<i>1,435,144,389</i>	<i>1,714,382,186</i>
Net collections (overpayments) of harmonized sales tax for 1999	(143,592)	1,435,287,981	1,435,144,389	
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2000		296,572,711		296,572,711
Less: payments to provinces and territories—				
Newfoundland			70,199,801	70,199,801
Nova Scotia			125,334,326	125,334,326
New Brunswick			101,038,584	101,038,584
			<i>296,572,711</i>	<i>296,572,711</i>
Net collections (overpayments) of harmonized sales tax for 2000		296,572,711	296,572,711	
Total harmonized sales tax on hand	(143,592)	1,731,860,692	1,731,717,100	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1998	719,858	10,150	175,330	554,678
Less: payments to First Nations	719,858	175,330	10,150	554,678
Net collections (overpayments) of First Nations Sales Tax Agreements for 1998		185,480	185,480	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1999 ⁽²⁾		1,189,034		1,189,034
Less: payments to First Nations			1,189,034	1,189,034
Net collections (overpayments) of First Nations Sales Tax Agreements for 1999		1,189,034	1,189,034	

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2000		243,856		243,856
Less: payments to First Nations			243,856	243,856
Net collections (overpayments) of First Nations Sales Tax Agreements for 2000		243,856	243,856	
Total First Nations Sales Tax Agreements taxes on hand		1,618,370	1,618,370	
Total	2,440,359,553	43,238,641,671	44,640,191,594	1,038,809,630

⁽¹⁾ Unidentified payments by provinces of 1998-99 were allocated to the appropriate provinces.

⁽²⁾ Amends previous year's *Public Accounts of Canada*.

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.

Cross-currency swap revaluation account

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

Suspense accounts

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

Other

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

Interest and Matured Debt

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

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

TABLE 5.5
INTEREST AND MATURED DEBT

	April 1/1999	March 31/2000
	\$	\$
Interest due	3,190,419,057	3,318,794,259
Interest accrued	6,752,206,215	7,192,887,758
Matured debt	388,621,740	196,931,431
	10,331,247,012	10,708,613,448
Less: unamortized discounts on Canada bills	61,502,612	50,098,740
unamortized discounts on Treasury bills	1,327,244,109	1,731,107,977
unamortized discounts and premiums on marketable bonds	(912,445,631)	530,439,733
unamortized commissions on Canada savings bonds	63,962,512	44,465,113
	540,263,602	2,356,111,563
Total	9,790,983,410	8,352,501,885

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 1/1999	March 31/2000
	\$	\$
Allowance for loan guarantees	890,000,000	705,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations	39,698,016,000	38,640,172,000
Less: borrowings expected to be repaid by these enterprise Crown corporations	36,498,016,000	35,425,172,000
	3,200,000,000	3,215,000,000
Total	4,090,000,000	3,920,000,000

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

1999-2000

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, 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.

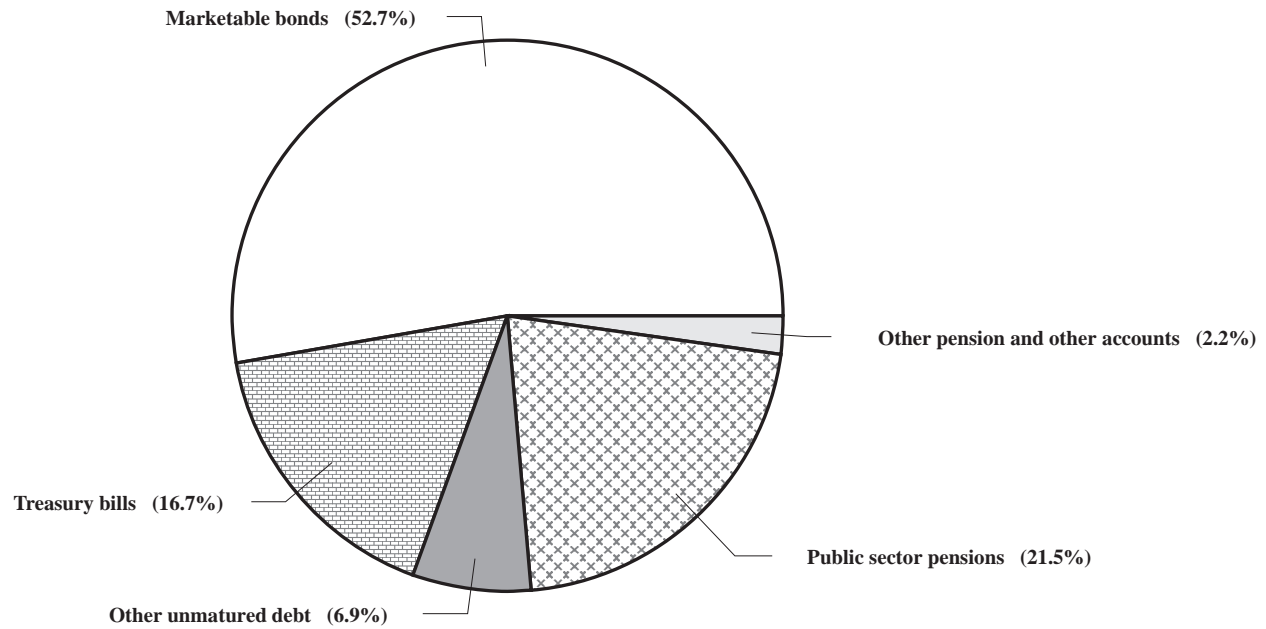
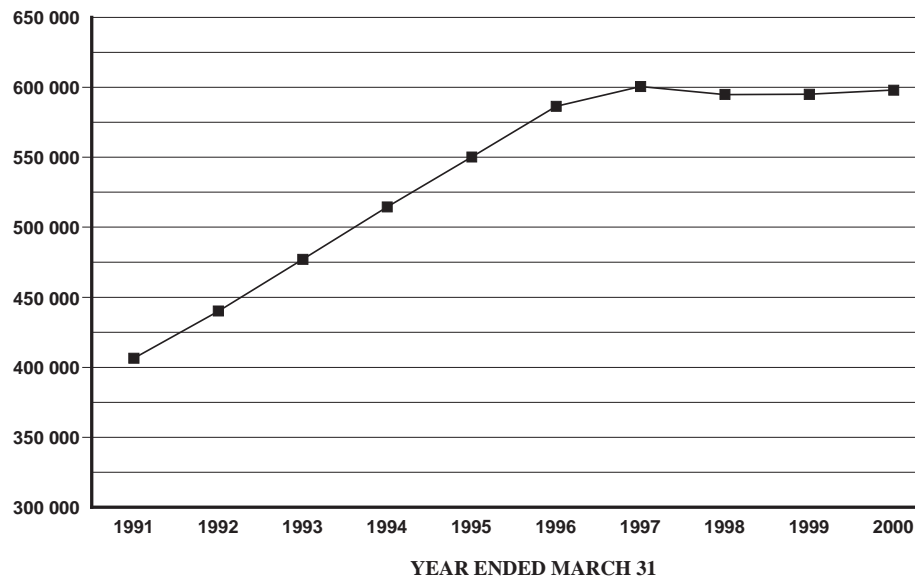
TABLE 6.1
INTEREST-BEARING DEBT

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Unmatured debt ⁽¹⁾ —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2.....	295,751,835,377	46,340,486,073	48,165,678,000	293,926,643,450
Treasury bills, Table 6.3	96,950,000,000	213,600,000,000	210,700,000,000	99,850,000,000
Canada savings bonds, Table 6.4	27,661,868,752	2,521,598,979	3,694,457,830	26,489,009,901
Non-marketable bonds and notes, Table 6.5	4,062,767,000	5,348,356,182	5,858,866,203	3,552,256,979
	424,426,471,129	267,810,441,234	268,419,002,033	423,817,910,330
Payable in foreign currencies—				
Marketable bonds, Table 6.2.....	19,647,425,300	2,942,000,000	1,176,766,700	21,412,658,600
Canada bills, Table 6.6	10,170,866,350	29,413,978,619	33,577,067,475	6,007,777,494
Canada notes, Table 6.7	1,260,610,500	70,500,000	278,254,500	1,052,856,000
Euro medium-term notes, Table 6.8	4,921,117,578	991,284,490	1,797,233,756	4,115,168,312
	36,000,019,728	33,417,763,109	36,829,322,431	32,588,460,406
Total—Unmatured debt	460,426,490,857	301,228,204,343	305,248,324,464	456,406,370,736
Pension and other accounts—				
Public sector pensions, Table 6.13—				
Superannuation accounts	136,627,455,791	16,291,608,561	5,809,342,053	147,109,722,299
Allowance for pension adjustments	(14,220,000,000)	949,000,000	5,493,000,000	(18,764,000,000)
	122,407,455,791	17,240,608,561	11,302,342,053	128,345,722,299
Due to Canada Pension Plan, Table 6.22—				
Canada Pension Plan Account	36,890,703,911	20,687,739,027	19,130,644,354	38,447,798,584
Less: securities held, short-term investments and transfers	31,463,953,000	6,316,200,000	7,082,539,000	32,230,292,000
	5,426,750,911	27,003,939,027	26,213,183,354	6,217,506,584
Other—				
Government Annuities Account	585,604,284	38,880,912	78,594,081	545,891,115
Confederation Bridge	799,444,000		13,830,796	785,613,204
Pilot Training Program—MILIT-AIR Inc.	703,000,000			703,000,000
Deposit and trust accounts, Table 6.23	1,157,054,195	949,152,903	891,851,469	1,214,355,629
Other specified purpose accounts, Table 6.26	3,479,208,919	1,528,639,831	1,293,742,556	3,714,106,194
	6,724,311,398	2,516,673,646	2,278,018,902	6,962,966,142
Total—Pension and other accounts	134,558,518,100	46,761,221,234	39,793,544,309	141,526,195,025
Total	594,985,008,957	347,989,425,577	345,041,868,773	597,932,565,761

⁽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, 2000

**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, 2000.

TABLE 6.2
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 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	
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
				33,950,000,000			33,950,000,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
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		245,363,000	987,387,000
Dec 1	5.25	June 15/99-Sept 15/99	WW08		7,000,000,000		7,000,000,000
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000			3,850,000,000
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
				28,120,750,000	7,000,000,000	245,363,000	34,875,387,000
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		7,325,000	1,842,675,000
June 1	5.75	Dec 1/99-Mar 15/2000	XA78		7,200,000,000		7,200,000,000
Sept 1	5.5	Mar 3/97-June 2/97					
		Sept 2/97-Dec 1/97	WE00	10,200,000,000			10,200,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,439,701,000		122,937,000	1,316,764,000
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	2,626,675,000		224,375,000	2,402,300,000
				21,566,376,000	7,200,000,000	354,637,000	28,411,739,000
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	9,700,000,000			9,700,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	644,678,000		85,771,000	558,907,000
Dec 1	7.5	May 21/93-July 1/93					
		Aug 16/93-Sept 28/93					
		Nov 15/93	A61	8,800,000,000			8,800,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79					
		Mar 21/79-Aug 15/79	J24	1,985,446,000		8,579,000	1,976,867,000
				28,030,124,000		94,350,000	27,935,774,000
Maturing 2004-05							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	549,000,000		8,000,000	541,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
		Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
Sept 1	5	Mar 1/99	WU42	2,500,000,000	8,350,000,000		10,850,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	875,000,000		164,108,000	710,892,000
Dec 1	9	July 15/94-Aug 15/94					
		Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000
2005—Mar 1	12	Oct 15/83-Nov 8/83					
		Dec 15/83-Feb 1/84					
		Feb 21/84-Dec 15/84	H9	1,775,000,000		462,075,000	1,312,925,000
				21,299,000,000	8,350,000,000	634,183,000	29,014,817,000

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
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		294,645,000	1,080,355,000
Sept 1	6	Nov 15/99-Feb 15/2000	WY63		5,600,000,000		5,600,000,000
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	5,600,000,000	294,645,000	15,655,355,000
Maturing 2006-07							
2006—Oct 1	14	June 1/84-July 11/84					
		Aug 1/84	H26	1,025,000,000		40,000,000	985,000,000
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		40,000,000	10,410,000,000
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	9,200,000,000			9,200,000,000
June 1	10	Dec 15/85-Sept 1/87					
		Feb 1/88-Apr 14/88					
		June 1/88-July 21/88					
		Oct 15/88-Dec 15/88					
		Feb 23/89-June 1/89	H74	3,257,854,000			3,257,854,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	644,753,000			644,753,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000			400,000,000
				13,502,607,000			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	2,500,000,000		9,400,000,000
June 1	11	Oct 1/85-Oct 23/85					
		Oct 15/87	H68	868,257,000		195,426,000	672,831,000
Oct 1	10.75	June 12/85-July 1/85					
		Sept 1/85-Sept 1/88	H63	1,224,136,000		146,825,000	1,077,311,000
2010—Mar 1	9.75	Mar 15/86	H79	325,000,000		25,000,000	300,000,000
				9,317,393,000	2,500,000,000	367,251,000	11,450,142,000
Maturing 2010-11							
2010—June 1	9.5	Apr 10/86-July 1/87					
		July 1/89-Aug 10/89					
		Oct 1/89-Dec 15/89					
		Feb 1/90	H81	2,880,000,000		405,746,000	2,474,254,000
June 1	5.5	Aug 3/99-Nov 1/99					
		Feb 1/2000-Mar 20/2000	WX80		10,400,000,000		10,400,000,000
Oct 1	8.75	Apr 28/86	H85	325,000,000		73,457,000	251,543,000
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		182,686,000	1,792,314,000
				5,180,000,000	10,400,000,000	661,889,000	14,918,111,000

TABLE 6.2
MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
Maturing 2011-12 2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	750,000,000		70,860,000	679,140,000
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	5,762,260,843 10,412,260,843	140,995,534 140,995,534		5,903,256,377 10,553,256,377
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
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	5,529,700,844	135,305,074		5,665,005,918

TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
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	4,500,000,000	3,700,000,000		8,200,000,000
Maturing 2031-32 2031—Dec 1	4	Mar 8/99	L 27	404,912,366	1,306,220,465		1,711,132,831
				295,774,060,377	46,332,521,073	47,665,678,000	294,440,903,450
Less: Government's holdings				22,225,000	7,965,000	500,000,000	514,260,000
Total marketable bonds (Canadian currency)				295,751,835,377	46,340,486,073	48,165,678,000	293,926,643,450
Payable in foreign currencies—							
2000—May 30	6.5	May 30/95		2,263,050,000		88,950,000	2,174,100,000
2001—May 30	6.5	May 30/96		1,508,700,000		59,300,000	1,449,400,000
2002—July 15	6.125	July 15/97		1,508,700,000		59,300,000	1,449,400,000
2003—Feb 19	5.625	Feb 19/98		3,017,400,000		118,600,000	2,898,800,000
2003—Nov 30	6.375	Nov 30/99			2,942,000,000	43,200,000	2,898,800,000
2005—July 21	6.375	July 21/95		2,263,050,000		88,950,000	2,174,100,000
2006—Aug 28	6.75	Aug 28/96		1,508,700,000		59,300,000	1,449,400,000
2007—Oct 3	⁽³⁾	Oct 3/97		481,275,300		18,916,700	462,358,600
2008—July 7	4.875	July 7/98		3,324,800,000		492,000,000	2,832,800,000
2008—Nov 5	5.25	Nov 5/98		3,771,750,000		148,250,000	3,623,500,000
Total marketable bonds (foreign currencies)				19,647,425,300	2,942,000,000	1,176,766,700	21,412,658,600
Total				315,399,260,677	49,282,486,073	49,342,444,700	315,339,302,050

⁽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, 2000 consists of CAN\$7,250 million in odd issue bills; CAN\$27,400 million in three-month bills; CAN\$22,200 million in six-month bills; and, CAN\$43,000 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, 1999	11,500	5,200	8,900	25,600	10,700	3,000	15,950	29,650	(4,050)
May	6,000	2,800	2,800	11,600	8,200	3,000	6,300	17,500	(5,900)
June	5,900	3,100	3,100	12,100	8,800	3,000	2,700	14,500	(2,400)
July	7,500	3,500	6,250	17,250	7,900	3,100	3,100	14,100	3,150
August	8,300	3,900	5,900	18,100	6,800	3,700	5,850	16,350	1,750
September	12,400	5,900	8,150	26,450	8,700	7,800	6,300	22,800	3,650
October	7,400	3,400	3,400	14,200	7,500	3,000	3,550	14,050	150
November	7,200	3,200	3,200	13,600	8,300	2,900	2,800	14,000	(400)
December	7,100	3,100	4,850	15,050	8,400	3,300	2,800	14,500	550
January, 2000	7,400	3,500	3,500	14,400	7,800	3,700	4,850	16,350	(1,950)
February	7,600	3,600	3,600	14,800	7,200	4,000	3,500	14,700	100
March	12,400	5,400	12,650	30,450	10,700	3,900	7,600	22,200	8,250
Balance at April 1, 1999	100,700	46,600	66,300	213,600	101,000	44,400	65,300	210,700	2,900
Balance at March 31, 2000									96,950
									99,850

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 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
				\$	\$	\$	\$
2001—Nov 1	4.25-5.25	1989-90	S44	2,131,221,128		189,259,316	1,941,961,812
2002—Nov 1	4.25-5.25	1990-91	S45	1,935,422,120		164,325,510	1,771,096,610
2003—Nov 1	4.25-5.25	1991-92	S46	2,762,139,341		236,414,601	2,525,724,740
2004—Nov 1	4.25-5.25	1992-93	S47	3,196,950,437		265,944,881	2,931,005,556
2005—Nov 1	4.25-5.25	1993-94	S48	1,953,327,230		167,531,365	1,785,795,865
2006—Nov 1	4.25-5.25	1994-95	S49	2,970,383,893		297,200,505	2,673,183,388
2007—Mar 1	5-6	1997-98	P1	85,081,994		2,651,928	82,430,066
2007—Nov 1	4-4.40	1995-96	S50	2,168,640,487		416,907,692	1,751,732,795
2007—Nov 1	4-5	1997-98	S52	3,340,538,511		412,355,577	2,928,182,934
2007—Dec 1	4-5	1997-98	S53	17,994,020		2,139,223	15,854,797
2008—Mar 1	4.25-4.75	1997-98	P2	26,327,187		2,851,504	23,475,683
2008—Nov 1	5-6	1996-97	S51	3,052,460,704		241,231,806	2,811,228,898
2008—Nov 1	4-4.40	1998-99	S54	2,075,320,195		774,517,454	1,300,802,741
2008—Nov 1	4.5-4.75	1998-99	P3	2,029,257,528		383,765,855	1,645,491,673
2008—Dec 1	4-4.25	1998-99	P4	141,802,595		5,607,540	136,195,055
2008—Dec 1	3.75-4.40	1998-99	S55	103,071,975		17,493,759	85,578,216
2009—Jan 1	3.75-4.40	1998-99	S56	26,186,281		8,875,775	17,310,506
2009—Feb 1	3.5-4.40	1998-99	S57	18,675,919		8,040,296	10,635,623
2009—Mar 1	3.65-4.60	1998-99	S58	37,801,912		16,759,440	21,042,472
2009—Jan 1	4-4.25	1998-99	P5	30,808,358		2,593,657	28,214,701
2009—Feb 1	4-4.25	1998-99	P6	27,651,149		2,988,891	24,662,258
2009—Mar 1	4.25-4.5	1998-99	P7	85,644,542		6,200,001	79,444,541
2009—Apr 1	3.85	1999-2000	S59		16,841,264		16,841,264
2009—Apr 1	4.5	1999-2000	P8		91,541,370		91,541,370
2009—Nov 1	4.4	1999-2000	S60 ⁽¹⁾		1,116,419,946		1,116,419,946
2009—Nov 1	5	1999-2000	P9		582,080,064		582,080,064
2009—Dec 1	4.4	1999-2000	S61		85,442,471		85,442,471
2009—Dec 1	5	1999-2000	P10		160,553,787		160,553,787
2010—Jan 1	4.4	1999-2000	S62		31,644,902		31,644,902
2010—Jan 1	5	1999-2000	P11		48,350,250		48,350,250
2010—Feb 1	4.4	1999-2000	S63		21,558,530		21,558,530
2010—Feb 1	5	1999-2000	P12		39,030,158		39,030,158
2010—Mar 1	4.6	1999-2000	S64		32,215,613		32,215,613
2010—Mar 1	5.25	1999-2000	P13		81,928,187		81,928,187
2010—Apr 1	4.6	1999-2000	S65		70,000		70,000
2010—Apr 1	5.25	1999-2000	P14		188,600		188,600
				28,216,707,506	2,307,865,142	3,625,656,576	26,898,916,072
Less: Government's holdings—							
Canada savings bonds held on account of employees				74,342,754	143,140,337	68,801,254	3,671
Canada savings bonds held on account of the Payroll Savings Plan				285,570,000	42,968,500		242,601,500
Consolidation adjustment ⁽²⁾				194,926,000	27,625,000		167,301,000
				554,838,754	213,733,837	68,801,254	409,906,171
Total				27,661,868,752	2,521,598,979	3,694,457,830	26,489,009,901

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

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

Non-Marketable Bonds and Notes

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

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

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

TABLE 6.5
NON-MARKETABLE BONDS AND NOTES

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 1999-2000	636,259,000	3,817,900,000	4,454,159,000	
Maturing 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
	<i>4,062,767,000</i>	<i>3,817,900,000</i>	<i>4,454,159,000</i>	<i>3,426,508,000</i>
Canada Health and Social Transfer Supplement Trust for Health Care—				
Maturing 2001-02		1,530,456,182	1,404,707,203	125,748,979
Total	4,062,767,000	5,348,356,182	5,858,866,203	3,552,256,979

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, 2000.

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

TABLE 6.6
CANADA BILLS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1999	3,255,214,792	4,487,932,907	(1,232,718,115)
May	2,200,183,730	3,166,661,232	(966,477,502)
June	3,391,135,325	3,848,070,621	(456,935,296)
July	2,584,228,309	3,451,575,272	(867,346,963)
August	1,847,267,629	1,994,482,104	(147,214,475)
September	3,055,033,813	3,260,698,334	(205,664,521)
October	2,334,105,479	2,634,791,831	(300,686,352)
November	1,433,091,819	1,936,859,696	(503,767,877)
December	1,458,633,295	2,086,384,992	(627,751,697)
January, 2000	1,479,821,267	1,660,133,733	(180,312,466)
February	2,291,785,128	1,921,339,978	370,445,150
March	4,083,478,033	3,086,621,902	996,856,131
	29,413,978,619	33,535,552,602	(4,121,573,983)
Balance at April 1, 1999			10,170,866,350
Balance before revaluation			6,049,292,367
Exchange valuation adjustment at March 31, 2000			41,514,873
Balance at March 31, 2000			6,007,777,494

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, 2000.

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 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/2000
				\$	\$	\$	\$
Payable in foreign currencies—							
Matured 1999-2000							
1999—Jul 15	6.677	July 12/96-July 15/96	053 & 054	226,305,000		226,305,000	
Sept 23	6.250	Sept 23/96	057	30,174,000		30,174,000	
2000—Jan 31	6.17	Jan 31/97	060	7,543,500		7,543,500	
				264,022,500		264,022,500	
Maturing 2000-01							
2000—Oct 23	6.029	Oct 23/97	063	37,717,500		1,482,500	36,235,000
2001—Mar 27	6.188	Mar 27/96	011	7,543,500		296,500	7,247,000
				45,261,000		1,779,000	43,482,000
Maturing 2001-02							
2001—Apr 4	6.280	Apr 4/96	024	75,435,000		2,965,000	72,470,000
Apr 25	6.496	Apr 25/96	040	30,174,000		1,186,000	28,988,000
May 7	6.542	May 6/96	041	60,348,000		2,372,000	57,976,000
2002—Feb 5	6.379	Feb 5/97	061	150,870,000		5,930,000	144,940,000
				316,827,000		12,453,000	304,374,000
Maturing 2008-09							
2009—Mar 23	1.9	Mar 23/99	065	634,500,000	70,500,000		705,000,000
Total				1,260,610,500	70,500,000	278,254,500	1,052,856,000

⁽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, 2000.

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 1/1999	Receipts and other credits ⁽¹⁾	Payments and other charges	March 31/2000
			\$	\$	\$	\$
Payable in foreign currencies—						
Matured 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	28,897,686		1,135,835	27,761,851
2001—Jan 30	5.5	July 30/97	603,480,000		23,720,000	579,760,000
			632,377,686		24,855,835	607,521,851
Maturing 2001-02						
2001—June 12	(2)	June 12/98	38,936,706		1,530,421	37,406,285
2002—Jan 22	(2)	Jan 22/99	452,610,000		17,790,000	434,820,000
			491,546,706		19,320,421	472,226,285
Maturing 2003-04						
2003—July 16	(2)	July 16/98	98,065,500		3,854,500	94,211,000
			98,065,500		3,854,500	94,211,000
Maturing 2004-05						
2004—Nov 26	(2)	Mar 26/98	746,806,500		29,353,500	717,453,000
Nov 26	(2)	Oct 30/98	513,863,220		20,197,580	493,665,640
Nov 30	(2)	Mar 22/99	132,650,939		5,213,893	127,437,046
Dec 22	(2)	Dec 22/97	114,993,113		4,519,845	110,473,268
			1,508,313,772		59,284,818	1,449,028,954
Maturing 2007-08						
2007—Nov 19	(2)	Nov 19/97	45,261,000		1,779,000	43,482,000
2008—Jan 31	(2)	July 30/97	66,200,247		2,602,025	63,598,222
			111,461,247		4,381,025	107,080,222
Maturing 2009-10						
2009—Apr 28	4.5	Nov 12/98	991,200,000		991,200,000	
Apr 28	4.5	Mar 30/99	634,315,510	991,284,490	240,500,000	1,385,100,000
			1,625,515,510	991,284,490	1,231,700,000	1,385,100,000
Total			4,921,117,578	991,284,490	1,797,233,756	4,115,168,312

⁽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 1995-1996 to 1999-2000 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, Treasury bills, Canada savings bonds, non-marketable bonds and notes (include the bonds for the Canada Pension Plan and the notes for the Canada Health and Social Transfer Supplement), Canada bills and Foreign currency notes.

