

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2016

TRANSPORT CANADA

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2016, and all information contained in these statements rests with the management of Transport Canada. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Transport Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Transport Canada's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.


Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2016 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.


Michael Keenan, Deputy Minister
Ottawa, Canada

26-08-2016
Date


André Lapointe, Chief Financial Officer
Ottawa, Canada

25/08/16
Date

TRANSPORT CANADA

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

	2016	2015
Liabilities		
Accounts payable and accrued liabilities (Note 4)	541,944	1,019,677
Vacation pay and compensatory leave	26,210	25,323
Environmental liabilities (Note 5)	188,400	146,574
Deferred revenue (Note 6a)	3,998	4,800
Other liabilities (Note 6b)	5,740	24,789
Lease obligations for tangible capital assets (Note 7)	509,037	530,078
Employee future benefits (Note 8)	24,974	25,627
Contingent liabilities (Note 16)	56,750	106,175
Total liabilities	1,357,053	1,883,043
Financial assets		
Due from Consolidated Revenue Fund	458,605	954,978
Accounts receivable and advances (Note 9)	66,337	36,748
Loans receivable (Note 10)	1,752	1,712
Rent receivable (Note 11)	-	5,493
Total gross financial assets	526,694	998,931
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(48,793)	(20,576)
Loans receivable (Note 10)	(1,752)	(1,712)
Total financial assets held on behalf of Government	(50,545)	(22,288)
Total net financial assets	476,149	976,643
Departmental net debt		
	880,904	906,400
Non-financial assets		
Prepaid expenses	1,369	2,735
Inventory (Note 12)	12,300	12,523
Tangible capital assets (Note 13)	2,224,663	2,242,628
Total non-financial assets	2,238,332	2,257,886
Departmental net financial position (Note 14)	1,357,428	1,351,486

Contractual obligations (Note 15)

Contingent liabilities (Note 16)

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


Michael Keenan, Deputy Minister
Ottawa, Canada


André Lapointe, Chief Financial Officer
Ottawa, Canada

26-08-2016
Date

25/08/16
Date

TRANSPORT CANADA

Statement of Operations and Departmental Net Financial Position (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	2016 Planned Results	2016	2015
Expenses			
An Efficient Transportation System	1,056,997	918,849	961,762
A Safe and Secure Transportation System	474,314	505,014	502,063
Internal Services	177,082	180,672	223,355
A Clean Transportation System	67,180	131,132	78,410
Ship-Source Oil Pollution Fund and other programs	2,237	1,482	1,536
Expenses incurred on behalf of Government	(2,237)	(1,482)	(1,536)
Total expenses	1,775,573	1,735,667	1,765,590
Revenues			
Airport rent	326,280	324,129	312,711
Monitoring and enforcement revenues	44,743	46,721	46,509
Rentals and concessions	30,385	26,161	28,044
Aircraft maintenance and flying services	28,517	25,257	29,086
Transport facilities user fees	14,268	14,245	15,785
Other	815	10,463	5,939
Pollution control revenues	8,033	3,010	5,400
Revenues earned on behalf of Government	(371,831)	(366,195)	(354,089)
Total revenues	81,210	83,791	89,385
Net cost from continuing operations	1,694,363	1,651,876	1,676,205
Net cost of operations before government funding and transfers	1,694,363	1,651,876	1,676,205
Government funding and transfers			
Net cash provided by Government		2,062,878	1,333,782
Change in Due from Consolidated Revenue Fund		(496,373)	263,571
Services provided without charge by other government departments (Note 17)		96,790	88,044
Transfer of the transition payments for implementing salary payments in arrears (Note 18)		(97)	(15,253)
Transfer of assets to other government departments (Note 13 and Note 19)		(5,380)	(57)
Net cost of operations after government funding and transfers		(5,942)	6,118
Departmental net financial position – Beginning of year		1,351,486	1,357,604
Departmental net financial position – End of year		1,357,428	1,351,486

Segmented information (Note 20)

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

TRANSPORT CANADA

Statement of Change in Departmental Net Debt (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

