













Government  
of Canada

Gouvernement  
du Canada

Receiver General for Canada  
Hon. Michel Côté

# Public accounts of Canada

1987

## Volume I

### Summary Report and Financial Statements

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Vol. I

Canada 



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# public accounts of canada

# 1987

## Volume I

### Summary Report and Financial Statements

Canada

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*To Her Excellency*

The Right Honourable Jeanne Sauv ,  
P.C., C.C., C.M.M., C.D.,  
*Governor General and  
Commander-in-Chief of Canada.*

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to present to Your Excellency the Public Accounts of Canada for the year ended March 31, 1987.

All of which is respectfully submitted.

Donald Mazankowski,  
*President of the Treasury Board.*

OTTAWA, OCTOBER 1, 1987

*To The Honourable Donald Mazankowski,  
President of the Treasury Board.*

In accordance with the provisions of Section 55(1) of the Financial Administration Act, I have the honour to transmit herewith the Public Accounts of Canada for the year ended March 31, 1987, to be laid by you before the House of Commons.

Respectfully submitted,

Michel C t ,  
*Receiver General for Canada.*

OTTAWA, OCTOBER 1, 1987

*To The Honourable Michel C t ,  
Receiver General for Canada.*

Sir:

I have the honour to submit the Public Accounts of Canada for the year ended March 31, 1987.

Under Section 55(1) of the Financial Administration Act, the Public Accounts for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in three volumes:

Volume I—A financial overview and an eight-year summary of the Government's financial transactions; the financial statements of Canada on which the Auditor General has expressed an opinion, namely, the statements of transactions, of revenue and expenditure and accumulated deficit, of the assets and liabilities of Canada and of the use of appropriations, together with related notes; the observations by the Auditor General on the financial statements of Canada; analyses of Estimates and appropriations; analyses of budgetary revenue and expenditure, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

Volume III—Contains an annual consolidated report on the businesses and activities of all parent Crown corporations together with a listing of all Crown corporations and other corporate interests of Canada.

The audited financial statements, contained in Volume I, are for the year ended March 31, 1987. They are, however, dated August 14, to allow for the closing and audit of accounts.

Respectfully submitted,

Georgina Wyman,  
*Deputy Receiver General for Canada.*

OTTAWA, OCTOBER 1, 1987





# VOLUME 1

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# INTRODUCTION TO THE PUBLIC ACCOUNTS

## Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 55 of the Financial Administration Act.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for agreeing its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## Format of the Public Accounts

The Public Accounts is produced in three volumes.

**Volume I** presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: financial overview and an eight-year summary of the Government's financial transactions;

SECTION 2: audited financial statements of the Government of Canada, prepared in accordance with Section 55 of the Financial Administration Act;

SECTION 3: observations by the Auditor General on the financial statements;

SECTION 4: review of budgetary revenue;

SECTION 5: review of Estimates and appropriations;

SECTION 6: review of budgetary expenditure;

SECTION 7: analysis of consolidated specified purpose accounts;

SECTION 8: analysis of loans, investments and advances;

SECTION 9: analysis of specified purpose accounts;

SECTION 10: analysis of other liabilities;

SECTION 11: analysis of foreign exchange accounts;

SECTION 12: analysis of unmatured debt; and,

SECTION 13: analysis of other information related to the financial statements.

**Volume II** is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

### (a) PART I

**Part I** is designed to reflect as closely as possible the form and content of Part II of the Main Estimates. Most tables and statements in **Part I** display the source and disposition of spending authorities. The content of **Part I** is summarized as follows:

#### (i) Summary Tables (Section 1)

Section 1 includes tables which provide summaries of the financial operations contained in the ministerial sections. It also includes, as appendices, the full wording of all authorities granted in current year Appropriation Acts, of all non-lapsing authorities granted in the current year, and of all authorities available from previous years.

#### (ii) Ministerial Sections (Sections 2 to 28)

There is one section for each ministry. The programs for the departments and agencies for which a Minister is responsible to Parliament are grouped together to provide a total ministry presentation. Each ministerial section provides a statement of program objectives and activity descriptions. Each ministerial section also includes, where applicable, a uniform set of statements to present each ministry's financial operations. These statements are:

- *Ministry Summary*

This statement displays by program the source and disposition of each budgetary and non-budgetary authority granted by Parliament in Appropriation Acts and other statutes.

- *Programs by Activity*

This statement displays by program the source and disposition of authorities for each activity under each type of expenditure (operating, capital, transfer payments and non-budgetary).

- *Transfer Payments*

This statement displays by program the source and disposition of authorities for each transfer payment.

- *Details of Amounts Credited to the Vote*

This statement displays by program the nature of revenues and receipts which

increase the amounts which may be spent from appropriations having net voting authority.

- *Revenue*

This statement displays by program the nature of revenue collected for each main classification of revenue.

(b) **PART II**

**Part II** presents additional information and analyses. The content of **Part II** is summarized as follows:

- financial statements of revolving funds (Section 1);
- financial statements of departmental corporations and other entities (Section 2);
- supplementary information required by the Financial Administration Act (Section 3);

- accounts receivable (Section 4);
- professional and special services (Section 5);
- construction and acquisition of land, buildings, works, machinery and equipment (Section 6);
- transfer payments (Section 7);
- public debt charges (Section 8);
- payments of damage claims, ex gratia payments, Federal Court awards and nugatory payments (Section 9);
- federal-provincial shared-cost programs (Section 10);
- other Government-wide information (Section 11); and,
- other miscellaneous information (Section 12).

**Volume III** contains an annual consolidated report on the businesses and activities of all parent Crown corporations together with a listing of all Crown corporations and other corporate interests of Canada.







# SECTION 1

## 1986-87 PUBLIC ACCOUNTS

### Financial Overview and Supplementary Financial Information

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## INTRODUCTION

This section provides an overview of the financial operations of the Government of Canada. The financial transactions of the Government are set out in summary form, with comparative figures for the previous seven years. The financial transactions are provided in accordance with the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

The statements reflect the accounting basis introduced in the February 1986 Budget whereby the transactions of certain

specified purpose and other accounts are reported as part of budgetary transactions rather than non-budgetary transactions. These include the Exchange Fund Account, the Unemployment Insurance Account, the Canadian Ownership Account, the Western Grain Stabilization Account, the Crop Reinsurance Fund, the Agricultural Commodities Stabilization Accounts and the Oil Export Charges Revenue Sharing Account. In addition, loans to developing countries are recorded as a budgetary expenditure, and revenue and expenditure are reported net of transactions internal to the Government.

## FINANCIAL OVERVIEW

This part provides an overview of the Government's financial operations. More details are provided under "Supplemen-

tary Financial Information" in this section and in Section 2 of this volume.

### 1986-87—THE YEAR IN RETROSPECT

#### The Deficit and the Net Debt

The fiscal year 1986-87 closed with a deficit of \$30,605 million, a reduction of \$3,799 million from the 1985-86 deficit of \$34,404 million. The year-over-year reduction in the deficit reflects continued strength in economic activity and the impact and timing of past budget measures. As a percentage of Gross Domestic Product, the deficit declined to 6% from 7.2% in 1985-86 and from 8.6% in 1984-85.

The 1986-87 reduction in the deficit has resulted in a reduction in the rate of growth of the accumulated deficit or net debt. As at March 31, 1987, the net debt was \$264,101 million or 13.1% above the March 31, 1986 level of \$233,496 million, as compared to a 17.3% increase in the net debt for the 1985-86 fiscal year.

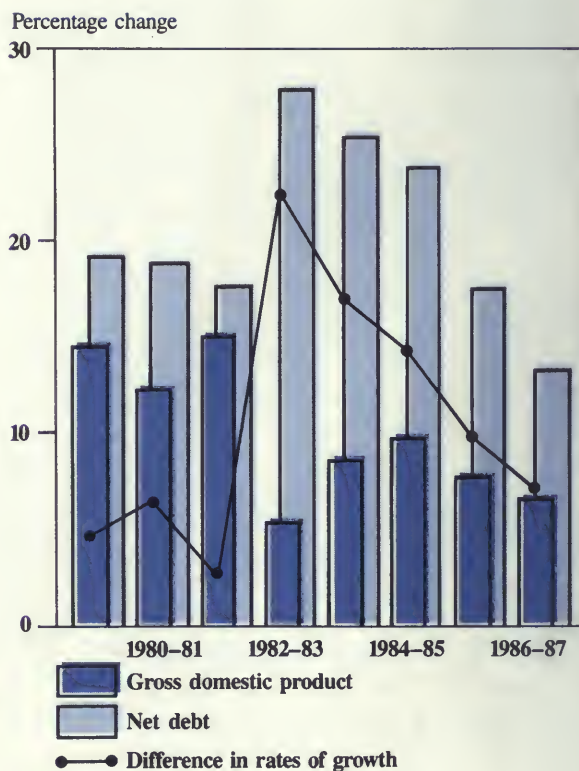
Table 1.1 sets out the deficit and net debt over the last eight fiscal years, both in absolute terms and as a percentage of Gross Domestic Product for the calendar year ending in that fiscal year.

**TABLE 1.1**  
**DEFICIT AND NET DEBT**  
(in millions of dollars)

Year ended March 31	Budgetary deficit	% of Gross Domestic Product	Net debt	% of Gross Domestic Product
1980	11,501	4.2	72,159	26.1
1981	13,522	4.4	85,681	27.6
1982	14,872	4.2	100,553	28.2
1983	27,816	7.4	128,369	34.3
1984	32,399	8.0	160,768	39.6
1985	38,324	8.6	199,092	44.7
1986	34,404	7.2	233,496	48.7
1987	30,605	6.0	264,101	51.8

Chart A compares the rate of growth of net debt with the rate of growth of Gross Domestic Product for the last eight fiscal years.

**CHART A**  
**GROSS DOMESTIC PRODUCT AND NET DEBT**





## Factors Affecting the Deficit

The reduction in the deficit largely reflects the strength in the economy, which has resulted in higher revenues and has restrained the growth in expenditures. As well, savings from the expenditure reduction initiatives put in place since the fall of 1984, coupled with the impact of tax measures introduced in the May 1985 and February 1986 budgets, also contributed to the improvement in the deficit outcome for 1986-87.

The largest component of budgetary revenue, personal income tax, accounted for about one-half of the total increase in revenue. About three-quarters of this increase in personal income tax revenue was attributable to the strong advances in employment with the remainder due to the impact of past budget measures. Strong advances in consumption, coupled with the broadening of the sales tax base and increases in the sales and gasoline tax rates, resulted in higher sales and excise taxes while higher profits in the non-energy sector, as well as the impact of past budget measures, contributed to the increase in corporation income tax. Unemployment insurance contributions were also up. In addition, non-tax revenue was higher reflecting a substantial increase in Exchange Fund Account profits which resulted partly from increased gold sales and partly from reduced valuation losses. The increase in non-tax revenue also reflected capital gains on assets sales resulting from the Government's policy of privatization with respect to the sale of Canadian Arsenals, Canadair and shares of the Canada Development Corporation.

On the expenditure side, program expenditures advanced by 4.6%, while public debt charges increased by 4.8%. The increase in program expenditures largely reflected higher payments under social assistance programs, increased assistance to farmers, as well as higher spending under defence and foreign aid. Spending on other components of program expenditures remained restrained, reflecting the strength in the economy as well as Government initiatives for cost reductions through better management and the streamlining of expenditures through a reduction and rationalization of selected program expenditures. The substantial improvement in public debt charges reflected both the control over the growth in financial requirements as well as lower interest rates.

Table 1.2 sets out movements in revenue, expenditure and the deficit over the last eight fiscal years.

