



Government  
of Canada

Gouvernement  
du Canada

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Prepared by the  
Receiver General for Canada

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# Public Accounts of Canada

# 2002

## Volume I

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Summary Report  
and Financial  
Statements

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Canada 

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*To Her Excellency*

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

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2002.

All of which is respectfully submitted.



Lucienne Robillard,  
*President of the Treasury Board*

Ottawa, October 17, 2002

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, 2002, to be laid by you before the House of Commons.

Respectfully submitted,



Ralph Goodale,  
*Receiver General for Canada*

Ottawa, October 17, 2002

To The Honourable Raph Goodale,  
*Receiver General for Canada*

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2002.

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.

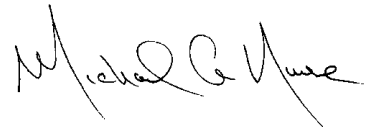
This annual report is presented in two volumes:

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, 2002.

Respectfully submitted,



Michael G. Nurse  
*for Janice Cochrane,  
Deputy Receiver General for Canada*

Ottawa, October 17, 2002

# VOLUME I

**2001-2002**

***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

2001-2002

*PUBLIC ACCOUNTS OF CANADA*

## Financial Statements of the Government of Canada and Reports 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 and Canada premium bonds and special non-marketable bonds and notes. They exclude unmatured debt payable in foreign currencies.

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

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

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

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

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



## STATEMENT OF RESPONSIBILITY

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

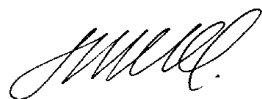
Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation.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

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

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

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

On behalf of the Government of Canada.



JIM JUDD  
*Secretary of the Treasury Board and  
Comptroller General of Canada*



KEVIN G. LYNCH  
*Deputy Minister of Finance*



MICHAEL G. NURSE  
*for JANICE COCHRANE  
Deputy Receiver General for  
Canada*



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

To the House of Commons:

### OPINION ON THE FINANCIAL STATEMENTS

I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 2002 and the statements of revenues, expenditures and accumulated deficit, changes in financial position and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 2002 and the results of its operations, the changes in its financial position, and its financial requirements for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

### OTHER MATTERS FOR PARLIAMENT'S ATTENTION

In forming my opinion as to the fair presentation of these financial statements in accordance with the Government's stated accounting policies, I decided to continue to draw Parliament's attention to two matters. This is the second consecutive year that I have included these matters in my Report.

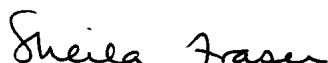
**Compliance with the Employment Insurance Act.** The balance of the Employment Insurance Account increased by about \$4 billion during the year to \$40 billion as at March 31, 2002, which is well in excess of \$15 billion, the maximum reserve amount considered sufficient by the Chief Actuary of Human Resources Development Canada in his last report which dealt with Employment Insurance premium rates for 2001. The premium rates for 2001 and 2002 were set respectively by the Canada Employment Insurance Commission and the Governor in Council. Neither the Commission nor the Government, in setting these rates, has clarified and disclosed what they consider to be an adequate balance of the Account, the time required to reach that level, and the factors considered. Accordingly, I am unable to conclude that the intent of the *Employment Insurance Act* has been observed in setting premium rates.

**Transfers to Foundations.** The Government accounts for significant amounts of public money it provides to various foundations as expenditures, even though the money is provided to them long before - in some cases more than 10 years before - it is actually spent for its ultimate intended purposes. Over the past six years, the Government has transferred some \$7.5 billion to these foundations. Under its stated accounting policies, it has recorded these amounts as expenditures (almost \$250 million in the year ended March 31, 2002), even though most of the \$7.5 billion, including interest, is still in the foundations' bank accounts and investments. In my view, these stated accounting policies did not contemplate situations in which the funds would not be used for the ultimate intended purposes within the year of transfer or shortly thereafter. I am also very concerned about the accountability and governance arrangements for these foundations.

In my view, when the Government funds foundations to achieve its public policy objectives and they are, or should be, accountable to Parliament for the use of the funds, the Government should record transfers to them as expenditures only when the money has been actually used for the ultimate intended purposes. This would result in a better reflection of the economic substance of the Government's activities in its financial statements. As the Government contemplates introducing accrual accounting as the basis of preparing its financial statements, I urge the Government - in accordance with anticipated recommendations of the Canadian Institute of Chartered Accountants' Public Sector Accounting Board - to also change its stated accounting policy for transfers to these foundations. I also urge the Government to address my concerns about the accountability and governance arrangements for the foundations.

#### **ADDITIONAL INFORMATION**

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section I, Volume 1 of the *2002 Public Accounts of Canada*.



Sheila Fraser, FCA  
*Auditor General of Canada*

Ottawa, Canada  
September 16, 2002

## GOVERNMENT OF CANADA

Statement of Transactions  
for the Year Ended March 31, 2002

(in millions of dollars)

	2002	2001 <sup>(1)</sup>
<b>BUDGETARY TRANSACTIONS—</b>		
Revenues .....	173,315	179,590
Expenditures .....	-164,408	-161,442
Surplus for the year .....	8,907	18,148
<b>NON-BUDGETARY TRANSACTIONS—</b>		
Net requirement from loans, investments and advances .....	-96	-2,698
Net requirement (-) or source from pension and other accounts .....	-1,669	1,303
Net requirement (-) or source from other transactions .....	-2,445	2,238
Net requirement (-) or source from non-budgetary transactions .....	-4,210	843
Net source of funds (excluding foreign exchange transactions) .....	4,697	18,991
<b>NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS.....</b>	<b>-1,776</b>	<b>-8,776</b>
Total source of funds .....	2,921	10,215
<b>NET REQUIREMENT FOR UNMATURED DEBT TRANSACTIONS.....</b>	<b>-4,132</b>	<b>-10,003</b>
Decrease (-) or increase in cash.....	-1,211	212
<b>CASH IN BANK AT BEGINNING OF YEAR<sup>(2)</sup> .....</b>	<b>13,237</b>	<b>13,025</b>
<b>CASH IN BANK AT END OF YEAR<sup>(2)</sup> .....</b>	<b>12,026</b>	<b>13,237</b>

The accompanying notes are an integral part of these statements.

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

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

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.<sup>(2)</sup> Cash in bank excludes outstanding cheques, warrants and deposits.

## GOVERNMENT OF CANADA

Statement of Revenues, Expenditures and Accumulated Deficit  
for the Year Ended March 31, 2002

(in millions of dollars)

	2002		2001 <sup>(1)</sup>	
	Gross <sup>(2)</sup>	Net <sup>(2)</sup>	Gross <sup>(2)</sup>	Net <sup>(2)</sup>
<b>REVENUES (Note 3)</b>				
<b>TAX REVENUES —</b>				
<b>Income tax —</b>				
Personal .....	90,613	83,790	89,528	83,305
Corporation .....	24,013	24,013	28,212	28,212
Other income tax revenues .....	3,035	3,035	4,312	4,312
	<b>117,661</b>	<b>110,838</b>	<b>122,052</b>	<b>115,829</b>
<b>Other taxes and duties —</b>				
Goods and services tax .....	27,873	24,909	27,891	24,990
Energy taxes .....	4,758	4,758	4,805	4,805
Customs import duties .....	3,018	3,018	2,807	2,807
Other excise taxes and duties .....	3,953	3,953	3,514	3,514
	<b>39,602</b>	<b>36,638</b>	<b>39,017</b>	<b>36,116</b>
<b>Employment insurance premiums .....</b>	<b>17,980</b>	<b>17,980</b>	<b>18,731</b>	<b>18,731</b>
<b>TOTAL TAX REVENUES .....</b>	<b>175,243</b>	<b>165,456</b>	<b>179,800</b>	<b>170,676</b>
<b>NON-TAX REVENUES —</b>				
Return on investments .....	5,914	5,892	6,205	6,144
Other non-tax revenues .....	6,310	1,967	7,345	2,770
<b>TOTAL NON-TAX REVENUES .....</b>	<b>12,224</b>	<b>7,859</b>	<b>13,550</b>	<b>8,914</b>
<b>TOTAL REVENUES .....</b>	<b>187,467</b>	<b>173,315</b>	<b>193,350</b>	<b>179,590</b>
<b>EXPENDITURES (Note 4)</b>				
<b>TRANSFER PAYMENTS —</b>				
Old age security benefits, guaranteed income supplement and spouse's allowance .....	24,632	25,365	23,667	24,256
Other levels of government .....	26,616	26,616	23,724	23,724
Employment insurance benefits .....	13,748	13,748	11,444	11,444
Canada child tax benefits .....	7,557		6,811	
Other transfer payments .....	22,818	19,854	26,405	23,503
<b>TOTAL TRANSFER PAYMENTS .....</b>	<b>95,371</b>	<b>85,583</b>	<b>92,051</b>	<b>82,927</b>
<b>CROWN CORPORATION EXPENDITURES .....</b>	<b>5,511</b>	<b>4,082</b>	<b>4,665</b>	<b>2,903</b>
<b>OTHER PROGRAM EXPENDITURES —</b>				
National Defence .....	10,982	10,571	10,135	9,696
All other departments and agencies .....	28,961	26,437	26,257	23,822
<b>TOTAL OTHER PROGRAM EXPENDITURES .....</b>	<b>39,943</b>	<b>37,008</b>	<b>36,392</b>	<b>33,518</b>
<b>TOTAL PROGRAM EXPENDITURES .....</b>	<b>140,825</b>	<b>126,673</b>	<b>133,108</b>	<b>119,348</b>
<b>PUBLIC DEBT CHARGES .....</b>	<b>37,735</b>	<b>37,735</b>	<b>42,094</b>	<b>42,094</b>
<b>TOTAL EXPENDITURES .....</b>	<b>178,560</b>	<b>164,408</b>	<b>175,202</b>	<b>161,442</b>
<b>SURPLUS .....</b>	<b>8,907</b>	<b>8,907</b>	<b>18,148</b>	<b>18,148</b>
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR (Note 3) .....</b>	<b>545,396</b>	<b>545,396</b>	<b>563,544</b>	<b>563,544</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 5) .....</b>	<b>536,489</b>	<b>536,489</b>	<b>545,396</b>	<b>545,396</b>

The accompanying notes are an integral part of these statements.

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

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.<sup>(2)</sup> The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures and expenditures and tax credits related to the tax system included in revenues.

## GOVERNMENT OF CANADA

Statement of Assets and Liabilities  
at March 31, 2002

(in millions of dollars)

	2002	2001 <sup>(1)</sup>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES —</b>		
Accounts payable and accrued liabilities .....	23,617	25,028
Interest and matured debt .....	7,817	9,107
Allowance for employee benefits .....	5,169	5,558
Allowance for guarantees .....	4,076	3,951
<b>TOTAL ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES .....</b>	<b>40,679</b>	<b>43,644</b>
<b>INTEREST-BEARING DEBT —</b>		
Unmatured debt—		
Payable in Canadian currency —		
Marketable bonds .....	293,843	294,973
Treasury bills .....	94,039	88,700
Canada savings and Canada premium bonds .....	23,966	26,099
Non-marketable bonds and notes .....	3,391	3,473
	415,239	413,245
Payable in foreign currencies .....	27,032	33,158
<i>Total unmatured debt (Note 6) .....</i>	<i>442,271</i>	<i>446,403</i>
Pension and other accounts —		
Public sector pensions (Note 7) .....	126,921	129,185
Due to Canada Pension Plan (Note 8) .....	6,770	6,391
Other pension and other accounts .....	7,469	7,253
<i>Total pension and other accounts .....</i>	<i>141,160</i>	<i>142,829</i>
<b>TOTAL INTEREST-BEARING DEBT .....</b>	<b>583,431</b>	<b>589,232</b>
<b>TOTAL LIABILITIES .....</b>	<b>624,110</b>	<b>632,876</b>
<b>ASSETS</b>		
<b>CASH AND ACCOUNTS RECEIVABLE —</b>		
Cash in bank .....	12,026	13,237
Cash in transit .....	7,280	6,956
	19,306	20,193
Less outstanding cheques and warrants .....	5,839	4,599
<i>Total cash .....</i>	<i>13,467</i>	<i>15,594</i>
Accounts receivable (net of allowance for doubtful accounts of \$1,178 million (\$1,064 million in 2001)) .....	3,362	2,966
<b>TOTAL CASH AND ACCOUNTS RECEIVABLE .....</b>	<b>16,829</b>	<b>18,560</b>
<b>FOREIGN EXCHANGE ACCOUNTS (Note 9) .....</b>	<b>52,046</b>	<b>50,270</b>
<b>LOANS, INVESTMENTS AND ADVANCES —</b>		
Enterprise Crown corporations and other government business enterprises (Notes 10 and 13) .....	9,192	10,085
National governments, including developing countries and international organizations (Note 11) .....	7,342	7,541
Provincial and territorial governments and other loans, investments and advances .....	10,043	8,963
Portfolio investments .....	1,240	1,240
	27,817	27,829
Less allowance for valuation .....	9,071	9,179
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES .....</b>	<b>18,746</b>	<b>18,650</b>
<b>TOTAL ASSETS .....</b>	<b>87,621</b>	<b>87,480</b>
<b>ACCUMULATED DEFICIT (Notes 3 and 5) .....</b>	<b>536,489</b>	<b>545,396</b>

The accompanying notes are an integral part of these statements.

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

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.

## GOVERNMENT OF CANADA

Statement of Changes in Financial Position  
for the Year Ended March 31, 2002<sup>(1)</sup>

(in millions of dollars)

	2002	2001 <sup>(2)</sup>
<b>OPERATING ACTIVITIES —</b>		
Surplus for the year .....	8,907	18,148
Expenditures not requiring cash:		
Interest on pension and other accounts .....	10,288	10,832
Government contribution for employee benefits .....	318	328
Provision for valuation of assets and liabilities .....	-1,305	-5,966
	18,208	23,342
Net payments from pension and other accounts .....	-10,470	-7,111
Net change in accounts receivable, accounts payable and accruals .....	-4,006	4,960
<b>CASH PROVIDED BY OPERATING ACTIVITIES .....</b>	<b>3,732</b>	<b>21,191</b>
<b>INVESTING ACTIVITIES —</b>		
Net decrease or increase (-) in loans, investments and advances .....	49	-1,329
<b>CASH PROVIDED BY OR USED FOR (-) INVESTING ACTIVITIES .....</b>	<b>49</b>	<b>-1,329</b>
<b>FOREIGN EXCHANGE ACTIVITIES —</b>		
Net decrease (-) or increase in foreign currency borrowings .....	-6,126	570
Net increase in foreign exchange accounts .....	-1,776	-8,776
<b>CASH USED FOR FOREIGN EXCHANGE ACTIVITIES .....</b>	<b>-7,902</b>	<b>-8,206</b>
<b>TOTAL CASH REQUIRED (-) OR GENERATED BEFORE FINANCING ACTIVITIES .....</b>	<b>-4,121</b>	<b>11,656</b>
<b>FINANCING ACTIVITIES —</b>		
Net increase or decrease (-) in Canadian currency borrowings .....	1,994	-10,573
<b>CASH PROVIDED BY OR USED FOR (-) FINANCING ACTIVITIES .....</b>	<b>1,994</b>	<b>-10,573</b>
<b>Net decrease (-) or increase in cash .....</b>	<b>-2,127</b>	<b>1,083</b>
<b>CASH AT BEGINNING OF YEAR .....</b>	<b>15,594</b>	<b>14,511</b>
<b>CASH AT END OF YEAR .....</b>	<b>13,467</b>	<b>15,594</b>

The accompanying notes are an integral part of these statements.

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

<sup>(1)</sup> The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.<sup>(2)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.

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

### 1. Summary of Significant Accounting Policies

#### Reporting entity

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

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

#### Basis of accounting

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

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

Non-tax revenues are reported on an accrual basis.

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

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

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

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

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

#### Concessionary loans

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

#### Sovereign loans

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



## **Gold reserves**

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

## **Employee benefits**

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

## **Contingent liabilities**

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

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

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

## **Foreign currency translation**

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

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

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

## **Changes in Accounting Policies**

The Government had intended to change its basis of accounting from the current modified accrual basis to the full accrual basis for the preparation of these financial statements. Given the timing of the 2001 Budget and the fact that important components of the information required to implement full accrual accounting had not yet been verified and audited, the Government decided to delay the implementation of full accrual accounting for at least one year.

## **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)	
	2002	2001
Annual spending limits voted by Parliament .....	60,112	56,282
Expenditures permitted under other legislation .....	100,672	107,631
Total budgetary expenditures authorized ..	160,784	163,913
Less amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts .....	3,856	4,060
Total used .....	156,928	159,853
Effect of consolidating certain accounts and provision for valuation .....	7,480	1,589
Net total expenditures .....	164,408	161,442

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 \$44,656 million (\$53,906 million in 2001) was authorized for loans, investments and advances. A net amount of \$3,893 million was used (\$1,712 million in 2001), an amount of \$164 million lapsed (\$399 million in 2001) and an amount of \$40,598 million is available for use in subsequent years (\$51,795 million in 2001).

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

There were no overexpenditures of spending authorities in 2001-2002.

### iii. Borrowing authorities

The Government may borrow only on the authority of Parliament. An authority to borrow up to \$4,000 million is available from previous fiscal years. This authority was not used in fiscal year 2001-2002 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)	
	2002	2001 <sup>(1)</sup>
Gross personal income tax .....	90,613	89,528
Less transfer payments:		
Canada child tax benefit payments .....	7,557	6,811
Old Age Security benefit repayments .....	-734	-588
Net personal income tax .....	83,790	83,305

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

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.

## ii. Other taxes and duties

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

	(in millions of dollars)	
	2002	2001
GST and HST received . . . . .	62,241	60,853
Less:		
Refunds . . . . .	28,474	27,958
Rebates . . . . .	2,482	2,207
GST paid and accrued by		
ministries . . . . .	1,278	1,022
Transfer of HST to provinces . . . . .	2,134	1,775
Gross GST . . . . .	27,873	27,891
Less other transfer payments—		
Quarterly tax credits . . . . .	2,964	2,901
Net GST . . . . .	24,909	24,990

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)	
	2002	2001
Gross return on investments		
Loans, investments and advances . . . . .	2,975	2,945
Foreign exchange accounts . . . . .	2,459	3,041
Other . . . . .	480	219
	5,914	6,205
Less:		
Other program expenditures—		
Revenues netted against expenditures . . . . .		14
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations . . . . .	22	47
Net return on investments . . . . .	5,892	6,144
Gross other non-tax revenues . . . . .	6,310	7,345
Less:		
Other program expenditures—		
Revenues netted against expenditures . . . . .	2,936	2,860
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations . . . . .	1,407	1,715
Net other non-tax revenues . . . . .	1,967	2,770

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

## iv. Significant transaction

*Overpayments under Tax Collection Agreements and related subsequent event*

Under Tax Collection Agreements, the Canada Customs and Revenue Agency (CCRA) collects personal income taxes on behalf of the Government and all provincial and territorial governments except Quebec.

During the year, the CCRA discovered the misclassification of mutual fund trust capital gain refunds in its reports pertaining to provincial and territorial assessed taxes. This in turn caused overpayments to a number of provinces totaling \$3,376 million in respect of the 1993 to 1999 tax years. Of this amount, audit level assurance has been obtained on an amount of \$2,537 million in respect of the 1997 to 1999 tax years. However, audit level assurance has not been obtained on an amount of \$839 million in respect of the 1993 to 1996 tax years. Reliable financial information is not available to quantify overpayments for tax years prior to 1993.

Prior to the end of the 2001-2002 fiscal year, the CCRA implemented changes in systems and procedures to correct the reporting of mutual fund trust capital gain refund amounts for the 2000 and subsequent tax years.

On September 4, 2002, the Government announced its decision to recover over a ten-year period beginning in fiscal year 2004-2005, approximately \$1,421 million of the \$2,537 million in overpayments to the provinces related to mutual fund trust capital gain refunds applicable to the 1997 to 1999 tax years. Overpayments relating to tax years prior to 1997 will not be recovered. In addition, the Government announced that it would protect equalization-receiving provinces from any negative impacts the recovery of overpayments would normally have on equalization program payments.

The misclassification of mutual fund trust capital gain refunds resulted in the understatement of tax revenues for fiscal years prior to 2001-2002. To reflect the increase in tax revenues resulting from the decision to recover \$1,421 million in overpayments, \$982 million on a present value basis, for fiscal years 1997-1998 to 1999-2000, the opening accumulated deficit as at March 31, 2000 has been decreased by \$982 million. In addition, the financial statements for fiscal year 2000-2001 have been restated to reflect a \$1,000 million increase in tax revenues due to the correction of the understatement of tax revenues for tax year 2000. The cumulative effect of these adjustments results in a decrease in the opening

accumulated deficit as at March 31, 2001 of \$1,982 million. The following table summarizes the effect of the restatements on prior years' financial statements:

	(in millions of dollars)	
	2002	2001
Opening accumulated deficit as originally reported .....	547,378	564,526
Less: Adjustment to tax revenues .....	1,982	982
Opening accumulated deficit restated.....	545,396	563,544

#### 4. Expenditures

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

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

Standard Object	(in millions of dollars)	
	2002	2001
(1) Personnel .....	19,395	20,418
(2) Transportation and communications ..	2,217	2,181
(3) Information.....	361	405
(4) Professional and special services .....	5,072	4,871
(5) Rentals .....	974	1,172
(6) Purchased repair and maintenance .....	1,943	1,869
(7) Utilities, materials and supplies .....	2,142	2,086
(8) Acquisition of land, buildings and works .....	583	861
(9) Acquisition of machinery and equipment .....	3,942	3,794
(12) Other subsidies and payments.....	8,825	3,400
	45,454	41,057
Less:		
Revenues netted against expenditures .....	2,936	2,874
Revenues of consolidated Crown corporations.....	1,429	1,762
Net total—Other program and Crown corporation expenditures .....	41,089	36,421
(10) Gross transfer payments .....	95,371	92,051
Less tax credits and repayments .....	9,787	9,124
Net transfer payments .....	85,584	82,927
Total net program expenditures .....	126,673	119,348
(11) Public debt charges .....	37,735	42,094
Total net expenditures .....	164,408	161,442

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)	
	2002	2001
Canada health and social transfer.....	17,300	13,500
Fiscal arrangements .....	11,603	12,467
Other .....	375	217
Alternative payments for standing programs <sup>(1)</sup> .....	-2,662	-2,460
Total expenditures .....	26,616	23,724

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

<sup>(1)</sup> 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)	
	2002	2001
Agriculture and Agri-Food .....	1,897	1,822
Canada Customs and Revenue Agency .....	233	1,681
Finance .....	1,769	2,140
Foreign Affairs and International Trade.....	2,405	2,358
Health .....	1,617	1,302
Human Resources Development.....	1,698	1,995
Indian Affairs and Northern Development. ..	4,557	4,448
Industry.....	2,628	2,079
Veterans Affairs .....	1,557	1,463
Other ministries and provisions .....	1,493	4,215
Total net expenditures .....	19,854	23,503

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)	
	2002	2001
Agriculture and Agri-Food . . . . .	1,018	909
Canada Customs and Revenue Agency . . . . .	3,202	2,780
Fisheries and Oceans . . . . .	1,299	1,275
Foreign Affairs and International Trade . . . . .	1,575	1,369
Health . . . . .	1,573	1,427
Human Resources Development . . . . .	2,215	1,721
Industry . . . . .	2,128	1,958
Public Works and Government Services . . . . .	2,177	2,133
Solicitor General . . . . .	3,407	3,013
Treasury Board . . . . .	1,518	4,165
Other ministries and provisions . . . . .	6,325	3,072
Total net expenditures . . . . .	26,437	23,822

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)	
	2002	2001
Interest on—		
Unmatured debt . . . . .	22,742	25,334
Pension and other accounts . . . . .	10,334	11,017
Amortization of discounts on Canada and Treasury bills . . . . .	3,666	4,921
Amortization of premiums, discounts and commissions on all other debt . . . . .	859	701
Servicing costs and costs of issuing new borrowings . . . . .	134	121
Total public debt charges . . . . .	37,735	42,094

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

5. **Accumulated Deficit**

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

	(in millions of dollars)	
	2002	2001 <sup>(1)</sup>
Accumulated deficit excluding consolidated accounts . . . . .	576,156	580,451
Consolidated accounts—		
Employment Insurance Account . . . . .	-39,363	-35,178
Western Grain Stabilization Account . . . . .	1,085	1,085
Other insurance accounts . . . . .	-384	-359
Other consolidated accounts . . . . .	-274	-260
	537,220	545,739
Consolidated Crown corporations . . . . .	-731	-343
Accumulated deficit . . . . .	536,489	545,396

Details (unaudited) can be found in Section 4 of this volume. Comparative figures have been reclassified to conform to the current year's presentation.

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv.

## 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.

Maturing year	(in millions of dollars)							Total
	Marketable bonds					Canada bills	Notes <sup>(4)</sup>	
	Canadian \$	Foreign <sup>(1)</sup> currency expressed in Canadian \$	Treasury bills	Canada savings and Canada premium bonds <sup>(2)</sup>	Non- marketable bonds and notes <sup>(3)</sup>	US \$ expressed in Canadian \$	Foreign currency expressed in Canadian \$	
2003 .....	30,313	4,783	94,200	1,396	18	3,355		134,065
2004 .....	40,933	154		1,988	22		104	43,201
2005 .....	35,003	3,188		2,315	17		1,594	42,117
2006 .....	20,500	2,391		1,424	240		601	25,156
2007 .....	20,165	1,594		2,091	1,352			25,202
2008 and subsequent .....	147,984	7,677		14,807	1,742		2,106	174,316
	294,898	19,787	94,200	24,021	3,391	3,355	4,405	444,057
Less Government's holdings of unmatured debt <sup>(5)</sup> .....	1,055	515	161	55				1,786
	293,843	19,272	94,039	23,966	3,391	3,355	4,405	442,271
Nature of interest rate <sup>(6)</sup>	Fixed <sup>(7)</sup>	Fixed	Variable	Variable	Fixed	Variable	Fixed <sup>(8)</sup>	
Effective weighted average annual interest rates including swaps .....	6.71	5.45	2.64	3.23	10.16	1.75	2.46	
Range of interest rates .....	3.50-14.0	1.515-9.70	1.90-4.63	1.30-6.75	2.26-17.51	1.49-2.29	0.70-4.50	

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

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

(2) Includes \$18,930 million of Canada saving bonds that are redeemable on demand.

(3) Non-marketable bonds and notes are comprised of \$3,386 million of bonds issued to the Canada Pension Plan, and of \$5 million of promissory notes issued to the Canada Health and Social Transfer Supplement Trust for Health Care.

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

(5) Includes \$379 million of securities held for the retirement of unmatured debt.

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

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

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

### ii. Derivative financial instruments and foreign currency contracts

#### (a) Swap agreements

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

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

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

Swaps with contractual or notional principal amounts outstanding at March 31, 2002 are as follows:

Maturing year	(in millions of dollars)			
	2002		2001	
	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$	Interest rate swaps Canadian \$	Cross currency swaps Canadian \$
2002.....			723	1,617
2003.....		3,490		3,456
2004.....	50	3,658	50	3,624
2005.....		4,981		4,480
2006.....		4,061		2,134
2007.....		1,387		961
2008 and subsequent .....	1,953	12,328	1,932	8,580
	2,003	29,905	2,705	24,852

*(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. During fiscal year 2001-2002, the Government entered into swap transactions with swap counterparties having 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 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)	
	2002	2001
AAA.....	2,510	1,420
AA+.....	3,550	3,579
AA.....	6,692	4,318
AA-.....	12,099	14,282
A+.....	7,057	3,958
	31,908	27,557

*(c) Foreign currency contracts*

The Government has entered into forward currency transactions to hedge against exchange rate fluctuations relating to Canada's Reserve Position in the International Monetary Fund (IMF), which forms part of Canada's foreign exchange accounts. Canada's IMF Reserve Position is denominated in Special Drawing Rights (SDRs). The hedging transactions involve the forward purchase and sale of the composite currencies of the SDRs (i.e. Euro, US dollar, Pound sterling and Japanese yen). These hedges are presently being unwound and only forward sales against the US dollar are outstanding as of March 31, 2002. The Government has also entered into other forward currency contracts to hedge against exchange rate fluctuations of Euros.

As at March 31, 2002 the notional value of these outstanding forward currency contracts is \$2,402 million in forward sale contracts (\$2,308 million in 2001), of which \$2,340 million are in US dollars and \$62 million in Euros (\$2,308 million in US dollars in 2001). The unrealized gain which is not recognized in the financial statements is \$3 million (\$24 million in 2001). All forward currency transactions have a maximum term of about 12 months or less. During fiscal year 2001-2002 the Government managed its exposure to forward currency contract counterparties by dealing with financial institutions having a credit rating from recognized credit rating agencies of at least AA-.

## iii. Fair values of financial instruments

## (a) Financial assets and liabilities

The following table presents the carrying value and the fair value of financial assets and liabilities. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of instruments with a short life span or of a non-negotiable nature are assumed to approximate carrying

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

Financial assets and liabilities	(in millions of Canadian dollars)					
	2002			2001		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Financial Assets						
Cash . . . . .	13,467	13,467		15,594	15,594	
Accounts receivable . . . . .	3,362	3,362		2,966	2,966	
Foreign exchange accounts . . . . .	52,046	57,510	5,464	50,270	51,281	1,011
Loans investments and advances excluding investments in enterprise Crown corporations . . . .	14,679	16,143	1,464	14,975	16,161	1,186
Liabilities						
Accounts payable, accruals and allowances . . . . .	40,679	40,679		43,644	43,644	
Unmatured debt . . . . .	442,271	461,483	-19,212	446,403	474,367	-27,964
Pension and other accounts . . . . .	134,390	127,282	7,108	136,438	128,347	8,091
Due to Canada Pension Plan . . . . .	6,770	6,770		6,391	6,391	
Net fair value in excess of carrying value . . . . .			-5,176			-17,676

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

Fair values are determined using the following methods and assumptions:

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

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

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

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

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

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



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

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

	(in millions of dollars)			
	2002		2001	
	Notional value	Fair value	Notional value	Fair value
Interest rate and cross currency swaps .....	31,908	-1,006	27,557	-1,049
Foreign currency contracts—				
Forward sales .....	2,402	3	2,308	24

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 fiscal 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 sponsors defined benefit pension plans covering substantially all of its employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Public Service corporations) as well as federally appointed judges and Members of Parliament. For the main plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service times the average of the best five consecutive years of earnings and they are indexed to inflation.

Until March 31, 2000, separate market invested funds were not set aside to provide for payment of these pension benefits. Since April 1, 2000, the net amount of contributions less benefits and payments related to post March 2000 service for the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans is transferred to the Public Sector Pension Investment Board to be invested in capital markets.

The plans are generally funded from employee contributions which are based on a set percentage of pensionable earnings and from employer contributions which provide for

the cost (net of employee contributions) of the benefits accrued in the period, based on the triennial actuarial valuations performed for funding purposes. The following presents a summary of the main transactions in the year:

	(in millions of dollars)	
	2002	2001
Employee contributions		
Funded plans .....	839	775
Unfunded plans <sup>(1)</sup> .....	92	211
Total .....	931	986
Public Service corporation contributions		
Funded plans .....	109	189
Unfunded plans <sup>(1)</sup> .....	16	35
Total .....	125	224
Government contributions		
Funded plans .....	2,190	1,946
Unfunded plans <sup>(1)</sup> .....	311	318
Total .....	2,501	2,264
Benefits paid		
Funded plans .....	11	2
Unfunded plans <sup>(1)</sup> .....	5,690	5,457
Total .....	5,701	5,459

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

<sup>(1)</sup> Contributions and payments pertaining to unfunded plans are recorded in pension accounts within the Accounts of Canada pursuant to pension legislation.

Actuarial valuations are performed triennially for funding purposes and are updated annually for accounting purposes, using management's best estimates and the projected benefit method pro-rated on services. In these annual calculations, pension obligations are estimated by projecting benefits expected to be paid in the future and calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. The accounting assumption for the long-term rate of inflation used in the valuation is 2 percent (2 percent in 2001). The expected rate of return on investments and average Government long-term bond rate assumed for the year are 6.5 percent and 8.2 percent respectively (6.5 percent and 9.0 percent in 2001).

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 \$14,800 million. Pension adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years, which will affect expenditures in those years.

Pension plan assets include marketable investments and contributions receivable from employees for past service elections. The investments are valued at market related values, whereby fluctuations in market value are averaged over a five-year period, and contributions receivable for past service are discounted to approximate their fair value. At March 31, the market value of the investments is \$5,647 million (\$2,511 million in 2001).

The pension liability at March 31 includes the following components:

	(in millions of dollars)	
	2002	2001
Accrued benefit obligation <sup>(1)</sup> . . . . .	125,899	124,044
Less: Pension plan assets —		
Investments at market related value . . . . .	5,872	2,763
Contributions receivable from employees for past service . . . . .	440	439
Total . . . . .	6,312	3,202
	119,587	120,842
Unamortized estimation adjustments <sup>(2)</sup> . . . . .	7,334	8,343
Pension liability . . . . .	126,921	129,185

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

<sup>(1)</sup> Includes \$2,300 million (\$6,200 million in 2001) for impending transfers to new separate plans.

<sup>(2)</sup> In 2002 this amount is net of a consolidation adjustment of \$1,114 million relating to refundable taxes withheld from Retirement Compensation Arrangements accounts that were previously credited to tax revenues.

In 2001, Canada Post Corporation and three other corporations implemented their own pension plans and their employees ceased to be members of the Public Service pension plan. An amount of about \$4,500 million (\$1,300 million in 2001) was transferred to the pension plans of these corporations during the year and an additional estimated amount of \$2,100 million before interest (\$6,200 million in 2001) remains to be transferred within the next year. The net cost of this partial settlement of the Public Service pension plan was estimated at \$28 million, of which a loss of \$215 million was recognized in 2001 and a gain of \$187 million is amortized as an estimation adjustment in the expected rate of return affecting the Canadian Forces and the Royal Canadian Mounted Police pension plans. Unamortized estimation adjustments of \$510 million were also written off as a result of this partial plan settlement in 2001.

The pension interest expenditure calculated on the average actuarial obligation is reported as part of public debt charges and is presented net of the expected return on average plan assets. During the year, the actual rate of return of marketable investments was 2.7 percent (minus 4.1 percent in 2001).

The total pension related expenditure includes the following components:

	(in millions of dollars)	
	2002	2001
Net pension benefit expenditure —		
Net current service costs .....	2,119	2,264
Pension plan amendment costs .....		9
Pension plan settlement costs .....		215
Statutory payments under various acts .....	80	85
Write off of unamortized estimation adjustments .....		-510
Amortization of estimation adjustments .....	-2,347	-2,459
Total .....	-148	-396
Pension interest expenditure —		
Interest on the average accrued benefit obligation .....	9,688	10,240
Expected return on average pension plan assets .....	-279	-89
Total .....	9,409	10,151
Total pension related expenditure .....	9,261	9,755

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

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

	(in millions of dollars)	
	2002	2001
Accrued benefit obligation —		
beginning of the year .....	124,044	117,114
Benefits earned .....	3,175	3,474
Interest on the average accrued benefit obligation .....	9,688	10,240
Benefits paid .....	-5,701	-5,449
Administrative expenses .....	-66	-49
Net transfers to other plans .....	-4,756	-1,611
Plan amendments .....		9
Plan settlements .....		215
Actuarial (gains) / losses .....	-485	101
Accrued benefit obligation —		
end of the year .....	125,899	124,044

	(in millions of dollars)	
	2002	2001
Market related value of investments —		
beginning of the year .....	2,763	
Contributions —		
Employees .....	839	775
Public Service corporations .....	109	189
Government .....	2,190	1,946
Total contributions .....	3,138	2,910
Expected return on plan assets .....	279	89
Benefits, transfers and other .....	-141	-169
Actuarial losses .....	-167	-67
Market related value of investments —		
end of the year .....	5,872	2,763

## 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 \$51,925 million (\$45,688 million in 2001).

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 \$6,770 million (\$6,391 million in 2001) is reported as the Government's liability to the Plan at March 31 and represents the balance in the Account.

Additional information (unaudited) and the audited financial statements of the Plan are included in Section 6 of this volume. Additional information on the funding of the Plan may be obtained from the Nineteenth 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)	
	2002	2001
International reserves held in the Exchange Fund Account .....	48,667	47,845
International Monetary Fund—		
Subscriptions .....	12,821	12,814
	61,488	60,659
Less:		
International Monetary Fund—		
Notes payable .....	7,893	8,840
Special drawing rights allocations .....	1,549	1,549
	9,442	10,389
Total foreign exchange accounts .....	52,046	50,270

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 promote orderly conditions in the foreign exchange market for the Canadian dollar. Part of these investments is in the form of gold: 1.0 million fine ounces (1.2 million fine ounces in 2001). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$69.57 per fine ounce (\$69.55 in 2001), which approximates cost. A SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of four major currencies (the Euro, US dollar, Pound sterling and Japanese yen). This valuation results in a recorded value of \$70 million (\$83 million in 2001), which is much lower than the market value of \$480 million (\$487 million in 2001) using a value of \$480.49 per fine ounce (\$406.21 in 2001).

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

## 10. Crown Corporations and Other Government Business Enterprises

The Government wholly owns forty-two Crown corporations. Some of these Crown corporations rely on the Government for most of their financing. There are twenty-two such corporations 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 Canada.

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, 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, \$3,457 million (\$3,554 million in 2001) 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)	
	2002	2001
Canada Mortgage and Housing Corporation . . . . .	5,651	5,877
Farm Credit Canada . . . . .	1,168	1,747
Export Development Canada . . . . .	983	983
Business Development Bank of Canada . . . . .	626	626
Other . . . . .	764	852
Total . . . . .	9,192	10,085

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)	
	2002	2001
Assets (including capital assets and deferred charges of \$5,536 (\$6,524 in 2001)) . . . . .	120,981	115,300
Liabilities . . . . .	112,914	107,568
Net equity . . . . .	8,067	7,732
Revenues . . . . .	19,632	19,740
Expenses . . . . .	17,009	16,650
Net income for the year . . . . .	2,623	3,090
Other changes in equity		
Dividends <sup>(1)</sup> . . . . .	-2,078	-1,990
Other . . . . .	-210	127
Opening net equity . . . . .	7,732	6,505
Closing net equity . . . . .	8,067	7,732
Contractual commitments . . . . .	7,458	6,767
Contingent liabilities . . . . .	2,651	1,864

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

<sup>(1)</sup> Amounts reported as dividends include \$1,929 million (\$1,951 million in 2001) from the Bank of Canada.

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

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

### i. Loans to developing countries

Loans to national governments of \$2,902 million (\$3,136 million in 2001) include loans to developing countries. The Government has provided allowances on these loans taking into consideration their collectability and any concessionary terms.

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

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

Loans, investments and advances to international organizations, including development banks and their related funds, total \$4,440 million (\$4,405 million in 2001). The Government has provided allowances on these loans, investments and advances based on their collectability and any concessionary terms.

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

## 12. Contractual Commitments

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

	(in millions of dollars)	
	2002	2001
Transfer payment agreements . . . . .	17,022	16,411
Acquisition of property and equipment, and goods and services . . . . .	8,021	8,239
Benefit plans for veterans . . . . .	7,102	6,635
Operating and capital leases . . . . .	4,709	4,317
International organizations . . . . .	2,993	1,038
Pension liability under Continuation Acts . . . . .	125	125
	39,972	36,765

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)
2003 .....	9,843
2004 .....	7,538
2005 .....	6,483
2006 .....	5,818
2007 .....	4,285
2008 and subsequently .....	6,005
	39,972

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

*i. Transfer payment agreements*

Included in the transfer payment agreements commitments of \$17,022 million (\$16,411 million in 2001) is an amount of \$8,563 million (\$8,589 million in 2001) 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 2007 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to 2007.

*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 \$1,420 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2007 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only the period to 2007.

*iii. Operating and capital leases*

Capital leases have various terms up to 35 years. Of the total of \$4,709 million (\$4,317 million in 2001) in operating and capital leases, \$2,306 million (\$2,086 million in 2001) represents future payments for capital leases. Of this, \$1,136 million (\$1,122 million in 2001) is imputed interest.

### 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, 2002 amounted to \$346,809 million (\$339,479 million in 2001). At March 31, 2002, the Corporation has a surplus of \$486 million (\$455 million surplus in 2001). 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, 2002 was \$218,900 million (\$200,700 million in 2001). The Fund has a surplus of \$1,229 million at March 31, 2002 (\$896 million in 2001). 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, 2002 totalled approximately \$37,452 million (\$34,217 million in 2001). As at March 31, 2002 the fund has a surplus of \$80 million (\$70 million in 2001). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Canada (EDC) provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 2002 was \$12,292 million (\$11,225 million in 2001). EDC set aside an allowance of \$457 million as at March 31, 2002 (\$465 million in 2001) 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, 2002 amounted to \$56,838 million net of an allowance of \$4,076 million (\$52,648 million net of an allowance of \$3,951 million in 2001). 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, 2002 amounted to \$19,681 million (\$19,477 million in 2001). The Government has callable share capital in certain international organizations that could require payments to those agencies.

*iii. Claims and pending and threatened litigation*

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

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

*Significant tax refunds:* There are \$308 million (\$1,123 million in 2001) 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, 2002.

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

## 15. Environmental Liabilities

Policy guidance has been issued to government departments and considerable progress has been made in the identification and cataloguing of suspected contaminated sites. The process of assessing the nature and level of contamination on suspected sites, and the consequent preparation and costing of a remediation plan, are technically challenging and time consuming. While complete and final estimates of the assessment and remediation liabilities attributable to the Government are not yet available, current estimates indicate that the total will be at least \$2,500 million. The Government will continue to work toward the determination and recognition of environmental liabilities.

## SUPPLEMENTARY STATEMENT

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

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

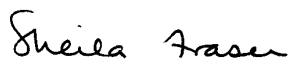
## REPORT OF THE AUDITOR GENERAL ON THE STATEMENT OF TRANSACTIONS OF THE DEBT SERVICING AND REDUCTION ACCOUNT

To the House of Commons:

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 2002. This financial statement is the responsibility of the Government of Canada. My responsibility, as required by section 9 of the *Debt Servicing and Reduction Account Act*, is to express an opinion on this financial statement based on my audit.

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

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 2002 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada set out in Note 2 to the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I report that, in my opinion, these stated accounting policies have been applied on a basis consistent with that of the preceding year.



Sheila Fraser, FCA  
*Auditor General of Canada*

Ottawa, Canada  
September 16, 2002



# Debt Servicing and Reduction Account Statement of Transactions for the Year Ended March 31, 2002

(in thousands of dollars)

	2002	2001
Goods and services tax and harmonized sales tax received . . . . .	62,240,984	60,853,241
Less: Refunds . . . . .	28,474,322	27,958,411
Rebates . . . . .	2,482,099	2,206,524
Amounts paid and accrued		
by ministries . . . . .	1,277,837	1,022,110
Quarterly tax credits . . . . .	2,963,731	2,901,708
Transfer of harmonized sales tax to provinces. . . . .	2,133,468	1,775,151
	37,331,457	35,863,904
Net goods and services tax. . . . .	24,909,527	24,989,337
Penalties and interest received		
for goods and services tax (net of interest paid) . . . . .	113,326	119,083
Gain on wind-up of interest in Crown Corporations . . . . .		36,402
Gifts to the Crown . . . . .	105	114
Proceeds credited to the Account . . . . .	25,022,958	25,144,936
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3) . . . . .	27,054,823	30,716,610
Less amount in excess of the Account's balance (Note 4) . . . . .	2,031,865	5,571,674
	25,022,958	25,144,936
Account balance, end of year. . . . .	NIL	NIL

The accompanying notes are an integral part of this statement.

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

### 1. Authority and Objective

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

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

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

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

### 2. Significant Accounting Policies

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

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

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

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

*ii. Other amounts credited to the Account*

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

*iii. Public debt expenditures charged to the Account*

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

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

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

	(in thousands of dollars)	
	2002	2001
Public debt charges . . . . .	37,734,664	42,094,509
Less: amounts unrelated to a Borrowing Authority Act—		
Interest on unmatured debt <sup>(1)</sup> . . . . .	345,539	360,597
Interest on pension and other accounts. . . . .	10,334,302	11,017,302
Public debt expenditures chargeable to the Account . . . . .	27,054,823	30,716,610

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

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

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

**SUPPLEMENTARY INFORMATION  
OBSERVATIONS OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA  
FOR THE YEAR ENDED MARCH 31, 2002**

**MAIN POINTS**

*The Observations  
explain my Report on  
the financial statements  
of the Government of  
Canada.*

The purpose of these Observations is to explain certain elements of my report on the financial statements of the Government of Canada as at and for the year ended March 31, 2002. My December 2002 Report to the House of Commons will discuss some of the issues included in these Observations in more detail. Here, I discuss the following issues:

- The balance in the Employment Insurance Account stood at \$40 billion on March 31, 2002, well over the \$15 billion that the Chief Actuary of Human Resources Development Canada says is the maximum amount needed. Neither the Employment Insurance Commission nor the Government, in setting the EI premium rates for 2001 and 2002, has clarified and disclosed what they consider to be an adequate balance of the Account, the time required to reach that balance, and the factors considered in setting the rates. Accordingly, for the second consecutive year I am unable to conclude that the setting of premium rates observed the intent of the *Employment Insurance Act*.
- Since 1997, the Government has recorded as expenditures some \$7.5 billion in transfers to various foundations to achieve its public policy objectives, even though most of the money is still in their bank accounts and investments accumulating interest. As reported last year, I am concerned with the accounting for these transfers.
- I encourage the Government to implement accrual accounting for its 2002-2003 financial statements. Accrual accounting will provide a more complete measure of the overall size of the Government resulting in improved reporting. It will also help to avoid the distortions in the Government's financial statements caused by its present accounting policies, such as that resulting from the deferral of small business tax instalments from 2001-2002 to 2002-2003. More importantly, accrual accounting is an essential component of management reform initiatives underway in the Government.
- I am very concerned about the Government's processes for developing, reviewing, challenging and eventually recording management estimates in its financial statements. Although they involve billions of dollars, the Government only makes a serious effort to update most of these estimates once a year - when it prepares its annual financial statements. This year, the Government made material unanticipated changes to management estimates almost six months after year end. In my view, it is essential that the Government strengthen the way it develops management estimates, in order to produce timely and reliable information throughout the year and in its financial reports.
- I encourage the Government to improve how it communicates its financial results in the *Public Accounts* and the *Annual Financial Report*. In addition to the disclosure of key indicators and Budget-to-actual comparisons, the Government should correct misinformation on the disposition of the annual surplus for the year.

I believe strongly that the Government's financial statements included in the *Public Accounts* and the *Annual Financial Report* are important accountability documents. They need to be credible, understandable, useful, and timely. While summary financial reporting by the Government of Canada continues to be among the best in the world, improvements are required to maintain this standing.

## SIGNIFICANT ACCOUNTING AND DISCLOSURE ISSUES ARISING FROM MY AUDIT

In this section of my Observations, I describe seven of the more significant issues that have arisen from my audit this year or that are still unresolved from prior years.

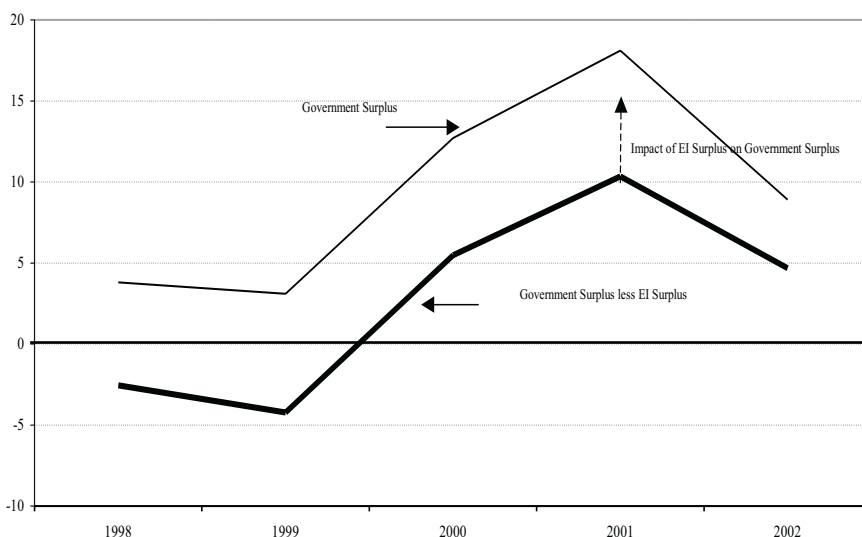
### 1. \$40 BILLION SURPLUS IN THE EMPLOYMENT INSURANCE ACCOUNT

**Consolidation of the EI Account.** Employment Insurance (EI) is a major program administered by the Government of Canada. Since 1986, its revenues, expenditures, assets and liabilities have been consolidated or combined with those of other Government programs in the Government's financial statements. Consolidation of EI is the proper accounting because EI is a Government program like any other Government program – it is controlled solely by the Government. It is the Government, either directly or through the EI Commission, that sets EI premiums and benefits. Non-consolidation of Government programs would result in fragmented reporting and difficulty in understanding the full size and scope of the Government. I therefore continue to support the manner (consolidation) in which the Government accounts for the EI program in its summary financial statements.

Due to its size, the EI program has a significant effect on the Government's overall financial results. The financial statements show that approximately 10% of the Government's total revenues come from EI premiums; and approximately 11% of the Government's total program expenditures is for EI benefits and administrative costs. The Government's surplus in 2001-2002 of \$8.9 billion would have been \$4 billion lower were it not for EI (see Table 1).

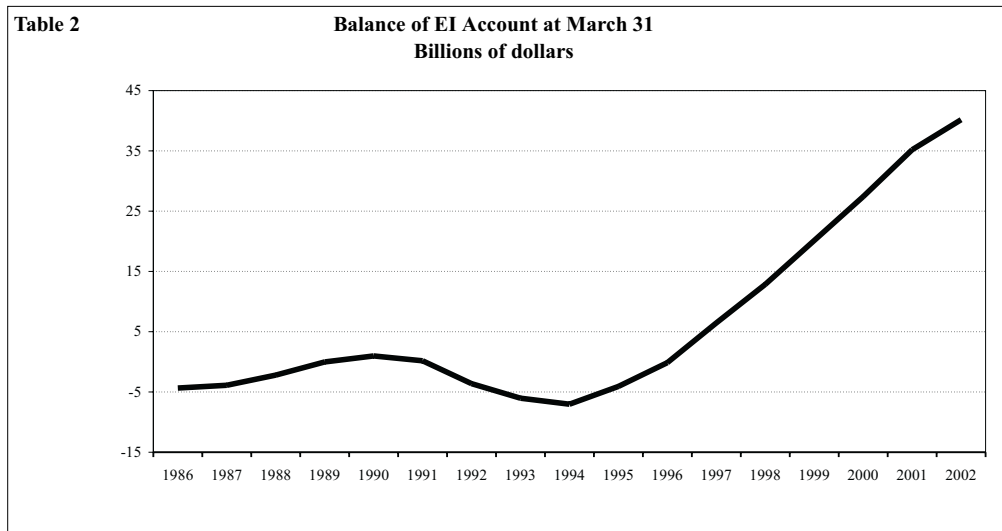
*The EI program has a significant effect on the Government's financial results. The Government's surplus of \$8.9 billion would have been \$4 billion lower were it not for EI.*

**Table 1** Impact of EI Surplus on the Government's Surplus  
Billions of dollars



Note: This graph does not take into account the fact that without an EI surplus, public debt charges would increase and the Government's surplus would be smaller because of higher borrowing costs.

**Compliance with the Employment Insurance Act.** In compliance with the *Employment Insurance Act*, the Government uses an EI “Account” to keep track of any *accumulated* EI surplus or deficit. At times, this tracking account may show an accumulated deficit – at March 31, 1994, for instance, almost \$7 billion. At other times, the EI Account will show an accumulated surplus – \$40 billion, in fact, at March 31, 2002 (see Table 2).



EI premiums, like most other Government revenues, flow into the Government’s bank account; there is no separate bank account for the \$40 billion EI surplus at March 31, 2002.

In establishing the premium rates for the years 1997 up to and including 2001, the Chief Actuary of Human Resources Development Canada (HRDC) reviewed the accumulated balance in the EI Account and economic prospects for the next few years. Based on that review, he normally suggested to the Commission a range of premium rates for the following year. The Employment Insurance Commission then set the rate, with the approval of the Governor in Council on the recommendation of the ministers of Finance and HRDC. The rates set, however, exceeded the maximum in the range suggested by the Chief Actuary for 1998 to 2001 (see Table 3).

<b>Year</b>	<b>Rate set (\$)</b>	<b>Range suggested by Chief Actuary (\$)</b>
1997	2.90	2.60 to 2.90
1998	2.70	2.40
1999	2.55	2.00 to 2.50
2000	2.40	2.00 to 2.25
2001	2.25	1.75 to 2.10
2002	2.20 <sup>(1)</sup>	NA

<sup>1</sup> The rate for 2002 was first published in the October 18, 2000 Economic Statement and Fiscal Update for planning purposes.

The fact that the rates set in recent years have exceeded the maximum rates suggested by the Chief Actuary has contributed to an accumulation of the surplus in the EI Account in excess of what he considered to be sufficient. For example, each 5 cent increase in premium rates increases annual revenues by \$425 million.

Since 1997 and including 2001, the Act required that in setting premiums the EI Commission ensure that the rate levels provide enough revenue to cover program costs and maintain relatively stable rate levels throughout a “business cycle”<sup>1</sup>. Recent amendments to the Act, however, suspended these legislated requirements for two years. The amendments also stipulated that the Government, and not the EI Commission, would set the premium rates for 2002 and 2003.