TABLE 6.9

UNMATURED DEBT AS AT MARCH 31, FROM 1996 TO 2000, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
2000	315,339	7.21	99,850	5.31	26,489	5.13	3,552	10.04	6,008	5.87	5,168	4.95	456,406	6.15
1999	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70
1998	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.64
1997	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66
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

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 1995-1996 to 1999-2000 inclusive.

TABLE 6.10

TREASURY BILLS AVERAGE YIELDS AT TENDER

	High	Low	Last issue
Year ended March 31	%	%	%
Three-month bills—			
2000	5.28	4.30	5.28
1999	5.64	4.55	4.89
1998	4.65	4.17	4.58
1997	3.19	2.80	3.19
1996	8.29	5.02	5.02
Six-month bills—			
2000	5.56	4.43	5.56
1999	5.81	4.70	4.98
1998	4.94	3.69	4.75
1997	3.71	2.87	3.48
1996	8.36	4.98	5.24
Other bills—			
2000	5.98	4.56	5.94
1999	5.83	4.62	4.97
1998	5.20	3.60	4.96
1997	5.60	2.21	3.92
1996	8.30	5.08	5.58

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		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Average interest		Average interest		Average interest		Average interest		Average interest		Average interest		Average interest	
	Amount	rate	Amount	rate	Amount	rate	Amount	rate	Amount	rate	Amount	rate	Amount	rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(million)	%
2001	36,123	7.86	99,850	5.31			23	12.98	6,008	5.87	651	5.54	142,655	5.98
2002	36,325	7.10			1,942	5.25	143	6.43			777	6.04	39,187	6.99
2003	32,760	7.04			1,771	5.25	17	14.67					34,548	6.95
2004	27,936	6.89			2,526	5.25	17	11.60			94	5.54	30,573	6.75
2005	31,914	7.02			2,931	5.25	17	13.37			1,449	5.90	36,311	6.83
2006/10 . .	72,511	7.33			17,729	5.04	2,883	9.96			2,197	3.73	95,320	6.90
2011/15 . .	18,747	7.31					452	11.19					19,199	7.40
2016/20 . .	2,358	11.25											2,358	11.25
2021/25 . .	23,103	7.73											23,103	7.73
2026/30 . .	32,365	7.05											32,365	7.05
2031/32 . .	1,711	4.0											1,711	4.00
	315,853	7.21	99,850	5.31	26,899	5.11	3,552	10.04	6,008	5.87	5,168	4.95	457,330	6.15
Less: Gov- ernment's hold- ings	514	9.24			410	4.00							924	6.83
	315,339	7.21	99,850	5.31	26,489	5.13	3,552	10.04	6,008	5.87	5,168	4.95	456,406	6.15

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 1/1999	Issues/ Borrowings	Retirements	March 31/2000
Unmatured debt of the Government of Canada ⁽¹⁾	460,427	301,228	305,248	456,406
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	39,699	69,251	70,309	38,640
Total	500,126	370,479	375,557	495,046

⁽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, until March 31, 2000, separate market invested funds were not maintained. Beginning April 1, 2000, contributions to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans will be transferred to the Public Sector Pension Investment Board. The goal of the Board will be to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

i. Pension plans

Employee pension plans

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

Up to January 1, 2000, employee contributions for these benefits were 7.5 percent of pay, less contributions to the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP). Effective January 1, 2000, the total 7.5 percent cap has been removed and plan members now contribute 4 percent on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for the CPP/QPP purposes and 7.5 percent on that portion of salary above the YMPE. This rate is applicable until 2004 when it comes up for review.

Employer contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 1999-2000, the employer contribution rates averaged about 2.6, 3.6 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Amendments to the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* came into effect on June 17 and September 14, 1999. These amendments were made through the *Budget Implementation Act 1999* and the *Public Sector Pension Investment Board Act*.

The amendments have improved pension entitlements by providing for the:

- (a) calculation of pension benefits using the average of the best five consecutive years of earnings rather than the best six consecutive years;
- (b) calculation of the annual CPP/QPP integrated reduction by using the five year average YMPE for CPP/QPP purposes instead of the last three years for pensioners who were under age 65 on June 17, 1999; and,
- (c) survivor benefits to be paid to the same-sex partner of a plan member who dies on or after September 14, 1999.

The September 14, 1999 amendments also provide for the costs of administration of the plans incurred after April 1, 2000 to be charged directly to these plans.

Beginning on April 1, 2000, new contributions made to these three pension plans both by public service employees and by the Government as the employer will be credited to newly created Pension Funds. From there, these contributions will be invested in financial markets by a Pension Investment Board (PIB). The new legislation also allows funds held in the existing Superannuation Accounts to be potentially transferred in the future to the PIB to be invested in financial markets as well. The PIB will operate independently of the Government and plan members but is required by the *Public Sector Pension Investment Board Act* to invest contributions prudently, in the best interests of plan members. It will also be required to report the results of its investments to Parliament and to the ministers responsible for those three pension plans.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include retirement compensation arrangements established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

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 9.3 percent for 2000 and 9.6 percent for 1999.

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:

	2000	1999
Members of Parliament		
House of Commons		
Retiring allowances account	3.22	2.51
Retiring compensation arrangements	6.72	5.94
The Senate		
Retirement allowances account	1.88	1.61
Retirement compensation arrangements	2.68	2.80

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

Pension plan for federally appointed judges

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$51 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, 1999;
- Canadian Forces—March 31, 1997;
- Royal Canadian Mounted Police—March 31, 1999;
- Federally appointed judges—March 31, 1998;
- Members of Parliament—March 31, 1998.

As at March 31, 2000, the actuarial valuation report for the Public Service and the Royal Canadian Mounted Police pension plans were 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 credited to the appropriate account in equal instalments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no credits were required to the accounts as a result of actuarial deficits.

As a result of amendments made in September 1999, a comparable provision gives authority to deal with surpluses in the Superannuation Accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the new Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund.

Table 6.13 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division 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 pension accounts.

TABLE 6.13
PUBLIC SECTOR PENSIONS

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.15	80,274,543,680	9,846,779,056	3,626,591,712	86,494,731,024
Allowance for pension adjustments	(6,126,000,000)	585,000,000	2,461,000,000	(8,002,000,000)
	<i>74,148,543,680</i>	<i>10,431,779,056</i>	<i>6,087,591,712</i>	<i>78,492,731,024</i>
Canadian Forces Superannuation Account,				
Table 6.16	45,322,358,814	4,878,613,489	1,790,786,988	48,410,185,315
Allowance for pension adjustments	(7,853,000,000)	182,000,000	2,341,000,000	(10,012,000,000)
	<i>37,469,358,814</i>	<i>5,060,613,489</i>	<i>4,131,786,988</i>	<i>38,398,185,315</i>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.17	9,852,605,444	1,125,285,602	265,554,553	10,712,336,493
Allowance for pension adjustments	(1,281,000,000)	55,000,000	398,000,000	(1,624,000,000)
	<i>8,571,605,444</i>	<i>1,180,285,602</i>	<i>663,554,553</i>	<i>9,088,336,493</i>
Members of Parliament Retiring Allowances Account,				
Table 6.18	286,003,360	33,137,571	15,991,549	303,149,382
Allowance for pension adjustments	(3,000,000)		33,000,000	(36,000,000)
	<i>283,003,360</i>	<i>33,137,571</i>	<i>48,991,549</i>	<i>267,149,382</i>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.19	39,667,056	13,104,537	7,272,907	45,498,686
Allowance for pension adjustments	(6,000,000)		1,000,000	(7,000,000)
	<i>33,667,056</i>	<i>13,104,537</i>	<i>8,272,907</i>	<i>38,498,686</i>
Retirement Compensation Arrangements				
(RCA) Account, Table 6.20	781,554,486	387,693,354	103,105,035	1,066,142,805
Allowance for pension adjustments	338,000,000	35,000,000	259,000,000	114,000,000
	<i>1,119,554,486</i>	<i>422,693,354</i>	<i>362,105,035</i>	<i>1,180,142,805</i>
Supplementary Retirement Benefits Account,				
Table 6.21	70,722,951	6,994,952	39,309	77,678,594
Allowance for pension adjustments	711,000,000	92,000,000		803,000,000
	<i>781,722,951</i>	<i>98,994,952</i>	<i>39,309</i>	<i>880,678,594</i>
Total	122,407,455,791	17,240,608,561	11,302,342,053	128,345,722,299
SUMMARY—				
Superannuation accounts	136,627,455,791	16,291,608,561	5,809,342,053	147,109,722,299
Allowance for pension adjustments	(14,220,000,000)	949,000,000	5,493,000,000	(18,764,000,000)
Total	122,407,455,791	17,240,608,561	11,302,342,053	128,345,722,299

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 a provision of \$2,611 million (\$2,692 million in 1999).

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

	1999-2000								
	Statutory payments under			Pension Plan amendment costs	Amortization of estimation adjustments	Net pension costs	Net interest charged to public debt charges	Total	1998-99
	Government contributions	Various acts	Supplementary Retirement Benefits Act						
Public Service Superannuation Account	1,590			585	(1,217)	958	6,160	7,118	6,727
Canadian Forces Superannuation Account	562			182	(1,117)	(373)	2,943	2,570	2,475
Defence Services Pension Continuation Act		3	12			15		15	16
Royal Canadian Mounted Police Superannuation Account	159			55	(166)	48	681	729	704
Royal Canadian Mounted Police Continuation Act		7	18			25		25	27
Members of Parliament Retiring Allowances Account	3				(25)	(22)	21	(1)	8
Members of Parliament Retirement Compensation Arrangements Account	7					7	3	10	9
Retirement Compensation Arrangements (RCA) Account	293				17	310	85	395	223
Supplementary Retirement Benefits Account	2				7	9	89	98	114
Judges Act		50				50		50	46
Other (diplomatic services, lieutenant governors, etc.)...		1				1		1	1
Subtotal	2,616	61	30	822	(2,501)	1,028	9,982	11,010	10,350
Less: costs already recorded in the allowance for pension adjustments of previous year	(254)					(254)		(254)	(241)
Total	2,362	61	30	822	(2,501)	774	9,982	10,756	10,109

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 1999-2000 or 1998-99.

TABLE 6.15
PUBLIC SERVICE SUPERANNUATION ACCOUNT

	1999-2000	1998-99
	\$	\$
Opening balance	80,274,543,680	74,808,721,953
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	498,122,268	491,570,441
Retired employees	48,961,431	51,516,681
Public Service corporation employees	147,830,169	149,195,226
Employer contributions—		
Government	1,589,869,968	1,339,433,597
Public Service corporations	146,991,831	152,035,537
Transfers from other pension funds	11,107,218	12,551,787
Interest	7,403,896,171	7,131,086,014
	9,846,779,056	9,327,389,283
	90,121,322,736	84,136,111,236
PAYMENTS AND OTHER CHARGES—		
Annuities	3,207,842,025	3,171,053,453
Cash termination allowances		65,604
Minimum benefits	14,475,579	12,761,035
Pension division payments	31,635,312	32,056,707
Pension—Transfer value payments	237,370,841	550,202,193
Returns of contributions—		
Government employees	6,727,077	16,929,470
Public Service corporation employees	2,194,330	7,740,595
Transfers to other pension funds	126,346,548	70,758,499
	3,626,591,712	3,861,567,556
Closing balance	86,494,731,024	80,274,543,680

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 1999-2000 or 1998-99.

TABLE 6.16
CANADIAN FORCES SUPERANNUATION ACCOUNT

	1999-2000	1998-99
	\$	\$
Opening balance	45,322,358,814	42,486,678,488
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	144,248,295	136,672,152
Contributions by the Government	562,353,766	396,037,389
Interest	4,167,307,018	4,049,739,362
Other	4,704,410	5,120,323
	4,878,613,489	4,587,569,226
	50,200,972,303	47,074,247,714
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,731,006,900	1,725,029,690
Pension division payments	37,380,352	23,089,941
Cash termination allowances and returns of contributions	21,447,037	3,512,551
Transfers to Public Service Superannuation Account	952,699	256,718
	1,790,786,988	1,751,888,900
Closing balance	48,410,185,315	45,322,358,814

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 1999-2000 or 1998-99.

TABLE 6.17

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1999-2000	1998-99
	\$	\$
Opening balance	9,852,605,444	9,032,032,313
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	53,604,997	52,904,532
Transfers from other pension funds	471,041	167,832
Contributions by the Government	158,509,566	140,495,680
Interest	912,699,998	866,721,292
	1,125,285,602	1,060,289,336
	10,977,891,046	10,092,321,649
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	253,708,342	225,712,499
Pension division payments	9,563,471	11,522,576
Return of contributions	1,869,034	1,826,251
Cash termination allowance and gratuities	5,714	24,567
Transfers to other pension funds	66,006	265,616
Interest on returns of contributions	341,986	364,696
	265,554,553	239,716,205
Closing balance	10,712,336,493	9,852,605,444

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

	1999-2000	1998-99
	\$	\$
Opening balance	286,003,360	270,924,617
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	978,229	971,713
Arrears of principal, interest and mortality insurance	76,697	110,231
Government contributions—		
Current	2,673,500	2,261,589
Interest	29,409,145	27,620,578
	33,137,571	30,964,111
	319,140,931	301,888,728
PAYMENTS AND OTHER CHARGES—		
Annual allowances	15,311,534	15,211,454
Withdrawal allowances	147,881	15,897
Interest on withdrawals	1,795	1,116
Pension division payments	530,339	656,901
	15,991,549	15,885,368
Closing balance	303,149,382	286,003,360

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

	1999-2000	1998-99
	\$	\$
Opening balance	39,667,056	33,919,541
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	1,248,721	1,353,367
Government contributions—		
Current	7,397,670	6,816,386
Interest	4,458,146	3,769,294
	13,104,537	11,939,047
	52,771,593	45,858,588
PAYMENTS AND OTHER CHARGES—		
Annual allowances	1,017,774	976,109
Refundable tax remitted to Canada		
Customs and Revenue Agency	5,790,772	5,101,490
Withdrawals	81,963	76,253
Pension division payments	382,398	37,680
	7,272,907	6,191,532
Closing balance	45,498,686	39,667,056

Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were declared surplus as part of a 3 year Government's downsizing initiative ended on March 31, 1998 and who were between age 50 and 54. It pays the difference between a pension unreduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

TABLE 6.20

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	1999-2000	1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000	1998-99
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening 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
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government employees	2,958,526	2,721,303	654,996	197,166	59,618	52,526			3,673,140	2,970,995
Public Service corporation employees	1,689,695	994,943							1,689,695	994,943
Employer contributions—										
Government	28,288,307	29,872,255	9,252,859	2,294,089	711,039	789,464	254,402,208	241,437,024	292,654,413	274,392,832
Public Service corporations	16,666,498	12,193,086							16,666,498	12,193,086
Refundable tax							1,010,953		1,010,953	
Interest	8,403,386	6,107,386	557,099	140,675	104,489	70,481	62,933,681	70,875,311	71,998,655	77,193,853
	58,006,412	51,888,973	10,464,954	2,631,930	875,146	912,471	318,346,842	312,312,335	387,693,354	367,745,709
	131,401,520	99,299,132	14,373,604	7,846,364	1,730,619	1,285,356	1,021,742,097	938,529,100	1,169,247,840	1,046,959,952
PAYMENTS AND OTHER CHARGES—										
Annuities	548,733	352,222	299,487	235,126	2,593	1,773	69,523,014	67,808,864	70,373,827	68,397,985
Pension division	507,055	883,363	3,298	29,702					510,353	913,065
Returns of contributions—										
Government	1,936	3,213							1,936	3,213
Public Service corporation employees	16,167	57,389							16,167	57,389
Refundable tax	27,638,297	24,607,837	4,172,236	3,672,886	392,219	428,110		167,324,981	32,202,752	196,033,814
	28,712,188	25,904,024	4,475,021	3,937,714	394,812	429,883	69,523,014	235,133,845	103,105,035	265,405,466
Closing balance	102,689,332	73,395,108	9,898,583	3,908,650	1,335,807	855,473	952,219,083	703,395,255	1,066,142,805	781,554,486

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	
	1999-2000	1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000	1998-99
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	9,169,170	9,169,170	99,838	95,074	61,453,943	54,595,122	70,722,951	63,859,366
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government					1,727,268	1,703,343	1,727,268	1,703,343
Matching contributions—								
Government					1,721,474	1,703,759	1,721,474	1,703,759
Interest			5,578	4,764	3,540,632	3,497,143	3,546,210	3,501,907
			5,578	4,764	6,989,374	6,904,245	6,994,952	6,909,009
	9,169,170	9,169,170	105,416	99,838	68,443,317	61,499,367	77,717,903	70,768,375
PAYMENTS AND OTHER CHARGES—								
Annuities					39,309	45,424	39,309	45,424
Closing balance	9,169,170	9,169,170	105,416	99,838	68,404,008	61,453,943	77,678,594	70,722,951

⁽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 \$2,501 million (\$2,341 million in 1999) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. An amount of \$254 million (\$241 million in 1999) was recorded in this account to offset pension costs charged to expenditures in previous years but recorded in the superannuation accounts in 2000. To adjust the pension liabilities related to public sector restructuring, \$222 million was recorded to this account and credited to pension expenditures in 1999. An amount of \$822 million was credited to this account and charged to expenditures to reflect pension plan amendments made during the year (\$1,195 million in 1999). As well, an amount of \$2,611 million (\$2,692 million in 1999) 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 \$11,232 million (\$12,743 million in 1999) 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 Canada Customs and Revenue Agency and for the members' contributions receivable for prior services elections was found to be \$31,251 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$14,826 million related to the Public Service pension plan;
- an excess of \$14,819 million related to the Canadian Forces pension plan;
- an excess of \$2,748 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$67 million related to the Members of Parliament retiring allowances;
- a shortfall of \$937 million related to the federally appointed judges pension plan; and,
- a shortfall of \$272 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.

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

As administrator, the Government's authority to spend is limited to the Plan's net assets of \$41,261 million (\$39,100 million in 1999).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Fund (the Fund) and the Canada Pension Plan Investment Board (the Board). The Fund was established in the accounts of Canada to record the investment in bonds of provinces, territories and Canada. The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Table 6.22 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

TABLE 6.22
DUE TO CANADA PENSION PLAN

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements	39,100,000,000			41,261,000,000
Less: Receivables, net of liabilities and other accrual accounting adjustments	2,209,093,727			2,353,201,416
Accumulated net income from Canada Pension Plan Investment Board's operations	202,362			460,000,000
Canada Pension Plan Account	36,890,703,911	20,687,739,027	19,130,644,354	38,447,798,584
Less: Securities held by the Canada Pension Plan Investment Fund —				
Canada	3,444,217,000	17,709,000		3,426,508,000
Newfoundland	638,444,000	40,070,000	35,282,000	633,656,000
Nova Scotia	1,173,077,000	73,922,000	73,922,000	1,173,077,000
Prince Edward Island	141,466,000	8,329,000	7,332,000	140,469,000
New Brunswick	842,068,000	53,789,000	46,892,000	835,171,000
Quebec ⁽¹⁾	96,650,000	7,064,000	6,227,000	95,813,000
Ontario	13,235,165,000	987,943,000	869,889,000	13,117,111,000
Manitoba	1,598,602,000	106,810,000	14,639,000	1,506,431,000
Saskatchewan	1,376,842,000	82,345,000	46,335,000	1,340,832,000
Alberta	3,995,457,000	219,206,000		3,776,251,000
British Columbia	4,287,747,000	282,563,000	244,608,000	4,249,792,000
Yukon Territory	3,726,000			3,726,000
	30,833,461,000	1,879,750,000	1,345,126,000	30,298,837,000
Transfers to Canada Pension Plan Investment Board	11,942,000		1,919,513,000	1,931,455,000
Canada short-term investment	618,550,000	4,436,450,000	3,817,900,000	
	31,463,953,000	6,316,200,000	7,082,539,000	32,230,292,000
Deposit with the Receiver General for Canada ⁽²⁾	5,426,750,911	27,003,939,027	26,213,183,354	6,217,506,584

⁽¹⁾ The Quebec Bonds which are purchased by the Plan relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec but contribute to the Plan.

⁽²⁾ The amounts differ from the amounts in the Plan's financial statements due to a reclassification in presentation done during the year in the Plan's financial statements.

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 7.0 percent and 7.8 percent of pensionable earnings for the 1999 and 2000 calendar years, subject to maximum combined contributions of \$2,373 and \$2,660 respectively;
- (b) income from investments in bonds held by the Fund, from short-term investments in Canada bonds, and from the average daily operating balance deposited with the Receiver General for Canada, and;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to 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 bonds of provincial and territorial governments;
- (f) funds invested during the year in short-term investments in Canada bonds; and,
- (g) funds transferred to the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *Seventeenth Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any transfer needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2000, over 97,262 annuitants held 106,429 active contracts, each annuitant receiving an average payment of \$657.00. During the year, 1,202 deferred annuities came into payment and another 335 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2000, there were 7,707 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 1999-2000 fiscal year, 6,437 annuities were terminated or adjusted as a result of annuitant deaths: 4,134 group certificates and 2,303 individual contracts. The average age at death for males was 82.0 while the female age at death averaged 86.9. Eighty-four annuitants reached age 100 for a total of 144 centenarians as of March 31, 2000. The two oldest annuitants, females, are 109 years old.

Total income amounted to \$38.4 million, \$38.2 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$149,669. Total disbursements of \$72.3 million originated mainly from the \$71.4 million in payments made under matured annuities. An amount of \$425,709 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$555,048 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$588.8 million was reduced due to a surplus as at April 1, 1999 of \$73.0 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$33.9 million during 1999-2000. Since the actuarial reserves required as of March 31, 2000 were only \$546.1 million, a surplus of \$5.8 million was also transferred to the Consolidated Revenue Fund.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of the Confederation Bridge. Payments of the annual subsidy began on May 31, 1997 and will continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

On April 1, 1999, the third payment of the annual subsidy was made in the amount of \$45.8 million. This payment represents payment of principal in the amount of \$13.8 million and interest expense of \$32 million. The interest rate is 4.009 percent and the present value of the annual cash payment is \$45.8 million.

As a result, the Government of Canada has a recorded liability of \$786 million offset by deferred subsidies of \$756 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The bonds will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 1999-2000 of \$23.5 million.

Pilot Training Program—MILIT-AIR Inc.