TABLE 1.2

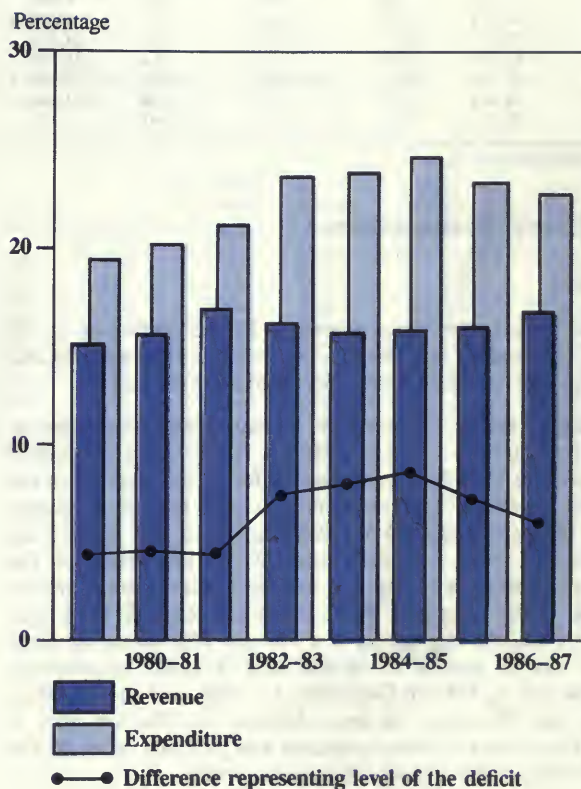
### REVENUE, EXPENDITURE AND THE DEFICIT (in millions of dollars)

Year ended March 31	Revenue	% change over preceding year	Expenditure	% change over preceding year	Deficit
1980	41,921	13.7	53,422	8.0	11,501
1981	48,775	16.3	62,297	16.6	13,522
1982	60,001	23.0	74,873	20.2	14,872
1983	60,705	1.2	88,521	18.2	27,816
1984	64,211	5.8	96,610	9.1	32,399
1985	70,891	10.4	109,215	13.0	38,324
1986	76,830	8.4	111,234	1.8	34,404
1987	85,783	11.7	116,388	4.6	30,605

Chart B compares the levels of revenue and expenditure expressed as percentages of Gross Domestic Product over the last eight fiscal years and shows the trend in the deficit over that period.

CHART B

### REVENUE AND EXPENDITURE AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT



## Financial Requirements

As a result of the \$3,799 million reduction in the deficit and a \$4,904 million increase in net receipts from non-budgetary transactions, financial requirements excluding foreign exchange transactions were down \$8,703 million in 1986-87, at \$21,567 million. In addition, there were \$6,390 million of requirements for 1986-87 foreign exchange transactions, bringing total 1986-87 financial requirements to \$27,957 million. These requirements were financed by a \$27,831 million increase in unmaturing debt transactions, and a \$126 million running down of cash balances.

Table 1.3 sets out the financial requirements over the last eight fiscal years.

**TABLE 1.3**

### FINANCIAL REQUIREMENTS

(in millions of dollars)

Year ended March 31	Budgetary deficit	Non- budgetary transactions	Financial requirements		
			Excluding foreign exchange transactions	Foreign exchange transactions	Including foreign exchange transactions
1980.....	-11,501	1,369	-10,132	-443	-10,575
1981.....	-13,522	3,628	-9,894	927	-8,967
1982.....	-14,872	5,626	-9,246	558	-8,688
1983.....	-27,816	4,014	-23,802	-640	-24,442
1984.....	-32,399	7,198	-25,201	414	-24,787
1985.....	-38,324	8,516	-29,808	2,423	-27,385
1986.....	-34,404	4,134	-30,270	5,626	-24,644
1987.....	-30,605	9,038	-21,567	-6,390	-27,957

Source/requirement (-).

## Budgetary Transactions

### Revenue

Total budgetary revenue increased \$8,953 million or 11.7% to \$85,783 million in 1986-87. Tax revenue increased \$8,262 million while non-tax revenue increased \$691 million.

Personal income tax revenue increased \$4,870 million or 14.8% compared to 12.8% in 1985-86. About three-quarters of the growth in 1986-87 was accounted for by the strength in the economy, with the remainder due to past budget measures. These measures included the elimination of the federal tax reduction in 1986, the restriction of the indexation of the personal income tax exemptions and tax brackets to the annual increase in the Consumer Price Index that exceeds 3% beginning in 1986, the imposition of a 5% and 10% surtax on basic federal tax in excess of \$6,000 and \$15,000 respectively, effective July 1, 1985 to December 31, 1986, and the introduction of the 3% surtax on basic federal tax effective July 1, 1986. The impact of these measures was partially offset by the introduction of the refundable sales tax credit.

Corporate income tax collections were \$9,885 million in 1986-87 or \$675 million (7.3%) above the 1985-86 level of \$9,210 million. The increase in corporate tax collections reflects higher profits in the non-energy sector as well as the impact of past budget measures.

Unemployment insurance contributions grew 9.6% or \$839 million in 1986-87 due to strong employment growth over the fiscal year, as well as an increase in the level of insurable earnings.

Sales and excise taxes and duties increased \$2,905 million or 18% to \$19,048 million in 1986-87. Increases of one percentage point in the federal sales tax rates, effective January 1, 1986 and again April 1, 1986, broadening of the tax base and an increase in consumer and business spending in 1986 account for the \$2,627 million or 28.1% increase in sales tax revenue in 1986-87. The 2.2% increase in excise duties and other excise taxes reflects increases in alcohol and tobacco taxes in 1986-87. Customs import duties increased to \$4,187 million in 1986-87, a 5.4% increase over 1985-86 due to the temporary imposition of tariffs on specific U.S. imports, effective June 6, 1986 to February 19, 1987, and continued growth in imports in 1986.

Energy-related tax revenue was \$1,383 million lower at \$1,965 million compared to \$3,348 million in 1985-86. The elimination and phase-out of the various energy-related taxes, as stipulated under the Western Energy Accord and subsequent elimination of the petroleum and gas revenue tax, effective October 1, 1986, account for the decline in energy revenue. The decline in energy revenue was offset by a \$550 million increase in gasoline excise tax revenue reflecting increases in the gasoline excise tax rates.

Non-tax revenue increased by \$691 million in 1986-87 from the 1985-86 level of \$5,223 million, reflecting a \$871 million increase in Exchange Fund Account profits.

### Expenditure

Total budgetary expenditure in 1986-87 increased 4.6% to \$116,388 million compared to increases of 1.8% in 1985-86 and 13% in 1984-85. Total program expenditures—that is, total Government spending excluding public debt charges—also increased by 4.6% or \$3,937 million in 1986-87 to \$89,730 million.

Public debt charges rose \$1,217 million, or 4.8%, to \$26,658 million in 1986-87. Interest rates on average, were well below the 1985-86 average levels which in large measure accounted for the decline in the growth rate of public debt charges from 13.3% in 1985-86.



The Social Development envelope accounts for about 61% of program expenditures and includes such programs as old age security, unemployment insurance benefits, Established Programs Financing, the Canada Assistance Plan (CAP), family allowances, courts and correctional services, job creation and training, social and economic assistance to native peoples, housing, veterans benefits, and other social expenditures. In 1986-87, the envelope increased 5.3% or \$2,750 million to \$54,569 million mainly because old age security payments, including guaranteed income supplements and spouses' allowances, increased 7.3% to \$13,445 million. Unemployment insurance benefits increased by \$408 million and social assistance payments to native groups increased \$289 million. The growth of CAP expenditures in 1986-87 was somewhat restrained due to the recovery of prior year overpayments made to the Province of Quebec.

The Services to Government envelope declined \$471 million or 10.6% in 1986-87. This decline was more than accounted for by last year's special payment of \$791 million to uninsured depositors of the Canadian Commercial and Northland banks.

National Defence expenditures rose \$912 million or 10% to \$10,006 million in 1986-87. This growth reflects Canada's commitment to its NATO allies as well as special factors relating to the provision for valuation and the netting of expenditure internal to the Government.

In 1986-87, the Economic and Regional Development envelope decreased \$26 million to \$11,792 million. Most of this decrease resulted from the elimination or phase-out of various energy related programs as prescribed under the Western Energy Accord. Payments under the Petroleum Incentive Program declined \$522 million to \$948 million in 1986-87, from \$1,500 million in 1985-86. The Petroleum Compensation Account recorded a surplus of \$2 million in 1986-87 compared to the previous year's surplus of \$136 million. Declines in expenditure were recorded in other energy-related programs as well as in the Ministry of Transport resulting from the November 1984 and May 1985 reduction exercises. Offsetting much of these declines were substantially higher payments under the various farm programs, including the Western Grain Stabilization Account, the Western Grain Transportation Act, and payments to cover operating deficits of the Canadian Wheat Board.

The External Affairs and Aid envelope increased 16.1% or \$402 million in 1986-87 to \$2,892 million. This increase largely reflects Canada's commitment to increase its Official Development Assistance disbursements at 0.5% of the Gross National Product and special factors relating to the encashment of notes.

The Fiscal Arrangements envelope increased by 6.1% or \$361 million to \$6,302 million as equalization transfer payments totalling \$5,702 million were \$544 million higher than last year. This largely reflects the impact of the robust economic growth in Ontario which raises the five-Province standard used in the equalization formula.

## Non-budgetary Transactions

As in earlier years, the 1986-87 non-budgetary transactions provided a substantial source of funds amounting to \$9,038 million. The source of funds includes \$1,386 million from loans, investments and advances, \$6,696 million from specified purpose accounts and \$956 million from other non-budgetary transactions.

The net repayment of loans, investments and advances includes net repayments of loans by the Farm Credit Corporation (\$591 million) and net repayments by the Canada Mortgage and Housing Corporation (\$254 million).

Within the specified purpose accounts category, the superannuation accounts (\$4,995 million) continued to provide the bulk of net receipts in 1986-87. In addition, Canada Pension Plan monies were substantial in 1986-87 (\$1,556 million) reflecting principally the federal take-up of surplus funds not borrowed by the provinces (\$1,342 million).

The 1986-87 net source of funds in the other non-budgetary transactions reflects a decrease in cash in transit of \$225 million and a \$500 million increase in the allowance for unrecorded liabilities.

Table 1.4 summarizes non-budgetary transactions over the last eight fiscal years.

TABLE 1.4

### NON-BUDGETARY TRANSACTIONS (in millions of dollars)

Year ended March 31	Loans, investments and advances <sup>(1)</sup>	Specified purpose accounts	Other non-budgetary transactions <sup>(1)</sup>	Total non-budgetary transactions
1980 .....	- 1,086	2,289	166	1,369
1981 .....	- 169	3,254	543	3,628
1982 .....	- 1,506	4,063	3,069	5,626
1983 .....	- 502	2,817	1,699	4,014
1984 .....	- 464	4,591	3,071	7,198
1985 .....	709	5,124	2,683	8,516
1986 .....	41	5,438	- 1,345	4,134
1987 .....	1,386	6,696	956	9,038

<sup>(1)</sup> Source/requirement (-).



## SUPPLEMENTARY FINANCIAL INFORMATION

This part provides an eight-year comparative summary of the Government's financial transactions, both on the Public Accounts basis and on the National Accounts basis. The Public Accounts presentation reflects the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume. The National Accounts presentation is designed primarily to facilitate economic analysis of the federal Government sector on a basis consistent with that used in measuring income and expenditure flows in the economy.

## Public Accounts Presentation

The "Summary Statement of Transactions" (Table 1.5) provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

Preceding the Detailed Statement of Non-Budgetary Transactions (Table 1.9) is a Comparative Statement of Financial Assets and Liabilities (Table 1.8) presented for the first time this year.

TABLE 1.5

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
SUMMARY STATEMENT OF TRANSACTIONS<sup>(1)</sup>  
(in millions of dollars)

	Year ended March 31							
	1980	1981	1982	1983	1984	1985	1986	1987
<b>I. Budgetary transactions</b>								
A. Revenue, Table 1.6 .....	41,921	48,775	60,001	60,705	64,211	70,891	76,830	85,783
B. Expenditure, Table 1.7 .....	-53,422	-62,297	-74,873	-88,521	-96,610	-109,215	-111,234	-116,388
Deficit .....	-11,501	-13,522	-14,872	-27,816	-32,399	-38,324	-34,404	-30,605
<b>II. Non-budgetary transactions, Table 1.9</b>								
A. Loans, investments and advances .....	-1,086	-169	-1,506	-502	-464	709	41	1,386
B. Specified purpose accounts .....	2,289	3,254	4,063	2,817	4,591	5,124	5,438	6,696
C. Other transactions .....	166	543	3,069	1,699	3,071	2,683	-1,345	956
Net source .....	1,369	3,628	5,626	4,014	7,198	8,516	4,134	9,038
Financial requirements (excluding foreign exchange transactions) .....	-10,132	-9,894	-9,246	-23,802	-25,201	-29,808	-30,270	-21,567
<b>III. Foreign exchange transactions<sup>(2)</sup>, Table 1.10 .....</b>	-443	927	558	-640	414	2,423	5,626	-6,390
Total financial requirements <sup>(3)</sup> .....	-10,575	-8,967	-8,688	-24,442	-24,787	-27,385	-24,644	-27,957
<b>IV. Unmatured debt transactions<sup>(2)</sup>, Table 1.10 .....</b>	7,880	11,160	9,377	22,401	26,620	26,831	23,530	27,831
Change in cash <sup>(4)</sup> .....	-2,695	2,193	689	-2,041	1,833	-554	-1,114	-126
<b>V. Cash balance at end of year, Table 1.10 .....</b>	3,738	5,931	6,620	4,579	6,412	5,858	4,744	4,618

Details can be found in other sections of this volume.