	2016	2015
Net cost of operations after government funding and transfers	(5,942)	6,118
Change due to tangible capital assets		
Acquisitions of tangible capital assets (Note 13)	120,335	124,627
Amortization of tangible capital assets (Note 13)	(127,372)	(138,287)
Proceeds from disposal of tangible capital assets	(5,461)	(4,255)
Gain (loss) on disposal of tangible capital assets (Note 20)	737	(1,704)
Prior years' assets under construction expensed (Note 13)	(824)	(655)
Transfer to other government departments (Note 19)	(5,380)	(57)
Total change due to tangible capital assets	(17,965)	(20,331)
Change due to inventories (Note 12)	(223)	272
Change due to prepaid expenses	(1,366)	(286)
Net decrease in departmental net debt	(25,496)	(14,227)
Departmental net debt – Beginning of year	906,400	920,627
Departmental net debt – End of year	880,904	906,400

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

TRANSPORT CANADA

Statement of Cash Flows (Unaudited)

For the Year Ended March 31

(in thousands of dollars)

	2016	2015
Operating activities		
Net cost of operations before government funding and transfers	1,651,876	1,676,205
Non-cash items:		
Amortization of tangible capital assets (Note 13)	(127,372)	(138,287)
Prior years' assets under construction expensed (Note 13)	(824)	(655)
Services provided without charge by other government departments (Note 17)	(96,790)	(88,044)
Transition payments for implementing salary payments in arrears (Note 18)	97	15,253
Gain (loss) on disposal of tangible capital assets (Note 20)	737	(1,704)
Variations in Statement of Financial Position:		
Increase in accounts receivables and advances (Note 9)	1,372	3,687
Decrease in rent receivable (Note 11)	(5,493)	(7,323)
Decrease in prepaid expenses	(1,366)	(286)
(Decrease) increase in inventory (Note 12)	(223)	272
Decrease (increase) in accounts payable and accrued liabilities (Note 4)	477,733	(260,952)
Increase in vacation pay and compensatory leave	(887)	(1,451)
(Increase) decrease in environmental liabilities (Note 5)	(41,826)	17,014
Decrease (increase) in deferred revenue (Note 6a)	802	(384)
Decrease (increase) in other liabilities (Note 6b)	19,049	(249)
Decrease in employee future benefits (Note 8)	653	18,658
Decrease (increase) in contingent liabilities (Note 16)	49,425	(38,469)
Cash used in operating activities	1,926,963	1,193,285
Capital investing activities		
Acquisitions of tangible capital assets (Note 13)	120,335	124,627
Proceeds from disposal of tangible capital assets	(5,461)	(4,255)
Cash used in capital investing activities	114,874	120,372
Financing activities		
Decrease in lease obligation for tangible capital assets	21,041	20,125
Cash used in financing activities	21,041	20,125
Net cash provided by Government of Canada	2,062,878	1,333,782

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

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- *An Efficient Transportation System* program: modernizes marketplace frameworks so that the transportation sector can adapt, innovate and remain competitive; develops and implements gateways and corridors initiatives; ensures the renewal of federal transportation infrastructure; encourages innovation in the transportation sector, and; partners with provinces, territories, municipal governments, and public and private sector entities in various transportation initiatives.
- *A Clean Transportation System* program: advances the federal government's environmental agenda in the transportation sector and complements other federal programs designed to reduce air emissions to protect the health of Canadians and the environment for generations to come; protects the marine environment by reducing the pollution of water from transportation sources, and; fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe and Secure Transportation System*: influences the behaviour of the public and industry through policies, standards, regulations and laws; harmonizes and streamlines regulatory regimes, informed by the expertise of multiple countries and stakeholders; aids effective, safe and secure transportation practices and a sound safety and security culture, and; ensures that Canadians and the transportation industry are in compliance with the regulatory framework through its oversight program.
- *The Internal Services* program: Internal Services are groups of related activities and resources that are administrated to support the needs of programs and other corporate obligations of Transport Canada. Internal Services include only those activities and resources that apply across its organization and not to those provided specifically to a program.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including the *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Canada Shipping Act*, *Navigable Waters Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act* and *Marine Transportation Security Act*.

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

- (a) *Parliamentary authorities* – Transport Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Transport Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the *2015-16 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2015-16 Report on Plans and Priorities*.