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

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$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 ac-

counts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.23 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.23
DEPOSIT AND TRUST ACCOUNTS

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission account	(7,710,837)	297,548,248	284,280,020	5,557,391
Guarantee deposits—Board of Arbitration and Review Tribunal	809			809
	(7,710,028)	297,548,248	284,280,020	5,558,200
Canada Customs and Revenue Agency ⁽¹⁾ —				
Guarantee deposits	11,398,021	2,178,383	1,398,695	12,177,709
Less: securities held in trust	1,385,800	88,000	25,000	1,322,800
	10,012,221	2,266,383	1,423,695	10,854,909
Temporary deposits received from importers	744,626		44,791	699,835
Less: deposits in special bank accounts	744,626	44,791		699,835
	10,012,221	2,311,174	1,468,486	10,854,909
Citizenship and Immigration—				
General security deposits	246,916	168,231		415,147
Immigration guarantee fund	17,773,355	8,954,911	8,105,894	18,622,372
	18,020,271	9,123,142	8,105,894	19,037,519
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization	86,000,000		4,000,000	82,000,000
Crown corporations' surplus moneys—				
St Lawrence Seaway Authority, The	8,000,000			8,000,000
Petro-Canada Limited—Cash reserve	3,102,694	163,755	23,161	3,243,288
	97,102,694	163,755	4,023,161	93,243,288
Human Resources Development—				
Canada Labour Code—Other	33,985	510,375	437,218	107,142
Canada Labour Code—Wage Recovery Appeals	(988,476)	1,910,426	521,827	400,123
	(954,491)	2,420,801	959,045	507,265
Indian Affairs and Northern Development—				
Agent administered Indian minors account	991,660	87,695	184,715	894,640
Less: securities held in Peace Hills Trust	991,660	184,715	87,695	894,640
		272,410	272,410	
Field British Columbia and Yukon Operations of the Northern Canada Power Commission	992,588			992,588
Guarantee deposits	19,422,313	5,517,293	5,458,719	19,480,887
Less: securities held in trust	14,643,545	2,081,558	3,927,792	16,489,779
	4,778,768	7,598,851	9,386,511	2,991,108
Guarantee deposits—Oil and gas	13,520,724	92,732,008	49,780,178	56,472,554
Less: securities held in trust	12,084,899	3,854,582	46,507,407	54,737,724
	1,435,825	96,586,590	96,287,585	1,734,830
Guarantee deposits—Reserve resources	775,979	926,034	133,762	1,568,251
Less: securities held in trust			324,000	324,000
	775,979	926,034	457,762	1,244,251
	7,983,160	105,383,885	106,404,268	6,962,777
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act	15,000	4,000		19,000

TABLE 6.23

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Justice—				
Supreme Court of Canada—				
Security for costs	374,913	25,732	4,862	395,783
Tax Court of Canada—				
Security for costs	5,988	261		6,249
	380,901	25,993	4,862	402,032
Natural Resources—				
Guarantee deposits—Oil and gas	156,291,153	222,900,344	13,020,084	366,171,413
Less: securities held in trust	153,726,078		211,993,321	365,719,399
	2,565,075	222,900,344	225,013,405	452,014
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits —Election and referendum	11,000	25,500	10,000	26,500
Public Works and Government Services—				
Contractors' security deposits (departments and agencies)—				
Bonds	5,316,266	2,052,148	4,911,969	2,456,445
Less: securities held in trust	5,339,952	5,716,790	2,833,283	2,456,445
	(23,686)	7,768,938	7,745,252	
Cash	13,246,905	9,575,944	12,996,292	9,826,557
Certified cheques	467,658	2,356	389,435	80,579
Less: securities held in trust	445,478	5,000		440,478
	22,180	7,356	389,435	(359,899)
Seized property—Cash	12,351,823		4,267,945	8,083,878
	25,597,222	17,352,238	25,398,924	17,550,536
Total deposit accounts	153,023,025	657,259,080	655,668,065	154,614,040
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account	149,994		56,766	93,228
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.24	742,080,249	152,068,631	86,019,174	808,129,706
Revenue accounts, Table 6.25	133,008,792	90,852,992	84,304,763	139,557,021
	875,089,041	242,921,623	170,323,937	947,686,727
Indian estate accounts	8,544,621	4,960,365	4,226,261	9,278,725
Indian savings accounts	102,643,473	8,301,439	26,700,916	84,243,996
	986,277,135	256,183,427	201,251,114	1,041,209,448
National Defence—				
Estates—Armed services	(889,477)	2,325,577	879,952	556,148
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards	33,249	1,399	2,000	32,648
Correctional Service—				
Inmates' trust fund	8,171,079	29,178,818	28,744,922	8,604,975
Royal Canadian Mounted Police—				
Benefit trust fund	2,237,409	194,817	312,015	2,120,211
	10,441,737	29,375,034	29,058,937	10,757,834
Veterans Affairs—				
Administered accounts	6,709,586	1,541,216	4,363,886	3,886,916
Estates fund	618,292	2,302,846	412,467	2,508,671
Veterans administration and welfare trust fund	723,903	165,723	160,282	729,344
	8,051,781	4,009,785	4,936,635	7,124,931
Total trust accounts	1,004,031,170	291,893,823	236,183,404	1,059,741,589
Total deposit and trust accounts	1,157,054,195	949,152,903	891,851,469	1,214,355,629

(1) Formerly National Revenue.

Canadian Dairy Commission account

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

Guarantee deposits—Board of Arbitration and Review Tribunal

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

Guarantee deposits—Canada Customs and Revenue Agency

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with subsection 92(1) of the *Immigration Act*.

Immigration guarantee fund

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

Holdback—Privatization—Canada Development Investment Corporation

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

Crown corporations' surplus moneys

These accounts were established pursuant to subsection 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the

Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Petro-Canada Limited—Cash reserve

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

Canada Labour Code—Other

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

Canada Labour Code—Wage Recovery Appeals

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

Agent administered Indian minors account

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

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

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

Guarantee deposits—Indian Affairs and Northern Development

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

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

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

Guarantee deposits—Reserve resources

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

Trustee Performance Securities—Bankruptcy and Insolvency Act

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

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by 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—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

Halifax 1917 explosion pension account

This account was established by subsection 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

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

TABLE 6.24

INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	1999-2000	1998-99
	\$	\$
Opening balance	742,080,249	803,323,172
RECEIPTS AND OTHER CREDITS—		
Oil royalties	21,272,617	12,625,063
Gas royalties	99,060,439	70,654,199
Land and other claim settlements	13,600,701	500,000
Sundries	18,134,874	11,616,851
	152,068,631	95,396,113
	894,148,880	898,719,285
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	6,320,300	4,890,138
Transfer pursuant to section 64 of the Indian Act	79,087,656	147,848,453
Sundries	611,218	3,900,445
	86,019,174	156,639,036
Closing balance	808,129,706	742,080,249

TABLE 6.25

INDIAN BAND FUNDS—REVENUE ACCOUNTS

	1999-2000	1998-99
	\$	\$
Opening balance.....	133,008,792	118,006,960
RECEIPTS AND OTHER CREDITS—		
Government interest.....	51,150,942	47,763,446
Land and other claim settlements.....	16,242,819	16,116,620
Sundries.....	23,459,231	22,756,197
	90,852,992	86,636,263
	223,861,784	204,643,223
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	3,502,193	11,923,324
Transfer pursuant to section 69 of the Indian Act.....	79,137,225	52,550,467
Sundries.....	1,665,345	7,160,640
	84,304,763	71,634,431
Closing balance.....	139,557,021	133,008,792

Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.26
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation	40,674,313		40,586,166	88,147
Human Resources Development—				
Civil service insurance fund	8,672,348	243,822	575,907	8,340,263
National Defence—				
Regular forces death benefit account,				
Table 6.27	181,679,642	30,518,163	27,003,852	185,193,953
Treasury Board—				
Public Service death benefit account,				
Table 6.28	1,592,985,892	217,700,664	103,675,964	1,707,010,592
Veterans Affairs—				
Returned soldiers' insurance fund	131,102		20,726	110,376
Veterans insurance fund	13,020,906	295,441	971,879	12,344,468
	13,152,008	295,441	992,605	12,454,844
Total insurance and death benefit accounts	1,837,164,203	248,758,090	172,834,494	1,913,087,799
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account	24,727		6,643	18,084
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund	29,690,878	2,702,113	2,012,176	30,380,815
Treasury Board—				
Locally engaged contributory pension				
account		146,649	146,649	
Total pension accounts	29,715,605	2,848,762	2,165,468	30,398,899
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification	275,527		52,052	223,475
Commodity Industry Development Fund—Province	2,331,908	119,445	1,131,262	1,320,091
Net Income Stabilization Account	1,421,423,350	608,539,072	483,792,362	1,546,170,060
Shared-cost agreements—Research	20,475,849	20,443,187	17,166,274	23,752,762
Canadian Food Inspection Agency—				
Shared-cost agreements	1,015,090	940,042	835,836	1,119,296
	1,445,521,724	630,041,746	502,977,786	1,572,585,684
Canada Customs and Revenue Agency ⁽¹⁾ —				
Deposits/Disbursements—Worker's				
Compensation Board		29,745,778	22,254,120	7,491,658

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Canadian Heritage—				
Miscellaneous projects deposits	1,771,255	297,737		2,068,992
Shared-cost agreements—Conferences and training		11,339	11,339	
Shared-cost/joint project agreements	18,000	35,000	25,013	27,987
Canadian Film Development Corporation—				
Advance account	19,926,062	26,094,162	21,000,791	25,019,433
Parks Canada Agency—				
Mackenzie King trust account	281,277	2,925		284,202
	21,996,594	26,441,163	21,037,143	27,400,614
Environment—				
Miscellaneous projects deposits	3,315,178	4,188,923	3,898,648	3,605,453
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	1,090,741	525,584	651,685	964,640
Miscellaneous projects deposits	7,691,800	23,833,547	23,761,193	7,764,154
Sales of seized assets	657,567	753,709	742,640	668,636
St-Lawrence Seaway Dredging		1,112,267		1,112,267
	9,440,108	26,225,107	25,155,518	10,509,697
Foreign Affairs and International Trade—				
Canada Foundation account	339,596		18,164	321,432
Less: securities held in trust	336,014	23,788		312,226
deposits in a special bank account	3,582		5,624	9,206
		23,788	23,788	
Financial assistance to Canadians abroad	66,069		10,038	56,031
Funds from non-governmental organizations	924,332	10,700,788		11,625,120
Shared-cost projects	827,380	629,904		1,457,284
Canadian International Development Agency—				
Shared-cost projects—International conferences	29,162			29,162
International Joint Commission—				
Shared-cost agreements		200,000	200,000	
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements	9,155			9,155
	1,856,098	11,554,480	233,826	13,176,752
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities	50,000			50,000
Collaborative research projects	355,650	1,070,999	519,037	907,612
Miscellaneous federal/provincial projects	884,006	6,365,039	5,321,890	1,927,155
Pan American Health Organization	(15,951)	46,511	19,190	11,370
World Health Organization	113,147	17,804	29,316	101,635
Medical Research Council—				
Dyskinesia and torticollis research	81,102	3,504		84,606
	1,467,954	7,503,857	5,889,433	3,082,378
Human Resources Development—				
Fair wages suspense account	4,204	1,770		5,974
Federal/provincial shared-cost project	177,271	15,012,168	14,933,273	256,166
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)	1,577,526	166,893	14,823	1,729,596
Labour standards suspense account	2,676,194		1,342,051	1,334,143

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
Canadian Centre for Occupational Health and Safety— PanAsia Research and Development Grants Program	230,274 4,665,469	484,727 15,665,558	189,928 16,480,075	525,073 3,850,952
Indian Affairs and Northern Development— Fines—Indian Act	375,062	9,731	5,968	378,825
Indian agencies revenue trust bank accounts	239,208	4,551,474	4,538,258	252,424
Less: deposits in special bank accounts	239,208	4,538,258 9,089,732	4,551,474 9,089,732	252,424
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	25,263,287	27,826,794	23,824,030	29,266,051
Indian special accounts	1,239,411	214,208	238,920	1,214,699
Treaty Land Entitlement (Saskatchewan) Fund	27,100,100	12,706,210 49,846,675	12,706,210 45,864,860	31,081,915
Industry— Canada/Provinces Business Service Centre		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act	46,427	2,362		48,789
Petro-Canada Enterprises Inc.—Unclaimed shares	706,962		9,010	697,952
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost agreements—Tourism	660,197	676,566	274,588	1,062,175
Shared-cost/joint project agreements—Research	71,064	283,560	242,436	112,188
Shared-cost projects	1,075,585	4,132,664	3,204,291	2,003,958
Unclaimed dividends and undistributed assets— Bankruptcy and Insolvency Act	2,400,055	2,420,939	1,042,675	3,778,319
Canada Business Corporations Act	1,204,915	3,301,092	3,220,081	1,285,926
Winding-up Act	529,659			529,659
Atlantic Canada Opportunities Agency— Federal/provincial agreement—Advance account	449,938	4,565,400	4,569,577	445,761
Canadian Space Agency— Radarsat	371,235		154,461	216,774
National Research Council of Canada— Trust fund	11,324,442	18,086,276	13,266,921	16,143,797
Natural Sciences and Engineering Research Council— Trust fund	1,284,834	573,560	472,732	1,385,662
Social Sciences and Humanities Research Council— Queen's Fellowship fund	261,052	11,335		272,387
Trust fund	240,320	40,190	30,000	250,510
Statistics Canada— Project deposits	4,046,944	54,137,190	54,514,676	3,669,458
Western Economic Diversification— Jobs and economic restoration initiative	222,900	1,169,285	418,531	973,654
Shared-cost agreements—Port of Churchill	3,000,000	3,000,000	2,284,147	3,715,853
	27,896,529	92,400,419	83,704,126	36,592,822
Justice— Federal Court of Canada— Federal Court special account	14,149,459	7,638,097	5,752,027	16,035,529
National Defence— Foreign governments— United Kingdom— British Army—Suffield, Alberta	15,512,979	68,604,523	71,106,364	13,011,138
Wainwright, Alberta	1,668,535	8,627,626	9,710,697	585,464
Other activities	2,660,831	15,925,086	12,829,649	5,756,268

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1999	Receipts and other credits	Payments and other charges	March 31/2000
	\$	\$	\$	\$
United States of America.....	75,439	141,358	141,422	75,375
Federal Republic of Germany—				
German Army—Shilo, Manitoba.....	7,869,194	21,962,112	24,210,284	5,621,022
Other activities.....	11,341,477	23,581,985	27,932,969	6,990,493
Netherlands.....	8,055,285	9,244,824	9,488,267	7,811,842
Joint research and development projects.....	402,357	230,842	633,199	
Non-government agencies.....	1,110,704	150,419,062	148,948,196	2,581,570
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects.....	6,658,491	638	9,382	6,649,747
	55,355,292	298,738,056	305,010,429	49,082,919
Natural Resources—				
Atomic Energy of Canada Limited regional seismic monitoring station.....		52,166	52,166	
Continental geoscience division—Ontario Hydro.....	7,152	45,000	14,637	37,515
Market development incentive payments—Alberta.....	7,361,513	69,972	451,059	6,980,426
Miscellaneous projects deposits.....	3,111,995	2,934,791	3,597,371	2,449,415
Shared-cost agreements—Research.....	1,617,988	2,045,408	2,240,242	1,423,154
Shared-cost projects.....	3,071,671	4,727,375	3,189,214	4,609,832
	15,170,319	9,874,712	9,544,689	15,500,342
Public Works and Government Services—				
Crown Corporation Trusts—Donations.....	65,100	362,200	333,000	94,300
Francophone Summits.....	153,998	25,725	155,925	23,798
Interest on bonds—Insurance companies.....		53,462	53,462	
Military purchases excess funds deposit.....	61,848,544		61,848,544	
Less: securities held in trust.....	61,848,544	61,848,544	61,848,544	
	219,098	62,289,931	62,390,931	118,098
Solicitor General—				
Joint research and development projects.....	195,038	1,797,806	1,476,111	516,733
Royal Canadian Mounted Police—				
Joint research and development projects.....	506,480	868,102	654,530	720,052
Mounted Police Foundation.....	142,692	26,999	162,518	7,173
Seized assets—Canadian funds.....	138,942	42,742	175,667	6,017
Sponsorship Agreement—Contributions.....	249,635	1,142,828	979,349	413,114
	1,232,787	3,878,477	3,448,175	1,663,089
Treasury Board—				
Credit card—Special project fund.....		1,000,000		1,000,000
Egypt-Canada Memorandum of Cooperation.....	7,375		7,375	
	7,375	1,000,000	7,375	1,000,000
Total.....	1,632,255,111	1,277,032,979	1,113,649,161	1,795,638,929
Less: consolidation adjustment ⁽²⁾	19,926,000		5,093,433	25,019,433
Total other accounts.....	1,612,329,111	1,277,032,979	1,118,742,594	1,770,619,496
Total other specified purpose accounts.....	3,479,208,919	1,528,639,831	1,293,742,556	3,714,106,194

⁽¹⁾ Formerly National Revenue.⁽²⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Insurance company liquidation

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

Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service for the payment of certain death benefits. No new contracts have been entered into since 1954 when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1997, the Department of Human Resources Development assumed the responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2000 were 2,106 and the average age of the policy holders is 82.2 years. During the fiscal year 1999-2000, receipts and other credits consisted of premiums of \$5,530 and, an amount of \$238,292 (charged to expenditures) which was transferred from the Consolidated Revenue Fund in order to balance the assets and actuarial liabilities of the program as of March 31, 1999. Payments and other charges consisted of death benefits for 106 claims, \$555,566 settlement annuities paid to 43 beneficiaries, \$20,289; and, premiums refund, \$52.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefit provided under the Act are estimated at \$8,537,559 as of March 31, 2000. The assets as of March 31, 2000 are \$8,340,263. The deficit as of March 31, 2000 is therefore at \$197,296. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, this amount will be credited to the Account in the fiscal year 2000-2001 from the Consolidated Revenue Fund.

Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.27
REGULAR FORCES DEATH BENEFIT ACCOUNT

	1999-2000	1998-99
	\$	\$
Opening balance	181,679,642	177,761,423
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	11,148,727	10,456,551
Government's contribution	2,286,714	2,125,788
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution	629,863	646,350
Interest	16,452,859	16,711,719
	30,518,163	29,940,408
	212,197,805	207,701,831
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act	27,003,852	26,022,189
Closing balance	185,193,953	181,679,642

Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$10,000 (\$5,000 before September 14, 1999) paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$10,000 (\$5,000 before September 14, 1999) death benefit coverage for life has been made.

TABLE 6.28

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1999-2000	1998-99
	\$	\$
Opening balance.....	1,592,985,892	1,459,046,155
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	60,457,608	62,563,036
Government—		
General	6,088,700	4,503,393
Single premium for \$10,000 ⁽¹⁾	1,297,204	1,334,835
Public Service corporations	2,514,655	2,451,902
Interest.....	147,342,497	140,148,783
	217,700,664	211,001,949
	1,810,686,556	1,670,048,104
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	72,684,111	54,040,721
Life coverage for \$10,000 ⁽¹⁾	30,611,571	20,673,916
Other death benefit payments	380,282	2,347,575
	103,675,964	77,062,212
Closing balance	1,707,010,592	1,592,985,892

⁽¹⁾ Increased from \$5,000 to \$10,000 effective September 14, 1999.

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, 1999 of \$935 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, 1999 of \$258,679 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

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

Dependants' pension fund

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

Locally engaged contributory pension account

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

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

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

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

Commodity Industry Development Fund—Province

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

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into an account held at a participating financial institution, and receive matching contributions from the federal and provincial governments.

For the fiscal year ending March 31, 2000, participant deposits pertained in most part, to the 1998 stabilization year (the period for which a participant filed a 1998 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 1998 stabilization year, the Agreement allowed for base matchable deposits of up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province.

Participants are entitled to make additional non-matchable deposits, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to 5 years).

The account records the following transactions relating to the Consolidated Revenue Fund:

- (a) Government matching contributions on participant matchable deposits, for the 1998 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger).

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

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

Shared-cost agreements—Canadian Food Inspection Agency

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

Deposits/Disbursements—Worker's Compensation Board

This account was established under the authority of the *Canada Customs and Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Customs and Revenue Agency to record and forward on weekly basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

Miscellaneous projects deposits—Canadian Heritage

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

Shared-cost 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.

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—Environment

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

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

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

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

St-Lawrence Seaway Dredging

This account was established to record monies received for the maintenance dredging services tonnage fees. Monies so received are used to pay for the dredging of the St-Lawrence Ship Channel between Montreal and Cap Gribane.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record monies received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

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

Funds from non-governmental organizations

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

Shared-cost projects—Foreign Affairs and International Trade

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

Shared-cost projects—International conferences

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

Shared-cost agreements—International Joint Commission

This account was established to record monies deposited by external parties in order to undertake a joint “City of Winnipeg Risk Analysis Study on Flooding of the Red River”.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development and administration of common information management systems.

Canadian Sports Pool Corporation—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

Collaborative research projects

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

Pan American Health Organization

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

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 Labour from employers who cannot locate employees. Efforts are then made to locate employees.

PanAsia Research and Development Grants Program

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

Fines—Indian Act

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

Indian agencies revenue trust bank accounts

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

Indian band funds—Shares and certificates

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

Indian compensation funds

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

Indian moneys suspense account

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

Indian special accounts

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

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

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Credit card—Special project fund

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

Egypt-Canada Memorandum of Cooperation

This account was established to facilitate funding of expenditures as outlined in the Egypt-Canada Memorandum of Cooperation.

During the year, the account was closed.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Canada Pension Plan have been prepared by management of Human Resources Development Canada in accordance with the accounting policies set out in Note 2 to the financial statements.

Management is responsible for the integrity and objectivity of the data in these financial statements, including the amounts which must, of necessity, be based on estimates and judgments. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

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

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the financial statements in accordance with generally accepted auditing standards and has reported to the Minister of Human Resources Development.

ALAN WINBERG
*Assistant Deputy Minister
Financial and Administrative Services*

JIM LAHEY
Associate Deputy Minister

July 19, 2000

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2000 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2000 and the changes in its net assets for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 19, 2000

Canada Pension Plan —Continued

CANADA PENSION PLAN

STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

	2000	1999 (Note 3)
Assets		
Investments		
CPP Investment Fund—At cost (Note 4)	30,299	30,833
CPP Investment Board net assets (Note 5)	2,392	12
Cash and cash equivalents		
Deposit with Receiver General for Canada	6,261	5,447
Short-term investments		619
Receivables		
Contributions	1,170	1,005
Accrued interest	1,172	1,211
Régime des rentes du Québec	6	6
Beneficiaries (Note 6)	46	53
	41,346	39,186
Liabilities		
Accounts payable	32	24
Accrued pensions and benefits	53	62
	85	86
Net assets	41,261	39,100
Net assets, represented by:		
Canada Pension Plan Investment Fund	30,299	30,833
Transfers to Canada Pension Plan Investment Board	1,932	12
Accumulated net income from Investment Board's operations	460	
Canada Pension Plan Account (Note 7)	6,261	6,066
Receivables, net of liabilities	2,309	2,189
Net assets	41,261	39,100

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

Approved by Human Resources Development Canada:

ALAN WINBERG

*Assistant Deputy Minister**Financial and Administrative Services*

JIM LAHEY

Associate Deputy Minister

Canada Pension Plan —Continued

CANADA PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31
(in millions of dollars)

	2000	1999 (Note 3)
Net assets, beginning of year	39,100	38,792
Increase in assets		
Contributions (Note 8)	17,037	14,924
Investment income (Note 9)	4,238	3,891
	21,275	18,815
Decrease in assets		
Pensions and benefits (Note 10)		
Retirement	12,902	12,379
Survivors	2,669	2,563
Disability	2,559	2,585
Disabled contributor's child	245	249
Death	222	225
Orphan	202	202
	18,799	18,203
Administration costs (Note 11)	315	304
	19,114	18,507
Increase in net assets	2,161	308
Net assets, end of year	41,261	39,100

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

Canada Pension Plan—Continued

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

1. Description of the Canada Pension Plan

(a) Description of the CPP

The Canada Pension Plan (CPP) is a federal/provincial plan established by an act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime des rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Minister of Human Resources Development is responsible for the administration of the *Canada Pension Plan* (the *CPP Act*); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, benefit levels and funding policy.

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 7). The CPP Investment Fund (note 4) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 5). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

As stated in the *CPP Act*, changes to this Act require the approval of at least two-thirds of the provinces having, in the aggregate, not less than two-thirds of the population of all included provinces.

(b) Financing

CPP is financed by contributions and investment returns.

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

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

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and has increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997, 1998 and 1999, the combined contribution rate was increased by 0.4 percent, 0.4 percent and 0.6 percent respectively. In 2000, it was increased by 0.8 percent to reach 7.8 percent. The maximum combined contribution for 2000 was \$2,660 (1999 - \$2,373).

The *CPP Act* provides that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The *Seventeenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* was tabled in the House of Commons in December 1998. Federal and provincial ministers of Finance concluded at the end of the Triennial Review process that the CPP's financial health is sound and that the 9.9 percent combined employee-employer contribution rate which will be reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

(c) Net assets of the Plan

The net assets of the Plan are composed of the deposit with the Receiver General for Canada, short term and long term investments in bonds and investments in capital markets managed by the CPP Investment Board. The net assets represent funds accumulated for the payment of pensions, benefits and administration costs. This amount does not cover the actuarial present value of accrued pensions and benefits. As at March 31, 2000, the net assets of the Plan are \$41.3 billion (1999 - \$39.1 billion). This amount represents 2.2 times the total of pensions and benefits for the year 1999-2000.

(d) Pensions and benefits

Retirement pensions—A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum monthly pension payable at age 65 in 2000 is \$762.92 (1999 - \$751.67).

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—Continued

Disability benefits—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum monthly disability benefit in 2000 is \$917.43 (1999 - \$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 2000 is \$457.75 (1999 - \$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 2000 is \$174.07 (1999 - \$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 either to 10 percent of the maximum pensionable earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2000 is \$2,500 (1999 - \$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 2000 is 1.6 percent (1999 - 0.9 percent).

2. Significant accounting policies

(a) Basis of presentation

These financial statements present the net assets and the changes in net assets of the Canada Pension Plan. They do not provide information on the actuarial estimates required to meet future obligations of the CPP. The *CPP Act* does not require that the pensions and benefits be pre-funded.

The financial statements are prepared in accordance with relevant acts and regulations. They have been prepared on the accrual basis of accounting and they include amount which must, of necessity, be based on management's best estimates and judgements.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

(b) Valuation of investments

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

CPP Investment Board's investments are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Market prices for securities and unit values for pooled and mutual funds are used to represent fair value for the investments.

Short-term investments are valued at cost.

(c) Contribution to the Plan include CPP contributions collected by the Canada Customs and Revenue Agency (CCRA) for the year, including receivables at year-end. Funds transferred by the CCRA are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year they are known.

(d) Investment income recognition

Interest income is recorded in the year in which it is earned.

CPP Investment Board's net income from operations represents the total of income from interest, realized and unrealized gains and losses, less investment and administrative expenses. Unrealized gains and losses on investments held at year-end represent the change in the difference between fair value and cost of investments at the beginning and end of each year.

(e) Pensions and benefits are recorded when payable and are presented net of pension and benefit overpayments established during the year.

(f) Administration costs are recorded in the year to which they relate.

