

**Aboriginal Affairs and Northern Development Canada**

**Future-Oriented Financial Statements  
For the year ending March 31, 2013**

## **ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA**

### **Statement of Management Responsibility**

Responsibility for the compilation, content, and presentation of the accompanying future-oriented financial statements for the year ending March 31, 2013 and the accompanying notes rests with the management of Aboriginal Affairs and Northern Development Canada (AANDC). These future-oriented financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

Management is responsible for the appropriateness of the assumptions on which these future-oriented financial statements have been prepared. These statements are based on the best information available and assumptions adopted as at January 31, 2012, and reflect the plans described in the Report on Plans and Priorities.

At the time of preparation of these statements, management believes the estimates and assumptions to be fair and reasonable. However, as with all such estimates and assumptions, there is a measure of uncertainty. Actual results for the fiscal years covered in the accompanying future-oriented financial statements will vary from the information presented and these variations may be material.

*Original Signed By Michael Wernick*

*Original Signed By Susan MacGowan*

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**Michael Wernick**  
**Deputy Minister**

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**Susan MacGowan, CMA**  
**Chief Financial Officer**

Gatineau, Canada  
April 19, 2012

## ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA

### Future-Oriented Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	Estimated Results 2012	Planned Results 2013
<b>Assets</b>		
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	1,882,154	1,938,679
Accounts receivable and advances (Note 6)	103,487	103,726
Interest receivable (Note 7)	1,097	904
Loans receivable (Note 8)	812,927	862,354
<b>Total financial assets</b>	<b>2,799,665</b>	<b>2,905,663</b>
<b>Non-financial assets</b>		
Land held for future claims settlements (Note 9)	31,256	53,615
Tangible capital assets (Note 10)	58,955	64,500
<b>Total non-financial assets</b>	<b>90,211</b>	<b>118,115</b>
<b>TOTAL</b>	<b>2,889,876</b>	<b>3,023,778</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 11)	897,971	897,971
Vacation pay and compensatory leave	19,066	17,206
Other liabilities (Note 12)	71,068	71,068
Trust accounts (Note 13)	969,318	1,025,972
Settled claims (Note 14)	534,768	429,248
Provision for claims and litigation (Note 15)	10,927,131	10,487,731
Environmental liabilities (Note 15)	2,033,310	1,904,517
Provision for loan guarantees (Note 15)	1,730	1,730
Employee future benefits (Note 16)	85,015	48,823
<b>Total liabilities</b>	<b>15,539,377</b>	<b>14,884,266</b>
<b>Equity of Canada (Note 17)</b>	<b>(12,649,501)</b>	<b>(11,860,488)</b>
<b>TOTAL</b>	<b>2,889,876</b>	<b>3,023,778</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Contingent liabilities (Note 15)

Contractual obligations (Note 18)

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

*Original Signed By Michael Wernick*

**Michael Wernick**  
Deputy Minister

Gatineau, Canada  
April 19, 2012

*Original Signed By Susan MacGowan*

**Susan MacGowan, CMA**  
Chief Financial Officer

**ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA****Future-Oriented Statement of Operations (Unaudited)****For the Year Ended March 31***(in thousands of dollars)*

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
<b>Expenses</b>		
People	3,598,575	3,359,320
Land and Economy	1,529,737	1,350,348
Government	1,289,302	1,768,062
North	353,976	225,407
Internal Services	341,349	315,378
Office of the Federal Interlocutor	43,668	29,933
<b>Total Expenses</b>	<b>7,156,607</b>	<b>7,048,448</b>
<b>Revenues</b>		
People	-	-
Land and Economy	2,532	2,840
Government	4,714	4,065
North	269,414	206,260
Internal Services	1,230	1,230
Office of the Federal Interlocutor	-	-
<b>Total Revenues</b>	<b>277,890</b>	<b>214,395</b>
<b>Net Cost from Continuing Operations</b>	<b>6,878,717</b>	<b>6,834,053</b>
<b>Transferred Operations</b>		
Expenses (Note 19b)	15,538	-
Revenues	-	-
<b>Net Cost of Transferred Operations</b>	<b>15,538</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b>6,894,255</b>	<b>6,834,053</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Segmented information (Note 20)

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

## ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA

### Future-Oriented Statement of Equity of Canada (*Unaudited*)

**As at March 31**

*(in thousands of dollars)*

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
<b>Equity of Canada, beginning of year</b>	<b>(13,493,582)</b>	<b>(12,649,501)</b>
Net cost of operations	(6,894,255)	(6,834,053)
Net cash provided by Government	7,842,268	7,472,647
Change in due from the Consolidated Revenue Fund	(194,054)	56,525
Services provided without charge from other government departments (Note 19)	90,122	93,894
<b>Equity of Canada, end of year</b>	<b>(12,649,501)</b>	<b>(11,860,488)</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

Restricted Equity of Canada (Note 17)

