

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2017

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, 2017, 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, 2017 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

24-08-2017
Date


André Lapointe, Chief Financial Officer
Ottawa, Canada

22/08/17
Date

TRANSPORT CANADA

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

	2017	2016 Restated (Note 19)
Liabilities		
Accounts payable and accrued liabilities (Note 4)	640,907	541,944
Vacation pay and compensatory leave	26,920	26,210
Environmental liabilities (Note 5)	198,378	188,400
Deferred revenue (Note 6a)	3,745	3,998
Other liabilities (Note 6b)	-	5,740
Lease obligations for tangible capital assets (Note 7)	487,038	509,037
Employee future benefits (Note 8)	24,062	24,974
Contingent liabilities (Note 15)	54,750	56,750
Total liabilities	1,435,800	1,357,053
Financial assets		
Due from Consolidated Revenue Fund	568,363	458,605
Accounts receivable and advances (Note 9)	24,106	66,337
Loans receivable (Note 10)	1,795	1,752
Total gross financial assets	594,264	526,694
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 9)	(15,009)	(48,793)
Loans receivable (Note 10)	(1,795)	(1,752)
Total financial assets held on behalf of Government	(16,804)	(50,545)
Total net financial assets	577,460	476,149
Departmental net debt	858,340	880,904
Non-financial assets		
Prepaid expenses	3,341	1,369
Inventory (Note 11)	12,314	12,300
Tangible capital assets (Note 12)	2,773,281	2,807,222
Total non-financial assets	2,788,936	2,820,891
Departmental net financial position (Note 13)	1,930,596	1,939,987

Contractual obligations (Note 14)

Contingent liabilities (Note 15)

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


Michael Keenan, Deputy Minister
Ottawa, Canada


André Lapointe, Chief Financial Officer
Ottawa, Canada

24-08-2017
Date

22/08/17
Date

TRANSPORT CANADA

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

For the Year Ended March 31

(in thousands of dollars)

	2017 Planned Results	2017	2016 Restated (Note 19)
Expenses			
An Efficient Transportation System	722,964	557,860	833,678
A Safe and Secure Transportation System	473,675	470,788	505,014
Internal Services	168,821	165,407	180,672
A Clean Transportation System	68,212	94,652	131,132
Ship-Source Oil Pollution Fund, Fines for Transport of Dangerous Goods and Fund for Railway Accidents Involving Designated Goods (Note 13)	1,747	5,222	1,482
Expenses incurred on behalf of Government	(1,747)	(5,222)	(1,482)
Total expenses	1,433,672	1,288,707	1,650,496
Revenues			
Airport rent	331,136	348,892	324,129
Monitoring and enforcement revenues	43,897	48,873	46,721
Rentals and concessions	27,476	26,008	26,161
Aircraft maintenance and flying services	25,220	25,442	25,257
Transport facilities user fees	13,998	12,309	14,245
Other	11,557	3,022	10,463
Ship-Source Oil Pollution Fund, Fines for Transport of Dangerous Goods and Fund for Railway Accidents Involving Designated Goods (Note 13)	6,295	8,302	3,010
Revenues earned on behalf of Government	(380,365)	(399,584)	(366,195)
Total revenues	79,214	73,264	83,791
Net cost from continuing operations	1,354,458	1,215,443	1,566,705
Net cost of operations before government funding and transfers	1,354,458	1,215,443	1,566,705
Government funding and transfers			
Net cash provided by Government		1,073,069	2,062,878
Change in Due from Consolidated Revenue Fund		109,758	(496,373)
Services provided without charge by other government departments (Note 16)		90,421	96,790
Transfer of the transition payments for implementing salary payments in arrears		-	(97)
Transfer of assets to other government departments (Note 12 and Note 17)		(67,196)	(5,380)
Net cost of operations after government funding and transfers		9,391	(91,113)
Departmental net financial position – Beginning of year		1,939,987	1,848,874
Departmental net financial position – End of year		1,930,596	1,939,987

Segmented information (Note 18)

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*)