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—Continued

3. Accounting changes

During the year, the Canada Pension Plan adopted the accrual basis of accounting for revenues and expenses, and prepared a complete set of financial statements including a statement of net assets and a statement of changes in net assets. These changes have been applied on a retroactive basis and the figures for 1999 have been restated.

The effect of the introduction of the accrual basis of accounting increased the net assets of the Plan as at March 31, 2000 by \$2.3 billion (1999 - \$2.2 billion). The result of changing the basis of accounting for the year ended March 31, 2000 increased revenue by \$126 million (1999 - \$89 million) and decreased expenses by \$23 million (1999 - increase of \$8 million) on the Statement of Changes in Net Assets.

4. Investments held by the CPP Investment fund

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada.

The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and has a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada

obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

Beginning in 1998, a maturing provincial or territorial bond may be re-invested in a new bond only once for a term of 20 years, if both the issuer asks to do so and the operating balance is sufficient to pay current pensions and benefits. Excess funds not re-invested are transferred to the CPP Investment Board.

The re-invested bonds remain not marketable and bear interest at a rate fixed by the Minister of Finance. The interest rate is substantially the same as that the province would pay if it were to borrow the same amount for the same term through the issuance of a bond on the public capital markets.

All disposals of bonds are made, at maturity date, at face value. Interest earned on the investments is paid semi-annually to the CPP Account. The bonds are redeemable in whole or in part before maturity only at the option of the federal Minister of Finance where he considers the redemption necessary to pay pensions, benefits and administration costs. The bonds are then redeemed at face value.

At March 31, 2000, the balance in the Investment Fund was \$30.3 billion at cost (1999 - \$30.8 billion). The estimated fair value of the balance in the Investment Fund, including accrued interest, is \$37.5 billion (1999 - \$40.9 billion). This estimate is calculated by discounting the bonds' contractual cash flows at rates currently available at year end or similar investments.

The following schedule provides information on the disposals, re-investments and balance of the Investment Fund.

BONDS, AT COST
(in millions of dollars)

	March 31, 1999	Disposals	Re-investments	March 31, 2000
Newfoundland	638	40	35	633
Prince Edward Island.....	141	8	7	140
Nova Scotia.....	1,173	74	74	1,173
New Brunswick	843	54	47	836
Quebec.....	97	7	6	96
Ontario.....	13,235	988	870	13,117
Manitoba.....	1,599	107	15	1,507
Saskatchewan	1,377	82	46	1,341
Alberta.....	3,995	219		3,776
British Columbia	4,287	282	245	4,250
Yukon Territory	4			4
Canada	3,444	18		3,426
	30,833	1,879	1,345	30,299

Canada Pension Plan —Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—Continued

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

	2000		1999	
	(in millions of dollars)			
	Investment at cost	Average yield	Investment at cost	Average yields
Investment maturing				
Within 1 year.....	1,973	12.66%	1,880	10.48%
1 to 5 years	9,534	13.79%	9,224	13.65%
Over 5 years	18,792	9.84%	19,729	10.50%
Total—Investments	30,299		30,833	
Weighted average yield on investments		11.27%		11.44%

5. Net assets of the CPP Investment Board

The Canada Pension Plan Investment Board was established by an act of Parliament in 1997. The *Canada Pension Plan Investment Board Act* came into force on April 1, 1998. The purpose of the Board is to invest the funds transferred by the CPP in a diversified portfolio of securities. The Board is designed to operate at arm's length from the government and it is required to be accountable to the public, the Minister of Finance and his provincial counterparts through regular reports.

The following schedule provides information on the Board's investments and net assets as at March 31.

(in millions of dollars)

	2000	1999
Canadian equities, at fair value		
Emerald Canadian Equity Funds	1,736	10
Canadian equity account	218	
Non Canadian equities, at fair value		
Barclays Global Investors Canada Limited		
US Equity Index Fund (Canada)	220	1
EAFE Equity Index Fund B	219	1
Other assets, net of liabilities	(1)	
Net assets	2,392	12

As at March 31, 2000, the Regulations under the *Canadian Pension Plan Investment Board Act* require the Board's Canadian equities to substantially replicate the composition of one or more broad market indexes. Investments in the Canadian equity account are physical securities which, when combined with the Emerald Canadian Equity Funds, substantially replicate the composition of the Toronto Stock Exchange 300 Composite Index.

Note 9 sets out the net income from operations of the Investment Board.

The CPP Investment Board audited financial statements for the year ended March 31, 2000 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio return.

6. Receivables from beneficiaries

(in millions of dollars)

	2000	1999
Balance of pensions and benefits		
overpayments	75	82
Less: allowance for doubtful accounts	29	29
	46	53

Human Resources Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$30 million (1999 - \$41 million) were established and remissions of debts totalling \$13 million (1999 - \$6 million) were granted. A further \$24 million was recovered (1999 - \$28 million).

7. Canada Pension Plan Account

The CPP Account was established in the accounts of Canada by the *CPP Act*, to record the contributions, interest, pensions, benefits and administration costs of the Plan. It also records the amounts transferred to or received from the CPP Investment Fund and the CPP Investment Board.

The balance of the CPP Account as at March 31 includes:

(in millions of dollars)

	2000	1999
Deposit with Receiver General for Canada ..	6,261	5,447
Short-term investments		619
	6,261	6,066

Canada Pension Plan—Concluded

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000—*Concluded***8. Contributions**

The Department of Finance estimates annual contributions based on a forecast of pensionable earnings. That forecast of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate those earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 1999, would result, in each case, in a change of \$162.5 million (1998 - \$142 million) in estimated contributions.

The Canada Customs and Revenue Agency (CCRA) transfers contributions to the CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year and on its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 1999 and 2000 will only be known once the CCRA has processed all employers' and self-employed workers' declarations of contributions for 1999 and 2000.

Adjustments, if any, are recorded in the year in which they are known. The reimbursements for 1998 and preceding years, paid in 1999-2000, amounted to \$138 million (1999 - reimbursement of \$5 million).

9. Investment income

(in millions of dollars)

	2000	1999
Interest on bonds held by the CPP Investment Fund.....	3,463	3,592
Interest on deposit with the Receiver General for Canada at a weighted-average rate of 4.56 percent (4.80 percent in 1999)	266	261
Interest on short term investment with Canada, at a weighted average rate of 4.71 percent (4.87 percent in 1999)	49	38
Investment Board net income from operations		
Realized gains (net)	89	
Interest income	15	
Unrealized gains (net)	359	
Less: Investment and administrative expense	(3)	
	460	
	4,238	3,891

10. Pensions and benefits mispayments

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made.

Human Resources Development Canada undertook a study of the extent and nature of pension and benefit mispayments based on the 1998 payment year. It estimated through statistical extrapolation, the most likely value of undetected mispayments to be \$31.3 million (1999 - \$55.6 million). This includes underpayments of \$24.4 million (1999 - \$36.6 million) and overpayments of \$6.9 million (1999 - \$19 million).

11. Administration costs

(in millions of dollars)

	2000	1999
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada)	242	211
Collection of contributions (Canada Customs and Revenue Agency)	58	76
Cheque issue and computer services (Public Works and Government Services Canada)	14	15
CPP Investment Board		1
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
	315	304

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.

12. Subsequent event

The 2000 Budget Implementation Bill received Royal Assent on June 29, 2000. It amends the *CPP Act* and permits provinces and territories to redeem their bonds held by the CPP Investment Fund prior to their maturity. The bonds could then be redeemed at current market value. This amendment to the *CPP Act* will come into force after receiving approval from the participating provinces.

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.

JIM LAHEY
Associate Deputy Minister

B. ST. MARTIN
*for Assistant Deputy Minister
Financial and Administrative Services*

July 14, 2000

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, 2000 and the statements of operations and actuarial liabilities and cash flows 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, 2000 and the results of its operations and its cash flows 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 14, 2000

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, 2000 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 14, 2000

BALANCE SHEET AS AT MARCH 31, 2000

(in thousands of dollars)

ASSETS	2000	1999	LIABILITIES	2000	1999
Deposit with Receiver General for Canada (Note 3)	513,503	544,848	Actuarial surplus due to Canada	5,822	
Accrued interest due from Canada	38,210	40,756	Actuarial liabilities (Note 4)	546,059	585,813
Accounts receivable	168	209			
	551,881	585,813		551,881	585,813

Contingency (Note 7)

See accompanying notes.

Approved by the Department:

JIM LAHEY
Associate Deputy Minister

B. ST. MARTIN
for Assistant Deputy Minister
Financial and Administrative Services

Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2000**

(in thousands of dollars)

	2000	1999
Payments and other charges		
Annuity payments.....	71,374	75,056
Premium refunds.....	426	409
Unclaimed annuities.....	555	564
	72,355	76,029
Income		
Interest from Canada.....	38,210	40,756
Premiums (Note 3).....	150	98
Other.....	63	98
	38,423	40,952
Excess of payments and other charges over income for the year.....	33,932	35,077
Actuarial liabilities, balance at begin- ning of the year.....	585,813	623,876
	551,881	588,799
Actuarial surplus.....	5,822	2,986
Actuarial liabilities, balance at end of the year (Note 4).....	546,059	585,813
Actuarial liabilities are comprised of:		
Deferred annuities, present value.....	48,716	57,791
Matured annuities, present value.....	497,343	528,022
	546,059	585,813

See accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2000**

(in thousands of dollars)

	2000	1999
Cash flows from operations:		
Payments to annuitants.....	(71,800)	(75,465)
Unclaimed annuities paid to Consolidated Revenue Fund.....	(555)	(564)
Interest received.....	40,756	43,463
Premiums received from annuitants.....	150	98
Other income.....	104	79
	(31,345)	(32,389)
Actuarial surplus remitted to Consolidated Revenue Fund.....		(7,608)
Decreased in Deposit with Receiver General for Canada.....	(31,345)	(39,997)
Deposit with Receiver General for Canada, balance at beginning of the year.....	544,848	584,845
Deposit with Receiver General for Canada, balance at end of the year.....	513,503	544,848

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000

1. Authority and purpose

The Government Annuities Account was established in 1908 by the *Government Annuities Act* (the “Act”), as modified by the *Government Annuities Improvement Act* (the “Improvement Act”).

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government Annuities. The *Improvement Act* discontinued future sales of Government Annuity contracts.

The Account is administered by the Department of Human Resources Development and operates through the Consolidated Revenue Fund.

2. Significant accounting policies

a) Basis of accounting

The accounts of the Government Annuities Account are prepared in accordance with generally accepted accounting principles.

b) Management estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, income and the disclosure of contingent liabilities at the date of the financial statements. Despite the use of management's best estimates, it is reasonably possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

c) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and the regulations pertaining thereto.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

d) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

e) Interest from Canada

Interest from Canada is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

Government Annuities Account—Concluded

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000—*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, 2000, the value of the administrative services received from the Department of Human Resources Development amounted to \$2.3 million (1999—\$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. Comparative figures

The Account adopted the new recommendations of the Canadian Institute of Chartered Accountants on its statement of cash flows and implemented the direct method for reporting cash flows. As a result, the statement of cash flows for the prior year has been restated in order to disclose the composition of cash flows received or payments made by the Account through operating activities. Amounts reported in the balance sheet and statement of operations and actuarial liabilities are unaffected by this change. Previously, the indirect method was used to report the changes in cash.

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
Specialized Services Division
Pension Services Directorate*

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

August 11, 2000

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, 2000 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, 2000 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 11, 2000

**Royal Canadian Mounted Police (Dependants)
Pension Plan—Continued**
**STATEMENT OF NET ASSETS AVAILABLE FOR
BENEFITS
AS AT MARCH 31, 2000**

	2000	1999
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund	30,380,815	29,690,878

See accompanying notes to the financial statements.

Approved by:

N. BEACH

Manager
Public Works and Government Services Canada
Specialized Services Division
Pension Services Directorate

J.P.R. MURRAY

Commissioner
Royal Canadian Mounted Police

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2000**

	2000	1999
	\$	\$
Increase in assets		
Interest income on amount due from the Consolidated Revenue Fund	2,689,236	2,702,215
Contributions from participants	12,877	13,718
Total increase in assets	2,702,113	2,715,933
Decrease in assets		
Benefit payments to widows and children	2,012,176	1,790,368
Total decrease in assets	2,012,176	1,790,368
Increase in net assets	689,937	925,565
Net assets available for benefits at beginning of year	29,690,878	28,765,313
Net assets available for benefits at end of year	30,380,815	29,690,878

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2000**
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, 2000—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, 1999 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$6,599,000. A portion of this surplus is to be distributed by annual increases in the basic pension amount of 65 percent effective April 1, 2000, an additional 49 percent effective April 1, 2001, and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount is 886 percent effective April 1, 2000 and 935 percent effective April 1, 2001.

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2000—Concluded

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Plan for the payment of increases (averaging somewhat more than the rate of inflation) in the pension benefits. The average ages of the members and widows were estimated to be 77 and 79 years respectively as at March 31, 1999. The expected average remaining lifetime of the widows was about 9 years. The remaining lifetime of the Plan itself was estimated at 40 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future plan yields, mortality rates, proportion of members married, and age of new widows. The current plan yield of 9.37 percent per annum (9.69 percent in 1999) is consistent with the estimated yield (9.24 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, 2000. The actuarial present value of accrued pension benefits as at March 31, 2000 (net of a \$70,000 deduction (\$78,000 in 1999) 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:

	2000	1999
	(in thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	23,092	22,591
Net interest accrued on benefits	2,111	2,131
Net adjustment arising from experience gains and losses and from valuation changes	479	146
Amendments to the Plan including dividend increases	2,556	
Contributions from participants (instalment payments)	13	14
Benefit payments	(2,012)	(1,790)
Actuarial present value of accrued pension benefits at end of year	26,239	23,092

SECTION 7

1999-2000

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".

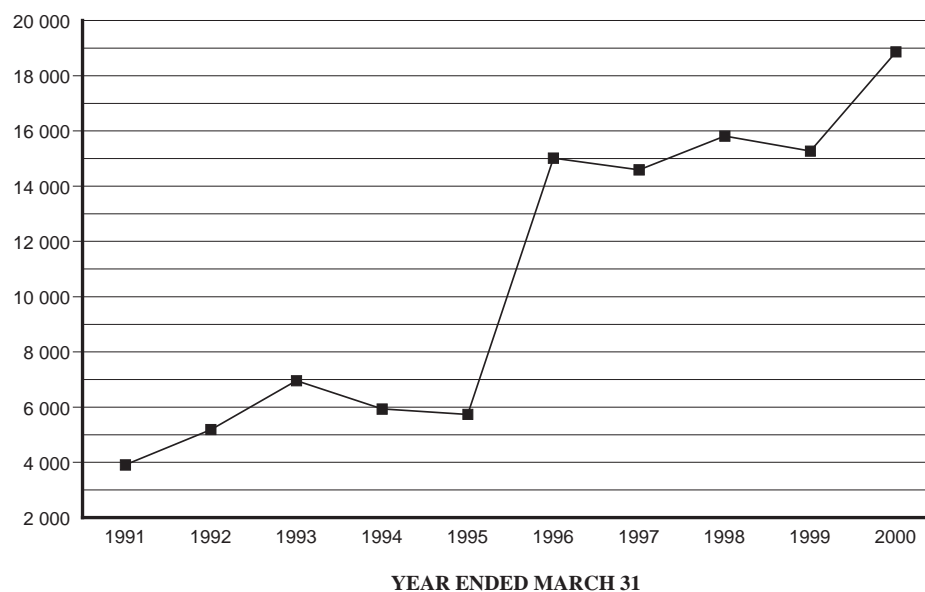
Table 7.1 presents the year-end balances of cash and accounts receivable by category. Chart 7A compares cash and accounts receivable for the last ten fiscal years.

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 1/1999	March 31/2000
	\$	\$
Cash in bank, Table 7.2	9,306,224,682	13,025,185,830
Cash in transit, Table 7.5	5,431,961,593	5,385,958,799
	<i>14,738,186,275</i>	<i>18,411,144,629</i>
Less: outstanding cheques and warrants, Table 7.6	4,044,919,773	3,900,471,569
Total cash	10,693,266,502	14,510,673,060
Accounts receivable, Table 7.7	4,579,811,283	4,353,223,986
Total	15,273,077,785	18,863,897,046

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 1/1999	March 31/2000
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3	9,275,003,277	12,981,072,753
Foreign currencies, Table 7.4	(54,531,832)	(93,893,972)
Special deposits	85,753,237	138,007,049
Total	9,306,224,682	13,025,185,830

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	
	2000	1999
April	1,849	3,741
May	6,840	4,837
June	3,088	5,402
July	7,688	4,825
August	9,248	14,374
September	2,538	5,286
October	6,458	2,037
November	11,536	1,685
December	13,929	9,122
January	9,119	1,687
February	11,090	6,981
March	12,981	9,275

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)

(in millions of dollars)

At end of month of	Year ended March 31	
	2000	1999
April	(80)	(20)
May	17	(20)
June	(24)	(25)
July	(17)	(31)
August	(14)	(7)
September	(38)	(64)
October	(4)	18
November	(32)	(6)
December	(40)	(20)
January	(4)	(10)
February	(15)	(15)
March	(94)	(55)

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 1/1999	March 31/2000
	\$	\$
Cash in hands of collectors and in transit	5,166,280,593	5,016,998,799
Other cash—Consolidated Crown corporations ⁽¹⁾	265,681,000	368,960,000
Total	5,431,961,593	5,385,958,799

⁽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 1/1999	March 31/2000
	\$	\$
Outstanding cheques	3,797,615,834	3,776,709,189
Imprest account cheques	1,770,880	1,924,738
Employment insurance warrants	245,533,059	121,837,642
Total	4,044,919,773	3,900,471,569

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 \$17,121,876 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 \$11,664 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, 2000. 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 1/1999	March 31/2000
	\$	\$
Non-tax revenues and revenues netted against expenditures ⁽¹⁾	3,996,873,000	3,992,329,000
Other receivables	331,137,283	79,355,986
Accounts receivable of consolidated Crown corporations ⁽²⁾	251,801,000	281,539,000
Total	4,579,811,283	4,353,223,986

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,261 million for 2000 (\$2,432 million for 1999).

⁽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, 2000.

TABLE 7.8

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

(in thousands of dollars)

Categories of accounts receivable	2000		1999	
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments.....	486,588	142,045	344,543	370,195
Refunds of previous years' expenditures.....	793,772	266,301	527,471	565,732
Service fees.....				61
Privileges, licences and permits.....	826		826	937
Miscellaneous.....	576,017		576,017	10,661
Revenues netted against expenditures.....	36,075		36,075	
Total long-term accounts receivable.....	1,893,278	408,346	1,484,932	947,586

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, 2000 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, 2000
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments.....	10,547	374	279	6,245	17,445
Proceeds from sales.....	3,898	215	152	614	4,879
Refunds of previous years' expenditures.....	102,703	10,215	3,366	85,799	202,083
Privileges, licences and permits.....	25,975	771	223	1,268	28,237
Service fees.....	62,143	6,906	4,497	64,194	137,740
Miscellaneous.....	157,994	10,217	8,066	550,701	726,978
Revenues netted against expenditures.....	299,520	97,194	45,476	477,863	920,053
	662,780	125,892	62,059	1,186,684	2,037,415
Other amounts.....					1,954,914 ⁽¹⁾
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts).....					3,992,329

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

SECTION 8

1999-2000

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account .	8.3
International Monetary Fund—Subscriptions	8.3
International Monetary Fund—Notes payable	8.3
Special drawing rights allocations	8.3
Supplementary statement—	
Exchange Fund Account	8.4

FOREIGN EXCHANGE ACCOUNTS

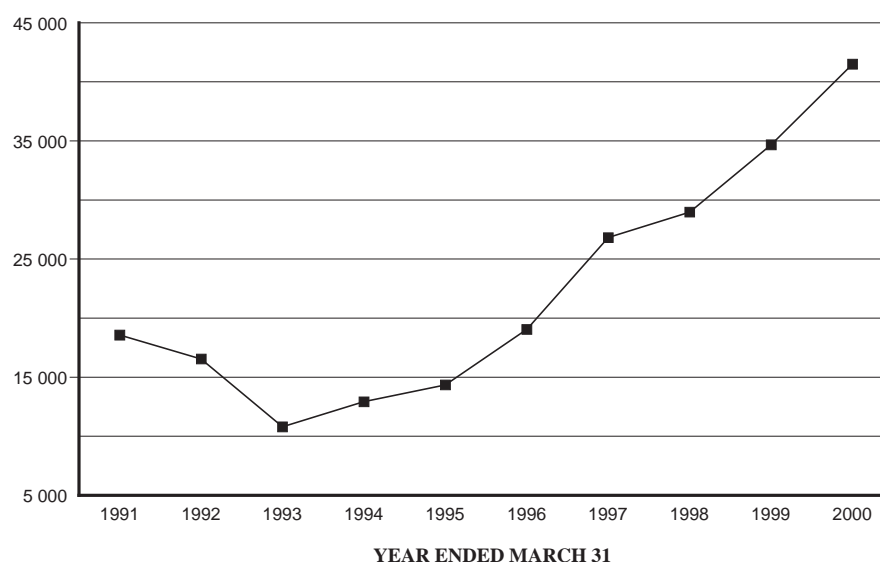
Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$32,588 million as at March 31, 2000 (\$36,000 million as at March 31, 1999); 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 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	31,854,828,963	91,659,400,244	84,883,790,018	38,630,439,189
International Monetary Fund—Subscriptions	13,047,752,040		658,077,157	12,389,674,883
	<i>44,902,581,003</i>	<i>91,659,400,244</i>	<i>85,541,867,175</i>	<i>51,020,114,072</i>
Less:				
International Monetary Fund—Notes payable	8,638,921,159	1,453,841,179	819,961,123	8,005,041,103
Special drawing rights allocations	1,596,430,065	75,139,091		1,521,290,974
	<i>10,235,351,224</i>	<i>1,528,980,270</i>	<i>819,961,123</i>	<i>9,526,332,077</i>
Total	34,667,229,779	93,188,380,514	86,361,828,298	41,493,781,995

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, 1999, 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, 2000. Gold held by the Account is valued at 35 SDRs per fine ounce (\$68.33 Cdn as at March 31, 2000 and \$71.70 Cdn as at March 31, 1999).

In 1999-2000, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$91,105 million and an adjustment of \$554 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$82,426 million and a net valuation adjustment of \$2,458 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2000	March 31/1999
US dollar cash on deposits	159	159
US dollar short-term deposits	5,913	4,070
US dollar investments	22,871	20,357
Euro/Deutsche marks short-term deposits	43	112
Euro/Deutsche marks investments	8,058	5,283
Japanese yen investment	705	1,014
Japanese yen short-term deposits		1
Special drawing rights	778	689
Gold	103	169
Canadian cash on deposits		1
Total	38,630	31,855
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (2000, \$29,418 million US; 1999, \$30,166 million US)	42,638	45,511
Euro	8,096	4,950
Japanese yen	705	635
Special drawing rights (2000, SDR 610 million; 1999, SDR 610 million)	(1,191)	(1,250)
Canadian dollars	(12,172)	(18,546)
Total advances from the Consolidated Revenue Fund	38,076	31,300
Total net income from January 1 to March 31	554	555
Total	38,630	31,855

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 1999-2000, receipts and other credits consisted of a maintenance of value adjustment of \$376 million and a valuation adjustment of \$282 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 1999-2000, notes payable to the IMF decreased by \$634 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 1999-2000, payments and other charges consisted of a valuation adjustment of \$75 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.

G. G. THIESSEN
*Governor
Bank of Canada*

KEVIN G. LYNCH
*Deputy Minister
Department of Finance*

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

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1999 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, 1999 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 1, 2000

Exchange Fund Account—Continued

BALANCE SHEET AS AT DECEMBER 31, 1999
(in millions of dollars)

ASSETS	1999		1998		DUE TO THE CONSOLIDATED REVENUE FUND	1999	1998
	US	C	US	C		C	C
Denominated in US dollars					Advances (Note 8).....	29,062	26,466
Cash and short-term deposits...	3,575	5,160	3,536	5,422	Revenues for the year.....	1,935	1,656
Marketable securities (Note 4) .	11,696	16,881	9,327	14,301			
	15,271	22,041	12,863	19,723			
Denominated in other foreign currencies							
Cash and short-term deposits (Note 5)	24	35	254	390			
Marketable securities (Note 5) .	5,564	8,030	3,708	5,685			
	5,588	8,065	3,962	6,075			
Denominated in special drawing rights							
Special Drawing Rights (Note 6)	529	764	1,391	2,133			
Gold and gold loans (Note 7) ..	88	127	124	191			
	617	891	1,515	2,324			
Official international reserve assets.....	21,476	30,997	18,340	28,122		30,997	28,122

See accompanying notes to the financial statements.

Approved:

G. G. THIESSEN
Governor
Bank of Canada

KEVIN G. LYNCH
Deputy Minister
Department of Finance

F. J. MAHONEY
Chief Accountant
Bank of Canada

Exchange Fund Account—Continued

STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 1999
(in millions of Canadian dollars)

	1999	1998
Revenue from investments		
Marketable securities	533	1,364
Cash and short-term deposits	237	257
Special drawing rights	33	69
Gold	14	26
	817	1,716
Other revenue (loss)		
Gain on sales of gold	247	253
Net foreign exchange gains (losses)	871	(313)
	1,118	(60)
Net revenue for the year due to the Consolidated Revenue Fund	1,935	1,656

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. Authority and objective

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

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

2. Significant accounting policies

Significant accounting policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements.