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

## ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA

### Future-Oriented Statement of Cash Flow *(Unaudited)*

For the year ended March 31

*(in thousands of dollars)*

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
<b>Operating activities</b>		
Net cost of operations	6,894,255	6,834,053
Non-cash items:		
Services provided without charge from other departments (Note 19)	(90,122)	(93,894)
Amortization of tangible capital assets	(8,670)	(7,510)
Gain (loss) on disposal of tangible capital assets	232	247
Variations in Future-Oriented Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	10,598	239
Increase (decrease) in interest receivable	(361)	(193)
Increase (decrease) in loans receivable	39,341	49,427
Increase (decrease) in prepaid expenses	-	-
Increase (decrease) in land held for future claims settlements	5,089	22,359
Decrease (increase) in liabilities	978,833	655,111
<b>Cash used by operating activities</b>	<b>7,829,195</b>	<b>7,459,839</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets	13,305	13,055
Proceeds from disposal of tangible capital assets	(232)	(247)
<b>Cash used in capital investing activities</b>	<b>13,073</b>	<b>12,808</b>
<b>Net cash provided by Government of Canada</b>	<b>7,842,268</b>	<b>7,472,647</b>

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to December 31, 2011.

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

# **ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA**

## **Notes to the Future-Oriented Financial Statements (*Unaudited*)**

### **1. Authority and objectives**

The Department, under its legal name the Department of Indian Affairs and Northern Development, was established by the *Government Organization Act, 1966* and continued by the *Department of Indian Affairs and Northern Development Act (R.S., 1985, c. I-6)*. It is named in Schedule I of the *Financial Administration Act*. However, the Department is more commonly known by its applied title under the Federal Identity Program (FIP) as Aboriginal Affairs and Northern Development Canada (AANDC).

Additional information is provided in Section I of AANDC's 2012-13 Report on Plans and Priorities (RPP).

### **2. Methodology and significant assumptions**

The future-oriented statements have been prepared on the basis of the government priorities and the plans of the department as described in the RPP.

The main assumptions are as follows:

- (a) The department's activities will remain substantially the same as the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Accruals for new contingent liabilities and new environmental liabilities cannot be reasonably foreseen or quantified and have therefore been excluded from the forecast.
- (d) Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.
- (e) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 forecast.

These assumptions are adopted as of January 31, 2012.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 3. Variations and changes to the forecast financial information

While every attempt has been made to accurately forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years will vary from the forecast information presented, and this variation may be material.

In preparing the future-oriented financial statements AANDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) Implementation of new collective agreements.
- (b) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- (c) Economic conditions may affect the amount of revenue earned and the collectibility of loans receivable.
- (d) Interest rates in effect at the time of issue will affect the net present value of settled claims.
- (e) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains/losses and amortization expense.

Once the RPP is presented, AANDC will not be updating its forecast for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### 4. Summary of significant accounting policies

The future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2010-2011 fiscal year. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

**a) Parliamentary authorities** - AANDC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the department 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 Future-Oriented Statement of Operations and the Future-Oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.



## Notes to the Future-Oriented Financial Statements (*Unaudited*)

**b) Net cash provided by government** – AANDC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department 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/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 the Department is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.

**d) Revenues** – Revenues from regulatory fees are recognized in the accounts based on the services provided in the year. Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

**e) Expenses** – Expenses are presented on an accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized 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.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, provided that the transfer is authorized and a reasonable estimate can be made.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are reported as operating expenses at their estimated cost.

**f) Employee future benefits**

- *Pension benefits*: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. AANDC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

- *Severance benefits*: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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 receivable** – Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

The amount of the allowance is determined based on an assessment of each account. The collectibility of each account is reviewed by regional accounting offices on a semi-annual basis using a standard set of criteria to assess default risk.

**h) Loans receivable** – Loans receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

The amount of the allowance is determined based on an assessment of each loan. The collectibility of each loan is reviewed by program managers on an annual basis using a standard set of criteria to assess default risk.

Interest on loans receivable is calculated in accordance with the terms and conditions of each individual program. Interest is not accrued on loans approved for write-off or forgiveness.

**i) Contingent liabilities** – A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. 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 an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

**j) Environmental liabilities** – Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when the Department becomes aware of the contamination and is obligated, or is likely to be obligated, to incur such costs. If the likelihood of the Department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

**k) 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. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, or assets located on Indian Reserves.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

Capital assets which are held for future contribution to First Nations are reported as land held for future claims settlements.

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

<b><u>Asset Class</u></b>	<b><u>Amortization Period</u></b>
Buildings -	
Residential Mobile	10 years
Administrative, institutional	
Recreational and Residential	40 years
Works and Infrastructure	30 years
Machinery and Equipment	
Communication Equipment	5 years
Lab, Scientific and Testing Equipment	10 years
Construction, Excavating and Clearing Equipment	15 years
Generating Equipment	15 years
Informatics Hardware and Software	3 years
Ships and Boats	10 years
Motor Vehicles	
Passenger Vehicles and light trucks less than 1 tonne	5 years
Heavy trucks greater than 1 tonne	10 years
Other Vehicles	5 years
Leasehold Improvements	Lesser of useful life or term of lease
Assets Under Construction	Once in service, in accordance with asset type

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 5. Parliamentary authorities

AANDC receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-Oriented Statement of Operations and Future-Oriented Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years.