	2017	2016 Restated (Note 19)
Net cost of operations after government funding and transfers	9,391	(91,113)
Change due to tangible capital assets		
Acquisitions of tangible capital assets (Note 12)	180,772	222,935
Amortization of tangible capital assets (Note 12)	(145,439)	(144,801)
Proceeds from disposal of tangible capital assets	(7,455)	(5,461)
Gain on disposal of tangible capital assets (Note 18)	4,831	737
Adjustments to assets under construction (Note 12(a))	546	(824)
Transfer to other government departments (Note 17)	(67,196)	(5,380)
Total change due to tangible capital assets	(33,941)	67,206
Change due to inventories (Note 11)	14	(223)
Change due to prepaid expenses	1,972	(1,366)
Net decrease in departmental net debt	(22,564)	(25,496)
Departmental net debt – Beginning of year	880,904	906,400
Departmental net debt – End of year	858,340	880,904

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*)

	2017	2016 Restated (Note 19)
Operating activities		
Net cost of operations before government funding and transfers	1,215,443	1,566,705
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(145,439)	(144,801)
Adjustments to assets under construction (Note 12(a))	546	(824)
Services provided without charge by other government departments (Note 16)	(90,421)	(96,790)
Transition payments for implementing salary payments in arrears	-	97
Gain on disposal of tangible capital assets (Note 18)	4,831	737
Variations in Statement of Financial Position:		
(Decrease) Increase in accounts receivables and advances (Note 9)	(8,447)	1,372
Decrease in rent receivable	-	(5,493)
Increase (Decrease) in prepaid expenses	1,972	(1,366)
Increase (Decrease) in inventory (Note 11)	14	(223)
(Increase) Decrease in accounts payable and accrued liabilities (Note 4)	(98,963)	477,733
Increase in vacation pay and compensatory leave	(710)	(887)
Increase in environmental liabilities (Note 5)	(9,978)	(41,826)
Decrease in deferred revenue (Note 6a)	253	802
Decrease in other liabilities (Note 6b)	5,740	19,049
Decrease in employee future benefits (Note 8)	912	653
Decrease in contingent liabilities (Note 15)	2,000	49,425
Cash used in operating activities	877,753	1,824,363
Capital investing activities		
Acquisitions of tangible capital assets (Note 12)	180,772	222,935
Proceeds from disposal of tangible capital assets	(7,455)	(5,461)
Cash used in capital investing activities	173,317	217,474
Financing activities		
Decrease in lease obligation for tangible capital assets (Note 7)	21,999	21,041
Cash used in financing activities	21,999	21,041
Net cash provided by Government of Canada	1,073,069	2,062,878

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: supports trade, economic prosperity and a better quality of life through low costs, high productivity, the best use of all modes and innovation in transportation. Transport Canada promotes an efficient transportation system in Canada by: modernizing marketplace frameworks so that the transportation sector can adapt, innovate and remain competitive; implementing gateways and corridors initiatives; ensuring the renewal of federal transportation infrastructure; encouraging innovation in the transportation sector; and partnering 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* program: moves people and goods across Canada, and to international destinations, without loss of life, injury, or damage to property. Transport Canada supports a safe and secure transportation system by influencing the behaviour of the public and industry through policies, standards, regulations and laws. Harmonized and streamlined regulatory regimes, informed by the expertise of multiple countries and stakeholders, aid effective, safe and secure transportation practices and a sound safety and security culture. Transport Canada 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 administered to support the needs of programs and other corporate obligations of an organization. These groups are: management and oversight services; communications services; legal services; human resources management services; financial management services; information management services; information technology services; real property services; materiel services; and acquisition services. Internal Services include only those activities and resources that apply across an 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*, *Marine Liability 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*, *Marine Transportation Security Act* and *Safe and Accountable Rail Act*.

TRANSPORT CANADA

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

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 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 *2016-17 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 *2016-17 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.

TRANSPORT CANADA

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

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

(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.
- 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 multi-employer 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.

TRANSPORT CANADA

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

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

- 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, Transport Canada 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 Transport Canada's best estimate of the amount required to remediate the sites to the current minimum standard for their 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 which is based on the Government's cost of borrowing. 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 Government of Canada's 25-year Consolidated Revenue Fund lending rate is used as the discount rate.
 - 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 Transport Canada's responsibility is not determinable, a contingent liability is disclosed in the notes to the financial statements. If measurement uncertainty exists, it is also disclosed in the notes to the financial 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.

TRANSPORT CANADA

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

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

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 60 years
Machinery and equipment	5 to 30 years
Computer hardware and software	3 to 5 years
Ships and boats	10 to 35 years
Aircraft	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

*The 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.

- (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.