(a) Valuation of assets

The estimated fair market value of cash and short-term deposits, which are generally held to maturity, is deemed to be equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts, where applicable, and are reported at the lower of their amortized costs including accrued interest and year-end market values. Purchases and sales of securities are recorded at the settlement dates.

Marketable securities, short-term deposits and Special Drawing Rights (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 four major currencies (five for the comparative year).

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	
	1999	1998
US dollar	1.44330	1.53330
Japanese yen	0.01416	0.01350
German mark	0.74260	0.91910
French franc	0.22140	0.27410
Euro	1.45250	
Special Drawing Right	1.97869	2.15700

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.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999—Continued

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

(e) 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 1999, official international reserves increased by US \$ 2,744 million as a result of these operations (versus a decrease of US \$ 10,467 million in 1998). None of these transactions during 1999 were aimed at moderating movements in the value of the Canadian dollar (compared to the sale of US \$ 9,063 million and purchase of US \$ 51 million in 1998).

4. Marketable securities denominated in US dollars

Securities	1999			1998		
	Par value	Amortized cost		Par value	Amortized cost	
	US	US	C	US	US	C
	(in millions of dollars)					
US Government	4,617	4,736	6,837	5,482	5,645	8,656
US Federal Agencies	3,800	3,762	5,430	1,856	1,855	2,844
Sovereign paper and International Institutions	3,283	3,251	4,692	1,704	1,713	2,626
Accrued interest		203	292		114	175
	11,700	11,952	17,251	9,042	9,327	14,301
Estimated market value		11,696	16,881		9,524	14,603

Estimated market values are based on quoted market prices.

Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999—Continued

At year-end, the value of securities was written down by US\$ 256 million (C\$ 370 million) from their amortized cost including accrued interest, to reflect the estimated net market value of these assets. A charge of C\$ 370 million was made against the investment income for 1999.

Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counter-parties in these transactions. At year-end, there were no US Government securities being used in securities lending operations, whereas for 1998 there were US\$ 2,350 million (par values) of US Treasury Notes and US\$ 425 million of US Treasury Bills being used in securities lending operations with financial institutions. Subsequent to year-end, the Account has resumed securities lending operations.

5. Assets denominated in other foreign currencies

	Cash and Short-term Deposits			
	1999		1998	
	US	C	US	C
	(in millions of dollars)			
Euro	24	35		
German marks			252	386
French francs			1	2
Japanese yen			1	1
Accrued interest				1
	24	35	254	390
	Marketable Securities			
	1999		1998	
	US	C	US	C
	(in millions of dollars)			
Euro	5,259	7,590		
German marks			2,747	4,211
French francs			715	1,097
Japanese yen	493	711	246	377
Amortized cost at year-end	5,752	8,301	3,708	5,685
Estimated market value at year-end	5,564	8,030	3,864	5,925

Estimated market values are based on quoted market prices.

At year-end, the value of securities was written down by US\$ 188 million (C\$ 271 million) from their amortized cost, to reflect the estimated net market value of these assets. A charge of C\$ 271 million was made against the investment income for 1999.

6. Special Drawing Rights (SDRs)

	1999		1998	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year . . .	526	759	1,384	2,123
Accrued interest	3	5	7	10
	529	764	1,391	2,133

7. Gold and gold loans

During the year, the Account sold 681,289 fine ounces of gold (600,000 fine ounces in 1998).

	1999		1998	
	US	C	US	C
	(in millions of dollars)			
Held at the end of the year				
Gold loans	82	117	117	180
Gold	5	8	5	8
Accrued interest on gold loans	1	2	2	3
	88	127	124	191

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

		1999		1998	
		Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value	—US	47.98	87	49.24	122
	—Canadian .	69.25	125	75.50	188
Market value	—US	290.25	524	287.45	715
	—Canadian .	418.92	756	440.75	1,096

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999—Concluded

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

The Account is funded by advances from the CRF. During the year, these were limited to C\$ 35 billion by Order in Council dated February 21, 1997 (revised by Order in Council to C\$ 40 billion effective December 30, 1999). At year-end, advances from (deposits with) the CRF consisted of:

	1999	1998
	(in millions of Canadian dollars)	
US dollars	41,686	45,951
Canadian dollars	(19,598)	(24,340)
German marks		3,676
French francs		1,096
Euro	7,473	
Japanese yen	708	
Special Drawing Rights	(1,207)	83
	29,062	26,466

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. As part of 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 are unwound.

At year-end, the Account had commitments to repurchase US dollars securities under swap arrangements with the Bank of Canada of US\$ 3,534 million (US\$ 2,941 million in 1998). The Canadian dollar equivalent at the year-end exchange rate was \$ 5,101 million (\$ 4,509 million in 1998).

(b) Currency hedges and other uncompleted transactions

At year-end, there were no commitments for forward sales and purchases of various currencies, whereas in 1998 there were commitments for net forward sales of 832 million of German marks and 35 billion of Japanese yen against total net forward purchases of US\$ 774 million.

(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 50,000 fine ounces of gold under call option contracts (200,000 fine ounces in 1998) with a potential total value, if the options were exercised, of US\$ 14 million (US\$ 63 million in 1998). These options mature by the end of the 1st quarter in 2000.

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 622,000 fine ounces of gold (270,000 fine ounces in 1998) for a total value of US\$ 164 million (US\$ 82 million in 1998). The dates of these contracts extend until August 31, 2000.

10. Uncertainty due to the Year 2000 issue

The Year-2000 computer issue arose chiefly because many date-sensitive automated systems have not been designed to recognize correctly the year 2000. This represented 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. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year-2000 issue that may affect the Account, including those related to customers, suppliers, or other third parties, have been fully resolved.

SECTION 9

1999-2000

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*.

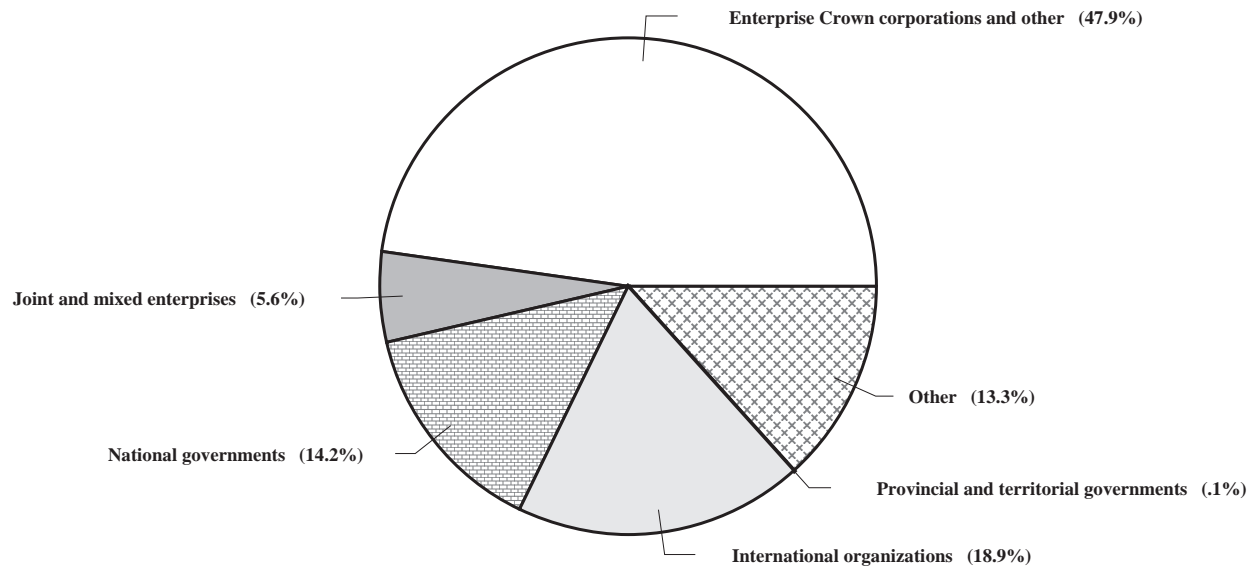
Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

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.

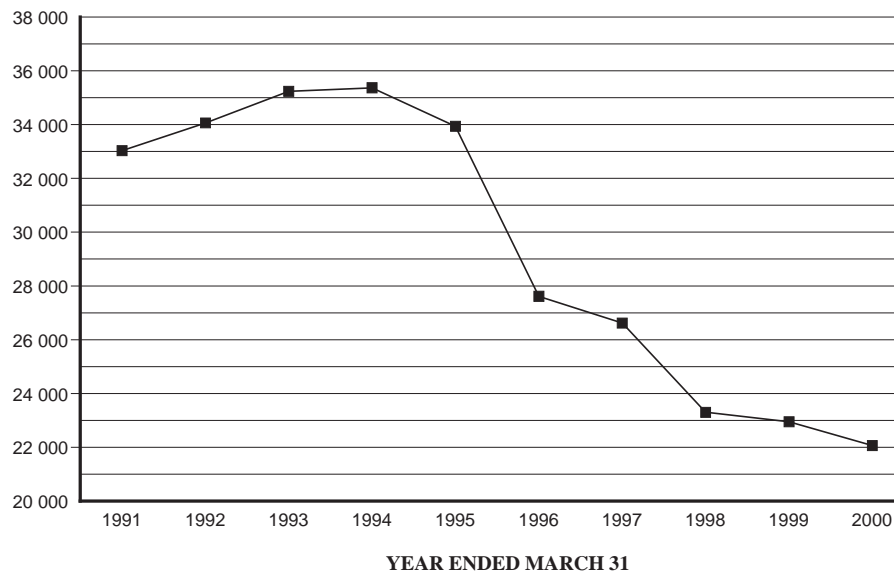
Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order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

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
Enterprise Crown corporations and other government business enterprises, Table 9.2	11,052,335,311	554,430,596	1,044,406,712	10,562,359,195
Joint and mixed enterprises, Table 9.11	1,239,917,574			1,239,917,574
National governments including developing countries, Table 9.12	3,336,055,706	200,657,540	398,326,167	3,138,387,079
International organizations, Table 9.13	4,219,398,976	450,871,697	492,414,114	4,177,856,559
Provincial and territorial governments, Table 9.14	47,939,193	479,128,519	525,917,685	1,150,027
Other loans, investments and advances, Table 9.15	3,052,362,912	1,528,398,004	1,638,653,262	2,942,107,654
	22,948,009,672	3,213,486,356	4,099,717,940	22,061,778,088
Less: allowance for valuation.	9,412,000,000	1,164,000,000	18,000,000	8,266,000,000
Total	13,536,009,672	4,377,486,356	4,117,717,940	13,795,778,088

CHART 9A**LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AS AT MARCH 31, 2000⁽¹⁾**

⁽¹⁾ Before the allowance for valuation

CHART 9B**LOANS, INVESTMENTS AND ADVANCES⁽¹⁾**
(in millions of dollars)

⁽¹⁾ Before the allowance for valuation

Enterprise Crown Corporations and Other Government Business Enterprises

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

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

Enterprise Crown corporations are a type of government business enterprises that are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded for the reporting entity.

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

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

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

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interest of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

TABLE 9.2

ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares.....	303,400,000			303,400,000
Preferred shares.....	150,000,000	80,000,000		230,000,000
Contributed capital.....		28,000,000		28,000,000
	453,400,000	108,000,000		561,400,000
Canada Mortgage and Housing Corporation—				
Capital stock.....	25,000,000			25,000,000
Housing.....	4,058,662,098		114,544,940	3,944,117,158
Real estate.....	91,156,416		3,394,662	87,761,754
Joint projects.....	1,237,609,443		48,909,279	1,188,700,164
Urban renewal scheme.....	26,779		26,779	
Student housing projects.....	275,147,626		9,451,981	265,695,645
Sewage treatment projects.....	595,931,450		42,751,953	553,179,497
Assisted home ownership.....	39,732,158		3,323,654	36,408,504
	6,323,265,970		222,403,248	6,100,862,722
Export Development Corporation.....	983,200,000			983,200,000
Farm Credit Corporation—				
Contributed capital.....	1,168,333,000			1,168,333,000
Notes.....	1,040,664,299	275,000,000	511,127,585	804,536,714
Farm syndicates loan fund.....	134,065		67,033	67,032
	2,209,131,364	275,000,000	511,194,618	1,972,936,746
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.....	430,975,050		81,000,000	349,975,050
Canada Lands Company Limited.....	40,246,164	11,027,596	14,577,398	36,696,362
Canada Ports Corporation—				
Loans.....	192,636		192,636	
Interport Loan Fund.....	43,682,462		43,682,462	
Contributed capital.....	90,000,000			90,000,000
	133,875,098		43,875,098	90,000,000
Canada Post Corporation.....				
Canadian Dairy Commission.....	22,786,000	147,741,000	144,817,000	25,710,000
Cape Breton Development Corporation.....	12,338,000	12,662,000	25,000,000	
Montreal Port Authority.....	1,539,350		1,539,350	
Royal Canadian Mint—				
Capital stock.....	40,000,000			40,000,000
Loans.....	40,000,000			40,000,000
	1,083,337,977	171,430,596	310,808,846	943,959,727
Total.....	11,052,335,311	554,430,596	1,044,406,712	10,562,359,195

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 \$80 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 \$230 million.

Contributed capital

During the year, the Cultural Industries Development Fund was transferred from the Department of Canadian Heritage.

Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction of new houses, to improve existing houses, and to improve housing and living conditions for Canadians.

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 \$562 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is authorized in the *Canada Mortgage and Housing Corporation Act*.

Housing

Advances made for moderate to low income housing bear interest at rates from 4.25 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2000 and September 30, 2037.

Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 8.43 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on December 31, 2037.

Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2000 and December 31, 2039.

Urban renewal scheme

Advances made to a province or municipality, to assist in the implementation of an urban renewal scheme, beared interest at a rate of 7.19 percent per annum, and were repaid in 1999, with instalments between June 30, 1999 and December 31, 1999.

Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2000 and September 30, 2030.

Sewage treatment projects

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 10.38 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2000 and March 31, 2023.

Assisted home ownership

Advances made for owner-occupied housing bear interest at rates from 8.58 percent to 8.75 percent per annum, and are repayable over 18 to 20 years, with instalments between June 30, 2000 and December 31, 2008.

Export Development Corporation

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

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

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

Farm Credit Corporation

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

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

Contributed capital

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

Notes

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

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

- (a) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between September 1, 2001 and December 1, 2009, \$386,536,714; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.76 percent to 9.71 percent per annum, with final instalments between May 1, 2000 and April 4, 2003, \$418,000,000.

During the year, the Corporation paid interest of \$87 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 loan bears interest at the rate of 9.555 percent per annum, and is repayable over 10 to 19 years, with final instalment on February 26, 2001.

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 \$1,766.1 million to the Government.

Canada Development Investment Corporation

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

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;

(c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;

(d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,

(e) carry out all activities in the best interests of Canada, operating in a commercial manner.

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

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

Canada Hibernia Holding Corporation—Contributed surplus

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

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. The Government appropriated the funds necessary for the Corporation to honour its obligations to fund the Project and has treated this assistance as contributed surplus. Production from Hibernia commenced in late 1997 and, during 1998, the Corporation achieved sufficient cash flow to fund its operations and fulfill its continuing obligations without further Government appropriations.

During the year, the Corporation repaid contributed surplus of \$81 million to the Government.

Canada Lands Company Limited

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

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

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value. During the year, new notes have been issued for an amount of \$4 million. An amount of \$13.6 million was repaid during the year and an amount of \$7 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 \$27 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.

During the year, the remaining loan was repaid in full and the account was closed.

The Corporation paid interest of \$11,794 and dividends of \$121,523 to the Government in 1999-2000.

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.

During the year, the loans were repaid in full and the account was closed.

The Corporation remitted \$14 million in surplus funds and transferred \$1.4 million of profit to the Government in 1999-2000.

Contributed capital

Under the authority of the *Canada Ports Corporation Act*, an equity injection of \$90 million was made in Canada Ports Corporation, in 1998-99, to increase its contributed capital for the acquisition of shares in Ridley Terminals Inc., a wholly-owned subsidiary of the Corporation for the purpose of debt restructuring.

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

Canada Post Corporation

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

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

A loan may be made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*. There are presently no loans outstanding to Canada Post Corporation pursuant to section 29 of the *Canada Post Corporation Act*. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

During the year, the Corporation paid dividends of \$12.6 million to the Government.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

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

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 4.4249 percent to 5.3315 percent per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$1.6 million to the Government.

Cape-Breton Development Corporation

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

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

On June 29, 2000, the *Cape Breton Development Corporation Divestiture Authorization and Dissolution Act*, which provides for the sale of assets, winding up of the affairs of the Corporation and its eventual dissolution, received Royal Assent. The Corporation has initiated the divestiture process announced by the Government. In the meantime, the Corporation is carrying out restructuring activities for which the Government is providing funding support by means of appropriations. As a result, the Corporation is economically dependent on the Government.

Advances made for the purpose of providing working capital for the coal division of the Corporation were repaid in full in 1999-2000. The total amount authorized to be outstanding at any time is \$50,000,000 and the authority remains available to the Corporation for future use. The working capital advances bear interest at the rate in effect as determined by the Minister of Finance.

During the year, the Corporation paid interest of \$1.1 million to the Government.

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 was repaid in full and the account was closed.

During the year, the Corporation paid interest of \$64,052 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.

There are presently no loans outstanding to Royal Canadian Mint pursuant to subsection 17(1) of the *Royal Canadian Mint Act*.

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

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

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

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

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

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

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

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

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

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 2000 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, 2000 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, 2000						
Assets						
Financial						
Outside parties	1,495,841	2,494,338	49,384,157	7,607,766	29,516	61,011,618
Government and Crown corporations	1,014,424	31,590,252	6,107,290	506	25,545	38,738,017
Total financial assets	2,510,265	34,084,590	55,491,447	7,608,272	55,061	99,749,635
Physical assets and deferred charges	3,426,778	1,221,754	655,325	903,058	65,732	6,272,647
Total assets	5,937,043	35,306,344	56,146,772	8,511,330	120,793	106,022,282
Liabilities						
Outside parties						
Borrowings	632,236		37,495,004	7,097,165	4,586	45,228,991
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	2,136,557	9,595,659	4,848,322	1,357,704	437,404	18,375,646
Government and Crown corporations	296,494	166,812	9,756,595	28,103	150,446	10,398,450
Total liabilities	3,065,287	35,276,344	52,099,921	8,482,972	592,436	99,516,960
Equity of Canada	2,871,756	30,000	4,046,851	28,358	(471,643)	6,505,322
Total liabilities and equity	5,937,043	35,306,344	56,146,772	8,511,330	120,793	106,022,282
Contingent liabilities	4,639		1,941,448			1,946,087
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY						
FOR THE YEAR ENDED MARCH 31, 2000						
Revenues						
Outside parties	6,371,016		4,735,021	4,188,427	183,523	15,477,987
Government and Crown corporations						
Financial assistance				12,548	78,000	90,548
Other	358,132	1,766,092	291,052			2,415,276
Total revenues	6,729,148	1,766,092	5,026,073	4,200,975	261,523	17,983,811
Expenses						
Outside parties	6,228,587		3,578,084	4,192,505	301,174	14,300,350
Government and Crown corporations	293,634		699,694	3,701	31,425	1,028,454
Total expenses	6,522,221		4,277,778	4,196,206	332,599	15,328,804
Net income/loss(-) for the year	206,927	1,766,092	748,295	4,769	(71,076)	2,655,007
Equity of Canada, beginning of the year	2,862,544	30,000	3,238,454	23,167	(366,904)	5,787,261
Adjustments	(18,200)		(35,787)	(4,578)	(33,663)	(92,228)
Equity transactions with the Government—						
Dividends	(13,659)	(1,766,092)	(11,889)			(1,791,640)
Capital	(165,856)		107,778	5,000		(53,078)
Equity of Canada, end of the year	2,871,756	30,000	4,046,851	28,358	(471,643)	6,505,322

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, 2000

(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	22,833	82,000		104,833
Canada Hibernia Holding Corporation	34,898	932	429,372	465,202
Canada Lands Company Limited	170,246		230,432	400,678
Canada Ports Corporation ⁽²⁾	7,881	75,171	61,866	144,918
Canada Post Corporation	720,762	726,227	1,647,466	3,094,455
Halifax Port Authority ⁽³⁾	4,686	1,483	82,307	88,476
Montreal Port Authority ⁽³⁾	21,532	70,409	171,659	263,600
Petro-Canada Limited	351,000	3,000		354,000
Prince Rupert Port Authority ⁽³⁾	2,666	8,485	95,154	106,305
Prince Rupert Port Corporation ⁽³⁾				
Quebec Port Authority ⁽³⁾	31,843	226	44,868	76,937
Port of Quebec Corporation ⁽³⁾				
Royal Canadian Mint	53,554	11,151	127,210	191,915
Saint John Port Authority ⁽³⁾	1,609	15,504	57,273	74,386
Saint John Port Corporation ⁽³⁾				
St John's Port Authority ⁽³⁾	578	6,036	13,070	19,684
St John's Port Corporation ⁽³⁾				
Vancouver Port Authority ⁽³⁾	52,154	5,012	402,619	459,785
Other Canada Port Authorities ⁽³⁾⁽⁴⁾	19,599	8,788	63,482	91,869
<i>Total—Competitive, self-sustaining</i>	<i>1,495,841</i>	<i>1,014,424</i>	<i>3,426,778</i>	<i>5,937,043</i>
Bank of Canada	<i>2,494,338</i>	<i>31,590,252</i>	<i>1,221,754</i>	<i>35,306,344</i>
Lending and Insurance				
Business Development Bank of Canada	5,296,465	44,323	303,371	5,644,159
Canada Deposit Insurance Corporation	316,970	331,868	630	649,468
Canada Mortgage and Housing Corporation	16,932,401	143,307	56,639	17,132,347
Insurance Programs	1,462,583	4,976,957	186,234	6,625,774
Mortgage Backed Securities Guarantee Fund	35,707	71,576		107,283
Export Development Corporation	18,903,666	482,934	30,434	19,417,034
Farm Credit Corporation	6,436,365	56,325	78,017	6,570,707
<i>Total—Lending and insurance</i>	<i>49,384,157</i>	<i>6,107,290</i>	<i>655,325</i>	<i>56,146,772</i>
Marketing				
Canadian Commercial Corporation	355,914	506		356,420
Canadian Dairy Commission				
Marketing operations	18,528		56,981	75,509
Canadian Wheat Board, The	7,227,258		829,904	8,057,162
Freshwater Fish Marketing Corporation	6,066		16,173	22,239
<i>Total—Marketing</i>	<i>7,607,766</i>	<i>506</i>	<i>903,058</i>	<i>8,511,330</i>
Other				
Atlantic Pilotage Authority	2,605	2,045	1,005	5,655
Cape Breton Development Corporation	7,519	22,000	60,689	90,208
Federal Bridge Corporation Limited, The ⁽⁵⁾				
Great Lakes Pilotage Authority, Ltd	8,410		157	8,567
Laurentian Pilotage Authority	4,708		3,218	7,926
Pacific Pilotage Authority	6,274	1,500	663	8,437
Seaway International Bridge Corporation Ltd, The ⁽⁶⁾				
<i>Total—Other</i>	<i>29,516</i>	<i>25,545</i>	<i>65,732</i>	<i>120,793</i>
Total	61,011,618	38,738,017	6,272,647	106,022,282

⁽¹⁾ All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd.⁽²⁾ Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government. Therefore, it is now considered external to the Government reporting entity.⁽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 2000-2001.⁽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. The Port Authorities of Halifax, Montreal and Vancouver commenced operations during 1998-1999. On May 1, 1999, the Port Authorities of Prince Rupert, Quebec, Saint John and St. John's

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	8,265	2,000	10,265	94,568	104,833
	40,435	26,988	67,423	397,779	465,202
	94,836	93,612	188,448	212,230	400,678
68,715	11,281	38,133	118,129	26,789	144,918
150,455	1,851,750	36,315	2,038,520	1,055,935	3,094,455
7,600	3,134	193	10,927	77,549	88,476
	21,909	1,836	23,745	239,855	263,600
338,000	12,050		350,050	3,950	354,000
	1,036		1,036	105,269	106,305
4,873	3,501	43,858	52,232	24,705	76,937
34,507	50,308	8,000	92,815	99,100	191,915
	5,328	118	5,446	68,940	74,386
	586	87	673	19,011	19,684
	28,855	45,262	74,117	385,668	459,785
28,086	3,283	92	31,461	60,408	91,869
632,236	2,136,557	296,494	3,065,287	2,871,756	5,937,043
	35,109,532	166,812	35,276,344	30,000	35,306,344
4,723,442	121,079	15,812	4,860,333	783,826	5,644,159
	465,107	778	465,885	183,583	649,468
10,800,915	93,176	6,203,852	17,097,943	34,404	17,132,347
	3,398,666	2,702,001	6,100,667	525,107	6,625,774
	46,331	2,799	49,130	58,153	107,283
16,887,805	688,094	6,574	17,582,473	1,834,561	19,417,034
5,082,842	35,869	824,779	5,943,490	627,217	6,570,707
37,495,004	4,848,322	9,756,595	52,099,921	4,046,851	56,146,772
	327,488	574	328,062	28,358	356,420
437	49,296	25,776	75,509		75,509
7,085,808	969,601	1,753	8,057,162		8,057,162
10,920	11,319		22,239		22,239
7,097,165	1,357,704	28,103	8,482,972	28,358	8,511,330
	1,624		1,624	4,031	5,655
	423,685	150,446	574,131	(483,923)	90,208
	2,533		2,533	6,034	8,567
4,586	5,433		10,019	(2,093)	7,926
	4,129		4,129	4,308	8,437
4,586	437,404	150,446	592,436	(471,643)	120,793
45,228,991	43,889,519	10,398,450	99,516,960	6,505,322	106,022,282

commenced operations, and the former enterprise Crown corporations Prince Rupert Port Corporation, Port of Quebec Corporation, Saint John Port Corporation and St. John's Port Corporation were dissolved. The Port Authorities of Belledune, Fraser River, Nanaimo, North Fraser, Port Alberni, Saguenay, Sept-Iles, Thunder Bay, Toronto, Trois-Rivieres and Windsor commenced operations during 1999-2000.