Accordingly, AANDC 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:

#### (a) Authorities requested

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Authorities requested		
Vote 1 – Operating expenditures	1,374,891	1,165,797
Vote 5 – Capital expenditures	5,102	22,373
Vote 10 – Grants and Contributions	6,371,858	6,365,423
Statutory amounts	188,494	164,695
<b>Forecast authorities available</b>	<b><u>7,940,345</u></b>	<b><u>7,718,288</u></b>

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

Forecast authorities requested for the year ending March 31, 2013 are the planned spending amounts presented in the 2012-13 RPP. Estimated authorities requested for the year ending March 31, 2012 include amounts presented in the 2011-12 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

**Notes to the Future-Oriented Financial Statements (Unaudited)**

**(b) Reconciliation of net cost of operations to requested authorities:**

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Net cost of operations	<b>6,894,255</b>	<b>6,834,053</b>
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by OGD	90,122	93,894
Refunds of previous years' expenditures	54,549	53,079
Amortization of tangible capital assets	(8,670)	(7,510)
Gain (Loss) on Disposal of tangible assets	232	247
Revenue not available for spending	277,190	213,695
Decrease (increase) in liability for vacation pay and compensatory leave	(963)	1,860
Decrease (increase) in liability for settled claims	88,916	105,520
Decrease (increase) in liability for claims and litigations	736,629	439,400
Decrease (increase) in environmental liabilities	(17,837)	128,793
Decrease (increase) in employee future benefits	(4,448)	36,192
Other	(190,037)	(218,363)
	<hr/> 7,919,938	<hr/> 7,680,860
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	13,305	13,055
Loan guarantee defaults	2,000	2,000
Land held for future claim settlements	5,102	22,373
	<hr/> 20,407	<hr/> 37,428
<b>Forecast authorities available</b>	<hr/> <b>7,940,345</b> <hr/>	<hr/> <b>7,718,288</b> <hr/>

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 6. Accounts receivable and advances

The following table presents details of the Department's accounts receivable and advances balances:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Receivables from external parties	76,250	76,011
Receivables from other government departments and agencies	41,796	41,639
Employee advances	243	247
	<b>118,289</b>	<b>117,897</b>
Less: Allowance for doubtful accounts on receivables from external parties	(14,802)	(14,171)
<b>Total</b>	<b>103,487</b>	<b>103,726</b>

### 7. Interest receivable

The following table presents details of accrued interest receivable on loans:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Direct loans	1,158	1,067
Defaulted guaranteed loans	554	583
	<b>1,712</b>	<b>1,650</b>
Less: Allowance for doubtful accounts	(615)	(746)
<b>Total</b>	<b>1,097</b>	<b>904</b>

Notes to the Future-Oriented Financial Statements (*Unaudited*)

8. Loans receivable

The following table presents details of loans receivable:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
<b>Direct loans portfolio:</b>		
Native claimants	475,047	504,148
First Nations in British Columbia	446,240	474,248
Other direct loans	497	471
	<b>921,784</b>	<b>978,867</b>
Add: Capitalized interest	5,659	5,211
Less: Allowance for doubtful loans	(122,349)	(126,874)
	<b>805,094</b>	<b>857,204</b>
<b>Defaulted guaranteed loans portfolio:</b>		
On-reserve housing guarantees	12,852	13,968
Indian economic development guarantees	3,137	3,125
Other defaulted guaranteed loans	104	104
	<b>16,093</b>	<b>17,197</b>
Add: Capitalized interest	16,484	18,529
Less: Allowance for doubtful loans	(24,744)	(30,576)
	<b>7,833</b>	<b>5,150</b>
<b>Loans receivable, net recoverable value</b>	<b>812,927</b>	<b>862,354</b>

*Reserve for losses on loans* – AANDC has access to an annual \$2 million statutory authority for funding payments to lending institutions to honour loan guarantees. Payments made in excess of the \$2 million authority limit are charged to program expenses and funded by budgetary authorities.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### *Direct loans portfolio*

The objective of direct loans is to support active participation by First Nations and First Nations organizations and to promote a balanced exchange of ideas in negotiating the settlement of comprehensive land claims, specific claims, and treaties.

AANDC's direct loans portfolio has two active programs in support of this objective.

### *Native claimants*

These are loans made to Native claimants to defray the costs related to the research, development and negotiation of comprehensive land claims and specific claims.

The significant terms and conditions of loans to Native claimants are as follows:

(a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations;

(c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the loan agreement;

(d) loans may be restructured, including forgiveness of a portion of the principal or interest in arrears, when the borrower cannot meet the term of the original loan agreement; and

(e) AANDC may seek security for loans when deemed appropriate.

When an agreement-in-principle is reached for the settlement of a claim, any accrued interest receivable is capitalized semi-annually as part of the principal amount owing on the loan. After a final agreement is reached, any accrued interest receivable outstanding is capitalized annually as part of the principal amount owing on the loan.