The Government has indicated that the rate-setting provisions of the Act were suspended for 2002 and 2003 so it could undertake research and public consultations about the process of setting premium rates. Prior to that announcement the House of Commons Standing Committee on Finance had commented in its pre-Budget consultation report for the 2000 Budget that the EI rate-setting process was flawed. To date, Government officials have advised us that internal research has been undertaken and is continuing, but that no public consultations have taken place. Much needs to be done therefore, before the suspension expires and 2004 premium rates must be set by the EI Commission in the fall of 2003. At this writing, there has been no decision on what the balance of the EI Account should be, how long it should take to reach that balance and what other factors should be considered in setting premium rates.

**Conclusion.** I am unable to conclude that the setting of premium rates for 2001 and 2002 observed the intent of the *Employment Insurance Act*. Since 1999 this Office has been raising concerns about the Government’s compliance with the Act in these *Public Accounts*, in reports on the EI Account financial statements and in periodic Reports to the House of Commons. I urge the Government to complete its study as quickly as possible and resolve this long-standing issue.

***I urge the Government to resolve the long-standing issue of the amount and continued growth in the EI Account.***

<sup>1</sup> A “business cycle” is a recurring and widespread pattern of economic expansion and sustained decline. It can be measured between a peak or a trough and it can vary in length of time and amplitude.

## 2. TRANSFERS TO FOUNDATIONS

Since 1997, the Government has used several foundations to carry out certain of its public policy objectives. It has transferred some \$7.5 billion to them and has recorded the transfers as expenditures in its financial statements (see Table 4). Much of the \$7.5 billion was still in the foundations' bank accounts and investments at March 31, 2002 accumulating interest. It had yet to be distributed to the ultimate intended recipients or used for the ultimate purposes announced by the Government for this spending.

Table 4 Foundation <sup>1</sup>	Government Expenditures Recorded in Fiscal Year ended March 31 (\$ millions)							Foundation's Cash and Investments <sup>2</sup>
	1997	1998	1999	2000	2001	2002	Total	March 31, 2002
Canada Foundation for Innovation	801		200	900	1,250		3,151	2,964
Canada Health Services Research Foundations	13	13	13	73	13		125	124
Canada Millennium Scholarship Foundation		2,500					2,500	2,346
Aboriginal Healing Foundation		350					350	278
Genome Canada				160	140		300	276
Green Municipal Investment Fund <sup>3</sup>				100		100	200	211
Other foundations under \$100 million <sup>4</sup>				72	52	10	134	133
Canada Health Infoway Inc.					500		500	516
Foundation for Sustainable Development Technology					100		100	101
Pierre Elliott Trudeau Foundation <sup>3</sup>						125	125	125
<b>Total</b>	<b>814</b>	<b>2,863</b>	<b>213</b>	<b>1,305</b>	<b>2,055</b>	<b>235</b>	<b>7,485</b>	<b>7,074</b>
<p>1 The foundations included in the table have each received over \$10 million in total funding from the Government since 1997 specifically for spending in a future year more than a year ahead; this has been announced publicly in a Budget or in some other way.</p> <p>2 These balances are at the date of the latest annual report where March 31, 2002 financial statements are not yet available. It is estimated that \$1 billion of interest and other returns on investment were earned on the \$7.5 billion transferred, \$1.3 billion has been paid to ultimate recipients or used for the ultimate purposes, and \$0.1 billion has been paid in administration costs, leaving the balance of \$7.1 billion at March 31, 2002.</p> <p>3 These are endowments, that is, only the earnings on the endowment are disbursed.</p> <p>4 These are: Foundation for Climate and Atmospheric Sciences; Clayoquot Biosphere Trust Society; Forum of Federations; Pacific Salmon Endowment Fund Society; Canadian Institute for Research on Linguistic Minorities – University of Moncton; and Frontier College Learning Foundation (Endowment fund).</p>								

*The Government has transferred some \$7.5 billion to foundations and has recorded these transfers as expenditures. Much of the \$7.5 billion was still in the foundations' bank accounts and investments at March 31, 2002.*

**Recent developments.** In 2001-2002, the Government announced its intention to create two new foundations: the Africa Fund (commitment of \$500 million), the Strategic Infrastructure Foundation (minimum commitment of \$2 billion), and to transfer funds to the Pierre Elliott Trudeau Foundation (\$125 million). In addition, the Budget indicated that any surplus at the end of fiscal year 2001-2002 - the actual surplus is \$8.9 billion - would be dedicated to the Strategic Infrastructure Foundation and the Africa Fund. Only the Pierre Elliot Trudeau Foundation received a contribution during the year; it would appear that the Government will meet its objectives for the Africa Fund and the Strategic Infrastructure Foundation through normal departmental programs and appropriations processes and subject to the usual accountability provisions to Parliament.

Transfers to foundations for 2001-2002 declined to \$235 million from \$2 billion in 2000-2001.

**Accounting for transfers to the foundations.** While transfers for the year declined, as I stated last year, I continue to be concerned about the accounting for these transfers.

The Government's accounting policy results in expenditures being recognized when money is transferred to the foundations. Economic substance would be better represented in the Government's financial statements if expenditures were recorded in the years when the foundations make grant payments to the ultimate intended recipients or use the money themselves for the Government's ultimate intended purposes.

Many factors, including the Government's role in the creation of the foundations; their obligation to achieve Government policy objectives; the Government's role in the appointment of directors; and the prescriptive nature of detailed funding agreements between the foundations and the Government, lead me to question whether these foundations are truly "arms-length" from the Government, and therefore whether the Government's accounting for transfers to them as if they are "arms-length", is appropriate.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) has initiated a project to study the government financial reporting entity, which, among other things, is intended to clarify how to determine whether organizations such as those in Table 4 should be included in government financial statements notwithstanding their legal form. A second PSAB project on accounting for government transfers may also have implications to this issue.

**Accountability and governance of the foundations.** I am also concerned about the accountability and governance of the foundations - in fact, more concerned than about the accounting for transfers to them - for a number of reasons, including (see Chapter 1 of my April 2002 Report for more details):

- Reporting to Parliament by the foundations is not adequate for parliamentary scrutiny; none of the foundations submit corporate plans for tabling in Parliament; and not all provide annual reports with a credible description of accomplishments.
- Foundations have been established in an ad hoc way, and Parliament has not had an opportunity to consider fully the resulting changes in how it authorizes and oversees this public spending.
- Weak oversight of foundations is limiting ministers' answerability to Parliament.
- Parliament is not receiving reports on independent, broad-scoped audits that examine more than the financial statements of foundations, including compliance with authorities, propriety, and value for money

While some improvements in accountability and governance structures have been made, I plan to continue to examine these concerns.

**Conclusion.** I urge the Government to change its accounting policies as they relate to the foundations to properly account for the substance of these transactions. This change should be consistent with other changes to introduce accrual accounting. Accrual accounting will present the use of resources by the Government in its financial statements rather than the current presentation of the cash used to acquire resources. The change I am suggesting goes hand in hand with the move to accrual accounting. In addition, I urge the Government to resolve the concerns I have raised about accountability and governance of the foundations.

***I urge the Government to change its policies as they relate to the foundations in its financial statements to properly account for the substance of these transactions.***



### 3. ACCRUAL ACCOUNTING DELAYED

As I noted in last year's Observations, the Government was to have implemented accrual accounting in 2001-2002. However, at the time of the December 2001 Budget, important components of the information required to implement accrual accounting had not yet been verified. As a result, it announced a delay in the implementation of accrual accounting for the financial statements of the Government for at least one year. Discussions with Government officials have led us to believe that accrual accounting might be implemented in 2002-2003 as data quality improves and I complete my audit. My December 2002 Report will provide more information on the status of accrual accounting in the Government. I strongly support the use of accrual accounting by the Government and urge it to implement this important initiative fully.

Accrual accounting recognizes transactions and other events when they occur, and not when cash or its equivalent is received or paid. Expenses are recorded in the period when the goods or services are consumed; revenues are recorded in the period when they are earned; and multi-year benefits associated with long-lived assets are expensed over the expected length of time they will be used. There are many reasons why accrual accounting is superior to the Government's current modified accrual basis of accounting, which I will discuss further in my December 2002 Report. Below I cite two examples of how accrual accounting would avoid the distortions caused by the Government's current accounting policies.

***Deferral of small business tax instalments.*** The December 2001 Budget announced a six-month deferral of small business corporate income tax instalments for the last quarter of 2001-2002. The deferral was to assist small businesses with the economic slowdown. The Government estimates the actual take-up of this initiative by small businesses at about \$600 million.

The Government generally follows cash accounting principles for tax revenue and therefore will recognize the deferred payments as revenue in 2002-2003. However, the \$600 million clearly relates to economic activity in 2001-2002. It normally would have been recognized as tax revenue in 2001-2002, but it was not included in the surplus for that year. By altering the timing of cash receipts, revenue has been shifted from one fiscal year to another.

Accrual accounting would not allow the distortion of reported financial results by altering the timing of the cash receipt or disbursement. Under accrual accounting, this \$600 million would be recorded as revenue in 2001-2002 and the amount due would be reflected as a receivable.

Other distortions in tax revenue can also occur. For example, collection lags in personal or corporate tax or even systems breakdowns can distort tax revenue from year to year under a cash basis of accounting.

**Transfers paid in advance of need.** In addition to the transfer of funds to foundations, the Government has provided transfers to other organizations well in advance of need (see Table 5).

Table 5 Organization	Government Expenditures Recorded in Fiscal Year Ended March 31 (\$ millions)					Organization's Cash and Investments <sup>1</sup>
	1999	2000	2001	2002	Total	March 31, 2002
Canadian Institute for Health Information	95			95	190	125
Green Municipal Enabling Fund		25		25	50	45
Precarn		20			20	21
Canadian Network for the Advancement of Research, Industry and Education (CANARIE)				110	110	110
Canada Institute for Advanced Research				25	25	25
Total	95	45	0	255	395	326

<sup>1</sup> These balances are at the date of the latest annual report where March 31, 2002 financial statements are not yet available. It is estimated that \$16 million was earned on the \$395 million transferred, \$83 million has been paid to ultimate recipients or used for the ultimate purposes, and \$2 million has been paid in administration costs, leaving the balance of \$326 million at March 31, 2002.

Unlike the foundations these organizations are clearly arms-length from the Government. Transfers to them are largely recorded on a cash basis of accounting by the Government – that is, transfer payments due are recorded as expenditures. The Government does not consider whether the payments are in advance of need or whether the funds are immediately required for their ultimate intended purpose in deciding how to account for them. This may need to change with the introduction of accrual accounting.

The PSAB has a project under way that looks at the issue of government transfers. It will address whether grants paid several years in advance should be recorded as prepaid expenses under accrual accounting.

**Conclusion.** I remain convinced that accrual accounting is superior to the Government's current accounting policies. It provides a more complete measure of the overall size of the Government which should enhance accountability to Parliament; it eliminates the distortion of reported financial results caused by altering the timing of cash receipts or disbursements; and it is an essential component of management reform initiatives underway in the Government. I encourage the Government to resolve concerns which are causing delays in the full introduction of accrual accounting and implement it for the 2002-2003 financial statements.

***I encourage the Government to implement accrual accounting.***

#### 4. MANAGEMENT ESTIMATES

In common with most other large organizations and as disclosed in Note 1 to the financial statements, the Government's financial statements include a number of significant management estimates. These estimates affect billions of dollars of reported assets and liabilities, the amounts reported on the statement of revenue and expenditures and ultimately, the surplus or deficit the Government reports for the year. Examples of some of the more significant management estimates include valuation allowances for loans and investments, pension liabilities and best estimates of losses arising from contingent liabilities.

I am very concerned about the Government's processes for developing, reviewing, challenging and eventually recording these estimates in its financial statements. Although they involve billions of dollars, the Government only makes a serious effort to update most of these estimates once a year – when it prepares its annual financial statements. More frequent in-depth reviews – at least quarterly – are necessary if the Government is to have up to date, timely and reliable information on its financial position.

This year, the Government made material, unanticipated changes to management estimates almost six months after year end. The Government should not be discovering adjustments to its accounts involving hundreds of millions of dollars six months after year end.

*Accrual accounting will require the government to strengthen the way it develops management estimates.*

As the Government moves to adopt accrual accounting, management estimates will become an even more important part of the process of preparing the Government's financial results. In addition to the estimates already mentioned above, accrual accounting will require management estimates in the recording of tax revenues, environmental liabilities, additional Aboriginal claims and numerous other amounts. Given the shortcomings in the Government's existing processes for these estimates and the increased importance of management estimates in an accrual accounting environment, I am concerned that the Government may not yet be in a position to produce timely, reliable financial statements on a full accrual basis.

**Conclusion.** In my view, in order to produce timely and reliable information throughout the year and in its financial reports, particularly in an accrual accounting environment, it is essential that the Government strengthen the way it develops management estimates. It needs to clearly communicate its policies and expectations to all those involved in developing these estimates and implement a much more rigorous and timely challenge and review function.

## 5. MUTUAL FUND TRUST CAPITAL GAINS REFUNDS

The Canada Customs and Revenue Agency (CCRA) collects personal income taxes on behalf of the Government and all provincial and territorial governments except Quebec. The arrangements with the provinces and territories are undertaken pursuant to Tax Collection Agreements (TCAs) between Canada and the provinces.

During the year, the CCRA discovered that it had misclassified mutual fund trust capital gains refunds in TCA reports on provincial and territorial assessed taxes. This caused the Government to overpay a number of provinces an amount totaling \$3.4 billion for tax years 1993 to 1999.

The Government announced on September 4, 2002 its intention to seek a remission of the balance due from the affected provinces and to recover \$1.4 billion from them. The recovery would commence in 2004-2005 over a ten-year period. As no interest will be charged on the \$1.4 billion principal amount, at March 31, 2002 its net present value amounted to \$982 million. The Government has accounted for the net amounts to be collected on a retroactive basis. This is described in Note 3 iv to the financial statements.

Under the equalization program, the recovery of TCA overpayments would normally lower equalization payments to seven provinces, and increase equalization payments to one province. The Government has indicated that it will ensure that the recovery of TCA overpayments would not have a negative impact on equalization payments. This provided a "benefit" of approximately \$1.2 billion to equalization receiving provinces.

**Conclusion.** I agree with the Government's accounting in the financial statements for this error in past mutual fund trust capital gain refunds.

## 6. COMMUNICATING CANADA'S FINANCIAL RESULTS TO PARLIAMENT AND CANADIANS

The Government's financial position and annual results of operations is essential information for Parliament and for all Canadians. The Government communicates this information primarily through the *Public Accounts of Canada* and the related *Annual Financial Report* (AFR).

In my view, both of these documents can be improved and the Government could better explain its financial situation to Canadians. The *Public Accounts* contain a tremendous amount of important, but detailed information. The *Annual Financial Report*, while a much more summarized document that has been improved over the years, can be difficult to understand.

I encourage the Government to re-evaluate how it communicates its financial results to Parliament and to Canadians. Can the *Public Accounts* be simplified and streamlined? How can the AFR be made more understandable? How and where should the Government publish its financial statement discussion and analysis?

**Indicators of financial condition.** Guidance is available from the Canadian Institute of Chartered Accountants to assist the Government in this area. The "Indicators of Government Financial Condition" listed in a research study by that title in 1997 suggested a number of key indicators of financial condition such as net debt to GDP, revenues to GDP and public debt charges to revenues. These indicators, together with explanations of trends they reveal and other important factors impacting on the Government's financial results, should be included in the Government's financial reports and should be discussed with the Public Accounts Committee of the House of Commons when the *Public Accounts* are tabled in Parliament. The PSAB also has a project underway on "Financial Statement Discussion and Analysis" that should provide some useful guidance to the Government.

One of the key pieces of information in the Government's financial results is the surplus or deficit for the year. What this number represents and its trend over time must be carefully explained. I have become concerned in recent years with certain misinformation on what happens to the surplus for the year. The surplus for the year does NOT automatically pay down the debt. There is neither any law nor accounting rule that requires this. This year's surplus was applied to several areas, only one of which was the reduction of debt. Part of the surplus was used, for example, to support increases in financial assets such as loans, investments and advances.

**Budget-to-actual comparisons.** The Government's Budget is an extremely important document, particularly to the public because it establishes tax rates and sets out the Government's spending plans. A comparison of budgeted-to-actual results is equally important as it is the final link in the Government's financial accountability to Parliament for a fiscal year. It is also required by the PSAB.

*The surplus for the year does not automatically go to pay down debt. It could be applied to a number of areas, including, for instance increases in financial assets.*

The *Annual Financial Report*, published separately by the Minister of Finance, includes such a comparison. But in my view, the comparison should also be included in the *Public Accounts*. Had it been included, for example, in the Statement of Transactions, which is comparable to the main statement in the Government's Budget, the comparison would have looked like Table 6:

<b>Table 6 Budget /Actual Comparison<sup>1</sup> (Billions of dollars)</b>			
	<b>2002 Budget<sup>2</sup></b>	<b>Actual</b>	<b>2001 Actual</b>
<b>Budgetary transactions</b>			
Revenues	174.5	173.3	179.6
Program spending	(124.6)	(126.7)	(119.4)
Operating balance	49.9	46.6	60.2
Public debt charges	(41.7)	(37.7)	(42.1)
Less: Contingency Reserve	(3.0)		
Economic Prudence	(1.0)		
Surplus	4.2	8.9	18.1
<p>1 The comparison is for "net" revenues and program spending as this is the basis for preparing the Budget, (see the following section of these Observations for a summary of my concerns with this.)</p> <p>2 These amounts are included in the October 18, 2000 Economic Statement and Budget Update as there was no formal Budget for the 2001-2002 fiscal year. The December 10, 2001 Budget did include updated figures for the 2001-2002 fiscal year, but these are not "original budget" figures as recommended by the PSAB.</p>			

*A comparison between Budget and actual results should be included in these financial statements.*

The Government would then explain the differences between the Budget and actual amounts and the differences between the actual amounts for 2001-2002 and 2000-2001.

**Conclusion.** I encourage the Government to continue its efforts to communicate its financial results clearly and succinctly to Parliament and to Canadians.

## 7. PREVIOUS YEAR'S OBSERVATIONS NOT YET RESOLVED

Table 7 provides a summary of previous years' Observations that have not yet been resolved. Matters raised in the past that related to accrual accounting are not included, as they are discussed elsewhere.

<b>Table 7 Previous years' observations not yet resolved</b>		
<b>Observation</b>	<b>Year raised</b>	<b>Description of issue</b>
Offsetting Child Tax Benefit disbursements against revenues – "netting"	1992, 1994, 1999, 2000, 2001	The Government has offset disbursements under the Canada Child Tax Benefit program against personal income tax revenues. In the financial statements in the Public Accounts, the disbursements are shown on both a gross and a net basis. In the Annual Financial Report, the condensed financial statements show the disbursements only on a gross basis, however, the narrative sections of the AFR discuss detailed amounts primarily on a net basis, which is confusing. In my view, these disbursements would be classified more properly as program spending and should be reported only on a gross basis, in both the Public Accounts and the AFR.
Statement of Transactions of the Debt Servicing and Reduction Account	1997, 1999, 2000, 2001	The Debt Servicing and Reduction Account applies specific revenues against charges associated with public debt. However, the very nature of the Consolidated Revenue Fund ensures that all revenues are deposited into it and all expenditures coming from it are authorized by Parliament. As a result, there is no need to issue a separate audited statement; disclosure in notes to the statements would suffice.

## CLOSING THOUGHTS

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

Recently, in the wake of weakened confidence in the U.S. capital markets and corporate sector, the Government described actions that would be key to fostering investor confidence in Canada. One of the elements, together with my annotations to make it relevant to the Government was:

**“Improving Financial Reporting** – Canadian companies [governments] must provide investors [taxpayers] with complete, accurate and easy-to-understand information.”

In my view, the Government of Canada should lead by example. These Observations have outlined a number of ways the Government can improve its financial reporting.

## MY AUDIT REPORT EXPLAINED

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

### My audit opinion

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

**My responsibility.** The introductory paragraph of my audit opinion lists the financial statements the audit covered. It is important to note that this includes only the financial statements and related notes contained in Section 1 of Volume I of the *2002 Public Accounts of Canada*. It does not extend to the more detailed information presented in other sections of Volume I, or to Volume II.

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

At the beginning of Section 1 of *Public Accounts* Volume I is the Statement of Responsibility signed by the three deputy ministers responsible for the *Public Accounts*. The Statement gives a good summary of their roles, but those roles go much further. These officials must be able to explain fully the important messages in the financial statements. They must be able to explain why the numbers have changed from one year to the next. And they must be able to explain any variances from the Budget and the *Estimates* previously provided to Parliament and Canadians. These explanations should be made to Parliament through the House of Commons Standing Committee on Public Accounts. The Committee should have the opportunity to hear the explanations and understand the story that the financial statements tell, as well as the significance of the messages in my report and the Observations. The Government made a presentation to the Committee when the *2001 Public Accounts* were tabled; I would like to see that practice continued and improved.

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

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

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

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

My opinion on each of these aspects of the Government's financial statements for 2002 has no reservations. Readers are therefore entitled to conclude that the amounts shown in the financial statements are stated fairly within the limits of materiality and in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements. Readers may also conclude that the accounting policies used by the Government to prepare the financial statements are the same policies it used last year.

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

In the "other matters" section of my report, I raise important issues that concerned me during my audit and that I want to bring to Parliament's attention. The issues I have raised again this year are not reservations of my opinion on the fair presentation of the financial statements. In my view, however, these other matters are of such importance to Parliament, to other readers, and to the future financial reporting of the Government that they warrant direct mention in my report. A more detailed discussion of these issues was provided earlier in these Observations.

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

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

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

Before beginning my audit I make a judgment, based on the Government's total expenditures, as to what dollar amount (materiality) of misstatements in the financial statements would change or influence the decision of a person who relied on them and had reasonable knowledge of the Government and its activities. That dollar amount is then used as a basis for determining the nature, extent and timing of the audit work required. For this year's audit, I set materiality at about one half of one percent of the Government's total gross expenditures of \$179 billion.

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

If I conclude, after completing these audit procedures, that in the aggregate the financial statements are free of material misstatement, I report that the information is presented fairly. If I conclude that the statements contain material misstatements but the overall usefulness of the statements is not impaired, I describe the nature and extent of my concerns. I then go on to say that information is presented fairly except for the issues noted in my reservations. Matters that come to my attention during the audit that are significant but do not result in a reservation of my opinion are raised in my report as other matters.

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

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

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

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

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



# SECTION 2

2001-2002

*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 <sup>(1)</sup>  
(in millions of dollars)

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Budgetary transactions</b>										
Revenues <sup>(2)</sup> .....	120,380	115,984	123,323	130,301	140,896	153,501	155,899	166,123	179,590	173,315
Expenditures .....	-161,401	-157,996	-160,785	-158,918	-149,793	-149,684	-152,787	-153,410	-161,442	-164,408
Surplus or deficit (-) for the year .....	-41,021	-42,012	-37,462	-28,617	-8,897	3,817	3,112	12,713	18,148	8,907
<b>Non-budgetary transactions</b>										
Loans, investments and advances <sup>(2)</sup> .....	474	507	354	2,620	121	1,605	330	-617	-2,698	-96
Pension and other accounts .....	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968	1,303	-1,669
Other transactions .....	53	5,413	2,607	1,168	3,176	3,478	1,025	-4,498	2,238	-2,445
Net source from non-budgetary transactions .....	6,524	12,162	11,620	11,434	10,162	8,912	8,379	1,853	843	-4,210
Source of funds or financial requirements (-) .....	-34,497	-29,850	-25,842	-17,183	1,265	12,729	11,491	14,566	18,991	4,697
<b>Net source or requirements (-) from foreign exchange transactions</b> .....	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776
Total source of funds or financial requirements (-) .....	-28,749	-31,978	-27,267	-21,887	-6,494	10,574	5,791	7,740	10,215	2,921
<b>Net source or requirements (-) from unmatured debt transactions</b> .....	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021	-10,003	-4,132
Change in cash in bank <sup>(3)</sup> .....	2,107	-744	-244	6,662	811	1,013	-1,073	3,719	212	-1,211
<b>Cash in bank at beginning of year</b> .....	774	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237
<b>Cash in bank at end of year</b> .....	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237	12,026

Details can be found in other sections of this volume.

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

<sup>(2)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv, Section 1 of this volume.

<sup>(3)</sup> Cash decrease (-)

TABLE 2.2

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

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Tax revenues—</b>										
<b>Income tax—</b>										
Personal <sup>(1)</sup> .....	58,283	51,427	56,329	60,167	63,282	71,126	72,716	79,793	83,305	83,790
Corporation .....	7,206	9,444	11,604	15,955	17,020	22,496	21,575	23,170	28,212	24,013
Other income tax revenues .....	1,462	1,593	1,769	2,105	2,847	2,974	2,901	3,499	4,312	3,035
	<i>66,951</i>	<i>62,464</i>	<i>69,702</i>	<i>78,227</i>	<i>83,149</i>	<i>96,596</i>	<i>97,192</i>	<i>106,462</i>	<i>115,829</i>	<i>110,838</i>
<b>Other taxes and duties—</b>										
Goods and services tax .....	14,868	15,696	16,786	16,375	18,079	19,461	20,684	22,790	24,990	24,909
Energy taxes .....	3,437	3,640	3,824	4,404	4,467	4,638	4,716	4,757	4,805	4,758
Customs import duties .....	3,811	3,652	3,575	2,969	2,676	2,766	2,359	2,105	2,807	3,018
Other excise taxes and duties .....	3,964	3,647	2,904	2,856	3,876	3,995	3,640	3,234	3,514	3,953
	<i>26,080</i>	<i>26,635</i>	<i>27,089</i>	<i>26,604</i>	<i>29,098</i>	<i>30,860</i>	<i>31,399</i>	<i>32,886</i>	<i>36,116</i>	<i>36,638</i>
<b>Employment insurance premiums .....</b>	<i>17,535</i>	<i>18,233</i>	<i>18,928</i>	<i>18,510</i>	<i>19,816</i>	<i>18,802</i>	<i>19,363</i>	<i>18,512</i>	<i>18,731</i>	<i>17,980</i>
<b>Total tax revenues .....</b>	<b>110,566</b>	<b>107,332</b>	<b>115,719</b>	<b>123,341</b>	<b>132,063</b>	<b>146,258</b>	<b>147,954</b>	<b>157,860</b>	<b>170,676</b>	<b>165,456</b>
<b>Non-tax revenues—</b>										
<b>Return on investments—</b>										
Bank of Canada .....	1,806	1,452	1,571	1,841	1,310	1,509	1,704	1,766	2,027	1,929
Canada Mortgage and Housing Corporation .....	800	719	706	680	632	610	591	561	544	521
Farm Credit Canada .....	226	211	199	208	171	169	133	87	61	62
Exchange Fund Account .....	3,209	2,916	1,816	1,138	1,423	1,499	1,770	1,934	2,879	2,358
Interest on bank deposits .....	169	128	155	370	229	326	380	460	586	289
Other return on investments .....	628	716	574	238	445	314	413	443	47	733
	<i>6,838</i>	<i>6,142</i>	<i>5,021</i>	<i>4,475</i>	<i>4,210</i>	<i>4,427</i>	<i>4,991</i>	<i>5,251</i>	<i>6,144</i>	<i>5,892</i>
<b>Other non-tax revenues .....</b>	<i>2,976</i>	<i>2,510</i>	<i>2,583</i>	<i>2,485</i>	<i>4,623</i>	<i>2,816</i>	<i>2,954</i>	<i>3,012</i>	<i>2,770</i>	<i>1,967</i>
<b>Total non-tax revenues .....</b>	<b>9,814</b>	<b>8,652</b>	<b>7,604</b>	<b>6,960</b>	<b>8,833</b>	<b>7,243</b>	<b>7,945</b>	<b>8,263</b>	<b>8,914</b>	<b>7,859</b>
<b>Total net revenues .....</b>	<b>120,380</b>	<b>115,984</b>	<b>123,323</b>	<b>130,301</b>	<b>140,896</b>	<b>153,501</b>	<b>155,899</b>	<b>166,123</b>	<b>179,590</b>	<b>173,315</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv, Section 1 of this volume.

**TABLE 2.3**

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

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Transfer payments—</b>										
Old age security benefits, guaranteed income supplement and spouse's allowance.....	19,106	19,903	20,511	21,034	21,606	22,225	22,781	23,410	24,256	25,365
Other levels of Government <sup>(1)</sup> .....	26,544	26,947	26,313	26,076	22,162	20,504	25,523	23,243	23,724	26,616
Employment insurance benefits.....	19,065	17,626	14,815	13,476	12,380	11,842	11,884	11,301	11,444	13,748
Family allowances and Child tax Credits <sup>(2)</sup> .....	2,194	7								
Other transfer payments.....	18,125	18,459	19,993	18,154	17,460	22,476	18,735	18,535	23,503	19,854
<b>Total transfer payments</b> .....	<b>85,034</b>	<b>82,942</b>	<b>81,632</b>	<b>78,740</b>	<b>73,608</b>	<b>77,047</b>	<b>78,923</b>	<b>76,489</b>	<b>82,927</b>	<b>85,583</b>
<b>Crown corporation expenditures</b> .....	<b>6,219</b>	<b>5,298</b>	<b>5,003</b>	<b>4,321</b>	<b>3,578</b>	<b>2,548</b>	<b>3,497</b>	<b>2,953</b>	<b>2,903</b>	<b>4,082</b>
<b>Other program expenditures—</b>										
National Defence.....	10,939	11,282	10,693	9,935	8,661	8,879	8,781	10,201	9,696	10,571
All other departments and agencies.....	20,384	20,492	21,411	19,017	18,973	20,279	20,192	22,120	23,822	26,437
<b>Total other program expenditures</b> .....	<b>31,323</b>	<b>31,774</b>	<b>32,104</b>	<b>28,952</b>	<b>27,634</b>	<b>29,158</b>	<b>28,973</b>	<b>32,321</b>	<b>33,518</b>	<b>37,008</b>
<b>Total program expenditures</b> .....	<b>122,576</b>	<b>120,014</b>	<b>118,739</b>	<b>112,013</b>	<b>104,820</b>	<b>108,753</b>	<b>111,393</b>	<b>111,763</b>	<b>119,348</b>	<b>126,673</b>
<b>Public debt charges</b> .....	<b>38,825</b>	<b>37,982</b>	<b>42,046</b>	<b>46,905</b>	<b>44,973</b>	<b>40,931</b>	<b>41,394</b>	<b>41,647</b>	<b>42,094</b>	<b>37,735</b>
<b>Total net expenditures</b> .....	<b>161,401</b>	<b>157,996</b>	<b>160,785</b>	<b>158,918</b>	<b>149,793</b>	<b>149,684</b>	<b>152,787</b>	<b>153,410</b>	<b>161,442</b>	<b>164,408</b>

(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									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Canada health and social transfer <sup>(1)</sup> .....					14,911	12,421	16,018	14,891	13,500	17,300
Fiscal arrangements.....	8,664	10,101	8,870	9,405	9,418	10,000	11,645	10,721	12,467	11,603
Canada Assistance Plan.....	6,686	7,236	7,266	7,191	105	24	8	56		
Education support.....	2,887	2,378	2,486	2,365	-41	5				
Alternative payments for standing programs.....					-2,014	-2,108	-2,150	-2,425	-2,460	-2,662
Other.....	8,307	7,232	7,691	7,115	-217	162	2		217	375
<b>Total</b> .....	<b>26,544</b>	<b>26,947</b>	<b>26,313</b>	<b>26,076</b>	<b>22,162</b>	<b>20,504</b>	<b>25,523</b>	<b>23,243</b>	<b>23,724</b>	<b>26,616</b>

(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 <sup>(1)</sup>  
(in millions of dollars)

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Accumulated deficit—Beginning of year</b> .....	<b>425,177</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,369</b>	<b>576,257</b>	<b>563,544</b>	<b>545,396</b>
Deficit or surplus (-) for the year.....	41,021	42,012	37,462	28,617	8,897	-3,817	-3,112	-12,713	-18,148	-8,907
<b>Accumulated deficit—End of year</b> .....	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,369</b>	<b>576,257</b>	<b>563,544</b>	<b>545,396</b>	<b>536,489</b>

(1) Accumulated deficits have been restated. See note 3 iv, Section 1 of this volume.

TABLE 2.5

GOVERNMENT OF CANADA  
STATEMENT OF ASSETS AND LIABILITIES

(in millions of dollars)

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>LIABILITIES</b>										
<b>ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES—</b>										
Accounts payable and accrued liabilities .....	13,144	16,977	20,325	21,181	19,265	22,364	24,509	20,551	25,028	23,617
Interest and matured debt .....	5,866	6,465	4,831	7,403	10,402	10,419	9,791	8,353	9,107	7,817
Allowance for employee benefits .....	3,285	3,555	3,910	4,290	5,180	6,729	6,926	7,924	5,558	5,169
Allowance for guarantees .....	4,555	4,930	5,540	5,440	5,253	4,188	4,090	3,920	3,951	4,076
<b>Total accounts payable, accruals and allowances .....</b>	<b>26,850</b>	<b>31,927</b>	<b>34,606</b>	<b>38,314</b>	<b>40,100</b>	<b>43,700</b>	<b>45,316</b>	<b>40,748</b>	<b>43,644</b>	<b>40,679</b>
<b>INTEREST-BEARING DEBT—</b>										
<b>Unmatured debt—</b>										
<b>Payable in Canadian currency—</b>										
Marketable bonds .....	178,412	203,392	225,679	252,700	282,498	294,583	295,752	293,927	294,973	293,843
Treasury bills .....	162,050	166,000	164,450	166,100	135,400	112,300	96,950	99,850	88,700	94,039
Canada savings and Canada premium bonds .....	33,365	30,418	30,460	30,460	32,470	29,769	27,662	26,489	26,099	23,966
Non-marketable bonds .....	3,505	3,497	3,488	3,478	3,468	3,456	4,063	3,552	3,473	3,391
	377,332	403,307	424,077	452,738	453,836	440,108	424,427	423,818	413,245	415,239
Payable in foreign currencies .....	5,409	10,668	16,921	16,809	23,016	27,183	36,000	32,588	33,158	27,032
	382,741	413,975	440,998	469,547	476,852	467,291	460,427	456,406	446,403	442,271
<b>Pension and other accounts—</b>										
Public sector pensions .....	87,911	94,097	101,033	107,882	114,205	117,457	122,407	128,346	129,185	126,921
Due to Canada Pension Plan .....	2,839	2,728	3,406	3,636	3,718	4,205	5,427	6,217	6,391	6,770
Other .....	3,543	3,710	4,755	5,322	5,782	5,872	6,724	6,963	7,253	7,469
	94,293	100,535	109,194	116,840	123,705	127,534	134,558	141,526	142,829	141,160
<b>Total interest-bearing debt .....</b>	<b>477,034</b>	<b>514,510</b>	<b>550,192</b>	<b>586,387</b>	<b>600,557</b>	<b>594,825</b>	<b>594,985</b>	<b>597,932</b>	<b>589,232</b>	<b>583,431</b>
<b>TOTAL LIABILITIES .....</b>	<b>503,884</b>	<b>546,437</b>	<b>584,798</b>	<b>624,701</b>	<b>640,657</b>	<b>638,525</b>	<b>640,301</b>	<b>638,680</b>	<b>632,876</b>	<b>624,110</b>
<b>ASSETS</b>										
<b>CASH AND ACCOUNTS RECEIVABLE —</b>										
Cash in bank .....	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237	12,026
Cash in transit .....	2,931	3,313	3,241	4,189	4,062	4,530	5,432	5,386	6,956	7,280
	5,812	5,450	5,134	12,744	13,428	14,909	14,738	18,411	20,193	19,306
Less outstanding cheques and warrants .....	3,228	4,015	3,751	3,700	3,253	3,218	4,045	3,900	4,599	5,839
<b>Total cash .....</b>	<b>2,584</b>	<b>1,435</b>	<b>1,383</b>	<b>9,044</b>	<b>10,175</b>	<b>11,691</b>	<b>10,693</b>	<b>14,511</b>	<b>15,594</b>	<b>13,467</b>
Accounts receivable <sup>(1)</sup> .....	3,433	3,502	3,382	4,923	3,213	2,832	3,348	3,179	2,966	3,362
<b>Total cash and accounts receivable .....</b>	<b>6,017</b>	<b>4,937</b>	<b>4,765</b>	<b>13,967</b>	<b>13,388</b>	<b>14,523</b>	<b>14,041</b>	<b>17,690</b>	<b>18,560</b>	<b>16,829</b>
<b>FOREIGN EXCHANGE ACCOUNTS—</b>										
<b>International reserves held in the Exchange Fund</b>										
Account .....	10,879	13,156	14,356	18,908	26,726	28,198	31,855	38,630	47,845	48,667
International Monetary Fund—Subscriptions .....	7,599	8,443	9,433	8,580	8,295	8,194	13,048	12,390	12,814	12,821
Less International Monetary Fund—Notes payable and special drawing rights allocations .....	7,681	8,674	9,439	8,434	8,208	7,424	10,235	9,526	10,389	9,442
<b>Total net foreign exchange accounts .....</b>	<b>10,797</b>	<b>12,925</b>	<b>14,350</b>	<b>19,054</b>	<b>26,813</b>	<b>28,968</b>	<b>34,668</b>	<b>41,494</b>	<b>50,270</b>	<b>52,046</b>
<b>LOANS, INVESTMENTS AND ADVANCES—</b>										
<b>Enterprise Crown corporations and other government business enterprises .....</b>										
	19,543	19,283	18,218	14,663	13,842	12,601	11,052	10,562	10,085	9,192
Portfolio Investments .....	4,374	4,374	4,374	1,300	1,300	1,241	1,241	1,240	1,240	1,240
National governments including developing countries .....	3,382	3,434	3,282	3,221	3,074	2,859	3,336	3,138	3,136	2,902
International organizations .....	5,436	5,691	5,480	5,565	5,617	4,010	4,219	4,177	4,405	4,440
Provincial and territorial governments <sup>(2)</sup> .....	1,086	1,111	876	709	554	809	869	1,422	2,385	1,999
Other <sup>(1)</sup> .....	3,482	3,609	3,843	4,416	4,808	4,926	5,680	5,339	6,578	8,044
	37,303	37,502	36,073	29,874	29,195	26,446	26,397	25,878	27,829	27,817
Less allowance for valuation <sup>(1) (2)</sup> .....	16,431	17,137	16,062	12,483	11,925	10,781	11,062	9,926	9,179	9,071
<b>Total loans, investments and advances .....</b>	<b>20,872</b>	<b>20,365</b>	<b>20,011</b>	<b>17,391</b>	<b>17,270</b>	<b>15,665</b>	<b>15,335</b>	<b>15,952</b>	<b>18,650</b>	<b>18,746</b>
<b>TOTAL ASSETS .....</b>	<b>37,686</b>	<b>38,227</b>	<b>39,126</b>	<b>50,412</b>	<b>57,471</b>	<b>59,156</b>	<b>64,044</b>	<b>75,136</b>	<b>87,480</b>	<b>87,621</b>
<b>ACCUMULATED DEFICIT .....</b>	<b>466,198</b>	<b>508,210</b>	<b>545,672</b>	<b>574,289</b>	<b>583,186</b>	<b>579,369</b>	<b>576,257</b>	<b>563,544</b>	<b>545,396</b>	<b>536,489</b>

<sup>(1)</sup> These figures reflect the reclassification of amounts related to unconditionally repayable contributions.<sup>(2)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv, Section 1 of this volume.

TABLE 2.6

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

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Loans, investments and advances —</b>										
Enterprise Crown corporations and other government business enterprises—										
Business Development Bank of Canada .....				-50	-50		-50	-108	-65	
Canada Deposit Insurance Corporation .....	-1,300	-66	991	533	772	460	395			
Canada Mortgage and Housing Corporation .....	238	105	240	571	325	230	410	223	224	226
Canadian National Railway System .....	16	17	19	2,360						
Export Development Canada .....		-25	-38	-132						
Farm Credit Canada .....	71	-68	-35	214	-197	580	836	236	226	578
Other .....	-412	297	-112	59	-29	-29	-43	139	92	89
	-1,387	260	1,065	3,555	821	1,241	1,548	490	477	893
Other loans, investments and advances —										
Portfolio investments .....	88			3,074		59				
National governments including developing countries ..	152	-52	152	61	147	215	-476	198	2	234
International organizations .....	-256	-255	211	-86	-52	1,607	-209	41	-228	-35
Provincial and territorial governments <sup>(1)</sup> .....	-268	-25	235	167	155	-255	-60	-553	-963	386
Other <sup>(2)</sup> .....	910	-127	-234	-572	-392	-118	-754	343	-1,239	-1,466
	626	-459	364	2,644	-142	1,508	-1,499	29	-2,428	-881
Total loans, investments and advances .....	-761	-199	1,429	6,199	679	2,749	49	519	-1,951	12
Allowance for valuation <sup>(1) (2)</sup> .....	1,235	706	-1,075	-3,579	-558	-1,144	281	-1,136	-747	-108
Total loans, investments and advances after allowance for valuation .....	474	507	354	2,620	121	1,605	330	-617	-2,698	-96
<b>Pension and other accounts —</b>										
Public sector pensions (net) .....	6,030	6,186	6,936	6,849	6,323	3,252	4,950	5,938	839	-2,264
Due to Canada Pension Plan (net) .....	-342	-111	678	230	82	487	1,222	791	174	379
Other .....	309	167	1,045	567	460	90	852	239	290	216
Total pension and other accounts .....	5,997	6,242	8,659	7,646	6,865	3,829	7,024	6,968	1,303	-1,669
<b>Other transactions —</b>										
Cash in transit .....	-29	-382	72	-948	127	-468	-902	46	-1,570	-324
Outstanding cheques and warrants .....	533	787	-264	-51	-447	-35	827	-144	699	1,240
Accounts receivable <sup>(2)</sup> .....	298	82	-435	-1,541	1,710	381	-516	169	213	-396
Provincial and territorial tax collection agreements account .....	-747	-151	870	1,058	352	-551	1,267	-1,402	-824	-1,139
Other liabilities .....	-2	5,077	2,364	2,650	1,434	4,151	349	-3,167	3,720	-1,826
Total other transactions .....	53	5,413	2,607	1,168	3,176	3,478	1,025	-4,498	2,238	-2,445
<b>Net non-budgetary transactions after allowance for valuation .....</b>	<b>6,524</b>	<b>12,162</b>	<b>11,620</b>	<b>11,434</b>	<b>10,162</b>	<b>8,912</b>	<b>8,379</b>	<b>1,853</b>	<b>843</b>	<b>-4,210</b>

Source/requirement (—)

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv, Section 1 of this volume.<sup>(2)</sup> These figures reflect the reclassification of amounts related to unconditionally repayable contributions.

TABLE 2.7

GOVERNMENT OF CANADA  
 DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS  
 (in millions of dollars)

	Year ended March 31									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Foreign exchange transactions—</b>										
International reserves held in the Exchange Fund										
Account .....	6,269	-2,277	-1,200	-4,552	-7,818	-1,472	-3,657	-6,775	-9,215	-822
International Monetary Fund—Subscriptions .....	-2,802	-844	-990	853	285	101	-4,854	658	-424	-7
	3,467	-3,121	-2,190	-3,699	-7,533	-1,371	-8,511	-6,117	-9,639	-829
<i>Less</i> International Monetary Fund—Notes payable .....	-2,181	-841	-586	851	174	766	-2,693	634	-835	947
Special drawing rights allocations .....	-100	-152	-179	154	52	18	-118	75	-28	
	-2,281	-993	-765	1,005	226	784	-2,811	709	-863	947
Total foreign exchange transactions .....	5,748	-2,128	-1,425	-4,704	-7,759	-2,155	-5,700	-6,826	-8,776	-1,776
<b>Unmatured debt transactions—</b>										
Marketable bonds .....	19,781	27,142	25,142	28,660	32,744	15,788	9,575	-866	1,046	-1,107
Treasury bills .....	9,750	3,950	-1,550	1,650	-30,700	-23,100	-15,350	2,900	-11,150	5,523
Canada savings and										
Canada premium bonds .....	-1,224	-2,947	43		2,010	-2,701	-2,107	-1,173	-390	-2,340
Non-marketable bonds .....	4	-8	-9	-10	-10	-12	607	-511	-79	-82
Canada notes and loans .....	-7			310	1,811	-456	-404	-208	527	-378
Canada bills .....	2,552	3,097	3,397	-2,061	1,450	920	815	-4,163	43	-5,748
Total unmaturred debt transactions .....	30,856	31,234	27,023	28,549	7,305	-9,561	-6,864	-4,021	-10,003	-4,132
<b>Cash in bank at end of year—</b>										
In Canadian currency .....	2,774	2,032	1,817	8,479	9,254	10,293	9,275	12,982	13,208	11,979
In foreign currencies .....	107	105	76	76	112	86	31	43	29	47
Total cash in bank .....	2,881	2,137	1,893	8,555	9,366	10,379	9,306	13,025	13,237	12,026
Source/requirement (—)										

# SECTION 3

2001-2002

*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)

	2001-2002		2000-2001	
	Gross	Net	Gross	Net
<b>Revenues—</b>				
Tax revenues .....	175,243	165,456	179,800 <sup>(1)</sup>	170,676 <sup>(1)</sup>
Non-tax revenues .....	12,224	7,859	13,550	8,914
<b>Total revenues, Table 3.2 .....</b>	<b>187,467</b>	<b>173,315</b>	<b>193,350</b>	<b>179,590</b>
<b>Expenditures—</b>				
Transfer payments .....	95,371	85,583	92,051	82,927
Crown corporation expenditures .....	5,511	4,082	4,665	2,903
Other program expenditures .....	39,943	37,008	36,392	33,518
<b>Total program expenditures .....</b>	<b>140,825</b>	<b>126,673</b>	<b>133,108</b>	<b>119,348</b>
Public debt charges .....	37,735	37,735	42,094	42,094
<b>Total expenditures, Table 3.6 .....</b>	<b>178,560</b>	<b>164,408</b>	<b>175,202</b>	<b>161,442</b>
<b>Surplus for the year .....</b>	<b>8,907</b>	<b>8,907</b>	<b>18,148</b>	<b>18,148</b>
<b>Accumulated deficit, beginning of year .....</b>	<b>(545,396)</b>	<b>(545,396)</b>	<b>(563,544)<sup>(1)</sup></b>	<b>(563,544)<sup>(1)</sup></b>
<b>Accumulated deficit, end of year, Table 3.12 .....</b>	<b>(536,489)</b>	<b>(536,489)</b>	<b>(545,396)</b>	<b>(545,396)</b>

<sup>(1)</sup> Certain comparative figures have been restated. Details can be found in note 3 iv in Section 1 of this volume.

## REVENUES

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

### Accounting for Revenues

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

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

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

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

(in millions of dollars)

	2001-2002					2000-2001	
	Gross revenues <sup>(1)</sup>	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations <sup>(2)</sup>	Net revenues <sup>(1)</sup>	Gross revenues <sup>(1)</sup>	Net revenues <sup>(1)</sup>
<b>Tax revenues—</b>							
Income tax—							
Personal .....	90,613		6,823		83,790	89,528 <sup>(3)</sup>	83,305 <sup>(3)</sup>
Corporation .....	24,013				24,013	28,212	28,212
Other income tax revenues .....	3,035				3,035	4,312	4,312
	<b>117,661</b>		<b>6,823</b>		<b>110,838</b>	<b>122,052</b>	<b>115,829</b>
Employment insurance premiums .....	<b>17,980</b>				<b>17,980</b>	<b>18,731</b>	<b>18,731</b>
Other taxes and duties—							
Goods and services tax, Table 3.4 .....	27,873		2,964		24,909	27,891	24,990
Energy taxes —							
Excise tax—Gasoline .....	4,311				4,311	4,307	4,307
Excise tax—Aviation gasoline and diesel fuel .....	447				447	498	498
	4,758				4,758	4,805	4,805
Customs import duties .....	3,018				3,018	2,807	2,807
Other excise taxes and duties—							
Excise duties .....	3,965				3,965	3,477	3,477
Miscellaneous excise taxes and duties .....	(12)				(12)	37	37
	3,953				3,953	3,514	3,514
	<b>39,602</b>		<b>2,964</b>		<b>36,638</b>	<b>39,017</b>	<b>36,116</b>
Total tax revenues .....	175,243		9,787		165,456	179,800	170,676
<b>Non-tax revenues—</b>							
Return on investments, Table 3.5 .....	5,914			22	5,892	6,205	6,144
Other non-tax revenues—							
Refunds of previous years' expenditures <sup>(4)</sup> .....						592	592
Sales of goods and services—							
Rights and privileges .....	769	78			691	735 <sup>(5)</sup>	572
Lease and use of public property .....	428	414			14	410	27
Services of a regulatory nature .....	724	336			388	304	38
Services of a non-regulatory nature .....	1,634	1,530			104	1,082 <sup>(5)</sup>	59
Sales of goods and information products .....	139	186			(47)	222	54
Other fees and charges .....	201	1			200	616	531
Proceeds from the disposal of surplus Crown assets .....	59				59	111	111
Miscellaneous non-tax revenues .....	2,356	391		1,407	558	3,273	786
	<b>6,310</b>	<b>2,936</b>		<b>1,407</b>	<b>1,967</b>	<b>7,345</b>	<b>2,770</b>
Total non-tax revenues .....	12,224	2,936		1,429	7,859	13,550	8,914
Total revenues <sup>(6)</sup> .....	187,467	2,936	9,787	1,429	173,315	193,350	179,590

(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) Certain comparative figures have been restated. Details can be found in note 3 iv in Section 1 of this volume.

(4) “Refunds of prior years’ expenditures” are no longer reported as revenues and are now credited to expenditures.

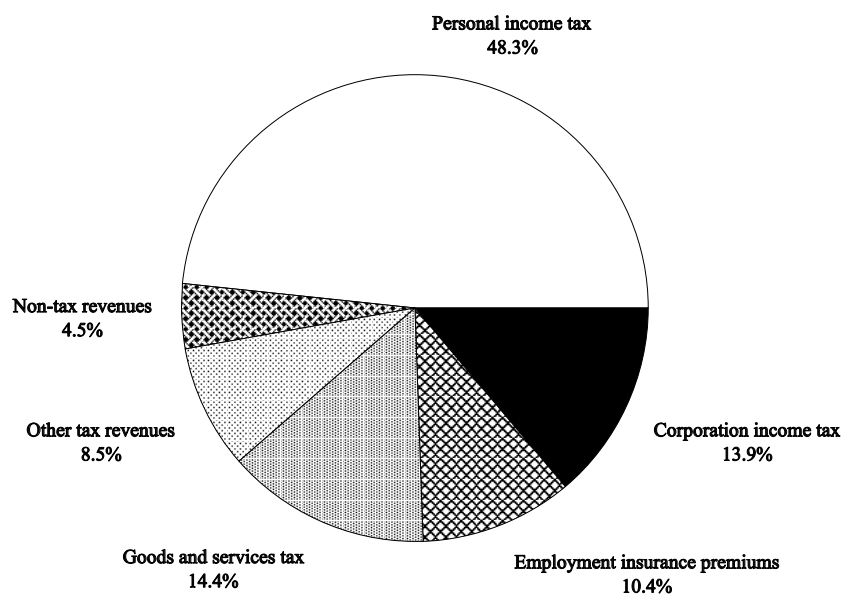
(5) Comparative figures have been reclassified to conform to the current year’s presentation.

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

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

### CHART 3A

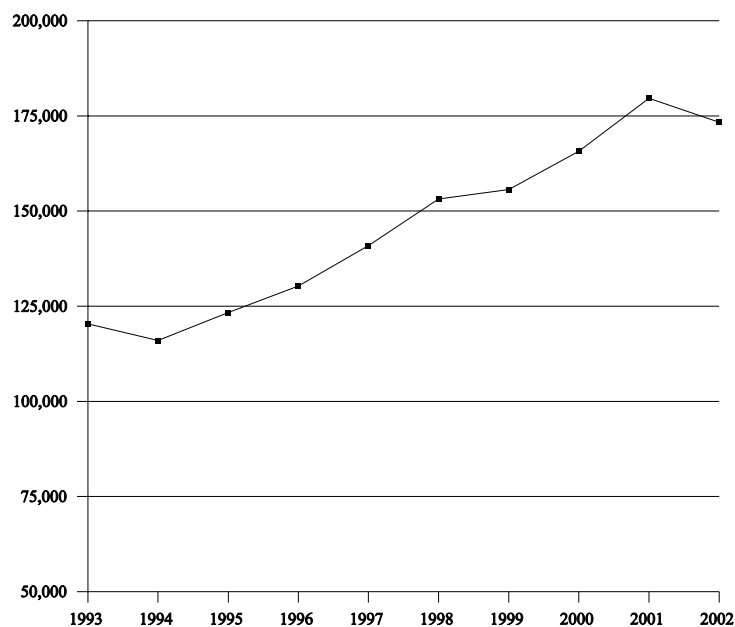
#### TOTAL NET REVENUES FOR THE YEAR ENDED MARCH 31, 2002



### CHART 3B

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

(in millions of dollars)



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

\$191,588 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 \$173,869 million from all sources. The inter-departmental revenues of \$554 million are deducted from the net total revenues to report the net external revenues of \$173,315 million which are detailed in Table 4a in Section I of Volume II (Part I).