<sup>(1)</sup> Consistent with the Statement of Transactions in Section 2 of this volume.

<sup>(2)</sup> The change in unmatured debt payable in foreign currencies, -\$1,800 million in 1986-87 (\$4,740 million in 1985-86) has been included as part of foreign exchange transactions.

<sup>(3)</sup> Cash requirements (-).

<sup>(4)</sup> Cash decrease (-).

TABLE 1.6

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

	Year ended March 31							1987
	1980	1981	1982	1983	1984	1985	1986	
<b>I. Budgetary transactions</b>								
<b>A. REVENUE, Section 4</b>								
<b>Tax revenue—</b>								
Income tax—								
Personal .....	16,808	19,837	24,046	26,330	26,967	29,254	33,008	37,878
Corporation .....	6,951	8,106	8,118	7,139	7,286	9,379	9,210	9,885
Unemployment insurance contributions .....	2,778	3,303	4,753	4,900	7,259	7,553	8,719	9,558
Non-resident .....	787	867	1,018	998	908	1,021	1,053	1,355
	<b>27,324</b>	<b>32,113</b>	<b>37,935</b>	<b>39,367</b>	<b>42,420</b>	<b>47,207</b>	<b>51,990</b>	<b>58,676</b>
<b>Excise taxes and duties—</b>								
Sales tax .....	4,651	5,355	6,148	5,842	6,561	7,592	9,345	11,972
Customs import duties .....	2,996	3,185	3,435	2,828	3,376	3,794	3,971	4,187
Excise duties .....	895	1,042	1,175	1,274	1,356	1,462	1,473	1,470
Other .....	502	570	564	685	754	850	1,354	1,419
	<b>9,044</b>	<b>10,152</b>	<b>11,322</b>	<b>10,629</b>	<b>12,047</b>	<b>13,698</b>	<b>16,143</b>	<b>19,048</b>
<b>Energy taxes—</b>								
Excise tax—Gasoline .....	421	453	436	408	386	404	729	1,279
Petroleum and gas revenue tax and incremental oil revenue tax .....		27	864	1,960	2,106	2,563	2,037	473
Excise tax—Aviation gas and diesel fuel .....							41	213
Natural gas and gas liquids tax .....		187	998	1,264	524	- 15	- 15	1
Oil export charges .....	750	842	964	626	347	677	327	
Special petroleum compensation charge .....			473					
Canadian Ownership special charge .....			786	889	805	850	229	- 1
	<b>1,171</b>	<b>1,509</b>	<b>4,521</b>	<b>5,147</b>	<b>4,168</b>	<b>4,479</b>	<b>3,348</b>	<b>1,965</b>
	<b>10,215</b>	<b>11,661</b>	<b>15,843</b>	<b>15,776</b>	<b>16,215</b>	<b>18,177</b>	<b>19,491</b>	<b>21,013</b>
Other tax revenue .....	96	99	120	132	126	107	126	180
<b>Total tax revenue</b> .....	<b>37,635</b>	<b>43,873</b>	<b>53,898</b>	<b>55,275</b>	<b>58,761</b>	<b>65,491</b>	<b>71,607</b>	<b>79,869</b>
<b>Non-tax revenue—</b>								
Return on investments—								
Bank of Canada .....	1,084	1,459	1,853	1,879	1,744	1,852	1,880	1,936
Canada Mortgage and Housing Corporation .....	782	839	873	892	941	913	892	866
Farm Credit Corporation .....	210	243	285	346	408	452	403	372
Exchange Fund Account .....	719	850	711	435	345	224	- 505	366
Interest on bank deposits .....	244	318	701	433	395	243	278	219
Other return on investments .....	607	606	641	631	539	568	791	475
	<b>3,646</b>	<b>4,315</b>	<b>5,064</b>	<b>4,616</b>	<b>4,372</b>	<b>4,252</b>	<b>3,739</b>	<b>4,234</b>
Other non-tax revenue .....	640	587	1,039	814	1,078	1,148	1,484	1,680
<b>Total non-tax revenue</b> .....	<b>4,286</b>	<b>4,902</b>	<b>6,103</b>	<b>5,430</b>	<b>5,450</b>	<b>5,400</b>	<b>5,223</b>	<b>5,914</b>
<b>Total net revenue</b> .....	<b>41,921</b>	<b>48,775</b>	<b>60,001</b>	<b>60,705</b>	<b>64,211</b>	<b>70,891</b>	<b>76,830</b>	<b>85,783</b>

TABLE 1.7

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

	Year ended March 31							1987
	1980	1981	1982	1983	1984	1985	1986	
<b>I. Budgetary transactions</b>								
<b>B. EXPENDITURE, Section 6</b>								
Social development—								
Old age security benefits, guaranteed income supplements and spouses' allowances.....	6,320	7,418	8,585	9,643	10,406	11,418	12,525	13,445
Unemployment insurance benefits .....	3,922	4,524	5,446	9,823	9,782	10,052	10,036	10,444
Established programs financing—								
Insurance and medical care services .....	3,858	3,982	4,283	4,060	5,564	6,330	6,400	6,607
Education support.....	1,515	1,600	1,628	1,532	2,065	2,265	2,277	2,232
Canada Assistance Plan .....	1,653	1,941	2,298	2,832	3,288	3,745	3,916	4,051
Family allowances.....	1,725	1,851	2,020	2,231	2,326	2,418	2,501	2,534
Justice and legal .....	1,063	1,197	1,357	1,506	1,697	1,863	2,016	2,177
Social assistance—Indians and Inuit .....	870	1,015	1,202	1,664	1,786	1,985	1,951	2,240
Direct job creation and training .....	1,213	1,096	1,164	1,384	1,799	2,053	1,795	1,959
Veterans benefits.....	933	1,006	1,140	1,283	1,387	1,458	1,535	1,589
Housing .....	896	1,058	943	1,853	1,598	1,657	1,429	1,454
Television, film and radio.....	569	844	741	822	913	1,034	1,023	1,028
Other .....	1,707	2,420	2,985	3,691	4,025	4,261	4,415	4,809
.....	26,244	29,952	33,792	42,324	46,636	50,539	51,819	54,569
Economic and regional development.....	7,033	8,761	9,801	11,577	12,059	14,844	11,818	11,792
Defence .....	4,377	5,063	5,989	6,938	7,843	8,762	9,094	10,006
Fiscal arrangements .....	3,455	3,944	4,750	5,597	5,977	5,985	5,941	6,302
Services to Government .....	2,327	2,332	3,460	2,963	3,465	3,788	4,433	3,962
External affairs and aid .....	1,392	1,457	1,814	2,050	2,373	2,646	2,490	2,892
Parliament .....	100	130	153	169	180	196	198	207
Total program expenditure .....	44,928	51,639	59,759	71,618	78,533	86,760	85,793	89,730
Public debt.....	8,494	10,658	15,114	16,903	18,077	22,455	25,441	26,658
Total net expenditure.....	53,422	62,297	74,873	88,521	96,610	109,215	111,234	116,388



TABLE 1.8

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
COMPARATIVE STATEMENT OF FINANCIAL ASSETS AND LIABILITIES  
(in millions of dollars)

	Year ended March 31							
	1980	1981	1982	1983	1984	1985	1986	1987
<b>FINANCIAL ASSETS</b>								
<b>LOANS, INVESTMENTS AND ADVANCES</b>								
Crown corporations .....	23,283	22,962	24,709	26,551	26,962	26,222	26,310	25,386
Less: allowance for valuation .....	2,093	2,093	2,237	3,760	3,700	3,800	3,700	3,800
	21,190	20,869	22,472	22,791	23,262	22,422	22,610	21,586
Other .....	7,127	7,323	7,726	8,302	8,864	9,594	9,765	9,303
Less: allowance for valuation .....	3,915	3,539	4,039	4,432	5,001	5,600	6,000	5,900
	3,212	3,784	3,687	3,870	3,863	3,994	3,765	3,403
<b>Total Net Loans, Investments and Advances .....</b>	<b>24,402</b>	<b>24,653</b>	<b>26,159</b>	<b>26,661</b>	<b>27,125</b>	<b>26,416</b>	<b>26,375</b>	<b>24,989</b>
<b>FOREIGN EXCHANGE ACCOUNTS</b>								
International reserves held in the Exchange Fund Account .....	3,871	2,838	3,023	4,636	3,623	4,211	3,459	8,212
International Monetary Fund—Subscriptions .....	2,031	2,961	2,780	2,716	3,995	3,985	4,670	4,936
Less: International Monetary Fund—Notes payable and Special Drawing Rights allocations .....	2,573	3,463	3,391	3,323	4,302	4,332	5,151	5,580
<b>Total Net Foreign Exchange Accounts .....</b>	<b>3,329</b>	<b>2,336</b>	<b>2,412</b>	<b>4,029</b>	<b>3,316</b>	<b>3,864</b>	<b>2,978</b>	<b>7,568</b>
<b>CASH IN TRANSIT .....</b>	<b>1,152</b>	<b>1,845</b>	<b>1,829</b>	<b>2,565</b>	<b>1,876</b>	<b>1,882</b>	<b>1,693</b>	<b>1,468</b>
<b>CASH .....</b>	<b>3,738</b>	<b>5,931</b>	<b>6,620</b>	<b>4,579</b>	<b>6,412</b>	<b>5,858</b>	<b>4,744</b>	<b>4,618</b>
<b>TOTAL FINANCIAL ASSETS .....</b>	<b>32,621</b>	<b>34,765</b>	<b>37,020</b>	<b>37,834</b>	<b>38,729</b>	<b>38,020</b>	<b>35,790</b>	<b>38,643</b>
<b>ACCUMULATED DEFICIT .....</b>	<b>72,159</b>	<b>85,681</b>	<b>100,553</b>	<b>128,369</b>	<b>160,768</b>	<b>199,092</b>	<b>233,496</b>	<b>264,101</b>
<b>TOTAL .....</b>	<b>104,780</b>	<b>120,446</b>	<b>137,573</b>	<b>166,203</b>	<b>199,497</b>	<b>237,112</b>	<b>269,286</b>	<b>302,744</b>
<b>LIABILITIES</b>								
<b>SPECIFIED PURPOSE ACCOUNTS</b>								
Canada Pension Plan (Net) .....	836	1,009	1,179	1,344	1,496	1,707	2,218	3,774
Superannuation accounts (Net) .....	20,022	22,329	25,343	28,826	32,688	36,990	41,670	46,665
Government Annuities Account .....	1,208	1,193	1,172	1,150	1,124	1,095	1,060	1,024
Deposit and trust accounts .....	422	454	1,363	890	1,154	1,413	1,826	1,840
Provincial tax collection agreements account .....	743	1,471	1,415	1,031	1,308	1,617	1,390	1,447
Other .....	291	320	367	415	477	549	645	755
<b>Total Specified Purpose Accounts .....</b>	<b>23,522</b>	<b>26,776</b>	<b>30,839</b>	<b>33,656</b>	<b>38,247</b>	<b>43,371</b>	<b>48,809</b>	<b>55,505</b>
<b>OTHER LIABILITIES .....</b>	<b>9,350</b>	<b>10,668</b>	<b>13,721</b>	<b>16,156</b>	<b>18,538</b>	<b>21,227</b>	<b>19,693</b>	<b>20,424</b>
<b>UNMATURED DEBT</b>								
Payable in Canadian currency .....	67,068	78,228	87,605	110,006	136,626	163,457	186,987	214,818
Payable in foreign currencies .....	4,840	4,774	5,408	6,385	6,086	9,057	13,797	11,997
<b>Total Unmatured Debt .....</b>	<b>71,908</b>	<b>83,002</b>	<b>93,013</b>	<b>116,391</b>	<b>142,712</b>	<b>172,514</b>	<b>200,784</b>	<b>226,815</b>
<b>TOTAL .....</b>	<b>104,780</b>	<b>120,446</b>	<b>137,573</b>	<b>166,203</b>	<b>199,497</b>	<b>237,112</b>	<b>269,286</b>	<b>302,744</b>