- (b) Net cash provided by Government – Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Transport Canada is deposited to the CRF and all cash disbursements made by Transport Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.
- (c) Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Transport Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) Revenues:
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Funds received from external parties for specific purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
 - Funds that have been received are recorded as deferred revenue, provided Transport Canada has an obligation to other parties for the provision of goods, services or the use of assets in the future.
 - Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
 - Revenues that are non-respendable are not available to discharge the Transport Canada's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.
- (e) Expenses – Expenses are recorded on the accrual basis:
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses 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. Transfer payments that become repayable, as a result of conditions specified in the contribution agreement that have come into being, are recorded as a reduction to transfer payment expense and as a receivable.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, employer's contribution to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.
- (f) Employee future benefits:
- Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan), a multiemployer pension plan administered by the Government. Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
 - Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as the services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially-determined liability for employee severance benefits for the Government as a whole.
- (g) Accounts and loans receivable are stated at the lower of cost and net recoverable value. However, when the terms of the loans are concessionary, such as those provided with a low or no interest clause, they are recorded at their estimated present value. A portion of the unamortized discount is recorded as revenue each year to reflect the change in the present value of the loans outstanding. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.
- (h) Contingent liabilities – Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- (i) Environmental liabilities – Environmental liabilities consist of estimated costs related to the remediation of contaminated sites as well as estimated costs related to obligations associated with the retirement of tangible capital assets and other environmental liabilities.
- Contaminated sites – A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used. The discount rate applied is taken from the Government's consolidated revenue fund monthly lending rates for periods of one year and over. The discount rates used are based on the term rate associated with the estimated number of years to complete remediation. For remediation costs with estimated future cash flows spanning more than 25 years, the 25-year Government of Canada lending rate is used as the discount rate.

TRANSPORT CANADA

Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

- The recorded environmental liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.
 - If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the statements. If measurement uncertainty exists, it is also disclosed in the notes to the statements.
- (j) Inventory – Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory, other than serialized inventory items, is valued at cost using the average cost method. Serialized inventory items are valued on a specific cost basis. A serialized inventory item is consumable inventory, which has a serial number and is required to be tracked for airworthiness purposes. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.
- (k) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are included in the Statement of Operations and Departmental Net Financial Position.
- (l) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Transport Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Land has no minimum capitalization threshold.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset Class	Amortization Period
Confederation Bridge *	100 years
Buildings	20 to 40 years
Works and infrastructure	10 to 40 years
Machinery and equipment	5 to 15 years
Computer hardware and software	3 to 5 years
Ships and boats	10 to 35 years
Aircrafts	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

* Confederation Bridge is capitalized, since its ownership will be transferred to the Government of Canada following the end of the long term capital lease arrangement in 2033. Refer to Note 7 for further information regarding the capital lease agreement.

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

2. Summary of significant accounting policies (cont'd)

(m) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowance for doubtful accounts, contingent liabilities, environmental remediation liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Transport Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

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Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(a) Reconciliation of net cost of operations to current year authorities used

	2016	2015
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,651,876	1,676,205
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 13)	(127,372)	(138,287)
Services provided without charge by other government departments (Note 17)	(96,790)	(88,044)
Gain (loss) on disposal of tangible capital assets (Note 20)	737	(1,704)
Prior years' assets under construction expensed (Note 13)	(824)	(655)
Increase in vacation pay and compensatory leave	(887)	(1,451)
(Increase) decrease in environmental liabilities (Note 5)	(41,826)	17,014
Decrease in employee future benefits (Note 8)	653	18,658
Decrease (increase) in contingent liabilities (Note 16)	49,425	(38,469)
Increase in accrued liabilities not charged to authorities	(8,442)	(851)
Refund of prior years' expenditures	2,266	932
Adjustments of previous years accounts payable	896	1,021
Bad debt expense	(89)	(574)
Expenditures not affecting authorities	(857)	(1,110)
Total items affecting net cost of operations but not affecting authorities	(223,110)	(233,520)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (Note 13)	120,335	124,627
Decrease in lease obligations for tangible capital assets (Note 7)	21,041	20,125
Transition payments for implementing salary payments in arrears (Note 18)	97	15,253
(Decrease) increase in inventory (Note 12)	(223)	272
Decrease in prepaid expenses	(1,366)	(286)
Decrease in previous year accrued liabilities charged to authorities	477	2,405
Total items not affecting net cost of operations but affecting authorities	140,361	162,396
Current year authorities used	1,569,127	1,605,081

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used

	2016	2015
	<i>(in thousands of dollars)</i>	
Authorities provided		
Vote 1 – Operating expenditures	669,281	644,498
Vote 5 – Capital expenditures	170,866	229,800
Vote 10 – Transfer payments	755,366	843,508
Statutory amounts	208,987	200,119
Total authorities provided	1,804,500	1,917,925
Less:		
Authorities available for future years	(195)	(1,211)
Lapsed authorities: Operating expenditures	(19,122)	(9,219)
Lapsed authorities: Capital expenditures	(51,700)	(105,708)
Lapsed authorities: Transfer payments	(164,356)	(196,614)
Lapsed authorities: Other lapsed amounts	-	(92)
Current year authorities used	1,569,127	1,605,081