The interest bearing and non-interest bearing portions of direct loans for Native claimants outstanding at March 31 are as follows:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Interest bearing	102,294	108,560
Non-interest bearing	372,753	395,588
<b>Total</b>	<b>475,047</b>	<b>504,148</b>



## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### *First Nations in British Columbia*

These are loans made to First Nations in British Columbia to support their participation in the British Columbia Treaty Commission and to defray the costs related to the research, development and negotiation of treaties.

The significant terms and conditions of direct loans to First Nations in British Columbia are the same as those for loans to Native claimants, except as follows:

(a) loans made between April 1, 2004 and March 31, 2013, and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, shall be non-interest bearing unless the loans become due and payable during this period.

The interest bearing and non-interest bearing portions of direct loans for First Nations in British Columbia outstanding at March 31 are as follows:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Interest bearing	25,303	26,891
Non-interest bearing	420,937	447,357
<b>Total</b>	<b>446,240</b>	<b>474,248</b>

### *Other direct loans*

AANDC also has various legacy programs that are no longer active. These legacy programs will continue to operate under their existing arrangements until the land claims are settled, at which point the loans will become repayable and the respective programs closed.

All loans outstanding at year-end under the various legacy programs both for the current and prior year are interest bearing.

### *Defaulted guaranteed loans portfolio*

The objective of loan guarantees is to encourage lending institutions to make loans for properties located on First Nations lands and to support access to credit markets for First Nations and First Nations organizations. Since properties located on First Nations lands cannot be used as collateral to secure the loans and lending institutions are prevented from foreclosing on these properties in the event of borrower default as prescribed by the *Indian Act*, lending institutions can be exposed to greater business risk in issuing loans for properties located on First Nations lands.

As guarantor, loan guarantees issued under the various programs may become receivables of the Department when, at the request of a lending institution, AANDC is required to honour these loan guarantees. As a result, AANDC makes payment to the lending institution and establishes a receivable from the First Nation or First Nation organization.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

The various loan guarantee programs are described below.

### *On-reserve housing guarantee program*

This program authorizes the Department to guarantee loans to individuals and Indian bands to assist in the purchase of housing on reserves because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. These loan guarantees enable status Indians residing on reserves, Band councils, or their delegated authorities, to secure housing loans without giving the lending institution rights to the property.

The significant terms and conditions of the On-reserve housing guarantee program are as follows:

Payments of principal and interest for loans issued under this program are amortized over a period of 25 years. The interest rates on the guaranteed loans are consistent with conventional mortgage interest rates offered by the major banks. On a semi-annual basis, any accrued interest receivable outstanding is capitalized as part of the principal amount owing on the loan.

To control the occurrence of defaulted loans in this program, the Department restricts the eligibility of recipients for further loans until such time as a recovery plan has been reached and has been in operation in accordance with its terms and conditions for a period of six months.

### *Indian economic development guarantee program*

This program authorizes the Department to guarantee loans for non-incorporated Indian businesses on a risk-sharing basis with commercial lenders because security restrictions in the *Indian Act* prevent the mortgage and seizure of property located on reserves. Guarantees are provided for various types of borrowers whose activities contribute to the economic development of Indians and enable them to develop long-term credit relationships with mainstream financial institutions.

The significant terms and conditions of the Indian economic development guarantee program are as follows:

Loans issued under this program cannot exceed a term of 15 years and the line of credit must be renewed every year. Interest rates on guaranteed loans are consistent with rates provided by lending institutions to commercial businesses, which are usually based on a spread from the prime lending rate. Accrued interest on loans issued under this program is not capitalized. Any security pledged for a guaranteed loan may not be released by the lending institution without the prior approval of the Minister of AANDC.

### *Other defaulted guaranteed loans*

AANDC also has a legacy program that is no longer active. This legacy program will continue to operate under its existing arrangements until the defaulted guaranteed loans are paid and the program closed.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 9. Land held for future claims settlements

Land held for future claims settlements is segregated from other tangible capital assets as these assets are not acquired with the intention of being used on a continuous basis in government operations. Rather, these assets are properties acquired and held by AANDC for the purpose of future settlements of Aboriginal land claims. Following the ratification of a negotiated agreement, these assets are transferred to the Aboriginal group.