TABLE 1.9

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

	Year ended March 31							
	1980	1981	1982	1983	1984	1985	1986	1987
<b>II. Non-budgetary transactions<sup>(1)</sup></b>								
<b>A. LOANS, INVESTMENTS AND ADVANCES, Section 8</b>								
Crown corporations—								
Lending institutions—								
Canada Deposit Insurance Corporation .....			- 200	60	140	- 40	- 895	- 268
Canada Mortgage and Housing Corporation .....	- 366	- 66	- 199	- 30	194	364	195	254
Export Development Corporation .....	- 44	19	52	- 40	- 5	39	64	49
Farm Credit Corporation .....	- 307	- 270	- 348	- 394	- 379	172	214	591
Federal Business Development Bank .....	- 245	101	125	145	172	157	119	93
	- 962	- 216	- 570	- 259	122	692	- 303	719
All other Crown corporations—								
Air Canada .....	16	13	14	16	17	18	32	20
Atomic Energy of Canada Limited .....	- 216	697	8	3	37	38	67	19
Canada Development Investment Corporation .....				- 308	5	18		
Canadian National Railway Company .....	- 108	- 8		- 41	- 62	2	9	352
Petro-Canada .....	- 80	- 440	- 840	- 1,354	- 660			
Other .....	15	275	- 359	101	130	- 28	107	- 186
	- 373	537	- 1,177	- 1,583	- 533	48	215	205
Allowance for valuation of assets .....	- 1,335	321	- 1,603	- 319	- 471	840	- 188	1,024
Other loans, investments and advances—								
Provincial and territorial governments .....	44	247	28	- 41	35	67	110	89
National governments including developing countries .....	- 185	- 204	- 276	- 273	- 167	- 172	- 142	124
International organizations (subscriptions less notes payable) .....	- 134	- 110	- 166	- 213	- 335	- 378	- 220	46
Veterans' Land Act Fund advances less allowance for conditional benefits .....	43	37	29	28	31	32	31	26
Joint and mixed enterprises .....	- 43	- 65	- 6	- 58	- 10	- 111	- 93	217
Miscellaneous .....	- 29	- 19	- 12	- 19	- 116	- 168	143	- 40
	- 304	- 114	- 403	- 576	- 562	- 730	- 171	462
Allowance for valuation of assets .....	553	- 376	500	393	569	599	400	- 100
	249	- 490	97	- 183	7	- 131	229	362
Total loans, investments and advances after allowance for valuation of assets .....	- 1,086	- 169	- 1,506	- 502	- 464	709	41	1,386
<b>B. SPECIFIED PURPOSE ACCOUNTS, Section 9</b>								
Liability accounts—								
Canada Pension Plan Account .....	113	173	170	165	152	211	511	1,556
Superannuation accounts .....	1,966	2,307	3,014	3,483	3,862	4,302	4,680	4,995
Government Annuities Account .....	- 14	- 15	- 21	- 22	- 26	- 29	- 35	- 36
Deposit and trust accounts .....	78	32	909	- 473	264	259	413	14
Provincial tax collection agreements account .....	118	728	- 56	- 384	277	309	- 227	57
Other .....	28	29	47	48	62	72	96	110
Total specified purpose accounts .....	2,289	3,254	4,063	2,817	4,591	5,124	5,438	6,696
<b>C. OTHER TRANSACTIONS, Sections 10 and 13</b>								
Cash in transit .....	- 130	- 693	16	- 736	689	- 6	189	225
Other liabilities .....	296	1,236	3,053	2,435	2,382	2,689	- 1,534	731
Total other transactions .....	166	543	3,069	1,699	3,071	2,683	- 1,345	956
Net non-budgetary transactions after allowance for valuation of assets .....	1,369	3,628	5,626	4,014	7,198	8,516	4,134	9,038
<b>Summary—</b>								
Net non-budgetary transactions before allowance for valuation of assets .....	816	4,004	4,982	2,098	6,689	7,817	3,834	9,038
Allowance for valuation of assets .....	553	- 376	644	1,916	509	699	300	
Net non-budgetary transactions after allowance for valuation of assets .....	1,369	3,628	5,626	4,014	7,198	8,516	4,134	9,038

<sup>(1)</sup> Source/requirement (-).



TABLE 1.10

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

	Year ended March 31							1987
	1980	1981	1982	1983	1984	1985	1986	
<b>III. Foreign exchange transactions<sup>(1)</sup>, Section 11</b>								
International reserves held in the Exchange Fund Account ..	1,828	1,033	-185	-1,613	1,013	-588	752	-4,753
International Monetary Fund—Subscriptions .....	-7	-930	181	64	-1,279	10	-685	-266
	<i>1,821</i>	<i>103</i>	<i>-4</i>	<i>-1,549</i>	<i>-266</i>	<i>-578</i>	<i>67</i>	<i>-5,019</i>
Less: International Monetary Fund—Notes payable .....	-39	-715	2	44	-961	-32	-637	-359
Special Drawing Rights allocations .....	-213	-175	70	24	-18	2	-182	-70
	<i>-252</i>	<i>-890</i>	<i>72</i>	<i>68</i>	<i>-979</i>	<i>-30</i>	<i>-819</i>	<i>-429</i>
Unmatured debt transactions payable in foreign currencies ..	-2,516	-66	634	977	-299	2,971	4,740	-1,800
Total foreign exchange transactions .....	-443	927	558	-640	414	2,423	5,626	-6,390
<b>IV. Unmatured debt transactions<sup>(1)</sup>, Section 12</b>								
Marketable bonds .....	6,417	7,834	3,000	4,989	7,281	12,379	15,584	13,337
Canada savings bonds .....	-1,166	-2,269	9,166	7,663	5,563	3,756	2,285	64
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund .....	17	23	18	17	18	16	240	1,351
Treasury bills .....	2,790	5,445	-2,395	9,750	12,575	10,600	9,650	15,000
Notes and loans .....	-2,528	-5	268	863	1,085	2,987	861	-2,823
Canada bills .....								1,045
	<i>5,530</i>	<i>11,028</i>	<i>10,057</i>	<i>23,282</i>	<i>26,522</i>	<i>29,738</i>	<i>28,620</i>	<i>27,974</i>
Less:								
Government's holdings of unmatuured debt—								
Marketable bonds .....	145	-83	14	-110	172	-122	137	-175
Canada savings bonds held on account of employees .....	4	-6	14	-3	11	42	-27	36
Canada savings bonds held on account of the Payroll Savings Plan .....								731
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund .....	17	23	18	17	18	16	240	1,351
Unmatured debt transactions payable in foreign curren- cies .....	-2,516	-66	634	977	-299	2,971	4,740	-1,800
	<i>-2,350</i>	<i>-132</i>	<i>680</i>	<i>881</i>	<i>-98</i>	<i>2,907</i>	<i>5,090</i>	<i>143</i>
Total unmatuured debt transactions payable in Canadian currency .....	7,880	11,160	9,377	22,401	26,620	26,831	23,530	27,831
<b>V. Cash balance at end of year, Section 13</b>								
In Canadian currency .....	3,661	5,826	6,541	4,193	6,329	5,779	4,566	4,479
In foreign currencies .....	77	105	79	386	83	79	178	139
Total cash balance .....	3,738	5,931	6,620	4,579	6,412	5,858	4,744	4,618

(1) Source/requirement (-).

TABLE 1.11

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS—CERTAIN SPECIFIED PURPOSE ACCOUNTS  
(in millions of dollars)

	Year ended March 31							
	1980	1981	1982	1983	1984	1985	1986	1987
<b>CANADA PENSION PLAN</b>								
Receipts—								
Employer and employee contributions .....	2,367	2,689	3,282	3,446	3,716	3,879	4,495	4,976
Investment income .....	1,289	1,519	1,850	2,236	2,534	2,889	3,162	3,404
Disbursements—								
Pensions .....	-1,635	-2,011	-2,456	-3,036	-3,657	-4,224	-4,887	-5,722
Administration expenses .....	-58	-67	-76	-85	-89	-100	-111	-140
Net .....	1,963	2,130	2,600	2,561	2,504	2,444	2,659	2,518
Investments—Provincial and territorial government securities in Investment Fund .....	-1,850	-1,957	-2,430	-2,396	-2,352	-2,233	-2,148	-962
Total (net) Canada Pension Plan .....	113	173	170	165	152	211	511	1,556
<b>SUPERANNUATION ACCOUNTS</b>								
Public Service Superannuation Account—								
Receipts—								
Government contribution .....	272	288	321	339	349	373	391	398
Employee contributions .....	282	314	331	339	362	379	384	410
Public Service corporations—Employer and employee contributions .....	54	57	128	232	239	246	246	242
Interest .....	417	608	837	981	1,261	1,616	1,993	2,445
Actuarial liability adjustment .....	630	559	951	267				
Other .....	14	10	14	21	21	21	25	31
Disbursements—								
Annuities .....	-357	-409	-466	-523	-576	-647	-740	-835
Other .....	-66	-61	-65	-45	-42	-49	-65	-77
Change in unamortized portion of actuarial deficiency .....	-194	-104	-375	301	481	356	244	53
Net .....	1,052	1,262	1,676	1,912	2,095	2,295	2,478	2,667
Canadian Forces Superannuation Account—								
Receipts—								
Government contribution .....	133	142	159	183	200	212	223	233
Employee contributions .....	74	80	91	105	113	120	125	131
Interest .....	340	480	618	755	933	1,125	1,350	1,546
Actuarial liability adjustment .....	284	252	454	286	20			
Other .....	1	1	1	2	2	2	2	3
Disbursements—								
Annuities .....	-242	-267	-292	-315	-336	-363	-394	-426
Other .....	-11	-14	-15	-12	-10	-13	-16	-17
Change in unamortized portion of actuarial deficiency .....	28	19	-151	20	239	203	152	62
Net .....	607	693	865	1,024	1,161	1,286	1,442	1,532
Royal Canadian Mounted Police Superannuation Account—								
Receipts—								
Government contribution .....	39	44	52	61	65	67	68	72
Employee contributions .....	20	22	27	31	34	34	34	37
Interest .....	51	59	68	103	127	157	196	237
Actuarial liability adjustment .....	13	38	51	5				
Disbursements—								
Annuities .....	-10	-13	-16	-19	-21	-24	-27	-33
Other .....	-2	-3	-3	-2	-2	-2	-2	-3
Change in unamortized portion of actuarial deficiency .....	14	-12	-21	17	22	19	11	1
Net .....	125	135	158	196	225	251	280	311
Supplementary Retirement Benefits Account—								
Receipts—								
Government contribution .....	66	74	88	81	94	100	103	111
Employee contributions .....	68	75	83	87	94	100	103	111
Public Service corporations—Employer and employee contributions .....	10	10	24	43	45	46	47	45
Other .....	59	94	159	180	185	260	268	273
Disbursements—								
Annuities .....	-11	-25	-26	-31	-27	-25	-27	-37
Other .....	-10	-11	-13	-9	-10	-11	-14	-18
Net .....	182	217	315	351	381	470	480	485
Total (net) superannuation accounts .....	1,966	2,307	3,014	3,483	3,862	4,302	4,680	4,995



## National Accounts Presentation

The National Income and Expenditure Accounts were developed as a basis for economic analysis of income and expenditure flows in the economy. The concepts and definitions applied to the Government sector are consistent with those applied to other sectors and follow international practices developed under the aegis of the United Nations. The economic nature of a transaction is the determining factor in its

classification within the National Accounts framework. In 1986-87, the National Accounts deficit declined by \$3,154 million or 11.3% from the 1985-86 level. This reflects a 9.2% increase in revenue and a 4.2% increase in expenditure. As with the 1985-86 decline in the deficit, the 1986-87 decline reflects Government initiatives for expenditure restraint as well as increased revenue resulting from a stronger economy in 1986-87.