4. Accounts payable and accrued liabilities

The following table presents details of Transport Canada's accounts payable and accrued liabilities:

	2016	2015
	<i>(in thousands of dollars)</i>	
Accounts payable – Other government departments and agencies	12,442	52,079
Accounts payable – External parties	452,066	875,189
Total accounts payable	464,508	927,268
Accrued liabilities	77,436	92,409
Total accounts payable and accrued liabilities	541,944	1,019,677

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over three fiscal years starting in 2012-13. As a result, Transport Canada has recorded at March 31, 2016, an obligation for termination benefits for an amount of \$0 (\$476,597 in 2014-15) as part of accrued liabilities to reflect the estimated workforce adjustment costs.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

5. Environmental liabilities

(a) Remediation of contaminated sites

The government has developed a “Federal Approach to Contaminated Sites”, which incorporates a risk-based approach to the management of contaminated sites. Under this approach, the Government has inventoried the contaminated sites on federal lands that have been identified, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aides in the identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to the environment and human health.

Transport Canada has identified approximately 291 sites (332 sites in 2014-15) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified 101 sites (104 sites in 2014-15) where action is possible and for which a net liability of \$170,447,302 (\$146,573,661 in 2014-15) has been recorded. This liability estimate has been determined after the sites are assessed and is based on scientific/engineering contractors reviewing the results of site assessments, and proposing possible remediation solutions.

In 2016, a statistical model was developed to estimate the liability for unassessed sites, based on historical costs incurred for contaminated sites with similar functions. As a result, there are 81 unassessed sites where a liability estimate of \$17,952,543 has been recorded prospectively in 2016. This estimate will be refined in future years as sites are assessed and estimated costs are revised.

These two estimates combined of \$188,399,845 represent management’s best estimate of the amount required to complete the remediation of the sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date. A net present value technique has been used for sites where the cash flows are expected to occur over extended future periods.

The remaining 109 sites are not considered a priority for action because information indicates there is likely no significant environmental impact or human health threats and there is likely no need for action unless new information becomes available indicating greater concerns, in which case, the site will be re-examined.

During the fiscal year, 45 sites were closed, as they were either remediated or assessed and found not to be contaminated.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2016, and March 31, 2015. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 2%. Inflation is included in the undiscounted amount. The Government of Canada lending rate applicable to loans with similar terms to maturity has been used to discount the estimated future expenditures. The March 2016 rates range from 0.62% for 2 year term to 2.13% for a 25 or greater year term.

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Notes to the Financial Statements (Unaudited)
For the Year Ended March 31

5. Environmental liabilities (cont'd)

(in thousands of dollars, except for number of sites)

Nature & Source	Number of Sites 2016	Estimated Liability 2016	Estimated Total Undiscounted Expenditures 2016	Estimated Recoveries 2016	Number of Sites 2015	Estimated Liability 2015	Estimated Total Undiscounted Expenditures 2015	Estimated Recoveries 2015
Military & Former Military Sites ⁽¹⁾	1	42	43	-	1	46	47	-
Fuel Related Practices ⁽²⁾	34	21,702	22,650	-	24	15,330	15,713	-
Landfill/Waste Sites ⁽³⁾	15	39,356	41,161	-	10	22,657	23,766	-
Engineered Asset/Air & Land Transportation ⁽⁴⁾	53	25,690	26,271	-	23	14,239	14,408	-
Marine Facilities/Aquatic Sites ⁽⁵⁾	53	99,987	104,391	-	19	93,197	96,729	-
Other ⁽⁶⁾	26	1,623	1,696	-	27	1,105	1,147	-
Total	182	188,400	196,212	-	104	146,574	151,810	-

1. Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.

2. Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX.

3. Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, other organic contaminants, etc.

4. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

5. Contamination associated with the operations of marine assets, e.g., port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g., on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.

6. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

6a. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues, stemming from amounts received from external parties used to fund the expenditures related to specific research projects, as well as other amounts received for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed.

Details of the transactions related to this account are as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Transportation research and development *		
Opening balance	1,255	1,229
Amounts received	793	840
Revenue recognized	(1,336)	(814)
Closing balance	712	1,255
Other		
Opening balance	3,546	3,187
Amounts received	2,707	3,138
Revenue recognized	(2,967)	(2,780)
Closing balance	3,286	3,545
Net closing balance	3,998	4,800

* A shared-cost agreement is a common undertaking whereby the parties involved agree to participate in carrying out a project. This may involve the sharing of resources and the purchase of goods or services. The Transportation Development Center utilizes joint cost sharing agreements with private and other government organizations on Research and Development projects related to transportation.