Environmental liabilities, as presented in Note 5, are subject to measurement uncertainty due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites or asset retirements, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation or retirement. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

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:

TRANSPORT CANADA

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

	2017	2016
		Restated (Note 19)
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,215,443	1,566,705
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (Note 12)	(145,439)	(144,801)
Services provided without charge by other government departments (Note 16)	(90,421)	(96,790)
Gain on disposal of tangible capital assets (Note 18)	4,831	737
Adjustments to assets under construction (Note 12(a))	546	(824)
Increase in vacation pay and compensatory leave	(710)	(887)
Increase in environmental liabilities (Note 5)	(9,978)	(41,826)
Decrease in employee future benefits (Note 8)	912	653
Decrease in contingent liabilities (Note 15)	2,000	49,425
Decrease (increase) in accrued liabilities not charged to authorities	6,596	(8,442)
Refund of prior years' expenditures	998	2,266
Adjustments of previous years accounts payable	1,090	896
Bad debt expense	(274)	(89)
Other expenditures not affecting authorities	188	(857)
Total items affecting net cost of operations but not affecting authorities	(229,661)	(240,539)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (Note 12)	180,772	222,935
Decrease in lease obligations for tangible capital assets (Note 7)	21,999	21,041
Transition payments for implementing salary payments in arrears	-	97
Increase (Decrease) in inventory (Note 11)	14	(223)
Increase (Decrease) in prepaid expenses	1,972	(1,366)
Decrease in previous year accrued liabilities charged to authorities	-	477
Other	620	-
Total items not affecting net cost of operations but affecting authorities	205,377	242,961
Current year authorities used	1,191,159	1,569,127

TRANSPORT CANADA

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

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used

	2017	2016
	<i>(in thousands of dollars)</i>	
Authorities provided		
Vote 1 – Operating expenditures	605,978	669,281
Vote 5 – Capital expenditures	151,178	170,866
Vote 10 – Transfer payments*	-	755,366
Vote 10 – Grants and contributions – Gateways and corridors	257,904	-
Vote 15 – Grants and contributions – Transportation infrastructure	195,547	-
Vote 20 – Grants and contributions – Other	50,415	-
Statutory amounts	190,705	208,987
Total authorities provided	1,451,727	1,804,500
Less:		
Authorities available for future years	(3,015)	(195)
Lapsed authorities: Operating expenditures	(71,042)	(19,122)
Lapsed authorities: Capital expenditures	(61,640)	(51,700)
Lapsed authorities: Transfer payments*	-	(164,356)
Lapsed authorities: Grants and contributions – Gateways and corridors	(100,729)	-
Lapsed authorities: Grants and contributions – Transportation infrastructure	(5,690)	-
Lapsed authorities: Grants and contributions – Other	(18,257)	-
Lapsed authorities: Other lapsed amounts	(195)	-
Current year authorities used	1,191,159	1,569,127

* Starting in 2016-2017, Transport Canada is the subject of a pilot project through which its grants and contributions will appear in separate votes based on program structure. Therefore, grants and contributions are divided into three separate votes in 2016-2017 based on the departmental Program Alignment Architecture.

4. Accounts payable and accrued liabilities

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

	2017	2016
	<i>(in thousands of dollars)</i>	
Accounts payable – Other government departments and agencies	62,169	12,442
Accounts payable – External parties	509,516	452,066
Total accounts payable	571,685	464,508
Accrued liabilities	69,222	77,436
Total accounts payable and accrued liabilities	640,907	541,944

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 environment and human health.

Transport Canada has identified a total of 286 sites (291 sites in 2015-16) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has assessed 109 sites (101 sites in 2015-16) where action is possible and for which a net liability of \$178,627,473 (\$170,447,302 in 2015-16) has been recorded. This liability estimate has been determined after the sites are assessed and is based on environmental experts contractors reviewing the results of site assessments, and proposing possible remediation solutions.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 70 unassessed sites (81 sites in 2015-16) where a liability estimate of \$19,750,654 (\$17,952,543 in 2015-16) has been recorded using this model.

These two estimates combined, totalling \$198,378,127 (\$188,399,845 in 2015-16) represent management’s best estimate of the costs required to remediate the sites to the current minimum standard for use prior to contamination, based on information available at the financial statement date.

Of the remaining 107 sites (109 sites in 2015-16), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined. For other sites, Transport Canada does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and a liability for remediation will be recognized if future economic benefits will be given up.

During the fiscal year, 22 sites (45 sites in 2015-16) 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, 2017, and March 31, 2016. 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 2017 rates range from 0.89% for 2 year term to 2.55% for a 25 or greater year term.