TABLE 1.12

GOVERNMENT OF CANADA  
NATIONAL ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF REVENUE AND EXPENDITURE TRANSACTIONS  
(in millions of dollars)

	Year ended March 31							
	1980	1981	1982	1983	1984	1985	1986	1987
<b>I. National Accounts transactions<sup>(1)</sup></b>								
<b>A. REVENUE—</b>								
Direct taxes—								
Persons .....	20,803	24,536	30,563	33,213	35,706	37,856	44,234	50,125
Corporations .....	7,447	8,958	8,926	9,292	10,053	11,323	11,177	9,729
Non-residents .....	890	932	1,163	1,116	1,051	1,170	1,192	1,448
Total direct taxes .....	29,140	34,426	40,652	43,621	46,810	50,349	56,603	61,302
Indirect taxes .....	11,087	13,467	19,355	16,863	16,789	18,719	18,596	21,324
Other current transfers from persons .....	17	16	15	15	16	18	24	24
Investment income .....	4,215	4,792	5,891	4,913	6,605	7,669	8,445	8,778
Capital consumption allowances .....	746	837	944	1,008	1,073	1,162	1,291	1,379
Total revenue .....	45,205	53,538	66,857	66,420	71,293	77,917	84,959	92,807
<b>B. EXPENDITURE—</b>								
Current goods and services—								
Defence .....	4,287	5,022	5,689	6,896	7,668	8,484	9,255	9,560
Non-defence .....	8,603	9,494	11,259	12,283	12,564	13,599	14,470	14,745
Total current goods and services .....	12,890	14,516	16,948	19,179	20,232	22,083	23,725	24,305
Transfer payments to persons .....	14,933	17,114	19,776	25,989	28,233	30,355	31,740	33,719
Subsidies .....	4,005	5,824	6,535	5,915	5,825	7,804	5,185	5,171
Capital assistance .....	675	733	1,042	3,373	3,239	3,452	2,716	2,453
Current transfers to non-residents .....	794	779	944	1,072	1,282	1,541	1,540	1,904
Interest on the public debt .....	8,370	10,544	14,855	16,821	18,072	22,711	25,207	26,428
Transfers to provinces .....	11,839	12,574	14,217	15,902	18,316	20,120	20,269	21,016
Transfers to local governments .....	316	303	326	345	528	503	488	514
Gross capital formation .....	891	755	1,276	1,310	1,679	2,547	2,116	2,170
Total expenditure .....	54,713	63,142	75,919	89,906	97,406	111,116	112,986	117,680
Deficit .....	-9,508	-9,604	-9,062	-23,486	-26,113	-33,199	-28,027	-24,873

<sup>(1)</sup> These "National Accounts transactions" are consistent with those released by Statistics Canada on August 31, 1987.

## Public Accounts and National Accounts Reconciliation

The reconciliation of transactions between the Public Accounts and National Accounts is set out in the table that follows. The major factors which give rise to the need for a reconciliation are listed below.

The deficits of Government business enterprises which are outside the Government accounting entity are, for Public Accounts presentation purposes, met through budgetary appropriations and are thus recorded as budgetary expenditure. In the National Accounts presentation, these deficits, are netted against Government investment income.

Revenue in the Public Accounts is recorded on a cash basis. While the major portion of National Accounts revenue is accounted for on a cash basis, certain items, such as corporate income taxes and the oil export charges, are reported on an accrual basis.

Transactions of employee pension accounts are treated as non-budgetary in the Public Accounts, although the Government's contributions to, and interest payments on these accounts are also included in expenditure. Employer and

employee contributions to these accounts, plus any related interest income, form part of Government revenue in the National Accounts presentation, and pension payments form part of Government expenditure.

In the Public Accounts presentation, the purchase of capital assets such as buildings and machinery is recorded as a budgetary expenditure in the year of acquisition. Only newly produced capital assets and capital expenditures are included in National Accounts expenditure. The National Accounts also ignore the sale of capital assets as such sales are not deemed to give rise to production. Both Government revenue and expenditure include an allowance for the depreciation of capital assets in the National Accounts termed "Capital consumption allowance". This item is not a part of Public Accounts reporting.

The National Accounts includes certain Government agencies which are not part of the Public Accounts. The financial transactions of those agencies are included in National Accounts revenue and expenditure.

TABLE 1.13

### GOVERNMENT OF CANADA PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION (in millions of dollars)

	Year ended March 31							1987
	1980	1981	1982	1983	1984	1985	1986	
Budgetary revenue—Public Accounts .....	41,921	48,775	60,001	60,705	64,211	70,891	76,830	85,783
Reconciling items—								
Government pension receipts .....	2,705	3,148	3,960	4,508	4,965	5,538	6,070	6,497
Corporate income tax—Excess of accruals over collections .....	555	681	-91	910	515	-527	-395	-660
Capital consumption allowances .....	746	837	944	1,008	1,073	1,162	1,291	1,379
Petroleum compensation charge <sup>(1)</sup> .....	400	1,459	3,855	2,852	1,833	2,291	690	
Non-tax revenue <sup>(2)</sup> .....	-365	-421	-488	-580	-656	-836	-988	-800
Deficits of Government business enterprises .....	-791	-1,124	-1,465	-1,208	-1,089	-1,105	-933	-1,151
Miscellaneous <sup>(3)</sup> .....	34	183	141	-1,775	441	503	2,394	1,759
Total revenue—National Accounts .....	45,205	53,538	66,857	66,420	71,293	77,917	84,959	92,807
Budgetary expenditure—Public Accounts .....	53,422	62,297	74,873	88,521	96,610	109,215	111,234	116,388
Reconciling items—								
Government pension payments .....	965	1,139	1,295	959	1,029	1,139	1,286	1,442
Net expenditure of funds and agencies <sup>(4)</sup> .....	1,491	1,399	1,571	1,241	1,403	1,450	1,442	1,401
Capital consumption allowances .....	746	837	944	1,008	1,073	1,162	1,291	1,379
Petroleum compensation program <sup>(5)</sup> .....	457	900	3,804	2,746	1,763	2,238	1,123	6
Non-tax revenue <sup>(6)</sup> .....	-365	-421	-488	-580	-656	-836	-988	-800
Deficits of Government business enterprises .....	-791	-1,124	-1,465	-1,208	-1,089	-1,105	-933	-1,151
Budgetary transfers to funds and agencies .....	-2,525	-1,737	-2,789	-985	-1,230	-1,530	-1,281	-1,208
Miscellaneous <sup>(7)</sup> .....	1,313	-148	-1,826	-1,796	-1,497	-617	-188	223
Total expenditure—National Accounts .....	54,713	63,142	75,919	89,906	97,406	111,116	112,986	117,680

<sup>(1)</sup> In the Public Accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditure. Gross revenues and payments are recorded in the National Accounts.

<sup>(2)</sup> Various items of non-tax revenue, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

<sup>(3)</sup> Major items under miscellaneous include adjustments for proceeds from the sale of used capital assets, air transportation tax, Western Grain Stabilization receipts, imputed items, and the treatment of revenue in the supplementary accounting period after March 31.

<sup>(4)</sup> In the National Accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

<sup>(5)</sup> This item represents the difference between the gross payments recorded on the National Accounts basis and net payments recorded on the Public Accounts basis.

<sup>(6)</sup> Various non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

<sup>(7)</sup> Major items under miscellaneous include adjustments for reserves and write-offs, provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, and the treatment of expenditure in the supplementary accounting period after March 31.



# SECTION 2

## 1986-87 PUBLIC ACCOUNTS

### Audited Financial Statements of the Government of Canada

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## PREFACE TO THE AUDITED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of the financial statements is to provide information to Parliament and thus to the public, to facilitate an understanding and evaluation of:

- the full nature and extent of the financial affairs and resources for which the Government is responsible, distinguishing between those of the Government and those relating to Crown corporations; and
- whether the financial resources were administered by the Government in accordance with the dollar limits established by the appropriate legislative authorities.

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

The financial statements consist of four statements and accompanying notes. The first statement is the Statement of Transactions, which shows how the financial requirements were met, and the effect of the transactions on the Consolidated Revenue Fund. The financial transactions are classified into the following categories:

- The first category, budgetary, consists of all the transactions with outside parties which enter into the calculation of the annual deficit or surplus of the Government, that is, the receipts from tax revenue, non-tax revenue, together with the expenditures authorized by Parliament.
- The second category, non-budgetary, consists of transactions in loans, investments and advances, in liabilities for the administration of certain public money received or collected for special purposes, and in other liabilities. These transactions account for the change in the financial claims and obligations of the Government.
- The third category, foreign exchange, reflects transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar) together with an accounting of the net position of the Government with respect to the International Monetary Fund. Foreign exchange transactions include unmatured debt payable in foreign currencies.
- The fourth category, unmatured debt, represents the extent to which financial requirements have been met through the increase in unmatured debt, that is, the net change in amounts owing for marketable bonds, Canada savings bonds, special non-marketable bonds issued to the Canada Pension Plan Investment Fund and Treasury bills. Unmatured debt transactions exclude unmatured debt payable in foreign currencies.

The second statement is the Statement of Revenue and Expenditure and Accumulated Deficit, which gives a more detailed accounting of the budgetary transactions summarized in the Statement of Transactions and shows the changes in the accumulated deficit for the last two years.



The third statement is the Statement of Assets and Liabilities. This statement differs in some ways from the conventional balance sheet of the private sector. Fixed assets, having been accounted for as expenditures, are reported at the nominal value of \$1, and revenues not yet received, such as uncollected taxes, are not recorded as assets. It should be noted, therefore, that the difference between total financial assets and total liabilities is simply the aggregate of annual budgetary deficits and surpluses determined in accordance with the accounting policies of the Government; this difference should not be taken as the Government's net worth.

The fourth statement is the Statement of Use of Appropriations, which summarizes by ministry, the use of parliamentary appropriations for budgetary expenditure and for loans, investments and advances. Total budgetary expenditure on this statement differs from total expenditure on the Statement of Transactions and the Statement of Revenue and Expenditure and Accumulated Deficit. The reasons for the differences are set out in Note 1 (ix) to the financial statements.

Other sections in this volume, together with Volumes II and III of the Public Accounts, are designed to provide more detailed information supporting the financial statements.



## STATEMENT OF RESPONSIBILITY

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

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada, in compliance with governing legislation. The financial statements are prepared on a modified cash basis of accounting. Where there are departures from cash accounting, the information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality. Financial information, contained elsewhere in this volume, is consistent with that in the financial statements, unless otherwise indicated.

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

The Auditor General of Canada provides an independent opinion on the financial statements prepared by the Government. The duties of the Auditor General in that respect are set out in Section 6 of the Auditor General Act, SC 1976-77, C.34 which states in part that the Auditor General "shall express his opinion as to whether they (the financial statements) present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have".

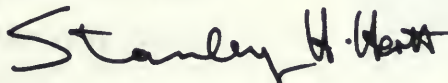
Annually, the financial statements are tabled in Parliament as part of the Public Accounts, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements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

On behalf of the Government of Canada.

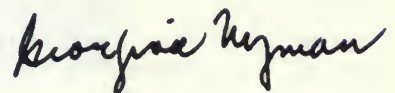
August 14, 1987



J.A. MACDONALD  
Acting Comptroller General of Canada



STANLEY H. HARTT  
Deputy Minister of Finance



GEORGINA WYMAN  
Deputy Receiver General for Canada

**GOVERNMENT OF CANADA**

**Statement of Transactions  
for the Year Ended March 31, 1987  
(in millions of dollars)**

	1987	1986
<b>BUDGETARY TRANSACTIONS</b>		
Revenue .....	85,783	76,830
Expenditure .....	- 116,388	- 111,234
Deficit.....	- 30,605	- 34,404
<b>NON-BUDGETARY TRANSACTIONS</b>		
Loans, investments and advances .....	1,386	41
Specified purpose accounts.....	6,696	5,438
Other transactions.....	956	- 1,345
Net source .....	9,038	4,134
Financial requirements (excluding foreign exchange transactions) .....	- 21,567	- 30,270
<b>FOREIGN EXCHANGE TRANSACTIONS<sup>(1)</sup></b>		
Total financial requirements <sup>(2)</sup> .....	- 6,390	5,626
	- 27,957	- 24,644
<b>UNMATURED DEBT TRANSACTIONS<sup>(1)</sup></b>		
Change in cash .....	27,831	23,530
	- 126	- 1,114
<b>CASH BALANCE AT END OF YEAR</b> .....	<b>4,618</b>	<b>4,744</b>

The accompanying notes are an integral part of this statement.  
Details can be found in other sections of this volume.