Changes in this account are summarized in the following table:

*(in thousands of dollars)*

	<b>Planned Results 2013</b>			<b>Estimated Results 2012</b>	
	Opening Balance	Acquisitions	Transfers	Closing Balance	
Land held for future claims settlements	31,256	22,373	(14)	<b>53,615</b>	31,256

## Notes to the Future-Oriented Statement of Operations

### 10. Tangible capital assets

(in thousands of dollars)

Asset Class	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Acquisitions	Disposals/ Adjustments	Closing Balance	Opening Balance	Amortization	Disposals/ Adjustments	Closing balance	Planned Results 2013	Estimated Results 2012
Land	606	-	-	606	-	-	-	-	606	606
Buildings	28,600	-	-	28,600	14,601	716	-	15,317	13,283	13,999
Works and infrastructure	1,450	3	-	1,453	1,400	9	-	1,409	44	50
Machinery and equipment	8,532	428	(157)	8,803	5,757	569	(157)	6,169	2,634	2,775
Informatics hardware	37,355	2,037	(2,274)	37,118	33,498	693	(2,274)	31,917	5,201	3,857
Informatics software	43,617	4,431	2,174	50,222	17,766	4,795	-	22,561	27,661	25,851
Ships and boats	102	11	(25)	88	34	4	(25)	13	75	68
Motor vehicles	4,498	454	(472)	4,480	3,331	399	(472)	3,258	1,222	1,167
Other vehicles	572	65	-	637	407	34	-	441	196	165
Leasehold improvements	1,815	543	-	2,358	760	291	-	1,051	1,307	1,055
Assets under construction	9,362	5,083	(2,174)	12,271	-	-	-	-	12,271	9,362
<b>Total</b>	<b>136,509</b>	<b>13,055</b>	<b>(2,928)</b>	<b>146,636</b>	<b>77,554</b>	<b>7,510</b>	<b>(2,928)</b>	<b>82,136</b>	<b>64,500</b>	<b>58,955</b>

Disposals of assets under construction represent assets that were put into use in the year and have been transferred to the other capital asset classes as applicable.

## Notes to the Future-Oriented Statement of Operations

### 11. Accounts payable and accrued liabilities

The following table presents details of the Department's accounts payable and accrued liabilities balances:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Accounts payable to other government departments and agencies	28,574	28,574
Accounts payable to external parties	406,707	406,707
	<b>435,281</b>	<b>435,281</b>
Accrued liabilities	462,690	462,690
<b>Total</b>	<b>897,971</b>	<b>897,971</b>

### 12. Other liabilities

The following table presents details of other liabilities:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Guarantee deposits	(1,178,030)	(1,178,030)
Securities held in trust	1,160,920	1,160,920
Other specified purpose accounts	(53,958)	(53,958)
<b>Total</b>	<b>(71,068)</b>	<b>(71,068)</b>

#### *Guarantee deposits & securities held in trust*

In fulfilling its duties under various acts that govern the use of federal Crown land, including land use activities, water resources, and water rights, AANDC may issue licences, permits, and other instruments to individuals and organizations that propose to undertake resource exploration and other types of development projects.

In accordance with the terms and conditions of the instrument, AANDC may require security deposits to ensure the lands and waters are returned in a condition acceptable to the Department. These security or guarantee deposits can be in the form of cash or paper securities (usually letters of credit).

Cash amounts received are transferred to and held in the CRF, whereas paper securities are held by AANDC and recorded in the contra-liability account securities held in trust.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### *Other specified purpose accounts*

These include a number of Indian special accounts, the most significant of which is the Indian moneys suspense account. This account was established to hold moneys received for individual Indians and bands pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient. These moneys are then disbursed to an Indian, credited to an Indian Band Fund or Individual Trust Fund account, or returned to the payer, as appropriate.

### 13. Trust accounts

In accordance with the *Indian Act*, AANDC has responsibility to administer Indian moneys of bands and certain individual Indians, including minors, mentally incompetent individuals and deceased Indians.

Moneys collected or received for the use and benefit of these groups are deposited to the CRF. Pursuant to Section 61(2) of the *Indian Act*, interest on Indian moneys held in the CRF is allowed at a rate fixed from time to time by the Governor-in-Council. Interest accumulated in the accounts is compounded semi-annually.

The following table shows the Department's financial obligations in its role as administrator of these Indian moneys:

(in thousands of dollars)

	Planned Results 2013				Estimated Results 2012
	Opening Balance	Receipts	Disbursements	Closing Balance	Closing Balance
Indian Band Funds	912,053	265,971	(210,186)	<b>967,838</b>	912,053
Indian Savings Accounts	37,784	4,551	(4,660)	<b>37,675</b>	37,784
Indian Estate Accounts	19,481	6,771	(5,793)	<b>20,459</b>	19,481
<b>Total</b>	<b>969,318</b>	<b>277,293</b>	<b>(220,639)</b>	<b>1,025,972</b>	<b>969,318</b>

#### *Indian Band Funds*

These accounts were established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

Moneys are classified as either capital moneys or revenue moneys.

Capital moneys of the band include all moneys derived from the sale of surrendered lands or the sale of band capital assets. Moneys from the sale of surrendered lands can include land sales, timber sales, oil and gas royalties, and sale of gravel. Revenue moneys are all moneys not classified as capital moneys.

Moneys are generally disbursed from these accounts pursuant to an authorized request from a band.

#### *Indian Savings Accounts*

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

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

Sources of moneys include inheritances and per capita distribution of band funds. Moneys are generally disbursed from these accounts pursuant to an authorized request from an individual.

### *Indian Estate Accounts*

These accounts were established to record moneys belonging to mentally incompetent individuals and deceased Indians pursuant to sections 42 to 51 of the *Indian Act*.