TRANSPORT CANADA

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

5. Environmental liabilities (cont'd)

Transport Canada's ongoing efforts to assess contaminated sites may result in additional environmental liabilities. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

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

Nature & Source	Number of Sites 2017	Estimated Liability 2017	Estimated Total Undiscounted Expenditures 2017	Estimated Recoveries 2017	Number of Sites 2016	Estimated Liability 2016	Estimated Total Undiscounted Expenditures 2016	Estimated Recoveries 2016
Military & Former Military Sites ⁽¹⁾	1	143	145	-	1	42	43	-
Fuel Related Practices ⁽²⁾	31	28,700	30,210	-	34	21,702	22,650	-
Landfill/Waste Sites ⁽³⁾	14	38,495	40,338	-	15	39,356	41,161	-
Engineered Asset/Air & Land Transportation ⁽⁴⁾	51	28,631	29,705	-	53	25,690	26,271	-
Marine Facilities/Aquatic Sites ⁽⁵⁾	56	101,128	105,621	-	53	99,987	104,391	-
Other ⁽⁶⁾	26	1,281	1,426	-	26	1,623	1,696	-
Totals	179	198,378	207,445	-	182	188,400	196,212	-

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:

	2017	2016
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Transportation research and development *		
Opening balance	712	1,255
Amounts received	702	793
Revenue recognized	(768)	(1,336)
Closing balance	646	712
Other		
Opening balance	3,286	3,546
Amounts received	2,573	2,707
Revenue recognized	(2,760)	(2,967)
Closing balance	3,099	3,286
Net closing balance	3,745	3,998

* 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:

	2017	2016
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Remediation projects		
Opening balance	5,740	24,789
Amount received	-	-
Payments and other charges	(5,740)	(19,049)
Net closing balance	-	5,740

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)
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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, 2016, an annual payment in the amount of \$63,588,278 (\$62,334,630 in 2015-16) was made. This payment represents a payment of principal in the amount of \$21,999,164 (\$21,041,230 in 2015-16), interest of \$23,174,676 (\$24,132,610 in 2015-16), and an amount of \$18,414,438 (\$17,160,790 in 2015-16) representing the indexing of the payment to the annual inflation rate.

The interest expense and indexing adjustment accrued at March 31, 2017 amounts to \$22,173,130 (\$23,174,676 in 2015-16) and \$19,768,646 (\$18,414,438 in 2015-16), respectively.

Transport Canada has a capital lease obligation of \$487,037,434 at March 31, 2017 (\$509,036,598 in 2015-16), based on the present value for the future payments using an interest rate of 6.06% (6.06% in 2015-16).

The obligations related to the upcoming years include the following:

	2017	2016
	<i>(in thousands of dollars)</i>	
2017	-	61,061
2018	61,983	61,983
2019	62,920	62,920
2020	63,871	63,871
2021	64,836	64,836
2022 and thereafter	717,318	717,318
Total future minimum lease payments	970,928	1,031,989
Less: imputed interest (6.06%)	(483,890)	(522,952)
Balance of obligations under leased tangible capital assets	487,038	509,037

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 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec 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 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 2016-17 expense amounts to \$56,968,307 (\$63,681,704 in 2015-16). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015-16) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-16) 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

Severance benefits provided to the Department's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	2017	2016
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	24,974	25,627
Expense for the year	2,508	4,369
Benefits paid during the year	(3,420)	(5,022)
Accrued benefit obligation, end of year	24,062	24,974

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:

	2017	2016
	<i>(in thousands of dollars)</i>	
Accounts receivable – Other government departments and agencies	13,906	47,436
Accounts receivable – External parties	11,859	21,045
Employee advances	807	281
Subtotal	26,572	68,762
Allowance for doubtful accounts on receivables from external parties	(2,466)	(2,425)
Gross accounts receivable and advances	24,106	66,337
Accounts receivable and advances held on behalf of Government	(15,009)	(48,793)
Net accounts receivable and advances	9,097	17,544

10. Loans receivable

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

	2017	2016
	<i>(in thousands of dollars)</i>	
Loans receivable – Victoria Harbour	2,066	2,108
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,240	2,282
Less: Unamortized discounts	(271)	(356)
Subtotal	1,969	1,926
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	1,795	1,752
Loans receivable held on behalf of Government	(1,795)	(1,752)
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 \$271,039 is recorded to reflect the concessionary nature of the loan (\$356,131 in 2015-16). A payment of \$42,720 was received in fiscal year 2016-17 (\$42,720 in 2015-16).