(4) Consists of the combined figures of the Canada Port Authorities of North Fraser, Sept-Iles, Thunder Bay and Windsor. The figures of the remaining port authorities which commenced operations during 1999-2000 (refer to Note 3) were not available at time of publication.

(5) The financial statements of The Federal Bridge Corporation Limited are consolidated to include the figures of its wholly-owned subsidiaries The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Ltd. Therefore, starting this year, The Federal Bridge Corporation Limited has been moved to Section 4 - Consolidated Accounts.

(6) The figures of The Seaway International Bridge Corporation are consolidated with The Federal Bridge Corporation Limited (refer to Note 5).

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, 2000

(in thousands of dollars)

	Revenues			
	Outside parties	Government and Crown corporations		Total
		Financial assistance ⁽¹⁾	Other	
Enterprise Crown corporations and other government business enterprises				
Competitive, self-sustaining				
Canada Development Investment Corporation	961			961
Canada Hibernia Holding Corporation	126,336			126,336
Canada Lands Company Limited	142,164		3,707	145,871
Canada Ports Corporation	42,049		2,447	44,496
Canada Post Corporation	5,416,637		247,536	5,664,173
Halifax Port Authority	15,971		66	16,037
Montreal Port Authority	55,847		11,091	66,938
Petro-Canada Limited	28,000			28,000
Prince Rupert Port Authority	6,690		387	7,077
Prince Rupert Port Corporation	394		32	426
Quebec Port Authority	12,342		652	12,994
Port of Quebec Corporation	1,194		57	1,251
Royal Canadian Mint	414,958		90,215	505,173
Saint John Port Authority	9,822		736	10,558
Saint John Port Corporation	174		62	236
St John's Port Authority	2,817		456	3,273
St John's Port Corporation	488		65	553
Vancouver Port Authority	80,191		459	80,650
Other Canada Port Authorities	13,981		164	14,145
<i>Total—Competitive, self-sustaining</i>	<i>6,371,016</i>		<i>358,132</i>	<i>6,729,148</i>
Bank of Canada			<i>1,766,092</i>	<i>1,766,092</i>
Lending and insurance				
Business Development Bank of Canada	587,063		95	587,158
Canada Deposit Insurance Corporation	165,517		3,690	169,207
Canada Mortgage and Housing Corporation	1,183,350		64,841	1,248,191
Insurance Programs	700,517		178,246	878,763
Mortgage Backed Securities Guarantee Fund	15,780		4,246	20,026
Export Development Corporation	1,606,513		37,268	1,643,781
Farm Credit Corporation	476,281		2,666	478,947
<i>Total—Lending and insurance</i>	<i>4,735,021</i>		<i>291,052</i>	<i>5,026,073</i>
Marketing				
Canadian Commercial Corporation	902,993	12,548		915,541
Canadian Dairy Commission				
Marketing operations	200,330			200,330
Canadian Wheat Board, The	3,030,248			3,030,248
Freshwater Fish Marketing Corporation	54,856			54,856
<i>Total—Marketing</i>	<i>4,188,427</i>	<i>12,548</i>		<i>4,200,975</i>
Other				
Atlantic Pilotage Authority	11,083			11,083
Cape Breton Development Corporation	76,142	78,000		154,142
Federal Bridge Corporation Limited, The				
Great Lakes Pilotage Authority, Ltd	14,535			14,535
Laurentian Pilotage Authority	41,754			41,754
Pacific Pilotage Authority	40,009			40,009
Seaway International Bridge Corporation Ltd, The				
<i>Total—Other</i>	<i>183,523</i>	<i>78,000</i>		<i>261,523</i>
Total	15,477,987	90,548	2,415,276	17,983,811

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.

Outside parties	Expenses		Income/or loss(–)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
1,863		1,863	(902)	95,470				94,568
61,346	14,736	76,082	50,254	428,525			(81,000)	397,779
123,686	7,058	130,744	15,127	209,677	14,103		(26,677)	212,230
34,674		34,674	9,822	120,048	(2,273)	(1,040)	(99,768)	26,789
5,327,980	260,826	5,588,806	75,367	993,168		(12,600)		1,055,935
11,958	397	12,355	3,682	73,867				77,549
60,975	2,619	63,594	3,344	248,242	(11,731)			239,855
29,000		29,000	(1,000)	4,950				3,950
5,570		5,570	1,507				103,762	105,269
484		484	(58)	103,820			(103,762)	
9,745	362	10,107	2,887		(34,838)		56,656	24,705
1,248		1,248	3	56,653			(56,656)	
481,037	325	481,362	23,811	75,289				99,100
8,729	215	8,944	1,614				67,326	68,940
1,750	(50)	1,700	(1,464)	68,792		(2)	(67,326)	
2,484	200	2,684	589			(17)	18,439	19,011
196	14	210	343	18,096			(18,439)	
54,357	6,572	60,929	19,721	365,947				385,668
11,505	360	11,865	2,280		16,539		41,589	60,408
6,228,587	293,634	6,522,221	206,927	2,862,544	(18,200)	(13,659)	(165,856)	2,871,756
			1,766,092	30,000		(1,766,092)		30,000
483,734	2,319	486,053	101,105	583,833	(1)	(8,889)	107,778	783,826
11,285	1,254	12,539	156,668	26,915				183,583
857,808	397,646	1,255,454	(7,263)	41,667				34,404
318,818	230,561	549,379	329,384	231,180	(35,457)			525,107
1,590	7,159	8,749	11,277	47,205	(329)			58,153
1,550,532	(25,504)	1,525,028	118,753	1,715,808				1,834,561
354,317	86,259	440,576	38,371	591,846		(3,000)		627,217
3,578,084	699,694	4,277,778	748,295	3,238,454	(35,787)	(11,889)	107,778	4,046,851
911,650	3,700	915,350	191	23,167			5,000	28,358
195,751	1	195,752	4,578		(4,578)			
3,030,248		3,030,248						
54,856		54,856						
4,192,505	3,701	4,196,206	4,769	23,167	(4,578)		5,000	28,358
10,138		10,138	945	3,086				4,031
194,670	31,425	226,095	(71,953)	(411,970)				(483,923)
15,157		15,157	(622)	33,495	(33,495)			
41,569		41,569	185	6,655	1			6,034
39,640		39,640	369	3,939				(2,093)
				169	(169)			4,308
301,174	31,425	332,599	(71,076)	(366,904)	(33,663)			(471,643)
14,300,350	1,028,454	15,328,804	2,655,007	5,787,261	(92,228)	(1,791,640)	(53,078)	6,505,322

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, 2000, an allowance for borrowings expected to be repaid by the Government on behalf of agent enterprise Crown corporations was established at \$625 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 1/1999	Borrowings and other credits	Repayments and other charges	Balance March 31/2000
Business Development Bank of Canada	4,223,355	11,953,090	11,453,003	4,723,442
Canada Mortgage and Housing Corporation	10,632,785	7,740,494	7,572,364	10,800,915
Canada Ports Corporation	78,692		9,977	68,715
Canada Post Corporation	166,477	154	16,176	150,455
Canadian Dairy Commission (Marketing)	964	9,995	10,522	437
Canadian Wheat Board, The ⁽¹⁾	6,785,535		6,243,401	542,134
Export Development Corporation	12,967,328	44,186,726	40,266,249	16,887,805
Farm Credit Corporation	4,316,692	5,336,900	4,570,750	5,082,842
Freshwater Fish Marketing Corporation	5,830	10,920	5,830	10,920
Petro-Canada Limited	470,887	9,000	141,887	338,000
Port of Quebec Corporation	18,463		18,463	
Royal Canadian Mint	31,000	3,507		34,507
Seaway International Bridge Corporation, Ltd., The	8		8	
Total	39,698,016	69,250,786	70,308,630	38,640,172
Borrowings expected to be repaid by agent enterprise Crown corporations	(36,498,016)	69,250,786	72,883,630	(38,015,172)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities	3,200,000		2,575,000	625,000

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

⁽¹⁾ On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*. Borrowings prior to this date are included here. Borrowings subsequent to this date are reported in Table 9.7.

Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations and other government business enterprises. Borrowings of non-agent Crown corporations and other government business enterprises are not

on behalf of Her Majesty, but may, at times, be guaranteed by the Government. As at March 31, 2000, an allowance for such guaranteed borrowings expected to be repaid by the Government was established at \$2,590 million.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/1999	Borrowings and other credits	Repayments and other charges	Balance March 31/2000
Borrowings by agent enterprise Crown corporations	39,698,016	69,250,786	70,308,630	38,640,172
Borrowings by non-agent enterprise Crown corporations and other government business enterprises —				
Canadian Wheat Board, The ⁽¹⁾		85,662,719	79,119,045	6,543,674
Laurentian Pilotage Authority	4,500	1,021	935	4,586
Halifax Port Authority ⁽²⁾	8,000		400	7,600
Quebec Port Authority ⁽²⁾		23,336	18,463	4,873
Other Canada Port Authorities ⁽²⁾		58,825	30,739	28,086
Total	12,500	85,745,901	79,169,582	6,588,819
Borrowings expected to be repaid by other government business enterprises	12,500	83,155,901	79,169,582	3,998,819
Allowance for borrowings of other government business enterprises expected to be repaid by the Government and reported on the Statement of Assets and Liabilities		2,590,000		2,590,000
Borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises	39,710,516	154,996,687	149,478,212	45,228,991

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

⁽¹⁾ See Note 1 of Table 9.6.

⁽²⁾ The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2000.

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
2001	15,805,097	5,968,080	21,773,177
2002	4,155,625	365,838	4,521,463
2003	4,576,943	4,185	4,581,128
2004	3,745,904	7,697	3,753,601
2005	5,233,581	2,508	5,236,089
2006 to 2010	3,967,712	236,100	4,203,812
2011 to 2015	1,155,310	4,411	1,159,721
Total	38,640,172	6,588,819	45,228,991 ⁽¹⁾

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

⁽¹⁾ The borrowings are composed of \$23,246,750 US, £ 993,192, ¥ 615,941, DM 93,960, NZ dollar 13,168, Euro 374,608, NOK 4,743, SEK 3,152 and \$19,883,477 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, 2000
<u>Enterprise Crown corporations and other government business enterprises</u>	
Canada Mortgage and Housing Corporation—Miscellaneous litigations	1,000
Canada Mortgage and Housing Corporation—Insurance programs	27,000
Canada Ports Corporation—Miscellaneous litigations	1,878
Export Development Corporation—Loan guarantees and loans with recourse	1,911,848
Farm Credit Corporation—Loan guarantees	1,600
Halifax Port Authority—Miscellaneous litigations	700
Montreal Port Authority—Miscellaneous litigations	188
Vancouver Port Authority—Claims for damages	1,300
Other Canada Port Authorities—Miscellaneous litigations	573
Total	1,946,087

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, 2000

(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation ⁽²⁾	37,944	37,944	
Canadian Commercial Corporation.....	17,548	12,548	5,000
Canadian Wheat Board, The ⁽³⁾	20,008	20,008	
Cape Breton Development Corporation	78,000	78,000	
Export Development Corporation ⁽⁴⁾	25,632	25,632	
Total	179,132	174,132	5,000

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

⁽²⁾ Includes a payment of \$15,734 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

⁽³⁾ Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

⁽⁴⁾ Consists of a payment of \$25,632 from the Department of Foreign Affairs and International Trade as administration expenses.

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 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
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, 2000, the Government's holding represents 49.4 million shares, approximately 18.17 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 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
Finance—				
Jamaica.....	12,902,778		888,889	12,013,889
Bank of Thailand.....	598,350,420	50,816,775	24,330,855	624,836,340
United Kingdom—				
United Kingdom Financial Agreement Act, 1946	73,236,960		36,245,516	36,991,444
Deferred principal.....	94,990,863			94,990,863
	168,227,823		36,245,516	131,982,307
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation).....	1,031,281,618	147,716,779	288,399,301	890,599,096
Developing countries—Canadian International Development Agency—International development assistance.....	1,524,912,541	2,100,836	48,461,606	1,478,551,771
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable	380,526	23,150		403,676
Total	3,336,055,706	200,657,540	398,326,167	3,138,387,079

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, 2000, the Bank of Thailand has borrowed \$431,100,000 US translated into Canadian dollars at the closing rate of exchange (\$1 US/ \$1.4494 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.

During the year, loans totalling \$41,015,331 were forgiven under the authority of Foreign Affairs and International Trade Vote 11a, *Appropriation Act No. 3, 1999-2000*.

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 31/2000
	April 1/1999	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 2000 and November 2005:						
Argentina	3,979,086		380,163	4,359,249		
Brazil	397,012			395,573	1,439	
Jamaica	62,141		280	62,421		
Madagascar	17,339,143		473,692	10,222,756	520,912	7,069,167
Mexico	1,715,778			1,162,477	45,313	507,988
Peru	1,036,324		16,782	52,094	16,783	984,229
Russia and USSR	74,281,996	14,732,330	6,683,056	12,876,748	10,957,935	71,862,699
Sudan	1,896,046				69,811	1,826,235
Tanzania	39,917,101			19,075,436	2,343,182	18,498,483
	140,624,627	14,732,330	7,553,973	48,206,754	13,955,375	100,748,801
(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	63,413,287	1,102,275		3,517,147	2,318,760	58,679,655
Argentina	57,328,391			6,908,695	2,104,308	48,315,388
Cameroun	6,583,754			1,862,684	209,225	4,511,845
China	89,069,578		310,347	5,052,219	3,550,640	80,777,066
Congo	1,242,610			406,264	185,385	650,961
Cuba	38,792,031	12,076,131	4,694,519	10,657,940	4,799,727	40,105,014
Ecuador	3,049,549	31,759		1,015,137	107,994	1,958,177
Gabon	21,631,595	972,279		1,031,618	794,087	20,778,169
Jamaica	4,094,325			215,010	149,083	3,730,232
Kazakhstan	4,900,515			2,539,550	157,585	2,203,380
Kenya	9,574,157			1,689,774	339,404	7,544,979
Lithuania	2,326,223			376,349	82,730	1,867,144
Morocco	104,483,781			18,165,134	5,809,256	80,509,391
Romania	275,522,699			35,704,234	9,826,754	229,991,711
Russia	7,123,605			1,395,516	233,621	5,494,468
Rwanda	2,369,945	448,566			1,188,022	1,630,489
Sudan	8,026,200				295,520	7,730,680
Venezuela	24,374,596	14,479,413		3,819,605	922,530	34,111,874
	723,906,841	29,110,423	5,004,866	94,356,876	33,074,631	630,590,623
(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	1,782,080		2,881	18,092		1,766,869
Argentina	27,709,525			2,224,312		25,485,213
Brazil	6,196,691			754,153	20,039	5,422,499
	35,688,296		2,881	2,996,557	20,039	32,674,581
Insurance claims paid during the year:						
Cuba	22,337,041	8,083,811				30,420,852
Russia	15,579,022				351,084	15,227,938
	37,916,063	8,083,811			351,084	45,648,790
Total—Non-budgetary	938,135,827	51,926,564	12,561,720	145,560,187	47,401,129	809,662,795

	Payments and other charges			Receipts and other credits		
		Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
	April 1/1999					March 31/2000
	\$	\$	\$	\$	\$	\$
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:						
Egypt	2,159,307			1,052,898	66,508	1,039,901
Madagascar	10,216,995			(1,457,845)	3,770,490	7,904,350
Poland	44,486,153			1,911,425	1,629,621	40,945,107
Tanzania	946,566			34,853		911,713
Zambia	7,521,760			262,413	14,535	7,244,812
	65,330,781			1,803,744	5,481,154	58,045,883
(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	1,043,696	172,889	466,921	799,093	4,804	879,609
Mexico	18,146,621			1,930,520	679,681	15,536,420
Rwanda	6,075,600		8,158	2,037,073	47,959	3,998,726
Thailand	25,421,320			2,167,376	529,699	22,724,245
Zambia	1,401,575		622,221	1,578,306		445,490
	52,088,812	172,889	1,097,300	8,512,368	1,262,143	43,584,490
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:						
Algeria	10,881,000			787,000		10,094,000
China	463,048,702	18,357,780	40,024	284,031	17,249,046	463,913,429
Congo	3,087,823		66,000		83,752	3,070,071
Indonesia	48,574,371				1,788,484	46,785,887
	525,591,896	18,357,780	106,024	1,071,031	19,121,282	523,863,387
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun	19,482,868		2,838,419		2,329,524	19,991,763
China	210,426,284			4,759,651	7,685,497	197,981,136
Egypt	14,134,949			301,439	182,327	13,651,183
Gabon	14,978,018				551,483	14,426,535
India	77,064,347			76,769	2,836,524	74,151,054
Jamaica	10,907,984			268,064	399,546	10,240,374
Kenya	10,715,739			433,292	388,878	9,893,569
Morocco	152,342,803		967,628	4,646,829	4,672,607	143,990,995
Pakistan	10,521,719				387,404	10,134,315
Turkey	164,656,673				6,062,578	158,594,095
	685,231,384		3,806,047	10,486,044	25,496,368	653,055,019
Subtotal—Budgetary	1,328,242,873	18,530,669	5,009,371	21,873,187	51,360,947	1,278,548,779
Less: budgetary treatment	1,235,097,082	14,777,349	44,911,106	18,357,780	3,846,071	1,197,612,478
Total—Budgetary	93,145,791	33,308,018	49,920,477	40,230,967	55,207,018	80,936,301
Total	1,031,281,618	85,234,582	62,482,197	185,791,154	102,608,147	890,599,096
SUMMARY						
Total—Non-budgetary	938,135,827	51,926,564	12,561,720	145,560,187	47,401,129	809,662,795
Total—Budgetary	1,328,242,873	18,530,669	5,009,371	21,873,187	51,360,947	1,278,548,779
	2,266,378,700	70,457,233	17,571,091	167,433,374	98,762,076	2,088,211,574
Less: budgetary treatment	1,235,097,082	14,777,349	44,911,106	18,357,780	3,846,071	1,197,612,478
Total	1,031,281,618	85,234,582	62,482,197	185,791,154	102,608,147	890,599,096

(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 \$13,626,969 were forgiven under the authority of Foreign Affairs and International Trade Vote 21b, *Appropriation Act No. 4, 1999-2000*.

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 1/1999	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/2000
	\$	\$	\$	\$
(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	1,363,946		1,125,323	238,623
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil	4,733,080		479,103	4,253,977
Chile	11			11
Cuba	9,547,012			9,547,012
Malaysia	3,043,754		893,441	2,150,313
Turkey	2,345,460		570,408	1,775,052
	19,669,317		1,942,952	17,726,365
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El	725,545		171,939	553,606
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	261,654		50,000	211,654

	April 1/1999	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/2000
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	12,578,343		420,338	12,158,005
Argentina	345,332		18,667	326,665
Bolivia	975,087		42,395	932,692
Brazil	428,965		21,175	407,790
Chile	1,832,770		49,031	1,783,739
Colombia	512,996		26,308	486,688
Costa Rica	13,626,971		13,626,969	2
Dominican Republic	5,866,251		236,045	5,630,206
Ecuador	6,939,436		304,919	6,634,517
Guatemala	2,825,103		143,750	2,681,353
India	508,352,770		19,647,060	488,705,710
Indonesia	216,634,493			216,634,493
Malaysia	2,054,131		67,888	1,986,243
Malta	624,980		25,000	599,980
Mexico	51,271		2,771	48,500
Morocco	12,492,310		860,712	11,631,598
Myanmar (Burma)	8,306,202			8,306,202
Pakistan	447,507,534			447,507,534
Paraguay	358,067		19,996	338,071
Peru	64,580		3,726	60,854
Philippines	2,607,452		20,324	2,587,128
Sri Lanka	123,103,278		4,246,651	118,856,627
Thailand	25,563,756		830,444	24,733,312
Tunisia	83,093,440		3,295,729	79,797,711
	1,476,745,518		43,909,898	1,432,835,620
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	36,107,648		1,261,494	34,846,154
Subtotal	1,579,869,561		48,461,606	1,531,407,955
Less: budgetary treatment	54,957,020	2,100,836 ⁽²⁾		52,856,184
Total	1,524,912,541	2,100,836	48,461,606	1,478,551,771

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 \$1,402,441,331 (\$1,654,386,985 in 1999) 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 31/2000
	April 1/1999	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	197,911,796	17,936,225		8,111,777		207,736,244
International Bank for Reconstruction and Development (World Bank)	407,826,197			6,780,433		401,045,764
International Finance Corporation	122,720,675			4,823,580		117,897,095
Multilateral Investment Guarantee Agency	9,680,211			380,484		9,299,727
	738,138,879	17,936,225		20,096,274		735,978,830
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank	96,770,864	4,588,594		1,502,268		99,857,190
Asian Development Bank	224,178,127	38,686		7,576,436		216,640,377
Caribbean Development Bank	25,637,485			814,800		24,822,685
Inter-American Development Bank	262,787,190	6,452,134		10,323,319		258,916,005
	609,373,666	11,079,414		20,216,823		600,236,257
	1,347,512,545	29,015,639		40,313,097		1,336,215,087
Loans and advances—						
Finance—						
International Monetary Fund—						
Poverty Reduction and Growth Facility ⁽¹⁾	777,134,863	78,679,334		47,565,005	38,603,220	769,645,972
Foreign Affairs and International Trade—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization	42,082				4,000	38,082
Customs Co-operation Council	11,082				1,625	9,457
Food and Agriculture Organization	1,245,870		58,590			1,304,460
General Agreement on Tariffs and Trade	52,405				4,982	47,423
International Maritime Organization	2,471		34			2,505
International Atomic Energy Agency	529,910		24,920			554,830
International Civil Aviation Organization	237,546		11,171			248,717
Paris Union of the World Intellectual Property Organization	108,436				10,308	98,128
United Nations Educational, Scientific and Cultural Organization	1,034,654		48,657			1,083,311
United Nations organizations	4,305,173		202,461			4,507,634
World Health Organization	214,664		10,094			224,758
	7,784,293		355,927		20,915	8,119,305
	784,919,156	78,679,334	355,927	47,565,005	38,624,135	777,765,277
Total—Non-budgetary	2,132,431,701	107,694,973	355,927	47,565,005	78,937,232	2,113,980,364

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	Payments and other charges			Receipts and other credits		March 31/2000
	April 1/1999	Participation or other charges	Revaluation	Reimbursements or other credits		
				other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
BUDGETARY LOANS AND ADVANCES⁽²⁾						
Finance—						
Global Environment Facility	10,000,000					10,000,000
International Development Association	5,559,438,061	202,333,334				5,761,771,395
	5,569,438,061	202,333,334				5,771,771,395
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank.	2,718,896			125,000		2,593,896
African Development Fund.	1,339,377,648	42,811,614			4,447,497	1,377,741,765
Andean Development Corporation.	3,062,576			125,000		2,937,576
Asian Development Bank—Special.	27,027,000					27,027,000
Asian Development Fund	1,484,565,332	43,064,726				1,527,630,058
Caribbean Development Bank—						
Agricultural Development Fund.	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional	6,034,800				237,200	5,797,600
Caribbean Development Bank—Special	123,500,560	4,065,000			744,215	126,821,345
Central American Bank for Economic Integration.	1,415,279			76,500		1,338,779
Global Environment Facility Trust Fund.	111,110,000	30,000,000				141,110,000
Inter-American Development Bank—Fund for Special						
Operations	411,960,881	3,429,965			10,714,215	404,676,631
Multilateral Investment Fund	11,388,294					11,388,294
International Bank for Reconstruction and						
Development.	30,174,000				1,186,000	28,988,000
International Fund for Agriculture Development.	108,398,595	9,095,581				117,494,176
International Monetary Fund	16,549,583				650,487	15,899,096
Montreal Protocol Fund.	33,686,790	6,659,378			1,361,199	38,984,969
	3,712,970,234	139,126,264		326,500	19,340,813	3,832,429,185
Subtotal—Budgetary	9,282,408,295	341,459,598		326,500	19,340,813	9,604,200,580
Less: budgetary treatment	7,195,441,020		1,361,199	346,244,564		7,540,324,385
Total—Budgetary	2,086,967,275	341,459,598	1,361,199	346,571,064	19,340,813	2,063,876,195
Total	4,219,398,976	449,154,571	1,717,126	394,136,069	98,278,045	4,177,856,559
SUMMARY						
Participation	11,414,839,996	449,154,571	355,927	47,891,505	98,278,045	11,718,180,944
Less: budgetary treatment	7,195,441,020		1,361,199	346,244,564		7,540,324,385
Total	4,219,398,976	449,154,571	1,717,126	394,136,069	98,278,045	4,177,856,559

(1) Previously the Enhanced Structural Adjustment Facility.