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

(in millions of dollars)

	Gross revenues	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Less tax credits and repayments	Net revenues
			External revenues	Internal revenues		
External transactions .....	187,467	1,429	2,936		9,787	173,315
Internal transactions—						
Return on investments .....	18					18
Refunds of previous years' expenditures .....	35					35
Sales of goods and services—						
Rights and privileges .....	104			(7)		111
Lease and use of public property .....	271			269		2
Services of a regulatory nature .....	260			35		225
Services of a non-regulatory nature .....	289			266		23
Sales of goods and information products .....	89			22		67
Other fees and charges .....	(29)					(29)
Proceeds from the disposal of surplus						
Crown assets .....	12					12
Miscellaneous non-tax revenues .....	3,074			2,984		90
Total internal transactions .....	4,121			3,569		554
Total revenues .....	191,588	1,429	2,936	3,569	9,787	173,869

## Tax Revenues

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

### Personal income tax

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

### Corporation income tax

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

### Other income tax revenues

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

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

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

### Employment insurance premiums

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

### Other taxes and duties

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

*Goods and services tax*

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

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

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

(in thousands of dollars)

	2001-2002	2000-2001
GST and HST received (Canada Customs and Revenue Agency) . . . . .	62,240,984	60,814,436
Add: GST received by ministries on goods and services sold to outside parties . . . . .		38,804
Total GST and HST received . . . . .	62,240,984	60,853,240
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (Canada Customs and Revenue Agency) . . . . .	1,277,837	1,022,110
refunds paid (Canada Customs and Revenue Agency) . . . . .	28,474,322	27,958,411
rebates paid (Canada Customs and Revenue Agency) . . . . .	2,482,099	2,206,524
harmonized sales tax—Transfer to provinces . . . . .	2,133,468	1,775,151
Gross GST received from outside parties . . . . .	27,873,258	27,891,044
Less: quarterly tax credits paid (Canada Customs and Revenue Agency) . . . . .	2,963,731	2,901,708
Net GST received from outside parties . . . . .	24,909,527	24,989,336

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

*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.

## Non-Tax Revenues

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

## Return on investments

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

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

(in millions of dollars)

	2001-2002	2000-2001
Consolidated accounts—		
Atomic Energy of Canada Limited .....	1	1
Cash and accounts receivable—		
Interest on bank deposits .....	288	586
Foreign exchange accounts—		
Exchange Fund Account .....	2,358	2,879
International Monetary Fund—Subscriptions .....	101	162
	2,459	3,041
Loans, investments and advances—		
Enterprise Crown corporations—		
Business Development Bank of Canada .....	14	9
Canada Mortgage and Housing Corporation .....	520	544
Export Development Canada .....	95	
Farm Credit Canada .....	62	61
Other—		
Bank of Canada .....	1,929	2,027
Miscellaneous .....	49	63
	<b>2,669</b>	<b>2,704</b>
Portfolio investments .....	20	20
National governments including developing countries .....	124	167
International organizations .....	38	40
Provincial and territorial governments .....	4	5
Other loans, investments and advances .....	120	9
	2,975	2,945
Other accounts—		
Eso Ltd—Norman Wells Project profits .....	92	104
Other .....	7	8
	99	112
Total ministerial net return on investments .....	5,822	6,685
Exchange Fund Account adjustment .....		(554)
Net gain on exchange .....	10	192
Accrual of non-tax revenues .....	78	(75)
Total net return on investments .....	5,910	6,248
Return on investments internal to the Government .....	(18)	(104)
Total net return on investments from outside parties .....	5,892	6,144
External revenues netted against expenditures .....		14
Consolidated Crown corporations .....	22	47
Total gross return on investments from outside parties .....	5,914	6,205

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

## Other non-tax revenues

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

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

## EXPENDITURES

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

## Accounting for Expenditures

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

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

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

**TABLE 3.6**  
EXTERNAL EXPENDITURES BY TYPE

(in millions of dollars)

	2001-2002					2000-2001	
	Gross expenditures <sup>(1)</sup>	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations <sup>(2)</sup>	Net expenditures <sup>(1)</sup>	Gross expenditures <sup>(1)</sup>	Net expenditures <sup>(1)</sup>
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance .....	24,632		(733)		25,365	23,667	24,256
Employment insurance benefits .....	13,748				13,748	11,444	11,444
Other levels of government—							
Canada health and social transfer .....	17,300				17,300	13,500	13,500
Fiscal arrangements .....	11,603				11,603	12,467	12,467
Canada Assistance Plan .....							
Alternative payments for standing programs .....	(2,662)				(2,662)	(2,460)	(2,460)
Other .....	375				375	217	217
Total other levels of government .....	26,616				26,616	23,724	23,724
Canada child tax benefits .....	7,557		7,557			6,811	
	72,553		6,824		65,729	65,646	59,424
Other transfer payments—							
Agriculture and Agri-Food .....	1,897				1,897	1,822	1,822
Canada Customs and Revenue Agency .....	3,197		2,964		233	4,583	1,681
Finance .....	1,769				1,769	2,140	2,140
Foreign Affairs and International Trade .....	2,405				2,405	2,358	2,358
Health .....	1,617				1,617	1,302	1,302
Human Resources Development .....	1,698				1,698	1,995	1,995
Indian Affairs and Northern Development .....	4,557				4,557	4,448	4,448
Industry .....	2,628				2,628	2,079	2,079
Veterans Affairs .....	1,557				1,557	1,463	1,463
Other .....	1,493				1,493	4,215	4,215
Total other transfer payments .....	22,818		2,964		19,854	26,405	23,503
Total transfer payments .....	95,371		9,788		85,583	92,051	82,927
Crown corporation expenditures .....	5,511			1,429	4,082	4,665	2,903
Other program expenditures—							
Agriculture and Agri-Food .....	1,151	133			1,018	1,043	908
Canada Customs and Revenue Agency .....	3,265	63			3,202	2,830	2,780
Fisheries and Oceans .....	1,337	38			1,299	1,320	1,275
Foreign Affairs and International Trade .....	1,694	119			1,575	1,462	1,369
Health .....	1,625	52			1,573	1,459	1,427
Human Resources Development .....	2,501	286			2,215	2,118	1,721
Industry .....	2,275	147			2,128	2,093	1,958
National Defence .....	10,982	411			10,571	10,135	9,696
Public Works and Government Services .....	2,378	201			2,177	2,305	2,133
Solicitor General .....	4,406	999			3,407	3,882	3,013
Treasury Board .....	1,510	(8)			1,518	4,199	4,165
Other .....	6,819	495	(1)		6,325	3,546	3,073
Total other program expenditures .....	39,943	2,936	(1)		37,008	36,392	33,518
Total program expenditures .....	140,825	2,936	9,787	1,429	126,673	133,108	119,348
Public debt charges, Table 3.9 .....	37,735				37,735	42,094	42,094
Total expenditures <sup>(3)</sup> .....	178,560	2,936	9,787	1,429	164,408	175,202	161,442

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

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

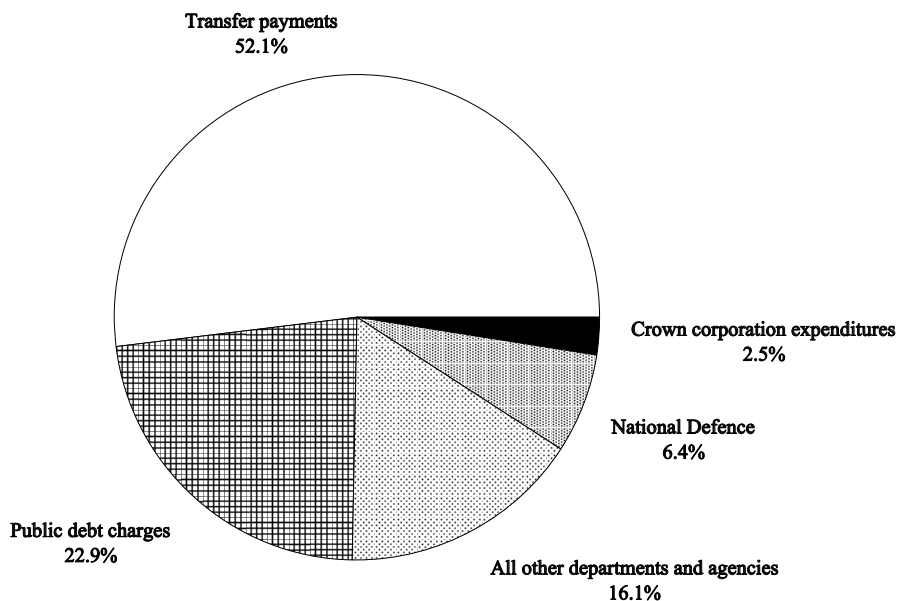
(3) Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

## 3.8 REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

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

### CHART 3C

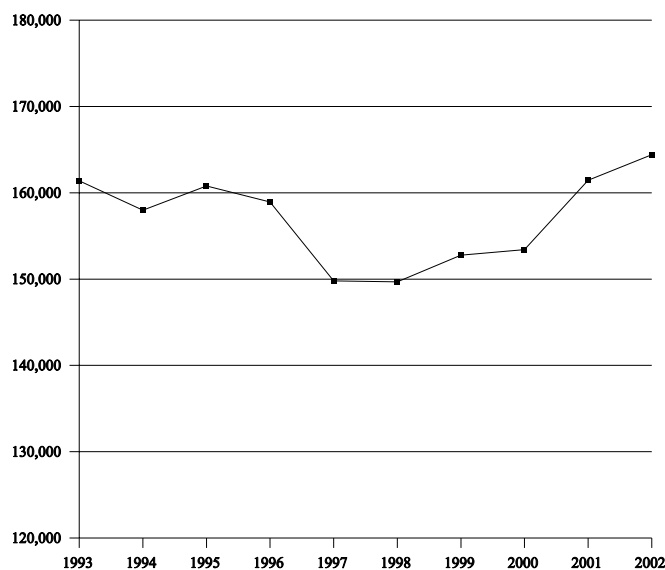
TOTAL NET EXPENDITURES BY TYPE FOR THE YEAR ENDED MARCH 31, 2002



### CHART 3D

TOTAL NET EXPENDITURES FOR THE YEAR ENDED MARCH 31

(in millions of dollars)





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

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

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

(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Net expenditures
				External revenues	Internal revenues	
External transactions .....	178,560	9,787	1,429	2,936		164,408
Internal transactions —						
Canada Customs and Revenue Agency .....	84				78	6
Canadian Heritage .....	51				21	30
Environment .....	46				34	12
Foreign Affairs and International Trade .....	(20)					(20)
Industry .....	76				68	8
National Defence .....	111				12	99
Public Works and Government Services .....	1,939				1,850	89
Solicitor General .....	79				5	74
Transport .....	58				36	22
Treasury Board .....	161				146	15
Other .....	256				37	219
Total internal transactions .....	2,841				2,287	554
Total expenditures .....	181,401	9,787	1,429	2,936	2,287	164,962

## Government Spending

Government spending consists of four major types:

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

### Transfer payments

Transfer payments include:

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

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

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

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

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

(in millions of dollars)

	Old age security benefits <sup>(1)</sup>	Employment insurance benefits	Fiscal arran- gements	Alternative payments for standing programs	Canada health and social transfer	Other	Canada child tax benefits	Total
Newfoundland and Labrador . . . . .	517	832	1,155		315			2,819
	<i>496</i>	<i>743</i>	<i>1,163</i>		<i>307</i>	<i>17</i>		<i>2,726</i>
Prince Edward Island . . . . .	133	195	292		82			702
	<i>129</i>	<i>165</i>	<i>262</i>		<i>77</i>	<i>5</i>		<i>638</i>
Nova Scotia . . . . .	874	630	1,473		563			3,540
	<i>695</i>	<i>584</i>	<i>1,315</i>		<i>527</i>	<i>31</i>		<i>3,152</i>
New Brunswick . . . . .	719	734	1,323		451			3,227
	<i>847</i>	<i>640</i>	<i>1,152</i>		<i>420</i>	<i>25</i>		<i>3,084</i>
Quebec . . . . .	6,762	4,100	4,235	(2,662)	4,425			16,860
	<i>6,476</i>	<i>3,470</i>	<i>5,084</i>	<i>(2,460)</i>	<i>4,288</i>	<i>239</i>		<i>17,097</i>
Ontario . . . . .	8,946	3,926	7		6,121			19,000
	<i>8,519</i>	<i>2,838</i>	<i>7</i>		<i>5,005</i>	<i>380</i>		<i>16,749</i>
Manitoba . . . . .	1,032	389	1,340		685			3,446
	<i>1,005</i>	<i>335</i>	<i>1,265</i>		<i>638</i>	<i>37</i>		<i>3,280</i>
Saskatchewan . . . . .	990	303	495		609			2,397
	<i>967</i>	<i>298</i>	<i>178</i>		<i>553</i>	<i>33</i>		<i>2,029</i>
Alberta . . . . .	1,978	867	5		1,604			4,454
	<i>1,881</i>	<i>736</i>	<i>4</i>		<i>1,642</i>	<i>98</i>		<i>4,361</i>
British Columbia . . . . .	3,209	1,707	229		2,410			7,555
	<i>3,058</i>	<i>1,380</i>	<i>3</i>		<i>2,491</i>	<i>132</i>		<i>7,064</i>
Total provinces . . . . .	25,160	13,683	10,554	(2,662)	17,265			64,000
	<i>24,073</i>	<i>11,189</i>	<i>10,433</i>	<i>(2,460)</i>	<i>15,948</i>	<i>997</i>		<i>60,180</i>
Northwest Territories . . . . .	20	24	321		(7)			358
	<i>20</i>	<i>25</i>	<i>327</i>		<i>7</i>	<i>1</i>		<i>380</i>
Nunavut . . . . .		13	641		17			671
		<i>8</i>	<i>593</i>		<i>25</i>	<i>1</i>		<i>627</i>
Yukon Territory . . . . .	12	26	355		25			418
	<i>11</i>	<i>23</i>	<i>572</i>		<i>20</i>	<i>1</i>		<i>627</i>
International . . . . .	173	2						175
	<i>155</i>	<i>2</i>						<i>157</i>
Sub-total . . . . .	25,365	13,748	11,871	(2,662)	17,300			65,622
	<i>24,259</i>	<i>11,247</i>	<i>11,925</i>	<i>(2,460)</i>	<i>16,000</i>	<i>1,000</i>		<i>61,971</i>
Provision for valuation and other items . . . . .			(268)			375		107
		<i>197</i>	<i>542</i>		<i>(2,500)</i>			<i>(1,761)</i>
Total (Net) . . . . .	25,365	13,748	11,603	(2,662)	17,300	375		65,729
	<i>24,259</i>	<i>11,444</i>	<i>12,467</i>	<i>(2,460)</i>	<i>13,500</i>	<i>1,000</i>		<i>60,210</i>
Add tax credits and repayments . . . . .	(733)						7,557	6,824
	<i>(592)</i>						<i>6,811</i>	<i>6,219</i>
Total (Gross) . . . . .	24,632	13,748	11,603	(2,662)	17,300	375	7,557	72,553
	<i>23,667</i>	<i>11,444</i>	<i>12,467</i>	<i>(2,460)</i>	<i>13,500</i>	<i>1,000</i>	<i>6,811</i>	<i>66,429</i>

Amounts in roman type are 2001-2002 transfer payments.

Amounts in *italic* type are 2000-2001 transfer payments.

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

### Crown corporation expenditures

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

### Other program expenditures

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

### Public debt charges

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

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

**TABLE 3.9**  
**PUBLIC DEBT CHARGES <sup>(1)</sup>**  
(in millions of dollars)

	2001-2002	2000-2001
Unmatured debt—		
Interest on:		
Marketable bonds . . . . .	20,940	22,956
Canada savings and Canada premium bonds . . . . .	1,290	1,740
Bonds for Canada Pension Plan . . . . .	346	361
Promissory Note - TD Trust Company . . . . .		1
Promissory notes - Montreal Trust Company . . . . .	2	3
Canada notes . . . . .	26	34
Euro medium term notes . . . . .	137	239
	22,741	25,334
Amortization of premiums, discounts and commissions on:		
Treasury bills . . . . .	3,474	4,576
Marketable bonds . . . . .	845	675
Canada bills . . . . .	192	345
Canada savings and Canada premium bonds . . . . .	14	26
	4,525	5,622
Servicing costs and costs of issuing new borrowings . . . . .	134	121
Total public debt charges related to unmatured debt . . . . .	27,400	31,077
Pension and other accounts—		
Interest on:		
Public sector pensions—Superannuation accounts . . . . .	12,229	13,029
Canada Pension Plan . . . . .	215	337
Government Annuities Account . . . . .	33	30
Deposit and trust accounts . . . . .	71	63
Other specified purpose accounts . . . . .	231	251
	12,779	13,710
Other accounts . . . . .	46	81
Total public debt charges related to pension and other accounts . . . . .	12,825	13,790
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account . . . . .	1,087	1,565
Agricultural Commodities Stabilization Accounts . . . . .	(2)	(2)
Other . . . . .	15	17
Total public debt charges related to consolidated specified purpose accounts . . . . .	1,102	1,581
Total public debt charges <sup>(3)</sup> . . . . .	41,328	46,448
Provision for valuation and other items . . . . .	(2,490)	(2,773)
	38,838	43,675
Less: total public debt charges related to consolidated specified purpose accounts . . . . .	1,102	1,581
Total net/gross public debt charges with outside parties <sup>(1)</sup> . . . . .	37,735	42,094

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

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

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

## 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 .....	19,395			19,395
Transportation and communications .....	2,411	38	156	2,217
Information .....	394	6	27	361
Professional and special services .....	6,489	276	1,141	5,072
Rentals .....	1,388	81	333	974
Purchased repair and maintenance .....	2,218	54	221	1,943
Utilities, materials and supplies .....	2,200	11	47	2,142
Acquisition of land, buildings and works .....	884	59	242	583
Acquisition of machinery and equipment .....	4,023	16	65	3,942
Transfer payments .....	95,371			95,371
Public debt charges .....	37,735			37,735
Other subsidies and payments .....	8,893	13	55	8,825
<b>Total gross expenditures .....</b>	<b>181,401</b>	<b>554</b>	<b>2,287</b>	<b>178,560</b>
<b>Add:</b>				
Employment Insurance Account .....	1,408	126	1,282	
<b>Less:</b>				
Revenues netted against expenditures—				
External revenues .....	2,936			2,936
Internal revenues .....	3,569		3,569	
Revenues of consolidated Crown corporations .....	1,429			1,429
Tax credits and repayments .....	9,787			9,787
Cost credited to non-tax revenues .....	126	126		
	(16,439)		(2,287)	(14,152)
<b>Total net expenditures .....</b>	<b>164,962</b>	<b>554</b>		<b>164,408</b>

## Expenditures under Statutory Authorities

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

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

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

(in millions of dollars)

	2001-2002	2000-2001
Public debt charges .....	41,328	46,448
Old age security payments ( <i>Old Age Security Act</i> ) .....	19,756	18,840
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	17,300	13,500
Fiscal equalization (Part I— <i>Federal-Provincial Fiscal Arrangements Act</i> ) .....	11,108	10,951
Guaranteed income supplement payments ( <i>Old Age Security Act</i> ) .....	5,217	5,031
Payments for the pay equity settlement pursuant to section 30 of the <i>Crown Liability and Proceedings Act</i> .....	55	3,021
Payment to the Canada Health and Social transfer Supplement Trust for Health Care ( <i>Budget implementation Act, 1999</i> ) .....		2,500
Grant to the Canada Foundation for Innovation ( <i>Budget Implementation Act, 1997</i> ) .....	1,250	
Payment to a trust to provide funding to provinces for purchase and installation of medical diagnostic and treatment equipment under the <i>Canada Health Care, Early Childhood Development and Other Social Services Funding Act</i> .....		1,000
Allowance payments ( <i>Old Age Security Act</i> ) .....	392	388
Grants to the trustees of Registered Education Savings Plans pursuant to Part III.I of the <i>Department of Human Resources Development Act</i> .....	334	434
Superannuation, supplementary retirement benefits, death benefits and other pensions— <sup>(1)</sup>		
Public Service—		
Government's matching contributions to the Public Service Superannuation Account .....	1,550	1,496
Government's contribution as employer to the Employment Insurance Account .....	260	298
Government's matching contributions to the Canada and the Quebec Pension Plans .....	401	347
Government's matching contributions to the Death Benefit Account .....	39	12
	2,250	2,153
Less: recoveries from revolving funds .....	63	66
	2,187	2,087
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account .....	529	521
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	10	11
Government's contribution as employer to the Employment Insurance Account .....	72	82
Government's matching contribution to the Canada and the Quebec Pension Plans .....	96	82
Government's matching contribution to the Death Benefit Account .....	(1)	2
	706	698
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account .....	185	174
Statutory payments under the <i>Supplementary Retirement Benefits Act</i> .....	17	9
Government's contribution as employer to the Employment Insurance Account .....		21
Government's matching contribution to the Canada and the Quebec Pension Plans .....		25
	202	229
All other statutory expenditures .....	13	5,253
Total ministerial expenditures under statutory authorities .....	99,848	110,380
Consolidated specified purpose accounts—		
Employment Insurance Account .....	13,752	11,029
Other .....	1,585	1,487
Total expenditures of consolidated specified purpose accounts .....	15,337	12,516
Provision for valuation and other items .....	(403)	(8,403)
Total net statutory expenditures with outside parties .....	114,782	114,493
External revenues netted against expenditures .....	2,935	2,874
Total gross statutory expenditures with outside parties .....	117,717	117,367

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

## ACCUMULATED DEFICIT

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

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

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

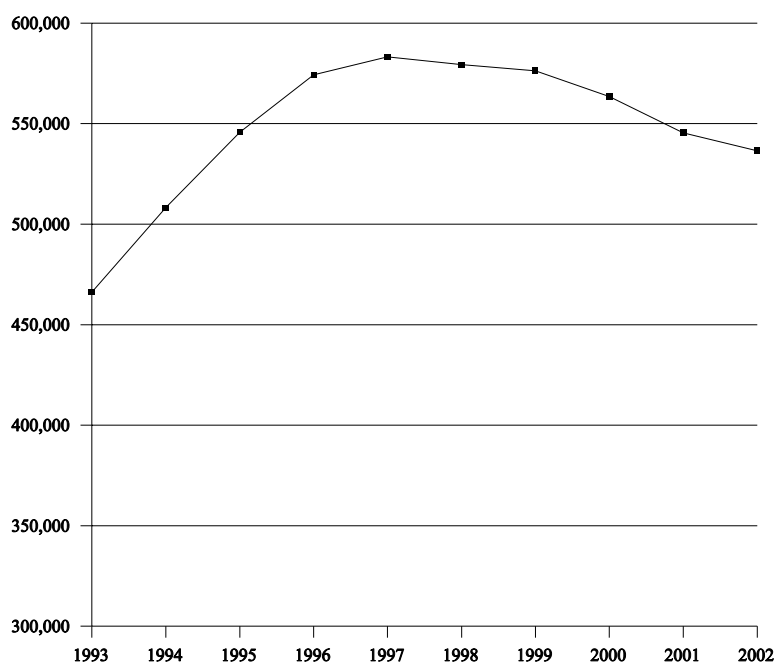
**TABLE 3.12**  
STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS  
(in millions of dollars)

At March 31	Total liabilities	Less total assets	Accumulated deficit <sup>(1)</sup>	
			Amount	Increase (Decrease)
2002 .....	624,110	87,621	536,489	(8,907)
2001 .....	632,876	87,480	545,396	(18,148)
2000 .....	638,680	75,136	563,544	(12,713)
1999 .....	640,301	64,044	576,257	(3,112)
1998 .....	638,525	59,156	579,369	(3,817)
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

<sup>(1)</sup> Accumulated deficits have been restated. See note 3 iv in Section 1 of this volume.

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

(in millions of dollars)



# SECTION 4

2001-2002

*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, 2002. 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, 2002 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, 2002

(in thousands of dollars)

Crown corporations <sup>(1)</sup>	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Third parties	Government and Crown corporations		
Atomic Energy of Canada Limited.....	220,815	10,998	692,190	924,003
Canada Council for the Arts.....	294,275	5,190	23,491	322,956
Canada Lands Company Limited — Old Port of Montreal Corporation Inc.....	5,705		13,880	19,585
Canada Mortgage and Housing Corporation — Minister's Account.....				
Canadian Broadcasting Corporation.....	185,057	161,245	1,171,733	1,518,035
Canadian Dairy Commission — Dairy Support Operation Financed by the Government of Canada.....		1,652		1,652
Canadian Film Development Corporation.....	19,492	37,183	6,627	63,302
Canadian Museum of Civilization.....	38,616	1,860	18,371	58,847
Canadian Museum of Nature.....	9,601	537	36,823	46,961
Canadian Race Relations Foundation.....	2,476	24,000	64	26,540
Canadian Tourism Commission.....	30,029	14,436	2,178	46,643
Cape Breton Growth Fund Corporation.....	41,295		29	41,324
Defence Construction (1951) Limited.....	2,286	3,681	1,447	7,414
Enterprise Cape Breton Corporation.....	8,219	5,427	682	14,328
Federal Bridge Corporation Limited, The <sup>(2)</sup> .....	21,559	14,052	107,856	143,467
International Development Research Centre.....	49,667	4,153	6,779	60,599
Marine Atlantic Inc.....	6,197		225,190	231,387
National Arts Centre Corporation.....	10,002	340	17,747	28,089
National Capital Commission.....	112,211	3,490	471,393	587,094
National Gallery of Canada.....	13,530	4,698	13,803	32,031
National Museum of Science and Technology.....	4,279	1,459	10,777	16,515
Queens Quay West Land Corporation.....	5,901			5,901
Standards Council of Canada.....	2,392	1,558	2,038	5,988
VIA Rail Canada Inc.....	97,410	24,504	604,793	726,707
Total.....	1,181,014	320,463	3,427,891	4,929,368
Conversion to the Government accounting basis for consolidation purposes.....	839		3,427,891	3,428,730
Total on the Government accounting basis.....	1,180,175	320,463		1,500,638

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

Liabilities			Equity of Canada	Total liabilities and equity
Borrowings	Third parties Other	Government and Crown corporations		
	682,058	57,174	184,771	924,003
	113,090	35	209,831	322,956
	8,484	10,788	313	19,585
	731,330	662,652	124,053	1,518,035
	1,652			1,652
	8,545	15,896	38,861	63,302
	19,169	17,673	22,005	58,847
	38,494	11,195	(2,728)	46,961
	70		26,470	26,540
	11,104	21,133	14,406	46,643
	2,586	213	38,525	41,324
	4,370	440	2,604	7,414
	9,073	401	4,854	14,328
	20,589	72,618	50,260	143,467
	18,279	32,449	9,871	60,599
	2,335	221,507	7,545	231,387
	11,923	15,796	370	28,089
	66,626	1,565	518,903	587,094
	10,155	19,051	2,825	32,031
	4,056	12,505	(46)	16,515
	2,933	31,300	(28,332)	5,901
	3,110	849	2,029	5,988
	28,572	603,942	94,193	726,707
	1,798,603	1,809,182	1,321,583	4,929,368
	1,037,835	1,564,106	826,789	3,428,730
	760,768	245,076	494,794	1,500,638

TABLE 4.2

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2002

(in thousands of dollars)

Crown corporations	Revenues			
	Third parties	Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited .....	520,489	158,319	12,531	691,339
Canada Council for the Arts .....	2,143	151,776	1,472	155,391
Canada Lands Company Limited — Old Port of Montreal Corporation Inc. ....	13,539	9,151	807	23,497
Canada Mortgage and Housing Corporation — Minister's Account. ....		1,909,887		1,909,887
Canadian Broadcasting Corporation .....	514,640	840,404	151,094	1,506,138
Canadian Dairy Commission — Dairy Support Operation Financed by the Government of Canada. ....		32,678		32,678
Canadian Film Development Corporation .....	28,439	168,638	929	198,006
Canadian Museum of Civilization. ....	11,906	53,473	3,212	68,591
Canadian Museum of Nature. ....	2,431	22,695	651	25,777
Canadian Race Relations Foundation .....	1,274			1,274
Canadian Tourism Commission. ....	8,003	85,408	747	94,158
Cape Breton Growth Fund Corporation .....	4,359		25,100	29,459
Defense Construction (1951) Limited. ....	102		20,052	20,154
Enterprise Cape Breton Corporation. ....	1,176	37,608		38,784
Federal Bridge Corporation Limited, The. ....	12,091	26,726		38,817
International Development Research Centre .....	14,166	95,095	39,014	148,275
Marine Atlantic Inc .....	59,613	37,390	21,240	118,243
National Arts Centre Corporation .....	22,045	21,628	5,591	49,264
National Capital Commission .....	34,462	101,887	4,583	140,932
National Gallery of Canada .....	7,901	36,837		44,738
National Museum of Science and Technology .....	4,215	23,651	(1,199)	26,667
Queens Quay West Land Corporation. ....	18,407	4,000		22,407
Standards Council of Canada .....	4,781	6,737	952	12,470
VIA Rail Canada Inc. ....	259,962	164,330	49,689	473,981
Total .....	1,546,144	3,988,318	336,465	5,870,927
Conversion to the Government accounting basis for consolidation purposes. ....	53,033	423,674	(240,052)	236,655
Total on the Government accounting basis .....	1,599,177	4,411,992	96,413	6,107,582

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

Expenses			Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
Third parties	Government and Crown corporations	Total				Dividends	Capital	
581,258	58,415	639,673	51,666	82,989	3,116		47,000	184,771
162,330		162,330	(6,939)	216,638			132	209,831
23,154		23,154	343	(10)	(20)			313
1,808,325	101,562	1,909,887						
1,468,004	26,741	1,494,745	11,393	108,660			4,000	124,053
32,678		32,678						
193,447	2,364	195,811	2,195	36,666				38,861
60,526	6,372	66,898	1,693	20,312				22,005
24,639	3,596	28,235	(2,458)	(270)				(2,728)
1,530		1,530	(256)	26,726				26,470
80,092	5,800	85,892	8,266	9,527	(3,387)			14,406
8,094	833	8,927	20,532	17,993				38,525
20,140		20,140	14	2,590				2,604
12,750	25,098	37,848	936	3,918				4,854
41,721		41,721	(2,904)	53,164				50,260
138,560		138,560	9,715	156				9,871
112,412		112,412	5,831	1,714				7,545
45,757	3,265	49,022	242	128				370
96,518	8,666	105,184	35,748	484,247	(1,092)			518,903
35,611	8,740	44,351	387	2,438				2,825
26,568	1,668	28,236	(1,569)	1,523				(46)
6,497		6,497	15,910	(44,242)				(28,332)
11,888	178	12,066	404	1,626				2,030
391,527	18,607	410,134	63,847	30,061			285	94,193
5,384,026	271,905	5,655,931	214,996	1,056,554	(1,383)		51,417	1,321,584
130,715	(82,552)	48,163	188,492	(965,248)	1,383		(51,417)	(826,790)
5,514,741	189,353	5,704,094	403,488	91,306				494,794

## 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, 2002
<u>Agent Crown corporations</u>	
Canada Lands Company Limited —	
Old Port of Montreal Corporation Inc. ....	837
Canadian Film Development Corporation—Loan guarantees .....	766
Defence Construction (1951) Limited—Contract disputes .....	6,962
National Capital Commission—Miscellaneous litigations and agreements .....	37,831
	<u>46,396</u>
<u>Non-agent Crown corporations</u>	
International Development Research Centre .....	800
Marine Atlantic Inc.—Site contamination lawsuit, miscellaneous litigations .....	<u>8,799</u>
Total .....	<u>55,995</u>

## 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, 2002

(in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited . . . . .	211,240	211,240	
Canada Lands Company Limited — Old Port of Montreal Corporation Inc . . . . .	11,325	11,325	
Canada Mortgage and Housing Corporation <sup>(2)</sup> . . . . .	1,909,887	1,909,887	
Canadian Broadcasting Corporation . . . . .	982,885	840,404	142,481
Canadian Tourism Commission . . . . .	103,688	103,688	
Canadian Film Development Corporation <sup>(3)</sup> . . . . .	170,843	170,843	
Canadian Museum of Civilization . . . . .	53,735	53,735	
Canadian Museum of Nature . . . . .	26,235	26,235	
Enterprise Cape Breton Corporation . . . . .	37,608	37,608	
Federal Bridge Corporation Limited, The . . . . .	92,860	92,860	
National Capital Commission . . . . .	101,708	65,474	36,234
National Gallery of Canada . . . . .	43,234	37,234	6,000
National Museum of Science and Technology . . . . .	24,650	24,650	
	3,769,897	3,585,182	184,715
<u>Non-agent Crown corporations</u>			
Canada Council for the Arts . . . . .	154,287	154,287	
International Development Research Centre . . . . .	98,889	98,889	
Marine Atlantic Inc. . . . .	36,784	36,784	
National Arts Centre Corporation . . . . .	30,994	30,994	
Standards Council of Canada . . . . .	6,940	6,940	
Queens Quay West Land Corporation . . . . .	4,000	4,000	
VIA Rail Canada Inc. . . . .	310,201	310,201	
	642,095	642,095	
Total . . . . .	4,411,992	4,227,277	184,715

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

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

<sup>(3)</sup> Includes a contribution of \$64,975 from the Canadian Television Fund under the Department of Canadian Heritage.

## 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<sup>(1)</sup>

	Receipts and other credits		Payments and other charges		March 31/2002
	April 1/2001	External transactions	Internal transactions	External transactions	Internal transactions
	\$	\$	\$	\$	\$
Insurance Accounts—					
Agriculture and Agri-Food—					
Western Grain Stabilization					
Account .....	27,176,137	19,913			27,196,050
Less: interest-bearing loans .....	1,112,000,000				1,112,000,000
	(1,084,823,863)	19,913			(1,084,803,950)
Crop Reinsurance Fund .....	330,836,900	13,342,906			344,179,806
Less: interest-bearing loans .....	277,514,751				277,514,751
	53,322,149	13,342,906			66,665,055
Agricultural Commodities Stabilization					
Accounts .....	263,800			3,884	259,916
	(1,031,237,914)	13,362,819		3,884	(1,017,878,979)
Finance—					
Investors' Indemnity					
Account .....	45,303				45,303
Health—					
Health Insurance Supplementary					
Account .....	28,387				28,387
Human Resources Development—					
Employment Insurance Account,					
Table 4.6 .....	35,178,336,914 <sup>(2)</sup>	18,051,897,474	1,449,027,094	13,907,921,908	1,408,703,718
Natural Resources—					
Canadian Nuclear Safety Commission—					
Nuclear Liability Reinsurance					
Account .....	551,921	1,500			553,421
Transport—					
Ship-Source					
Oil Pollution					
Fund .....	304,809,154	33,615	15,192,225	3,543,524	316,491,470
Total insurance accounts .....	34,452,533,765	18,065,295,408	1,464,219,319	13,911,469,316	1,408,703,718
					38,661,875,458

TABLE 4.5

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2001	Receipts and other credits		Payments and other charges		March 31/2002
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
Other Consolidated Specified Purpose Accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund Account . . . . .	490,856	155,500	15,400	252,214		409,542
Parks Canada Agency—						
New Parks and Historic Sites						
Accounts . . . . .	934,276	520,794	16,512,700	3,810,920	1,028,998	13,127,852
	1,425,132	676,294	16,528,100	4,063,134	1,028,998	13,537,394
Environment—						
Environmental Damages Fund . . . . .	347,894	227,775		142,181		433,488
Finance—						
Canadian Commercial Bank and						
Northland Bank Holdback Account . . .	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fines Fish						
Account . . . . .	515,011	314,551		242,934	335	586,293
Indian Affairs and Northern Development—						
Environmental Studies Research Fund . .	27,191			(208,942)		236,133
Natural Resources—						
Environmental Studies Research Fund . .	888,583	(138,088)	1,087,267	(138,088)	800,000	1,175,850
Privy Council—						
Canadian Transportation Accident						
Investigation and Safety						
Board—						
Flight Recorder Software						
Systems Account . . . . .						
Public Works and Government Services—						
Seized Property Proceeds						
Account . . . . .	8,301,822	(33,491)	13,549,801	3,006,195	7,247,864	11,564,073
Transport—						
Fines for the Transportation of						
Dangerous Goods . . . . .	133,873	128,500				262,373
Total Other Consolidated Specified Purpose Accounts . . . . .	257,862,970	1,175,541	31,165,168	7,107,414	9,077,197	274,019,068
Endowment Principal—						
Canadian Heritage—						
Parks Canada Agency—						
Mackenzie King trust account . . . . .	270,275			45,275		225,000
Health—						
Canadian Institutes of Health Research—						
Endowments for Health research . . . .	75,000	65,267				140,267
Industry—						
Social Sciences and Humanities						
Research Council—						
Queen's Fellowship Fund . . . . .	250,000					250,000
Total Endowment Principal . . . . .	595,275	65,267		45,275		615,267
Total . . . . .	34,710,992,010	18,066,536,216	1,495,384,487	13,918,622,005	1,417,780,915	38,936,509,793

(1) Certain Consolidated Specified Purpose Accounts that were previously reported in Table 4.5, have been transferred to Section 6 in either Table 6.29 "Other Specified Purpose Accounts" or Table 6.32 "Deferred Revenue—Specified Purpose Accounts".

(2) The opening balance has been restated by \$116,219,586. See Table 4.6 for additional information.



## Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$18,065 million (18,744 million in 2001) are reported as revenues, while payments and other charges to outside parties of \$13,911 million (\$11,193 million in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,464 million (\$1,879 million in 2001) and payments and other charges of \$1,409 million (\$1,289 million in 2001) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

## 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.

Receipts and other credits from outside parties of \$20 thousand (\$141 thousand in 2001) are reported as revenues in the Statement of Revenues, Expenditures and Accumulated Deficit. This amount represents recoveries of overpayments to producers when the program was active.

## Crop Reinsurance Fund

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

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

Receipts and other credits from outside parties of \$13 million (\$13 million in 2001) are reported as revenues in the Statement of Revenues, Expenditures and Accumulated Deficit.

## Agricultural Commodities Stabilization Accounts

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

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

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

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

Payments and other charges to outside parties of \$4 thousand ("nil" in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

### Investors' Indemnity Account

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

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

### Health Insurance Supplementary Account

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

### Employment Insurance 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 \$2.25 from April 1, 2001 to December 31, 2001 and \$2.20 from January 1, 2002 to March 31, 2002. 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 \$18,052 million (\$18,732 million in 2001) are reported as revenues, while payments and other charges to outside parties of \$13,908 million (\$11,185 million in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1,449 million (\$1,862 million in 2001), and payments and other charges of \$1,409 million (\$1,289 million in 2001), 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. The payments and other charges in Table 4.6, are presented on a modified accrual basis (previously reported 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.

**TABLE 4.6**

### TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	2001-2002	2000-2001
<b>RECEIPTS AND OTHER CREDITS—</b>		
Premiums—		
Employers and employees . . . . .	18,342	18,988
Penalties . . . . .	72	41
Interest earned . . . . .	1,087	1,565
	<b>19,501</b>	<b>20,594</b>
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits . . . . .	12,855	10,201
Transfers to the provinces—		
Part II . . . . .	893	890
Administration costs . . . . .	1,409	1,289
Administration cost transferred to provinces . . . . .	90	94
Bad debts . . . . .	69	
	<b>15,316</b>	<b>12,474</b>
Net change . . . . .	4,185	8,120
Balance at beginning of year . . . . .	35,178	27,175
	<b>39,363</b>	<b>35,295</b>
Change in presentation . . . . .		(117)
Balance at end of year . . . . .	<b>39,363</b>	<b>35,178</b>

### **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.

Receipts and other credits from outside parties of \$2 thousand (\$2 thousand in 2001) are reported as revenues in the Statement of Revenues, Expenditures and Accumulated Deficit.

### **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.

Receipts and other credits from outside parties of \$34 thousand (\$14 thousand in 2001) are reported as revenues, while payments and other charges to outside parties of \$4 million (\$7 million in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit. Receipts and other credits of \$15 million (\$17 million in 2001), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### **Other Consolidated Specified Purpose Accounts**

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$1 million (\$15 million in 2001) are reported as revenues, while payments and other charges to outside parties of \$7 million (\$11 million in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$31 million (\$11 million in 2001), and payments and other charges of \$9 million (\$20 million in 2001) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

### **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.

### **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.

### **Environmental Damages Fund (Formerly Fish Habitat Restoration Account)**

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

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

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

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

### **Supplementary Fines Fish Account**

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

### **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.

### **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.

During the year, the account was closed.

**Seized Property Proceeds Account**

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

**Fines for the Transportation of Dangerous Goods**

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

**Endowment Principal**

For the following Endowment Principal Accounts, receipts and other credits from outside parties of \$65 thousand (\$17 thousand in 2001) are reported as revenues, while payments and other charges to outside parties of \$45 thousand (\$12 thousand in 2001) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

**Mackenzie King trust account**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

**Canadian Institutes of Health Research (CIHR)—Endowments for Health Research**

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

**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.

## 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*

MARYANTONETT FLUMIAN  
*Vice-Chairperson of the Canada  
Employment Insurance Commission*

July 26, 2002

#### 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, 2002 and the statement of operations and accumulated surplus for the year then ended. These financial statements are the responsibility of the management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

I wish to reiterate concerns expressed in previous reports about the size of the accumulated surplus that increased by about \$4 billion during the year to \$40 billion as at March 31, 2002. This amount is well in excess of \$15 billion, the maximum reserve amount considered sufficient by the Chief Actuary of Human Resources Development Canada in his last report which dealt with Employment Insurance premium rates for 2001. As described in Note 5 to the financial statements, the premium rates for 2001 and 2002 were set respectively by the Canada Employment Insurance Commission and the Governor in Council. Neither the Commission nor the Government, in setting these rates, has clarified and disclosed what they consider to be an adequate level of accumulated surplus, the time required to reach that level, and the factors considered. Accordingly, I am unable to conclude that the intent of the *Employment Insurance Act* has been observed in setting the premium rates.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 26, 2002

**Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 2002  
(in thousands of dollars)

ASSETS	2002	2001	LIABILITIES	2002	2001
Balance of the account with Receiver General for Canada (Note 7) . . . . .	39,703,968	35,630,446	Unredeemed warrants . . . . .	103,074	86,812
Premiums receivable . . . . .	801,000	848,000	Amounts payable (Note 4) . . . . .	22,982	202,431
Due from claimants (Note 3) . . . . .	402,835	399,691	Benefits payable . . . . .	603,811	624,275
				729,867	913,518
			Accumulated surplus (Note 5) . . . . .	40,177,936	35,964,619
	40,907,803	36,878,137		40,907,803	36,878,137

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

MARYANTONETT FLUMIAN  
Vice-Chairperson of the Canada  
Employment Insurance Commission

STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS  
FOR THE YEAR ENDED MARCH 31, 2002  
(in thousands of dollars)

	2002	2001
Revenue		
Premiums (Note 6) . . . . .	18,295,188	18,999,354
Interest on the balance of the account with Receiver General for Canada (Note 7) . . . . .	1,087,287	1,564,825
Penalties . . . . .	65,004	75,735
	19,447,479	20,639,914
Expenses		
Benefits and support measures (Note 8 and Schedule) . . . . .	13,685,672	11,443,868
Administration costs (Note 9) . . . . .	1,475,954	1,407,995
Bad debts . . . . .	72,536	25,950
	15,234,162	12,877,813
Surplus for the year . . . . .	4,213,317	7,762,101
Accumulated surplus at the beginning of the year . . . . .	35,964,619	28,202,518
Accumulated surplus at the end of the year (Note 5) . . . . .	40,177,936	35,964,619

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

## Employment Insurance Account—Continued

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002

### 1. Authority, objective and responsibilities

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

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

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

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

#### a) Basis of accounting

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

#### b) Revenue - Premiums

Premiums are based on an estimate of the amount to be collected that relates to the year and include 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 year, less benefit overpayments established by the Commission during the year.

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

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

#### d) Administration costs

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

#### e) Asset and liability valuation

Due to the short-term nature, the carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year.

**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002—Continued

## f) Measurement uncertainty

The preparation of financial statements in conformity with the significant accounting policies set out in Note 2 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from these estimates. The most significant estimates are related to premiums, administration costs, benefit repayments and allowance for doubtful accounts.

## g) Cash flow statement

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

## 3. Due from claimants

	2002	2001
	(in thousands of dollars)	
Benefit overpayments to be received .....	354,670	364,216
Amounts of penalties to be received .....	245,752	245,015
	600,422	609,231
Less: allowance for doubtful accounts .....	303,693	285,432
	296,729	323,799
Estimated benefit repayments to be received from higher income claimants .....	106,106	75,892
	402,835	399,691

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totaling \$273 million were established (\$264 million in 2000-2001).

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totaling \$65 million (\$76 million in 2000-2001).

During 2001-2002, the Commission recovered \$295 million (\$290 million in 2000-2001). Uncollectable benefit overpayments and penalties written off during the year amounted to \$54 million (\$48 million in 2000-2001).

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.

On March 22, 2002, the Governor in Council approved the remission of certain interest payable under the *Financial Administration Act* (FAA) Interest and Administrative Charges Regulations. The remission was for interest on overdue unpaid overpayments and related penalties established under the former *Unemployment Insurance Act* which has not been charged to debtors. For the period starting April 1, 1996, date at which the FAA Interest and Administrative Charges Regulations came into effect, the total amount remitted is estimated to be \$129 million in foregone interest recoveries which was not included in the accounts.

In accordance with Treasury Board regulations requiring federal government departments to charge interest on overdue accounts receivable, the Employment Insurance program is starting to charge interest on outstanding Employment Insurance and Unemployment Insurance debts caused through misrepresentation. This measure became effective July 1, 2002.

## 4. Amounts payable

	2002	2001
	(in thousands of dollars)	
To Canada		
Tax deductions from warrants .....	10,035	10,050
Recoupments from warrants .....	5,176	5,230
Administration costs .....	2,799	114,285
	18,010	129,565
To provinces		
Amounts payable to provinces related to Labour		
Market Development Agreements .....	2,256	70,444
Recoupments from warrants .....	1,900	1,262
Quebec tax deductions from warrants .....	816	1,160
	4,972	72,866
	22,982	202,431



**Employment Insurance Account—Continued**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002—Continued

**5. Accumulated surplus**

As at March 31, 2002, the accumulated surplus of the Account amounted to \$40 billion (\$36 billion as at March 31, 2001), an increase of \$4 billion (\$8 billion in 2000-2001) over the previous year.

The Commission sets the 2001 premium rate in accordance with section 66 of the Act, 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 should, 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. This rate was valid for a period of nine months for the year ended March 31, 2002.

In May 2001, the Act was amended to suspend the premium rate-setting process defined in Section 66 of the Act. The premium rates for the years 2002 and 2003 are set by the Governor in Council on the recommendation of the Minister of Human Resources Development and the Minister of Finance.

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

	2002	2001	2000
	(in dollars)		
For employees.....	2.20	2.25	2.40
For employers (calculated at 1.4 times the employee rate) .....	3.08	3.15	3.36

**6. Premiums**

Premiums are based on an estimate of insurable earnings for each calendar year. Calculation of insurable earnings is based on a formula using many factors such as the previous calendar year's total insurable earnings, the growth in the number of paid workers and in the average monthly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may occur. For example, in the calendar year 2001, a variation of one percentage point in insurable earnings would result in a change of \$191 million in premiums (\$196 million in 2000).

Actual amounts for insurable earnings and premiums for calendar years 2001 and 2002 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 2001-2002 financial statements relating to previous years had the effect of increasing premiums by \$44 million (increase of \$144 million in 2000-2001).

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 2001, the total amount of reductions is estimated at \$507 million (\$520 million in 2000). Actual reductions for the calendar year 2000 were \$512 million (\$507 million in 1999). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Account to the insured persons.

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

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

The interest on the daily balance of the account with Receiver General for Canada is calculated daily and is credited to the Account. The interest rate on the balance of the account is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 1.73 percent to 4.01 percent during the year (4.17 percent to 5.14 percent in 2000-2001). The rate for March 2002 was 2.02 percent (4.17 percent for March 2001).

**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.

**Employment Insurance Account—Continued**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002—*Concluded*

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefits payouts. For benefits paid during the 12 months ended March 31, 2002, these undetected overpayments and underpayments are estimated to be \$477 million and \$188 million respectively (\$424 million and \$186 million for the 12 months ended March 31, 2001). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

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

## 9. Administration costs

	2002	2001
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance		
Income Benefits .....	571,656	547,947
Service Delivery		
Support .....	346,924	347,600
Corporate services .....	303,238	277,667
Human Resources		
Investment .....	173,412	146,369
	1,395,230	1,319,583
Add: Administration costs incurred by provinces and territories .....	91,054	94,679
Less: Recovery of costs for maintaining the social insurance number registry and issuing replacement cards .....	(10,330)	(6,267)
	1,475,954	1,407,995

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

## 10. Related party transactions

The administration costs include \$134 million (\$111 million in 2000-2001) charged by Public Works and Government Services Canada for accommodation and rental costs, and \$107 million (\$109 million in 2000-2001) by the Canada Customs and Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memorandums of understanding.

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

## 11. Reclassification

Some 2000-2001 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, 2002  
(in thousands of dollars)

	2002	2001
Part I—Income benefits		
Regular .....	8,555,470	7,409,960
Fishing .....	289,780	264,399
Worksharing .....	48,355	10,975
	8,893,605	7,685,334
Special benefits		
Parental .....	1,291,634	495,197
Maternity .....	847,729	751,574
Sickness .....	648,240	591,169
Adoption .....	19,614	6,725
	2,807,217	1,844,665
	11,700,822	9,529,999
Part II—Employment benefits and support measures		
Employment benefits		
Skills development .....	424,151	356,713
Self-employment .....	82,380	75,752
Job creation partnerships .....	57,481	54,123
Targeted wage subsidies .....	42,890	38,715
	606,902	525,303
Support measures		
Employment assistance .....	304,563	259,789
Labour market partnerships .....	251,202	249,754
Research and innovation .....	28,098	13,167
	583,863	522,710
Transfer payments to provinces and territories .....	892,906	890,838
	2,083,671	1,938,851
Benefits and support measures .....	13,784,493	11,468,850
Less: Benefit repayments received or to be received from higher income claimants .....	98,821	24,982
	13,685,672	11,443,868

**Benefit rates — Income benefits**

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

**Transfer payments to provinces and territories**

Labour Market Development Agreements have been concluded with provinces and territories. The agreements can be of two types: in co-management agreement where both parties assume responsibility for the planning and

design of programs or in transfer agreement where the province or territory assumes full responsibility for the design and delivery of active employment programs.

In one of the full transfer agreements, a cumulative amount of \$54 million (\$17 million in 2001-2002, \$20 million in 2000-2001 and \$17 million in 1999-2000) was charged to expenses even though the eligibility of these expenses has not been agreed by both parties yet, as required by the agreement. Discussions are underway but the outcome can not be determined yet. Any required adjustments will be reflected in the year when a decision on the eligibility will be known.

# SECTION 5

2001-2002

*PUBLIC ACCOUNTS OF CANADA*

## Accounts Payable, Accruals and Allowances

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Accounts payable and accrued liabilities .....	5.4
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## 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*.

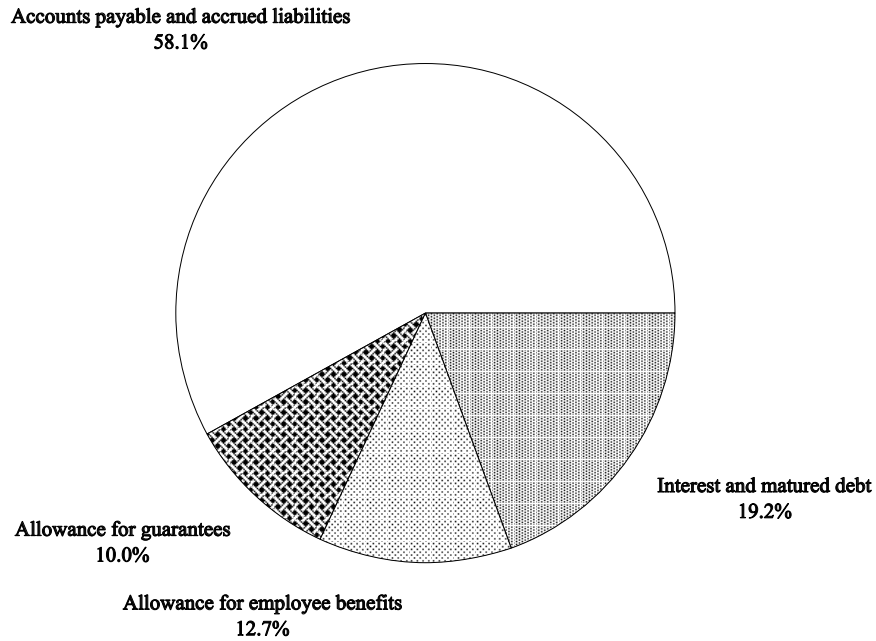
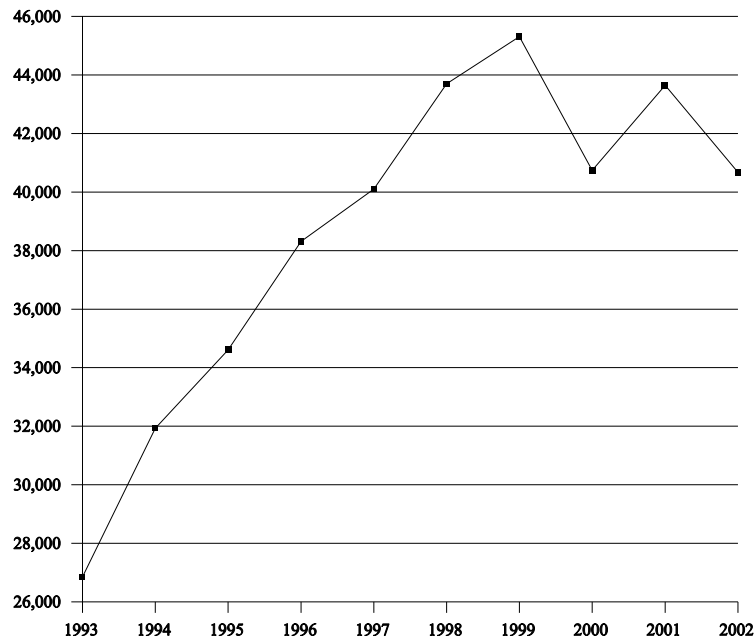
Table 5.1 presents the year-end balances of accounts payable, accruals and allowances by category. Chart 5A presents accounts payable, accruals and allowances by category at March 31, while Chart 5B compares accounts payable, accruals and allowances for the last ten fiscal years.