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. 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:

	2017	2016
	<i>(in thousands of dollars)</i>	
Consumable parts	12,314	12,300
Total inventory	12,314	12,300

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$1,474,289 (\$1,244,877 in 2015-16).

TRANSPORT CANADA

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

12. Tangible capital assets

Capital Asset Class (<i>In thousands of dollars</i>)	Cost				Accumulated Amortization				Net book value			
	Opening balance (Restated)	Acquisitions	Adjustments (a)	Disposals and write-offs	Closing balance	Opening balance (Restated)	Amortization	Adjustments (a)	Disposals and write-offs	Closing balance	2017	2016 Restated (Note 19)
Land ⁽¹⁾ (6)	276,119	-	(64,294)	(59)	211,766	-	-	-	-	-	211,766	276,119
Buildings ⁽²⁾ (7)	856,073	4,798	544	-	861,415	583,687	18,600	-	-	602,287	259,128	272,386
Works and infrastructure ⁽³⁾ (8)	3,353,547	85,583	18,765	(2,379)	3,455,516	2,087,228	83,232	-	(1,889)	2,168,571	1,286,945	1,266,319
Machinery and equipment ⁽⁴⁾ (9)	113,567	3,018	3,055	(1,944)	117,696	73,995	6,347	(179)	(1,888)	78,275	39,421	39,572
Computer hardware and software	131,160	-	16,259	(2,038)	145,381	99,305	10,328	-	(1,944)	107,689	37,692	31,855
Ships and boats	132,723	-	13,107	-	145,830	76,634	2,358	-	-	78,992	66,838	56,089
Aircraft	152,388	-	3,266	(6,911)	148,743	116,520	3,887	-	(5,849)	114,558	34,185	35,868
Motor vehicles	466,509	4,143	204	(5,078)	465,778	380,166	11,522	31	(4,289)	387,430	78,348	86,343
Leasehold improvements ⁽⁵⁾	25,888	100	4,131	(261)	29,858	15,792	977	-	(187)	16,582	13,276	10,096
Assets under construction	67,966	83,130	(61,835)	-	89,261	-	-	-	-	-	89,261	67,966
Confederation Bridge	818,820	-	-	-	818,820	154,211	8,188	-	-	162,399	656,421	664,609
Total	6,394,760	180,772	(66,798)	(18,670)	6,490,064	3,587,538	145,439	(148)	(16,046)	3,716,783	2,773,281	2,807,222

TRANSPORT CANADA

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

12. Tangible capital assets (cont'd)

(a) Adjustments

Adjustments include assets under construction of \$61,547,301 that were transferred to the other asset categories upon completion as well as other adjustments to assets under construction of \$546,019 (\$286,928 that were expensed, offset by \$832,947 in other adjustments).

Adjustments also include a net book value decrease of \$67,195,773, for tangible capital assets transferred to or from other government departments and agencies as follows:

	2017	2016
	<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 Infrastructure Canada	(67,179)	-
To Parks Canada	(17)	(5,365)
To Natural Resources Canada	-	(7)
To Environment and Climate Change Canada	-	(12)
Total transfers of tangible capital assets to other government departments	(67,196)	(5,380)

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 (\$158,977,534 in 2015-16) included in Land.
- (2) A net book value of \$141,098,086 (\$153,954,915 in 2015-16) included in Buildings.
- (3) A net book value of \$127,979,451 (\$157,959,291 in 2015-16) included in Works and infrastructure.
- (4) A net book value \$343,705 (\$353,397 in 2015-16) included in Machinery and equipment.
- (5) A net book value of \$167,440 (\$209,300 in 2015-16) included in Leasehold improvements.

TRANSPORT CANADA

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

12. Tangible capital assets (cont'd)

St. Lawrence Seaway assets

Land, buildings, works and infrastructure, and machinery and equipment owned by Transport Canada related to the St. Lawrence Seaway (Seaway) are included in the table above. Ownership of these assets was transferred to Transport Canada effective October 1, 1998, when the St. Lawrence Seaway Management Corporation (SLSMC) was established. The original 20-year agreement with the federal government that was expected to end on March 31, 2018 was extended in 2017 for a period of five years and will therefore be in force until March 31, 2023. The SLSMC is responsible for managing and operating the Seaway, as well as the maintenance, repairs, acquisition and replacement of government-owned Navigation Seaway Assets. Transport Canada is responsible for funding any SLSMC financial requirements net of revenues. In 2016-17 \$90,113,340 of the annual funding provided was utilized to acquire tangible capital assets (\$102,600,303 in 2015-16). Other amounts to fund minor maintenance and repairs are recorded as an operating expense in the statement of operations.