Sources of moneys belonging to mentally incompetent individuals include inheritances, per capita distribution of band funds, and provincial assistance payments. Payments are made from these accounts for the maintenance and care of the individuals.

Estate accounts for deceased Indians include the proceeds of their liquidated assets that are held pending the settlement of the estate. The closing of the account usually corresponds with the final distribution to their heirs.

## 14. Settled claims

The liability for settled claims represents AANDC's financial obligation pursuant to agreements related to comprehensive land claims and specific claims.

Comprehensive land claims are negotiated in areas where Aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an Aboriginal group's traditional use and occupancy of that land. Comprehensive land claim settlements result in agreement on special rights Aboriginal peoples will have in the future with respect to lands and resources.

Specific claims address past grievances arising out of non-fulfilment of Indian treaties and other lawful obligations, the improper administration of lands and other assets under the *Indian Act*, or formal agreements that are being pursued through negotiations.

An act of Parliament, based on a negotiated agreement, establishes the authority for AANDC to make claim payments. The interest rate attached to these claim payments is set out in the act, along with a claim payment schedule. Claim payments are generally made over a number of years.

At March 31, 2013, AANDC had 11 outstanding settled claims (12 in 2012). Payments totalled \$95,700,000 in 2013 (\$195,400,000 in 2012). The present value of the liability for settled claims, calculated using the appropriate Consolidated Revenue Fund Monthly Lending Rate as published by the Department of Finance, at March 31, 2013 is \$429,248,000 (\$534,768,000 in 2012).

Future scheduled claim payments are as follows:

(in thousands)

	2012	2013	2014	2015	2016 and thereafter	Total
Scheduled payments	195,400	95,700	85,500	86,900	285,800	749,300

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 15. Contingent liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are classified into three categories: claims and litigation, environmental liabilities (contaminated sites) and loan guarantees.

#### *Claims and litigation*

There are hundreds of claims and pending and threatened litigation cases outstanding against the Department. Some of these potential liabilities 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, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. No new claims are forecasted in these future-oriented financial statements.

There are four significant types of claims faced by the department: comprehensive land claims, specific claims, general litigation claims, and claims arising from the legacy of Indian residential schools.

There are 81 (81 in 2012) comprehensive land claims and 430 (430 in 2012) specific claims under negotiation, accepted for negotiation, or under review and legal proceedings for 501 (501 in 2012) claims being pursued through the courts still pending at March 31, 2013. There are thousands of claims being managed by the Department with respect to the legacy of Indian residential schools, including class action claims, as well as claims submitted under its Alternative Dispute Resolution process and its Independent Assessment Process.

AANDC has recorded a provision of \$10,487,731,000 (\$10,927,131,000 in 2012) as an estimate of the likely liability that will result from the above claims. This estimate includes projections based on historical rates and costs of settlement of similar claims. An additional amount of \$3,836,000,000 (\$3,836,000,000 in 2012) is considered uncertain as the probability of the occurrence or non-occurrence of the future event confirming that a liability existed at the financial statement date cannot be determined. Additional claims are not forecasted for the future years presented in these financial statements.

#### *Environmental Liabilities*

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where the Department is obligated to incur such costs.

AANDC has identified 665 sites (665 sites in 2012) for which a liability of \$1,904,517,000 (\$2,033,310,000 in 2012) has been recorded. Estimated additional clean-up costs of \$61,673,000 (\$61,673,000 in 2012) have not been accrued, as the likelihood of incurring these costs cannot be determined at this time.

Additional sites are not forecasted for the future years presented in these financial statements. AANDC's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the Department in the year in which they become likely and are reasonably estimable.



## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### *Loan guarantees*

AANDC's authority limit for issuing loan guarantees under these programs is \$2.2 billion (\$2.2 billion in 2012) and \$60 million (\$60 million in 2012) respectively.

A provision for losses on loan guarantees is recorded when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

The provision for losses for each loan guarantee program is as follows:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
On-Reserve Housing Guarantee Program	1,700	1,700
Indian Economic Development Guarantee Program	30	30
<b>Total</b>	<b>1,730</b>	<b>1,730</b>

## 16. Employee future benefits

### *Pension benefits*

AANDC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. 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 are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The forecast expenses are \$54,265,000 in 2011-12 and \$44,229,000 in 2012-13, representing approximately 1.9 times the contributions of employees.

AANDC'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.

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### Severance benefits

AANDC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, estimated as at the date of these statements, is as follows:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	80,567	85,015
Expense for the year	11,542	(9,941)
Benefits paid during the year	(7,094)	(26,251)
Accrued benefit obligation, end of year	<b>85,015</b>	<b>48,823</b>

### 17. Restricted Equity of Canada

A portion of the Department's equity is restricted to be used for a specific purpose. Related revenues and expenses are included in the Future-Oriented Statement of Operations.