6b. Other liabilities

Other liabilities represent amounts for shared cost environmental remediation projects. Funds are received by Transport Canada from external parties in order to cover future remediation expenditures related to these projects. Details of the transactions related to this account are as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Remediation projects		
Opening balance	24,789	24,540
Amount received	-	249
Payments and other charges	(19,049)	-
Net closing balance	5,740	24,789

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

7. Lease obligation for tangible capital assets

Under the *Northumberland Strait Crossing Act*, the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of \$41,900,000 indexed to the annual inflation rate to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge.

The annual payments made by Transport Canada are due on April 1 and will be used to retire \$661,542,613 of 4.5 per cent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2015, an annual payment in the amount of \$62,334,630 (\$61,732,946 in 2014-15) was made. This payment represents a payment of principal in the amount of \$21,041,230 (\$20,125,008 in 2014-15), interest of \$24,132,610 (\$25,048,832 in 2014-15), and an amount of \$17,160,790 (\$16,559,106 in 2014-15) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2016 amounts to \$23,174,676 (\$24,132,610 in 2014-15) and \$18,414,438 (\$17,160,790 in 2014-15), respectively.

Transport Canada has a capital lease obligation of \$509,036,598 at March 31, 2016 (\$530,077,828 in 2014-15), based on the present value for the future payments using an interest rate of 6.06% (6.06% in 2014-15).

The obligations related to the upcoming years include the following:

	2016	2015
	<i>(in thousands of dollars)</i>	
2016	-	60,152
2017	61,061	61,061
2018	61,983	61,983
2019	62,920	62,920
2020	63,871	63,871
2021 and thereafter	782,154	782,154
Total future minimum lease payments	1,031,989	1,092,141
Less: imputed interest (6.06%)	(522,952)	(562,063)
Balance of obligations under leased tangible capital assets	509,037	530,078

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

8. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2015-16 expense amounts to \$63,681,704 (\$63,321,829 in 2014-15). For Group 1 members, the expense represents approximately 1.25 times (1.41 times in 2014-15) the employee contributions and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-15) the employee contributions.

Transport Canada's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Transport Canada provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes were given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	25,627	44,285
Expense for the year	4,369	9,669
Benefits paid during the year	(5,022)	(28,327)
Accrued benefit obligation, end of year	24,974	25,627

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

9. Accounts receivable and advances

The following table presents details of Transport Canada's accounts receivable and advances balances:

	2016	2015
	<i>(in thousands of dollars)</i>	
Accounts receivable – Other government departments and agencies	47,436	12,101
Accounts receivable – External parties	21,045	26,700
Employee advances	281	495
Subtotal	68,762	39,296
Allowance for doubtful accounts on receivables from external parties	(2,425)	(2,548)
Gross accounts receivable and advances	66,337	36,748
Accounts receivable and advances held on behalf of Government	(48,793)	(20,576)
Net accounts receivable and advances	17,544	16,172

10. Loans receivable

The following table presents details of Transport Canada's loans receivable:

	2016	2015
	<i>(in thousands of dollars)</i>	
Loans receivable – Victoria Harbour	2,108	2,151
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,282	2,325
Less: Unamortized discounts	(356)	(439)
Subtotal	1,926	1,886
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	1,752	1,712
Loans receivable held on behalf of Government	(1,752)	(1,712)
Net loans receivable	-	-

(a) Loans receivable – Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for \$2,578,469. A discount of \$356,131 is recorded to reflect the concessionary nature of the loan (\$439,437 in 2014-15). A payment of \$42,720 was received in fiscal year 2015-16 (\$42,720 in 2014-15).

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

10. Loans receivable (cont'd)

(b) Loans receivable – St. Lawrence Seaway Management Corporation

The St. Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. The loan portfolio is managed in accordance with the Seaway Agreements between Transport Canada and the St. Lawrence Seaway Management Corporation. An allowance for uncollectibility has been recorded for the remaining amount of the loans receivable as there is uncertainty of recovering the monies owed.

11. Rent receivable

The National Airport System consists of Canadian airports considered essential to air transportation in Canada, including three airports owned by Territorial Governments. Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government.