Values recorded for the Seaway assets are:

⁽⁶⁾ A net book value of \$24,267,510 (\$24,326,462 in 2015-16) included in Land.

⁽⁷⁾ A net book value of \$27,669,365 (\$23,785,221 in 2015-16 - restated) included in Buildings.

⁽⁸⁾ A net book value of \$853,221,571 (\$797,723,126 in 2015-16 - restated) included in Works and infrastructure.

⁽⁹⁾ A net book value of \$7,932,949 (\$7,856,003 in 2015-16 - restated) included in Machinery and equipment.

13. 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 three accounts which fall under this category:

(a) Ship-Source Oil Pollution Fund (SOPF)

The Ship-Source Oil Pollution Fund (Fund) was established pursuant to subsection 2001, c.6 of the *Marine Liability Act* (previously 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.

(c) Fund for Railway Accidents Involving Designated Goods (FRAIDG)

The Fund for Railway Accidents Involving Designated Goods was established pursuant to the *Safe and Accountable Rail Act* to establish a compensation fund to cover the losses, damages, costs and expenses resulting from a railway accident involving crude oil or other designated goods that exceed the minimum liability insurance coverage. This account is financed by a levy on shipments of crude oil by rail.

TRANSPORT CANADA

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

13. Departmental net financial position (cont'd)

Activities in the accounts are as follows:

	2017	2016
		Restated (Note 19)
	<i>(in thousands of dollars)</i>	
Ship-Source Oil Pollution Fund – Restricted		
Balance – Beginning of year – Restricted	411,288	409,760
Revenues	3,317	3,010
Expenses	(5,150)	(1,482)
Balance – End of year – Restricted	409,455	411,288
Fines for Transport of Dangerous Goods – Restricted		
Balance – Beginning of year – Restricted	514	514
Revenues	-	-
Expenses	-	-
Balance – End of year – Restricted	514	514
Fund for Railway Accidents Involving Designated Goods - Restricted		
Balance – Beginning of year – Restricted	-	-
Revenues	4,985	-
Expenses	(72)	-
Balance – End of year – Restricted	4,913	-
Total balance – End of year – Restricted	414,882	411,802
Unrestricted	1,515,714	1,528,185
Departmental net financial position – End of year	1,930,596	1,939,987

14. 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>	2018	2019	2020	2021	2022 and thereafter	Total
Transfer payments	152,828	51,332	41,106	32,244	85,295	362,805
Other goods and services	47,113	27,105	30,271	28,917	54,210	187,616
Tangible capital assets	57,148	50,355	53,082	63,000	112,563	336,148
Total	257,089	128,792	124,459	124,161	252,068	886,569

TRANSPORT CANADA

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

15. 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 \$6,532,480 for 3 sites (\$9,331,487 in 2015-16 for 4 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 \$54,750,000 has been recorded in the financial statements as of March 31, 2017 (\$56,750,000 in 2015-16). Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$9,611,234 as at March 31, 2017 (\$6,645,454 in 2015-16).

16. 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

16. 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:

	2017	2016
	<i>(in thousands of dollars)</i>	
Accommodation	43,598	49,318
Employer's contribution to the health and dental insurance plans	38,940	39,781
Workers' compensation	2,852	2,985
Legal services	5,031	4,706
Total	90,421	96,790

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 \$39,349,785 (\$127,793,947 in 2015-16) related to the CSIF, and NIL (\$17,699,761 in 2015-16) 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 \$425,938,252 (\$506,398,615 in 2015-16) 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

16. Related party transactions (cont'd)

(c) Other transactions with related parties

	2017	2016
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	84,280	101,289
Revenues – Other government departments and agencies	31,872	37,947

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

17. 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.

	2017	2016
	<i>(in thousands of dollars)</i>	
Assets		
Tangible capital assets transferred to other government departments (Note 12)	(67,196)	(5,380)
Adjustment to the departmental net financial position	(67,196)	(5,380)

- 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. The land with a net book value of \$67,179,354 was transferred through an interdepartmental transfer during the 2016-17 fiscal year, and is included in this amount.