<sup>(1)</sup> Unmatured debt payable in foreign currencies, -\$1,800 million in 1987 (\$4,740 million in 1986), has been included as part of foreign exchange transactions.

<sup>(2)</sup> Cash requirements (-).

August 14, 1987



## GOVERNMENT OF CANADA

**Statement of Revenue and Expenditure and Accumulated Deficit**  
**for the Year Ended March 31, 1987**  
(in millions of dollars)

	1987		1986	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
<b>REVENUE, Table 4.1, Section 4—</b>				
<b>TAX REVENUE</b>				
Income tax—				
Personal .....	37,878	37,878	33,008	33,008
Corporation .....	9,885	9,885	9,210	9,210
Unemployment insurance contributions .....	9,558	9,558	8,719	8,719
Non-resident .....	1,355	1,355	1,053	1,053
	<b>58,676</b>	<b>58,676</b>	<b>51,990</b>	<b>51,990</b>
Excise taxes and duties—				
Sales tax .....	11,972	11,972	9,345	9,345
Customs import duties .....	4,187	4,187	3,971	3,971
Energy taxes .....	1,974	1,965	4,441	3,348
Other .....	3,237	2,889	3,134	2,827
	<b>21,370</b>	<b>21,013</b>	<b>20,891</b>	<b>19,491</b>
Other tax revenue .....	180	180	126	126
	<b>80,226</b>	<b>79,869</b>	<b>73,007</b>	<b>71,607</b>
<b>NON-TAX REVENUE</b>				
Return on investments .....	4,255	4,234	3,773	3,739
Other non-tax revenue .....	3,096	1,680	2,762	1,484
	<b>7,351</b>	<b>5,914</b>	<b>6,535</b>	<b>5,223</b>
<b>TOTAL REVENUE (Note 3)</b> .....	<b>87,577</b>	<b>85,783</b>	<b>79,542</b>	<b>76,830</b>
<b>EXPENDITURE, Table 6.1, Section 6—</b>				
Social development—				
Old age security benefits, guaranteed income supplements and spouses' allowances .....	13,445	13,445	12,525	12,525
Unemployment insurance benefits .....	10,444	10,444	10,036	10,036
Established programs financing—				
Insurance and medical care services .....	6,607	6,607	6,400	6,400
Education support .....	2,232	2,232	2,277	2,277
Canada Assistance Plan .....	4,051	4,051	3,916	3,916
Family allowances .....	2,534	2,534	2,501	2,501
Justice and legal .....	2,177	2,177	2,016	2,016
Social assistance—Indians and Inuit .....	2,240	2,240	1,951	1,951
Direct job creation and training .....	1,959	1,959	1,795	1,795
Veterans benefits .....	1,589	1,589	1,535	1,535
Housing .....	1,454	1,454	1,429	1,429
Television, film and radio .....	1,028	1,028	1,023	1,023
Other .....	5,299	4,809	4,820	4,415
	<b>55,059</b>	<b>54,569</b>	<b>52,224</b>	<b>51,819</b>
Economic and regional development .....	12,626	11,792	13,625	11,818
Defence .....	10,283	10,006	9,366	9,094
Fiscal arrangements .....	6,302	6,302	5,941	5,941
Services to Government .....	4,135	3,962	4,640	4,433
External affairs and aid .....	2,912	2,892	2,511	2,490
Parliament .....	207	207	198	198
Total program expenditure .....	<b>91,524</b>	<b>89,730</b>	<b>88,505</b>	<b>85,793</b>
Public debt .....	26,658	26,658	25,441	25,441
<b>TOTAL EXPENDITURE (Notes 3, 4 and 5)</b> .....	<b>118,182</b>	<b>116,388</b>	<b>113,946</b>	<b>111,234</b>
<b>DEFICIT</b> .....	<b>30,605</b>	<b>30,605</b>	<b>34,404</b>	<b>34,404</b>
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR</b> .....		<b>233,496</b>		<b>199,092</b>
<b>ACCUMULATED DEFICIT, END OF YEAR (Note 6)</b> .....		<b>264,101</b>		<b>233,496</b>

The accompanying notes are an integral part of this statement.  
Details can be found in other sections of this volume.

<sup>(1)</sup> The difference between Gross and Net is Revenue from outside parties credited to appropriations.

August 14, 1987



## GOVERNMENT OF CANADA

## Statement of Assets and Liabilities

as at March 31, 1987

(in millions of dollars)

	1987	1986	Net increase or decrease (-)
<b>FINANCIAL ASSETS</b>			
<i>LOANS, INVESTMENTS AND ADVANCES, Table 8.1, Section 8—</i>			
Crown corporations (Notes 7 and 17)—			
Lending institutions—			
Canada Deposit Insurance Corporation .....	1,203	935	268
Canada Mortgage and Housing Corporation .....	9,411	9,665	- 254
Export Development Corporation .....	777	826	- 49
Farm Credit Corporation .....	3,523	4,114	- 591
Federal Business Development Bank .....	345	438	- 93
	15,259	15,978	- 719
All other Crown corporations—			
Air Canada .....	505	525	- 20
Atomic Energy of Canada Limited .....	709	728	- 19
Canada Development Investment Corporation .....	396	396	
Canadian National Railway Company .....	2,493	2,845	- 352
Petro-Canada .....	4,299	4,299	
Other .....	1,725	1,539	186
	10,127	10,332	- 205
Less: allowance for valuation .....	3,800	3,700	100
Total Crown corporations .....	21,586	22,610	- 1,024
Other loans, investments and advances—			
Provincial and territorial governments .....	948	1,037	- 89
National governments including developing countries (Note 8) .....	4,405	4,529	- 124
International organizations (Note 8) .....	4,542	4,294	248
Less: notes payable .....	1,837	1,543	294
	2,705	2,751	- 46
Veterans' Land Act Fund advances less allowance for conditional benefits .....	135	161	- 26
Joint and mixed enterprises .....	447	664	- 217
Miscellaneous .....	663	623	40
	9,303	9,765	- 462
Less: allowance for valuation .....	5,900	6,000	- 100
Total other loans, investments and advances .....	3,403	3,765	- 362
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES</b> .....	<b>24,989</b>	<b>26,375</b>	<b>- 1,386</b>
<i>FOREIGN EXCHANGE ACCOUNTS, Table 11.1, Section 11—</i>			
International reserves held in the Exchange Fund Account, Table 11.2, Section 11 (Note 9) .....	8,212	3,459	4,753
International Monetary Fund—Subscriptions .....	4,936	4,670	266
	13,148	8,129	5,019
Less: International Monetary Fund—Notes payable .....	4,272	3,913	359
Special Drawing Rights allocations .....	1,308	1,238	70
	5,580	5,151	429
<b>TOTAL FOREIGN EXCHANGE ACCOUNTS</b> .....	<b>7,568</b>	<b>2,978</b>	<b>4,590</b>
<i>CASH IN TRANSIT, Table 13.1, Section 13</i> .....	<i>1,468</i>	<i>1,693</i>	<i>- 225</i>
<i>CASH, Table 13.2, Section 13</i> .....	<i>4,618</i>	<i>4,744</i>	<i>- 126</i>
<b>TOTAL FINANCIAL ASSETS (Note 15)</b> .....	<b>38,643</b>	<b>35,790</b>	<b>2,853</b>
<b>FIXED ASSETS</b> (valued at one dollar), Section 13 .....			
<b>ACCUMULATED DEFICIT</b> (Note 6) .....	<b>264,101</b>	<b>233,496</b>	<b>30,605</b>
<b>TOTAL</b> .....	<b>302,744</b>	<b>269,286</b>	<b>33,458</b>

	1987	1986	Net increase or decrease ( - )
<b>LIABILITIES</b>			
<i>SPECIFIED PURPOSE ACCOUNTS</i> , Table 9.1, Section 9—			
Canada Pension Plan Account (Note 10).....	34,233	31,715	2,518
Less: provincial and territorial government securities held by the Canada Pension Plan Investment Fund.....	30,459	29,497	962
	3,774	2,218	1,556
Superannuation accounts (Note 11).....	46,669	41,789	4,880
Less: unamortized portion of actuarial deficiencies.....	4	119	- 115
	46,665	41,670	4,995
Government Annuities Account.....	1,024	1,060	- 36
Deposit and trust accounts.....	1,840	1,826	14
Provincial tax collection agreements account.....	1,447	1,390	57
Other.....	755	645	110
<b>TOTAL SPECIFIED PURPOSE ACCOUNTS</b> .....	<b>55,505</b>	<b>48,809</b>	<b>6,696</b>
<i>OTHER LIABILITIES</i> , Table 10.1, Section 10—			
Interest and matured debt.....	10,579	10,576	3
Less: unamortized discount on Canada and Treasury bills.....	1,514	1,492	22
	9,065	9,084	- 19
Accounts payable.....	5,868	5,434	434
Outstanding cheques and warrants.....	2,870	2,934	- 64
Allowance for employee vacation and termination benefits.....	2,350	2,050	300
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government—			
Borrowings of agent Crown corporations, Table 8.7, Section 8 (Notes 7 and 12).....	15,767	14,623	1,144
Less: borrowings expected to be repaid by these Crown corporations.....	15,667	14,623	1,044
	100		100
Miscellaneous.....	171	191	- 20
<b>TOTAL OTHER LIABILITIES</b> .....	<b>20,424</b>	<b>19,693</b>	<b>731</b>
<i>UNMATURED DEBT</i> , Tables 12.1 and 12.10, Section 12 (Notes 13 and 14)—			
Payable in Canadian currency—			
Marketable bonds.....	94,426	81,067	13,359
Canada savings bonds.....	44,309	44,245	64
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund.....	1,796	445	1,351
Treasury bills.....	76,950	61,950	15,000
	217,481	187,707	29,774
Less: Government's holdings of unmaturred debt.....	2,663	720	1,943
	214,818	186,987	27,831
Payable in foreign currencies—			
Marketable bonds.....	5,868	5,890	- 22
Notes and loans.....	5,097	7,920	- 2,823
Canada bills.....	1,045		1,045
	12,010	13,810	- 1,800
Less: Government's holdings of unmaturred debt.....	13	13	
	11,997	13,797	- 1,800
<b>TOTAL UNMATURED DEBT</b> .....	<b>226,815</b>	<b>200,784</b>	<b>26,031</b>
<b>TOTAL (Notes 16, 17 and 18)</b> .....	<b>302,744</b>	<b>269,286</b>	<b>33,458</b>

The accompanying notes are an integral part of this statement.  
Details can be found in other sections of this volume.

August 14, 1987



## GOVERNMENT OF CANADA

Statement of Use of Appropriations  
for the Year Ended March 31, 1987  
(in millions of dollars)

	Total appropriations available for use	Used in the current year	Balances		Available for use in subsequent years	Used in the previous year
			Lapsed	Overexpended		
Agriculture—Budgetary .....	2,380	2,330	26	- 1	25	1,775
Non-budgetary .....	298	- 606			904	- 265
Communications—Budgetary .....	1,687	1,574	97	- 4	20	1,523
Non-budgetary .....	40		(1)		40	
Consumer and Corporate Affairs—Budgetary .....	612	600	12			517
Non-budgetary .....	500				500	
Employment and Immigration—Budgetary .....	5,043	4,871	172			4,716
Non-budgetary .....	32	4			28	3
Energy, Mines and Resources—Budgetary .....	2,469	1,827	572		70	2,573
Non-budgetary .....	3,924	20	4		3,900	5
Environment—Budgetary .....	767	761	6	(1)		701
External Affairs—Budgetary .....	2,916	2,855	50	- 1	12	2,152
Non-budgetary .....	11,074	219	(1)		10,855	93
Finance—Budgetary .....	32,869	32,788	3		78	31,923
Non-budgetary .....	3,979	545	(1)		3,434	1,320
Fisheries and Oceans—Budgetary .....	582	579	3			634
Non-budgetary .....	45	- 8			53	7
Governor General—Budgetary .....	8	8	(1)			6
Indian Affairs and Northern Development—Budgetary .....	2,674	2,646	22		6	2,376
Non-budgetary .....	102	44	(1)		58	22
Justice—Budgetary .....	340	327	13			273
Labour—Budgetary .....	208	206	2			164
Non-budgetary .....	(1)	(1)				(1)
National Defence—Budgetary .....	9,989	9,887	102			9,168
Non-budgetary .....	39	- 7			46	(1)
National Health and Welfare—Budgetary .....	27,793	27,780	14	- 1		26,360
National Revenue—Budgetary .....	1,257	1,236	21			1,116
Parliament—Budgetary .....	212	204	8			201
Privy Council—Budgetary .....	91	87	4			84
Public Works—Budgetary .....	3,143	2,668	248		227	2,739
Non-budgetary .....	4,542	194	25		4,323	261
Regional Industrial Expansion—Budgetary .....	1,403	1,393	21	- 80	69	2,454
Non-budgetary .....	1,161	- 88	1		1,248	- 130
Science and Technology—Budgetary .....	761	752	9			744
Secretary of State—Budgetary .....	3,365	3,344	12		9	3,315
Solicitor General—Budgetary .....	1,996	1,882	114		(1)	1,775
Non-budgetary .....	(1)	(1)				(1)
Supply and Services—Budgetary .....	1,100	854	3		243	681
Non-budgetary .....	- 9	- 18			9	33
Transport—Budgetary .....	3,653	3,339	157	- 9	166	3,379
Non-budgetary .....	995	- 20			1,015	- 25
Treasury Board—Budgetary .....	505	311	194			279
Non-budgetary .....	397	15	1		381	94
Veterans Affairs—Budgetary .....	1,622	1,589	33			1,536
Non-budgetary .....	443	- 27			470	- 31
<b>TOTAL—BUDGETARY (Note 5)</b> .....	<b>109,445</b>	<b>106,698</b>	<b>1,918</b>	<b>- 96</b>	<b>925</b>	<b>103,164</b>
<b>NON-BUDGETARY</b> .....	<b>27,562</b>	<b>267</b>	<b>31</b>		<b>27,264</b>	<b>1,387</b>

The accompanying notes are an integral part of this statement.