In fiscal year 2003-04, Transport Canada entered into lease amendments with eight of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable by the Canadian Airport Authorities to Transport Canada for the 2003 to 2005 lease years. The total rent deferred for 2003 to 2005 was payable to Transport Canada over ten years beginning in the 2006 lease year. Repayments of \$5,492,011 were received during the fiscal year 2015-16 (\$7,322,682 in 2014-15). The rent receivable balance was \$0 as of March 31, 2016 (\$5,493,168 in 2014-15). December 2015 marked the end of the deferral payments between Transport Canada and these eight Canadian Airport Authorities.

12. Inventory

The following table presents the detail of the inventory, which is measured at cost using the average cost method for non-serialized inventory items parts, and on a specific cost basis for serialized inventory items parts:

	2016	2015
	<i>(in thousands of dollars)</i>	
Consumable parts	12,300	12,523
Total inventory	12,300	12,523

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$1,244,877 (\$1,565,757 in 2014-15).

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

13. Tangible capital assets

Capital Asset Class	Cost						Accumulated Amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (a)	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments (a)	Disposals and write-offs	Closing balance	2016	2015	
Land ⁽¹⁾	257,260	24,046	(4,988)	(199)	276,119	-	-	-	-	-	276,119	257,260	
Buildings ⁽²⁾	825,431	459	4,613	(541)	829,962	562,526	17,972	(1,022)	(439)	579,037	250,925	262,905	
Works and infrastructure ⁽³⁾	2,673,032	885	32,767	(101)	2,706,583	1,923,677	70,065	(8)	(100)	1,993,634	712,949	749,356	
Machinery and equipment ⁽⁴⁾	88,344	3,198	3,338	(1,390)	93,490	58,976	3,865	15	(1,210)	61,646	31,844	29,368	
Computer hardware and software	129,578	24	11,867	(10,309)	131,160	99,155	10,075	13	(9,938)	99,305	31,855	30,422	
Ships and boats	82,692	32	50,019	(20)	132,723	75,423	1,229	-	(18)	76,634	56,089	7,269	
Aircrafts	165,256	225	1,790	(14,883)	152,388	125,022	3,823	(3)	(12,322)	116,520	35,868	40,234	
Motor vehicles	467,486	6,991	37	(8,005)	466,509	375,596	11,240	36	(6,706)	380,166	86,343	91,890	
Leasehold improvements ⁽⁵⁾	27,252	66	151	(1,581)	25,888	16,449	915	-	(1,572)	15,792	10,096	10,803	
Assets under construction	90,323	84,409	(106,766)	-	67,966	-	-	-	-	-	67,966	90,323	
Confederation Bridge	818,820	-	-	-	818,820	146,023	8,188	-	-	154,211	664,609	672,798	
Total	5,625,474	120,335	(7,172)	(37,029)	5,701,608	3,382,847	127,372	(969)	(32,305)	3,476,945	2,224,663	2,242,628	

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

13. Tangible capital assets (cont'd)

(a) Adjustments

Adjustments include assets under construction of \$105,149,570 that were transferred to the other asset categories upon completion and assets under construction of \$823,815 that were expensed.

Adjustments also include a net book value decrease of \$5,380,197, for tangible capital assets transferred to or from other government departments and agencies as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
Transfers of tangible capital assets from (to) other government departments		
From Veterans Affairs Canada	1	-
From Public Services and Procurement Canada	3	-
To Royal Canadian Mounted Police	-	(25)
To Fisheries and Oceans Canada	-	(23)
To Parks Canada	(5,365)	(9)
To Natural Resources Canada	(7)	-
To Environment and Climate Change Canada	(12)	-
Total transfers of tangible capital assets to other government departments	(5,380)	(57)

National Airport System assets

Land, buildings, works and infrastructures owned by Transport Canada related to the 23 Canadian airports comprising the National Airport System are included in the table above. Tangible capital assets owned by airport authorities are not reflected in these financial statements.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government. These agreements are in accordance with the federal *National Airports Policy*, the *Public Accountability Principles for Canadian Airport Authorities* and the *Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entail the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

Values recorded for the National Airport System assets for 23 National Airports are:

- (1) A net book value of \$158,977,534 (\$159,162,495 in 2014-15 -reclassified) included in Land.
- (2) A net book value of \$153,954,915 (\$166,954,428 in 2014-15 -reclassified) included in Building.
- (3) A net book value of \$157,959,291 (\$192,177,087 in 2014-15 -reclassified) included in Works and infrastructure.
- (4) A net book value \$353,397 (\$363,089 - 2014-15 -reclassified) included in Machinery and equipment.
- (5) A net book value of \$209,300 (\$251,160 - 2014-15 -reclassified) included in Leasehold improvements.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

14. Departmental net financial position

A portion of Transport Canada's net financial position is used for specific purposes and is restricted. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

Transport Canada has two accounts which fall under this category:

(a) The Ship-Source Oil Pollution Fund

The Ship-Source Oil Pollution Fund (Fund) 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 financed out of the Fund.