(2) Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2000, Canada had paid-in shares valued at \$143,325,682 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4494 Cdn).

During the year, transactions included participation and a revaluation adjustment.

Canada's contingent liability for the callable portion of its shares is \$612,420,000 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2000, 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/\$1.4494 Cdn).

During the year, the only transaction was a revaluation adjustment of \$6.8 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, 2000, 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/\$1.4494 Cdn).

During the year, the only transaction was a revaluation adjustment of \$4.8 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, 2000, 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/\$1.4494 Cdn).

During the year, the only transaction 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 6,534 paid-in shares and 47,772 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2000, Canada's participation to the paid-in capital is \$99,857,190 Cdn for 6,534 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/\$1.4494 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 \$481,741,024 Cdn and \$177,333,450 US for a total value of \$738,768,126 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 Votes L40 and L40b, *Appropriation Acts No. 1, No. 2 and No. 4, 1999-2000*).

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, 2000, Canada's participation to the paid-in capital is \$216,640,377 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/\$1.4494 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 \$2,819,211,565 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, 2000, Canada's participation to the paid-in capital is \$24,822,685 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/\$1.4494 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 \$71,023,290 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 Votes L40 and L40b, *Appropriation Acts No. 1, No. 2 and No. 4, 1999-2000*).

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, 2000, Canada's participation to the paid-in capital is \$258,916,004 Cdn for 14,397 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.4494 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 \$5,603,682,861 Cdn.

International Monetary Fund—Poverty Reduction and Growth Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 700 million.

As at March 31, 2000, Canada has lent a total of 460,046,125 SDR to the Poverty Reduction and Growth Facility (previously the Enhanced Structural Adjustment Facility). Of this amount, 65,790,575 SDR has been repaid. The outstanding balance of 394,255,550 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$1.95215 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, 2000, 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, 2000, Canada's total participation in IDA amounted to \$5,761,771,395 Cdn.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L35, *Appropriation Acts No. 1 and No. 2, 1999-2000*).

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 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
NEWFOUNDLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	(9,495,809)	20,145,410	9,644,000	1,005,601
Municipal Development and Loan Board	1,895,020		161,814	1,733,206
Winter capital projects fund	2,836,758			2,836,758
	(4,764,031)	20,145,410	9,805,814	5,575,565
Industry—				
Atlantic Development Board carry-over projects	245,635		22,934	222,701
Atlantic Provinces Power Development Act.....	38,202,959		4,710,980	33,491,979
	38,448,594		4,733,914	33,714,680
Total Newfoundland.....	33,684,563	20,145,410	14,539,728	39,290,245
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrange- ments.....	(15,836,000)	15,836,000	18,149,000	(18,149,000)
Municipal Development and Loan Board	171,145		66,725	104,420
	(15,664,855)	15,836,000	18,215,725	(18,044,580)
Industry—				
Atlantic Development Board carry-over projects	811,685		390,181	421,504
Atlantic Canada Opportunities Agency— Special areas and highways agreement	67,171		67,171	
	878,856		457,352	421,504
Total Nova Scotia.....	(14,785,999)	15,836,000	18,673,077	(17,623,076)
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrange- ments.....	16,343,580		10,013,920	6,329,660
Municipal Development and Loan Board	250,025		21,388	228,637
Winter capital projects fund	63,079			63,079
	16,656,684		10,035,308	6,621,376
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement.....	4,528,504		776,313	3,752,191
Total Prince Edward Island.....	21,185,188		10,811,621	10,373,567

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments	(32,545,000)	32,545,000	10,237,000	(10,237,000)
Municipal Development and Loan Board	1,356,390 (31,188,610)	32,545,000	141,038 10,378,038	1,215,352 (9,021,648)
Industry—				
Atlantic Provinces Power Development Act.	12,051,046		1,413,292	10,637,754
Atlantic Canada Opportunities Agency— Special areas and highways agreement	1,852,167 13,903,213		552,993 1,966,285	1,299,174 11,936,928
Total New Brunswick	(17,285,397)	32,545,000	12,344,323	2,915,280
QUEBEC—				
Finance—				
Federal-provincial fiscal arrange- ments	(145,129,609)	182,122,109	115,284,000	(78,291,500)
Municipal Development and Loan Board	14,709,608		1,970,667	12,738,941
Total Quebec	(130,420,001)	182,122,109	117,254,667	(65,552,559)
ONTARIO—				
Finance—				
Federal-provincial fiscal arrange- ments	66,712,000	93,662,000	66,712,000	93,662,000
Total Ontario	66,712,000	93,662,000	66,712,000	93,662,000
MANITOBA—				
Finance—				
Federal-provincial fiscal arran- gements	22,013,440		44,926,440	(22,913,000)
Total Manitoba	22,013,440		44,926,440	(22,913,000)
SASKATCHEWAN—				
Agriculture and Agri-Food—				
Agricultural service centres	379,789		196,554	183,235
Finance—				
Federal-provincial fiscal arran- gements	88,138,380		98,645,720	(10,507,340)
Municipal Development and Loan Board	34,575 88,172,955		9,012 98,654,732	25,563 (10,481,777)
Total Saskatchewan	88,552,744		98,851,286	(10,298,542)
ALBERTA—				
Finance—				
Federal-provincial fiscal arran- gements	43,730,000	66,917,000	43,730,000	66,917,000
Municipal Development and Loan Board	631,816		65,930	565,886
Total Alberta	44,361,816	66,917,000	43,795,930	67,482,886

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS—Concluded

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements.....	(61,675,000)	61,675,000	96,621,000	(96,621,000)
Municipal Development and Loan Board	590,992		70,358	520,634
Total British Columbia	(61,084,008)	61,675,000	96,691,358	(96,100,366)
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements.....	(1,385,001)	1,385,000	1,212,000	(1,212,001)
Indian Affairs and Northern Development— Government of the Yukon Territory.....	260,848		105,255	155,593
Total Yukon Territory.....	(1,124,153)	1,385,000	1,317,255	(1,056,408)
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrangements	(3,871,000)	4,410,000		539,000
Total Northwest Territories	(3,871,000)	4,410,000		539,000
NUNAVUT—				
Finance—				
Federal-provincial fiscal arrangements		431,000		431,000
Total Nunavut		431,000		431,000
Total	47,939,193	479,128,519	525,917,685	1,150,027

Federal-provincial fiscal arrangements

These amounts represent underpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These underpayments are non-interest bearing and are paid in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 2002 and March 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 7 years at various anniversary amortization dates, with final instalments between July 31, 2000 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 14 years, with final instalments due between March 31, 2001 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.

Prior to March 31, 2000, the loans bore interest at rates from 6.3519 percent to 9.5757 percent per annum. As of March 31, the remaining loans bear no interest and are repayable in annual instalments, with final instalments between April 1, 2000 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.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
Second mortgage. . . .	7,157		1,654	5,503
Capital expenditures. .	113,155		68,383	44,772
Outside parties—				
Capital projects . . .	140,536		35,218	105,318
	260,848		105,255	155,593

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 July 3, 2000 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 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	17,179,210	710,368,225	705,377,461	22,169,974
Personnel posted abroad	12,035,849	11,985,412	12,706,902	11,314,359
	29,215,059	722,353,637	718,084,363	33,484,333
National Defence—				
Imprest accounts, standing advances and authorized loans	22,795,031	607,018,205	599,585,636	30,227,600
Public Works and Government Services—				
Miscellaneous accountable advances	19,072,497	10,423,566	19,063,891	10,432,172
Miscellaneous accountable imprest and standing advances	15,819,551	3,335,741	622,299	18,532,993
	34,892,048	13,759,307	19,686,190	28,965,165
Total— Loans and accountable advances	86,902,138	1,343,131,149	1,337,356,189	92,677,098
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	4,488,956		621,814	3,867,142
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	58,387,640	15,296,475	19,482,637	54,201,478
Finance—				
Canadian Commercial Bank	50,830,437			50,830,437
Ottawa Civil Service Recreational Association	84,486		11,543	72,943
	50,914,923		11,543	50,903,380
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)	239,515,531	58,998,390	102,904,253	195,609,668
Human Resources Development—				
Provincial workers' compensation boards	10,830,155		20,000	10,810,155
Indian Affairs and Northern Development—				
Council for Yukon Indians (Elders)	16,414,917	366,737	409,512	16,372,142
First Nations in British Columbia	97,700,030	22,840,000		120,540,030
Indian Economic Development Fund	1,729,148		1,168,404	560,744
Indian Housing Assistance Fund	950		950	
Inuit Loan Fund	99,664		15,806	83,858
Native claimants	342,505,182	28,181,990	12,680,030	358,007,142
Yukon Energy Corporation	30,016,429			30,016,429
	488,466,320	51,388,727	14,274,702	525,580,345

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1999	Payments and other charges	Receipts and other credits	March 31/2000
	\$	\$	\$	\$
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	537,230		25,000	512,230
	3,980,046		25,000	3,955,046
	113,980,046		25,000	113,955,046
National Defence—				
Canadian Forces housing projects	3,556,633		841,990	2,714,643
Pilot Training Program—MILIT-AIR Inc.	703,000,000			703,000,000
	706,556,633		841,990	705,714,643
Natural Resources—				
Hibernia Development Project	132,000,000		49,200,000	82,800,000
Nordion International Inc.	52,804,000	39,370,200		92,174,200
	184,804,000	39,370,200	49,200,000	174,974,200
Public Works and Government Services—				
Confederation Bridge	779,544,000		23,505,457 ⁽¹⁾	756,038,543
Seized Property Working Capital Account	2,934,641	20,173,982	19,713,280	3,395,343
	782,478,641	20,173,982	43,218,737	759,433,886
Solicitor General—Correctional Service—				
Parolees	22,783	17,142	17,661	22,264
Transport—				
Hamilton Harbour Commissioners	75,000		50,000	25,000
Saint John Harbour Bridge Authority	27,873,158		898,456	26,974,702
St. Lawrence Seaway Management Corporation	1,246,713		94,310	1,152,403
	29,194,871		1,042,766	28,152,105
Veterans Affairs—				
Commonwealth War Graves Commission	73,098		3,675 ⁽²⁾	69,423
Veterans' Land Act Fund—				
Advances	2,358,355	20,539	1,110,725	1,268,169
Less: allowance for conditional benefits	1,400	1,400		
	2,356,955	21,939	1,110,725	1,268,169
	2,430,053	21,939	1,114,400	1,337,592
Subtotal	2,704,370,774	185,266,855	263,601,073	2,626,036,556
Add: consolidation adjustment ⁽³⁾	261,090,000		37,696,000	223,394,000
Total—Other	2,965,460,774	185,266,855	301,297,073	2,849,430,556
Total	3,052,362,912	1,528,398,004	1,638,653,262	2,942,107,654

⁽¹⁾ Reflects amortization of the deferred subsidies related to the Confederation Bridge.⁽²⁾ This amount represents a revaluation adjustment.⁽³⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$8,480,441; advances for medical expenses, \$1,186,925 security and other deposits under Foreign Service Directives, \$636,813; and, school and club debentures, \$1,010,180.

The loans to employees bear interest at rates from 3 percent to 5 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2000 and March 1, 2004.

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 was increased from \$100,000,000 to \$150,000,000 by National Defence Vote L11a, *Appropriation Act No. 3, 1999-2000* and reduced from \$150,000,000 to \$100,000,000 by National Defence Vote L11b, *Appropriation Act No. 4, 1999-2000*.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.375 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 2000 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 were made to Canadian owned and controlled firms in cultural industries to encourage the growth of the Canadian book publishing, film and video and sound recording industries.

During the year, the Cultural Industries Development Fund was transferred to the Business Development Bank of Canada under the Department of Industry.

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, 1999-2000*, 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, 2000 and April 1, 2007, \$46,524,402; 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, 2000 and April 1, 2007, \$7,677,076.

During the year, loans totalling \$2,441,943 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 1999-2000*.

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 31/2000
	April 1/1999	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	4,990,403			183,744	4,806,659
Iran	37,910,703			10,514,403	26,082,035
South Africa	72,807,021			6,218,740	63,981,652
	115,708,127			16,733,143	94,870,346
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:					
Antigua	41,586,192			3,469,637	36,628,982
Kyrgyzstan	69,190,428			12,227,095	54,511,200
	110,776,620			15,696,732	91,140,182
Total—Non-budgetary	226,484,747			32,429,875	186,010,528
BUDGETARY LOANS					
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:					
Antigua	8,082,851			2,796,962	5,018,537
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:					
Spain		24,645,805	22,744	497,399	22,779,699
Thailand	39,563,788			31,759,458	7,122,798
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:					
Antigua	4,947,933			186,978	4,580,602
Subtotal—Budgetary	52,594,572	24,645,805	22,744	35,240,797	39,501,636
Less: budgetary treatment	39,563,788	32,256,858	2,072,983	24,645,805	29,902,496
Total—Budgetary	13,030,784	56,902,663	2,095,727	59,886,602	9,599,140
Total	239,515,531	56,902,663	2,095,727	92,316,477	195,609,668
SUMMARY					
Total—Non-budgetary	226,484,747			32,429,875	186,010,528
Total—Budgetary	52,594,572	24,645,805	22,744	35,240,797	39,501,636
Total	279,079,319	24,645,805	22,744	67,670,672	225,512,164
Less: budgetary treatment	39,563,788	32,256,858	2,072,983	24,645,805	29,902,496
Total	239,515,531	56,902,663	2,095,727	92,316,477	195,609,668

⁽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, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Acts No. 1 and No. 2, 1999-2000*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 5 percent to 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, 1999-2000*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

- (b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

- (c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

All the loans outstanding at year end are non-interest bearing.

Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

The loans bear interest at rates from 6.25 percent to 11.25 percent per annum, and are repayable over 1 to 14 years, with final instalments between April 1, 2000 and April 1, 2008.

During the year, loans totalling \$1,114,936 were written off by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1999-2000*.

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.

During the year, the remaining loan in the amount of \$950 was written off pursuant to Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1999-2000*. As such, there is no outstanding balance in 1999-2000 and the account will be closed.

Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 9.75 percent to 13 percent per annum, and are repayable over 1 to 7 years, with final instalments between April 1, 2000 and February 2, 2004.

During the year, loans totalling \$14,627 were written off pursuant to Indian Affairs and Northern Development Vote 36b, *Appropriation Act No. 4, 1999-2000*.

Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L20, *Appropriation Acts No. 1 and No. 2, 1999-2000*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2005, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$198,609,286 and \$159,397,856 respectively. Rates are from 5 percent to 11 percent per annum for the interest-bearing portion.

Yukon Energy Corporation

In accordance with subsection 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to subsection 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans for the Flexible Term Note (FTN) bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Aishihik-Faro (WAF) System are less than 310 GWH per year. The level of sales did not exceed 310 GWH this fiscal year. Furthermore, interpretation of the FTN relating to the sales of power is currently under discussion between the Department and the Yukon Energy Corporation.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
 - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
 - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Acts No. 1 and No. 2, 1999-2000*.

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, 1999-2000*.

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 Department.

The remaining loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates.

Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 2000 and November 1, 2010.

Pilot Training Program—MILIT-AIR Inc.

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

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$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 L10, *Appropriation Acts No. 1 and No. 2, 1999-2000*.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

Confederation Bridge

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of the Confederation Bridge. Payments of the annual subsidy began on May 31, 1997 and will continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

On April 1, 1999, the third payment of the annual subsidy was made in the amount of \$45.8 million. This payment represents payment of principal in the amount of \$13.8 million and interest expense of \$32 million. The interest rate is 4.009 percent and the present value of the annual cash payment is \$45.8 million.

As a result, the Government of Canada has a recorded liability of \$786 million offset by deferred subsidies of \$756 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The bonds will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 1999-2000 of \$23.5 million.

Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$10,963 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 June 30, 2000.

Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.5 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being 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

1999-2000

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 ..	10.14
Contingent liabilities	10.16
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 12 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,200 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 \$55 million and \$90 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

TABLE 10.1
CONTRACTUAL COMMITMENTS
(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3.....	14,749	7,449	1,162			23,360
Table 10.4.....			2,384			2,384
Table 10.6.....				1,220		1,220
Pension plans for veterans					6,142	6,142
Liability under continuation acts					145	145
Total	14,749	7,449	3,546	1,220	6,287	33,251

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 2001 to 2005 inclusive, and a total for amounts due in the year 2006 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
2001	3,924	2,003	245	550	1,237	7,959
2002	3,051	1,531	240	407	1,254	6,483
2003	2,734	971	227	140	1,271	5,343
2004	2,417	370	195	46	1,266	4,294
2005	2,212	336	178	44	1,259	4,029
2006 and subsequently	411	2,238	2,461	33		5,143
Total	14,749	7,449	3,546	1,220	6,287	33,251

Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 12 to the audited financial statements in Section 1 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2006 and subse- quently
					2001	2002	2003	2004	2005	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program	25,579 ⁽¹⁾	25,579	16,987	8,592 ⁽²⁾	1,700	1,736	1,723	1,720	1,713	
Agriculture and Agri-Food—										
Economic Recovery Assistance Program—										
Ice Storm	13	8	8	(3)						
Health—										
Indian and Northern Health Services	999	999	609	390	156	106	76	36	16	
Moose Factory Hospital	51	51	41	10	10					
Canadian International Development Agency—										
Geographic Programs	149	149	19	130	30	30	22	28	6	14
Partnership Program	200	200	98	102	57	31	9	5		
Country in Transition Program	37	37	9	28	7	14	7			
Multilateral Program	120	120	42	78	78					
Citizenship and Immigration—										
Canada-Quebec Accord	598	598	103	495	99	99	99	99	99	
Canada-Manitoba Accord	29	29	4	25	5	5	5	5	5	
Canada-British Columbia Accord	287	287	47	240	48	48	48	48	48	
Canadian Heritage—										
Contributions—										
Pan American Games	51	51	51	(3)						
Canadian Television and Cable Production Fund	91	91	91	(3)						
Radio Canada International (CBC)	62	62	42	20	20					
Canada Post Corporation	139	139	46	93	46	47				
Indian Affairs and Northern Development—										
Comprehensive Land Claims Agreement—										
Indian and Inuit Affairs	824	824	359	465	62	61	53	51	31	207
Northern Affairs	142	142	103	39	12	12	12	3		
Alternative Funding Arrangement	702	702	527	175	88	42	41	4		
Financial Transfer Arrangement	3,101	3,101	1,890	1,211	462	276	261	129	83	
Comprehensive Funding Arrangement	423	423	231	192	185	4	1	1	1	
Canada First Nations Funding Agreement	439	439	11	428	92	88	88	84	76	
First Nations Direct Funding Agreement	14	14	4	10	3	3	2	2		
Mushual Innu Relocation Agreement	113	113	47	66	43	22	1			
Contribution Agreement	313	313	45	268	28	34	40	34	29	103
Grant Agreement	439	439	157	282	62	62	53	53	52	
Atlantic Canada Opportunities Agency—										
Economic Development Programs—										
Canada/Newfoundland Strategic Regional Diversification Agreement	60	56	49	7 ⁽³⁾	7					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2006 and subse- quently
					2001	2002	2003	2004	2005	
Canada /Newfoundland Comprehensive Economic Development Agreement	35	35	13	22	12	9	1			
Canada/Newfoundland Agreement on Economic Renewal (TAGS-ER)	74	74	54	20	19	1				
Canada/Newfoundland Agreement for the Economic Development Component of the Canadian Fisheries Adjustment and Restructuring Initiative	65	65	7	58	40	18				
Canada/PEI Agreement on Regional Economic Development - 1996-2001	36	36	23	13	12	1				
Canada/Nova Scotia Co-operation Agreement on Economic Diversification	183	183	128	55	43	6	6			
Canada/New Brunswick Regional Economic Development Agreement	216	216	167	49	28	15	6			
Industry—										
Province of Ontario										
Canada Infrastructure Works Agreement	875	865	865	(3)						
CRJX development	87	86	86	(3)						
CAE Electronics visual technology	31	31	27	4 ⁽³⁾	4					
IBM Canada Ltd. E-commerce software	33	33	13	20	11	9				
PW150 Turboprop engine design and development	100	85	85	(3)						
Pratt & Whitney product oriented development	46	46	46	(3)						
Pratt & Whitney product oriented development	52	52	1	51	17	18	16			
Pratt & Whitney—PW308-C development	99	99	45	54	13	10	27	4		
Ballard Power Systems—Fuel cell power plant	29	29	29	(3)						
Canarie Inc.—Phase 3 Advanced applications development	78	78	1	77	12	29	18	18		
Aventis Pasteur Ltd—Cancer Vaccines	60	60	12	48	5	9	8	6	6	14
International Tele- communication Union— ITU operations	72	72	38	34	7	7	7	7	6	
Biochem Pharma Inc.— recombinant vaccine technology	80	80	3	77	9	12	16	15	17	8
Research in Motion—3G and future wireless network	34	34	4	30	10	12	8			
Rolls-Royce Canada Inc.— aero driven stationary	53	53	4	49	15	12	9	13		
Economic Development Agency of Canada for the Regions of Quebec— Canada Infrastructure Works Agreement-Quebec	638	637	610	27	19	6	2			

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2006 and subse- quently
					2001	2002	2003	2004	2005	
Innovation Development										
Entrepreneurship and Access										
Program—Idea	295	295	223	72	45	19	4	1	3	
Community Futures										
Program	120	120	101	19	19					
Regional Strategic Initiative										
Program	170	170	83	87	37	21	14	9	6	
National Research Council of Canada—										
James Clerk Maxwell Telescope										
Mauna Kea, Hawaii, USA	38	38	26	12	1	1	1	1	1	7
Gemini Twin										
Telescope Project—										
Cerro Pachon, Chile and										
Mauna Kea, Hawaii, U.S.A.	47	47	29	18	4	4	4	4	2	
Tri-University Meson										
Facility (TRIUMF)										
Vancouver, B.C.	175	175	137	38	19	19				
Transport—										
Province of Quebec										
Road Agreement	271	271	193	78	4	4	4	4	4	58
Western Economic										
Diversification—										
Canada Infrastructure Program										
Works Agreement	635	635	620	15	15					
Western Economic										
Diversification Program	518	518	316	202	95	50	27	24	6	
Canada-Manitoba Red River Flood										
Assistance										
Province of Manitoba	46	46	24	22	7	15				
Upgrading the Port of										
Churchill—Hudson Bay										
Port Company	14	14	8	6 ⁽³⁾	6					
Loan/Investment Fund										
Program	150	53	24	29	11	9	6	1	2	
<i>Subtotal</i>	<i>40,430</i>	<i>40,297</i>	<i>25,665</i>	<i>14,632</i>	<i>3,839</i>	<i>3,036</i>	<i>2,725</i>	<i>2,409</i>	<i>2,212</i>	<i>411</i>
Consolidated Crown										
Corporations—										
Canadian Film										
Development										
Corporation—										
Financial Assistance to										
producers and distributors	33	33		33	33					
Enterprise Cape Breton										
Corporation—										
EDS Systemhouse Inc.—Economic										
Development programme	13	13		13	10	1	1	1		
International Development										
Research Centre—										
Micronutrient Initiative	125	125	94	31	8	8	8	7		
The Canada Council for the Arts—										
Future year										
grants	40	40		40	34	6				
<i>Subtotal</i>	<i>211</i>	<i>211</i>	<i>94</i>	<i>117</i>	<i>85</i>	<i>15</i>	<i>9</i>	<i>8</i>		
Total transfer										
 payment agreements	40,641	40,508	25,759	14,749	3,924	3,051	2,734	2,417	2,212	411

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Continued*

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31					2006 and subse- quently
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	2001	2002	2003	2004	2005	
Fixed assets and purchases—										
Fixed assets—										
Agriculture and Agri-Food—										
Research Facility	15	7	7	(3)						
Canadian Heritage—										
Lachine Canal										
Enhancement	33	33	14	19	5	9	2	3		
Grosse-Île Development	38	38	18	20	3	1	1	15		
Saguenay Marine Park										
Development	42	42	24	18	4	4	4	6		
Jasper Sewage Treatment Plant.	11	11		11	6	4	1			
National Defence—										
Electronic Support and Training										
Systems	217	142	135	7 ⁽³⁾	7					
Tactical Transport										
Tanker.	348	128	112	16	16					
Military Automated Air Traffic										
System	179	75	23	52	14	26		12		
Canadian Search and Rescue										
Helicopter.	770	661	213	448	209	194	45			
Tactical Command Control and Communication										
System	1,931	1,581	1,506	75	41	34				
Land Forces Command										
System	178	148	96	52	40	10	2			
Short Range Anti-Armour Weapons.	186	174	167	7 ⁽³⁾	7					
Lynx Replacement Project	884	62	58	4 ⁽³⁾	4					
Armoured Personnel Carriers	2,039	1,647	790	857	280	248	284	4	41	
Leopard thermal sight	139	120	83	37	32	5				
Canadian Forces										
Supply System										
upgrade.	289	154	141	13	13					
Canadian Patrol Frigate.	8,944	164	129	35	29	6				
Tribal Class Update and										
Modernization Project (TRUMP).	1,412	10	8	2 ⁽³⁾	2					
Maritime coastal										
defence vessels	694	611	570	41	14	11	8	8		
Regional/Sector Air										
Operations Centre	137	70	64	6 ⁽³⁾	5	1				
Canadian Forces Utility Tactical										
Helicopter (CFUTTH).	1,293	21	3	18	11	7				
M113 Life Extension Project	235	201	18	183	28	27	28	39	38	23
Canadian Submarine Capability										
Life Extension	812	677	204	473	68	123	68	70	71	73
Other Fixed Assets (DND)	786	487	253	234	128	78	15	9	4	
Foreign Affairs and										
International Trade—										
B.F. Construction Ltd—Chancery										
and Staff Quarters										
Construction, Seoul.	1	1	1	(3)						
Public Works and										
Government Services—										
Crown purchase of 401, Burrand Street										
Vancouver, B.C. (Canada Lands Company)										
Company).	58	58	12	46		46				
Northwest Highway.	480	428	415	13	13					
Subtotal	22,151	7,751	5,064	2,687	979	834	458	166	154	96