Details can be found in Volume II (Part I). Other details can be found in Section 5 of this volume.

(1) Less than \$500,000.

Amounts in roman type are budgetary.

Amounts in bold face type are non-budgetary loans, investments and advances.

August 14, 1987



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

### 1. Significant Accounting Policies

The accounting policies of the Government of Canada are based on concepts embodied in the Constitution Acts, and in the Financial Administration Act and other legislation.

#### i. *Government of Canada as an accounting entity*

For purposes of maintaining the accounts of Canada and preparing the Public Accounts, the Government of Canada is defined as all the departments named in Schedule A of the Financial Administration Act; any division or branch of the Public Service, including a commission appointed under the Inquiries Act, designated by the Governor in Council as a department for purposes of the Financial Administration Act; the staffs of the Senate, the House of Commons, and the Library of Parliament; and, any corporation named in Schedule B of the Financial Administration Act.

In accordance with the above definition, the corporations listed in Parts I and II of Schedule C of the Financial Administration Act, and those Crown corporations that are not subject to Divisions I to IV of Part XII of the Financial Administration Act, are excluded from the Government of Canada as an accounting entity; therefore, their financial statements are not consolidated with those of the Government. However, the borrowings of those corporations which are agents of the Crown are recorded as a liability of the Government net of borrowings expected to be repaid directly by these corporations. The financial statements of Crown corporations are presented in Volume III of the Public Accounts.

In addition, certain accounts and funds have financial statements which are not consolidated with those of the Government, but appear separately in Volumes I and II (Part II). These accounts and funds include the Canada Pension Plan Account, superannuation accounts and other specified purpose accounts.

#### ii. *Classification of financial transactions*

The financial transactions of the Government, as recorded in the accounts of Canada and reported in the Public Accounts, are classified into budgetary, non-budgetary, foreign exchange and unmatured debt transactions.

In general terms, budgetary transactions enter into the calculation of the annual deficit or surplus and are reported, after elimination of transactions internal to the Government, on the Statement of Revenue and Expenditure and Accumulated Deficit. All other transactions lead to the acquisition or disposal of financial claims or to the creation or discharge of financial obligations, and are disclosed on the Statement of Assets and Liabilities.

For purposes of reporting, the Public Accounts uses the classification in force at the end of the year to which the report refers and amounts for the previous year are reclassified retroactively to conform to the current year's accounting policies and presentation.

#### iii. *Budgetary transactions*

##### *REVENUE*

Revenue consists of all tax and non-tax receipts which affect the annual deficit or surplus of the Government.

The Government generally reports revenue in the year in which it is received, with refunds of revenue allocated to the year in which they are actually paid.

Revenue is reported after deducting refunds paid, and excludes amounts receivable, taxes collected on behalf of provinces and territories, and amounts credited to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

On the Statement of Revenue and Expenditure and Accumulated Deficit, revenue is reported both gross and net. The difference between the two is revenue from outside parties credited to appropriations.

##### *EXPENDITURE*

Expenditure consists of all charges to budgetary appropriations which affect the annual deficit or surplus of the Government. In addition, expenditure may also include charges related to the provision for valuation of loans, investments and advances, the allowance for borrowings of agent Crown corporations, and accounts payable and other allowances related to statutory items and certain annual appropriations. Such charges include those for work performed, goods received, services rendered, and transfer payments made, during the year and in the supplementary period including accounts payable at year end.

Expenditure excludes amounts charged to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

On the Statement of Revenue and Expenditure and Accumulated Deficit, expenditure is reported both gross and net. The difference between the two is revenue from outside parties credited to appropriations.

#### iv. *Assets*

Assets are defined as the financial claims acquired by the Government on outside organizations and individuals as a result of events and transactions recorded as at the closing date.

However, as a result of the Government's accounting policies described above, certain financial claims are not reported on the Statement of Assets and Liabilities. The most important of these are accounts receivable for tax and non-tax revenue.



v. *Liabilities*

Liabilities are defined as the financial obligations of the Government to outside organizations and individuals as a result of events and transactions recorded as at the closing date.

However, as a result of the Government's accounting policies described above, and in accordance with enabling legislation, actuarial liabilities arising from the indexing to the cost of living, of superannuate pensions and annuities, are not reported on the Statement of Assets and Liabilities. In addition, refunds payable for tax revenue are not reported on the Statement of Assets and Liabilities.

vi. *Fixed assets*

The fixed assets of the Government, which include land, engineering structures and works (such as canals, harbours and roads), buildings, and machinery and equipment, are charged to budgetary expenditure at the time of acquisition or construction. Their existence, however, is acknowledged on the Statement of Assets and Liabilities by reporting them at the nominal value of \$1.

vii. *Valuation of assets and liabilities***ASSETS**

Assets are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. In the case of loans to sovereign states, the recorded value is the estimated realizable value unless a sovereign state has formally repudiated its debts. In addition, the allowance for valuation reflects reductions from the recorded value of loans (and subscriptions to international organizations that make similar loans) with significant concessionary terms.

The Government's gold reserves are included in the International reserves held in the Exchange Fund Account and are recorded and valued at 35 Special Drawing Rights per fine ounce.

**LIABILITIES**

Liabilities are recorded at the amounts ultimately payable and liabilities for the superannuation accounts, with the exception of indexing, and the Government Annuities Account, are valued on an actuarial basis.

viii. *Translation of foreign currency transactions*

Foreign currency transactions are translated and recorded in Canadian currency equivalents at the exchange rates prevailing at the transaction dates.

Assets and liabilities resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenue, while net losses are charged to expenditure.

ix. *Statement of Use of Appropriations*

Parliament provides authority to make payments out of the Consolidated Revenue Fund in annual appropri-

ation acts and other statutes (the latter referred to as statutory appropriations). Spending authority granted in appropriation acts is for stated purposes and maximum amounts. Unless provided for in vote wording, unused spending authority granted in appropriation acts lapses at the end of the year for which it was granted. Spending authority provided by statutory appropriations is for specified purposes and for such amounts and such time as the acts prescribe. Spending authority provided by statutory appropriations generally does not lapse at the end of the year in which it was granted.

The Statement of Use of Appropriations summarizes the authorities available for both budgetary spending on operations and non-budgetary loans, investments and advances and the disposition of such authorities by ministry. The statement is prepared in accordance with the significant accounting policies described in this note with the following exceptions:

- appropriations available for use and used in the year include internal transactions between and within ministries; and between ministries and consolidated specified purpose accounts;
- the provision for valuation of assets and liabilities is not allocated to ministries; and
- budgetary appropriations for use and used in the year do not include amounts charged to consolidated specified purpose accounts.

**2. Authorities for Transactions**

Taxes can be raised and moneys can be borrowed only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt must be authorized by Parliament.

i. *Authority for spending on operations*

Most Government spending is under authorities that do not impose an annual limit on the amount that may be spent. Spending is authorized by reference to statutory formulae or criteria and the authorities usually continue from year to year until changed or rescinded by an act of Parliament. Other spending is under authorities that establish a dollar limit on the amount that may be spent. Usually, the balances of such authorities unspent at the end of a year lapse. Some authorities continue from year to year and some authorize the spending, within a program, of defined categories of revenue generated by the program.

ii. *Authority for loans, investments and advances*

These authorities limit the amount of loans, investments or advances that may be made. Unused authority may lapse at the end of a year or may continue from year to year. Non-lapsing authorities often limit only the total of loans that may be outstanding at any one time; thus principal repaid may be reloaned.



### iii. Borrowing authority

The Government can borrow only as authorized by acts of Parliament. Borrowing authority acts provide authority for the net amount of new security issues less redemptions during a fiscal year. The authorities lapse at the end of the year except for amounts specifically carried forward to the next fiscal year. Parliament has also provided a continuing authority to the Government under Section 39 of the Financial Administration Act to borrow, for periods not exceeding six months, such amounts as are deemed necessary to meet lawfully authorized disbursements.

Crown corporations (corporations wholly owned by the Crown) that are agents of Her Majesty also may borrow only as authorized by acts of Parliament. Such acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations can borrow without specific parliamentary authority. Non-agent borrowings are sometimes guaranteed by the Government with the authority of Parliament.

### 3. Child Tax Credit

Entitlements to the child tax credit are claimed on personal income tax returns. Claims are settled either by reducing the tax liability for the year or, if no liability exists, by issuing a "refund" cheque. In either case, personal income tax revenues are reduced, even where no tax had been paid. Had these tax reductions and direct payments been reported as expenditures, gross total expenditure and revenue would have increased respectively by \$1,360 million (\$1,499 million in 1986).

### 4. Presentation of Expenditure by Standard Object

Expenditure with outside parties per the Statement of Revenue and Expenditure and Accumulated Deficit is reported by standard object in the following table:

		(in millions of dollars)	
		1987	1986
(1)	Personnel .....	13,797	12,803
(2)	Transportation and communications .....	1,371	1,302
(3)	Information .....	240	249
(4)	Professional and special services .....	837	1,216
(5)	Rentals .....	742	717
(6)	Purchased repair and maintenance .....	1,202	1,130
(7)	Utilities, materials and supplies .....	2,131	2,150
(8)	Construction and acquisition of land, buildings and works .....	1,299	1,575
(9)	Construction and/or acquisition of machinery and equipment .....	3,062	2,835
(10)	Transfer payments .....	49,460	47,060
(11)	Public debt charges .....	26,658	25,441
(12)	All other expenditure .....	17,383	17,468
	Total gross expenditure with outside parties .....	118,182	113,946
(13)	Less: revenue credited to the votes received from outside parties .....	1,794	2,712
	Total net expenditure with outside parties .....	116,388	111,234

Details can be found in Table 5, Section I of Volume II (Part I) of the Public Accounts.