Additional information regarding the Ship-Source Oil Pollution Fund can be found on the Fund's website.

(b) Fines for Transport of Dangerous Goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts under the Act. The balance of the account is used for program funding.

Activities in the accounts are as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
The Ship-Source Oil Pollution Fund – Restricted		
Balance – Beginning of year – Restricted	409,760	405,896
Revenues	3,010	5,400
Expenses	(1,482)	(1,536)
Balance – End of year – Restricted	411,288	409,760
Fines for Transport of Dangerous Goods – Restricted		
Balance – Beginning of year – Restricted	514	514
Revenues	-	-
Expenses	-	-
Balance – End of year – Restricted	514	514
Total balance – End of year – Restricted	411,802	410,274
Unrestricted	945,626	941,212
Departmental net financial position – End of year	1,357,428	1,351,486

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

15. Contractual obligations

The nature of Transport Canada's activities can result in some large multi-year contracts and obligations, whereby Transport Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2017	2018	2019	2020	2021 and thereafter	Total
Transfer payments	297,317	99,846	40,315	34,782	84,251	556,511
Other goods and services	35,323	76,278	3,631	69	17	115,318
Tangible capital assets	17,966	-	-	-	-	17,966
Operating leases	2,169	568	453	56	112	3,358
Total	352,775	176,692	44,399	34,907	84,380	693,153

16. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Environmental liabilities.

Transport Canada has disclosed a contingent liability in the amount of \$9,331,487 for 4 sites (\$0 in 2014-15 for 0 sites) where Transport Canada has determined that it is not directly responsible, nor does it accept responsibility; however, there is uncertainty as to whether Transport Canada may be responsible.

(b) Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Transport Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. An amount of \$56,750,000 has been recorded in the financial statements as of March 31, 2016 (\$106,175,000 in 2014-15). Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$6,645,454 as at March 31, 2016 (\$5,350,000 in 2014-15).

17. Related party transactions

Transport Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Transport Canada received common services which were obtained without charge from other government departments as disclosed below. In addition, Transport Canada has entered into agreements to administer programs on behalf of Infrastructure Canada.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

17. Related party transactions (cont'd)

(a) Common services provided without charge by other government departments

During the year, Transport Canada received without charge from certain common service organizations, services related to accommodation, the employer's contribution to the health and dental insurance plans, legal services, and workers' compensation coverage.

These services provided without charge have been recorded in Transport Canada's Statement of Operations and Departmental Net Financial Position as follows:

	2016	2015
	<i>(in thousands of dollars)</i>	
Accommodation	49,318	42,357
Employer's contribution to the health and dental insurance plans	39,781	38,078
Workers' compensation	2,985	3,139
Legal services	4,706	4,470
Total	96,790	88,044

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and for economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, information technology infrastructure services provided by Shared Services Canada and audit services provided by the Office of the Auditor General, are not included in the Statement of Operations and Departmental Net Financial Position of Transport Canada.

(b) Administration of programs on behalf of other government departments:

(i) Canada Strategic Infrastructure Fund (CSIF) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with Infrastructure Canada on January 31, 2003, Transport Canada administers the CSIF and the BIF. During the year, Transport Canada incurred expenses of \$127,793,947 (\$187,610,954 in 2014-15) related to the CSIF, and \$17,699,761 (\$20,863,226 in 2014-15) related to the BIF, on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the BCF. During the year, Transport Canada incurred expenses of \$506,398,615 (\$373,297,646 in 2014-15) related to the BCF on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

17. Related party transactions (cont'd)

(c) Other transactions with related parties

	2016	2015
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	101,289	87,989
Revenues – Other government departments and agencies	37,947	39,871

Expenses and revenues disclosed in (c) exclude common services provided without charge, which are already disclosed in (a).

18. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of Transport Canada. However, it did result in the use of additional spending authorities by Transport Canada of \$97,357 (\$15,252,934 in 2014-15). Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.