The Environmental Studies Research Fund account was established pursuant to the *Canada Petroleum Resources Act* and related regulations to record levies stipulated under the Act. The balance of the account is to be used to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration, development and production activities on frontier lands authorized under this Act or any other Act of Parliament should be conducted. The balance of the account at the end of the year is included in Equity of Canada. Activity in the account is as follows:

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<i>(in thousands of dollars)</i>	
<b>Environmental Studies Research Fund - Restricted</b>		
Balance, beginning of year - Restricted	2,172	1,587
Revenues	1,587	1,731
Expenses	(2,172)	(1,786)
<b>Balance, end of year - Restricted</b>	<b>1,587</b>	<b>1,532</b>
Unrestricted Equity of Canada, end of year	(12,651,088)	(11,862,020)
<b>Total Equity of Canada, end of year</b>	<b>(12,649,501)</b>	<b>(11,860,488)</b>

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

### 18. Contractual Obligations

The nature of the department's activities can result in some large multi-year contracts and obligations whereby the department will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

*(in thousands of dollars)*

	2012	2013	2014	2015	2016 and thereafter	Total
Transfer payments	1,528,068	1,208,855	787,430	643,991	788,159	<b>4,956,503</b>
Service contracts	5,747	5,746	-	-	-	<b>11,493</b>
<b>Total</b>	<b>1,533,815</b>	<b>1,214,601</b>	<b>787,430</b>	<b>643,991</b>	<b>788,159</b>	<b>4,967,996</b>

### 19. Related party transactions

AANDC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. AANDC enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, AANDC received services which were obtained without charge from other Government departments as presented below.

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

AANDC receives without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans, workman's compensation coverage, and legal services. These services without charge are recognized in AANDC's Future-Oriented Statement of Operations as follows:

	Estimated Results 2012	Planned Results 2013
	<i>(in thousands of dollars)</i>	
Salary and associated expenditures for legal services provided by Justice Canada	13,439	13,522
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	36,748	38,075
Accommodation provided by Public Works and Government Services Canada (PWGSC)	39,488	41,861
Workers' compensation coverage provided by Human Resources Canada	447	436
<b>Total</b>	<b>90,122</b>	<b>93,894</b>

## Notes to the Future-Oriented Financial Statements (*Unaudited*)

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in AANDC's Future-Oriented Statement of Operations.

### **(b) Administration of programs on behalf of other government departments**

Pursuant to s. 31.1 of the *Financial Administration Act* and Order-in-Council P.C. 2011-1297 effective November 15, 2011, AANDC administered transferred activities on behalf of Shared Services Canada (SSC) during the year 2012. Prior to the effective date, expenses incurred by AANDC for activities ultimately transferred to SSC were \$15,538,000. These expenses have been recognized in these financial statements and reported as transferred operations in the Future-Oriented Statement of Operations. Subsequent to the effective date, expenses incurred by AANDC for activities administered on behalf of SSC were \$10,554,000. These expenses are reflected in the financial statements of SSC and have not been recorded in these financial statements.

AANDC did not incur any expenses related to transferred activities in 2013. These expenses are reflected in the financial statements of SSC.

### **(c) Other transactions with related parties**

	<b>Estimated Results 2012</b>	<b>Planned Results 2013</b>
	<hr/> <i>(in thousands of dollars)</i>	
Expenses - Other Government departments and agencies	(1,787)	(1,879)
Revenues - Other Government departments and agencies	265,309	274,723

## Notes to the Future-Oriented Statement of Operations

### 20. Segmented Information

Presentation by segment is based on AANDC's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 4. The following table presents the expenses incurred and revenues generated for each of AANDC's strategic outcomes, by major object of expenses and by major type of revenues.

The segment results for the period are as follows:

<i>(in thousands of dollars)</i>	Estimated Results 2012	The Government	The People	The Land and Economy	The North	The Office of the Federal Interlocutor	Internal Services	Planned Results 2013
<b>Transfer Payments</b>								
First Nations	5,582,099	1,501,340	2,823,368	1,174,237	21,283	16,940	-	<b>5,537,168</b>
Provincial/Territorial governments and institutions	694,010	125,548	435,239	50,338	87,272	718	-	<b>699,115</b>
Industry	73,081	6,090	7,733	11,059	50,935	144	-	<b>75,961</b>
Non-Profit organizations	40,864	1,424	24,095	3,912	7,849	2,267	-	<b>39,547</b>
Other	5,280	-	185	-	5,497	-	-	<b>5,682</b>
Refunds/adjustments to prior years' expenditures	(43,011)	(5,972)	(18,419)	(14,784)	(2,192)	(1,287)	-	<b>(42,654)</b>
<b>Total Transfer Payments</b>	<b>6,352,323</b>	<b>1,628,430</b>	<b>3,272,201</b>	<b>1,224,762</b>	<b>170,644</b>	<b>18,782</b>	-	<b>6,314,819</b>
<b>Operating Expenses</b>								
Salaries and employee future benefits	569,097	93,278	58,551	81,222	35,736	7,366	178,623	<b>454,776</b>
Court awards and other settlements	426,445	7	357,800	-	6	-	28,811	<b>386,624</b>
Professional and special services	380,156	26,383	74,095	31,085	108,481	2,285	67,289	<b>309,618</b>
Accommodations	39,488	7,551	9,308	6,850	3,975	539	13,638	<b>41,861</b>
Travel and relocation	34,948	4,974	8,128	4,506	7,139	793	9,408	<b>34,948</b>
Information services	19,832	395	13,920	429	631	50	1,043	<b>16,468</b>
Other	14,930	717	1,164	3,693	7,857	9	418	<b>13,858</b>
Bad debt expense	10,172	4,527	-	5,962	-	-	54	<b>10,543</b>
Machinery and equipment	10,408	403	1,617	1,069	990	103	5,424	<b>9,606</b>
Rentals of buildings and machinery	12,463	234	1,170	503	4,862	23	2,149	<b>8,941</b>
Amortization expense	8,670	607	15	346	233	-	6,309	<b>7,510</b>
Transportation and telecommunications	11,655	172	1,217	466	1,090	132	4,338	<b>7,415</b>
Utilities, materials and supplies	7,858	342	1,391	1,512	1,688	56	1,600	<b>6,589</b>
Repair and maintenance	4,031	161	706	471	562	15	1,575	<b>3,490</b>
Refunds/adjustments to prior years' expenditures	(11,538)	(119)	(2,563)	(528)	(1,694)	(220)	(5,301)	<b>(10,425)</b>
Environmental liabilities (accrued)	17,837	-	-	(12,000)	(116,793)	-	-	<b>(128,793)</b>
Claims and litigation (accrued)	(736,630)	-	(439,400)	-	-	-	-	<b>(439,400)</b>
<b>Total Operating Expenses</b>	<b>819,822</b>	<b>139,632</b>	<b>87,119</b>	<b>125,586</b>	<b>54,763</b>	<b>11,151</b>	<b>315,378</b>	<b>733,629</b>
<b>Total Expenses</b>	<b>7,172,145</b>	<b>1,768,062</b>	<b>3,359,320</b>	<b>1,350,348</b>	<b>225,407</b>	<b>29,933</b>	<b>315,378</b>	<b>7,048,448</b>

## Notes to the Future-Oriented Financial Statements (Unaudited)

<i>(in thousands of dollars)</i>	Estimated Results 2012	The Government	The People	The Land and Economy	The North	The Office of the Federal Interlocutor	Internal Services	Planned Results 2013
<b>Revenues</b>								
Resource royalties	139,308	-	-	-	115,086	-	-	<b>115,086</b>
Norman Wells project profits	104,489	-	-	-	86,100	-	-	<b>86,100</b>
Interest on loans	7,210	4,041	-	2,828	-	-	-	<b>6,869</b>
Leases and rentals	4,333	22	-	-	4,299	-	-	<b>4,321</b>
Miscellaneous	22,550	2	-	12	775	-	1,230	<b>2,019</b>
<b>Total Revenues</b>	<b>277,890</b>	<b>4,065</b>	<b>-</b>	<b>2,840</b>	<b>206,260</b>	<b>-</b>	<b>1,230</b>	<b>214,395</b>
<b>Net Cost of Operations</b>	<b>6,894,255</b>	<b>1,763,997</b>	<b>3,359,320</b>	<b>1,347,508</b>	<b>19,147</b>	<b>29,933</b>	<b>314,148</b>	<b>6,834,053</b>

The major categories of revenue are described below.

### *Resource royalties*

The most significant sources of resource royalty revenues are those earned pursuant to the *Northwest Territories and Nunavut Mining Regulations* (formerly the *Canada Mining Regulations*) and the *Frontier Lands Petroleum Royalty Regulations*.

The *Northwest Territories and Nunavut Mining Regulations* (the Mining Regulations) prescribe a profit-sharing formula upon which royalty revenues are based. AANDC receives a percentage of the profits companies earn from the sale of minerals extracted from land leased by these companies pursuant to the Mining Regulations. The Mining Regulations prescribe that royalties are generally payable four months after the fiscal year-end of the company.

The *Frontier Lands Petroleum Royalty Regulations* (the Royalty Regulations) also prescribe a profit-sharing formula upon which royalty revenues are based. AANDC receives a percentage of the profits companies earn from the sale of oil and gas extracted from the land, which the company has the right to use pursuant to a production licence issued under the authority of the *Canada Petroleum Resources Act*. The Royalty Regulations prescribe that royalties are generally payable on the last day of the month following the month of production.

### *Norman Wells project profits*

This project is a source of revenues earned pursuant to a contract between AANDC and Imperial Oil. This contract prescribes a profit-sharing formula and sets out a payment schedule, whereby payments are made annually to AANDC no later than March 20.

### *Leases and rentals*

The major source of lease and rental revenues is lease fees prescribed in the Mining Regulations. After a waiting period of 10 years, companies may lease land in the North for purposes of exploration and extraction of minerals. Leases are for a period of 21 years and are renewable. Lease fees are set out in the Mining Regulations and are payable annually on the anniversary date of the signing of the lease.