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 1/2001	March 31/2002
	\$	\$
Accounts payable and accrued liabilities, Table 5.2. ....	25,028,269,107	23,617,290,860
Interest and matured debt, Table 5.5. ....	9,106,971,603	7,816,682,096
Allowance for employee benefits .....	5,329,535,757	4,962,821,119
Add: consolidation adjustment <sup>(1)</sup> . ....	228,449,000	206,447,000
	5,557,984,757	5,169,268,119
Allowance for guarantees, Table 5.6. ....	3,951,000,000	4,076,000,000
Total. ....	43,644,225,467	40,679,241,075

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

**CHART 5A****ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES BY CATEGORY AT MARCH 31, 2002****CHART 5B****ACCOUNTS PAYABLE, ACCRUALS AND ALLOWANCES AT MARCH 31**  
(in millions of dollars)

## Accounts Payable and Accrued Liabilities

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

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

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

	April 1/2001	March 31/2002
	\$	\$
Accounts payable <sup>(1)</sup> .....	20,106,059,434	19,851,659,488
Add: consolidation adjustment <sup>(2)</sup> .....	718,466,000	582,299,000
	<i>20,824,525,434</i>	<i>20,433,958,488</i>
Notes payable to international organizations, Table 5.3 .....	981,243,689	943,533,830
Provincial and territorial tax collection agreements account, Table 5.4 .....	214,947,553	(924,225,047)
Miscellaneous payroll deductions .....	3,674,634	155,720,213
Deferred revenues .....	2,136,324,629	2,240,941,043
Cross-currency swap revaluation account .....	866,814,731	864,699,055
Other .....	738,437	(97,336,722)
Total .....	25,028,269,107	23,617,290,860

<sup>(1)</sup> Includes suspense accounts.

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

### Accounts payable

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

**Notes payable to international organizations**

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

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

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

	April 1/2001	Receipts and other credits		Payments and other charges		March 31/2002
		Note issuances	Revaluation <sup>(1)</sup>	Note encashments	Revaluation <sup>(1)</sup>	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development.....	20,676,260	11,347,625	89,341	8,878,723		23,234,503
International Development Association.....	480,136,667	202,333,333		262,022,000		420,448,000
Multilateral Investment Guarantee Agency.....	5,056,975		57,426			5,114,401
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank.....	21,143,784		239,819	3,809,274		17,574,329
Caribbean Development Bank.....	7,486,374		37,412			7,523,786
Inter-American Development Bank.....	12,686,365	362,614	120,636	3,865,619		9,303,996
International financial institutions—						
African Development Fund.....		54,000,000		54,000,000		
Asian Development Fund.....	223,435,358	97,378,504		93,202,000		227,611,862
Caribbean Development Bank—Special.....	35,964,839	9,666,000		3,456,211		42,174,628
Global Environment Facility Trust Fund.....	115,831,000	54,590,000		24,319,750		146,101,250
Inter-American Development Bank—Fund for Special Operations.....	4,007,402			4,007,402		
International Fund for Agriculture Development.....	54,818,665	4,978,809		20,848,838		38,948,636
Montreal Protocol Fund.....		5,498,439				5,498,439
	434,057,264	226,111,752		199,834,201		460,334,815
Total.....	981,243,689	440,155,324	544,634	478,409,817		943,533,830

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



## Provincial and territorial tax collection agreements account

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

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

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

and Newfoundland and Labrador, to collect the harmonized sales tax on their behalf, and to make payments to them with respect to such tax. Furthermore, the Government also entered into agreements with the First Nations, to collect sales taxes, and to make payments to them with respect to such agreements.

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

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

TABLE 5.4

### PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1998 .....	32,530,699,049			32,530,699,049
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	582,986,362			582,986,362
Prince Edward Island .....	143,298,946			143,298,946
Nova Scotia .....	1,080,646,049			1,080,646,049
New Brunswick .....	848,733,976			848,733,976
Ontario .....	16,741,391,663			16,741,391,663
Manitoba .....	1,548,899,598			1,548,899,598
Saskatchewan .....	1,379,208,664			1,379,208,664
Alberta .....	4,458,584,709			4,458,584,709
British Columbia .....	5,650,284,615			5,650,284,615
Yukon .....	35,697,560			35,697,560
Northwest Territories .....	65,235,075			65,235,075
Nunavut .....	(4,258,229)	9,939		(4,268,168)
	32,530,708,988	9,939		32,530,699,049
Net collections (overpayments) of personal income taxes for 1998 .....	(9,939)	9,939		

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 1999 .....	33,602,611,800	210,826	1,319,701	33,601,502,925
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	623,530,129			623,530,129
Prince Edward Island .....	144,155,913			144,155,913
Nova Scotia .....	1,162,891,780			1,162,891,780
New Brunswick .....	879,707,607			879,707,607
Ontario .....	17,509,340,447	2,510,216	1,380,400	17,508,210,631
Manitoba .....	1,568,045,572			1,568,045,572
Saskatchewan .....	1,372,976,687			1,372,976,687
Alberta .....	4,503,107,601	21,526,350		4,481,581,251
British Columbia .....	5,750,175,727	76,075,560	76,085,212	5,750,185,379
Yukon .....	36,593,109		505,050	37,098,159
Northwest Territories .....	54,894,755			54,894,755
Nunavut .....	16,169,853	11,257		16,158,596
First Nations .....	2,061,070		5,396	2,066,466
	33,623,650,250	100,123,383	77,976,058	33,601,502,925
Net collections (overpayments) of personal income taxes for 1999 .....	(21,038,450)	100,334,209	79,295,759	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2000 .....	36,264,928,000	222,383,754	961,537,754	35,525,774,000
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	619,108,466	1,560,532	14,637,721	632,185,655
Prince Edward Island .....	145,564,000	290,896	8,051,831	153,324,935
Nova Scotia .....	1,237,298,488	5,682,327	26,880,300	1,258,496,461
New Brunswick .....	915,151,102	4,791,266	28,866,105	939,225,941
Ontario .....	18,917,063,892	1,008,373,847	496,080,393	18,404,770,438
Manitoba .....	1,731,854,000	180,159,780	1,367	1,551,695,587
Saskatchewan .....	1,355,491,809	16,823,148	6,708,519	1,345,377,180
Alberta .....	4,586,172,396	343,753,825	656,728,465	4,899,147,036
British Columbia .....	6,026,727,119	85,670,312	286,389,464	6,227,446,271
Yukon .....	37,070,875	1,434,554	1,655,433	37,291,754
Northwest Territories .....	65,991,422	12,381,152		53,610,270
Nunavut .....	19,808,633	2,991,135	3,949,111	20,766,609
First Nations .....	2,018,591		417,272	2,435,863
	35,659,320,793	1,663,912,774	1,530,365,981	35,525,774,000
Net collections (overpayments) of personal income taxes for 2000 .....	605,607,207	1,886,296,528	2,491,903,735	
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2001 .....	6,207,350,000	31,232,187,000	2,735,492,000	34,704,045,000
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	115,506,914	19,800,309	516,826,712	612,533,317
Prince Edward Island .....	28,287,000		117,763,000	146,050,000
Nova Scotia .....	241,207,219	20,913,271	1,001,208,052	1,221,502,000
New Brunswick .....	177,138,427	15,197,525	742,309,098	904,250,000
Ontario .....	3,611,925,000	856,459	15,767,896,458	19,378,964,999
Manitoba .....	337,167,000	2,005	1,373,135,005	1,710,300,000
Saskatchewan .....	220,531,987	37,361,171	1,014,476,184	1,197,647,000
Alberta .....	676,917,000	33,738,468	3,770,855,468	4,414,034,000
British Columbia .....	1,182,405,615	152,398,628	4,403,829,013	5,433,836,000
Yukon .....	6,371,900	467,786	27,913,711	33,817,825
Northwest Territories .....	12,269,667	1,563,892	47,501,225	58,207,000
Nunavut .....	3,828,501	1,936,883	21,041,382	22,933,000
First Nations .....	350,028		1,373,834	1,723,862
	6,613,906,258	284,236,397	28,806,129,142	35,135,799,003
Net collections (overpayments) of personal income taxes for 2001 .....	(406,556,258)	31,516,423,397	31,541,621,142	(431,754,003)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Personal income taxes collected by Canada				
Customs and Revenue Agency for 2002 .....		6,579,705,000	235,388,000	6,344,317,000
Less: payments to provinces and territories—				
Newfoundland and Labrador .....		1,378,530	120,411,445	119,032,915
Prince Edward Island .....			30,861,000	30,861,000
Nova Scotia .....		4,716,089	253,885,682	249,169,593
New Brunswick .....		2,969,796	182,789,630	179,819,834
Ontario .....		2,941	3,621,622,825	3,621,619,884
Manitoba .....		4,612,668	321,025,668	316,413,000
Saskatchewan .....		9,642,763	236,732,071	227,089,308
Alberta .....		37,075,620	919,193,376	882,117,756
British Columbia .....		53,059,464	994,655,173	941,595,709
Yukon .....		142,951	6,358,056	6,215,105
Northwest Territories .....		430,541	12,177,021	11,746,480
Nunavut .....		388,582	5,123,586	4,735,004
First Nations .....		744	520,879	520,135
		114,420,689	6,705,356,412	6,590,935,723
Net collections (overpayments) of personal income taxes for 2002 .....		6,694,125,689	6,940,744,412	(246,618,723)
<b>Total personal income taxes on hand .....</b>	<b>178,002,560</b>	<b>40,197,189,762</b>	<b>41,053,565,048</b>	<b>(678,372,726)</b>
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1997 .....	2,211,744,999		5	2,211,744,994
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	70,851,056			70,851,056
Prince Edward Island .....	23,474,787			23,474,787
Nova Scotia .....	158,003,788			158,003,788
New Brunswick .....	183,666,184			183,666,184
Quebec .....	10,696,431			10,696,431
Ontario .....	33,137,772			33,137,772
Manitoba .....	243,683,195			243,683,195
Saskatchewan .....	250,402,844			250,402,844
Alberta .....	12,227,439			12,227,439
British Columbia .....	1,202,499,908			1,202,499,908
Yukon .....	9,053,919			9,053,919
Northwest Territories .....	25,355,136	2,653,585		22,701,551
Nunavut .....	(5,971,393)	2,682,487		(8,653,880)
	2,217,081,066	5,336,072		2,211,744,994
Net collections (overpayments) of corporation income taxes for 1997 .....	(5,336,067)	5,336,072	5	
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1998 .....	2,000,455,012			2,000,455,012
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	81,040,255			81,040,255
Prince Edward Island .....	18,428,951			18,428,951
Nova Scotia .....	171,546,436			171,546,436
New Brunswick .....	167,519,927			167,519,927
Quebec .....	11,424,918			11,424,918
Ontario .....	40,059,377			40,059,377
Manitoba .....	261,723,097			261,723,097
Saskatchewan .....	249,341,643			249,341,643
Alberta .....	11,666,935			11,666,935
British Columbia .....	942,034,595			942,034,595
Yukon .....	8,566,916			8,566,916
Northwest Territories .....	37,101,962			37,101,962
	2,000,455,012			2,000,455,012
Net collections (overpayments) of corporation income taxes for 1998 .....				

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 1999 .....	2,299,359,927			2,299,359,927
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	47,317,658			47,317,658
Prince Edward Island .....	29,704,422			29,704,422
Nova Scotia .....	216,209,272			216,209,272
New Brunswick .....	183,111,479			183,111,479
Quebec .....	18,694,117			18,694,117
Ontario .....	56,121,542			56,121,542
Manitoba .....	339,181,199			339,181,199
Saskatchewan .....	228,065,346			228,065,346
Alberta .....	23,224,852			23,224,852
British Columbia .....	1,063,897,680			1,063,897,680
Yukon .....	7,915,976			7,915,976
Northwest Territories .....	85,502,736			85,502,736
Nunavut .....	413,648			413,648
	2,299,359,927			2,299,359,927
Net collections (overpayments) of corporation income taxes for 1999 .....				
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2000 .....	2,764,627,000	583,763,385	330,045,000	3,018,345,385
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	105,330,000	32,490,706	703,592	73,542,886
Prince Edward Island .....	32,273,000	9,430,455	1,023,691	23,866,236
Nova Scotia .....	248,678,333	22,076,514	4,704,228	231,306,047
New Brunswick .....	216,579,334	1,746,352	6,959,541	221,792,523
Ontario .....			80,793,203	80,793,203
Quebec .....			26,846,843	26,846,843
Manitoba .....	352,411,000	37,047,216	4,465,296	319,829,080
Saskatchewan .....	364,897,000	149,439,959	1,811,710	217,268,751
Alberta .....		2,235,841	13,261,190	11,025,349
British Columbia .....	1,142,777,000	20,000	282,895,332	1,425,652,332
Yukon .....	10,321,000	3,803,508	81,087	6,598,579
Northwest Territories .....	30,446,000		347,652,605	378,098,605
Nunavut .....	4,073,000	2,426,598	78,549	1,724,951
	2,507,785,667	260,717,149	771,276,867	3,018,345,385
Net collections (overpayments) of corporation income taxes for 2000 .....	256,841,333	844,480,534	1,101,321,867	
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2001 .....	42,275,000	2,567,075,347	5,968,000	2,603,382,347
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	7,224,000		80,789,000	88,013,000
Prince Edward Island .....	3,428,000		33,559,000	36,987,000
Nova Scotia .....	24,968,000		276,563,236	301,531,236
New Brunswick .....	18,973,333		198,351,468	217,324,801
Manitoba .....	33,604,000		369,160,000	402,764,000
Saskatchewan .....	27,616,000		271,777,000	299,393,000
British Columbia .....	105,722,000		1,172,715,000	1,278,437,000
Yukon .....	760,000		8,226,000	8,986,000
Northwest Territories .....	10,026,000		110,693,000	120,719,000
Nunavut .....	54,000		600,000	654,000
	232,375,333		2,522,433,704	2,754,809,037
Net collections (overpayments) of corporation income taxes for 2001 .....	(190,100,333)	2,567,075,347	2,528,401,704	(151,426,690)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Corporation income taxes collected by Canada				
Customs and Revenue Agency for 2002 .....		21,960,000		21,960,000
Less: payments to provinces and territories—				
Newfoundland and Labrador .....			6,016,000	6,016,000
Prince Edward Island .....			1,894,000	1,894,000
Nova Scotia .....			17,576,089	17,576,089
New Brunswick .....			15,301,632	15,301,632
Manitoba .....			20,678,000	20,678,000
Saskatchewan .....			15,760,000	15,760,000
British Columbia .....			72,476,000	72,476,000
Yukon .....			450,000	450,000
Northwest Territories .....			28,128,000	28,128,000
Nunavut .....			138,000	138,000
			178,417,721	178,417,721
Net collections (overpayments) of corporation income taxes for 2002 .....		21,960,000	178,417,721	(156,457,721)
<b>Total corporation income taxes on hand .....</b>	<b>61,404,933</b>	<b>3,438,851,953</b>	<b>3,808,141,297</b>	<b>(307,884,411)</b>
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1997 .....	1,232,770,412	5,660,938	908,000	1,237,523,350
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	283,544,072		2,268,799	285,812,871
Nova Scotia .....	509,378,857		8,735,477	518,114,334
New Brunswick .....	406,526,489		1,150,597	407,677,086
	1,199,449,418		12,154,873	1,211,604,291
Net collections (overpayments) of harmonized sales tax for 1997 .....	33,320,994	5,660,938	13,062,873	25,919,059
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1998 .....	1,629,043,141	1,145,116	3,919,106	1,626,269,151
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	390,447,580	2,030,657	1,713,751	390,130,674
Nova Scotia .....	698,768,182	1,404,827	459,336	697,822,691
New Brunswick .....	558,908,174	5,628,602	72,781	553,352,353
	1,648,123,936	9,064,086	2,245,868	1,641,305,718
Net collections (overpayments) of harmonized sales tax for 1998 .....	(19,080,795)	10,209,202	6,164,974	(15,036,567)
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 1999 .....	1,745,565,530	17,200,842	2,280,351	1,760,486,021
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	406,403,985		3,106,743	409,510,728
Nova Scotia .....	729,771,978	1,418,678	10,732,387	739,085,687
New Brunswick .....	582,574,706	1,677,346	1,602,225	582,499,585
	1,718,750,669	3,096,024	15,441,355	1,731,096,000
Net collections (overpayments) of harmonized sales tax for 1999 .....	26,814,861	20,296,866	17,721,706	29,390,021
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2000 .....	1,816,969,501	65,531,109	6,236,126	1,876,264,484
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	435,865,131		4,531,242	440,396,373
Nova Scotia .....	810,790,800	936,470		809,854,330
New Brunswick .....	626,288,570	409,403		625,879,167
	1,872,944,501	1,345,873	4,531,242	1,876,129,870
Net collections (overpayments) of harmonized sales tax for 2000 .....	(55,975,000)	66,876,982	10,767,368	134,614

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2001 .....	322,750,511	1,658,911,390		1,981,661,901
Less: payments to provinces and territories—				
Newfoundland and Labrador .....	77,232,808	8,769,175	400,819,811	469,283,444
Nova Scotia .....	144,032,023	59,672,614	759,692,426	844,051,835
New Brunswick .....	111,025,680	16,694,550	558,334,370	652,665,500
	332,290,511	85,136,339	1,718,846,607	1,966,000,779
Net collections (overpayments) of harmonized sales tax for 2001 .....	(9,540,000)	1,744,047,729	1,718,846,607	15,661,122
Harmonized sales tax collected by Canada				
Customs and Revenue Agency for 2002 .....		347,662,072		347,662,072
Less: payments to provinces and territories—				
Newfoundland and Labrador .....		1,725,539	83,147,656	81,422,117
Nova Scotia .....		11,517,498	158,544,545	147,027,047
New Brunswick .....		3,455,851	116,704,918	113,249,067
		16,698,888	358,397,119	341,698,231
Net collections (overpayments) of harmonized sales tax for 2002 .....		364,360,960	358,397,119	5,963,841
<b>Total harmonized sales tax on hand .....</b>	<b>(24,459,940)</b>	<b>2,211,452,677</b>	<b>2,124,960,647</b>	<b>62,032,090</b>
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1998 .....	554,678			554,678
Less: payments to First Nations .....	554,678			554,678
Net collections (overpayments) of First Nations Sales Tax Agreements for 1998 .....				
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 1999 .....	1,189,034	71,621	1,193	1,259,462
Less: payments to First Nations .....	1,189,034	1,193	71,621	1,259,462
Net collections (overpayments) of First Nations Sales Tax Agreements for 1999 .....		72,814	72,814	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2000 .....	1,523,529	102,912		1,626,441
Less: payments to First Nations .....	1,523,529		102,912	1,626,441
Net collections (overpayments) of First Nations Sales Tax Agreements for 2000 .....		102,912	102,912	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2001 .....	285,708	1,934,751		2,220,459
Less: payments to First Nations .....	285,708		1,934,751	2,220,459
Net collections (overpayments) of First Nations Sales Tax Agreements for 2001 .....		1,934,751	1,934,751	
First Nations Sales Tax Agreements—				
Revenue collected by Canada Customs and Revenue Agency for 2002 .....		430,765		430,765
Less: payments to First Nations .....			430,765	430,765
Net collections (overpayments) of First Nations Sales Tax Agreements for 2002 .....		430,765	430,765	
<b>Total First Nations Sales Tax Agreements taxes on hand .....</b>		<b>2,541,242</b>	<b>2,541,242</b>	
Total .....	214,947,553	45,850,035,634	46,989,208,234	(924,225,047)

**Miscellaneous payroll deductions**

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

**Deferred revenues**

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

**Cross-currency swap revaluation account**

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

**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 1/2001	March 31/2002
	\$	\$
Interest due .....	4,550,770,377	4,019,842,770
Interest accrued .....	6,589,244,930	6,128,003,004
Matured debt .....	138,041,036	270,912,777
	11,278,056,343	10,418,758,551
Less: unamortized discounts on Canada bills .....	65,035,156	6,039,325
unamortized discounts on Treasury bills .....	1,460,048,403	830,773,375
unamortized discounts and premiums on marketable bonds .....	625,243,156	1,758,303,276
unamortized commissions on Canada savings and Canada premium bonds .....	20,758,025	6,960,479
	2,171,084,740	2,602,076,455
Total .....	9,106,971,603	7,816,682,096

### Interest due

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

### Interest accrued

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

### Matured debt

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

### Unamortized discounts on Canada bills

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

### Unamortized discounts on Treasury bills

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

### Unamortized discounts and premiums on marketable bonds

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

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

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

### Allowance for Employee Benefits

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



## Allowance for Guarantees

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

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

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

	April 1/2001	March 31/2002
	\$	\$
Allowance for loan guarantees .....	584,000,000	555,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations .....	41,464,201,000	45,238,870,000
Less: borrowings expected to be repaid by these enterprise Crown corporations .....	38,097,201,000	41,717,870,000
	<i>3,367,000,000</i>	<i>3,521,000,000</i>
Total .....	3,951,000,000	4,076,000,000

### 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

2001-2002

*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 Plan, 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.

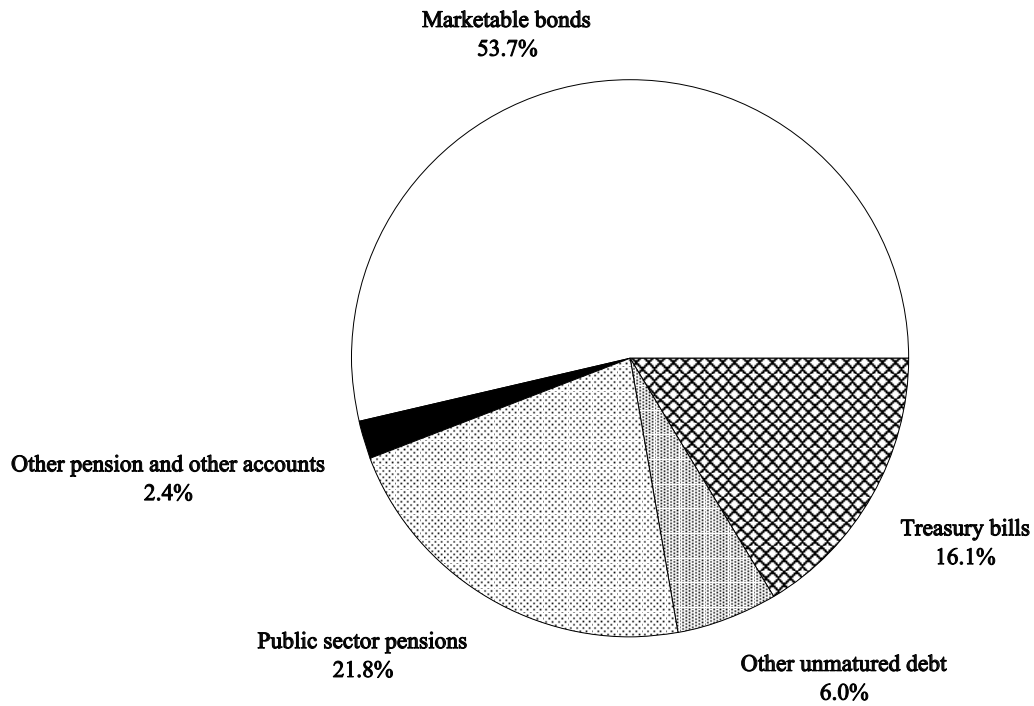
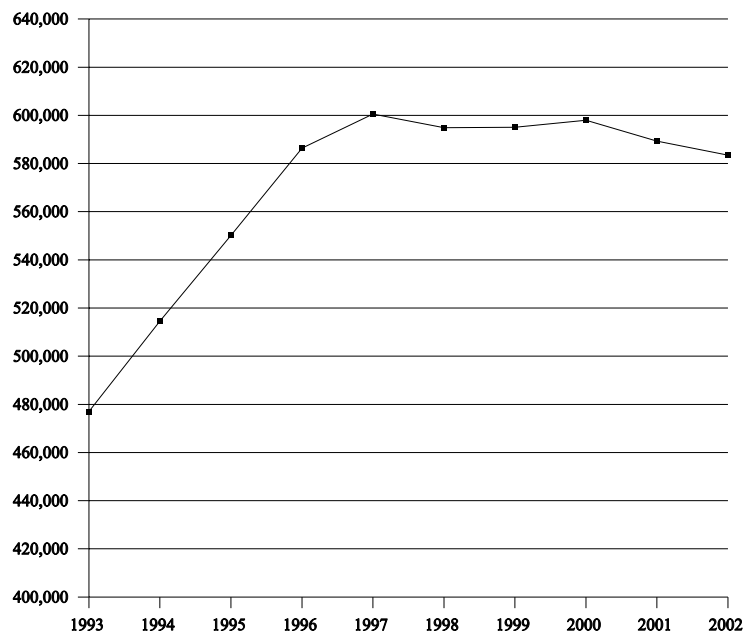
**TABLE 6.1**  
**INTEREST-BEARING DEBT**

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Unmatured debt <sup>(1)</sup> —				
Payable in Canadian currency—				
Marketable bonds, Table 6.2.....	294,972,747,513	58,553,523,728	59,683,022,000	293,843,249,241
Treasury bills, Table 6.3.....	88,700,000,000	197,000,000,000	191,660,416,000	94,039,584,000
Canada savings and Canada premium bonds, Table 6.4.....	26,099,104,705	2,371,857,214	4,504,666,309	23,966,295,610
Non-marketable bonds and notes, Table 6.5.....	3,473,637,498		83,079,169	3,390,558,329
	413,245,489,716	257,925,380,942	255,931,183,478	415,239,687,180
Payable in foreign currencies—				
Marketable bonds, Table 6.2.....	20,658,065,093	201,230,119	1,587,849,957	19,271,445,255
Canada bills, Table 6.6.....	7,227,649,184	23,185,754,755	27,057,958,880	3,355,445,059
Canada notes, Table 6.7.....	1,580,023,000		378,223,000	1,201,800,000
Euro medium-term notes, Table 6.8.....	3,692,082,769	24,581,353	513,571,335	3,203,092,787
	33,157,820,046	23,411,566,227	29,537,603,172	27,031,783,101
Total—Unmatured debt.....	446,403,309,762	281,336,947,169	285,468,786,650	442,271,470,281
Pension and other accounts—				
Public sector pensions, Table 6.13—				
Superannuation accounts.....	143,572,213,697	15,822,718,573	28,539,287,448	130,855,644,822
Allowance for pension adjustments.....	(14,387,000,000)	16,231,000,000	5,779,000,000	(3,935,000,000)
	129,185,213,697	32,053,718,573	34,318,287,448	126,920,644,822
Due to Canada Pension Plan, Table 6.25—				
Canada Pension Plan Account.....	6,390,525,340	26,567,428,434	26,188,108,191	6,769,845,583
Other—				
Government Annuities Account.....	507,588,964	33,575,788	69,913,699	471,251,053
Confederation Bridge.....	770,174,565		17,448,229	752,726,336
Pilot Training Program—MILIT-AIR Inc. ....	709,258,524		22,253,021	687,005,503
Deposit and trust accounts, Table 6.26.....	1,370,187,479	644,158,355	583,877,437	1,430,468,397
Other specified purpose accounts, Table 6.29.....	3,872,676,599	1,734,783,296	1,506,796,864	4,100,663,031
Deferred revenue—Specified purpose accounts, Table 6.32....	22,871,702	41,933,698	37,178,985	27,626,415
	7,252,757,833	2,454,451,137	2,237,468,235	7,469,740,735
Total—Pension and other accounts.....	142,828,496,870	61,075,598,144	62,743,863,874	141,160,231,140
Total.....	589,231,806,632	342,412,545,313	348,212,650,524	583,431,701,421

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

**CHART 6A**

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2002

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

## UNMATURED DEBT

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

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

### Marketable Bonds

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

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

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

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

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2002.

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

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 2001-2002							
2001—May 1	13	May 1/80-Oct 1/80					
		Feb 1/81	J42	1,325,000,000		1,325,000,000	
June 1	4.5	Dec 15/98-Mar 15/99	WT78	5,350,242,000		5,350,242,000	
June 1	9.75	Feb 21/91-Mar 1/91					
		Mar 28/91-May 16/91	A40	2,708,100,000		2,708,100,000	
Sept 1	7	June 3/96-July 2/96					
		Sept 3/96-Dec 2/96	VX99	10,600,000,000		10,600,000,000	
Oct 1	9.5	Oct 1/76-Dec 1/76					
		Apr 1/78-May 15/78					
		July 1/78	J2	913,577,000		913,577,000	
Dec 1	5.25	June 15/99-Sept 15/99	WW08	7,000,000,000		7,000,000,000	
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000		3,850,000,000	
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	339,095,000		339,095,000	
				32,299,014,000		32,299,014,000	
Maturing 2002-2003							
2002—Apr 1	8.5	Nov 14/91-Dec 15/91					
		Mar 1/92-May 1/92					
		July 15/92	A47	5,450,000,000			5,450,000,000
May 1	10	May 1/79-June 1/79					
		July 15/79	J25	1,830,758,000		168,718,000	1,662,040,000
June 1	5.75	Dec 1/99-Mar 15/2000	XA78	7,200,000,000		2,038,000,000	5,162,000,000
Sept 1	5.5	Mar 3/97-June 2/97					
		Sept 2/97-Dec 1/97	WE00	10,200,000,000		678,000,000	9,522,000,000
Dec 1	6	June 15/2000-Sept 15/2000	XC35	7,100,000,000		1,389,000,000	5,711,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,221,894,000		148,966,000	1,072,928,000

TABLE 6.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
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	2,093,802,000 35,096,454,000		360,654,000 4,783,338,000	1,733,148,000 30,313,116,000
Maturing 2003-2004 2003—June 1	7.25	Sept 25/92-Oct 26/92 Nov 20/92-Jan 18/93 Feb 15/93	A57	6,900,000,000			6,900,000,000
June 1	5.75	Nov 24/2000-Mar 16/2001	XE90	7,000,000,000			7,000,000,000
Sept 1	5.25	Mar 2/98-June 1/98 Sept 1/98-Dec 1/98	WN09	9,700,000,000			9,700,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	558,907,000		106,500,000	452,407,000
Dec 1	8	May 21/93-July 1/93 Aug 16/93-Sept 28/93 Nov 15/93	A61	8,800,000,000			8,800,000,000
Dec 1	5	June 15/2001-Aug 31/2001	XF65		7,000,000,000		7,000,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79 Mar 21/79-Aug 15/79	J24	1,881,867,000 34,840,774,000		800,723,000 907,223,000	1,081,144,000 40,933,551,000
Maturing 2004-2005 2004—June 1	13.5	Apr 1/84-May 1/84	H22	541,000,000			541,000,000
June 1	6.5	Jan 14/94-Feb 15/94 Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
June 1	4	Nov 30/2001-Mar 8/2002	XK50		7,000,000,000		7,000,000,000
Sept 1	5	Mar 1/99-June 1/99 Aug 16/99-Oct 1/99	WU42	10,850,000,000			10,850,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	585,586,000		289,672,000	295,914,000
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	1,057,069,000 28,633,655,000		341,140,000 630,812,000	715,929,000 35,002,843,000
Maturing 2005-2006 2005—Sept 1	12.25	Aug 1/83-Sept 1/83 Sept 27/83-Apr 10/85	H6	1,065,355,000			1,065,355,000
Sept 1	6	Nov 15/99-Feb 15/2000 May 15/2000-Aug 15/2000	WY63	11,100,000,000			11,100,000,000
Dec 1	8.75	Apr 3/95-May 15/95 Aug 15/95-Nov 15/95	A79	8,000,000,000			8,000,000,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84 Mar 19/85	H18	625,976,000 20,791,331,000		291,312,000 291,312,000	334,664,000 20,500,019,000
Maturing 2006-2007 2006—Sept 1	5.75	Nov 14/2000-Feb 12/2001 June 4/2001-Aug 20/2001	XD18	5,000,000,000	5,000,000,000		10,000,000,000
Oct 1	14	June 1/84-July 11/84 Aug 1/84	H26	958,100,000		153,985,000	804,115,000
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	318,550,000 15,376,650,000		57,803,000 211,788,000	260,747,000 20,164,862,000
Maturing 2007-2008 2007—June 1	7.25	Oct 1/96-Nov 15/96 Feb 17/97-May 15/97	WB60	9,500,000,000			9,500,000,000
Sept 1	5	Nov 19/2001	XJ87		5,000,000,000		5,000,000,000
Oct 1	13	Aug 22/84-Sept 12/84	H36	610,741,000		86,492,000	524,249,000
2008—Mar 1	12.75	Oct 1/84-Oct 24/84	H41	750,000,000 10,860,741,000		123,050,000 209,542,000	626,950,000 15,651,199,000

TABLE 6.2

MARKETABLE BONDS—*Continued*

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
Maturing 2008-2009							
2008—June 1	6	Aug 15/97-Nov 17/97					
		Feb 16/98-May 15/98	WH31	9,200,000,000			9,200,000,000
June 1	10	Dec 15/85-Sept 1/87					
		Feb 1/88-Apr 14/88					
		June 1/88-July 21/88					
		Oct 15/88-Dec 15/88					
		Feb 23/89-June 1/89	H74	3,257,854,000			3,257,854,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	627,957,000		178,675,000	449,282,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000		135,053,000	264,947,000
				13,485,811,000		313,728,000	13,172,083,000
Maturing 2009-2010							
2009—June 1	5.5	Aug 17/98-Nov 16/98					
		Feb 15/99-May 17/99	WR13	9,400,000,000			9,400,000,000
June 1	11	Oct 1/85-Oct 23/85					
		Oct 15/87	H68	672,831,000			672,831,000
Oct 1	10.75	June 12/85-July 1/85					
		Sept 1/85-Sept 1/88	H63	755,511,000		301,445,000	454,066,000
2010—Mar 1	9.75	Mar 15/86	H79	300,000,000		150,691,000	149,309,000
				11,128,342,000		452,136,000	10,676,206,000
Maturing 2010-2011							
2010—June 1	9.5	Apr 10/86-July 1/87					
		July 1/89-Aug 10/89					
		Oct 1/89-Dec 15/89					
		Feb 1/90	H81	2,474,254,000			2,474,254,000
June 1	5.5	Aug 3/99-Nov 1/99					
		Feb 1/2000-Mar 20/2000	WX80	10,400,000,000			10,400,000,000
Oct 1	8.75	Apr 28/86	H85	183,813,000		24,667,000	159,146,000
2011—Mar 1	9	July 3/86-Sept 2/86					
		Oct 23/86-Dec 15/86					
		May 1/87-Mar 15/88	H87	1,256,274,000		351,065,000	905,209,000
				14,314,341,000		375,732,000	13,938,609,000
Maturing 2011-2012							
2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	669,390,000			669,390,000
June 1	6	May 1/2000-Aug 1/2000					
		Oct 30/2000-Jan 29/2001					
		May 7/2001-July 30/2001	XB51	10,100,000,000	4,900,000,000		15,000,000,000
				10,769,390,000	4,900,000,000		15,669,390,000
Maturing 2012-2013							
2012—June 1	5	Oct 29/2001-Feb 11/2002	XH22		5,000,000,000		5,000,000,000
Maturing 2013-2014							
2014—Mar 15	10.25	Mar 15/89-Mar 30/89					
		Mar 15/90-July 1/90					
		Aug 1/90-Feb 21/91	A23	3,125,000,000		540,562,000	2,584,438,000
Maturing 2015-2016							
2015—June 1	11.25	May 1/90-May 31/90					
		Oct 1/90-Nov 15/90	A34	2,327,116,000		220,976,000	2,106,140,000
Maturing 2019-2020							
2019—Dec 31	10.186	Mar 23/90	M01	8,436,324			8,436,324
Maturing 2020-2021							
2021—Mar 15	10.5	Dec 15/90-Jan 9/91					
		Feb 1/91	A39	1,797,000,000		74,000,000	1,723,000,000

TABLE 6.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
Maturing 2021-2022 2021—June 1	9.75	May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91	A43	4,435,246,000		446,242,000	3,989,004,000
Dec 1	4.25 <sup>(2)</sup>	Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-June 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	L25	6,050,500,431 10,485,746,431	109,250,418 109,250,418	446,242,000	6,159,750,849 10,148,754,849
Maturing 2022-2023 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	2,399,000,000		765,922,000	1,633,078,000
Maturing 2023-2024 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000			8,200,000,000
Maturing 2025-2026 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	8,900,000,000			8,900,000,000
Maturing 2026-2027 2026—Dec 1	4.25 <sup>(2)</sup>	Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 6/96-Mar 12/97 June 9/97-Sept 8/97 Dec 8/97-Mar 9/98 June 8/98-Sept 8/98 Dec 7/98	VS05	5,806,307,326	104,841,163		5,911,148,489
Maturing 2027-2028 2027—June 1	8	May 1/96-Aug 1/96 Nov 1/96-Feb 3/97 May 1/97-Aug 1/97 Nov 3/97	VW17	9,600,000,000			9,600,000,000
Maturing 2029-2030 2029—June 1	5.75	Feb 2/98-May 1/98 Nov 2/98-May 3/99 Oct 15/99-Apr 24/2000 Oct 16/2000-Apr 23/2001	WL43	12,000,000,000	1,900,000,000		13,900,000,000
Maturing 2031-2032 2031—Dec 1	4 <sup>(2)</sup>	Mar 8/99-June 8/99 Sept 7/99-Dec 6/99 Mar 6/2000-June 5/2000 Sept 5/2000-Dec 11/2000 Mar 5/2001-June 16/2001 Sept 24/2001-Dec 10/2001 Mar 18/2002	WV25	3,241,897,432	1,519,385,147		4,761,282,579



TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
Maturing 2033-2034							
2033—June 1	5.75	Oct 15/2001-Jan 21/2002 Mar 4/2002	XG49		4,400,000,000		4,400,000,000
				295,487,006,513	41,933,476,728	42,522,327,000	294,898,156,241
Less: Government's holdings—							
Government's holdings				514,259,000	16,620,047,000	17,139,207,000	1,033,419,000
Consolidation adjustment <sup>(3)</sup>						21,488,000	21,488,000
				514,259,000	16,620,047,000	17,160,695,000	1,054,907,000
Total marketable bonds (Canadian currency)				294,972,747,513	58,553,523,728	59,683,022,000	293,843,249,241
Payable in foreign currencies—							
2001—May 30	6.5	May 30/96		1,576,300,000		1,576,300,000	
2002—July 15	6.125	July 15/97		1,576,300,000	17,900,000		1,594,200,000
2003—Feb 19	5.625	Feb 19/98		3,152,600,000	35,800,000		3,188,400,000
2003—June 30 <sup>(4)</sup>	9.5	Feb 5/2001		151,947,438	1,725,471		153,672,909
2004—Nov 30	6.375	Nov 30/99		3,152,600,000	35,800,000		3,188,400,000
2005—July 21	6.375	July 21/95		2,364,450,000	26,850,000		2,391,300,000
2006—Aug 28	6.75	Aug 28/96		1,576,300,000	17,900,000		1,594,200,000
2007—Oct 3	<sup>(5)</sup>	Oct 3/97		502,839,700	5,710,100		508,549,800
2008—July 7	4.875	July 7/98		2,829,898,304	8,589,704		2,838,488,008
2008—Nov 5	<sup>(5)</sup>	Nov 5/98		3,940,750,000	44,750,000		3,985,500,000
2010—Jan 15 <sup>(4)</sup>	8.6	Feb 5/2001		248,889,889	2,826,320		251,716,209
2016—Dec 15 <sup>(4)</sup>	8.25	Feb 5/2001		60,284,017	684,568		60,968,585
2018—June 30 <sup>(4)</sup>	9.7	Feb 5/2001		25,346,904	287,832		25,634,736
2019—June 1 <sup>(4)</sup>	8.8	Feb 5/2001		5,517,050	62,650		5,579,700
				21,164,023,302	198,886,645	1,576,300,000	19,786,609,947
Less: Government's holdings and securities held for the retirement of unmatured debt <sup>(6)</sup>				505,958,209	2,343,474	11,549,957	515,164,692
Total marketable bonds (foreign currencies)				20,658,065,093	201,230,119	1,587,849,957	19,271,445,255
Total				315,630,812,606	58,754,753,847	61,270,871,957	313,114,694,496

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

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

<sup>(3)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

<sup>(4)</sup> Assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited.

<sup>(5)</sup> The rate of interest was variable throughout the year.

<sup>(6)</sup> These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation. They include an amount of \$136 million in Government's holdings.

## Treasury Bills

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

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

The balance at March 31, 2002 consists of \$29,900 million in three-month bills; \$22,900 million in six-month bills; and, \$41,400 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, 2001 .....	7,900	3,300	3,300	14,500	7,300	2,800	5,100	15,200	(700)
May .....	7,300	3,100	5,100	15,500	8,200	2,800	4,800	15,800	(300)
June .....	6,400	2,800	2,800	12,000	8,200	2,800	4,600	15,600	(3,600)
July .....	6,700	2,900	2,900	12,500	8,200	3,100	2,700	14,000	(1,500)
August .....	11,400	4,800	6,300	22,500	11,100	6,800	2,900	20,800	1,700
September .....	7,900	3,300	3,300	14,500	6,400	3,400	4,300	14,100	400
October .....	8,500	3,500	3,500	15,500	6,700	3,200	2,800	12,700	2,800
November .....	8,800	3,600	7,600	20,000	7,600	2,900	2,800	13,300	6,700
December .....	8,500	3,500	3,500	15,500	7,600	2,800	4,300	14,700	800
January, 2002 .....	12,900	5,300	5,300	23,500	12,600	3,100	9,000	24,700	(1,200)
February .....	8,800	3,600	3,600	16,000	8,800	3,200	3,400	15,400	600
March .....	8,200	3,400	3,400	15,000	8,500	3,300	3,400	15,200	(200)
Balance at April 1, 2001 .....	103,300	43,100	50,600	197,000	101,200	40,200	50,100	191,500	5,500
Balance at March 31, 2002 .....									88,700
Less: Government's holdings—									
Consolidation adjustment <sup>(1)</sup> .....									161
Total .....									94,039

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

## Canada Savings and Canada Premium Bonds

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

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

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

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

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

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
				\$	\$	\$	\$
Canada Savings Bonds—							
2001—Nov 1	5.5	1989-90	S44	1,761,746,262		1,761,746,262	
2002—Nov 1	5.5-1.8	1990-91	S45	1,618,673,744		222,432,612	1,396,241,132
2003—Nov 1	5.5-1.8	1991-92	S46	2,303,145,068		315,129,587	1,988,015,481
2004—Nov 1	5.5-1.8	1992-93	S47	2,675,754,900		360,841,815	2,314,913,085
2005—Nov 1	5.5-1.8	1993-94	S48	1,632,333,794		208,767,161	1,423,566,633
2006—Nov 1	5.5-1.8	1994-95	S49	2,391,580,987		379,460,395	2,012,120,592
2007—Nov 1	4.85-1.8	1995-96	S50	1,493,574,444		186,037,182	1,307,537,262
2007—Nov 1	5.25-6	1997-98	S52	2,652,180,392		125,098,977	2,527,081,415
2007—Dec 1	5.25-6	1997-98	S53	14,371,766		573,079	13,798,687
2008—Nov 1	6.5-6.75	1996-97	S51	2,627,390,997		96,725,648	2,530,665,349
2008—Nov 1	4.85-1.8	1998-99	S54	1,052,590,408		144,829,855	907,760,553
2008—Dec 1	4.85-1.55	1998-99	S55	76,267,076		8,864,264	67,402,812
2009—Jan 1	4.85-1.35	1998-99	S56	14,401,805		1,816,357	12,585,448
2009—Feb 1	4.4-1.35	1998-99	S57	9,385,420		949,509	8,435,911
2009—Mar 1	3.85-1.3	1998-99	S58	16,107,036		1,487,853	14,619,183
2009—Apr 1	3.65	1999-2000	S59	15,710,505		4,687,600	11,022,905
2009—Nov 1	4.85-1.8	1999-2000	S60 <sup>(1)</sup>	722,751,242		202,668,391	520,082,851
2009—Dec 1	4.85-1.55	1999-2000	S61	64,871,435		9,531,075	55,340,360
2010—Jan 1	4.85-1.35	1999-2000	S62	22,177,629		3,199,556	18,978,073
2010—Feb 1	4.4-1.35	1999-2000	S63	15,175,420		2,397,344	12,778,076
2010—Mar 1	3.85-1.3	1999-2000	S64	26,491,428		5,700,901	20,790,527
2010—Apr 1	3.65	1999-2000	S65	31,448,810		4,858,695	26,590,115
2010—Nov 1	4.85-1.8	2000-2001	S66 <sup>(1)</sup>	846,356,353		159,004,935	687,351,418
2010—Dec 1	4.85-1.55	2000-2001	S67	53,523,187		10,820,134	42,703,053
2011—Jan 1	4.85-1.35	2000-2001	S68	31,043,026		7,283,495	23,759,531
2011—Feb 1	4.4-1.35	2000-2001	S69	29,103,992		7,762,377	21,341,615
2011—Mar 1	3.85-1.3	2000-2001	S70	14,355,206	4,614,203		18,969,409
2011—Apr 1	3.65	2000-2001	S71	32,100	11,403,901		11,436,001
2011—Nov 1	1.8	2001-2002	S72 <sup>(1)</sup>		846,380,141		846,380,141
2011—Dec 1	1.55	2001-2002	S73		41,677,025		41,677,025
2012—Jan 1	1.35	2001-2002	S74		10,315,769		10,315,769
2012—Feb 1	1.35	2001-2002	S75		10,286,012		10,286,012
2012—Mar 1	1.3	2001-2002	S76		25,127,061		25,127,061
2012—Apr 1	1.3	2001-2002	S77		73,760		73,760
				22,212,544,432	949,877,872	4,232,675,059	18,929,747,245

TABLE 6.4

CANADA SAVINGS AND CANADA PREMIUM BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
				\$	\$	\$	\$
Canada Premium Bonds—							
2007—Mar 1	6.25-6.5	1997-98	P1	80,030,240		1,524,523	78,505,717
2008—Mar 1	4.35-4.45	1997-98	P2	19,421,471		1,096,766	18,324,705
2008—Nov 1	5.-2.3	1998-99	P3	1,381,022,097		93,000,984	1,288,021,113
2008—Dec 1	4.5-2	1998-99	P4	122,568,004		7,225,233	115,342,771
2009—Jan 1	4.5-2	1998-99	P5	24,716,635		1,602,772	23,113,863
2009—Feb 1	4.75-2	1998-99	P6	22,010,149		1,633,622	20,376,527
2009—Mar 1	5-2	1998-99	P7	71,485,817		2,617,980	68,867,837
2009—Apr 1	5.25	1999-2000	P8	64,974,010		3,973,990	61,000,020
2009—Nov 1	5.4-5.8	1999-2000	P9	487,489,999		14,117,953	473,372,046
2009—Dec 1	5.4-5.8	1999-2000	P10	140,693,044		4,973,866	135,719,178
2010—Jan 1	5.4-5.8	1999-2000	P11	43,594,459		1,001,884	42,592,575
2010—Feb 1	5.5-6	1999-2000	P12	36,894,948		1,257,293	35,637,655
2010—Mar 1	5.75-6.25	1999-2000	P13	83,301,750		2,031,913	81,269,837
2010—Apr 1	5.75	1999-2000	P14	119,794,234		5,088,757	114,705,477
2010—Nov 1	5.5-5.7	2000-2001	P15	710,980,098		13,130,277	697,849,821
2010—Dec 1	5.5-5.7	2000-2001	P16	141,798,431		3,785,416	138,013,015
2011—Jan 1	5.5-5.7	2000-2001	P17	180,166,574		4,495,685	175,670,889
2011—Feb 1	5.25-5.5	2000-2001	P18	433,435,356		10,372,872	423,062,484
2011—Mar 1	4.35-4.45	2000-2001	P19	39,498,022		1,259,880	38,238,142
2011—Apr 1	4.35	2000-2001	P20	124,700	59,754,993		59,879,693
2011—Nov 1	2.3	2001-2002	P21		742,127,094		742,127,094
2011—Dec 1	2	2001-2002	P22		98,872,236		98,872,236
2012—Jan 1	2	2001-2002	P23		27,503,002		27,503,002
2012—Feb 1	2	2001-2002	P24		27,644,167		27,644,167
2012—Mar 1	2	2001-2002	P25		105,872,307		105,872,307
2012—Apr 1	2	2001-2002	P26		157,900		157,900
				4,204,000,038	1,061,931,699	174,191,666	5,091,740,071
				26,416,544,470	2,011,809,571	4,406,866,725	24,021,487,316
Less: Government's holdings—							
Canada savings bonds held on account of employees .....				3,765	4,143	6,584	6,206
Canada savings bonds held on account of the Payroll Savings Plan .....				110,523,000	153,130,500	97,793,000	55,185,500
Consolidation adjustment .....				206,913,000	206,913,000		
				317,439,765	360,047,643	97,799,584	55,191,706
Total .....				26,099,104,705	2,371,857,214	4,504,666,309	23,966,295,610

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

## Non-Marketable Bonds and Notes

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

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

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

**TABLE 6.5**  
NON-MARKETABLE BONDS AND NOTES

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 2001-2002 .....	17,622,000		17,622,000	
Maturing 2002-2003 .....	17,414,000			17,414,000
2003-2004 .....	17,259,000			17,259,000
2004-2005 .....	16,661,000			16,661,000
2005-2006 .....	239,955,000			239,955,000
2006-2007 .....	1,352,282,000			1,352,282,000
2007-2008 .....	699,981,000			699,981,000
2008-2009 .....	519,360,000			519,360,000
2009-2010 .....	71,112,000			71,112,000
2010-2011 .....	425,010,000			425,010,000
2011-2012 .....	15,763,000			15,763,000
2012-2013 .....	11,118,000			11,118,000
	3,403,537,000		17,622,000	3,385,915,000
Canada Health and Social Transfer Supplement Trust for Health Care—				
Maturing 2001-2002 .....	4,675,441		4,675,441	
Maturing 2003-2004 .....	4,643,329			4,643,329
	9,318,770		4,675,441	4,643,329
Medical Equipment Trust—				
Maturing 2001-2002 .....	60,781,728		60,781,728	
Total .....	3,473,637,498		83,079,169	3,390,558,329

## 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, 2002.

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

**TABLE 6.6**  
**CANADA BILLS**

	Issues	Redemptions	Net change
	\$	\$	\$
April, 2001 .....	1,939,403,086	2,429,830,195	(490,427,109)
May .....	3,124,039,365	1,764,051,690	1,359,987,675
June .....	2,551,759,323	3,803,959,694	(1,252,200,371)
July .....	1,996,475,251	2,415,712,566	(419,237,315)
August .....	1,954,848,851	2,161,512,896	(206,664,045)
September .....	1,806,194,682	2,920,525,808	(1,114,331,126)
October .....	2,264,347,081	1,833,807,580	430,539,501
November .....	1,555,393,000	1,983,467,250	(428,074,250)
December .....	1,234,708,452	2,121,446,256	(886,737,804)
January, 2002 .....	1,718,415,994	2,047,861,342	(329,445,348)
February .....	1,680,055,002	1,631,771,723	48,283,279
March .....	1,349,892,644	1,944,011,880	(594,119,236)
	23,175,532,731	27,057,958,880	(3,882,426,149)
Balance at April 1, 2001 .....			7,227,649,184
Balance before revaluation .....			3,345,223,035
Exchange valuation adjustment at March 31, 2002 .....			10,222,024
Balance at March 31, 2002 .....			3,355,445,059

## 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, 2002.

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 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
				\$	\$	\$	\$
Payable in foreign currencies—							
Matured 2001-2002							
2001—Apr 4	6.280	Apr 4/96	024	78,815,000		78,815,000	
Apr 25	6.496	Apr 25/96	040	31,526,000		31,526,000	
May 7	6.542	May 6/96	041	63,052,000		63,052,000	
2002—Feb 5	6.379	Feb 5/97	061	157,630,000		157,630,000	
				331,023,000		331,023,000	
Maturing 2005-2006							
2006—Mar 20	0.70	Mar 22/2001	066	624,500,000		23,600,000	600,900,000
Maturing 2008-2009							
2009—Mar 23	1.90	Mar 23/99	065	624,500,000		23,600,000	600,900,000
Total .....				1,580,023,000		378,223,000	1,201,800,000

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

## Euro Medium-Term Notes

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

The year-end balances of Euro medium-term notes were translated into Canadian dollars using the closing rate of exchange of the appropriate currency at March 31, 2002.

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 1/2001	Receipts and other credits <sup>(1)</sup>	Payments and other charges <sup>(1)</sup>	March 31/2002
			\$	\$	\$	\$
Payable in foreign currencies—						
Matured 2001-2002						
2001—June 12	(2)	June 12/98	40,681,335		40,681,335	
2002—Jan 22	(2)	Jan 22/99	472,890,000		472,890,000	
			513,571,335		513,571,335	
Maturing 2003-2004						
2003—July 16	(2)	July 16/98	102,459,500	1,163,500		103,623,000
Maturing 2004-2005						
2004—Nov 26	(2)	Mar 26/98	780,268,500	8,860,500		789,129,000
Nov 26	(2)	Oct 30/98	536,887,780	6,096,740		542,984,520
Nov 30	(2)	Mar 22/99	138,594,601	1,573,840		140,168,441
Dec 22	(2)	Dec 22/97	120,145,586	1,364,338		121,509,924
			1,575,896,467	17,895,418		1,593,791,885
Maturing 2007-2008						
2007—Nov 19	(2)	Nov 19/97	47,289,000	537,000		47,826,000
2008—Jan 31	(2)	July 30/97	69,166,467	785,435		69,951,902
			116,455,467	1,322,435		117,777,902
Maturing 2009-2010						
2009—Apr 28	4.50	Mar 30/99-Apr 28/99	1,383,700,000	4,200,000		1,387,900,000
Total			3,692,082,769	24,581,353	513,571,335	3,203,092,787

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

<sup>(2)</sup> The rate of interest is variable throughout the year.



## Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 1997-98 to 2001-2002 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as marketable bonds, Treasury bills, Canada savings and Canada premium bonds, non-mar-

ketable bonds and notes (including the bonds for the Canada Pension Plan and the notes for the Canada Health and Social Transfer Supplement and the Medical Equipment Trust), Canada bills and Foreign currency notes.

**TABLE 6.9**

UNMATURED DEBT AS AT MARCH 31, FROM 1998 TO 2002, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings and Canada premium bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
2002 .....	313,115	6.61	94,039	2.64	23,966	3.23	3,391	10.16	3,355	1.75	4,405	2.46	442,271	5.56
2001 .....	315,631	6.98	88,700	5.31	26,099	5.42	3,473	10.10	7,228	5.10	5,272	4.15	446,403	6.11
2000 .....	315,339	7.21	99,850	5.31	26,489	5.13	3,552	10.04	6,008	5.87	5,168	4.95	456,406	6.15
1999 .....	315,399	7.51	96,950	4.94	27,662	4.28	4,063	9.39	10,171	4.81	6,182	4.70	460,427	6.70
1998 .....	309,234	7.75	112,300	4.41	29,769	3.61	3,456	10.22	9,356	5.49	3,176	5.87	467,291	6.64

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 1997-98 to 2001-2002 inclusively.

**TABLE 6.10**

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
Three-month bills—			
2002 .....	4.49	1.90	2.34
2001 .....	5.75	4.60	4.60
2000 .....	5.28	4.30	5.28
1999 .....	5.64	4.55	4.89
1998 .....	4.65	4.17	4.58
Six-month bills—			
2002 .....	4.52	1.96	2.73
2001 .....	6.01	4.58	4.58
2000 .....	5.56	4.43	5.56
1999 .....	5.81	4.70	4.98
1998 .....	4.94	3.69	4.75
Other bills—			
2002 .....	4.63	2.15	3.48
2001 .....	6.33	4.58	4.58
2000 .....	5.98	4.56	5.94
1999 .....	5.83	4.62	4.97
1998 .....	5.20	3.60	4.96

## Maturity of Government Debt

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

**TABLE 6.11**  
MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings and Canada premium bonds		Non-marketable bonds and notes		Canada bills		Foreign currency notes		Total unmatured debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(million)	%
2003 .....	35,096	6.82	94,200	2.64	1,396	1.80	18	14.67	3,355	1.75			134,065	3.73
2004 .....	41,087	6.30			1,988	1.80	22	9.62			104	1.22	43,201	6.08
2005 .....	38,191	6.06			2,315	1.80	17	13.37			1,594	1.69	42,117	5.66
2006 .....	22,891	7.39			1,424	1.80	240	11.30			601	0.70	25,156	6.95
2007 .....	21,759	6.75			2,091	1.98	1,352	9.60					25,202	6.51
2008/2012 ...	76,692	6.45			14,807	4.09	1,731	10.38			2,106	3.60	95,336	6.09
2013/2017 ...	9,752	7.84					11	9					9,763	7.84
2018/2022 ...	11,912	7.28											11,912	7.28
2023/2027 ...	24,644	7.42											24,644	7.42
2028/2032 ...	28,261	6.22											28,261	6.22
2033 .....	4,400	5.75											4,400	5.75
	314,685	6.61	94,200	2.64	24,021	3.23	3,391	10.16	3,355	1.75	4,405	2.46	444,057	5.56
Less: Gov- ernment's hold- ings .....	1,570	7.04	161	2.64	55	1.80							1,786	6.48
	313,115	6.61	94,039	2.64	23,966	3.23	3,391	10.16	3,355	1.75	4,405	2.46	442,271	5.56

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 1/2001	Issues/ Borrowings	Retirements	March 31/2002
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	446,403	281,337	285,469	442,271
Borrowings of enterprise Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	41,400	68,247	64,472	45,175
Total .....	487,803	349,584	349,941	487,446

<sup>(1)</sup> Details can be found in this section.

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

## PENSION AND OTHER ACCOUNTS

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

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

### Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. Allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes, and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

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

The legislation provides that all pension obligations arising from these plans be met but, until March 31, 2000, separate market invested funds were not maintained. Since April 1, 2000, the net amount of contributions less benefits and payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans have been transferred to the Public Sector Pension Investment Board. The goal of the Board is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans.

#### *i. Pension plans*

##### *Employee pension plans*

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

Effective January 1, 2000, plan members contribute 4 percent on salary up to the Yearly Maximum Pensionable Earn-

ings (YMPE) for the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 7.5 percent on that portion of salary above the YMPE. This rate is applicable until 2004 when it comes up for review.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 2001-2002, the employer contribution rates averaged about 2.6, 3.5 and 3.0 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these three pension plans both by plan members and by the Government as the employer have been credited to newly created Pension Funds. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by the Public Sector Pension Investment Board (PSPIB). The PSPIB operates independently of the Government and plan members but is required by the *Public Sector Pension Investment Board Act* to invest contributions prudently, in the best interests of plan members. It is also required to report the results of its investments in an annual report to Parliament and to the ministers responsible for those three pension plans.

The superannuation accounts, which continue to record the transactions that pertain to pre April 2000 service, earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 8.7 percent in 2002 and 9.0 percent in 2001. The Pension Fund accounts, which record the transactions that pertain to post March 2000 service, are only flow through accounts used to transfer funds to the PSPIB, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

In 2000-2001, Canada Post Corporation and three other corporations implemented their own pension plans and their employees ceased to be members of the Public Service pension plan. An amount of about \$4,500 million (\$1,300 million in 2001) was transferred to the pension plans of these corporations during the year and an additional estimated amount of \$2,100 million (\$6,200 million in 2001) is expected to be transferred in the coming year. The amounts of impending transfers are still reflected in the balance of Public Service Superannuation Account as at March 31<sup>st</sup>.

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

*Members of Parliament retiring allowances*

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

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

	2002	2001
Members of Parliament		
House of Commons		
Retiring allowances account . . . . .	3.74	3.06
Retirement compensation arrangements . . . . .	6.95	6.46
The Senate		
Retiring allowances account . . . . .	2.44	1.85
Retirement compensation arrangements . . . . .	3.59	2.78

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 as an expenditure in the Statement of Revenues and Expenditures. During the year, the benefit payments charged to expenditures amounted to \$59 million.

*ii. Actuarial valuations*

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

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

Public Service—March 31, 1999;

Canadian Forces—March 31, 2000;

Royal Canadian Mounted Police—March 31, 1999;

Members of Parliament—March 31, 2001;

Retirement Compensation Arrangements: December 31, 1998;

Federally appointed judges—March 31, 2001.

As at March 31, 2002, the actuarial valuation report for the Members of Parliament plan and the Federally appointed judges plan 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 installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of \$94 million and \$5 million were made to the Retirement Compensation Arrangements Accounts No. 1 and No. 2 respectively as a result of their most recent actuarial review.

As a result of amendments made in September 1999, a comparable provision gives authority to deal with surpluses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the new Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last triennial actuarial review of the Public Service, the Canadian Forces, and the Royal Canadian Mounted Police pension plans, debit adjustments of nil, \$14,772 million and \$115 million (\$8,100 million, nil and \$1,900 million in 2001) were made to the Public Service, the Canadian Forces and the Royal Canadian Mounted Police Superannuation Accounts respectively.

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

ments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to the Public Sector Pension Investment Board. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, from the annual adjustment between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

**TABLE 6.13**  
**PUBLIC SECTOR PENSIONS**

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.15 .....	81,574,680,376	7,036,120,117	8,060,426,947	80,550,373,546
Allowance for pension adjustments .....	(2,838,000,000)		2,421,000,000	(5,259,000,000)
	<i>78,736,680,376</i>	<i>7,036,120,117</i>	<i>10,481,426,947</i>	<i>75,291,373,546</i>
Public Service Pension Fund Account,				
Table 6.16 .....	96,391,625	2,243,045,524	2,272,008,994	67,428,155
Allowance for pension adjustments .....	24,000,000	15,000,000	88,000,000	(49,000,000)
	<i>120,391,625</i>	<i>2,258,045,524</i>	<i>2,360,008,994</i>	<i>18,428,155</i>
Canadian Forces Superannuation Account,				
Table 6.17 .....	50,882,401,017	4,416,399,632	16,672,152,185	38,626,648,464
Allowance for pension adjustments .....	(12,485,000,000)	14,772,000,000	2,778,000,000	(491,000,000)
	<i>38,397,401,017</i>	<i>19,188,399,632</i>	<i>19,450,152,185</i>	<i>38,135,648,464</i>
Canadian Forces Pension Fund Account,				
Table 6.18 .....	56,601,545	658,168,488	679,434,663	35,335,370
Allowance for pension adjustments .....	5,000,000	25,000,000		30,000,000
	<i>61,601,545</i>	<i>683,168,488</i>	<i>679,434,663</i>	<i>65,335,370</i>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.19 .....	9,489,323,066	826,111,410	430,792,530	9,884,641,946
Allowance for pension adjustments .....	(132,000,000)	115,000,000	303,000,000	(320,000,000)
	<i>9,357,323,066</i>	<i>941,111,410</i>	<i>733,792,530</i>	<i>9,564,641,946</i>
Royal Canadian Mounted Police Pension Fund Account,				
Table 6.20 .....	8,517,057	239,042,264	237,283,575	10,275,746
Allowance for pension adjustments .....	1,000,000	2,000,000	16,000,000	(13,000,000)
	<i>9,517,057</i>	<i>241,042,264</i>	<i>253,283,575</i>	<i>(2,724,254)</i>
Members of Parliament Retiring Allowances Account,				
Table 6.21 .....	322,708,427	38,440,820	16,147,784	345,001,463
Allowance for pension adjustments .....	(43,000,000)		9,000,000	(52,000,000)
	<i>279,708,427</i>	<i>38,440,820</i>	<i>25,147,784</i>	<i>293,001,463</i>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.22 .....	52,393,494	24,113,977	11,866,667	64,640,804
Allowance for pension adjustments .....	3,000,000	66,000,000		69,000,000
	<i>55,393,494</i>	<i>90,113,977</i>	<i>11,866,667</i>	<i>133,640,804</i>
Retirement Compensation Arrangements (RCA)				
Account, Table 6.23 .....	1,012,956,945	334,718,727	159,139,496	1,188,536,176
Allowance for pension adjustments .....	176,000,000	1,121,000,000	164,000,000	1,133,000,000
	<i>1,188,956,945</i>	<i>1,455,718,727</i>	<i>323,139,496</i>	<i>2,321,536,176</i>
Supplementary Retirement Benefits Account,				
Table 6.24 .....	76,240,145	6,557,614	34,607	82,763,152
Allowance for pension adjustments .....	902,000,000	115,000,000		1,017,000,000
	<i>978,240,145</i>	<i>121,557,614</i>	<i>34,607</i>	<i>1,099,763,152</i>
Total .....	129,185,213,697	32,053,718,573	34,318,287,448	126,920,644,822
SUMMARY—				
Superannuation accounts .....	143,572,213,697	15,822,718,573	28,539,287,448	130,855,644,822
Allowance for pension adjustments .....	(14,387,000,000)	16,231,000,000	5,779,000,000	(3,935,000,000)
Total .....	129,185,213,697	32,053,718,573	34,318,287,448	126,920,644,822

Table 6.14 presents a summary of transactions in public sector pensions that resulted in charges to expenditures. Interest is based on the actuarial obligations under the various plans. The pension interest expenditure represents the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of \$2,541 million (\$2,789 million in 2001) and net of \$279 million (\$89 million in 2001) in expected return on pension plan assets.

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

	2001-2002								2000-2001	
	Government contri- butions	Adjust- ment to record the current service costs	Net current service costs	Funding of actuarial liability adjustment	Statutory payments <sup>(1)</sup>	Amorti- zation of estima- tion adjust- ments	Net pension costs	Net pension interest expen- ditures		Total
Public Service Superan- nation Account . . . . .	51	(119)	(68)			(1,130)	(1,198)	5,715	4,517	4,924
Public Service Pension Fund Account . . . . .	1,499	(88)	1,411			6	1,417	9	1,426	1,313
Canadian Forces Superan- nation Account . . . . .	17	(25)	(8)			(1,128)	(1,136)	2,762	1,626	1,828
Canadian Forces Pension Fund Account . . . . .	512	16	528			3	531	6	537	502
Defence Services Pension Continuation Act . . . . .					13		13		13	14
Royal Canadian Mounted Police Superannuation Account . . . . .	3	(5)	(2)			(160)	(162)	682	520	557
Royal Canadian Mounted Police Pension Fund Account . . . . .	179	(16)	163			1	164	1	165	162
Royal Canadian Mounted Police Continuation Act . . . . .					7		7		7	16
Members of Parliament Retiring Allowances Account . . . . .	4		4				4	24	28	27
Members of Parliament Retirement Compensation Arrangements Account. . . . .	15		15			7	22	7	29	23
Retirement Compensation Arrangements (RCA) Account . . . . .	121	(51)	70	99		39	208	104	312	229
Supplementary Retirement Benefits Account. . . . .	1	5	6			15	21	99	120	105
Judges Act . . . . .					59		59		59	54
Other (diplomatic services, lieutenant governors, etc.) . . . . .					1		1		1	1
Subtotal . . . . .	2,402	(283)	2,119	99	80	(2,347)	(49)	9,409	9,360	9,755
Less: costs already recorded in the allowance for pension adjustments of previous years . . . . .				(99)			(99)		(99)	
Total . . . . .	2,402	(283)	2,119		80	(2,347)	(148)	9,409	9,261	9,755

<sup>(1)</sup> Includes payments under Supplementary Retirement Benefits Acts and various Acts.

**PUBLIC ACCOUNTS OF CANADA, 2001-2002**

**Public Service Superannuation Account**

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

No adjustment was required to the account in 2002 and a debit adjustment of \$8,100 million was made to the account in 2001 as a result of the most recent triennial actuarial review.

**TABLE 6.15**

**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance.....	81,574,680,376	86,494,731,024
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees .....	21,416,935	119,651,710
Retired employees .....	43,513,583	47,331,221
Public Service corporation employees .....	1,645,455	21,138,121
Employer contributions—		
Government .....	51,145,083	207,710,680
Public Service corporations .....	1,056,601	18,499,246
Transfers from other pension funds .....	30,199,675	11,545,247
Interest .....	6,887,142,785	7,652,287,530
	7,036,120,117	8,078,163,755
	88,610,800,493	94,572,894,779
PAYMENTS AND OTHER CHARGES—		
Annuities .....	3,433,214,119	3,273,397,466
Minimum benefits .....	12,258,850	12,948,394
Pension division payments .....	38,377,896	30,414,056
Pension—Transfer value payments .....	139,493,717	161,881,563
Returns of contributions—		
Government employees .....	2,132,695	4,240,528
Public Service corporation employees .....	701,138	1,697,027
Transfers to other pension funds .....	205,715,794	142,167,708
Transfers to Canada Post Corporation pension plan .....	4,181,784,000	1,235,000,000
Administrative expenses .....	46,748,738	36,467,661
Actuarial liability adjustment .....		8,100,000,000
	8,060,426,947	12,998,214,403
Closing balance .....	80,550,373,546	81,574,680,376

**Public Service Pension Fund Account**

This account is used to record the transactions that pertain to post March 2000 service under the *Public Service Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2001-2002 or 2000-2001.

**TABLE 6.16**

**PUBLIC SERVICE PENSION FUND ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance.....	96,391,625	
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees .....	577,865,100	489,200,042
Retired employees .....	2,985,847	873,360
Public Service corporation employees .....	51,959,786	89,030,944
Employer contributions—		
Government .....	1,499,118,490	1,287,810,313
Public Service corporations .....	109,148,635	188,683,338
Transfers from other pension funds .....	1,967,666	3,426,756
	2,243,045,524	2,059,024,753
PAYMENTS AND OTHER CHARGES—		
Annuities .....	5,275,333	804,321
Minimum benefits .....	333,339	84,566
Pension division payments .....	142,459	54,327
Pension—Transfer value payments .....	10,116,112	1,947,267
Returns of contributions—		
Government employees .....	5,128,183	1,895,715
Public Service corporation employees .....	1,196,629	469,406
Transfers to other pension funds .....	1,506,759	
Transfers to Canada Post Corporation pension plan .....	160,000,000	
Administrative expenses .....	1,978,318	3,661,932
	185,677,132	8,917,534
Receipts and other credits less payments and other charges .....	2,057,368,392	2,050,107,219
Transfers to Pension Investment Board .....	2,086,331,862	1,953,715,594
Closing balance .....	67,428,155	96,391,625

## Canadian Forces Superannuation Account

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

A debit adjustment of \$14,772 million (nil in 2001) was made to the account as a result of the most recent triennial actuarial review.

**TABLE 6.17****CANADIAN FORCES SUPERANNUATION ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance .....	50,882,401,017	48,410,185,315
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	8,188,200	7,566,796
Contributions by the Government .....	16,560,645	13,680,109
Interest .....	4,387,043,123	4,287,369,793
Other .....	4,607,664	4,843,243
	4,416,399,632	4,313,459,941
	55,298,800,649	52,723,645,256
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	1,844,315,997	1,780,810,573
Pension division payments .....	36,228,961	35,808,486
Cash termination allowances and returns of contributions .....	12,140,738	17,980,539
Transfers to Public Service Superannuation Account .....	416,016	373,674
Administrative expenses .....	7,250,473	6,270,967
Actuarial liability adjustment .....	14,771,800,000	
	16,672,152,185	1,841,244,239
Closing balance .....	38,626,648,464	50,882,401,017

## Canadian Forces Pension Fund Account

This account is used to record the transactions that pertain to post March 2000 service under the *Canadian Forces Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2001-2002 or 2000-2001.

**TABLE 6.18****CANADIAN FORCES PENSION FUND ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance .....	56,601,545	
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel .....	145,935,063	141,678,230
Contributions by the Government .....	512,233,425	497,289,235
	658,168,488	638,967,465
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments .....	2,646,355	369,207
Pension division payments .....	91,212	5,725
Cash termination allowances and returns of contributions .....	2,473,993	831,441
Transfers to Public Service Superannuation Account .....	1,323	
Administrative expenses .....	209,701	82,596
	5,422,584	1,288,969
Receipts and other credits less payments and other charges .....	652,745,904	637,678,496
Transfers to Pension Investment Board .....	674,012,079	581,076,951
Closing balance .....	35,335,370	56,601,545



**PUBLIC ACCOUNTS OF CANADA, 2001-2002**

**Royal Canadian Mounted Police Superannuation Account**

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

A debit adjustment of \$115 million (\$1,900 million in 2001) was made to the account as a result of the most recent triennial actuarial review.

**TABLE 6.19**

**ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance.....	9,489,323,066	10,712,336,493
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	2,157,420	3,435,232
Transfers from other pension funds .....	661,979	471,343
Contributions by the Government .....	3,371,609	11,677,021
Interest .....	819,920,402	952,712,807
	826,111,410	968,296,403
	10,315,434,476	11,680,632,896
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	296,993,446	274,401,868
Pension division payments .....	8,058,144	12,106,792
Returns of contributions .....	1,149,940	2,250,731
Cash termination allowance and gratuities.....	77,175	47,466
Transfers to other pension funds .....	95,772	75,257
Interest on returns of contributions .....	260,311	20,573
Administrative expenses .....	9,357,742	2,407,143
Actuarial liability adjustment .....	114,800,000	1,900,000,000
	430,792,530	2,191,309,830
Closing balance .....	9,884,641,946	9,489,323,066

**Royal Canadian Mounted Police Pension Fund Account**

This account is used to record the transactions that pertain to post March 2000 service under the *Royal Canadian Mounted Police Superannuation Act*. The account is a flow through account used to transfer funds to and from the PSPIB. The balance at year-end corresponds to money that was in transit or impending transfer to the PSPIB.

No adjustment was required to the Fund as a result of triennial actuarial reviews in either 2001-2002 or 2000-2001.

**TABLE 6.20**

**ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance.....	8,517,057	
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	60,136,391	53,957,665
Contributions by the Government .....	178,905,873	161,300,950
	239,042,264	215,258,615
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowance payments .....	686,248	90,461
Minimum benefits .....	7,874	
Pension division payments .....	20,047	
Returns of contributions .....	207,381	42,622
Cash termination allowance and gratuities.....	2,215	1,096
Transfers to other pension funds .....	1,459	
Interest on returns of contributions .....	984	
Administrative expenses .....	339,400	97,234
	1,265,608	231,413
Receipts and other credits less payments and other charges .....	237,776,656	215,027,202
Transfers to Pension Investment Board .....	236,017,967	206,510,145
Closing balance .....	10,275,746	8,517,057

### Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.21

#### MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2001-2002	2000-2001
	\$	\$
Opening balance.....	322,708,427	303,149,382
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current.....	1,297,778	986,482
Arrears of principal, interest and mortality insurance .....	69,024	595,636
Government contributions—		
Current.....	3,847,838	2,882,101
Interest .....	33,226,180	31,014,334
	38,440,820	35,478,553
	361,149,247	338,627,935
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	15,993,470	15,514,009
Withdrawal allowances .....	4,489	155,645
Interest on withdrawals .....	30	3,484
Pension division payments .....	149,795	246,370
	16,147,784	15,919,508
Closing balance .....	345,001,463	322,708,427

### Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

TABLE 6.22

#### MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2001-2002	2000-2001
	\$	\$
Opening balance.....	52,393,494	45,498,686
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current.....	2,448,630	1,812,679
Government contributions—		
Current.....	15,269,084	7,831,603
Interest .....	6,396,263	5,031,774
	24,113,977	14,676,056
	76,507,471	60,174,742
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	1,368,096	1,113,039
Refundable tax remitted to Canada		
Customs and Revenue Agency .....	10,049,942	6,460,747
Withdrawals.....	46,142	207,462
Pension division payments .....	402,487	
	11,866,667	7,781,248
Closing balance .....	64,640,804	52,393,494

## 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.

During the year, credit adjustments of \$94 million and \$5 million were made to the RCA No.1 and No.2 respectively as a result of their most recent actuarial review.

TABLE 6.23

### RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance.....	158,940,085	102,689,332	17,979,938	9,898,583	2,340,157	1,335,807	833,696,765	952,219,083	1,012,956,945	1,066,142,805
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees.....	7,052,166	4,429,215	875,961	761,753	194,252	126,749			8,122,379	5,317,717
Retired employees.....	373,851	331,469							373,851	331,469
Public Service										
corporation										
employees.....	1,298,485	1,537,277							1,298,485	1,537,277
Employer										
contributions—										
Government.....	106,719,013	58,993,384	10,672,649	10,458,301	3,221,482	1,393,282			120,613,144	70,844,967
Public Service										
corporations.....	14,441,769	18,077,138							14,441,769	18,077,138
Refundable tax.....										
Interest.....	18,224,088	11,306,675	1,942,381	1,418,034	309,072	176,323	70,593,558	83,126,279	91,069,099	96,027,311
Actuarial liability										
adjustment.....	77,700,000		13,400,000		3,000,000		4,700,000		98,800,000	
	225,809,372	94,675,158	26,890,991	12,638,088	6,724,806	1,696,354	75,293,558	83,126,279	334,718,727	192,135,879
	384,749,457	197,364,490	44,870,929	22,536,671	9,064,963	3,032,161	908,990,323	1,035,345,362	1,347,675,672	1,258,278,684
PAYMENTS AND OTHER CHARGES—										
Annuities.....	1,125,174	736,067	(3,558,507) <sup>(1)</sup>	(576,653) <sup>(2)</sup>	36,466	14,340	75,375,028	70,548,170	72,978,161	70,721,924
Minimum benefits.....	3,174								3,174	
Pension division.....	325,472	437,592		5,434					325,472	443,026
Transfer value										
and interest.....	182,724	436,897							182,724	436,897
Returns of										
contributions—										
Government.....	7,662	4,065							7,662	4,065
Public Service										
corporation										
employees.....	9,063	22,062							9,063	22,062
Refundable tax.....	72,721,689	36,787,722	11,266,616	5,127,952	1,485,484	677,664	159,451	131,100,427	85,633,240	173,693,765
	74,374,958	38,424,405	7,708,109	4,556,733	1,521,950	692,004	75,534,479	201,648,597	159,139,496	245,321,739
Closing balance.....	310,374,499	158,940,085	37,162,820	17,979,938	7,543,013	2,340,157	833,455,844	833,696,765	1,188,536,176	1,012,956,945

<sup>(1)</sup> This amount includes a credit adjustment of \$3,672,886 for overstated benefit payments in fiscal year 1999. Had this correction not been necessary, the Actual Benefit Payments for 2001-2002 would be \$114,379.

<sup>(2)</sup> This amount includes an accounting correction of \$669,077 representing the reimbursement of erroneous charges to the RCA account during the period from 1995 to 2000. Had this correction not been necessary, the Actual Benefit Payments for 2000-2001 would be \$92,424.

## Supplementary Retirement Benefits Account

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

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

**TABLE 6.24**  
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others <sup>(1)</sup>		Total	
	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance .....		9,169,170	75,209	105,416	76,164,936	68,404,008	76,240,145	77,678,594
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government .....					1,313,170	1,958,654	1,313,170	1,958,654
Matching contributions—								
Government .....					1,311,996	1,769,595	1,311,996	1,769,595
Interest .....			1,053	5,854	3,931,395	4,056,062	3,932,448	4,061,916
			1,053	5,854	6,556,561	7,784,311	6,557,614	7,790,165
		9,169,170	76,262	111,270	82,721,497	76,188,319	82,797,759	85,468,759
PAYMENTS AND OTHER CHARGES—								
Annuities .....		9,169,170		36,061	29,616	19,561	29,616	9,224,792
Returns of contributions .....					4,991	3,822	4,991	3,822
		9,169,170		36,061	34,607	23,383	34,607	9,228,614
Closing balance .....			76,262	75,209	82,686,890	76,164,936	82,763,152	76,240,145

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

## Allowance for Pension Adjustments

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

Estimation adjustments of \$2,347 million (\$2,459 million in 2001) 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 \$99 million was recorded in this account during the year to offset pension costs charged to expenditures in previous years but recorded in the RCA accounts in 2001.

An amount of \$283 million was recorded in this account and reduced pension costs to adjust for the difference between the government contributions and the net cost of current services.

In 2001, an amount of \$9 million was credited to this account and charged to expenditures to reflect pension plan amendments.

In 2001, to reflect the cost of a partial plan settlement, an amount of \$215 million was credited to this account and charged to expenditures and unamortized estimation adjustments of \$510 million were written off to this account and reduced expenditures.

An amount of \$14,887 million (\$10,000 million in 2001) was credited to this account in counterpart to the debit adjustments made in the superannuation accounts as a result of the most recent actuarial valuations.

An amount of \$2,541 million (\$2,789 million in 2001) was debited to this account to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of \$279 million (\$89 million in 2001) was recorded in this account to record the expected return on the pension plan assets.

As well, a consolidation adjustment of \$1,114 million was credited to this account and debited against other income tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of \$7,334 million (\$8,343 million in 2001) will be amortized to this account and will reduce expenditures in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be \$11,269 million (\$23,748 million in 2001) lower than the balance of the superannuation accounts and the market related value of the assets invested in the PSPIB through the Pension Funds. This amount is made of:

	Excess (shortfall) (in millions of dollars)	
	2002	2001
Public Service Pension Plan—		
Public Service Superannuation		
Account .....	9,881	8,227
Public Service Pension Fund .....	(89)	(79)
	9,792	8,148
Canadian Forces Pension Plan—		
Canadian Forces Superannuation		
Account .....	3,133	16,288
Canadian Forces Pension Fund .....	(102)	(34)
	3,031	16,254
Royal Canadian Mounted Police		
Pension Plan—		
Royal Canadian Mounted Police		
Superannuation Account .....	1,089	1,021
Royal Canadian Mounted		
Police Pension Fund .....	(5)	(8)
	1,084	1,013
Members of Parliament Retiring Allowances .....	37	(27)
Retirement Compensation Arrangements .....	(1,533)	(542)
Pension plan for federally appointed		
judges .....	(1,142)	(1,098)
Total .....	11,269	23,748

## 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 \$51,925 million (\$45,688 million in 2001).

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

Table 6.25 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

**TABLE 6.25**  
**DUE TO CANADA PENSION PLAN**

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements .....	45,688,377,043	27,097,666,262	20,861,162,895	51,924,880,410
Less: Receivables, net of liabilities .....	2,552,796,703	2,593,923,119	2,552,796,703	2,593,923,119
Accumulated net income from Canada Pension Plan Investment Board's operations .....	(391,590,000)	304,963,709		(86,626,291)
	43,527,170,340	24,198,779,434	18,308,366,192	49,417,583,582
Less: transfers to Canada Pension Plan Investment Board .....	7,545,421,000		6,826,171,252	14,371,592,252
Subtotal .....	35,981,749,340	24,198,779,434	11,482,194,940	35,045,991,330
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada .....	3,403,537,000	17,622,000		3,385,915,000
Newfoundland and Labrador .....	633,656,000	52,973,000	52,376,113	633,059,113
Nova Scotia .....	1,173,077,000	96,251,000	96,251,000	1,173,077,000
Prince Edward Island .....	140,469,000	11,504,000	11,374,000	140,339,000
New Brunswick .....	835,171,000	75,637,000	74,784,408	834,318,408
Quebec .....	95,813,000	6,316,000	6,250,049	95,747,049
Ontario .....	12,708,448,000	1,268,736,000	503,955,000	11,943,667,000
Manitoba .....	1,394,972,000	135,001,000		1,259,971,000
Saskatchewan .....	1,329,256,000	109,647,000		1,219,609,000
Alberta .....	3,776,251,000	216,739,000		3,559,512,000
British Columbia .....	4,096,848,000	378,223,000	308,580,177	4,027,205,177
Yukon Territory .....	3,726,000			3,726,000
	29,591,224,000	2,368,649,000	1,053,570,747	28,276,145,747
Canada short-term investment .....	29,591,224,000	2,368,649,000	1,053,570,747	28,276,145,747
Deposit with the Receiver General for Canada .....	6,390,525,340	26,567,428,434	26,188,108,191	6,769,845,583

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

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 8.6 percent and 9.4 percent of pensionable earnings for the 2001 and 2002 calendar years, subject to maximum combined contributions of \$2,993 and \$3,346 respectively;
- (b) income from investments in bonds held by the Fund, from short-term investments in Canada bonds, and from the average daily operating balance deposited with the Receiver General for Canada, and;
- (c) funds received from the federal, provincial and territorial governments for the bonds which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;
- (b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan;
- (e) funds reinvested during the year in the bonds of provincial and territorial governments;
- (f) funds invested during the year in short-term investments in Canada bonds; and,
- (g) funds transferred to the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *Nineteenth 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, 2002, over 87,217 annuitants held 95,140 active contracts, each annuitant receiving an average payment of \$656.49. During the year, 852 deferred annuities came into payment and another 274 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2002, there were 5,324 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2001-2002 fiscal year, 6,129 annuities were terminated or adjusted as a result of annuitant deaths: 4,051 group certificates and 2,078 individual contracts. The average age at death for males was 82.9 while the female age at death averaged 87.6.

Total income amounted to \$33.3 million, \$33.1 million of which represented interest of 7 percent credited to the Account. Premiums received totaled \$73,604. Total disbursements of \$65.2 million originated mainly from the \$64.3 million in payments made under matured annuities. An amount of \$326,045 was used to refund premiums at death before maturity or when the annuity would have been too small, and \$575,488 was transferred to the Consolidated Revenue Fund as a result of unclaimed annuities.

The opening balance of \$513.4 million was reduced due to a surplus as at April 1, 2001 of \$5.7 million, transferred to the Consolidated Revenue Fund, and disbursements exceeding income by \$31.9 million during 2001-2002. Since the actuarial reserves required as of March 31, 2002 were only \$471.3 million, a surplus of \$4.5 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, 2001, the fifth payment of the annual subsidy was made in the amount of \$48.3 million. This payment represents payment of principal in the amount of \$17.4 million and interest expense of \$30.9 million. The interest rate is 4.009 percent and the present value of the annual cash payment is \$48.3 million.

As a result, the Government of Canada has a recorded liability of \$753 million offset by deferred subsidies of \$709 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The deferred subsidies will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 2001-2002 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 at 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 \$687 million, offset by deferred payments. These deferred payments will be amortized over the 21-year period ending on December 30, 2021.



## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities,

these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions in deposit and trust accounts.

**TABLE 6.26**  
**DEPOSIT AND TRUST ACCOUNTS**

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Guarantee deposits—Board of Arbitration and Review Tribunal .....	809	48,155	44,554	4,410
Canadian Dairy Commission—				
Canadian Dairy Commission account .....	(27,331,202)	46,933,688	18,163,201	1,439,285
	(27,330,393)	46,981,843	18,207,755	1,443,695
Canada Customs and Revenue Agency—				
Guarantee deposits .....	16,414,005	6,833,418	3,467,430	19,779,993
Less: securities held in trust .....	2,317,800	31,800		2,286,000
	14,096,205	6,865,218	3,467,430	17,493,993
Temporary deposits received from importers .....	555,954	676,899		1,232,853
Less: deposits in special bank accounts .....	555,954		676,899	1,232,853
		676,899	676,899	
	14,096,205	7,542,117	4,144,329	17,493,993
Citizenship and Immigration—				
General security deposits .....	358,196	10,784	10,784	358,196
Immigration guarantee fund .....	21,609,210	10,207,503	7,598,981	24,217,732
Seized monetary assets .....		6,824		6,824
	21,967,406	10,225,111	7,609,765	24,582,752
Finance—				
Canada Development Investment Corpora- tion—				
Holdback—Privatization .....	82,000,000			82,000,000
Human Resources Development—				
Canada Labour Code—Other .....	100,623	396,573	486,206	10,990
Canada Labour Code—Wage Recovery Appeals .....	420,818	569,215	461,493	528,540
Fair wages deposit account (formerly Fair wages suspense account) .....	910	4,836	4,836	910
	522,351	970,624	952,535	540,440
Indian Affairs and Northern Development—				
Agent administered Indian minors account .....	341,837	14,257	271,388	84,706
Less: securities held in Peace Hills Trust .....	341,837	271,388	14,257	84,706
		285,645	285,645	
Field British Columbia and Yukon Operations of the Northern Canada Power Commission .....	992,588			992,588
Fines—Indian Act .....	380,562	2,498	1,673	381,387
Guarantee deposits .....	17,367,035	2,867,481	2,165,651	18,068,865
Less: securities held in trust .....	13,659,526	125,000		13,534,526
	3,707,509	2,992,481	2,165,651	4,534,339
Guarantee deposits—Oil and gas .....	188,360,108	9,268,812	3,260,786	194,368,134
Less: securities held in trust .....	186,286,404	2,747,223	7,107,556	190,646,737
	2,073,704	12,016,035	10,368,342	3,721,397
Guarantee deposits—Reserve resources .....	766,953			766,953

TABLE 6.26

## DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
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 .....	30,837,852	29,525,567	24,172,903	36,190,516
Special accounts—Section 63,				
Indian Act .....	92,088	3,023,525	3,014,758	100,855
Less: deposits in special bank accounts .....	92,088	3,014,758	3,023,525	100,855
		6,038,283	6,038,283	
	38,981,508	50,860,509	43,032,497	46,809,520
Industry—				
Trustee Performance Securities—Bankruptcy and				
Insolvency Act .....	19,000			19,000
Justice—				
Supreme Court of Canada—				
Security for costs .....	346,942	21,718	12,816	355,844
Tax Court of Canada—				
Security for costs .....	(24)	24		
	346,918	21,742	12,816	355,844
Natural Resources—				
Guarantee deposits—Oil and gas .....	428,943,214	170,102,415	86,352,938	512,692,691
Less: securities held in trust .....	428,351,555		81,771,782	510,123,337
	591,659	170,102,415	168,124,720	2,569,354
Privy Council—				
Chief Electoral Officer—Candidates' and committees'				
deposits —Election and referendum .....	1,693,000		1,555,000	138,000
Public Works and Government Services—				
Contractors' security deposits (departments and				
agencies)—				
Bonds .....	1,018,629		82,188	936,441
Less: securities held in trust .....	765,329	82,188		683,141
	253,300	82,188	82,188	253,300
Cash .....	6,296,789	6,193,176	6,552,829	5,937,136
Certified cheques .....	77,525		99,308	(21,783)
Less: securities held in trust .....				
	77,525		99,308	(21,783)
Seized property—Cash .....	22,714,978	24,739,427	21,427,704	26,026,701
	29,342,592	31,014,791	28,162,029	32,195,354
Total deposit accounts .....	162,230,246	317,719,152	271,801,446	208,147,952
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account .....	42,642	1,665	44,307	
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.27 .....	976,524,519	188,259,750	172,517,151	992,267,118
Revenue accounts, Table 6.28 .....	138,797,339	91,997,300	82,682,872	148,111,767
	1,115,321,858	280,257,050	255,200,023	1,140,378,885
Indian estate accounts .....	10,344,042	6,420,653	5,159,994	11,604,701
Indian savings accounts .....	63,862,786	7,005,844	18,920,291	51,948,339
	1,189,528,686	293,683,547	279,280,308	1,203,931,925
National Defence—				
Estates—Armed services .....	1,039,820	977,704	1,682,633	334,891

TABLE 6.26

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards .....	31,878	1,305	2,000	31,183
Correctional Service—				
Inmates' trust fund .....	9,240,921	30,164,114	29,580,192	9,824,843
Royal Canadian Mounted Police—				
Benefit trust fund .....	2,105,797	116,405	134,624	2,087,578
	<i>11,378,596</i>	<i>30,281,824</i>	<i>29,716,816</i>	<i>11,943,604</i>
Veterans Affairs—				
Administered accounts .....	2,705,745	1,148,766	1,108,359	2,746,152
Estates fund .....	2,464,832	259,438	135,546	2,588,724
Veterans administration and welfare trust				
fund .....	796,912	86,259	108,022	775,149
	<i>5,967,489</i>	<i>1,494,463</i>	<i>1,351,927</i>	<i>6,110,025</i>
Total trust accounts .....	1,207,957,233	326,439,203	312,075,991	1,222,320,445
Total deposit and trust accounts .....	1,370,187,479	644,158,355	583,877,437	1,430,468,397

**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.

The balance in this account has been adjusted by \$3,601 due to incorrect coding of transactions that should have been credited to the "Contractor security deposits held in trust". This coding error will be corrected in the new fiscal year.

**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—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.

**Seized monetary assets**

This account was established in accordance with sections 102.01 and 102.04 of the *Immigration Act* which authorized the Minister to seize any thing that is believed to be, on reasonable ground, evidence and that will afford evidence in respect of a contravention under the *Immigration Act*.

### **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.

### **Canada Labour Code—Other**

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

### **Canada Labour Code—Wage Recovery Appeals**

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

### **Fair wages deposit account (formerly 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.

### **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.

### **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.

### **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.

### **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.

### **Special accounts—Section 63, *Indian Act* (formerly 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.

### **Trustee Performance Securities—Bankruptcy and Insolvency Act**

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

### **Security for costs—Supreme Court of Canada**

This account was established to record security to the value of \$500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 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.

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

### **Seized property—Cash**

This account was established pursuant to the *Seized Property Management Act*, to record seized cash and proceeds from the interlocutory sale of seized assets. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

### **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.

During the year, the account was closed.

### Indian band funds

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

**TABLE 6.27**

#### INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	2001-2002	2000-2001
	\$	\$
Opening balance.....	976,524,519	808,129,706
RECEIPTS AND OTHER CREDITS—		
Oil royalties.....	24,406,467	32,163,906
Gas royalties.....	149,432,161	245,175,976
Sundries.....	14,421,122	10,981,162
	188,259,750	288,321,044
	1,164,784,269	1,096,450,750
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribu- tion.....	8,797,578	6,124,652
Transfer pursuant to section 64 of the Indian Act.....	163,715,643	111,592,805
Sundries.....	3,930	2,208,774
	172,517,151	119,926,231
Closing balance.....	992,267,118	976,524,519

**TABLE 6.28**

#### INDIAN BAND FUNDS—REVENUE ACCOUNTS

	2001-2002	2000-2001
	\$	\$
Opening balance.....	138,797,339	139,557,021
RECEIPTS AND OTHER CREDITS—		
Government interest.....	65,098,582	56,987,458
Land and other claim settlements.....	120,000	124,234
Sundries.....	26,778,718	27,287,611
	91,997,300	84,399,303
	230,794,639	223,956,324
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribu- tion.....	25,718,180	18,922,777
Transfer pursuant to section 69 of the Indian Act.....	54,964,407	63,054,185
Sundries.....	2,000,285	3,182,023
	82,682,872	85,158,985
Closing balance.....	148,111,767	138,797,339

### Indian estate accounts

Indian estate accounts represent a number of accounts which are maintained for specific purposes and include the following:

To record moneys received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians (previously reported under "Indian special accounts"), pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

To record personal contributions held in trust until paid to the vendor, builder or legal representative.

To record 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. (previously reported under "Indian special accounts").

### Indian savings accounts

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

### Estates—Armed services

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

### Scholastic awards

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

### Inmates' trust fund

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

### Benefit trust fund

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

### **Administered accounts**

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

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

### **Estates fund**

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

### **Veterans administration and welfare trust fund**

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

## Other Specified Purpose Accounts

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

Table 6.29 presents a summary of the balances and transactions for all other specified purpose accounts.

**TABLE 6.29**  
**OTHER SPECIFIED PURPOSE ACCOUNTS**

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation . . . . .	6,624,145	53,475	6,677,620	
Human Resources Development—				
Civil service insurance fund . . . . .	7,994,494	347,683	442,277	7,899,900
National Defence—				
Regular forces death benefit account,				
Table 6.30 . . . . .	189,442,223	27,050,532	24,506,033	191,986,722
Treasury Board—				
Public Service death benefit account,				
Table 6.31 . . . . .	1,799,147,082	217,040,579	118,955,854	1,897,231,807
Veterans Affairs—				
Returned soldiers' insurance fund . . . . .	65,371	3,001	12,885	55,487
Veterans insurance fund . . . . .	11,039,931	383,898	1,226,164	10,197,665
	11,105,302	386,899	1,239,049	10,253,152
Total insurance and death benefit accounts . . . . .	2,014,313,246	244,879,168	151,820,833	2,107,371,581
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account . . . . .	11,176	5,307	6,220	10,263
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund . . . . .	30,960,532	2,649,302	2,239,642	31,370,192
Treasury Board—				
Locally engaged contributory pension				
account . . . . .		94,334	94,334	
Total pension accounts . . . . .	30,971,708	2,748,943	2,340,196	31,380,455
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification . . . . .	223,475			223,475
Commodity Industry Development Fund—Province . . . . .	806,073	9,173	812,572	2,674
Net Income Stabilization Account . . . . .	1,627,945,983	733,654,607	612,803,711	1,748,796,879
Shared-cost agreements—Research . . . . .	23,990,396	57,561,053	52,123,225	29,428,224
Canadian Food Inspection Agency—				
Shared-cost agreements . . . . .	1,403,786	947,394	663,975	1,687,205
Canadian Grain Commission—				
Automated Quality Testing—Private sector . . . . .	328,173	19,772	291,210	56,735
	1,654,697,886	792,191,999	666,694,693	1,780,195,192
Canada Customs and Revenue Agency—				
Deposits/Disbursements—Worker's				
Compensation Board . . . . .	2,584,523	160,239,634	157,241,231	5,582,926



TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Canadian Heritage—				
Miscellaneous projects deposits . . . . .	369,880	433,898	277,777	526,001
Shared-cost/joint project agreements . . . . .	672		672	
Canadian Film Development Corporation—				
Advance account . . . . .	15,578,335	206,899,974	210,366,815	12,111,494
National Archives of Canada—				
Donations <sup>(1)</sup> . . . . .		382,757	166,124	216,633
National Library—				
Special Operating Account <sup>(1)</sup> . . . . .		570,057	358,722	211,335
Parks Canada Agency—				
Miscellaneous projects deposits . . . . .	1,738,030	803,009	2,257,557	283,482
	17,686,917	209,089,695	213,427,667	13,348,945
Environment—				
Miscellaneous projects deposits . . . . .	3,056,860	4,618,228	3,144,285	4,530,803
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 . . . . .	1,397,196	1,252,446	1,407,107	1,242,535
Miscellaneous projects deposits . . . . .	9,416,560	26,619,438	25,502,718	10,533,280
Sales of seized assets . . . . .	803,857	1,097,063	640,877	1,260,043
	11,617,613	28,968,947	27,550,702	13,035,858
Foreign Affairs and International Trade—				
Canada Foundation account . . . . .	322,865	8,343		331,208
Less: securities held in trust . . . . .	305,600		3,758	309,358
deposits in a special bank account . . . . .	17,265		4,585	21,850
		8,343	8,343	
Financial assistance to Canadians abroad . . . . .	90,648	1,274,439	1,254,612	110,475
Funds from non-governmental organizations . . . . .	16,201,610	69,089,099	76,495,142	8,795,567
Shared-cost projects . . . . .	4,101,311	6,366,484	8,463,970	2,003,825
Canadian International Development Agency—				
Shared-cost projects—International conferences . . . . .	29,162	82,393		111,555
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements . . . . .	13,905		12,806	1,099
	20,436,636	76,820,758	86,234,873	11,022,521
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities . . . . .	50,000			50,000
Collaborative research projects . . . . .	1,152,908	1,145,780	765,263	1,533,425
Miscellaneous federal/provincial projects . . . . .	1,316,098	6,884,372	6,229,635	1,970,835
Pan American Health Organization . . . . .	(1,154)			(1,154)
World Health Organization . . . . .	124,023		19,508	104,515
	2,641,875	8,030,152	7,014,406	3,657,621
Human Resources Development—				
Federal/provincial shared-cost project . . . . .	2,986,007	15,524,589	15,875,655	2,634,941
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS) . .	2,300,172	648,889	2,862,287	86,774
Labour standards suspense account . . . . .	1,335,095	2,288		1,337,383
Canadian Centre for Occupational Health and Safety—				
PanAsia Research and Development Grants Program . . . . .	252,858	199,582	328,517	123,923
	6,874,132	16,375,348	19,066,459	4,183,021

TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Industry—				
Canada/Provinces Business Service Centre .....		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act .....	49,337	528		49,865
Petro-Canada Enterprises Inc.—Unclaimed shares .....	697,591		2,278	695,313
Securities in trust—Bankruptcy and Insolvency Act .....	31,266			31,266
Less: securities held in trust .....	31,266			31,266
Shared-cost agreements—Tourism .....	2,250			2,250
Shared-cost/joint project agreements—Research .....	130,404	78,330	43,382	165,352
Shared-cost projects .....	2,739,804	3,734,378	3,115,353	3,358,829
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act .....	5,949,860	2,871,878	1,759,767	7,061,971
Canada Business Corporations Act .....	1,296,749	481,532		1,778,281
Winding-up Act .....	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account .....	1,559,311	7,951,085	8,047,691	1,462,705
Canadian Space Agency—				
Radarsat .....	136,511		22,296	114,215
Natural Sciences and Engineering Research Council—				
Trust fund .....	1,240,245	498,245	615,395	1,123,095
Statistics Canada—				
Project deposits .....	4,603,872	7,700,298	7,672,326	4,631,844
Western Economic Diversification—				
Jobs and economic restoration initiative .....		36,943		36,943
Shared-cost agreements—Port of Churchill .....	2,860,675	25,600	2,742,097	144,178
	21,796,268	23,378,817	24,020,585	21,154,500
Justice—				
Federal Court of Canada—				
Federal Court special account .....	17,699,866	1,332,152	4,053,986	14,978,032
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta .....	16,002,989	29,959,691	25,543,958	20,418,722
Wainwright, Alberta .....	1,028,661	2,116,768	2,270,127	875,302
Other activities .....	934,577	16,671,271	11,929,200	5,676,648
United States of America .....	(10,936)	54,932		43,996
Federal Republic of Germany—				
German Army—Shilo, Manitoba .....	3,223,984	8,080,518	4,630,179	6,674,323
Other activities .....	6,831,863	28,606,552	27,274,337	8,164,078
Netherlands .....	6,765,332	6,694,176	7,372,900	6,086,608
Italian Air Force Training .....	966,961	4,150,110	5,116,949	122
Air projects .....		181,000		181,000
Material projects .....		84,796		84,796
Security .....		920,460	115,602	804,858
NATO Flying Training Centre .....		13,178,387		13,178,387
Joint research and development projects .....	855,210	18,050,236	16,783,891	2,121,555
Non-government agencies .....	18,135,179	1,509,648	17,633,874	2,010,953
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects .....	6,629,095	731,681	742,667	6,618,109
	61,362,915	130,990,226	119,413,684	72,939,457
Natural Resources—				
Market development incentive payments—Alberta .....	6,179,987	1,242,259	706,469	6,715,777
Shared-cost agreements—Research .....	1,334,931	5,501,552	2,731,613	4,104,870
Shared-cost projects .....	8,177,142	13,857,628	12,460,909	9,573,861
	15,692,060	20,601,439	15,898,991	20,394,508
Privy Council—				
Shared-cost projects—Media travel expenses .....	369,934	441,943	535,816	276,061
Canadian Centre for Management Development—				
Donations <sup>(1)</sup> .....		13,787		13,787
	369,934	455,730	535,816	289,848

TABLE 6.29

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Public Works and Government Services—				
Crown Corporation Trusts—Donations . . . . .	169,800	76,551		246,351
Francophone Summits . . . . .	6,373	49,050	21,778	33,645
Interest on bonds—Insurance companies . . . . .				
Military purchases excess funds deposit . . . . .	33,198,329	3,821,679		37,020,008
Less: securities held in trust . . . . .	33,198,329		3,821,679	37,020,008
	176,173	3,947,280	3,843,457	279,996
Solicitor General—				
Joint research and development projects . . . . .	2,191,396	3,275,206	2,553,698	2,912,904
Royal Canadian Mounted Police—				
Joint research and development projects . . . . .		1,276,007	893,349	382,658
Seized assets—Canadian funds . . . . .	223,564	5,563,567	4,514,459	1,272,672
	2,414,960	10,114,780	7,961,506	4,568,234
Treasury Board—				
Credit card—Special project fund . . . . .	1,000,000			1,000,000
Total . . . . .	1,842,969,645	1,487,155,185	1,356,102,341	1,974,022,489
Less: consolidation adjustment <sup>(2)</sup> . . . . .	15,578,000		3,466,506	12,111,494
Total other accounts . . . . .	1,827,391,645	1,487,155,185	1,352,635,835	1,961,910,995
Total other specified purpose accounts . . . . .	3,872,676,599	1,734,783,296	1,506,796,864	4,100,663,031

<sup>(1)</sup> This account was previously reported in Section 4, Table 4.5 of this volume. During the year, the opening balance has been recorded under the column "Receipts and other credits" and has been adjusted by \$89,304.

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

### Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

### 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 a certain sum of money to be made on the death of the person. No new contracts have been entered into since 1954 when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 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, 2002 were 1,884 and the average age of the policy holders is 83.9 years. During the fiscal year 2001-2002, receipts and other credits consisted of premiums of \$4,336 and, an amount of \$343,347 (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, 2001. Payments and other charges consisted of death benefits, settlement annuities and premium refunds of \$442,277 paid during the fiscal year 2001-2002.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act were estimated at \$7,899,900 as of March 31, 2002, resulting in a deficit of \$198,821. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of \$198,821 has been credited to the Account in the fiscal year 2001-2002 from the Consolidated Revenue Fund. As a result both the assets and liabilities of the fund are equal at \$7,899,900.

### Regular forces death benefit account

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

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

**TABLE 6.30**

#### REGULAR FORCES DEATH BENEFIT ACCOUNT

	2001-2002	2000-2001
	\$	\$
Opening balance .....	189,442,223	185,193,953
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel .....	11,787,829	11,162,301
Government's contribution .....	(635,197) <sup>(1)</sup>	1,535,433
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution .....	683,746	649,956
Interest .....	15,214,154	16,287,519
	27,050,532	29,635,209
	216,492,755	214,829,162
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 .....	24,506,033	25,386,939
Closing balance .....	191,986,722	189,442,223

<sup>(1)</sup> Contributions by the Government includes a debit adjustment of \$2,376,320 for overstated contributions for fiscal years 1995 to 2000 on reduced death benefits of \$5,000. Had this correction not been made, the Government contributions for 2001-2002 would be \$1,741,123.

**Public Service death benefit account**

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

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

**TABLE 6.31**  
**PUBLIC SERVICE DEATH BENEFIT ACCOUNT**

	2001-2002	2000-2001
	\$	\$
Opening balance.....	1,799,147,082	1,707,010,592
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations .....	53,108,598	53,229,561
Government—		
General.....	6,519,919	6,809,707
Single premium for \$10,000.....	1,150,570	1,282,817
Public Service corporations .....	749,676	1,844,903
Interest .....	155,511,816	151,386,327
	217,040,579	214,553,315
	2,016,187,661	1,921,563,907
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General.....	77,978,543	81,499,261
Life coverage for \$10,000.....	40,746,080	40,700,342
Other death benefit payments .....	231,231	217,222
	118,955,854	122,416,825
Closing balance .....	1,897,231,807	1,799,147,082

**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, 2001 of \$3,029 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was August 31, 1933.

**Veterans insurance fund**

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2001 of \$357,327 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, 2002, participant deposits pertained in most part, to the 2000 stabilization year (the period for which a participant filed a 2000 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 2000 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 2000 stabilization year, with the exception of Alberta, the federal and provincial governments provided base matching contributions equal to two thirds and one third, respectively of participant matchable deposits. The federal Government contributed the full 3 percent for Alberta;
- (b) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (c) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (d) bonus interest of 3 percent per annum, split between the federal and provincial governments, except the Province of Alberta, calculated on participant contributions; less,
- (e) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers: a stabilization trigger and a minimum income trigger).