19. Transfers to other government departments

- During the year, tangible capital assets were transferred to other government departments. The transfers were measured at their net book value.

	2016	2015
	<i>(in thousands of dollars)</i>	
Assets		
Tangible capital assets transferred to other government departments (Note 13)	(5,380)	(57)
Adjustment to the departmental net financial position	(5,380)	(57)

- As per the Order in Council P.C. 2015-1237, the Windsor-Detroit Bridge Authority was transferred from Transport Canada to Infrastructure Canada, as of November 4, 2015. Following a Memorandum of Understanding, it was agreed that Transport Canada would continue to assume stewardship of charges including assets and liabilities and present the financial information attached to the Windsor-Detroit Bridge Authority during this period of transition of November 4, 2015 to March 31, 2016. Therefore, the land with a net book value of \$67 million will be transferred through an interdepartmental transfer during the 2016-17 fiscal year.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

20. Segmented information

Presentation by segment is based on Transport Canada's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and by major type of revenues. The segmented results for the period are as follows:

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

20. Segmented information (cont'd)

(in thousands of dollars)	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	2016 Total	2015 Total
Transfer payments							
Other levels of government within Canada	395,791	3,702	-	250	-	399,743	441,276
Industry	88,926	8,233	-	2,318	-	99,477	124,837
Non-profit organizations	19,156	1,527	-	8,261	-	28,944	26,101
Individuals	275	30	-	-	-	305	332
Other countries and international organizations	-	173	-	297	-	470	181
Total transfer payments	504,148	13,665	-	11,126	-	528,939	592,727
Operating expenses							
Salaries and employee benefits	50,023	368,805	121,055	31,112	-	570,995	552,776
Professional and special services	34,573	27,562	29,587	79,276	-	170,998	138,223
Payments in respect of St. Lawrence Seaway Agreements	132,579	-	-	-	-	132,579	114,198
Amortization of tangible capital assets (Note 13)	106,268	12,964	7,340	800	-	127,372	138,287
Accommodation (Note 17)	4,290	30,880	11,499	2,649	-	49,318	42,357
Interest and inflation adjustment on capital lease payments (Note 7)	41,589	-	-	-	-	41,589	41,293
Claims and litigation (Note 16)	27,000	-	-	-	-	27,000	38,468
Travel and relocation	3,908	20,030	1,329	981	-	26,248	29,014
Equipment repair and maintenance	4,808	12,976	3,612	4,732	-	26,128	35,010
Utilities, materials and supplies	3,451	8,299	942	32	-	12,724	16,122
Rentals	373	4,097	3,128	102	-	7,700	7,213
Payments in lieu of property taxes	4,536	1,083	654	-	-	6,273	7,272
Information services – communications	1,188	1,530	450	38	-	3,206	3,119
Other	(99)	317	2,284	151	-	2,653	4,170
Postage	156	1,467	224	20	-	1,867	2,129
Pollution control (Note 14)	-	-	-	-	1,482	1,482	1,536
Telecommunications	45	378	119	2	-	544	502
Damage and other claims against the Crown	100	90	81	-	-	271	1,006
Net loss on disposal of tangible capital assets	(87)	871	(1,632)	111	-	(737)	1,704
Expenses incurred on behalf of Government	-	-	-	-	(1,482)	(1,482)	(1,536)
Total operating expenses	414,701	491,349	180,672	120,006	-	1,206,728	1,172,863
Total expenses	918,849	505,014	180,672	131,132	-	1,735,667	1,765,590

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
For the Year Ended March 31

20. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	2016 Total	2015 Total
Revenues							
Airport rent	324,129	-	-	-	-	324,129	312,711
Monitoring and enforcement revenues	21,170	24,728	819	4	-	46,721	46,509
Rentals and concessions	13,330	269	12,562	-	-	26,161	28,044
Aircraft maintenance and flying services	-	25,257	-	-	-	25,257	29,086
Transport facilities user fees	13,704	541	-	-	-	14,245	15,785
Other	2,026	8,116	321	-	-	10,463	5,939
Pollution control revenues (Note 14)	-	-	-	-	3,010	3,010	5,400
Revenues earned on behalf of Government	(348,543)	(1,679)	(12,960)	(3)	(3,010)	(366,195)	(354,089)
Total revenues	25,816	57,232	742	1	-	83,791	89,385
Net cost from continuing operations	893,033	447,782	179,930	131,131	-	1,651,876	1,676,205

21. Comparative information

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