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Continued*

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31						
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	2001	2002	2003	2004	2005	2006 and subse- quently	
Consolidated Crown Corporation— National Capital Commission— Other Capital Projects	53	53	22	31	23	8					
Total fixed assets	22,204	7,804	5,086	2,718	1,002	842	458	166	154	96	
Purchases —											
Environment— Supercomputer Hardware and Software Lease NEC Corporation	68	68	59	9 ⁽³⁾	8	1					
Satellite Radar Data—Radarsat International Inc.	12	12	10	2 ⁽³⁾	2						
Health— Non-Insured Health Program for First Nations and Inuit people	46	46	13	33	9	9	9	6			
Industry— Canadian Space Agency— Mobile Servicing System— SPDM Development— MacDonald Dettwiler Space and Advanced Robotics Ltd.	173	173	140	33	28	5					
Radarsat-2 construction— MacDonald Dettwiler Ltd.	281	281	152	129	59	47	22	1			
National Defence— Ammunition	163	163	98	65	51	9	5				
Military pilot training—Bombardier Inc.	291	291	241	50	35	15					
Bombardier Inc.—CF18 System engineering support	118	118	60	58	58						
Canadian Airlines International—CC-150 Integrated Services	134	134	90	44	16	10	10	8			
Frontec Logistics Corporation— North Warning System support	317	317	250	67	39	28					
Bombardier—NATO Flying Training Centre	3,164	2,634	79	2,555	129	144	142	143	142	1,855	
Serco Ltd.—Goose Bay ASD	175	150	56	94	30	30	34				
Consolidated Automatic Test Equip- ment Support Facility—Harris Canada . .	200	200	17	183	17	17	25	26	27	71	
Other purchases (DND).	706	703	336	367	155	81	60	11	10	50	
Human Resources Development— MFP Financial Services Ltd— Replace all existing mainframes with Unisys Clear Path mainframes	89	83	83				(3)				
Canada Student Financial Assistance Act (Risk premium)	391	391	245	146	80	40	20	6			
Public Works and Government Services— Real Estate Services University of Moncton	26	26	5	21	1	1	1	1	1	16	
Privateers Wharf, Historic Properties Ltd.	15	15	4	11	1	1	1	1	1	6	

10.8 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2006 and subse- quently
					2001	2002	2003	2004	2005	
Brookfield LePage Johnson Controls										
Property Management Services										
Calgary, Alta.....	25	25	9	16	6	5	5			
Winnipeg, Man.....	37	37	14	23	8	8	7			
Montréal, Qué.....	94	88	37	51	17	17	17			
Québec, Qué.....	45	41	17	24	8	8	8			
St. John's, Nfld.....	22	22	9	13	5	4	4			
Halifax, N.S.....	24	24	9	15	6	5	4			
Saint John, N.B.....	28	28	11	17	7	5	5			
Ottawa, Ont.....	160	160	61	99	33	33	33			
Vancouver, B.C.....	34	34	13	21	7	7	7			
Greater Toronto Area, Ont.....	67	67	26	41	13	14	14			
Greater Ontario Area, Ont.....	83	83	33	50	17	17	16			
Solicitor General—										
Correctional Service—										
EDS Canada Ltd—Year 2000										
Testing and Readiness										
Projects.....	22	10	9	1	1	(3)				
<i>Subtotal</i>	<i>7,010</i>	<i>6,424</i>	<i>2,186</i>	<i>4,238</i>	<i>846</i>	<i>561</i>	<i>449</i>	<i>203</i>	<i>181</i>	<i>1,998</i>
Consolidated Crown										
Corporations—										
Canadian Broadcasting										
Corporation—										
Sports Rights	30	30	11	19	8	7	4			
National Hockey League.....	179	179	62	117	48	46	23			
I.O.C.—Olympics	240	240	18	222	41	23	14			144
Blue Jays Baseball.....	21	21	7	14	7	7				
Canadian Football League	19	19	5	14	4	5	5			
Air Farce Productions	21	21		21	7	7	7			
Stentor—Network Services.....	67	67	39	28	9	9	10			
Profac Facility and Property										
Management	104	104	62	42	21	21				
National Capital										
Commission—										
Employee take over,										
Minto & Profac—										
Service Contract	26	26	10	16	10	3	1	1	1	
<i>Subtotal</i>	<i>707</i>	<i>707</i>	<i>214</i>	<i>493</i>	<i>155</i>	<i>128</i>	<i>64</i>	<i>1</i>	<i>1</i>	<i>144</i>
Total purchases	7,717	7,131	2,400	4,731	1,001	689	513	204	182	2,142
Total fixed assets										
and purchases	29,921	14,935	7,486	7,449	2,003	1,531	971	370	336	2,238
Operating										
leases—										
Environment—										
Lease of land Capilano										
Indian Reserve No. 5										
Vancouver, B.C.....	442	442	55	387	6	5	5	5	7	359
Foreign Affairs and										
International Trade—										
Mitsui Fudosan New York	52	52	6	46	2	3	3	3	3	32
AG1824-Compagnie Brussels.....	13	13	6	7 ⁽³⁾	2	2	2	1		
Hong Kong Land Limited										
Hong Kong.....	53	53	36	17	6	6	5			
Tower Plaza Associates New York.....	20	20	8	12	1	1	1	2	2	5
Ohbayashi America Corporation										
Los Angeles	13	13	4	9 ⁽³⁾	1	1	1	1	1	4

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 2000—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2006 and subse- quently
					2001	2002	2003	2004	2005	
Privy Council— Chief Electoral Officer— IBM Canada Ltd. EDP Services	14	14		14	4	4	3	3		
Public Works and Government Services— Journal Building, Ottawa	170	170	102	68	14	14	14	14	12	
Place de Ville "C", Ottawa	178	178	129	49	15	15	15	4		
200 Kent St., Ottawa	104	104	60	44	12	12	12	8		
Standard Life Building, Ottawa	20	20	10	10	3	3	3	1		
344 Slater St., Ottawa	40	40	22	18	6	6	6			
333 Laurier Ave., Ottawa	19	19	12	7 ⁽³⁾	4	3				
VIA Rail Station—Winnipeg	13	13	2	11	1	1	1	1	1	6
320 Queen Street, Ottawa	37	37	5	32	4	4	4	4	4	12
Place Vanier, A,B and C.	14	14	6	8 ⁽³⁾	3	3	2			
340 Laurier Street	56	56		56	1	6	6	6	6	31
Barclay Center, Calgary, Alberta Inc. (725844 Alberta)	36	36	6	30	4	4	4	4	4	10
Solicitor General— Royal Canadian Mounted Police— Dispatch radio service—Manitoba Telephone Service (MTS) Mobility	59	59	13	46	6	6	6	6	6	16
Subtotal	1,353	1,353	482	871	95	99	93	63	46	475
Consolidated Crown Corporations— National Capital Commission— Chalmers Building 40 Elgin St., Ottawa	141	141	5	136	5	5	5	5	6	110
VIA Rail Canada Inc.— Central Station — Montreal	52	52	15	37	4	4	4	4	4	17
Trizecahn PVM Inc.— Office Space	77	77	58	19	5	5	2	1	2	4
Canadian Broadcasting Corporation— Satellite lease (Telesat)	96	96	88	8	7	1				
Canadian Film Development Corporation— Office leases	15	15		15	3	3	2	1	1	5
International Development Research Centre— Office space lease	22	22	2	20	2	2	2	2	2	10
Office Maintenance Lease	19	19	1	18	2	2	2	2	3	7
Canada Council— Operating leases	14	14		14	3	3	3	2	1	2
National Gallery of Canada— Total Operating leases	19	19	6	13	4	1		1		7
National Museum of Science and Technology— Operating leases	13	13	2	11	3	3	2	2	1	
Subtotal	468	468	177	291	38	29	22	20	20	162
Total operating leases	1,821	1,821	659	1,162	133	128	115	83	66	637
Grand total	72,383	57,264	33,904	23,360	6,060	4,710	3,820	2,870	2,614	3,286

(1) The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment were first reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

(2) The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,592 million), should therefore not be interpreted as the total outstanding commitment at March 31, 2000.

(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.

10.10 OTHER INFORMATION RELATED TO
THE FINANCIAL STATEMENTS

Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 12 to the audited financial statements in Section 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. Table 10.5a presents details of purchase options exercised during the year.

TABLE 10.4
COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS
(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception date	Total estimated minimum lease payments, full term (excluding executory costs)	Final purchase option price included in total estimated minimum lease payment	Implicit interest rate (%)	Balances at March 31, 2000		
							Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs
Canadian Heritage— Greenwich Centre, Charlottetown . . .	Dec 17, 1999	48	2,200	12,344		11.55 ⁽²⁾	12,259	10,059	2,200
Indian Affairs and Northern Development Office Equipment ⁽¹⁾									
National Defence— Shawinigan Armoury	May 12, 1999	20	6,000	11,160		6.72 ⁽²⁾	10,665	4,757	5,908
Public Works and Government Services—									
Guy Favreau Building, Montréal . . .	Jan 1, 1994	25	84,200	227,570	30,000	8.7 ⁽²⁾	178,177	99,016	79,161
240 Sparks St, Ottawa	Sept 1, 1977	35	63,700	213,500		9.2 ⁽²⁾	75,742	30,655	45,087
L'Esplanade Laurier, Ottawa	Oct 1, 1995	15	46,800	102,929	18,000	10.6 ⁽²⁾	77,020	34,910	42,110
Place du Centre, Hull	Feb 17, 1978	30	26,201	96,204	6,000	11.2 ⁽²⁾	29,440	11,305	18,135
Terrasses de la Chaudière, Hull	Jan 1, 1993	20	146,084	372,250	54,000	9.6 ⁽²⁾	259,696	128,653	131,043
Government of Canada Building, (GOCB), Cornwall	Dec 1, 1994	25	9,200	24,770		9.8 ⁽²⁾	19,486	10,852	8,634
Scarborough (GOCB) ⁽¹⁾									
Chatham (GOCB)	June 1, 1995	25	4,768	11,745		8.7 ⁽²⁾	9,474	5,014	4,460
Place Vincent Massey, Hull	Aug 1, 1996	15	21,000	50,860	15,725	10.5 ⁽²⁾	42,272	21,836	20,436
Canada Place, Edmonton	Dec 1, 1998	25	98,450	192,203		6.1 ⁽²⁾	181,952	85,825	96,127
Louis Saint-Laurent, Hull	Nov 1, 1996	20	68,900	148,500	15,000	8.2 ⁽²⁾	125,379	60,819	64,560
Block 56, Vancouver	May 1, 1995	25	54,100	166,673		11.6 ⁽²⁾	133,894	82,221	51,673
OACI, Montreal	Dec 1, 1996	20	100,000	246,600	23,450	10.0 ⁽²⁾	209,386	114,182	95,204
			723,403	1,853,804	162,175		1,341,918	685,288	656,630
Veterans Affairs— Office equipment ⁽¹⁾									
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⁾	908,568	527,273	381,295
Canadian Museum of Nature— National Heritage Building Aylmer, Quebec	Sept 30, 1996	35	35,040	122,500		9.88 ⁽²⁾	110,250	76,567	33,683
Total			1,251,754	3,257,542	162,175		2,383,660	1,303,944	1,079,716

⁽¹⁾ Purchase options exercised during the year (See Table 10.5a)

⁽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)

Department and agency	Payments due in												Total
	2001	2002	2003	2004	2005	2006 to 2010	2011 to 2015	2016 to 2020	2021 to 2025	2026 to 2030	2031 to 2035		
Canadian Heritage—													
Remaining payments	255	255	255	255	255	1,277	1,277	1,277	1,277	1,277	4,597	12,257	
Imputed interest	254	253	253	253	253	1,262	1,252	1,233	1,202	1,147	2,695	10,057	
Net commitments	1	2	2	2	2	15	25	44	75	130	1,902	2,200	
National Defence—													
Remaining payments	558	558	558	558	558	2,790	2,790	2,295				10,665	
Imputed interest	397	387	375	362	349	1,516	1,027	344				4,757	
Net commitments	161	171	183	196	209	1,274	1,763	1,951				5,908	
Public Works and Government Services—													
Remaining payments	74,364	74,364	74,364	74,364	74,364	371,192	365,651	204,435	28,820			1,341,918	
Imputed interest	59,483	58,046	56,466	54,729	52,819	227,245	131,872	41,633	2,995			685,288	
Net commitments	14,881	16,318	17,898	19,635	21,545	143,947	233,779	162,802	25,825			656,630	
Canadian Broadcasting Corporation—													
Remaining payments	33,039	33,039	33,039	33,039	33,039	165,194	165,194	165,194	165,194	82,597		908,568	
Imputed interest	28,630	28,292	27,928	27,536	27,113	128,008	111,381	87,317	52,498	8,570		527,273	
Net commitments	4,409	4,747	5,111	5,503	5,926	37,186	53,813	77,877	112,696	74,027		381,295	
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	5,250	110,250	
Imputed interest	3,337	3,321	3,302	3,281	3,259	15,859	14,811	13,091	10,270	5,646	390	76,567	
Net commitments	163	179	198	219	241	1,641	2,689	4,409	7,230	11,854	4,860	33,683	
Summary—													
Remaining payments	111,716	111,716	111,716	111,716	111,716	557,953	552,412	390,701	212,791	101,374	9,847	2,383,658	
Imputed interest	92,101	90,299	88,324	86,161	83,793	373,890	260,343	143,618	66,965	15,363	3,085	1,303,942	
Net commitments	19,615	21,417	23,392	25,555	27,923	184,063	292,069	247,083	145,826	86,011	6,762	1,079,716	

TABLE 10.5a

CAPITAL LEASES-PURCHASE OPTION EXERCISED DURING THE YEAR

(in thousands of dollars)

Department and agency identification of capital lease	Original lease plan				Values upon exercise of purchase option					
	Total minimum lease payments, including bargain purchase option	implicit interest	executory costs	Net commitments	Total minimum lease payments including purchase option exercised	Implicit interest	Net minimum lease payments	Executory costs	Purchase option exercised	Marker or appropriate value of acquisition
Public Works and Government Services—										
Scarborough (GOCB)	111,605	74,221	Nil	37,384	58,398	19,692	38,705	Nil	37,061	20,000
Indian Affairs and Northern Development —										
Office equipment	3,595	389	Nil	3,206	1,049	51	998	Nil	156	N/A
Veterans Affairs—										
Office equipment	8,585	908	Nil	7,677	8,492	1,017	3,848		3,627	N/A
Total	123,785	75,518		48,267	67,939	20,760	43,551		40,844	20,000

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 12 to the audited financial statements in Section 1 of this volume.

TABLE 10.6

INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY

(in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans	247	139	386
Budgetary loans and advances	834		834
Total	1,081	139	1,220

Insurance Programs of Agent Enterprise Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented below has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the *“President of the Treasury Board’s Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada”*.

In Table 10.7, a minus “-” sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year. Information contained in this table is summarized in Note 13 to the financial statement of the Government in Section 1 of this volume.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 2000

(in millions of dollars)

	Canada Deposit Insurance Corporation		Canada Mortgage and Housing Corporation ⁽²⁾⁽⁶⁾				Export Development Corporation ⁽³⁾⁽⁴⁾	
	1999-2000	1998-99	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		1999-2000	1998-99
			1999-2000	1998-99	1999-2000	1998-99		
Insurance in force as at reporting date.....	327,037	307,998	189,400	183,000	27,709	21,002	11,100	10,224
Opening balance of Fund/Allowance.....	27	-539	196	21	47	39	(3)	(3)
Revenues for the period—								
Premiums and fees.....	135	515	589	509	12	8	128	110
Investment income.....	32	28	241	252	6	5		
Other revenues.....	3	36	49	53	2	2		
Total revenues.....	170	579	879	814	20	15	128	110
Expenses for the period—								
Loss on/provision for claims.....	-5	-12	313	347			140	90
Interest on loans.....		8	-89		2			
Administrative and tax.....	17	17	302	257	7	7		
Funds returned to Government.....	1		24					
Other expenses.....							-15 ⁽⁴⁾	9 ⁽⁴⁾
Total expenses.....	13	13	550	604	9	7	125	99
Net income/loss (-) for the period.....	157	566	329	210	11	8	3	11
Closing balance of Fund/Allowance.....	184	27	525	231	58	47	(3)	(3)
Net claims during the period ⁽⁵⁾	35	58	384	246	*	*	120	47
Five year average of net claims paid.....	10	14	338	330	*	*	50	31

* Not applicable.

(1) The Canada Deposit Insurance (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

(2) Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 1999 disclosed that the Fund had a surplus of \$456.3 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 2000 amounted to only \$879,000 (\$1,299,000) at March 31, 1999). Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.

(3) The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. The corporation maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$353 million (\$308 million in 1999). Comparative figures have been restated to conform to the current year's presentation.

(4) For the Export Development Corporation, other expenses represent the foreign exchange gain or loss or loss on the allowance for claims.

(5) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

(6) The opening balance for the Mortgage Insurance Fund and the Mortgage-Backed Securities Guarantees Fund have been restated for Fiscal Year 1999-2000 to reflect an accounting policy change relating to the amortization and deferral of Gain/Loss over the life of the original investment.

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. A contingent liability is recorded as an actual liability when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for enterprise Crown corporations and other government business enterprises, all Government organizations are accounted for in the financial statements by consolidation. Enterprise Crown corporations and other government business enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

The contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"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 honor a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

Also included in Table 10.8 are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

The following table is summarized in Note 14 to the financial statements of the Government in Section 1 of this volume.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 2000

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability
	\$	\$
GUARANTEES BY THE GOVERNMENT OF		
Borrowings by enterprise Crown corporations which are agents of Her Majesty		38,640,172,000 ⁽³⁾
Borrowings by other government business enterprises		6,588,819,000 ⁽⁴⁾
Borrowings by other than enterprise Crown corporations		
From agents		
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing	1,700,000,000 ⁽⁷⁾	230,100,547 ⁽⁵⁾
From other than agents		
Guarantee programs of the Government		
<i>Canada Student Loans Act</i>	10,781,963,150	1,355,893,633
<i>Small Business Loans Act</i>	2,738,407,538	1,256,214,558
<i>Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act</i>		466,909,310
<i>Advance Payments for Crops Act</i>	400,000,000	290,951,092
Atlantic Enterprise Program		8,876,295 ⁽⁶⁾
Enterprise development program	1,200,000,000	5,919,521 ⁽⁸⁾
<i>Fisheries Improvement Loans Act</i>	46,595	46,595
Loans to Indians by approved lenders for on-reserve housing		985,023,150 ⁽⁵⁾
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	987,350,000	324,358,025
Indian economic development	60,000,000 ⁽⁸⁾	2,694,126 ⁽⁵⁾
Aboriginal Economic Program		5,106,000
Time Air (1982) Ltd	10,000,000	984,590
	16,177,767,283	4,702,976,895
Other explicit loan guarantees		
Loans with respect to the <i>Hibernia Development Project Act</i>	1,660,000,000	237,900,000
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader	275,000,000	122,564,987 ⁽⁹⁾
Loan by First Union Commercial Corporation to		
Air Canada for purchase of aircraft	65,223,000	58,845,640
Loans to Government of Romania	27,000,000	24,000,000
Loans to Government of Brazil		171,897,967
Loans to Ridley Terminals Inc. for operating and capital purposes	101,000,000	84,035,000
	2,128,223,000	699,243,594
Insurance programs of the Government		
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees	13,000,000,000 ⁽¹⁰⁾	1,405,513,235
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> ⁽¹¹⁾	1,050,000,000	589,449,679
	14,050,000,000	1,994,962,914

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 2000—Concluded

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability
	\$	\$
Other explicit guarantees		
Guarantees under the <i>Prairie Grain Advance Payments Act</i>	1,500,000,000	247,600,000
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i>		(12)
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada)		226,694,191
Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i>		23,457,061
	<u>1,500,000,000</u>	<u>497,751,252</u>
Total gross guarantees	<u>35,555,990,283</u>	<u>53,354,026,202</u>
Less: allowance for losses		<u>3,920,000,000</u>
Net exposure under guarantees		49,434,026,202
INTERNATIONAL ORGANIZATIONS		17,504,404,395 ⁽²⁾⁽¹³⁾
CLAIMS AND PENDING AND THREATENED LITIGATION		14,860,752,904 ⁽²⁾⁽¹⁴⁾
COMPREHENSIVE NATIVE LAND CLAIMS		583,000,000 ⁽¹⁵⁾
Subtotal		<u>82,382,183,501</u>
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS		<u>83,151,000</u>
TOTAL ⁽¹⁶⁾		<u>82,465,334,501</u>

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) The amount included here represent those claims which have been assessed and for which an estimated loss has been calculated. As explained in note 14 to the financial statements of the Government in Section 1 of this volume, the total contingency related to outstanding claims is not determinable.

(3) For details, see Table 9.6 in the previous section of this volume.

(4) For details, see Table 9.7 in the previous section of this volume.

(5) The contingent liability amounts related to guaranteed loans for On-Reserve Housing include \$193,952,563 of undisbursed commitment by CMHC and other approved lenders for loans to be advanced by CMHC and the other approved lenders. As well, the contingent liability related to guaranteed loans for Indian Economic Development includes \$2,694,126 of undisbursed commitment to borrowers for IEDG loans, for loans that will be advanced by lenders. These remaining loan advances will be made to the borrowers on the basis of progress made on the project for which they were approved.

(6) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$7,934,823 as at March 31, 2000) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Economic Development Agency of Canada for the Regions of Quebec (\$855,666 as at March 31, 2000). 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, 2000).

(7) Department of Indian and Northern Affairs authorized a limit of \$1.7 billion by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Corporation for farming purposes.

(8) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Vote L53b shall be \$60,000,000. As at March 31, 2000, \$27,011,751 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$2,694,126 leaving a free balance of \$30,294,123 available to issue further guarantees.

(9) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.

(10) The *Export Development Act* specifies that Export Development Corporation (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of \$13 billion. In total, EDC has \$5.0 billion outstanding against this limit, consisting of \$1.4 billion in contingent liabilities, \$2.6 billion in financing, \$800 million in undisbursed loan guarantees and \$200 million in undisbursed loan commitments.

(11) There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

(12) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 2000, date of most recent available information, approximately \$6.9 billion was recorded as a receivable on the books of the Board for such sales. There is no residual contingency (receivables less borrowings) to the government at March 31, 2000.

(13) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. Refer to Table 10.9 for further detail.

(14) The contingent liability represents the best possible estimate using actual experience, historical trends, legal and business risk assessments and statistical inferences of the potential liability of the government for more than 18,000 litigation cases, including Native residential school abuse, specific Native claims, property damage, expropriation and land claims and other forms of litigation. A significant number of litigations cases dealing with Aboriginal claims have not yet been assessed.

(15) Relates to 69 comprehensive native land claims under negotiation, accepted for negotiation or under review. The estimated liability is derived from 13 cases which have progressed to a point where quantification is possible. The remaining 56 cases have not yet been quantified.

(16) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Five departments reported contingent gains as at March 31, 2000 totaling approximately \$139.8 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, 2000.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 12 and 14 to the financial statements which are included in Section 1 of this volume.

TABLE 10.9
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES AND COMMITMENTS
(in millions of dollars)

	Contingent liabilities ⁽¹⁾			Commitments ⁽¹⁾		
	Callable share capital	Future callable share capital	Lines of credit	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—						
African Development Bank	739				33	33
Asian Development Bank	2,819					
Caribbean Development Bank	71					
Inter-American Development Bank	5,604				(2)	
International Bank for Reconstruction and Development (World Bank)	7,347					
Multilateral Investment Guarantee Agency	37					
European Bank for Reconstruction and Development	888				106	106
International Monetary Fund				78		78
Developing countries—Canada Account				169		169
Subtotal	17,505			247	139	386
BUDGETARY LOANS AND ADVANCES—						
African Development Bank				157		157
Asian Development Bank				43 ⁽²⁾		43
Caribbean Development Bank—Special				(2)		
Inter-American Development Fund				(2)		
International Development Association				405		405
International Fund for Agricultural Development				(2)		
International Monetary Fund				120		120
Montreal Protocol Fund				(2)		
GEF Trust Fund				92		92
Developing countries—Canada Account				17		17
Subtotal				834		834
Total	17,505			1,081	139	1,220

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2000 (1\$US = \$1.4494 Cdn; 1SDR = \$1.95215 Cdn).

(2) These amounts represent, in certain cases, notes payable to be issued in future years.

Note : Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 500 million of which SDR 381 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 79.3 million has been paid-in.

SECTION 11

1999-2000

PUBLIC ACCOUNTS OF CANADA

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