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

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

### **Shared-cost agreements—Canadian Food Inspection Agency**

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

### **Automated Quality Testing—Private sector**

The purpose of the account is to develop new, rapid, automated testing methods to determine the quality of grain and to commercialize them. This project is funded at least 50% from the private sector. The authority comes from Treasury Board minute N. 827824 as at February 10, 2000.

### **Deposits/Disbursements—Worker's Compensation Board**

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

### **Miscellaneous projects deposits—Canadian Heritage**

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

### **Shared-cost/joint project agreements—Canadian Heritage**

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

### **Advance account—Canadian Film Development Corporation**

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

### **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 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.

### **Miscellaneous projects deposits—Parks Canada Agency**

This account was established to record contributions received from organizations and individuals for various projects.

### **Miscellaneous projects deposits—Environment**

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

### **Common school funds—Ontario and Quebec**

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

### **Foreign claims fund**

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

### **War claims fund—World War II**

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

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

### **Federal/provincial cost-sharing agreements**

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

**Miscellaneous projects deposits—Fisheries and Oceans**

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

**Sales of seized assets**

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

**Canada Foundation account**

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

**Financial assistance to Canadians abroad**

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

**Funds from non-governmental organizations**

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

**Shared-cost projects—Foreign Affairs and International Trade**

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

**Shared-cost projects—International conferences**

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

**Shared-cost agreements—NAFTA Secretariat, Canadian Section**

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

**Canadian Sports Pool Corporation—Other outstanding liabilities**

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

**Collaborative research projects**

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

**Miscellaneous federal/provincial projects—Health**

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

**Pan American Health Organization**

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

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

**World Health Organization**

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

**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. Wages are paid out when employees are located or when employees contact the department for payment.

### **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.

### **Canada/Provinces Business Service Centre**

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

### **Income from securities in trust—Bankruptcy and Insolvency Act**

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

### **Petro-Canada Enterprises Inc—Unclaimed shares**

This account was established to record the liability to shareholders who have not presented their shares for payment.

### **Securities in trust—Bankruptcy and Insolvency Act**

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

### **Shared-cost agreements—Tourism**

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

As of January 2, 2001, Canadian Tourism Commission is now a Crown Corporation listed in Part I of Schedule III of the *Financial Administration Act*.

### **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—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.

**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.

**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.

**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 (includes the formerly "Miscellaneous projects deposits" account)**

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

**Shared-cost projects—Media travel expenses**

This account was established to record money received in advance for services from non-governmental organisations.

**Canadian Centre for Management Development—Donations**

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

**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 partner languages as well as 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.

**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.

**Credit card—Special project fund**

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

## Deferred Revenue—Specified Purpose Accounts

Deferred revenue specified purpose accounts represent an obligation of the Government of Canada to spend funds received for a specified purpose. Revenue is recognized in the Statement of Revenues, Expenditures and Accumulated Deficit as the funds are used for their specified purpose.

Table 6.32 presents a summary of the balances and transactions of deferred revenue specified purpose accounts.

**TABLE 6.32**  
DEFERRED REVENUE—SPECIFIED PURPOSE ACCOUNTS

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Donation and bequest accounts—				
Citizenship and Immigration—				
50th Anniversary of the Canadian Citizenship Act Celebrations <sup>(1)</sup> .....		4,296	4,296	
Environment—				
Endangered Species—Donations <sup>(1)</sup> .....		104,112		104,112
Fisheries and Oceans—				
St-Lawrence Seaway Dredging <sup>(1)</sup> .....	1,802,192	5,082,376	4,957,340	1,927,228
Foreign Affairs and International Trade—				
Canadian Landmine Action Fund <sup>(1)</sup> .....		382,071	15,000	367,071
Governor General—				
Rideau Hall—Donations <sup>(1)</sup> .....		7,500	7,500	
Health—				
Canadian Institutes of Health Research—				
Donations for research <sup>(1)</sup> .....		5,378,936	4,000,591	1,378,345
Human Resources Development—				
Canadian Centre for Occupational Health and Safety—				
Donations <sup>(1)</sup> .....		87,747		87,747
Industry—				
Prime Minister Awards <sup>(1)</sup> .....		1,517,100	142,870	1,374,230
National Research Council of Canada—				
Trust fund <sup>(2)</sup> .....	19,294,016	20,763,305	19,836,019	20,221,302
Natural Sciences and Engineering Research Council—				
Trust fund .....		250		250
Social Sciences and Humanities Research Council—				
Trust fund <sup>(2)</sup> .....	389,305	29,302	20,000	398,607
National Defence—				
Corporate sponsorships and donations <sup>(1)</sup> .....		13,399	9,992	3,407
Privy Council—				
National Round Table on the Environment and Economy—				
Donations <sup>(1)</sup> .....		283,155	283,155	
Solicitor General—				
Royal Canadian Mounted Police—				
Royal Canadian Mounted Police Pipe Band (NCR) <sup>(1)</sup> .....		8,800	8,700	100
Mounted Police Foundation <sup>(2)</sup> .....	56,429	176,856	157,297	75,988
Sponsorship Agreement—Contributions <sup>(2)</sup> .....	1,277,779	7,985,892	7,683,440	1,580,231
Total donation and bequest accounts .....	22,819,721	41,825,097	37,126,200	27,518,618

TABLE 6.32

DEFERRED REVENUE—SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2001	Receipts and other credits	Payments and other charges	March 31/2002
	\$	\$	\$	\$
Endowment interest accounts—				
Canadian Heritage—				
Parks Canada Agency—				
Laurier House—Interest (formerly				
Mackenzie King trust account) <sup>(2)</sup> .....	13,117	97,565	52,785	57,897
Health—				
Endowments for health research (formerly				
Dyskinesia and torticollis research) <sup>(2)</sup> .....	2,885	2,346		5,231
Industry—				
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund <sup>(2)</sup> .....	35,979	8,690		44,669
Total endowment interest accounts .....	51,981	108,601	52,785	107,797
Total deferred revenue specified purpose accounts .....	22,871,702	41,933,698	37,178,985	27,626,415

<sup>(1)</sup> This account was previously reported in Section 4, Table 4.5 of this volume. During the year, the opening balance has been recorded under the column "Receipts and other credits".

<sup>(2)</sup> This account was previously reported in Section 6, Table 6.29 of this volume.

### 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.

During the year, the account was closed.

### 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.

### 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.

### Canadian Landmine Action Fund

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

### Rideau Hall Donations

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

### Canadian Institutes of Health Research—Donations for Research

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

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

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

### 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.

**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.

**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.

**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.

**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.

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

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

**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.

**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.

**Laurier House—Interest (formerly Mackenzie King trust account)**

Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is credited to the account at the end of each year. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

**Endowments for health research (formerly Dyskinesia and torticollis research)**

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

**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.

## 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 best estimates and judgements. The financial information presented throughout the *Annual Report* is consistent with the financial statements.

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

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

ALAN WINBERG  
*Assistant Deputy Minister  
Financial and Administrative Services*

MARYANTONETT FLUMIAN  
*Associate Deputy Minister*

July 25, 2002

#### AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT  
CANADA

I have audited the statement of net assets of the Canada Pension Plan as at March 31, 2002 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canada Pension Plan as at March 31, 2002 and the changes in its net assets for the year then ended in accordance with the significant accounting policies set out in Note 2 to the financial statements.

Sheila Fraser, FCA  
Auditor General of Canada

Ottawa, Canada  
July 25, 2002

**Canada Pension Plan—Continued**

## CANADA PENSION PLAN

## STATEMENT OF NET ASSETS

AS AT MARCH 31

(in millions of dollars)

	2002	2001
Assets		
Investments		
CPP Investment Fund—At cost (Note 3)		
Provincial and territorial bonds.....	24,890	26,188
Canada bonds.....	3,386	3,403
CPP Investment Board—At fair value (Note 4)		
Canadian equities.....	10,114	5,024
Non-Canadian equities.....	4,175	2,131
Cash		
Deposit with Receiver General for Canada.....	6,770	6,420
Receivables		
Contributions.....	1,594	1,415
Accrued interest.....	1,030	1,139
Régime des rentes du Québec.....	25	24
Beneficiaries (Note 5).....	43	46
	52,027	45,790
Liabilities		
Accounts payable.....	47	51
Accrued pensions and benefits.....	51	50
CPP Investment Board's liabilities, net of its other assets.....	4	1
	102	102
Net assets.....	51,925	45,688
Net assets, represented by:		
Canada Pension Plan Investment Fund.....	28,276	29,591
Accumulated transfers to Canada Pension Plan Investment Board.....	14,372	7,546
Accumulated net loss from Investment Board's operations.....	(87)	(391)
Canada Pension Plan Account (Note 6).....	6,770	6,420
CPP Receivables, net of liabilities.....	2,594	2,522
Net assets.....	51,925	45,688

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*

MARYANTONETT FLUMIAN

*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)

	2002	2001
Net assets, beginning of year . . . . .	45,688	41,261
Increase in assets		
Contributions (Note 7) . . . . .	23,533	21,407
Investment income (Note 8) . . . . .	3,565	2,849
	27,098	24,256
Decrease in assets		
Pensions and benefits (Note 9)		
Retirement . . . . .	14,270	13,527
Survivors . . . . .	2,933	2,802
Disability . . . . .	2,641	2,546
Disabled contributor's child . . . . .	242	233
Death . . . . .	227	213
Orphan . . . . .	205	198
Less: Net overpayments . . . . .	28	25
	20,490	19,494
Administration costs (Note 10) . . . . .	371	335
	20,861	19,829
Increase in net assets . . . . .	6,237	4,427
Net assets, end of year . . . . .	51,925	45,688

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

**Canada Pension Plan—Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

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

The financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 6). The CPP Investment Fund (Note 3) holds the bond portfolio of the Plan, and the Plan's investments in capital markets are managed by the CPP Investment Board (Note 4). The financial transactions affecting the Account and the Investment Fund are governed by the *CPP Act* and regulations. The Investment Board's transactions are governed by the *Canada Pension Plan Investment Board Act* and the accompanying regulations.

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

(b) Financing

CPP is financed by contributions and investment returns.

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

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

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997, 1998, 1999, 2000 and 2001, the combined contribution rate was increased by 0.4 percent, 0.4 percent, 0.6 percent, 0.8 percent and 0.8 percent respectively. In 2002, it was increased by 0.8 percent to reach 9.4 percent. The maximum combined contribution for 2002 was \$3,346 (2001 - \$2,993).

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 *Eighteenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions* was tabled in the House of Commons in December 2001. Federal and provincial ministers of Finance concluded at the end of the 2002 Triennial Review process that the CPP's financial health is sound and that the 9.9 percent combined employer-employee 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, 2002, the net assets of the Plan are of \$51.9 billion (2001 - \$45.7 billion). This amount represents 2.5 times the total of pensions and benefits for the year 2001-2002.

(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 for new monthly pension payable at age 65 in 2002 is \$788.75 (2001 - \$775.00).

# Canada Pension Plan —Continued

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002—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 for new monthly disability benefit in 2002 is \$956.05 (2001 - \$935.12).

**Survivor's benefits**—A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum for new monthly benefit payable to a beneficiary in 2002 is \$473.25 (2001 - \$465.00).

**Disabled contributor's child and orphan benefits**—According to the provisions of the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2002 is \$183.77 (2001 - \$178.42).

**Death benefits**—According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts either to 10 percent of the maximum pensionable earning in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2002 is \$2,500 (2001 - \$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 2002 is 3.0 percent (2001 - 2.5 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 the Canada Pension Plan (the CPP Act). They have been prepared on the accrual basis of accounting and they include amounts which must, of necessity, be based on management's best estimates and judgements.

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

### (b) Valuation of investments

Bonds are shown at cost, which is equal to the face value of the bonds at the time of purchase. This accounting policy has been selected based on the non-marketable, non-transferable nature of the bonds and on consideration of the likelihood of redemption of the provincial and territorial bonds in the foreseeable future. The bonds issued by the provincial and territorial governments are redeemable prior to maturity at market value equivalent at the option of these governments. In the event that the federal Minister of Finance considers the redemption necessary to pay pensions, benefits and administration costs, the bonds would then be redeemed at face value.

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

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

### (d) Investment income recognition

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

CPP Investment Board's net income from operations represents the Investment Board's investment income, less investment and administrative expenses. Investment income is recorded on the accrual basis and represents realized gains and losses on disposal or transfer of investments, unrealized gains and losses on investments held at the end of the year, dividend income, interest income, and distributions from mutual and pooled funds. Realized gains and losses on investments sold during the year represent the difference between sale proceeds and cost, less related costs of disposition. Unrealized gains and losses represent the change in the difference between fair value and cost of investments at the beginning and end of each year.

**Canada Pension Plan —Continued**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002—Continued

- (e) Pensions and benefits are recorded when payable.
- (f) Net overpayments are composed of overpayments of pensions and benefits that were established during the year less remissions of debts granted.
- (g) Administration costs are recorded in the year to which they relate.

**3. Investments held by the CPP Investment Fund**

The Canada Pension Plan Investment Fund was established in the accounts of Canada by the *CPP Act* to record the Plan's investments in bonds of the provinces, territories and Canada. The CPP Investment Fund's bond portfolio is administered by the federal Department of Finance.

Until the end of 1997, the investments in provincial, territorial and federal government bonds were made with the cash on hand in excess of the Plan's forecast three-month operating requirement. These bonds were not marketable and had a 20-year term (or less) as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the bonds was determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. When these bonds matured, funds not required for payment of pensions and benefits were re-invested in new bonds.

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

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

During the year, all redemptions of bonds were made, at maturity date, at face value. Interest earned on the investments is paid semi-annually to the CPP Account. The bonds are redeemable in whole or in part before maturity. Since January 31, 2001, the provinces and territories are permitted to redeem their bonds held by the CPP Investment Fund prior to their maturity at a value equivalent to market value. The bonds can also be redeemed at the option of the federal Minister of Finance where he considers the redemption necessary to pay pensions, benefits and administration costs. The bonds are then redeemed at face value. No bonds were redeemed by the provinces and the territories prior to maturity during the year ended March 31, 2002.

At March 31, 2002, the balance in the Investment Fund was \$28.3 billion at cost (2001 - \$29.6 billion). The estimated fair value of the balance in the Investment Fund, including accrued interest, is \$34.3 billion (2001 - \$37.6 billion). This estimate is calculated by discounting the bonds' contractual cash flows at rates currently available at year-end for similar investments.

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

**BONDS, AT COST**  
 (in thousands of dollars)

	March 31, 2001	Redemptions	Re-investments	March 31, 2002
Newfoundland and Labrador .....	633,656	52,973	52,376	633,059
Prince Edward Island .....	140,469	11,504	11,374	140,339
Nova Scotia .....	1,173,077	96,251	96,251	1,173,077
New Brunswick .....	835,171	75,637	74,784	834,318
Quebec .....	95,813	6,316	6,250	95,747
Ontario .....	12,708,448	1,268,736	503,955	11,943,667
Manitoba .....	1,394,972	135,001		1,259,971
Saskatchewan .....	1,329,256	109,647		1,219,609
Alberta .....	3,776,251	216,739		3,559,512
British Columbia .....	4,096,848	378,223	308,580	4,027,205
Yukon Territory .....	3,726			3,726
	26,187,687	2,351,027	1,053,570	24,890,230
Canada .....	3,403,537	17,622		3,385,915
	29,591,224	2,368,649	1,053,570	28,276,145

## Canada Pension Plan —Continued

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002—Continued

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

	2002		2001	
	(in millions of dollars)			
	Investment at cost	Average yield	Investment at cost	Average yield
Investments maturing				
Within 1 year .....	2,383	14.80%	2,369	15.31%
1 to 5 years .....	10,020	11.46%	9,529	12.84%
Over 5 years .....	15,873	9.13%	17,693	9.38%
Total—Investments .....	28,276		29,591	
Weighted-average yield on investments .....		10.43%		10.97%

## 4. Investments held by the CPP Investment Board

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

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

(in millions of dollars)

	2002	2001
Canadian equities, at fair value		
Public markets .....	9,970	5,024
Private markets .....	144	
	10,114	5,024
United States		
Public markets .....	1,861	1,070
Private markets .....	304	
	2,165	1,070
Non-North America		
Public markets .....	1,971	1,061
Private markets .....	12	
	1,983	1,061
Total equities		
(Cost 2002 - \$14,690; 2001 - \$8,042) ...	14,262	7,155
Other investments		
Money market securities		
(Cost 2002 - \$27; 2001 - Nil) .....	27	
Total investments .....	14,289	7,155

In accordance with its Investment Policy, 100 percent of the CPP Investment Board's investments are allocated to equities, with at least 70 percent of the book value allocated to Canadian equities and the remainder to non-Canadian equities.

The regulations governing the CPP Investment Board allow the active management of up to 50 percent of Canadian equities, on a book value basis. The regulations restrict the remaining investments in Canadian equities to substantially replicate the composition of one or more broad market indices.

As at March 31, 2002, 96.6 percent (2001 - 100 percent) of investments are held in public market equities. Approximately 99 percent (2001 - 61 percent) of investments in Canadian public market equities are held in funds that substantially replicate the composition of the Toronto Stock Exchange 300 Composite Index.

All United States and Non-North America (collectively "Non-Canadian") public market equities are held in funds that substantially replicate the Standard & Poor's ("S&P") 500 Index and the Morgan Stanley Capital International ("MSCI") EAFE Index, respectively.

As at March 31, 2002, 3.2 percent (2001 - nil) of investments are held in private market equities. These investments, currently in Canada, the United States, and Western Europe, are generally made by taking an interest in funds managed by third parties. The underlying investments represent equity ownership or investments with the risk and return characteristics of equity.

The CPP Investment Board's audited financial statements for the year ended March 31, 2002 are publicly available and provide details concerning the Board's investment policy, its investments and portfolio return.

**Canada Pension Plan —Continued**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002—Continued

**5. Receivables from beneficiaries**

(in millions of dollars)

	2002	2001
Balance of pensions and benefits overpayments .....	73	76
Less: allowance for doubtful accounts .....	30	30
	<u>43</u>	<u>46</u>

Human Resources Development Canada has procedures to detect overpayments. During the year, overpayments totalling \$38 million (2001 - \$33 million) were established and remissions of debts totalling \$10 million (2001 - \$8 million) were granted. A further \$32 million was recovered (2001- \$24 million).

**6. Canada Pension Plan Account**

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

The balance of the CPP Account includes the Deposit with the Receiver General for Canada and any short-term investments, if any. As at March 31, the Deposit with Receiver General for Canada amounts to \$6,770 million (2001 - \$6,420 million).

**7. Contributions**

The Department of Finance estimates annual contributions based on a forecast of pensionable earnings. That forecast of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate those earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 2001, would result, in each case, in a change of \$227 million (2000 - \$201 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 2001 and 2002 will only be known once the CCRA has processed all employers' and self-employed workers' declarations of contributions for 2001 and 2002.

Adjustments, if any, are recorded in the year in which they are known. The CPP reimbursed \$396 million to CCRA in 2001-2002 as an adjustment for 2000 and preceding years (2000-2001 - CPP received \$357 million for 1999 and preceding years).

**8. Investment income**

(in millions of dollars)

	2002	2001
Interest on bonds held by the CPP Investment Fund .....	3,071	3,326
Interest on deposit with the Receiver General for Canada at a weighted-average rate of 3.09 percent (2001 - 5.27 percent) .....	189	362
Interest on short term investments with Canada, (2001 - weighted-average rate of 5.63 percent) .....		12
Investment Board net income/(loss) from operations:		
Net unrealized gains/(losses) .....	459	(1,247)
Fund distributions of capital gains and dividends .....	213	213
Net realized gains (losses) .....	(378)	180
Dividend income .....	12	3
Other investment income .....	10	6
Less: Investment and administrative expenses .....	11	6
	<u>305</u>	<u>(851)</u>
	<u>3,565</u>	<u>2,849</u>

**9. Pensions and benefits mispayments**

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

Periodically, Human Resources Development Canada undertakes studies of the extent and nature of pension and benefit mispayments. The most recent review was completed for the 1999 benefit year. The most likely value of undetected mispayments for that year was \$32.4 million (under-payments - \$21.3 million and overpayments - \$11.1 million).

In July 2002, a new approach in the management of risk for the CPP program was initiated. As HRDC moves towards Modernizing Service for Canadians, corrective and preventative initiatives to mitigate pension and benefit payment risks will be identified, prioritised and managed through the recently introduced Integrated Risk Management approach. This new practice replaces studies on the extent and nature of pension and benefits mispayments which were reported in the previous years.

**Canada Pension Plan—Concluded**

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002—*Concluded*

## 10. Administration costs

(in millions of dollars)

	2002	2001
Pension and benefit delivery, accommodation and corporate services (Human Resources Development Canada) . . . . .	279	243
Collection of contributions (Canada Customs and Revenue Agency) . . . . .	78	78
Cheque issue and computer services (Public Works and Government Services Canada) . . . . .	13	13
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
	371	335

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

## 11. Contingencies

At March 31, 2002, there were 8,185 (8,224 in 2001) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum of \$35 million (\$21 million in 2001). Any claims resulting from the resolution of these appeals will be accounted for as an expenditure of the period in which the claim will be paid.

## 12. Subsequent event

In June 2002, a Bill was tabled in the House of Commons to amend the *Canada Pension Plan* and the *Canada Pension Plan Investment Board Act* in order to implement a federal-provincial agreement to transfer CPP assets (the Deposit with the Receiver General and the Canada Pension Plan Investment Fund) that are managed by the federal government to the CPP Investment Board. The adoption of the new law would make it possible for the transfers to begin in 2003 and to continue over a three-year period.

As a result of the tabling of the Bill in the House of Commons, the Chief Actuary of the Office of the Superintendent of Financial Institutions has submitted a Nineteenth Actuarial Report on the Canada Pension Plan. This report, tabled in the House of Commons in June 2002, reflects the changes in the assets of the Plan following the transfer of funds to the Board.

## 13. Comparative figures

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

## Government Annuities Account

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by the management of Human Resources Development Canada in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the information in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

Management of Human Resources Development Canada recognises the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

Management of Human Resources Development Canada is responsible for maintaining adequate control systems and the quality of financial reporting. The financial statements have been reviewed and approved by the Department.

The independent auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Account and for issuing her report thereon.

MARYANTONETT FLUMIAN  
*Associate Deputy Minister*

ALAN WINBERG  
*Assistant Deputy Minister  
Financial and Administrative Services*

June 28, 2002

### REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2002 and their change in the Account's statement of operations for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General of Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the Government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Michel Bédard  
Fellow of the Canadian Institute of Actuaries  
Chief Actuary  
Human Resources Development Canada

Hull, Canada  
June 28, 2002



**Government Annuities Account—Continued**

## AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2002 and the statements of operations and actuarial liabilities and cash flows for the year then ended. These financial statements are the responsibility of the management of Human Resources Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations.

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

Ottawa, Canada  
June 28, 2002

BALANCE SHEET AS AT MARCH 31, 2002  
(in thousands of dollars)

ASSETS	2002	2001	LIABILITIES	2002	2001
Deposit with Receiver General for Canada (Note 3) .....	442,682	477,617	Actuarial surplus due to Canada .....	4,524	5,646
Accrued interest due from Canada .....	33,092	35,616	Actuarial liabilities (Note 4) .....	471,351	507,784
Accounts receivable .....	101	197			
	475,875	513,430		475,875	513,430

Contingency (Note 7)

See accompanying notes to the financial statements.

Approved by the Department:

MARYANTONETT FLUMIAN  
*Associate Deputy Minister*

ALAN WINBERG  
*Assistant Deputy Minister  
Financial and Administrative Services*

**6. 64 INTEREST-BEARING DEBT**

**Government Annuities Account—Continued**STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES  
FOR THE YEAR ENDED MARCH 31, 2002  
(in thousands of dollars)

	2002	2001
Payments and other charges		
Annuity payments.....	64,294	67,619
Premium refunds.....	326	374
Unclaimed annuities.....	575	449
	65,195	68,442
Income		
Interest from Canada .....	33,092	35,616
Premiums (Note 3).....	74	90
Other.....	120	107
	33,286	35,813
Excess of payments and other charges over income for the year .....	31,909	32,629
Actuarial liabilities, balance at begin- ning of the year.....	507,784	546,059
	475,875	513,430
Actuarial surplus due to Canada .....	4,524	5,646
Actuarial liabilities, balance at end of the year (Note 4) .....	471,351	507,784
Actuarial liabilities are comprised of:		
Deferred annuities, present value.....	35,697	42,100
Matured annuities, present value .....	435,654	465,684
	471,351	507,784

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2002  
(in thousands of dollars)

	2002	2001
Cash flows from (used in) operations:		
Payments to annuitants .....	(64,620)	(67,993)
Unclaimed annuities paid to Consolidated Revenue Fund.....	(575)	(449)
Interest received .....	35,616	38,210
Premiums received from annuitants .....	74	90
Other income.....	216	78
	(29,289)	(30,064)
Actuarial surplus remitted to Consolidated Revenue Fund.....	(5,646)	(5,822)
Decrease in Deposit with Receiver General for Canada .....	(34,935)	(35,886)
Deposit with Receiver General for Canada, balance at beginning of the year.....	477,617	513,503
Deposit with Receiver General for Canada, balance at end of the year.....	442,682	477,617

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002

## 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. In 1975, the *Improvement Act* discontinued future sales of Government Annuity contracts.

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

## 2. Significant accounting policies

## a) Basis of accounting

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

## b) Management estimates

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

## c) Actuarial liabilities

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

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

## d) Actuarial surplus/deficit

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

## e) Interest from Canada

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

**Government Annuities Account—Concluded**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002—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 deposited with Receiver General for Canada

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

4. Actuarial liabilities

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

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

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

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

- b) The auditor expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The auditor also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and the regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

6. Related party transactions

The Account does not record the value of administrative services it receives without charge from the Department of Human Resources Development and other government entities. For the year ended March 31, 2002, the estimated cost of the administrative services received from the Department of Human Resources Development amounted to \$2.6 million (2001—\$2.7 million).

7. Contingency

A lawsuit has been filed against Her Majesty the Queen claiming breach of the government's responsibility to properly administer the transfer of excess payments within the Account. The amount of the claim is \$8.2 million. In management's opinion, the outcome of this action cannot be determined at this time and no provision has been made in the financial statements.

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

**MANAGEMENT REPORT**

The management of the Royal Canadian Mounted Police (Dependants) Pension Plan is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Plan's results of operations and financial situation and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

N. BEACH  
*Manager*

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

G. ZACCARDELLI  
*Commissioner  
Royal Canadian Mounted Police*

July 19, 2002

**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, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 2002 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Ottawa, Canada  
July 19, 2002

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

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 2002

	2002	2001
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund .....	31,370,192	30,960,532

See accompanying notes to the financial statements.

Approved by:

N. BEACH

Manager

Public Works and Government Services Canada

Specialized Services Division

Pension Services Directorate

G. ZACCARDELLI

Commissioner

Royal Canadian Mounted Police

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
	\$	\$
Interest income on amount due from the Consolidated Revenue Fund .....	2,638,350	2,656,932
Contributions from participants .....	10,952	11,682
Increase in assets .....	2,649,302	2,668,614
Less: Benefit payments to widows and children .....	2,239,642	2,088,897
Increase in net assets .....	409,660	579,717
Net assets available for benefits at beginning of year .....	30,960,532	30,380,815
Net assets available for benefits at end of year .....	31,370,192	30,960,532

See accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2002

### 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, 2002—Continued

### (d) Basic death benefits

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

#### i) Widow's pensions

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

#### ii) Eligible children's annuities

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

#### iii) Lump sum benefits

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

#### iv) Benefit limitations

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

### (e) Dividends on death benefits

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

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

### (f) Withdrawal of contributions

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

## 2. Significant accounting policies

### (a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan.

Increases and decreases in assets are recorded on the accrual basis. Due from the Consolidated Revenue Fund is considered a cash equivalent, and accordingly its carrying value approximates fair value.

### (b) Services provided without charge

The Plan does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions; and,
- accounting and cheque issue from Public Works and Government Services Canada.

## 3. Pension obligations

The most recent statutory actuarial valuation was performed as at March 31, 2001 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$4,818,000. A portion of this surplus was distributed by annual increases in the basic pension amount of 27 percent effective April 1, 2002, an additional 28 percent effective April 1, 2003, and an additional 28 percent effective April 1, 2004 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount was 962 percent effective April 1, 2002 and 990 percent effective April 1, 2003 and 1,018 percent effective April 1, 2004.

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

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002—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 (roughly matching the rate of inflation) in the pension benefits. The average ages of the members and widows were estimated to be 79 and 80 years respectively as at March 31, 2001. The expected average remaining lifetime of the widows was about 8 years. The remaining lifetime of the Plan itself was estimated at 39 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 8.84 percent per annum (9.05 percent in 2001) is consistent with the estimated yield (8.81 percent) used for the immediate future in the actuarial valuation. The expected long-term plan yield is estimated to decline to 5.65 percent per annum by the year 2018 and to rise to 6.09 percent by 2035. 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, 2002. The actuarial present value of accrued pension benefits as at March 31, 2002 (net of a \$61,000 deduction (\$66,000 in 2001) 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:

	2002	2001
	\$	\$
Actuarial present value of accrued pension benefits at beginning of year . . . . .	26,045,000	26,239,000
Net interest accrued on benefits . . . . .	2,351,000	2,331,000
Net adjustment arising from experience gains and losses and from valuation changes . . . . .	32,000	(448,000)
Amendments to the Plan including benefits increases . . . . .	1,637,000	
Contributions from participants (instalment payments) . . . . .	11,000	12,000
Benefit payments . . . . .	(2,240,000)	(2,089,000)
Actuarial present value of accrued pension benefits at end of year . . . . .	27,836,000	26,045,000

# SECTION 7

**2001-2002**

***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**

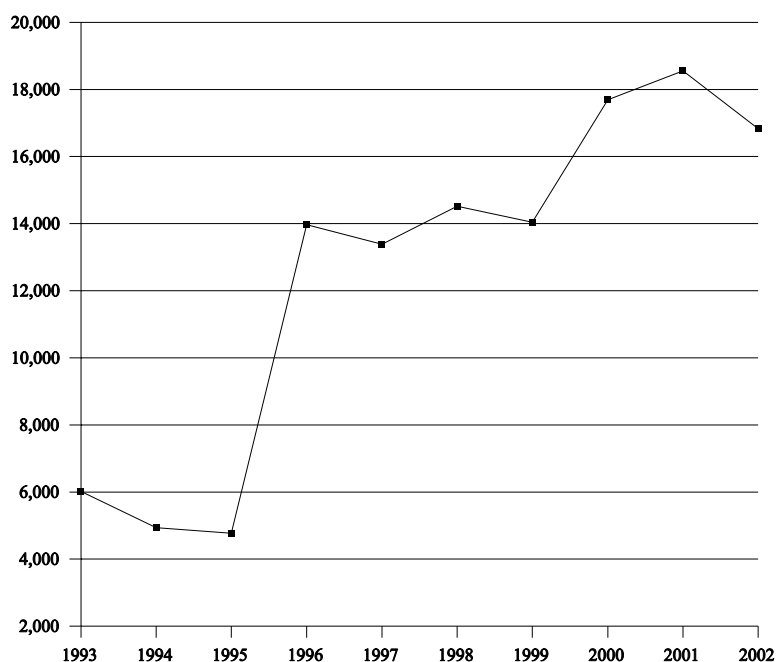
### CASH AND ACCOUNTS RECEIVABLE

	April 1/2001	March 31/2002
	\$	\$
Cash in bank, Table 7.2 .....	13,237,289,445	12,025,701,760
Cash in transit, Table 7.5 .....	6,955,850,109	7,280,307,981
	<i>20,193,139,554</i>	<i>19,306,009,741</i>
Less: outstanding cheques and warrants, Table 7.6 .....	4,598,924,669	5,839,467,652
Total cash. ....	15,594,214,885	13,466,542,089
Accounts receivable, Table 7.7 .....	2,965,849,602	3,362,620,955
Total. ....	18,560,064,487	16,829,163,044

**CHART 7A**

### CASH AND ACCOUNTS RECEIVABLE AT MARCH 31

(in millions of dollars)



## Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, German marks and Euros.

**TABLE 7.2**  
**CASH IN BANK**

	April 1/2001	March 31/2002
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3 .....	13,178,337,609	11,949,502,824
Foreign currencies, Table 7.4 .....	29,855,221	47,364,911
Special deposits .....	29,096,615	28,834,025
Total .....	13,237,289,445	12,025,701,760

## 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	
	2002	2001
April .....	12,965	5,818
May .....	16,530	12,744
June .....	3,708	8,789
July .....	3,499	4,440
August .....	9,097	10,604
September .....	3,595	2,645
October .....	5,261	7,755
November .....	13,600	12,747
December .....	4,992	4,167
January .....	4,442	8,039
February .....	9,974	13,485
March .....	11,950	13,178

**TABLE 7.4**  
**FOREIGN CURRENCY DEPOSITS**  
(translated into Canadian dollars)  
(in millions of dollars)

At end of month of	Year ended March 31	
	2002	2001
April .....	36	(12)
May .....	20	22
June .....	52	30
July .....	44	34
August .....	41	28
September .....	37	40
October .....	23	44
November .....	24	26
December .....	27	32
January .....	25	39
February .....	36	45
March .....	47	30

## Receiver General special deposits

These are balances in the hands of financial institutions for the purchase or redemption of Government securities, for the payment of interest and for reimbursement of GST Refund payments issued by the "ministère du Revenu du Québec" on behalf of the government.

## 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 1/2001	March 31/2002
	\$	\$
Cash in hands of collectors and in transit . . . . .	6,665,957,609	6,870,779,981
Other cash—Consolidated Crown corporations <sup>(1)</sup> . . . . .	289,892,500	409,528,000
Total . . . . .	6,955,850,109	7,280,307,981

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

### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

### Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

## Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

**TABLE 7.6**  
**OUTSTANDING CHEQUES AND WARRANTS**

	April 1/2001	March 31/2002
	\$	\$
Outstanding cheques <sup>(1)</sup> .....	4,596,447,028	5,836,797,510
Imprest account cheques .....	2,477,641	2,670,142
Total .....	4,598,924,669	5,839,467,652

<sup>(1)</sup> Includes Employment insurance warrants.

### 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 \$30,348,010 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

### Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$1,954 was transferred to non-tax revenues.

## 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, 2002. 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 1/2001	March 31/2002
	\$	\$
Non-tax revenues and revenues netted against expenditures <sup>(1)(2)</sup> .....	2,603,048,843	3,049,298,942
Other receivables .....	108,797,759	33,013
Accounts receivable of consolidated Crown corporations <sup>(3)</sup> .....	254,003,000	313,289,000
Total .....	2,965,849,602	3,362,620,955

<sup>(1)</sup> Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$1,178 million for 2002 (\$1,064 million for 2001).

<sup>(2)</sup> The April 1, 2001 amount has been restated by \$881 million (net of an allowance for doubtful accounts of \$255 million) with respect to loans and advances on transfers. These loans are now reported in Table 9.15 in Section 9 of this volume.

<sup>(3)</sup> Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

### Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

### Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It only includes receipts for refunds of old year budgetary expenditures of departments and agencies, and receipts for repayments of loans by Crown corporations, but only if the related payments were issued and charged to the Crown corporations' books as of March 31.

### Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents 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, 2002 have been outstanding.

**TABLE 7.8**  
**AGING OF ACCOUNTS RECEIVABLE FOR**  
**NON-TAX REVENUES AND REVENUES**  
**NETTED AGAINST EXPENDITURES**

	Total as at March 31, 2002
Outstanding days	
0-30 .....	923,754,508
31-60 .....	40,412,020
61-90 .....	25,419,570
91-365 .....	1,374,590,615
Over 365 .....	685,122,229
Total .....	3,049,298,942

# SECTION 8

2001-2002

*PUBLIC ACCOUNTS OF CANADA*

## Foreign Exchange Accounts

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International Monetary Fund—Subscriptions . . . . .	8.3
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## FOREIGN EXCHANGE ACCOUNTS

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

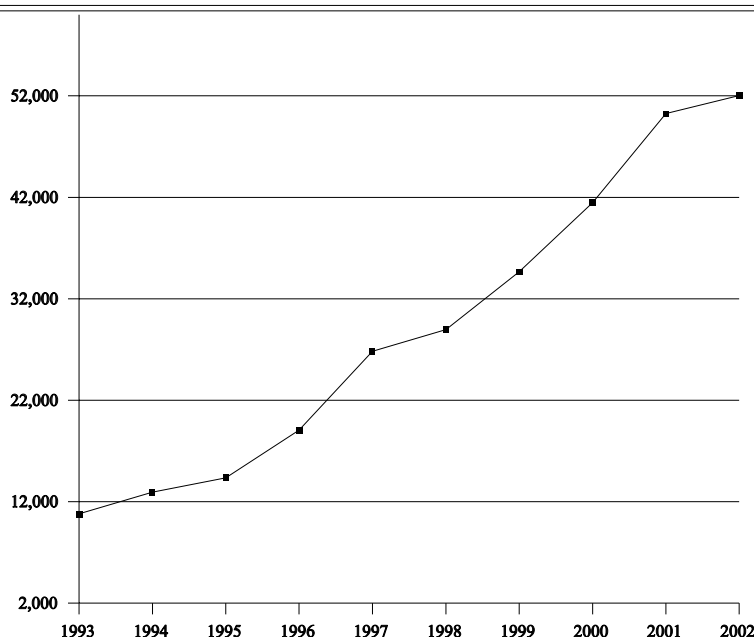
Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$27,032 million as at March 31, 2002 (\$33,158 million as at March 31, 2001); 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 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2.....	47,844,836,549	35,871,675,844	35,049,997,651	48,666,514,742
International Monetary Fund—Subscriptions .....	12,813,607,234	161,216,466	153,675,778	12,821,147,922
	60,658,443,783	36,032,892,310	35,203,673,429	61,487,662,664
Less:				
International Monetary Fund—Notes payable.....	8,839,987,763	2,642,000,000	1,695,228,703	7,893,216,466
Special drawing rights allocations .....	1,548,573,916		405,231	1,548,979,147
	10,388,561,679	2,642,000,000	1,695,633,934	9,442,195,613
Total .....	50,269,882,104	38,674,892,310	36,899,307,363	52,045,467,051

**CHART 8A**

FOREIGN EXCHANGE ACCOUNTS AT MARCH 31  
(in millions of dollars)



## International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this *Act*, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 2001, 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, 2002. Gold held by the Account is valued at 35 SDRs per fine ounce (\$69.57 Cdn as at March 31, 2002 and \$69.55 Cdn as at March 31, 2001).

In 2001-2002, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$35,043 million, a net valuation adjustment of \$377 million and an adjustment of \$452 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 \$35,050 million.

**TABLE 8.2**

### INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2002	March 31/2001
US dollar cash on deposits .....	164	127
US dollar short-term deposits .....	4,150	7,311
US dollar investments .....	24,672	27,237
Euro/Deutsche marks short-term deposits .....	159	167
Euro/Deutsche marks investments .....	17,114	10,664
Japanese yen short-term deposits .....	144	101
Japanese yen investments .....	1,205	1,253
Special drawing rights .....	990	903
Gold .....	68	81
Canadian cash on deposits .....	1	1
<b>Total .....</b>	<b>48,667</b>	<b>47,845</b>
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (2002, \$22,892 million US; 2001, \$27,908 million US) .....	36,495	43,992
Euro .....	16,886	10,392
Japanese yen .....	1,298	1,349
Special drawing rights (2002, SDR 610 million; 2001, SDR 610 million) .....	(1,213)	(1,212)
Canadian dollars .....	(5,251)	(7,027)
<b>Total advances from the Consolidated Revenue Fund .....</b>	<b>48,215</b>	<b>47,494</b>
Total net income from January 1 to March 31 .....	452	351
<b>Total .....</b>	<b>48,667</b>	<b>47,845</b>

## International Monetary Fund—Subscriptions

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

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

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2001-2002, payments and other charges consisted of a maintenance of value adjustment of \$161 million and a valuation adjustment of \$154 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 2001-2002, notes payable to the IMF decreased by \$947 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 2001-2002, receipts and other credits consisted of a valuation adjustment of \$405,231.



## SUPPLEMENTARY STATEMENT

### Exchange Fund Account

#### MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The financial statements were prepared in accordance with the stated accounting policies set out in Note 2 to the financial statements which conform to those used by Government of Canada. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for the Account's transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

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

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

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

DAVID A. DODGE  
*Governor  
Bank of Canada*

KEVIN G. LYNCH  
*Deputy Minister  
Department of Finance*

S. VOKEY  
*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, 2001 and the statement of revenue for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 2001 and its revenues and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform to the accounting policies of the Government of Canada.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

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

Ottawa, Canada  
March 15, 2002

**Exchange Fund Account—Continued**BALANCE SHEET AS AT DECEMBER 31, 2001  
(in millions of dollars)

ASSETS	2001		2000		DUE TO THE CONSOLIDATED REVENUE FUND	2001	2000
	US	CDN	US	CDN		CDN	CDN
Denominated in US dollars							
Cash and short-term deposits . . .	4,073	6,487	4,240	6,358	Advances (Note 9) . . . . .	46,353	39,870
Marketable securities (Notes 4 and 5) . . . . .	15,134	24,105	16,089	24,126	Net revenue for the year . . . . .	2,258	2,529
	19,207	30,592	20,329	30,484			
Denominated in other foreign currencies							
Cash and short-term deposits (Note 6) . . . . .	108	172	146	219			
Marketable securities (Notes 4 and 6) . . . . .	10,541	16,790	7,167	10,747			
	10,649	16,962	7,313	10,966			
Denominated in Special Drawing Rights							
Special Drawing Rights (Note 7) . . . . .	616	982	579	868			
Gold and gold loans (Note 8) . . .	47	75	54	81			
	663	1,057	633	949			
Official international reserve assets . . . . .	30,519	48,611	28,275	42,399		48,611	42,399

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

Approved:

DAVID A. DODGE

*Governor**Bank of Canada*

KEVIN G. LYNCH

*Deputy Minister**Department of Finance*

S. VOKEY

*Chief Accountant**Bank of Canada*

**Exchange Fund Account—Continued**

STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(in millions of Canadian dollars)

	2001	2000
Revenue from investments		
Marketable securities .....	2,318	2,292
Cash and short-term deposits .....	303	407
Special Drawing Rights .....	32	36
Gold .....	7	6
	2,660	2,741
Other revenue (loss)		
Gain on sales of gold .....	50	198
Net foreign exchange losses .....	(452)	(410)
	(402)	(212)
Net revenue for the year due to the Consolidated Revenue Fund .....	2,258	2,529

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

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*.

The objectives of the Exchange Fund Account are to provide general liquidity for the government and to promote orderly conditions in the foreign exchange market for the Canadian dollar. In September 1998, the Department of Finance and the Bank of Canada decided to move away from intervening in the foreign exchange market in a predictable or automatic fashion (selling foreign exchange/buying Canadian dollars when there was upward pressure on the value of the Canadian dollar). Instead, the current policy is for the Bank of Canada to intervene on a discretionary basis.

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

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. As all material changes in cash flows are evident from the financial statements, a separate statement of cash flows has not been prepared.

(a) Valuation of assets

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

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

Marketable securities, short-term deposits and Special Drawing Rights (SDR) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of four major currencies.

Gold and gold loans include accrued interest. Gold and gold loans are carried in the Account at a value of 35 SDR per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

(b) Revenue from investments

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

(c) Gold

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

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001—Continued

**(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	
	2001	2000
US dollar .....	1.59280	1.49950
Euro .....	1.41820	1.40860
Japanese yen .....	0.01211	0.01307
Special Drawing Rights .....	1.99995	1.95371

Foreign exchange gains or losses result from the translation of assets and advances denominated in foreign currencies and SDRs, as well as transactions throughout the year. Unrealized foreign exchange gains or losses on short-term currency swap arrangements with the Bank of Canada and on currency hedges are recorded in revenue as *Net foreign exchange gains (losses)*. See also Note 10.

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

**(e) Services received without charge**

The Account receives without charge administrative, custodial and fiscal agency services from the Bank of Canada. Costs related to these services are not recognized in the financial statements.

**(f) Interest-free advances**

The Account receives interest-free advances from the Consolidated Revenue Fund. Interest cost related to these advances is not recognized in the financial statements.

**3. Official government operations**

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to promote orderly conditions in the market for the Canadian dollar, or to meet net government requirements for foreign exchange. During 2000 and 2001, no transactions were aimed at moderating movements in the value of the Canadian dollar.

The majority, but not all, of Canada's official international reserves reside inside the Exchange Fund Account. The EFA accounts for approximately 91 percent of Canada's official reserves.

**4. Risk management and financial instruments**

The role of the EFA as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

To ensure that the EFA asset portfolio is prudently diversified with respect to credit risk, the investment guidelines specify limits on holdings by class of issuer (sovereign, agency, supranational or commercial financial institution) and type of instrument, while there are further limits on exposure to any one issuer or counter-party.

With respect to investment guidelines prescribed by the Minister of Finance, the EFA may hold debt issued in the designated currencies by highly rated sovereign governments, their agencies and by supranational organizations. Eligible issues must have an AA-rating or better from two of five designated rating agencies (S&P, Moody's, Fitch IBCA, Dominion Bond Rating Service and Canadian Bond Rating Service) one of which must be either Moody's or S&P. The EFA may also make deposits and execute other transactions with commercial financial institutions meeting the same rating criteria, with the term to maturity of commercial deposits limited to three months or less.

**Exchange Fund Account—Continued**

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001—Continued

Interest rate and foreign currency risks are minimized by matching the duration structure and the currency of the EFA's assets and the related foreign currency borrowings of the Government of Canada.

Terms structure of foreign currency investments	Par value				Total par value	Unamortized premium/discount and accrued interest	Amortized cost
	Under 6 months	6 to 12 months	1 to 5 years	Over 5 years			
	(in millions of US dollars)						
US dollar holdings							
Government securities . . . . .	3,201	50			3,251	(18)	3,233
Yield to maturity . . . . .	2.86%	6.32%					
Other securities . . . . .	2,330	578	6,912	1,848	11,668	233	11,901
Yield to maturity . . . . .	2.54%	4.71%	5.91%	6.31%			
Total US dollar holdings . . . . .	5,531	628	6,912	1,848	14,919	215	15,134
Other foreign currencies							
Euro holdings							
Other securities . . . . .		214	2,761	6,512	9,487	289	9,776
Yield to maturity . . . . .		4.56%	4.53%	4.89%			
Yen holdings							
Government securities . . . . .			380	380	760	5	765
Yield to maturity . . . . .			0.57%	1.91%			
Total other foreign currencies . . . . .		214	3,141	6,892	10,247	294	10,541
Total assets . . . . .	5,531	842	10,053	8,740	25,166	509	25,675

## 5. Marketable securities denominated in US dollars

Securities	2001			2000		
	Par value	Amortized cost		Par value	Amortized cost	
	US	US	CDN	US	US	CDN
(in millions of dollars)						
US Government . . . . .	3,251	3,232	5,148	3,022	3,046	4,567
US Federal Agencies . . . . .	7,772	7,746	12,337	4,655	4,611	6,915
Sovereign paper and International Institutions . . . . .	3,896	3,894	6,203	8,244	8,146	12,214
Accrued interest . . . . .		262	417		286	430
	14,919	15,134	24,105	15,921	16,089	24,126
Estimated market value at year-end . . . . .		15,570	24,799		16,319	24,471

Estimated market values are based on quoted market prices.

Loans of securities are effected on behalf of the Account by agents who guarantee the loans and obtain collateral of equal or greater value from their approved counter-parties

in these transactions. At year-end, a portion of the Account's holdings of US Government securities consisting of US\$ 2,500 million (par value) in Treasury Notes (US\$ 2,825 million in 2000) is being used in securities lending operations with financial institutions.

**Exchange Fund Account—Continued**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001—Continued

**6. Assets denominated in other foreign currencies**

	Cash and Short-term Deposits			
	2001		2000	
	US	CDN	US	CDN
	(in millions of dollars)			
Euro .....	46	73	76	114
Japanese yen .....	62	99	70	105
	108	172	146	219

Securities	Marketable securities					
	2001			2000		
	Par value	Amortized cost		Par value	Amortized cost	
	US	US	CDN	US	US	CDN
	(in millions of dollars)					
Euro .....	9,487	9,776	15,571	6,598	6,729	10,091
Japanese yen .....	760	765	1,219	436	438	656
	10,247	10,541	16,790	7,034	7,167	10,747
Estimated market value at year-end .....		10,618	16,913		7,174	10,757

Estimated market values are based on quoted market prices.

**7. Special Drawing Rights (SDR)**

	2001		2000	
	US	CDN	US	CDN
	(in millions of dollars)			
Held at year-end .....	614	978	574	861
Accrued interest .....	2	4	5	7
	616	982	579	868

**8. Gold and gold loans**

During the year, the Account sold 132,119 fine ounces of gold (621,745 fine ounces in 2000).

	2001		2000	
	US	CDN	US	CDN
	(in millions of dollars)			
Held at year-end				
Gold loans .....	41	66	49	74
Gold .....	5	8	5	7
Accrued interest on gold loans .....	1	1		
	47	75	54	81

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

		2001		2000	
		Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Carrying value	—US\$ .....	43.95	47	45.60	54
	—Canadian \$	70.00	75	68.38	81
Market value	—US\$ .....	276.50	291	272.65	323
	—Canadian \$	440.41	463	408.84	484

**Exchange Fund Account—Concluded**

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001—*Concluded***9. Due to the Consolidated Revenue Fund (CRF)—Advances**

The Account is funded by advances from the CRF. Advances were limited to C\$ 50 billion outstanding as of December 31 of each calendar year by Order in Council dated March 2, 2000. On April 26, 2001, an Order in Council was issued to increase the limit to C\$ 60 billion. At year-end, advances from (deposits with) the CRF consisted of:

	2001	2000
	(in millions of Canadian dollars)	
US dollars .....	38,027	41,242
Canadian dollars .....	(6,924)	(10,798)
Euro .....	15,162	9,860
Japanese yen .....	1,308	758
Special Drawing Rights .....	(1,220)	(1,192)
	<u>46,353</u>	<u>39,870</u>

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

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

**10. Commitments****(a) Currency swaps**

The Account may enter into short-term currency swap arrangements with the Bank of Canada. The objective of these swaps is to assist the Bank in its cash management operations. The Account sells US dollars for Canadian dollars, with simultaneous agreements to repurchase these US dollars from the Bank on future dates at the same exchange rates in effect at the time the swaps were entered into. The maximum term of the swaps is equivalent to the term of the underlying securities; however, they are generally reversed earlier based on operational requirements of the Bank.

These swaps result in receipts of Canadian dollars by the Account, which are remitted to the Consolidated Revenue Fund. These transactions are reversed when the swaps are unwound.

At year-end, the Account had no commitments to repurchase US dollars under swap arrangements with the Bank of Canada (US\$ 1,004 million in 2000. The Canadian dollar equivalent at the year-end exchange rate was \$1,506 million).

**(b) Gold options and forward contracts**

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

Under gold options, the Account receives a premium against commitments to sell gold at predetermined prices. No gold is sold unless the holders of the options exercise their rights by the expiry dates. At year-end, the Account had commitments to sell 120,000 fine ounces of gold (no options outstanding 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 95,000 fine ounces of gold (20,000 fine ounces of gold in 2000) for a total value of US\$ 27 million (US\$ 6 million in 2000). The value date of these contracts are February 21<sup>st</sup>, February 22<sup>nd</sup>, April 12<sup>th</sup> and April 30<sup>th</sup>, 2002.

**(c) Foreign currency contracts**

The following table presents the fair value of foreign currency contracts with contractual amounts outstanding at December 31:

	2001		2000	
	Contractual value	Fair value	Contractual value	Fair value
	(in millions of Canadian dollars)			
Forward sales .....	2,321	(14)	2,262	33
Forward purchases .....	2,339	14	2,298	(34)

The estimated fair values of foreign exchange contracts are calculated using the year-end exchange rates. Foreign exchange contracts that have a positive fair value are those contracts that, if settled immediately, would result in a gain. Conversely, immediate settlement of a contract with a negative fair value would result in a loss.