18. 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

18. Segmented information (cont'd)

	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	SOPF, FRAIDG and other (Note 13)	2017 Total	2016 Total Restated (Note 19)
<i>(in thousands of dollars)</i>							
Transfer payments							
Other levels of government within Canada	188,360	8,090	-	1,078	-	197,528	399,743
Industry	81,235	4,724	-	4,741	-	90,700	99,477
Non-profit organizations	9,506	3,551	-	9,452	-	22,509	28,944
Individuals	250	5	-	-	-	255	305
Other countries and international organizations	-	185	-	295	-	480	470
Total transfer payments	279,351	16,555	-	15,566	-	311,472	528,939
Operating expenses							
Salaries and employee benefits	42,519	344,313	109,004	26,916	-	522,752	570,995
Professional and special services	30,623	23,729	25,052	42,706	-	122,110	170,998
Operating costs in respect of St. Lawrence Seaway Agreements	25,283	-	-	-	-	25,283	29,979
Amortization of tangible capital assets (Note 12)	122,842	16,261	5,438	898	-	145,439	144,801
Accommodation (Note 16)	3,562	27,959	9,827	2,250	-	43,598	49,318
Interest and inflation adjustment on capital lease payments (Note 7)	41,942	-	-	-	-	41,942	41,589
Claims and litigation (Note 15)	-	-	-	-	-	-	27,000
Travel and relocation	1,202	14,287	415	913	-	16,817	26,248
Equipment repair and maintenance	3,604	9,131	9,298	3,760	-	25,793	26,128
Utilities, materials and supplies	3,192	9,455	989	41	-	13,677	12,724
Rentals	302	4,043	2,367	116	-	6,828	7,700
Payments in lieu of property taxes	5,150	1,283	681	-	-	7,114	6,273
Information services – communications	817	2,103	257	507	-	3,684	3,206
Other	340	155	1,633	13	-	2,141	2,653
Postage	101	1,209	356	9	-	1,675	1,867
Ship-Source Oil Pollution Fund, Fines for Transport of Dangerous Goods and Fund for Railway Accidents Involving Designated Goods (Note 13)	-	-	-	-	5,222	5,222	1,482
Telecommunications	111	818	558	5	-	1,492	544
Damage and other claims against the Crown	75	745	-	901	-	1,721	271
Gain on disposal of tangible capital assets	(3,156)	(1,258)	(468)	51	-	(4,831)	(737)
Expenses incurred on behalf of Government	-	-	-	-	(5,222)	(5,222)	(1,482)
Total operating expenses	278,509	454,233	165,407	79,086	-	977,235	1,121,557
Total expenses	557,860	470,788	165,407	94,652	-	1,288,707	1,650,496

TRANSPORT CANADA

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

18. 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	SOPF, FRAIDG and other (Note 13)	2017 Total	2016 Total Restated (Note 19)
Revenues							
Airport rent	348,892	-	-	-	-	348,892	324,129
Monitoring and enforcement revenues	23,124	25,136	613	-	-	48,873	46,721
Rentals and concessions	13,423	583	12,002	-	-	26,008	26,161
Aircraft maintenance and flying services	-	25,442	-	-	-	25,442	25,257
Transport facilities user fees	11,659	650	-	-	-	12,309	14,245
Other	887	1,886	249	-	-	3,022	10,463
Ship-Source Oil Pollution Fund, Fines for Transport of Dangerous Goods and Fund for Railway Accidents Involving Designated Goods (Note 13)	-	-	-	-	8,302	8,302	3,010
Revenues earned on behalf of Government	(377,883)	(1,128)	(12,271)	-	(8,302)	(399,584)	(366,195)
Total revenues	20,102	52,569	593	-	-	73,264	83,791
Net cost from continuing operations	537,758	418,219	164,814	94,652	-	1,215,443	1,566,705

TRANSPORT CANADA

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

19. Restatement of previous year's results

During the year, Transport Canada undertook an analysis of transactions incurred under a multi-year agreement with the St. Lawrence Seaway Management Corporation (SLSMC). The agreement dates back to October 1, 1998 when Transport Canada obtained ownership of these assets. Under the agreement, SLSMC is responsible for managing and operating the St. Lawrence Seaway, as well as the maintenance, repairs, acquisition and replacement of government-owned Navigation Seaway Assets. Transport Canada is responsible for funding any SLSMC financial requirements net of revenues.