# SECTION 9

2001-2002

*PUBLIC ACCOUNTS OF CANADA*

## Loans, Investments and Advances

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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 departments holding the loan, investment or advance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

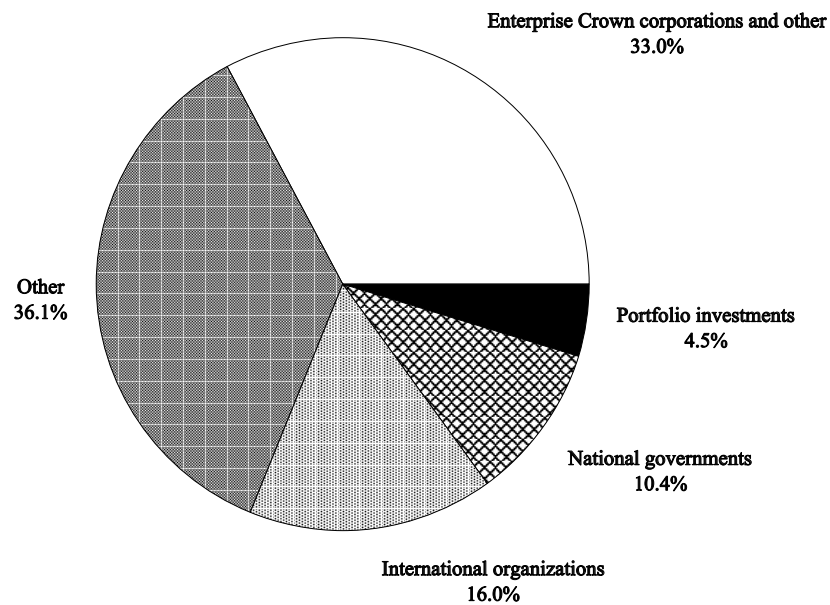
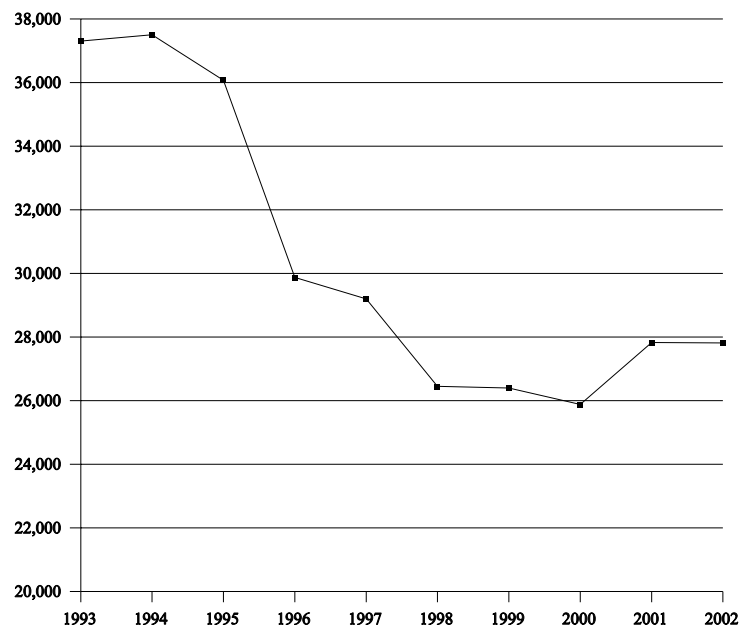
Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

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

**TABLE 9.1**  
**LOANS, INVESTMENTS AND ADVANCES**

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Enterprise Crown corporations and other				
government business enterprises, Table 9.2 .....	10,085,368,561	256,061,105	1,149,314,558	9,192,115,108
Portfolio investments, Table 9.11 .....	1,240,254,680			1,240,254,680
National governments including developing countries,				
Table 9.12 .....	3,135,785,942	126,314,846	359,512,678	2,902,588,110
International organizations, Table 9.13 .....	4,404,632,668	540,916,850	506,173,959	4,439,375,559
Provincial and territorial governments, Table 9.14 .....	2,385,429,104	975,352,968	1,361,103,035	1,999,679,037
Other loans, investments and advances, Table 9.15 .....	6,578,499,554	3,238,782,049	1,772,715,453	8,044,566,150
	27,829,970,509	5,137,427,818	5,148,819,683	27,818,578,644
Less: allowance for valuation .....	9,179,317,507	466,662,397	359,770,013	9,072,425,123
Total .....	18,650,653,002	5,604,090,215	5,508,589,696	18,746,153,521

**CHART 9A**LOANS, INVESTMENTS AND ADVANCES BY CATEGORY AT MARCH 31, 2002<sup>(1)</sup><sup>(1)</sup> Before the allowance for valuation**CHART 9B**LOANS, INVESTMENTS AND ADVANCES<sup>(1)</sup> AT MARCH 31  
(in millions of dollars)<sup>(1)</sup> Before the allowance for valuation

## Enterprise Crown Corporations and Other Government Business Enterprises

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

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

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

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

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

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

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

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

TABLE 9.2

## ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares .....	303,400,000			303,400,000
Preferred shares .....	295,000,000			295,000,000
Contributed capital .....	28,000,000			28,000,000
	626,400,000			626,400,000
Canada Mortgage and Housing Corporation—				
Capital stock .....	25,000,000			25,000,000
Housing .....	3,841,540,131		110,968,463	3,730,571,668
Real estate .....	83,974,371		4,233,816	79,740,555
Joint projects .....	1,129,754,805		49,233,512	1,080,521,293
Student housing projects .....	256,718,644		9,525,538	247,193,106
Sewage treatment projects .....	506,740,198		47,879,972	458,860,226
Assisted home ownership .....	32,797,290		3,937,776	28,859,514
	5,876,525,439		225,779,077	5,650,746,362
Export Development Canada (formerly Export Development Corporation) .....	983,200,000			983,200,000
Farm Credit Canada—(formerly Farm Credit Corporation)				
Contributed capital .....	1,168,333,000			1,168,333,000
Notes .....	578,490,795		578,490,795	
	1,746,823,795		578,490,795	1,168,333,000
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 .....	219,975,050		97,000,000	122,975,050
Canada Lands Company Limited .....	49,867,962	24,433,105	38,859,686	35,441,381
Canada Post Corporation .....				
Canadian Dairy Commission .....	40,998,000	203,628,000	189,185,000	55,441,000
Cape Breton Development Corporation .....	10,000,000		10,000,000	
Canadian Commercial Corporation—				
Loan .....		20,000,000	10,000,000	10,000,000
Contributed surplus .....		8,000,000		8,000,000
		28,000,000	10,000,000	18,000,000
Ridley Terminals Inc. ....	90,000,000			90,000,000
Royal Canadian Mint—				
Capital stock .....	40,000,000			40,000,000
Loans .....				
	40,000,000			40,000,000
	852,419,327	256,061,105	345,044,686	763,435,746
Total .....	10,085,368,561	256,061,105	1,149,314,558	9,192,115,108

## 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 \$13.8 million to the Government.

## Common shares

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

## Preferred shares

The total preferred shares purchased to date is \$295 million.

## Contributed capital

The amount of contributed capital was issued in 1999-2000 in counterpart of the transfer of the Cultural Industries Development Fund to the Corporation.

## Canada Mortgage and Housing Corporation

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

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

During the year, the Corporation paid interest of \$520 million to the Government.

### Capital stock

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

### Housing

Advances made for moderate to low income housing bear interest at rates from 4.125 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with instalments between June 30, 2002 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, 2002 and December 31, 2039.

### Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with instalments between June 30, 2002 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, 2002 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, 2002 and December 31, 2008.

## Export Development Canada (formerly 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.

During the year, the Corporation paid dividends of \$95 million to the Government.

## Farm Credit Canada (formerly 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.

During the year, the Corporation paid interest of \$62 million to the Government and all outstanding loans were repaid in full.

## Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Corporation remitted profit of \$1,929 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 \$97 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 \$17.4 million. An amount of \$18.9 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, the Corporation paid dividends of \$15.5 million to the Government.

### Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining 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 Infrastructure and Crown corporations, 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 \$21.1 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 2.1206 percent to 5.2668 percent per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$2.1 million to the Government.

### **Cape-Breton Development Corporation**

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

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

On June 29, 2000, the *Cape Breton Development Corporation Divestiture Authorization and Dissolution Act*, which provided for the sale of assets, winding up of the affairs of the Corporation and its eventual dissolution, received Royal Assent. The Corporation has initiated the divestiture process announced by the Government. In the meantime, the Corporation is carrying out restructuring activities for which the Government is providing funding support by means of appropriations. As a result, the Corporation is economically dependent on the Government.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000 and the authority remains available to the Corporation for future use. The working capital advances bear interest at the rate in effect as determined by the Minister of Finance.

### **Canadian Commercial Corporation**

The Corporation was established in 1946 by an Act of Parliament, to facilitate contracts on behalf of Canadian exporters with their foreign customers.

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

The Corporation has authority to draw loans from the Consolidated Revenue Fund, subject to Minister of Finance approval, in amounts up to a total of \$10,000,000 as required to supplement its working capital. During the year, a loan of \$10,000,000 was made to the Corporation under the provision of the *Financial Administration Act* and section 11(2) of the *Canadian Commercial Act*. The loan bears interest at the rate in effect as determined by the Minister of Finance. During the year, the Corporation paid interest of \$96,706 to the Government.

In addition, an equity contribution amounting to \$8,000,000 as authorized by Foreign Affairs and International Trade Vote L16b, *Appropriation Act No. 4, 2001-2002* provided additional funds to the corporations.

### **Ridley Terminals Inc.**

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule III of the *Financial Administration Act*.

In 2000-2001, an investment of \$90 million made by the Canada Ports Corporation in 1998-99 was transferred to the Government when Ridley Terminals Inc. became a parent Crown corporation at the dissolution of Canada Ports Corporation.

### **Royal Canadian Mint**

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

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

*Capital stock*

Subsection 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

*Loans*

Subsection 20(1) of the *Act* states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$75,000,000.

Subsection 20(3) of the *Act* states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

There are currently no loans outstanding to Royal Canadian Mint pursuant to subsection 20(1) of the *Royal Canadian Mint Act*.



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

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

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

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

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

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

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

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

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

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 2002 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, 2002 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

## SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
<b>ASSETS AND LIABILITIES</b>						
<b>AS AT MARCH 31, 2002</b>						
<b>Assets</b>						
Financial						
Outside parties .....	1,023,072	1,365,237	58,100,459	9,088,243	49,822	69,626,833
Government and Crown corporations .....	1,452,090	38,587,836	5,738,982	13,431	24,237	45,816,576
Total financial assets .....	2,475,162	39,953,073	63,839,441	9,101,674	74,059	115,443,409
Physical assets and deferred charges .....	3,883,700	231,720	510,552	902,560	9,136	5,537,668
Total assets .....	6,358,862	40,184,793	64,349,993	10,004,234	83,195	120,981,077
<b>Liabilities</b>						
Outside parties						
Borrowings .....	265,252		44,674,462	8,158,631	5,115	53,103,460
Bank of Canada notes in circulation and amounts owing to depositors .....		38,546,516				38,546,516
Other liabilities .....	2,931,214	391,184	6,421,795	1,736,821	396,450	11,877,464
Government and Crown corporations .....	244,013	1,217,093	7,697,296	68,112	159,812	9,386,326
Total liabilities .....	3,440,479	40,154,793	58,793,553	9,963,564	561,377	112,913,766
Equity of Canada .....	2,918,383	30,000	5,556,440	40,670	(478,182)	8,067,311
Total liabilities and equity .....	6,358,862	40,184,793	64,349,993	10,004,234	83,195	120,981,077
Contingent liabilities .....	6,544		2,644,660			2,651,204
<b>REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY</b>						
<b>FOR THE YEAR ENDED MARCH 31, 2002</b>						
<b>Revenues</b>						
Outside parties .....	6,479,835		5,033,716	5,252,314	194,384	16,960,249
Government and Crown corporations						
Financial assistance .....				15,831	65,500	81,331
Other .....	380,369	1,928,593	282,057			2,591,019
Total revenues .....	6,860,204	1,928,593	5,315,773	5,268,145	259,884	19,632,599
<b>Expenses</b>						
Outside parties .....	6,525,459		3,872,025	5,266,388	264,734	15,928,606
Government and Crown corporations .....	123,315		921,072	7,924	28,489	1,080,800
Total expenses .....	6,648,774		4,793,097	5,274,312	293,223	17,009,406
Net income/loss(-) for the year .....	211,430	1,928,593	522,676	(6,167)	(33,339)	2,623,193
Equity of Canada, beginning of the year .....	2,842,905	30,000	5,273,383	30,141	(444,862)	7,731,567
Adjustments .....	(2,277)		(127,148)	8,696	19	(120,710)
Equity transactions with the Government—						
Dividends .....	(36,675)	(1,928,593)	(112,471)			(2,077,739)
Capital .....	(97,000)			8,000		(89,000)
Equity of Canada, end of the year .....	2,918,383	30,000	5,556,440	40,670	(478,182)	8,067,311

TABLE 9.4

## FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS AND LIABILITIES AS AT MARCH 31, 2002

(in thousands of dollars)

Enterprise Crown corporations and other government business enterprises <sup>(1)</sup>	Assets			Total assets
	Financial	Government and Crown corporations	Physical assets and deferred charges	
<b>Competitive, self-sustaining</b>				
Canada Development Investment Corporation .....	12,234	82,166		94,400
Canada Hibernia Holding Corporation .....	43,166	829	381,232	425,227
Canada Lands Company Limited .....	123,726	1,818	239,535	365,079
Canada Post Corporation .....	633,676	1,218,752	1,782,537	3,634,965
Halifax Port Authority <sup>(2)</sup> .....	4,256	5,480	89,673	99,409
Montreal Port Authority <sup>(2)</sup> .....	9,987	76,210	196,669	282,866
Prince Rupert Port Authority <sup>(2)</sup> .....	3,326	7,997	80,660	91,983
Ridley Terminals Inc. ....	2,932	37	19,091	22,060
Quebec Port Authority <sup>(2)</sup> .....	39,390	304	78,782	118,476
Royal Canadian Mint .....	21,324	3,168	136,892	161,384
Saint John Port Authority <sup>(2)</sup> .....	1,432	18,540	58,710	78,682
St John's Port Authority <sup>(2)</sup> .....	683	2,009	20,052	22,744
Vancouver Port Authority <sup>(2)</sup> .....	23,073	3,590	497,645	524,308
Other Canada Port Authorities <sup>(2)(3)</sup> .....	103,867	31,190	302,222	437,279
<i>Total—Competitive, self-sustaining</i> .....	<i>1,023,072</i>	<i>1,452,090</i>	<i>3,883,700</i>	<i>6,358,862</i>
<b>Bank of Canada</b> .....	<i>1,365,237</i>	<i>38,587,836</i>	<i>231,720</i>	<i>40,184,793</i>
<b>Lending and Insurance</b>				
Business Development Bank of Canada .....	6,645,435	25,879	225,890	6,897,204
Canada Deposit Insurance Corporation .....	332,934	678,434	901	1,012,269
Canada Mortgage and Housing Corporation .....	16,899,219	648,469	80,708	17,628,396
Insurance Programs .....	2,906,547	3,675,145	106,639	6,688,331
Mortgage Backed Securities Guarantee Fund .....	74,777	70,368		145,145
Export Development Canada .....	23,583,001	451,946	58,798	24,093,745
Farm Credit Canada .....	7,658,546	188,741	37,616	7,884,903
<i>Total—Lending and insurance</i> .....	<i>58,100,459</i>	<i>5,738,982</i>	<i>510,552</i>	<i>64,349,993</i>
<b>Marketing</b>				
Canadian Commercial Corporation .....	658,782	13,431	2,550	674,763
Canadian Dairy Commission —				
Marketing operations .....	25,924		94,699	120,623
Canadian Wheat Board, The .....	8,395,716		786,641	9,182,357
Freshwater Fish Marketing Corporation .....	7,821		18,670	26,491
<i>Total—Marketing</i> .....	<i>9,088,243</i>	<i>13,431</i>	<i>902,560</i>	<i>10,004,234</i>
<b>Other</b>				
Atlantic Pilotage Authority .....	1,812	1,362	2,707	5,881
Cape Breton Development Corporation .....	30,776	22,490	1,472	54,738
Great Lakes Pilotage Authority, Ltd. ....	5,329		172	5,501
Laurentian Pilotage Authority .....	6,048		2,552	8,600
Pacific Pilotage Authority .....	5,857	385	2,233	8,475
<i>Total—Other</i> .....	<i>49,822</i>	<i>24,237</i>	<i>9,136</i>	<i>83,195</i>
<b>Total</b> .....	<b>69,626,833</b>	<b>45,816,576</b>	<b>5,537,668</b>	<b>120,981,077</b>

<sup>(1)</sup> All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd. Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

<sup>(2)</sup> Canada Port Authorities, which are not Crown corporations but considered government business enterprises, are agents of the Crown for their port activities.

<sup>(3)</sup> Consists of the combined figures of the Canada Port Authorities of Belledune, Fraser River, Nanaimo, North Fraser, Port Alberni, Saguenay, Sept-Îles, Thunder Bay, Toronto, Trois-Rivières and Windsor.

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	10,166		10,166	84,234	94,400
	75,297	37,368	112,665	312,562	425,227
	76,027	57,025	133,052	232,027	365,079
63,079	2,617,794	46,640	2,727,513	907,452	3,634,965
6,800	4,186	140	11,126	88,283	99,409
	28,301	1,228	29,529	253,337	282,866
	1,239		1,239	90,744	91,983
64,298	1,934	74	66,306	(44,246)	22,060
23,265	9,308	55,246	87,819	30,657	118,476
28,120	31,604	6,000	65,724	95,660	161,384
	5,366	95	5,461	73,221	78,682
900	1,564	19	2,483	20,261	22,744
13,679	31,204	39,851	84,734	439,574	524,308
65,111	37,224	327	102,662	334,617	437,279
265,252	2,931,214	244,013	3,440,479	2,918,383	6,358,862
	38,937,700	1,217,093	40,154,793	30,000	40,184,793
5,726,269	188,244	22,371	5,936,884	960,320	6,897,204
	525,228	582	525,810	486,459	1,012,269
11,371,908	136,317	6,051,649	17,559,874	68,522	17,628,396
	3,875,214	1,584,212	5,459,426	1,228,905	6,688,331
	60,598	4,290	64,888	80,257	145,145
20,480,723	1,592,791	34,192	22,107,706	1,986,039	24,093,745
7,095,562	43,403		7,138,965	745,938	7,884,903
44,674,462	6,421,795	7,697,296	58,793,553	5,556,440	64,349,993
	623,709	10,384	634,093	40,670	674,763
439	64,611	55,573	120,623		120,623
8,146,673	1,033,529	2,155	9,182,357		9,182,357
11,519	14,972		26,491		26,491
8,158,631	1,736,821	68,112	9,963,564	40,670	10,004,234
	1,410		1,410	4,471	5,881
	380,879	159,812	540,691	(485,953)	54,738
	2,851		2,851	2,650	5,501
4,115	7,142		11,257	(2,657)	8,600
1,000	4,168		5,168	3,307	8,475
5,115	396,450	159,812	561,377	(478,182)	83,195
53,103,460	50,423,980	9,386,326	112,913,766	8,067,311	120,981,077

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, 2002

(in thousands of dollars)

	Revenues				Total
	Outside parties	Government and Crown corporations			
		Financial assistance <sup>(1)</sup>	Other		
Enterprise Crown corporations and other government business enterprises					
<b>Competitive, self-sustaining</b>					
Canada Development Investment Corporation .....	549			549	
Canada Hibernia Holding Corporation .....	155,359			155,359	
Canada Lands Company Limited .....	120,245		3,541	123,786	
Canada Post Corporation .....	5,706,269		299,671	6,005,940	
Halifax Port Authority .....	18,131		225	18,356	
Montreal Port Authority .....	55,483		11,036	66,519	
Prince Rupert Port Authority .....	4,444		1,245	5,689	
Ridley Terminals Inc. ....	12,605			12,605	
Quebec Port Authority .....	13,164		461	13,625	
Royal Canadian Mint .....	223,493		60,286	283,779	
Saint John Port Authority .....	10,405		941	11,346	
St John's Port Authority .....	3,370		419	3,789	
Vancouver Port Authority .....	92,160		299	92,459	
Other Canada Port Authorities .....	64,158		2,245	66,403	
<i>Total—Competitive, self-sustaining</i> .....	<i>6,479,835</i>		<i>380,369</i>	<i>6,860,204</i>	
<b>Bank of Canada</b> .....			<i>1,928,593</i>	<i>1,928,593</i>	
<b>Lending and insurance</b>					
Business Development Bank of Canada .....	530,319		5	530,324	
Canada Deposit Insurance Corporation .....	196,313		20,435	216,748	
Canada Mortgage and Housing Corporation .....	1,057,631		101,562	1,159,193	
Insurance Programs .....	900,117		129,514	1,029,631	
Mortgage Backed Securities Guarantee Fund .....	25,727		3,776	29,503	
Export Development Canada .....	1,769,273		21,505	1,790,778	
Farm Credit Canada .....	554,336		5,260	559,596	
<i>Total—Lending and insurance</i> .....	<i>5,033,716</i>		<i>282,057</i>	<i>5,315,773</i>	
<b>Marketing</b>					
Canadian Commercial Corporation .....	1,212,475	15,831		1,228,306	
Canadian Dairy Commission					
Marketing operations .....	245,058			245,058	
Canadian Wheat Board, The .....	3,726,609			3,726,609	
Freshwater Fish Marketing Corporation .....	68,172			68,172	
<i>Total—Marketing</i> .....	<i>5,252,314</i>	<i>15,831</i>		<i>5,268,145</i>	
<b>Other</b>					
Atlantic Pilotage Authority .....	12,754			12,754	
Cape Breton Development Corporation .....	87,457	65,500		152,957	
Great Lakes Pilotage Authority, Ltd .....	12,891			12,891	
Laurentian Pilotage Authority .....	41,403			41,403	
Pacific Pilotage Authority .....	39,879			39,879	
<i>Total—Other</i> .....	<i>194,384</i>	<i>65,500</i>		<i>259,884</i>	
Total .....	16,960,249	81,331	2,591,019	19,632,599	

The accompanying notes for Table 9.4 are an integral part of this table.

<sup>(1)</sup> This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Income/or loss(-)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
2,331		2,331	(1,782)	86,016				84,234
73,252	19,626	92,878	62,481	349,551	(2,470)		(97,000)	312,562
109,923	2,879	112,802	10,984	236,543		(15,500)		232,027
5,826,841	85,108	5,911,949	93,991	834,561		(21,100)		907,452
12,686	538	13,224	5,132	83,151				88,283
58,027	5,833	63,860	2,659	250,678				253,337
5,486		5,486	203	90,541				90,744
13,837	1,193	15,030	(2,425)	(41,821)				(44,246)
11,172	409	11,581	2,044	28,337	276			30,657
282,192	(30)	282,162	1,617	94,043				95,660
9,667	247	9,914	1,432	71,789				73,221
3,348	78	3,426	363	19,898				20,261
58,031	6,703	64,734	27,725	411,849				439,574
58,666	731	59,397	7,006	327,769	(83)	(75)		334,617
6,525,459	123,315	6,648,774	211,430	2,842,905	(2,277)	(36,675)	(97,000)	2,918,383
			1,928,593	30,000		(1,928,593)		30,000
474,018	2,573	476,591	53,733	923,304		(16,717)		960,320
106,339	78,919	185,258	31,490	454,969				486,459
602,783	535,203	1,137,986	21,207	47,315				68,522
470,361	226,592	696,953	332,678	896,227				1,228,905
8,939	10,436	19,375	10,128	70,129				80,257
1,765,191	(6,590)	1,758,601	32,177	2,048,862		(95,000)		1,986,039
444,394	73,939	518,333	41,263	832,577	(127,148)	(754)		745,938
3,872,025	921,072	4,793,097	522,676	5,273,383	(127,148)	(112,471)		5,556,440
1,219,874	5,903	1,225,777	2,529	30,141			8,000	40,670
251,733	2,021	253,754	(8,696)		8,696			
3,726,609		3,726,609						
68,172		68,172						
5,266,388	7,924	5,274,312	(6,167)	30,141	8,696		8,000	40,670
12,780		12,780	(26)	4,497				4,471
155,287	28,489	183,776	(30,819)	(455,134)				(485,953)
15,148		15,148	(2,257)	4,907				2,650
41,589		41,589	(186)	(2,471)				(2,657)
39,930		39,930	(51)	3,339	19			3,307
264,734	28,489	293,223	(33,339)	(444,862)	19			(478,182)
15,928,606	1,080,800	17,009,406	2,623,193	7,731,567	(120,710)	(2,077,739)	(89,000)	8,067,311

## Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise Crown corporations made on behalf of Her Majesty. The borrowings are with other organizations than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 2002, an allowance for borrowings expected to be repaid by the Government on behalf of agent enterprise Crown corporations was established at \$814 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 1/2001	Borrowings and other credits	Repayments and other charges	Balance March 31/2002
Business Development Bank of Canada .....	5,101,819	16,853,011	16,228,561	5,726,269
Canada Mortgage and Housing Corporation .....	11,672,287	4,316,999	4,617,378	11,371,908
Canada Post Corporation .....	55,572	10,081	2,574	63,079
Canadian Dairy Commission (Marketing) .....		1,747	1,308	439
Canadian Wheat Board, The <sup>(1)</sup> .....	424,803		27,573	397,230
Export Development Canada .....	18,406,369	40,802,874	38,728,520	20,480,723
Farm Credit Canada .....	5,695,227	6,249,086	4,848,751	7,095,562
Freshwater Fish Marketing Corporation .....	12,146	11,519	12,146	11,519
Royal Canadian Mint .....	31,957	1,427	5,264	28,120
Total .....	41,400,180	68,246,744	64,472,075	45,174,849
Borrowings expected to be repaid by agent enterprise Crown corporations .....	(40,840,180)	68,500,744	64,472,075	(44,360,849)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities .....	560,000	254,000		814,000

<sup>(1)</sup> On December 31, 1998 The Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the *Financial Administration Act*. Borrowings prior to this date are included here. Borrowings subsequent to this date are reported in Table 9.7.

## Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations and other government business enterprises. Borrowings of non-agent Crown corporations and other government business enterprises are not

on behalf of Her Majesty, but may, at times, be guaranteed by the Government. As at March 31, 2002, an allowance for such guaranteed borrowings expected to be repaid by the Government was established at \$2,707 million.

**TABLE 9.7**

### BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2001	Borrowings and other credits	Repayments and other charges	Balance March 31/2002
Borrowings by agent enterprise Crown corporations .....	41,400,180	68,246,744	64,472,075	45,174,849
Borrowings by non-agent enterprise Crown corporations and other government business enterprises —				
Canadian Wheat Board, The <sup>(1)</sup> .....	7,182,119	31,185,391	30,618,067	7,749,443
Halifax Port Authority <sup>(2)</sup> .....	7,200		400	6,800
Laurentian Pilotage Authority .....	4,536	279	700	4,115
Pacific Pilotage Authority .....		1,000		1,000
Quebec Port Authority <sup>(2)</sup> .....	12,484	10,781		23,265
Ridley Terminals Inc. ....	64,021	277		64,298
St John's Port Authority <sup>(2)</sup> .....		900		900
Vancouver Port Authority <sup>(2)</sup> .....		13,679		13,679
Other Canada Port Authorities <sup>(2)</sup> .....	74,874		9,763	65,111
Total .....	7,345,234	31,212,307	30,628,930	7,928,611
Borrowings expected to be repaid by other government business enterprises .....	4,538,234	31,212,307	30,528,930	5,221,611
Allowance for borrowings of other government business enterprises expected to be repaid by the Government and reported on the Statement of Assets and Liabilities .....	2,807,000		100,000	2,707,000
Borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises .....	48,745,414	99,459,051	95,101,005	53,103,460

<sup>(1)</sup> See Note 1 of Table 9.6.

<sup>(2)</sup> The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

## Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2002.

**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
2003 .....	18,867,984	6,979,203	25,847,187
2004 .....	6,454,504	6,202	6,460,706
2005 .....	5,973,390	30,314	6,003,704
2006 .....	4,284,453	34,279	4,318,732
2007 .....	2,869,168	28,636	2,897,804
Subsequent years .....	6,725,350	849,977	7,575,327
Total .....	45,174,849	7,928,611	53,103,460 <sup>(1)</sup>

<sup>(1)</sup> The borrowings are composed of \$20,690,881 US, ¥ 1,009,409, Euro 438,740, NZ dollar \$178,809, AU \$115,468 and \$30,670,153 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, 2002
Enterprise Crown corporations and other government business enterprises	
Canada Mortgage and Housing Corporation—Insurance programs . . . . .	18,400
Export Development Canada—Loan guarantees and loans with recourse . . . . .	2,609,560
Farm Credit Canada—Loan guarantees . . . . .	16,700
Halifax Port Authority—Miscellaneous litigations . . . . .	500
Other Canada Port Authorities—Miscellaneous litigations . . . . .	6,044
Total . . . . .	2,651,204

## 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, 2002

(in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Enterprise Crown corporations and other government business enterprises</u>			
Canada Post Corporation <sup>(2)</sup> . . . . .	272,174	272,174	
Canadian Commercial Corporation . . . . .	15,831	15,831	
Canadian Wheat Board, The <sup>(3)</sup> . . . . .	16,416	16,416	
Cape Breton Development Corporation . . . . .	65,500	65,500	
Export Development Canada <sup>(4)</sup> . . . . .	5,737	5,737	
Total . . . . .	375,658	375,658	

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

<sup>(2)</sup> Includes a payment of \$24,964 from the Department of Indian Affairs and Northern Development for the purpose of providing Northern Air Stage Parcel Service.

<sup>(3)</sup> Payment for the acquisition and leasing of hopper cars for the transportation of grain in Western Canada.

<sup>(4)</sup> Consists of a payment of \$5,737 from the Department of Foreign Affairs and International Trade as administration expenses.

## Portfolio Investments

Portfolio investments are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's investments in such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

**TABLE 9.11**  
**PORTFOLIO INVESTMENTS**

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Petro-Canada—Finance .....	1,225,167,174			1,225,167,174
Other—				
Co-operative Housing Project—Canadian Heritage—				
Parks Canada Agency .....	337,106			337,106
Lower Churchill Development Corporation Limited—				
Natural Resources .....	14,750,000			14,750,000
North Portage Development Corporation—				
Industry—Western Economic Diversification .....				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Economic Development Agency of Canada for the Regions of Quebec .....	400			400
	15,087,506			15,087,506
Total .....	1,240,254,680			1,240,254,680

### Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 2002, the Government's holding represents 49.4 million shares, approximately 18.84 percent ownership of Petro-Canada.

### Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### 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 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Finance—				
Jamaica .....	10,361,111		10,361,111	
Bank of Thailand .....	679,542,930	8,786,175	152,259,427	536,069,678
United Kingdom—				
United Kingdom Financial Agreement Act, 1946 .....	94,990,863		15,777,823	79,213,040
Deferred principal .....	94,990,863		15,777,823	79,213,040
Foreign Affairs and International Trade—				
Development of export trade (loans administered by				
Export Development Canada (formerly				
Export Development Corporation)) .....	903,224,713	117,072,495	162,247,323	858,049,885
Developing countries—Canadian International				
Development Agency—International development				
assistance .....	1,447,254,189	436,064	18,866,994	1,428,823,259
National Defence—				
North Atlantic Treaty Organization—Damage claims				
recoverable .....	412,136	20,112		432,248
Total .....	3,135,785,942	126,314,846	359,512,678	2,902,588,110

## **Jamaica**

A loan had been made to the Government of Jamaica, to provide economic assistance.

During the year, loans totalling \$10,361,111 were forgiven by Finance Vote 2a, *Appropriation Act No 3, 2001-2002*.

## **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. The outstanding principal is repayable between July 18, 2002 and July 9, 2004.

As of March 31, 2002, the outstanding amount repayable by the Bank of Thailand is \$336,262,500 US translated into Canadian dollars at the closing rate of exchange (\$1 US/\$1.5942 Cdn.).

## **United Kingdom**

*United Kingdom Financial Agreement Act, 1946—Deferred principal*

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 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 outstanding deferred principal is repayable between December 31, 2002 and December 31, 2006.

## Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that

were issued prior to April 1, 1987 are partially provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	April 1/2001	Payments and other charges		Receipts and other credits		March 31/2002
		Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	
	\$	\$	\$	\$	\$	\$
<b>NON-BUDGETARY LOANS</b>						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 2000 and November 2005:					1,765,411	
Madagascar.....	8,420,995	164,787	1,960,605			10,546,387
Mexico.....	366,766				48,528	318,238
Peru.....	905,590					905,590
Russia and USSR.....	77,981,375		1,604,697	150,324	29,869	79,405,879
Sudan.....	1,981,728		7,992	1,108,429	428,261	453,030
Tanzania.....	20,073,517		215,064			20,288,581
	109,729,971	164,787	3,788,358	1,258,753	506,658	111,917,705
(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.....	55,451,732		441,282	8,159,436		47,733,578
Argentina.....	44,939,273		352,557	3,656,147		41,635,683
Cameroun.....	3,903,367		41,821			3,945,188
China.....	81,048,183		540,007	13,739,040		67,849,150
Congo.....	706,386		7,568			713,954
Cuba.....	39,152,160	7,430,904		13,214,084		33,368,980
Ecuador.....	1,062,452		30,744	126,745		966,451
Gabon.....	11,799,822			2,397,047	4,392,183	5,010,592
Jamaica.....	3,488,743		21,357	628,689		2,881,411
Kazakhstan.....						
Kenya.....	6,367,968		17,128	1,787,816		4,597,280
Lithuania.....	1,620,896			197,808	194,392	1,228,696
Morocco.....	65,523,210		821,916	5,303,892		61,041,234
Romania.....	211,174,803		1,549,229	38,097,457		174,626,575
Russia.....	4,479,060		14,907	1,466,038		3,027,929
Rwanda.....	1,651,911				435,775	1,216,136
Sudan.....	8,388,901		89,877			8,478,778
Venezuela.....	81,920,883	45,155,584		4,041,220		123,035,247
	622,679,750	52,586,488	3,928,393	92,815,419	5,022,350	581,356,862
(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.....	1,734,376			56,598		1,677,778
Argentina.....	22,395,891		8,965,913	12,425,953		18,935,851
Brazil.....	4,573,709			1,004,021	3,571	3,566,117
	28,703,976		8,965,913	13,486,572	3,571	24,179,746
Insurance claims paid during the year:						
Cuba.....	30,420,852					30,420,852
Russia.....	16,009,916		106,776			16,116,692
	46,430,768		106,776			46,537,544
Total—Non-budgetary.....	807,544,465	52,751,275	16,789,440	107,560,744	5,532,579	763,991,857

	Payments and other charges			Receipts and other credits		March 31/2002
	April 1/2001	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation	
	\$	\$	\$	\$	\$	\$
<b>BUDGETARY LOANS<sup>(3)</sup></b>						
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:						
Egypt .....	24,068				24,068	
Madagascar .....	8,480,936			204,230	1,248,286	7,028,420
Poland .....	43,140,633		378,315	3,046,989		40,471,959
Tanzania .....	989,340		10,600			999,940
Zambia .....	7,854,227		84,189			7,938,416
	60,489,204		473,104	3,251,219	1,272,354	56,438,735
(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 .....	954,502		245,974			1,200,476
Mexico .....	14,751,846		165,257	2,084,160		12,832,943
Rwanda .....	4,431,676		503,182			4,934,858
Thailand .....	21,578,116		117,838	2,248,812		19,447,142
Zambia .....	2,446,403		26,210			2,472,613
	44,162,543		1,058,461	4,332,972		40,888,032
(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 .....	9,526,000			568,000		8,958,000
China .....	528,265,933	16,316,830	6,764,421		1,854,727	549,492,457
Congo .....	3,331,469		35,693			3,367,162
Indonesia .....	50,769,423		543,935			51,313,358
	591,892,825	16,316,830	7,344,049	568,000	1,854,727	613,130,977
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun .....	24,571,401		263,254			24,834,655
China .....	209,283,611		2,454,777	11,969,631		199,768,757
Egypt .....	13,840,909		3,589,713	368,388	159,176	16,903,058
Gabon .....	15,459,182		4,509,147	4,739,085		15,229,244
India .....	80,418,170		855,638	245,950		81,027,858
Jamaica .....	10,823,649			140,894	34,867	10,647,888
Kenya .....	10,726,739					10,726,739
Morocco .....	152,611,021		793,589	19,883,950		133,520,660
Pakistan .....	10,997,191				332,787	10,664,404
Turkey .....	172,097,426		1,843,823			173,941,249
	700,829,299		14,309,941	37,347,898	526,830	677,264,512
Subtotal—Budgetary .....	1,397,373,871	16,316,830	23,185,555	45,500,089	3,653,911	1,387,722,256
Less: budgetary treatment .....	1,301,693,623	8,029,395				1,293,664,228
Total—Budgetary .....	95,680,248	24,346,225	23,185,555	45,500,089	3,653,911	94,058,028
Total .....	903,224,713	77,097,500	39,974,995	153,060,833	9,186,490	858,049,885
<b>SUMMARY</b>						
Total—Non-budgetary .....	807,544,465	52,751,275	16,789,440	107,560,744	5,532,579	763,991,857
Total—Budgetary .....	1,397,373,871	16,316,830	23,185,555	45,500,089	3,653,911	1,387,722,256
	2,204,918,336	69,068,105	39,974,995	153,060,833	9,186,490	2,151,714,113
Less: budgetary treatment .....	1,301,693,623	8,029,395				1,293,664,228
Total .....	903,224,713	77,097,500	39,974,995	153,060,833	9,186,490	858,049,885

<sup>(1)</sup> Payments or other charges may include transactions such as loans, adjustments, etc.

<sup>(2)</sup> Receipts or other credits may include transactions such as repayments, forgiveness, etc.

<sup>(3)</sup> Concessional non-budgetary loans made prior to April 1, 1987 are partially provided for in the allowance for valuation of assets and are included with budgetary loans in this table. Budgetary loans have been partially valued in the allowance for valuation of assets.

## Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 are partially provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/2001	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2002
	\$	\$	\$	\$
(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) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil .....	3,964,078		353,413	3,610,665
Chile .....	11			11
Cuba .....	9,547,012			9,547,012
Malaysia .....	1,630,554		326,220	1,304,334
Turkey .....	1,474,468		428,480	1,045,988
	16,616,123		1,108,113	15,508,010
(c) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	381,667		118,824	262,843
(d) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	194,987		33,333	161,654
(e) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria .....	11,960,375		498,594	11,461,781
Argentina .....	308,000		18,667	289,333



	April 1/2001	Payments and other charges	Receipts and other credits <sup>(1)</sup>	March 31/2002
	\$	\$	\$	\$
Bolivia.....	890,297		42,395	847,902
Brazil.....	386,846		20,914	365,932
Chile.....	1,734,708		147,093	1,587,615
Colombia.....	460,380		26,308	434,072
Dominican Republic.....	5,394,161		236,045	5,158,116
Ecuador.....	6,329,598		304,919	6,024,679
Guatemala.....	2,581,353		100,000	2,481,353
India.....	469,058,641		9,823,533	459,235,108
Indonesia.....	216,303,483			216,303,483
Malaysia.....	1,923,308		62,935	1,860,373
Malta.....	574,980		25,000	549,980
Mexico.....	45,727		2,771	42,956
Morocco.....	11,008,782		192,459	10,816,323
Myanmar (Burma).....	8,306,202			8,306,202
Pakistan.....	447,507,534			447,507,534
Paraguay.....	318,074		19,996	298,078
Peru.....	57,123		3,729	53,394
Philippines.....	2,415,283		103,573	2,311,710
Sri Lanka.....	114,527,482		2,237,719	112,289,763
Thailand.....	24,206,825		847,120	23,359,705
Tunisia.....	76,501,982		1,647,863	74,854,119
	<i>1,402,801,144</i>		<i>16,361,633</i>	<i>1,386,439,511</i>
(f) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria.....	34,223,608		1,245,091	32,978,517
Subtotal.....	1,499,213,462		18,866,994	1,480,346,468
Less: budgetary treatment.....	51,959,273	436,064 <sup>(2)</sup>		51,523,209
Total.....	1,447,254,189	436,064	18,866,994	1,428,823,259

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

<sup>(1)</sup> Receipts and other credits may include transactions such as repayments, forgiveness, etc.

<sup>(2)</sup> This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

The notes payable outstanding at year end of \$943,533,830 (\$981,243,689 in 2001) 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 31/2002
	April 1/2001	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 . . . . .	245,068,958	18,912,709	3,232,309			267,213,976
International Bank for Reconstruction and Development (World Bank) . . . . .	415,555,661		2,046,707			417,602,368
International Finance Corporation . . . . .	128,219,394		1,456,023			129,675,417
Multilateral Investment Guarantee Agency . . . . .	16,917,246		192,107			17,109,353
	805,761,259	18,912,709	6,927,146			831,601,114
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank . . . . .	107,528,796	4,486,208	525,283			112,540,287
Asian Development Bank . . . . .	232,853,694		2,286,985			235,140,679
Caribbean Development Bank . . . . .	26,566,330		245,951			26,812,281
Inter-American Development Bank . . . . .	281,251,436	362,614	3,151,549			284,765,599
	648,200,256	4,848,822	6,209,768			659,258,846
	1,453,961,515	23,761,531	13,136,914			1,490,859,960
Loans and advances—						
Finance—						
International Monetary Fund—						
Poverty Reduction and Growth Facility . . . . .	845,621,879	68,001,889	279,966	80,384,835		833,518,899
Foreign Affairs and International Trade—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization . . . . .	39,577		1,801			41,378
Customs Co-operation Council . . . . .	9,446		29			9,475
Food and Agriculture Organization . . . . .	1,418,670		16,110			1,434,780
General Agreement on Tariffs and Trade . . . . .	49,285		2,243			51,528
International Maritime Organization . . . . .	2,421		44			2,465
International Atomic Energy Agency . . . . .	603,407		6,852			610,259
International Civil Aviation Organization . . . . .	270,493		3,072			273,565
Paris Union of the World Intellectual Property Organization . . . . .	101,981		4,642			106,623
United Nations Educational, Scientific and Cultural Organization . . . . .	1,178,159		13,379			1,191,538
United Nations organizations . . . . .	4,902,294		55,668			4,957,962
World Health Organization . . . . .	244,436		2,776			247,212
	8,820,169		106,616			8,926,785
	854,442,048	68,001,889	386,582	80,384,835		842,445,684
Total—Non-budgetary . . . . .	2,308,403,563	91,763,420	13,523,496	80,384,835		2,333,305,644

**TABLE 9.13**  
**INTERNATIONAL ORGANIZATIONS—Concluded**

	Payments and other charges			Receipts and other credits		March 31/2002
	April 1/2001	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
	\$	\$	\$	\$	\$	\$
<b>BUDGETARY LOANS AND ADVANCES<sup>(1)</sup></b>						
Finance—						
Global Environment Facility .....	10,000,000					10,000,000
International Development Association .....	5,964,104,728	202,333,333				6,166,438,061
	5,974,104,728	202,333,333				6,176,438,061
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank .....	2,468,896			125,000		2,343,896
African Development Fund .....	1,427,259,259	54,000,000	1,342,499			1,482,601,758
Andean Development Corporation .....	2,812,576			125,000		2,687,576
Asian Development Bank—Special .....	27,027,000					27,027,000
Asian Development Fund .....	1,570,694,784	97,378,504				1,668,073,288
Caribbean Development Bank—						
Agricultural Development Fund .....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional .....	6,305,200		71,600			6,376,800
Caribbean Development Bank—Special .....	128,413,940	9,666,000	224,645			138,304,585
Central American Bank for Economic Integration .....	1,262,279			76,500		1,185,779
Global Environment Facility Trust Fund .....	178,610,000	54,590,000				233,200,000
Inter-American Development Bank—Fund for Special						
Operations .....	428,837,807	1,279,963	3,234,139			433,351,909
Multilateral Investment Fund .....	11,388,294					11,388,294
International Bank for Reconstruction and						
Development .....	31,526,000		358,000			31,884,000
International Fund for Agriculture Development .....	140,331,011	4,978,809				145,309,820
International Monetary Fund .....	17,291,117		196,352			17,487,469
Montreal Protocol Fund .....	47,869,665	5,498,439	477,651			53,845,755
	4,024,097,828	227,391,715	5,904,886	326,500		4,257,067,929
Subtotal—Budgetary .....	9,998,202,556	429,725,048	5,904,886	326,500		10,433,505,990
Less: budgetary treatment .....	7,901,973,451			424,984,972	477,652	8,327,436,075
Total—Budgetary .....	2,096,229,105	429,725,048	5,904,886	425,311,472	477,652	2,106,069,915
Total .....	4,404,632,668	521,488,468	19,428,382	505,696,307	477,652	4,439,375,559
<b>SUMMARY</b>						
Participation .....	12,306,606,119	521,488,468	19,428,382	80,711,335		12,766,811,634
Less: budgetary treatment .....	7,901,973,451			424,984,972	477,652	8,327,436,075
Total .....	4,404,632,668	521,488,468	19,428,382	505,696,307	477,652	4,439,375,559

<sup>(1)</sup> Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

### **European Bank for Reconstruction and Development**

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at \$828.6 million US. Only \$216.2 million US or about 35 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the *Act*. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2002, Canada had paid-in shares valued at \$167,616,344 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5942 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, 2002, 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/\$1.5942 Cdn).

During the year, the only transaction was a revaluation adjustment of \$2 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, 2002, 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/\$1.5942 Cdn).

During the year, the only transaction was a revaluation adjustment of \$1.5 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, 2002, Canada has subscribed to 5,225 shares. The total value of these shares is \$56,534,500 US, of which \$10,732,250 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5942 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 \$45,802,250 US.

### **African Development Bank**

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts. (including Foreign Affairs and International Trade Votes L35 and L35b, *Appropriation Acts No. 1, No. 2 and No. 4, 2001-2002*).

At year-end, authority had been granted for subscriptions of 6,769 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2002, Canada's participation to the paid-in capital is \$112,540,287 Cdn for 6,769 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.5942 Cdn). During the year, transactions included participation and a revaluation adjustment.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$984,917,646 Cdn and \$177,333,450 US for a total value of \$1,267,622,632 Cdn.

### Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2002, Canada's participation to the paid-in capital is \$235,140,679 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/\$1.5942 Cdn). During the year, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$3,041,220,451 Cdn.

### Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L35 and L35b, *Appropriation Acts No. 1, No. 2 and No 4, 2001-2002*).

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, 2002, Canada's participation to the paid-in capital is \$26,812,281 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/\$1.5942 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 \$78,118,758 Cdn.

### Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2002, Canada's participation to the paid-in capital is \$284,765,599 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/\$1.5942 Cdn). During the year, transactions involving paid-in shares included only an adjustment made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$6,163,509,878 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, 2002, Canada has lent a total of 552,648,500 SDR to the Poverty Reduction and Growth Facility. Of this amount, 133,305,900 SDR has been repaid. The outstanding balance of 419,342,600 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR/\$1.98768 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 176,397,586 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, 2002, 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, 2002, Canada's total participation in IDA amounted to \$6,166,438,061 Cdn.

### International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L30 and L30b, *Appropriation Acts No. 1, No. 2 and No. 4, 2001-2002*).

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 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
<b>NEWFOUNDLAND AND LABRADOR—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(4,364,799)	12,352,000	4,368,401	3,618,800
Municipal Development and Loan Board .....	1,553,779		220,719	1,333,060
Winter capital projects fund .....	2,836,758			2,836,758
	25,738	12,352,000	4,589,120	7,788,618
Industry—				
Atlantic Development Board carry-over projects .....	197,851		26,924	170,927
Atlantic Provinces Power Development Act .....	28,443,677		5,410,442	23,033,235
Atlantic Canada Opportunities Agency— Loans to enterprises in Newfoundland and Labrador <sup>(1)</sup> .....	481,680		5,000	476,680
	29,123,208		5,442,366	23,680,842
Total Newfoundland and Labrador .....	29,148,946	12,352,000	10,031,486	31,469,460
<b>NOVA SCOTIA—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	(22,986,000)	22,986,000	2,951,000	(2,951,000)
Municipal Development and Loan Board .....	87,611		15,604	72,007
	(22,898,389)	22,986,000	2,966,604	(2,878,993)
Industry—				
Atlantic Development Board carry-over projects .....	71,380		71,380	
Total Nova Scotia .....	(22,827,009)	22,986,000	3,037,984	(2,878,993)
<b>PRINCE EDWARD ISLAND—</b>				
Finance—				
Federal-provincial fiscal arrange- ments .....	2,747,640	3,746,000	3,200,380	3,293,260
Municipal Development and Loan Board .....	216,476		22,912	193,564
Winter capital projects fund .....	63,079			63,079
	3,027,195	3,746,000	3,223,292	3,549,903
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement .....	3,067,243		1,214,506	1,852,737
Total Prince Edward Island .....	6,094,438	3,746,000	4,437,798	5,402,640



TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Continued*

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(12,586,000)	12,586,000	2,367,000	(2,367,000)
Municipal Development and Loan Board .....	1,070,488 (11,515,512)	12,586,000	162,005 2,529,005	908,483 (1,458,517)
Industry—				
Atlantic Provinces Power Development Act .....	9,089,258		1,450,454	7,638,804
Atlantic Canada Opportunities Agency— Special areas and highways agreement .....	1,073,803 10,163,061		241,419 1,691,873	832,384 8,471,188
Total New Brunswick .....	(1,352,451)	12,586,000	4,220,878	7,012,671
QUEBEC—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(110,854,750)	630,824,250	23,277,000	496,692,500
Municipal Development and Loan Board .....	11,060,021		1,755,321	9,304,700
Total Quebec .....	(99,794,729)	630,824,250	25,032,321	505,997,200
ONTARIO—				
Finance—				
Federal-provincial fiscal arrange- ments .....	170,546,000		252,875,000	(82,329,000)
Mutual fund capital gain refund over- payments <sup>(2)</sup> .....	2,103,000,000		773,000,000	1,330,000,000
Total Ontario .....	2,273,546,000		1,025,875,000	1,247,671,000
MANITOBA—				
Finance—				
Federal-provincial fiscal arrange- ments .....	13,742,000	1,631,000	18,959,000	(3,586,000)
Mutual fund capital gain refund over- payments <sup>(2)</sup> .....	264,000,000		173,000,000	91,000,000
Total Manitoba .....	277,742,000	1,631,000	191,959,000	87,414,000
SASKATCHEWAN—				
Agriculture and Agri-Food—				
Agricultural service centres .....	83,862	916	37,746	47,032
Finance—				
Federal-provincial fiscal arrange- ments .....	13,646,000	11,090,000	33,963,000	(9,227,000)
Municipal Development and Loan Board .....	21,923 13,667,923	11,090,000	3,836 33,966,836	18,087 (9,208,913)
Total Saskatchewan .....	13,751,785	11,090,916	34,004,582	(9,161,881)
ALBERTA—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(120,085,000)	166,834,000		46,749,000
Municipal Development and Loan Board .....	494,502		77,034	417,468
Mutual fund capital gain refund over- payments <sup>(2)</sup> .....	1,000,000		1,000,000	
Total Alberta .....	(118,590,498)	166,834,000	1,077,034	47,166,468

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(30,593,000)	100,066,000		69,473,000
Municipal Development and Loan Board .....	444,842		78,952	365,890
Mutual fund capital gain refund over- payments <sup>(2)</sup> .....	53,000,000		53,000,000	
Total British Columbia .....	22,851,842	100,066,000	53,078,952	69,838,890
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(27,001)	27,001	3,262,000	(3,262,000)
Indian Affairs and Northern Development— Government of the Yukon Territory .....	91,781	801		92,582
Total Yukon Territory .....	64,780	27,802	3,262,000	(3,169,418)
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrange- ments .....	5,086,000	8,991,000	5,086,000	8,991,000
Total Northwest Territories .....	5,086,000	8,991,000	5,086,000	8,991,000
NUNAVUT—				
Finance—				
Federal-provincial fiscal arrange- ments .....	(292,000)	4,218,000		3,926,000
Total Nunavut .....	(292,000)	4,218,000		3,926,000
Total .....	2,385,429,104	975,352,968	1,361,103,035	1,999,679,037

<sup>(1)</sup> Previously reported in Table 9.15.<sup>(2)</sup> Additional information can be found in note 3 iv of Section 1 of this volume.**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 December 1, 2004 and March 1, 2008.

**Winter capital projects fund**

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

**Atlantic Development Board carry-over projects**

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 1 to 6 years at various anniversary amortization dates, with final instalments 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 12 years, with final instalments due March 31, 2014.

### 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.

### Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

### Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

Originally, the loans beared interest at rates from 6.3519 percent to 9.5757 percent per annum. As of March 31, the remaining loans bear no interest and are repayable in annual instalments, with final instalments between April 1, 2002 and April 1, 2005.

### Mutual fund capital gain refund overpayments

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period starting in 2004-2005.

### 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 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
Second mortgage . . . .	3,751			3,751
Capital expenditures . .	14,333	51		14,384
Outside parties—				
Capital projects . . . .	73,697	750		74,447
	91,781	801		92,582

The loans bear interest at rates from 6.063 percent to 9.500 percent per annum, and are repayable in equal annual instalments over 25 to 35 years, with final instalments between September 15, 2002 and November 24, 2003.

## Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

**TABLE 9.15**

### OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Unconditionally repayable contributions <sup>(1)</sup> —				
Canadian Heritage .....		5,671,140		5,671,140
Industry—				
Department .....	182,466,093		108,985,070	73,481,023
Atlantic Canada Opportunities Agency .....	375,688,847	25,446,743	42,431,526	358,704,064
Economic Development Agency of Canada for the Regions of Quebec .....	165,310,034	11,353,115		176,663,149
Western Economic Diversification .....	136,822,687	3,830,508	35,462,084	105,191,111
	860,287,661	40,630,366	186,878,680	714,039,347
Natural Resources .....	5,458,529	20,625,126	8,808,450	17,275,205
Total—Unconditionally repayable contributions .....	865,746,190	66,926,632	195,687,130	736,985,692
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad .....	30,402,880	695,235,995	691,166,292	34,472,583
Personnel posted abroad .....	11,752,668	12,148,059	12,884,351	11,016,376
	42,155,548	707,384,054	704,050,643	45,488,959
National Defence—				
Imprest accounts, standing advances and authorized loans .....	30,080,815	366,448,479	362,782,869	33,746,425
Other departments—				
Miscellaneous accountable advances .....	9,709,280	3,135,503		12,844,783
Miscellaneous accountable imprest and standing advances .....	16,400,830	4,638,847	18,112	21,021,565
	26,110,110	7,774,350	18,112	33,866,348
Total—Loans and accountable advances .....	98,346,473	1,081,606,883	1,066,851,624	113,101,732
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings .....	2,846,330		2,669,973	176,357
Canadian Heritage—				
Cultural property .....				
Citizenship and Immigration—				
Transportation and assistance loans .....	50,074,539	14,102,572	16,958,705	47,218,406
Finance—				
Canadian Commercial Bank .....	48,180,437		758,008	47,422,429
Ottawa Civil Service Recreational Association .....	60,904		12,556	48,348
Financial Consumer Agency of Canada—				
Advances .....		7,000,000		7,000,000
	48,241,341	7,000,000	770,564	54,470,777
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 Export Development Canada) (formerly Export Development Corporation) .....	180,743,130	213,818,883	39,569,328	354,992,685
Human Resources Development—				
Direct financing to students .....	2,612,546,223	1,657,864,302	315,269,772	3,955,140,753
Provincial workers' compensation boards .....	10,891,155	2,087,513	51,000	12,927,668
	2,623,437,378	1,659,951,815	315,320,772	3,968,068,421

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2001	Payments and other charges	Receipts and other credits	March 31/2002
	\$	\$	\$	\$
Indian Affairs and Northern Development—				
Council of Yukon First Nations—Elders .....	16,266,073	314,437	585,528	15,994,982
Farm Credit Corporation Guarantee				
Loans Program <sup>(1)</sup> .....	5,627,920	69,346	257,245	5,440,021
First Nations in British Columbia .....	197,621,205	28,545,988		226,167,193
Indian Economic Development Fund .....	552,985		14,492	538,493
Indian Economic Development Guarantee				
Loans Program <sup>(1)</sup> .....	674,231	2,330	1,200	675,361
Inuit Loan Fund .....	82,844		8	82,836
Native claimants .....	328,923,435	34,623,657	37,254,757	326,292,335
On Reserve Housing Guarantee				
Loans Program <sup>(1)</sup> .....	8,503,950	86,473	271,557	8,318,866
Stoney Band Perpetual Loan .....		389,619		389,619
Yukon Energy Corporation .....	29,559,447		272,227	29,287,220
	587,812,090	64,031,850	38,657,014	613,186,926
Industry—				
Company stock option .....				
Manufacturing, processing and service industries in				
Canada .....	110,000,000			110,000,000
National Research Council of Canada—				
H. L. Holmes Fund .....		3,256,071		3,256,071
	110,000,000	3,256,071		113,256,071
National Defence—				
Canadian Forces housing projects .....	1,703,218		578,746	1,124,472
Pilot Training Program—MILIT-AIR Inc. ....	696,281,399		35,254,754	661,026,645
	697,984,617		35,833,500	662,151,117
Natural Resources—				
Hibernia Development Project .....	73,600,000		9,200,000	64,400,000
Nordion International Inc. ....	98,000,000		4,000,000	94,000,000
	171,600,000		13,200,000	158,400,000
Public Works and Government Services—				
Confederation Bridge .....	732,533,086		23,505,457 <sup>(2)</sup>	709,027,629
Seized Property Working Capital Account .....	1,820,741	24,245,519	20,600,759	5,465,501
	734,353,827	24,245,519	44,106,216	714,493,130
Solicitor General—Correctional Service—				
Parolees .....	15,549	9,804	12,736	12,617
Transport—				
Canadian Airport Authorities <sup>(1)</sup> .....		22,682,037	1,261,070	21,420,967
Saint John Harbour Bridge Authority .....	26,012,850		989,133	25,023,717
St. Lawrence Seaway Management Corporation .....	723,757		8,025	715,732
	26,736,607	22,682,037	2,258,228	47,160,416
Veterans Affairs—				
Commonwealth War Graves Commission .....	66,945	1,134 <sup>(3)</sup>		68,079
Veterans' Land Act Fund—				
Advances .....	576,886		413,859	163,027
	643,831	1,134	413,859	231,106
Other departments—				
Miscellaneous .....		1,805,849	405,804	1,400,045
Subtotal .....	5,235,963,891	2,010,905,534	510,176,699	6,736,692,726
Add: consolidation adjustment <sup>(4)</sup> .....	378,443,000	79,343,000		457,786,000
Total—Other .....	5,614,406,891	2,090,248,534	510,176,699	7,194,478,726
Total .....	6,578,499,554	3,238,782,049	1,772,715,453	8,044,566,150

<sup>(1)</sup> Previously reported as «Accounts receivable» in Section 7 of this volume.<sup>(2)</sup> Reflects amortization of the deferred subsidies related to the Confederation Bridge.<sup>(3)</sup> This amount represents a revaluation adjustment.<sup>(4)</sup> Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

### Unconditionally repayable contributions

Unconditionnally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various total authorized amounts outstanding. These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final installments due within up to 10 years of initial disbursement. These loans were included in "Accounts Receivable" of the Government and were presented in Section 7 of this Volume in 2000-2001 and prior years.

### 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, \$7,878,324; advances for medical expenses, \$949,904; advances for workmen's compensation, \$88,474; security and other deposits under Foreign Service Directives, \$647,278; and, school and club debentures, \$1,452,396.

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, 2002 and March 1, 2006.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

### Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.351 percent per annum, and are repayable over 20 to 30 years, with final instalments between May 31, 2002 and June 30, 2006.

### Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L10, *Appropriation Acts No. 1 and No. 2, 2001-2002*, 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, 2002 and April 1, 2009, \$42,943,396; 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, 2002 and April 1, 2009, \$4,275,010.

During the year, loans totalling \$1,757,203 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 2001-2002*.

### 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.

### Financial Consumer Agency of Canada—Advances

Interest bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

The advances are repayable within one year.

### Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

### Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/2002
	April 1/2001	Payments or other charges <sup>(1)</sup>	Revaluation	Receipts or other credits <sup>(2)</sup>	Revaluation
	\$	\$	\$	\$	\$
<b>NON-BUDGETARY LOANS</b>					
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001 <sup>(3)</sup> :					
Brazil .....	5,215,917		55,883		5,271,800
Iran .....	16,981,658			11,232,110	5,721,198
South Africa .....	59,203,539		2,751,543	7,148,100	54,806,982
	81,401,114		2,807,426	18,380,210	65,799,980
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:					
Antigua .....	36,503,007		777,160	796,007	36,484,160
Jordan .....	9,642,477			1,521,579	8,018,622
Kyrgyzstan .....	46,007,500		165,418	12,958,333	33,214,585
	92,152,984		942,578	15,275,919	77,717,367
(c) 1 to 15 year term, 7.5 percent to 8.5 percent interest per annum, with final repayments between April 2004 and October 2018:					
United States .....		205,260,619	4,099,423		209,360,042
Total—Non-budgetary .....	173,554,098	205,260,619	7,849,427	33,656,129	130,626
					352,877,389
<b>BUDGETARY LOANS</b>					
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001 <sup>(3)</sup> :					
Antigua .....	4,183,657			1,786,192	632,759
					1,764,706
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:					
Spain .....	21,349,995			531,192	227,427
Thailand .....	7,729,261		82,810		20,591,376
					7,812,071
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:					
Antigua .....	3,005,375		626,027	1,283,130	
					2,348,272
Subtotal—Budgetary .....	36,268,288		708,837	3,600,514	860,186
Less: budgetary treatment .....	29,079,256			1,321,873	
					32,516,425
Total—Budgetary .....	7,189,032		708,837	4,922,387	860,186
					2,115,296
Total .....	180,743,130	205,260,619	8,558,264	38,578,516	990,812
					354,992,685
<b>SUMMARY</b>					
Total—Non-budgetary .....	173,554,098	205,260,619	7,849,427	33,656,129	130,626
Total—Budgetary .....	36,268,288		708,837	3,600,514	860,186
					32,516,425
Total .....	209,822,386	205,260,619	8,558,264	37,256,643	990,812
Less: budgetary treatment .....	29,079,256			1,321,873	
					30,401,129
Total .....	180,743,130	205,260,619	8,558,264	38,578,516	990,812
					354,992,685

<sup>(1)</sup> Payments or other charges may include transactions such as loans, adjustments, etc.

<sup>(2)</sup> Receipts or other credits may include transactions such as repayments, forgiveness, etc.

<sup>(3)</sup> The terms for these loans are presently under review.



## Direct financing to students

### *Direct loans to students*

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources Development to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources Development with the concurrence of the Minister of Finance.

The total amount of loans outstanding may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

The total amount of loans outstanding as at March 31, 2002 amounts to \$2,882,586,945, (\$1,415,271,522 as at March 31, 2001).

### *Guaranteed and risk-shared student loans*

Loans issued prior to August 1, 2000 includes loans outstanding which are amounts related to student loans subrogated to the Crown under the *Canada Student Loans Act* and under the *Canada Student Financial Assistance Act*, amounting to \$1,072,553,808 as at March 31, 2002, (\$1,197,274,701 as at March 31, 2001).

## Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the *Act* on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

## Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Acts No. 1 and No.2, 2001-2002*.

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, 2003, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.67 percent to 9.46 percent per annum.

## Farm Credit Corporation Guarantee Loans Program

The Farm Credit Corporation guarantee loans program was discontinued as of November 14, 1989. The program will continually decrease in size as the Farm Credit Corporation guarantees expire.

Out of the \$1.7 billion authority for the On Reserve Housing program, \$46,755 has been set aside to cover the existing Farm Credit Corporation guarantees.

The debt is non-interest bearing.

## 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, 2001-2002*.

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 by the First Nations and will pay the loan on the earliest of the following dates:
  - (i) date on which the treaty is settled;
  - (ii) twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations funding agreement;

- (iii) seventh anniversary after the signing of an agreement-in-principal, or;
- (iv) date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nation's funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are \$48,777,175 and \$177,390,018 respectively. The rate is 6 percent per annum for the interest-bearing portion.

### 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 7 percent to 11.25 percent per annum, and are repayable over 1 to 6 years, with final instalments between April 1, 2002 and April 1, 2008.

### Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No. 1, 1970*, amended under P.C., 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time \$60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

### Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

One loan is remaining with an interest rate of 9.75 percent per annum, and is repayable over 2 years, with final instalments between April 1, 2002 and February 2, 2004.

### Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L20 and L20a, *Appropriation Acts No. 1, No. 2 and No. 3, 2001-2002*.

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, 2010, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$158,823,883 and \$167,468,452 respectively. Rates are from 2.47 percent to 11.89 percent per annum for the interest-bearing portion.

### On Reserve Housing Guarantee Loans Program

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or crown land. Reserves are, as such, non mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is \$1.7 billion (of which \$46,755 has been set aside for the Farm Credit Canada Program existing guarantees), as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No. 3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No. 1, 1977* and Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1993-94*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of \$2 million per annum was established within the department's reference levels to cover all three Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.

### Stoney Band Perpetual Loan

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan of \$500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allot \$200,000 to the Pekisko Group, and \$300,000 for the additions to Morley Reserve.

### 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, 2001-2002*.

### 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, 2001-2002*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

### H. L. Holmes Fund

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

### Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 2001 and November 1, 2010.

### Pilot Training Program—MILIT-AIR Inc.

The Government of Canada and Bombardier Inc. entered into an agreement for the creation of a military fighter pilot training program to be made available to the Canadian Forces as well as the military forces of other nations who choose to participate. MILIT-AIR Inc. was formed as an independent entity for the sole purpose of acquiring assets required for the program and making such assets available to Bombardier Inc. Under the agreement, the Government of Canada is obligated to pay annual tuition payments for training of military fighter pilots over a period of 20 years. The payments will be used to retire \$720 million at 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 \$687 million, offset by deferred payments. These deferred payments will be amortized over the 21-year period ending on December 30, 2021.

### **Hibernia Development Project**

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

### **Nordion International Inc.**

A \$100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

### **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, 2001, the fifth payment of the annual subsidy was made in the amount of \$48.3 million. This payment represents payment of principal in the amount of \$17.4 million and interest expense of \$30.9 million. The interest rate is 4.009 percent and the present value of the annual cash payment is \$48.3 million.

As a result, the Government of Canada has a recorded liability of \$753 million offset by deferred subsidies of \$709 million which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

The deferred subsidies will be amortized over the 35-year period on a straight-line basis resulting in amortization expense for 2001-2002 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 \$6,018 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

### **Canadian Airport Authorities**

The loans stems from agreements regarding the transfer of chattels and consumable stock to individuals authorities (12) upon transfer of the management, operation and maintenance responsibilities to the authority under the National Airports Policy.

The loans portfolio consist of 12 non-interest bearing loans to Canadian Airport Authorities issued in the years 1997-2002.

Previously, they were reported as accounts receivable.

### **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 Author-

ity, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

### **St. Lawrence Seaway Management Corporation**

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

These loans bear interest at rates from 7 percent to 9.5 percent per annum, and are repayable at monthly rates, with the final instalment of the existing terms being March 2004.

### **Commonwealth War Graves Commission**

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

### **Veterans' Land Act Fund**

#### *Advances*

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

#### *Allowance for conditional benefits*

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

### **Other departments—Miscellaneous**

This account represents amounts outstanding in the hands of departments, agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

### **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

2001-2002

*PUBLIC ACCOUNTS OF CANADA*

## Other Information Related to the Financial Statements

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Insurance programs of agent enterprise Crown corporations . .	10.15
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## 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 \$1,420 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Pension Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *Royal Canadian Mounted Police Pension Continuation Act*. The estimated total obligations of these plans amount to \$45 million and \$80 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

**TABLE 10.1**

### CONTRACTUAL COMMITMENTS

(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3 .....	17,022	8,021	2,403			27,446
Table 10.4 .....			2,306			2,306
Table 10.6 .....				2,993		2,993
Pension plans for veterans .....					7,102	7,102
Liability under continuation acts .....					125	125
Total .....	17,022	8,021	4,709	2,993	7,227	39,972

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 2003 to 2007 inclusive, and a total for amounts due in the year 2008 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
2003 .....	5,005	2,152	378	891	1,417	9,843
2004 .....	3,745	1,345	383	633	1,432	7,538
2005 .....	3,306	804	339	566	1,468	6,483
2006 .....	2,542	611	307	899	1,459	5,818
2007 .....	2,051	478	301	4	1,451	4,285
2008 and subsequently .....	373	2,631	3,001			6,005
Total .....	17,022	8,021	4,709	2,993	7,227	39,972

**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, 2002

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program .....	29,366 <sup>(1)</sup>	29,366	20,803	8,563 <sup>(2)</sup>	1,741	1,728	1,692	1,708	1,694	
Agriculture and Agri-Food Canada—										
Province of Saskatchewan—Prairie Grain Roads Program .....	73	73	14	59	15	15	15	14		
Province of Manitoba—Prairie Grains Road Program .....	16	16		16	4	4	4	4		
Health—										
Indian and Northern Health Services .....	1,196	1,196	831	365	143	101	79	33	9	
Moose Factory Hospital .....	60	60	15	45	15	15	15			
National Aboriginal Health Organization .....	28	28	18	10	5	5				
Canadian International Development Agency—										
Geographic Programs .....	419	419	152	267	70	84	52	35	12	14
Partnership Program .....	263	263	116	147	48	27	20	19	15	18
Country in Transition Program .....	81	81	43	38	9	12	9	7	1	
Multilateral Program .....	47	47	22	25	22	3				
Citizenship and Immigration—										
Canada-Quebec Accord .....	647	647	112	535	107	107	107	107	107	
Canada-Manitoba Accord .....	33	33	5	28	6	6	6	5	5	
Canada-British Columbia Accord .....	249	249	44	205	41	41	41	41	41	
Canadian Heritage—										
Contributions—										
Protocol for Agreements between Canada and the provincial and territorial governments for special measures to invest in education .....	69	69	38	31	15	14	2			
Council of Ministers of Education—										
Official languages monitors and scholarships for Summer language courses .....	56	56	37	19	19					
National Association of Friendship Center .....	73	73	14	59	15	15	15	14		
Protocol for Agreements between Canada and the provinces and territorial governments for Minority-Language Education and Second Language Instruction .....	494	494	335	159	159					
Completion and full development of French-Language colleges in Ontario .....	33	33	20	13	6	7				
School Governance in Ontario .....	90	90	72	18	18					
Indian Affairs and Northern Development—										
Comprehensive Land Claims Agreement—										
Indian and Inuit Affairs .....	379	379	151	228	55	51	52	44	4	22
Northern Affairs .....	150	150	136	14	11	3				
Alternative Funding Arrangement .....	163	163	119	44	44					
Financial Transfer Arrangement .....	1,917	1,917	1,006	911	355	247	200	100	9	
Comprehensive Funding Arrangement .....	667	667	236	431	233	53	53	46	46	

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Canada First Nations Funding										
Agreement . . . . .	1,070	1,070	434	636	214	187	186	49		
DIAND/First Nations										
Funding Arrangement . . . . .	585	585	226	359	117	111	100	31		
Mushuau Innu Relocation										
Agreement . . . . .	144	144	105	39	39					
Contribution Agreement . . . . .	284	284	39	245	32	36	48	43		86
Grant Agreement . . . . .	100	100	49	51	10	10	10	10	11	
Atlantic Canada Opportunities										
Agency—										
Economic Development										
Programs—										
Canada /Newfoundland										
Comprehensive Economic										
Development Agreement . . . . .	67	67	35	32	18	14				
Canada/Newfoundland										
Agreement on Economic										
Renewal (TAGS-ER) . . . . .	74	73	72	1 <sup>(3)</sup>	1					
Canada/Newfoundland Agreement										
for the Economic Development										
Component of the Canadian										
Fisheries Adjustment and										
Restructuring Initiative . . . . .	65	65	55	10	10					
Canada/Nova Scotia Co-operation										
Agreement on Economic										
Diversification . . . . .	183	181	174	7 <sup>(3)</sup>	3	4				
Canada/New Brunswick										
Regional Economic										
Development Agreement . . . . .	216	216	192	24	14	7	3			
Canada/Newfoundland Infrastructure										
Program Agreement . . . . .	51	51	2	49	16	15	11	7		
Canada/Prince Edward Island										
Infrastructure Program Agreement . . . . .	13	13		13	8	3	2			
Canada/Nova Scotia										
Infrastructure Program Agreement . . . . .	65	65		65	26	12	14	13		
Canada/New Brunswick										
Infrastructure Program Agreement . . . . .	55	55	2	53	19	10	11	13		
Industry—										
Bioniche Life Science Inc. . . . .	17	17	3	14	7	5	2			
Coltec Aerospace Canada Ltd. . . . .	47	47	8	39	10	15	11	3		
Honeywell ASCA Inc. . . . .	54	54	23	31	17	14				
Ifire Technology Inc. . . . .	30	30	17	13	13					
Laboratoires Aétema Inc. . . . .	29	29	14	15	2	3	10			
Messier-Dowty Inc. . . . .	26	26	10	16	7	7	2			
The Canadian Institute for										
Advanced Research—operations . . . . .	46	28	28	(3)						
CAE Inc. - Visual technologies . . . . .	80	80	25	55	22	17	12	4		
Pratt & Whitney Canada Inc. . . . .	151	151	129	22	22					
Canarie Inc.—Phase 3 Advanced										
applications development . . . . .	78	78	21	57	32	25				
Aventis Pasteur Ltd—Cancer										
Vaccines . . . . .	60	60	21	39	6	7	7	9	10	
International Tele-										
communication Union—										
ITU operations . . . . .	79	79	50	29	7	7	7	8		

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Shire Biochem Inc.— recombinant vaccine technology .....	80	80	14	66	5	16	15	16	11	3
Rolls-Royce Canada Inc.— Industrial gas turbines .....	53	53	27	26	7	4	15			
ATS Automation Tooling System Inc. ....	30	30	1	29	6	8	7	8		
Cascade Data Services Inc. ....	87	87		87	11	15	47	14		
CMC Electronics Inc.—aeronautical sustainable technology .....	23	23	3	20	6	6	4	4		
Dupont Canada Inc.—field plates. ....	19	19	2	17	3	5	4	5		
Ontario Ministry of Agriculture, Food and Rural Affairs— Small town and rural infrastructure .....	110	110	1	109	29	51	20	5	4	
Ontario Ministry of Tourism, Culture and Recreation—Sports culture and tourism partnership .....	48	48		48	13	23	9	3		
Ontario Superbuild Corporation— Millennium partnership .....	23	23		23	10	7	3	3		
Economic Development Agency of Canada for the Regions of Quebec— Canada Infrastructure Works Agreement-Quebec .....	804	805	642	163	139	18	6			
Innovation Development Entrepreneurship and Export Program (IDEA—SME) .....	411	411	322	89	58	19	8	3	1	
Community Futures Program (CFP) .....	217	217	149	68	20	18	15	15		
Regional Strategic Initiative Program .....	385	385	201	184	82	59	22	14	7	
Justice— Crime Prevention .....	62	48	7	41	13	10	11	7		
Child-centered Family Justice Fund .....	30	30	15	15	15					
Legal Aid .....	199	199	100	99	99					
Youth Justice .....	951	951	370	581	196	196	189			
National Research Council of Canada— James Clerk Maxwell Telescope Mauna Kea, Hawaii, U.S.A. ....	39	39	28	11	1	1	1	1	1	6
Gemini Twin Telescope Project— Cerro Pachon, Chile and Mauna Kea, Hawaii, U.S.A. ....	100	100	39	61	6	6	6	6	6	31
Tri-University Meson Facility (TRIUMF) Vancouver, B.C. ....	470	470	216	254	41	40	40	19	19	95
Canada-France-Hawaii Telescope Corporation—Mauna Kea, Hawaii. ....	109	109	69	40	4	4	4	4	4	20
Natural Resources— Development of Renewable Energy—Saskatchewan Power Corporation. ....	12	12		12	1	2	1	2	1	5
Hibernia Development Project— Interest Assistance Loan Agreement .....	237	221	27	194	42	38	34	30	29	21
Transport— Province of Quebec Road Agreement .....	271	271	199	72	4	4	4	4	4	52

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Western Economic Diversification—										
Western Economic Diversification Program .....	413	413	244	169	101	53	14	1		
Loan/Investment Fund Program .....	150	47	34	13	6	3	1	3		
Infrastructure Canada .....	558	213	21	192	124	45	15	8		
<b>Subtotal .....</b>	<b>46,129</b>	<b>45,631</b>	<b>28,804</b>	<b>16,827</b>	<b>4,870</b>	<b>3,698</b>	<b>3,293</b>	<b>2,542</b>	<b>2,051</b>	<b>373</b>
Consolidated Crown Corporations—										
Canadian Film Development Corporation—										
Financial Assistance to producers and distributors .....	67	67		67	67					
The Canada Council for the Arts—										
Future year grants .....	128	128		128	68	47	13			
<b>Subtotal .....</b>	<b>195</b>	<b>195</b>		<b>195</b>	<b>135</b>	<b>47</b>	<b>13</b>			
<b>Total transfer payment agreements .....</b>	<b>46,324</b>	<b>45,826</b>	<b>28,804</b>	<b>17,022</b>	<b>5,005</b>	<b>3,745</b>	<b>3,306</b>	<b>2,542</b>	<b>2,051</b>	<b>373</b>
Fixed assets and purchases—										
Fixed assets—										
Agriculture and Agri-Food Canada—										
Province of New Brunswick—Retrofit and addition to Fredericton research centre .....	22	22	4	18	13	2	3			
Fisheries and Oceans—										
Bedford Institute of Oceanography (BIO)— Construction of new Level II Laboratory Facility .....	19	19		19	2	8	9			
Renovation and conversion of Van Steelburg building to scientific support ..	15	15		15	1	1		6	7	
St. Andrew's Biological Station (SABS)— Construction of new science and administration building .....	18	18		18	1	3	10	4		
St. Andrew's Biological Station (SABS)— Construction of wet laboratory facility ..	14	14		14	1	4	9			
Search and Rescue Lifeboat Replacement (SEPA) .....	41	41	3	38	1	10	13	6	7	1
Parks Canada Agency—										
Grosse-Île Development—Phase II .....	18	18		18	1	1	1	1	14	
National Defence—										
CF18 Modernization-Engineering change 583 .....	1,080	945	109	836	236	104	117	166	113	100
Canadian Search and Rescue Helicopter .....	770	689	523	166	164	1	1			
Tactical Command Control and Communication System .....	1,929	1,578	1,564	14	9	5				
Armoured Personnel Carriers .....	2,226	1,999	1,563	436	108	264	64			
Canadian Patrol Frigate .....	8,944	8,898	8,882	16	16					
Canadian Forces Utility Tactical Helicopter (CFUTH) .....	1,312	17	6	11	6	5				
M113 Life Extension Project .....	516	516	244	272	88	64	68	52		

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Continued*

(in millions of dollars)

					Outstanding commitments to be disbursed by March 31						
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	2003	2004	2005	2006	2007	2008 and subse- quently	
Canadian Submarine Capability											
Life Extension .....	812	178	149	29	23	6					
Evolved Sea Sparrow											
Missile Project .....	514	483	174	309	45	41	49	47	48	79	
Defence Message											
Handling System .....	132	45	27	18	12	6					
Protected Military Satellite											
Communications—U.S. Department of Defence .....	218	218	170	48						48	
Wheeled armoured vehicle—											
Life extension .....	314	63	46	17	16	1					
Lynx Replacement Project .....	883	26	15	11	11						
Other Fixed Assets (DND) .....	321	286	78	208	133	51	15	9			
Public Works and											
Government Services—											
Crown purchase of 401, Burrand Street Vancouver, B.C. (Canada Lands Company) .....	69	69	14	55	55						
Alaska Highway .....	596	458	443	15	15						
Laurier-Taché Garage Repairs .....	57	57	23	34	7	13	12	2			
Library of Parliament—											
Renovations .....	78	78	36	42	16	20	6				
West Block Renovations .....	139	139	9	130					1	129	
La Promenade—Space rationalization .....	14	14		14	1	1	1	1	1	9	
Solicitor General—											
Correctional Service—											
Construction of Regional Health Centre Abbotsford, B.C.—											
Bird Construction Co. ....	45	45	23	22	15	7					
Subtotal .....	21,116	16,948	14,105	2,843	996	618	378	294	191	366	
Consolidated Crown Corporation—											
National Capital Commission—											
Lebreton Flats .....	99	15	2	13	4	5	1	1	1	1	
The Federal Bridge Corporation Limited—											
Deck Replacement—Jacques Cartier Bridge .....	116	116		116	52	63	1				
VIA Rail Canada Inc.—											
Construction of Renaissance cars—											
Bombardier .....	145	43	16	27	15	12					
Total fixed assets .....	21,476	17,122	14,123	2,999	1,067	698	380	295	192	367	
Purchases —											
Health—											
Non-Insured Health Program for First Nations and Inuit people. ....	37	37	13	24	9	9	6				
Solicitor General—											
Correctional Service—											
NVA Canada—Management											
Training .....	23	23	2	21	2	2	2	2	3	10	
Industry—											
Canadian Space											
Agency—											
Mobile Servicing System—											
MSSD-MSS Development—											
MacDonald Dettwiler Space and Advanced Robotics Ltd. ....	167	167	160	7 <sup>(3)</sup>	7						

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Radarsat-2 construction— MacDonald Dettwiler Ltd. ....	394	394	296	98	47	50	1			
Radarsat 1 operation—SED Systems ....	19	19	5	14	4	5	5			
Scientific activities MSS operations—MacDonald Dettwiler Space and Advanced Robotics Ltd. ....	100	100	58	42	37	5				
National Defence— Ammunition ....	54	54	10	44	31	12	1			
Contracted Military pilot training—Bombardier Inc. ....	331	331	317	14	14					
Logistik Unicorp—Occupational clothing ...	167	167	116	51	36	15				
Peacock Inc.—NETE Integrated Services ....	130	32	18	14	12	2				
Air Canada—CC-150 Integrated Services ....	166	166	147	19	19					
Frontec Logistics Corporation— North Warning System support ....	577	226	18	208	52	43	44	45	24	
Installation and checkout of land based test—Lockheed-Martin Canada ...	140	46	16	30	16	14				
CF-18 System Engineering Support Contract—Bombardier ....	240	240	200	40	40					
Bombardier—NATO Flying Training Centre ....	3,964	2,981	300	2,681	139	141	143	145	147	1,966
Serco Ltd.—Goose Bay ASD ....	151	151	117	34	34					
Consolidated Automatic Test Equipment Support Facility—Harris Canada ....	200	200	31	169	17	25	26	27	27	47
IMP Group Ltd.—Cormorant Integrated Services ....	160	160	12	148	7	27	35	35	37	7
Other purchases (DND) ....	690	690	197	493	190	111	65	36	37	54
Human Resources Development— <i>Canada Student Financial Assistance Act</i> Risk premium—Financial Institutions ...	393	393	384	9 <sup>(3)</sup>	9					
Service providers—Private Institutions ....	170	170	29	141	62	79				
Reprofiling of HRDC contribution for the Census— Statistics Canada ....	47	47	14	33	9	8	8	8		
Replacement of support hardware and software—Unisys Canada ....	16	16	3	13	4	9				
Telecommunications Equipment and Services—Sprint Canada Inc. ....	50	50	7	43	8	8	9	9	9	
Canada Customs and Revenue Agency— Computer Associates Canada Ltd.— Maintenance agreement for mainframe software ....	22	22	6	16	4	4	4	4		
Public Works and Government Services— Brookfield LePage Johnson Controls Property Management Services Québec West ....	111	111	89	22	22					
Québec East ....	58	58	42	16	16					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
Ottawa, Ont. (NCA-1,2,and 3) . . . . .	446	446	361	85	85					
Greater Toronto Area, Ont. . . . .	83	83	69	14	14					
Greater Ontario Area, Ont. . . . .	86	86	68	18	18					
Enmax Energy Contract—										
Purchase of electricity . . . . .	20	20	5	15	4	4	4	3		
BCE Nexxia Inc. (Bell Nexxia) . . . . .	71	71	48	23	23					
TELUS Integrated . . . . .	28	28	2	26	16	10				
IBM Canada Ltd. . . . .	15	12		12	10	2				
<b>Subtotal</b> . . . . .	<b>9,326</b>	<b>7,797</b>	<b>3,160</b>	<b>4,637</b>	<b>1,017</b>	<b>585</b>	<b>353</b>	<b>314</b>	<b>284</b>	<b>2,084</b>
Consolidated Crown Corporations—										
Canadian Broadcasting Corporation—										
National Hockey League . . . . .	189	189	166	23	23					
National Hockey League . . . . .	272	272		272	27	54	55			136
I.O.C.—Olympics . . . . .	90	90	28	62	5		13			44
National Capital Commission—										
Employee take over, Minto, Profac & Lafleur Service Contract . . . . .	35	35	7	28	13	8	3	2	2	
<b>Subtotal</b> . . . . .	<b>586</b>	<b>586</b>	<b>201</b>	<b>385</b>	<b>68</b>	<b>62</b>	<b>71</b>	<b>2</b>	<b>2</b>	<b>180</b>
Total purchases . . . . .	9,912	8,383	3,361	5,022	1,085	647	424	316	286	2,264
<b>Total fixed assets and purchases</b> . . . . .	<b>31,388</b>	<b>25,505</b>	<b>17,484</b>	<b>8,021</b>	<b>2,152</b>	<b>1,345</b>	<b>804</b>	<b>611</b>	<b>478</b>	<b>2,631</b>
Operating leases—										
Environment—										
Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C. . . . .	504	504	68	436	6	6	5	8	7	404
Supercomputer Hardware and Software Lease NEC Corporation . . . . .	85	85	75	10	8	2				
Building lease and operating costs — Carleton University, Ottawa . . . . .	26	26		26	2	2	2	2	2	16
Foreign Affairs and International Trade—										
Mitsui Fudosan New York . . . . .	52	52	12	40	3	3	3	3	3	25
Hong Kong Land Limited, Hong Kong . . . . .	53	53	46	7 <sup>(3)</sup>	6	1				
Tower Plaza Associates New York . . . . .	20	20	11	9 <sup>(3)</sup>	1	2	1	2	1	2
Public Works and Government Services—										
Jean Edmonds Towers, Ottawa . . . . .	170	170	130	40	13	13	14			
300/330 Sparks Street, Ottawa . . . . .	178	178	157	21	11	10				
200 Kent St., Ottawa . . . . .	104	104	84	20	10	10				
344 Slater St., Ottawa . . . . .	135	135	18	117	7	10	11	11	11	67
320 Queen Street, Ottawa . . . . .	38	38	13	25	4	4	4	4	4	5
340 Laurier Street, Ottawa . . . . .	56	56	6	50	6	6	6	6	6	20
Barclay Center, Calgary, Alberta Inc. (725844 Alberta) . . . . .	36	36	13	23	4	4	4	4	4	3
Standard Life Assurance Co. Toronto . . . . .	26	26	14	12	4	4	4			
Aon Inc. Peterborough, Ont. . . . .	24	24	12	12	1	1	1	1	1	7
Orlando Corporation, Mississauga, Ont. . . . .	47	47	7	40	5	5	5	5	5	15
The Exchange Tower Ltd., Toronto . . . . .	28	28	10	18	6	6	6			

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2008 and subse- quently
					2003	2004	2005	2006	2007	
National Capital Commission										
40 Elgin Street, Ottawa .....	20	20	5	15	1	1	1	1	1	10
Amon Corporation—25 Nicholas Street, Ottawa .....	22	22	6	16	2	2	2	2	2	6
The Cadillac Fairview Corporation— 191 Laurier Avenue, Ottawa .....	17	17	7	10	4	3	3			
1258898 Ontario Ltd.—400 Cumberland Street, Ottawa .....	27	27	4	23	3	3	3	3	3	8
Clarica Life Insurance .....	60	60	40	20	2	2	2	2	2	10
Place du Ville—"A" .....	20	20	10	10	2	2	2	2	2	
Societe de Gestion Cogir Inc.— Brossard, Quebec .....	65	65	1	64	7	7	7	7	7	29
Garadex Inc. and First National Funding Corp.—Laval, Quebec .....	33	33		33	2	3	3	3	3	19
155, McArthur Road, Ottawa .....	13	13		13	3	3	3	2	2	
333-335 River Road, Ottawa .....	65	65		65	7	7	7	7	7	30
219 Laurier Avenue, Ottawa .....	13	13		13	2	2	2	2	2	3
219 Laurier Avenue, Ottawa .....	11	11		11	2	2	2	2	2	1
200 Laurier Avenue, Ottawa .....	15	15		15	2	2	2	2	2	5
100 Metcalfe Street, Ottawa .....	13	13		13	2	2	2	2	2	3
Billings Bridge Tower, Ottawa .....	41	41		41	4	4	4	4	4	21
975 St. Joseph Boulevard .....	16	16		16	2	2	2	2	2	6
350/360 Albert Street, Ottawa .....	39	39		39	4	4	4	4	4	19
750 Heron Road, Ottawa .....	17	17		17	2	2	2	2	2	7
2215 Gladwin .....	21	21		21	3	3	3	3	3	6
12 Fitzgerald Road .....	11	11		11	2	2	2	2	2	1
100 Colonnade Road .....	11	11		11	2	2	2	2	2	1
100 Colonnade Road .....	24	24		24	2	2	2	2	2	14
PL Vincent Massey .....	25	25	9	16	2	2	2	2	2	6
L'Esplanade Laurier .....	66	66	25	41	5	5	5	5	5	16
25 Fitzgerald Road .....	29	29	4	25	4	4	4	4	4	5
Pinecrest Office Park .....	12	12	2	10	2	2	2	2	2	
800 Burrard Street, Vancouver .....	61	61		61		5	6	6	6	38
The Hi-Rise Group, Hamilton .....	258	258		258		29	12	12	13	192
Solicitor General— Royal Canadian Mounted Police— Dispatch radio service—Manitoba Telephone Service (MTS) Mobility .....	60	60	25	35	6	6	6	6	6	5
<i>Subtotal</i> .....	<i>2,667</i>	<i>2,667</i>	<i>814</i>	<i>1,853</i>	<i>178</i>	<i>204</i>	<i>165</i>	<i>141</i>	<i>140</i>	<i>1,025</i>
Consolidated Crown Corporations— National Capital Commission— Chalmers Building 40 Elgin St., Ottawa .....	169	169	39	130	5	5	5	6	5	104
VIA Rail Canada Inc.— Central Station — Montreal .....	50	50	21	29	4	4	4	4	4	9
Union Station — Toronto .....	129	129	4	125	2	2	2	2	2	115
Canadian Broadcasting Corporation— Satellite lease (Telesat) .....	207	207	15	192	13	14	14	14	14	123
Profac Facility and Property Management .....	104	104	88	16	16					
Canadian Film Development Corporation— Office leases .....	12	12		12	3	1	1	1	1	5



TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES  
AS AT MARCH 31, 2002—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					
					2003	2004	2005	2006	2007	2008 and subse- quently
International Development Research Centre— Pension Realty Limited Office Space and Maintenance Lease. . . .	95	35	5	30	4	5	5	6	6	4
Canada Council for the Arts— Operating leases. . . . .	8	8		8 <sup>(3)</sup>	4	2			1	1
National Gallery of Canada— Operating leases. . . . .	12	12	4	8 <sup>(3)</sup>	1					7
<i>Subtotal</i> . . . . .	786	726	176	550	52	33	31	33	33	368
<b>Total operating leases</b> . . . . .	<b>3,453</b>	<b>3,393</b>	<b>990</b>	<b>2,403</b>	<b>230</b>	<b>237</b>	<b>196</b>	<b>174</b>	<b>173</b>	<b>1,393</b>
<b>Grand total</b> . . . . .	<b>81,165</b>	<b>74,724</b>	<b>47,278</b>	<b>27,446</b>	<b>7,387</b>	<b>5,327</b>	<b>4,306</b>	<b>3,327</b>	<b>2,702</b>	<b>4,397</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 (\$8,563 million), should therefore not be interpreted as the total outstanding commitment at March 31, 2002.

<sup>(3)</sup> Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

## Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 12 to the audited financial statements in Section 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 lessee.

Table 10.5 summarizes the information presented in Table 10.4 to indicate the minimum amounts required under capital leases for each year from 2003 to 2007, and a total for amounts due in the year 2008 and subsequently.

**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	Implicit interest rate (%)	Balances at March 31, 2002		
				Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net commitments under capital lease arrangements
National Defence—						
Edmonton Armoury North.....	December 31, 2000	20	5.62 <sup>(1)</sup>	26,307	10,053	16,254
Edmonton Armoury South.....	May 1, 1999	20	6.09 <sup>(1)</sup>	37,029	15,885	21,144
HMCS Windsor Submarine.....	October 1, 2001	6	0.00 <sup>(1)</sup>	73,286		73,286
Longue Pointe Supply Depot.....	November 30, 1994	35	6.83 <sup>(1)</sup>	101,655	61,644	40,011
Shawinigan Armoury.....	May 12, 1999	20	5.46 <sup>(1)</sup>	9,550	3,353	6,197
				247,827	90,935	156,892
Canada Customs and Revenue Agency—						
Amdahl Canada Ltd.....	Various	Various	Various	1,527	67	1,460
IBM Canada Ltd.....	Various	3	4.18 <sup>(1)</sup>	1,080	66	1,014
StorageTek Canada Inc.....	Various	Various	Various	4,775	445	4,330
				7,382	578	6,804
Public Works and Government Services—						
Guy Favreau Building, Montreal.....	January 1, 1994	25	8.7 <sup>(1)</sup>	162,371	85,503	76,868
C.D. Howe, 240 Sparks St, Ottawa.....	September 1, 1977	35	9.2 <sup>(1)</sup>	63,542	22,736	40,806
L'Esplanade Laurier, Ottawa.....	October 1, 2000	10	6.9 <sup>(1)</sup>	61,345	18,161	43,184
Place du Centre, Hull.....	February 17, 1978	30	11.2 <sup>(1)</sup>	23,289	7,399	15,890
Terrasses de la Chaudière, Hull.....	January 1, 1993	20	10.0 <sup>(1)</sup>	226,478	104,733	121,745
Government of Canada Building, Cornwall.....	December 1, 1994	25	9.8 <sup>(1)</sup>	17,506	9,191	8,315
Judy Lamarsh, Chatham (GOCB).....	June 1, 1995	25	8.7 <sup>(1)</sup>	8,510	4,241	4,269
Place Vincent Massey, Hull.....	August 1, 2001	10	7.5 <sup>(1)</sup>	20,561	4,986	15,575
Journal Towers, Ottawa.....	September 1, 1992	12	15.5 <sup>(1)</sup>	30,080	5,715	24,365
Louis Saint-Laurent, Hull.....	November 1, 1996	20	8.2 <sup>(1)</sup>	111,863	50,440	61,423
Library Square (Block 56), Vancouver.....	May 1, 1995	25	9.7 <sup>(1)</sup>	120,560	63,726	56,834
OACI, Montreal.....	November 1, 1996	20	9.9 <sup>(1)</sup>	186,144	94,849	91,295
Sir Wilfred Laurier, Ottawa.....	March 1, 2001	10	10.0 <sup>(1)</sup>	32,373	10,964	21,409
Archives St-Augustin de Desmaures, Montreal.....	October 1, 1999	15	14.6 <sup>(1)</sup>	13,179	7,137	6,042
Cour fédérale, Montreal.....	February 9, 1994	20	23.56 <sup>(1)</sup>	20,244	13,435	6,809
				1,098,045	503,216	594,829
Consolidated Crown corporation—						
Canadian Broadcasting Corporation—						
Canadian Broadcasting Centre, 250 Front St. W., Toronto.....	October 14, 1988	30	7.53 <sup>(1)</sup>	842,490	470,352	372,138
Canadian Museum of Nature—						
National Heritage Building Aylmer, Quebec.....	September 30, 1996	35	9.88 <sup>(1)</sup>	103,250	69,909	33,341
Other leases less than \$1,000,000.....				6,987	726	6,261
Total.....				2,305,981	1,135,716	1,170,265

<sup>(1)</sup> Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

**TABLE 10.5****COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS BY YEAR**

(in thousands of dollars)

Department and agency	Payments due in					2008 and subsequent years	Total
	2003	2004	2005	2006	2007		
National Defence—							
Remaining payments .....	22,781	22,781	22,781	22,781	18,925	137,778	247,827
Imputed interest .....	5,800	5,697	5,587	5,471	5,344	63,036	90,935
Net commitments .....	16,981	17,084	17,194	17,310	13,581	74,742	156,892
Public Works and Government Services—							
Remaining payments .....	83,287	83,287	80,553	72,349	72,347	706,222	1,098,045
Imputed interest .....	56,095	52,943	49,427	46,656	44,156	253,939	503,216
Net commitments .....	27,192	30,344	31,126	25,693	28,191	452,283	594,829
Canada Customs and Revenue Agency—							
Remaining payments .....	2,974	2,290	1,749	369			7,382
Imputed interest .....	322	178	74	4			578
Net commitments .....	2,652	2,112	1,675	365			6,804
Canadian Broadcasting Corporation—							
Remaining payments .....	33,039	33,039	33,039	33,039	33,039	677,295	842,490
Imputed interest .....	27,928	27,536	27,113	26,659	26,174	334,942	470,352
Net commitments .....	5,111	5,503	5,926	6,380	6,865	342,353	372,138
Canadian Museum of Nature—							
Remaining payments .....	3,500	3,500	3,500	3,500	3,500	85,750	103,250
Imputed interest .....	3,302	3,281	3,259	3,233	3,205	53,629	69,909
Net commitments .....	198	219	241	267	295	32,121	33,341
Other leases less than \$1,000,000—							
Remaining payments .....	2,423	1,449	994	695	592	834	6,987
Imputed interest .....	294	180	121	70	41	20	726
Net commitments .....	2,129	1,269	873	625	551	814	6,261
Summary—							
Remaining payments .....	148,004	146,346	142,616	132,733	128,403	1,607,879	2,305,981
Imputed interest .....	93,741	89,815	85,581	82,093	78,920	705,566	1,135,716
Net commitments .....	54,263	56,531	57,035	50,640	49,483	902,313	1,170,265

**International Organizations**

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 12 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans,

advances and paid-in share. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 12 to the audited financial statements in Section 1 of this volume.

**TABLE 10.6****INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY**

(in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans .....	2,052	99	2,151
Budgetary loans and advances .....	842		842
Total .....	2,894	99	2,993

## 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. However, in the event the corporations have insufficient funds, the Government will have to provide financing.

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 - 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, 2002

(in millions of dollars)

	Canada Deposit Insurance Corporation <sup>(1)</sup>		Canada Mortgage and Housing Corporation <sup>(2)</sup>				Export Development Canada <sup>(3)(4)</sup>	
	2001-2002	2000-2001	Mortgage Insurance Fund	2001-2002	2000-2001	Mortgage-Backed Securities Guarantee Fund	2001-2002	2000-2001
Insurance in force as at reporting date. ....	346,809	339,479	218,900	200,700	37,452	34,217	12,292	11,225
Opening balance of Fund/Allowance .....	455	298	896	525	70	58	(3)	(3)
Revenues for the period—								
Premiums and fees .....	155	140	684	657	18	15	127	133
Investment income .....	36	35	281	259	8	8		
Other revenues .....		21	65	47	3	2		
Total revenues .....	191	196	1,030	963	29	25	127	133
Expenses for the period—								
Loss on/provision for claims .....	61	-13	336	351			83	153
Interest on loans .....				-43				
Administrative and tax .....	98	21	110	228	7	11		
Funds returned to Government .....				29		2		
Other expenses .....	1	31	251	27	12		-1 <sup>(4)</sup>	-22 <sup>(4)</sup>
Total expenses .....	160	39	697	592	19	13	82	131
Net income/loss (-) for the period—	31	157	333	371	10	12	45	2
Closing balance of Fund/Allowance .....	486	455	1,229	896	80	70	(3)	(3)
Net claims during the period <sup>(5)</sup> .....	18	62	229	335	*	*	21	42
Five year average of net claims paid .....		4	291	315	*	*	70	59

\* Not applicable.

<sup>(1)</sup> 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.<sup>(2)</sup> Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 2001 disclosed that the Fund had a surplus of \$1.07 billion. The Mortgage-Backed Securities Guarantee Fund (MBSGF) supports two CMHC guarantee products: National Housing Act (NHA) Mortgage-Backed Securities and Canada Mortgage Bonds.

The Mortgage Backed Securities program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as \$1,000.

The Canada Mortgage Bond (CMB) program was implemented in 2001. Under the CMB program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as \$1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds issued by the Trust carry the full faith and credit of the Government of Canada and the timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

<sup>(3)</sup> Export Development Canada provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is \$457 million (\$465 million in 2001). Comparative figures have been restated to conform to the current year's presentation.<sup>(4)</sup> For Export Development Canada, other expenses represent the foreign exchange gain or loss or loss on the allowance for claims.<sup>(5)</sup> Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. A contingent liability is recorded as an actual liability when it becomes likely that a payment will be made and the amount of that payment may be reasonably and reliably estimated.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for enterprise Crown corporations and other government business enterprises, all Government organizations are accounted for in the financial statements by consolidation. Enterprise Crown corporations and other government business enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

The contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations and other Government business enterprises". However, in accordance with section 54 of the *Financial Administration Act*, the repayment of all money borrowed on behalf of the Crown is payable out of the Consolidated Revenue Fund and constitute potential obligations of the Government. Therefore, the borrowings of agent enterprise Crown corporations and other government business enterprises are reported with the contingent liabilities of the Government. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include guarantees by the Government for borrowings by non-agent Crown corporations and other government business enterprises made from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. The contingent liabilities of the Government also include potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Also included, are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations and other government business enterprises, are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably and reliably estimated. Losses on loan guarantees are recorded in the accounts through a valuation allowance calculation when it is likely that a payment will be made to honor a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

The following table is summarized in Note 14 to the financial statements of the Government in Section 1 of this volume.

**TABLE 10.8**  
**STATEMENT OF CONTINGENT LIABILITIES**  
**AS AT MARCH 31, 2002**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
GUARANTEES BY THE GOVERNMENT OF		
Borrowings by enterprise Crown corporations which are agents of Her Majesty . . . . .		45,174,849,000 <sup>(3)</sup>
Borrowings by other government business enterprises . . . . .		7,928,611,000 <sup>(4)</sup>
Borrowings by other than enterprise Crown corporations		
From agents		
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Canada, for on-reserve housing . . . . .	1,700,000,000 <sup>(7)</sup>	370,012,477 <sup>(5)</sup>
From other than agents		
Guarantee programs of the Government		
Canada Student Loans Act . . . . .	10,781,963,150	802,087,684
Small Business Loans Act . . . . .	2,988,741,633	1,167,203,087
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act . . . . .	3,000,000,000	276,552,178
Advance Payments for Crops Act . . . . .	1,900,000,000	206,703,882
Atlantic Enterprise Program . . . . .		5,285,450 <sup>(6)</sup>
Enterprise development program . . . . .	1,200,000,000	5,036,312
Fisheries Improvement Loans Act . . . . .	6,860	6,860
Loans to Indians by approved lenders for on-reserve housing . . . . .		882,907,820 <sup>(5)</sup>
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft . . . . .	1,023,200,000	301,236,707
Indian economic development . . . . .	60,000,000 <sup>(8)</sup>	2,017,213 <sup>(5)</sup>
Aboriginal Economic Program . . . . .		10,613,000
Time Air (1982) Ltd . . . . .	10,000,000	631,600
	20,963,911,643	3,660,281,793
Other explicit loan guarantees		
Loans with respect to the Hibernia Development Project Act . . . . .	1,660,000,000	129,452,119
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader . . . . .	275,000,000	122,564,987 <sup>(9)</sup>
Loan by Bank of America to Algoma Steel Inc. . . . .		50,000,000
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft . . . . .	70,933,500	64,667,680
Loans to Government of Romania . . . . .	27,000,000	24,000,000
Loans to Government of Bulgaria . . . . .	11,000,000	11,000,000
Loans to Ridley Terminals Inc. for operating and capital purposes . . . . .	101,000,000	64,000,000
Loan to Laurentian Pilotage Authority . . . . .	4,000,000	147,119
	2,148,933,500	465,831,905
Insurance programs of the Government		
Accounts administered for the Government by the Export Development Canada—Insurance and related guarantees . . . . .	13,000,000,000 <sup>(10)</sup>	2,242,025,354
Insurance against accidents at nuclear installations under the Nuclear Liability Act <sup>(11)</sup> . . . . .	975,000,000	514,946,579
	13,975,000,000	2,756,971,933

**TABLE 10.8**  
**STATEMENT OF CONTINGENT LIABILITIES**  
**AS AT MARCH 31, 2002—Concluded**

	Authorized limit (where applicable) <sup>(1)</sup>	Contingent liability
	\$	\$
Other explicit guarantees		
Guarantees under the <i>Prairie Grain Advance Payments Act</i> .....	1,900,000,000	216,533,080
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada) .....		332,298,786
Guarantees under the <i>Agricultural Marketing Programs Act</i> .....		8,327,874
	1,900,000,000	557,159,740
Total gross guarantees .....	40,687,845,143	60,913,717,848
Less: allowance for losses .....		4,076,000,000
Net exposure under guarantees .....		56,837,717,848
INTERNATIONAL ORGANIZATIONS .....		19,680,665,554 <sup>(12)</sup>
CLAIMS AND PENDING AND THREATENED LITIGATION .....		9,408,375,122 <sup>(2)</sup>
COMPREHENSIVE NATIVE LAND CLAIMS .....		653,000,000 <sup>(13)</sup>
Subtotal .....		86,579,758,524
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS .....		55,995,000
TOTAL <sup>(14)</sup> .....		86,635,753,524

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) Contingencies reported here include those items where an estimate of the potential liability can be made but the likelihood that a future event will confirm that a liability exists cannot be determined. The above estimate of possible loss covers only a portion of all claims against the government. As explained in note 14 to the financial statements of the Government in Section 1 of this volume, the total contingency related to outstanding claims is not determinable. An allowance has been recorded in the financial statements for those contingencies that can be estimated and where it is likely that a future event will confirm that a liability exists at the date of the financial statements.

(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 \$369,965,722 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 \$2,017,213 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 (\$4,512,949 as at March 31, 2002) and in the Gaspé Peninsula and Magdalene Islands of Quebec where administration of the Program is the responsibility of the Economic Development Agency of Canada for the Regions of Quebec (\$686,695 as at March 31, 2002). 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, 2002).

(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 Canada 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, 2002, \$27,218,341 had been disbursed in cumulative defaults as well there were outstanding contingent liabilities totaling \$2,017,213 leaving a free balance of \$30,764,446 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 Canada (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 \$6.5 billion outstanding against this limit, consisting of \$1.9 billion in contingent liabilities, \$2.5 billion in financing, \$308 million in undisbursed loan guarantees and \$1.8 billion in undisbursed loan commitments.

(11) There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

(12) 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.

(13) Relates to 74 comprehensive native land claims under negotiation, accepted for negotiation or under review. The estimated liability is derived from 9 cases which have progressed to a point where quantification is possible. The remaining 65 cases have not yet been quantified.

(14) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Four departments reported contingent gains as at March 31, 2002 totaling approximately \$139 million.



## International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2002.

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 <sup>(1)</sup>				Commitments <sup>(1)</sup>		
	Callable share capital	Future callable share capital	Lines of credit	Total	Undisbursed loans and advances	Future paid-in share capital	Total
<b>NON-BUDGETARY SHARE CAPITAL AND LOANS—</b>							
African Development Bank .....	1,268			1,268		23	23
Asian Development Bank .....	3,041			3,041			
Caribbean Development Bank .....	78			78			
Inter-American Development Bank .....	6,164			6,164			
International Bank for Reconstruction and Development (World Bank) .....	8,081			8,081			
Multilateral Investment Guarantee Agency .....	73			73			
European Bank for Reconstruction and Development .....	976			976		76	76
International Monetary Fund .....					293		293
Developing countries—Canada Account .....					1,759		1,759
Subtotal .....	19,681			19,681	2,052	99	2,151
<b>BUDGETARY LOANS AND ADVANCES—</b>							
African Development Bank .....					72		72
Asian Development Bank .....					(2)		
Caribbean Development Bank—Special .....					29		29
Inter-American Development Fund .....					(2)		
International Development Association .....					690		690
International Fund for Agricultural Development .....					3		3
International Monetary Fund .....					27		27
Montreal Protocol Fund .....					5		5
GEF Trust Fund .....							
Developing countries—Canada Account .....					16		16
Subtotal .....					842		842
<b>Total .....</b>	<b>19,681</b>			<b>19,681</b>	<b>2,894</b>	<b>99</b>	<b>2,993</b>

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2002 (1\$US = \$1.5942 Cdn; 1\$DR = \$1.98768 Cdn).

(2) These amounts represent, in certain cases, notes payable to be issued in future years.

Note: Canada has agreed to lend the Poverty Reduction and Growth Facility (formerly the Enhanced Structural Adjustment Facility) special drawing rights (SDR) 700 million of which SDR 553 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 176 million has been paid-in.

# SECTION 11

*2001-2002*

**PUBLIC ACCOUNTS OF CANADA**

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