This analysis identified that Transport Canada acquired a number of tangible capital assets that had been previously expensed in the financial statements. The effect of the resulting retroactive adjustments is presented below:

<i>(in thousands of dollars)</i>	2016 as previously stated	Effect of changes	2016 (Restated)
Statement of Financial Position			
Tangible capital assets (Note 12)	2,224,663	582,559	2,807,222
Total non-financial assets	2,238,332	582,559	2,820,891
Departmental net financial position (Note 13)	1,357,428	582,559	1,939,987
Statement of Operations and Departmental Net Financial Position			
An Efficient Transportation System	918,849	(85,171)	833,678
Total expenses	1,735,667	(85,171)	1,650,496
Net cost from continuing operations	1,651,876	(85,171)	1,566,705
Net cost of operations before government funding and transfers	1,651,876	(85,171)	1,566,705
Net cost of operations after government funding and transfers	(5,942)	(85,171)	(91,113)
Departmental net financial position – Beginning of year	1,351,486	497,388	1,848,874
Departmental net financial position – End of year	1,357,428	582,559	1,939,987
Statement of Change in Departmental Net Debt			
Net cost of operations after government funding and transfers	(5,942)	(85,171)	(91,113)
Acquisition of tangible capital assets (Note 12)	120,335	102,600	222,935
Amortization of tangible capital assets (Note 12)	(127,372)	(17,429)	(144,801)
Total change due to tangible capital assets	(17,965)	85,171	67,206
Net decrease in departmental net debt	(25,496)	-	(25,496)
Departmental net debt – beginning of year	906,400	-	906,400
Departmental net debt – end of year	880,904	-	880,904
Statement of Cash Flows			
Net cost of operations before government funding and transfers	1,651,876	(85,171)	1,566,705
Amortization of tangible capital assets (Note 12)	(127,372)	(17,429)	(144,801)
Cash used in operating activities	1,926,963	(102,600)	1,824,363
Acquisitions of tangible capital assets (Note 12)	120,335	102,600	222,935
Cash used in capital investing activities	114,874	102,600	217,474
Net cash provided by Government of Canada	2,062,878	-	2,062,878

TRANSPORT CANADA

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

19. Restatement of previous year's results (cont'd)

<i>(in thousands of dollars)</i>	2016 as previously stated	Effect of changes	2016 (Restated)
Notes to the Financial Statements			
Parliamentary Authorities (Note 3a)			
Net cost of operations before government funding and transfers	1,651,876	(85,171)	1,566,705
Amortization of tangible capital assets (Note 12)	(127,372)	(17,429)	(144,801)
Total items affecting net cost of operations but not affecting authorities	(223,110)	(17,429)	(240,539)
Acquisitions of tangible capital assets (Note 12)	120,335	102,600	222,935
Total items not affecting net cost of operations but affecting authorities	140,361	102,600	242,961
Current year authorities used	1,569,127	-	1,569,127
Tangible capital assets (Note 12)			
Buildings (Cost-Closing balance)	829,962	26,111	856,073
Buildings (Accumulated Amortization-Closing balance)	579,037	4,650	583,687
Buildings (Net book value)	250,925	21,461	272,386
Works and infrastructure (Cost-Closing balance)	2,706,583	646,964	3,353,547
Works and infrastructure (Accumulated Amortization-Closing balance)	1,993,634	93,594	2,087,228
Works and infrastructure (Net book value)	712,949	553,370	1,266,319
Machinery and equipment (Cost-Closing balance)	93,490	20,077	113,567
Machinery and equipment (Accumulated Amortization-Closing balance)	61,646	12,349	73,995
Machinery and equipment (Net book value)	31,844	7,728	39,572
Total (Cost – Closing balance)	5,701,608	693,152	6,394,760
Total (Accumulated Amortization – Closing balance)	3,476,945	110,593	3,587,538
Total (Net book value)	2,224,663	582,559	2,807,222
Departmental net financial position (Note 13)			
Unrestricted	945,626	582,559	1,528,185
Departmental net financial position – End of year	1,357,428	582,559	1,939,987
Segmented information (Note 18)			
Operating costs in respect of St. Lawrence Seaway Agreements	132,579	(102,600)	29,979
Amortization of tangible capital assets (Note 12)	127,372	17,429	144,801
Total operating expenses	1,206,728	(85,171)	1,121,557
Total expenses	1,735,667	(85,171)	1,650,496
Net cost from continuing operations	1,651,876	(85,171)	1,566,705

20. Comparative information

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