### 5. Statement of Use of Appropriations

Total net expenditure by envelope of \$116,388 million (\$111,234 million in 1986) reported on the Statement of Revenue and Expenditure and Accumulated Deficit differs from the total use of budgetary appropriations of \$106,698 million (\$103,164 million in 1986) reported on the Statement of Use of Appropriations. The difference represents transactions of certain specified purpose accounts, the provision for valuation which is not applied to each appropriation and budgetary transactions internal to the Government as follows:

	(in millions of dollars)	
	1987	1986
Total net expenditure by envelope .....	116,388	111,234
Add: transactions internal to the Government—		
Contribution to the Unemployment Insurance Account .....	2,971	2,989
Internal revenue eliminated .....	135	116
Contribution to the Western Grain Stabilization Account .....	76	85
Contribution to the Agricultural Commodities Stabilization Accounts .....	25	
Interest credited to the Western Grain Stabilization Account .....	1	48
Interest credited to the Unemployment Insurance Account .....	3	3
Interest credited to the Agricultural Commodities Stabilization Accounts .....	2	
	3,213	3,241
Less:		
Unemployment insurance benefits .....	10,320	9,841
Administration expenses of the Unemployment Insurance Account .....	937	904
Western Grain Stabilization Account payments .....	855	526
Agricultural Commodities Stabilization Accounts payments .....	4	
Oil Export Charges Revenue Sharing Account payments .....		142
Crop Reinsurance Fund payments .....	287	98
Provision for valuation .....	500	-200
	12,903	11,311
Used in the current and previous years per Statement of Use of Appropriations (budgetary) .....	106,698	103,164

### 6. Accumulated Deficit

In accordance with its stated accounting policies, revenues and expenditures of certain specified purpose accounts are included in the revenue and expenditure of the Government. However, enabling legislation requires that such revenues be earmarked and that related payments be charged against such revenue. Any deficiency of payments over revenue must, in accordance with enabling legislation, be met through future revenue of these specified purpose accounts. The table below presents the balances of these accounts as at March 31, 1987 included in the accumulated deficit as follows:



	(in millions of dollars)	
	1987	1986
Accumulated deficit excluding consolidated specified purpose accounts .....	263,189	232,698
Unemployment Insurance Account .....	3,897	4,335
Canadian Ownership Account .....	- 3,559	- 3,560
Western Grain Stabilization Account .....	145	- 607
Crop Reinsurance Fund .....	113	- 120
Agricultural Commodities Stabilization Accounts .....	- 70	(1)
Oil Export Charges Revenue Sharing Account ..		
Accrued expenditure of the Crop Reinsurance Fund .....	1	287
Accrued expenditure of the Unemployment Insurance Account .....	385	463
	912	798
Accumulated deficit .....	264,101	233,496

(1) Less than \$500,000.

## 7. Crown Corporations

In accordance with the accounting policy stated in Note 1(i), the assets, liabilities, revenues and expenses reported in the separate financial statements of Crown corporations are not included in the Government's financial statements. Only the financial transactions between the Government and Crown corporations are included.

The following tables separately summarize the assets, liabilities, revenues and expenditures of the Government and the assets, liabilities, revenues and expenses of all Crown corporations. All identified transactions and balances between the Crown corporations and the Government have been reported in the tables.

The tables present the financial transactions and results of operations of the Government and the Crown corporations in accordance with their respective accounting policies. Most Crown corporations follow the generally accepted accounting principles (GAAP) used by private sector companies, as outlined in the Handbook of the Canadian Institute of Chartered Accountants. The most significant difference between GAAP and the Government's basis of accounting described in Note 1 is that under GAAP, non-financial assets such as buildings, machinery, equipment and inventories are reflected as assets and written off over their respective expected lives or as they are used; the Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

A further significant difference is that the Government excludes from its assets accounts receivable arising from revenue transactions. The value of non-financial assets and revenue receivables reported by Crown corporations as at March 31, 1987 was \$25,384 million and \$6,975 million respectively (\$25,567 million and \$7,591 million in 1986).

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

### i. Assets and Liabilities

	(in millions of dollars)			
	1987		1986	
	Government as reported	Crown corporations	Government as reported	Crown corporations
<b>Assets</b>				
Financial				
Outside parties .....	17,021	34,807	11,550	40,608
Government and Crown corporations .....	21,622	19,576	24,240	17,051
Total financial assets .....	38,643	54,383	35,790	57,659
Physical assets and deferred charges .....		25,384		25,567
Total assets .....	38,643	79,767	35,790	83,226
<b>Liabilities</b>				
Outside parties				
Borrowings .....	208,999		186,058	
Agents .....		15,767		14,623
Non-agents .....		4,469		4,715
Bank of Canada notes in circulation and amounts owing to depositors .....		19,442		17,979
Other liabilities .....	74,087	9,698	66,297	12,764
Government and Crown corporations ..	19,658	18,289	16,931	20,690
Total liabilities .....	302,744	67,665	269,286	70,771
Net assets/liabilities (-) ..	- 264,101	12,102	- 233,496	12,455
Contingent liabilities .....	8,222	632	8,876	879

## ii. Revenues and Expenditures/Expenses

	(in millions of dollars)			
	1987		1986	
	Government as reported	Crown corporations	Government as reported	Crown corporations
<b>Revenues</b>				
Outside parties .....	82,238	25,038	73,837	25,952
Government and Crown corporations ..	5,339	7,684 <sup>(1)</sup>	5,705	7,893 <sup>(1)</sup>
<b>Total revenues .....</b>	<b>87,577</b>	<b>32,722</b>	<b>79,542</b>	<b>33,845</b>
<b>Expenditures/Expenses</b>				
Outside parties .....	109,686	27,681	105,317	30,306
Government and Crown corporations ..	8,496	3,191	8,629	2,911
<b>Total expenditures/expenses .....</b>	<b>118,182</b>	<b>30,872</b>	<b>113,946</b>	<b>33,217</b>
Deficit (-)/net income for the year .....	- 30,605	1,850	- 34,404	628
<b>Other net changes in equity</b>				
Outside parties .....		- 448		- 586
Government and Crown corporations ..		- 1,755		- 1
Change in net assets/liabilities (-) for the year .....	- 30,605	- 353	- 34,404	41
Net assets/liabilities (-) beginning of year .....	- 233,496	12,455	- 199,092	12,414
Net assets/liabilities (-) end of year .....	- 264,101	12,102	- 233,496	12,455

Details can be found in Section 8 of this volume.

<sup>(1)</sup> Included in corporate revenues is financial assistance from the federal Government in respect of current operations of \$4,635 million (\$4,644 million in 1986).

## 8. International Development Assistance—Loans and Subscriptions

## i. Loans to developing countries

Included in loans to National governments of \$4,405 million (\$4,529 million in 1986) are loans to developing countries of \$3,199 million (\$3,258 million in 1986). These loans arise from agreements signed with developing countries before April 1, 1986, are part of Canada's international development assistance program and are either interest-free or bear interest at rates that were more favourable than those prevailing in Canada at the time the assistance was provided. The balances outstanding at March 31, grouped by term, are:

Term	Grace period before repayment commences	Interest rate	(in millions of dollars)	
			1987	1986
17 years	7 years	*	1	1
20 years	5 years	5%	31	34
25 years	5 years	6%	1	1
30 years	7 years	3%	177	185
35 years	5 years	*	3	3
40 years	10 years	*	1	1
50 years	10 years	*	2,932	2,979
53 years <sup>(1)</sup>	13 years	*	44	46
55 years <sup>(1)</sup>	15 years	*	9	8
			<b>3,199</b>	<b>3,258</b>

\* Interest-free.

<sup>(1)</sup> Rescheduled loans.

These loans, by their terms, confer financial benefits on the recipients and have been fully provided for in the Allowance for valuation. Details can be found in Section 8 of this volume.

## ii. Subscriptions and loans to international organizations

Included in Loans, investments and advances—International organizations of \$4,542 million (\$4,294 million in 1986) are subscriptions to the capital of the International Development Association and loans to other international financial institutions of \$3,854 million (\$3,592 million in 1986) which are also part of Canada's development assistance program. These institutions make loans to developing countries on terms similar to those described in sub-section i. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or on withdrawal therefrom. Details can be found in Section 8 of this volume.

Loans, investments and advances—International organizations are presented net after deduction of notes payable of \$1,837 million (\$1,543 million in 1986), including \$1,746 million (\$1,460 million in 1986) of notes payable to the aforementioned Association and institutions. The notes are non-interest bearing, are non-negotiable, but are payable on demand, although they are normally encashed over periods of up to seven years, according to the financial requirements of the institutions.

Included in the Allowance for valuation is an amount of \$2,108 million (\$2,132 million in 1986) equal to the net position of the Government vis-à-vis these institutions.

## 9. Gold

Included in International reserves held in the Exchange Fund Account of \$8,212 million (\$3,459 million in 1986) are Canada's gold holdings of 19,423 million fine ounces with a recorded value of \$1,141 million (20.106 million fine ounces with a recorded value of \$1,118 million in 1986).

Gold is valued at the Canadian dollar equivalent of 35 Special Drawing Rights (SDRs) per fine ounce, which approx-



imates its cost in foreign currency terms. At March 31, 1987, the Canadian dollar equivalent of 35 SDRs was \$58.74 per fine ounce (\$55.61 per fine ounce in 1986). The SDR is a unit of account used by the International Monetary Fund and is valued in terms of a "basket" of five major currencies.

Alternative bases of valuation could be used to value gold. On a market value basis (\$549.62 per fine ounce in 1987, \$480.16 in 1986), the recorded value would have been \$10,675 million (\$9,654 million in 1986). On the basis of estimated average cost in Canadian dollars at historical rates of exchange (\$36.91 per fine ounce in both 1987 and 1986), the recorded value would have been \$717 million (\$742 million in 1986). Further details can be found in the financial statements of the Exchange Fund Account, included in Section 11 of this volume.

## 10. Canada Pension Plan

Under existing legislation, benefits and costs incurred in the administration of the Canada Pension Plan are financed from contributions from employees, employers and self-employed persons, and from interest from the investment of contributions not immediately needed for benefits and costs. Although the Canada Pension Plan was established under federal legislation, the Plan is under the joint control of the Government and the provinces. Any province or group of provinces having  $\frac{1}{3}$  of the population of Canada can veto any amendment to the Canada Pension Plan that affects the level of contributions or benefits. The Government's authority to pay benefits under the Plan is limited to the balance in the Canada Pension Plan Account which was \$34,233 million at March 31, 1987. Therefore, in accordance with the accounting policies of the Government, the revenues and expenditures of the Plan have not been reported with those of the Government.

In 1987, revenues of the Canada Pension Plan Account were \$8.4 billion (\$7.6 billion in 1986) and expenditures were \$5.9 billion (\$5 billion in 1986). The balance of the Canada Pension Plan Account is \$34.2 billion at March 31, 1987 (\$31.7 billion at March 31, 1986). Funds in excess of estimated current operating requirements (\$32.3 billion at March 31, 1987; \$29.9 billion at March 31, 1986) are available for investments in securities of the provinces, territories and of the Government, on the basis of contributions from the jurisdiction to total contributions to the Account.

Contributions to the Canada Pension Plan Account are not established on a basis that provides for the full actuarial costs of benefits. If the Plan were financed on an actuarial basis, the Chief Actuary of the Department of Insurance estimates that the contribution rate would have to be increased from 3.6% to 7.9% and that an additional amount of \$231 billion would have been required at December 31, 1985, the date of the most recent actuarial valuation, to pay future benefits of all contributors and pensioners in the Plan at that time. The actuarial assumptions used in making this estimate include an interest rate of 6.5%, an inflation rate of 3.5% and an annual increase in average earnings of 5%.

During the year, agreement was struck on new financing arrangements for the Canada Pension Plan, and federal legislation was passed in June, 1986. A long term funding objective of approximately two years of benefits has been set. This

objective will be achieved by establishing a 25 year schedule of contribution rates. The first 5 years require an annual .2 percentage points shared increase to the current combined employer-employee contribution rate of 3.6% of contributory earnings. Contribution rates for the 20 subsequent years involve shared increases of .15 percentage points and are subject to quinquennial federal-provincial reviews. Contribution increases began in January, 1987. The financial statements of the Account are reproduced in Section 9 of this volume.

## 11. Superannuation Accounts

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police (RCMP). Basic pensions, which are mostly based on the best 6 years average earnings and are accrued at the rate of 2 percent of average salary per year of service, are provided under the authority of the Public Service Superannuation Act, the Canadian Forces Superannuation Act and the RCMP Superannuation Act, respectively. Benefits are limited, the maximum being seventy percent of final average earnings. Basic pensions are annually (on January 1) indexed to the cost of living under authority of the Supplementary Retirement Benefits Act.

The Public Service Superannuation Act also covers the employees of certain Crown corporations, agencies and other institutions. The pension obligations of these entities is limited to matching their employees' contributions; any actuarial deficiency is borne by the Government.

The employee contribution for these basic benefits is six and one half percent of pay, less contributions to the Canada or Quebec Pension Plan. In addition, employees contribute 1% of pay towards indexing. For basic benefits, the employer matches the prior year's employee contributions for members of the Public Service, and contributes 1.8 and 2 times current year's contributions for members of the Canadian Forces and the Royal Canadian Mounted Police respectively. Indexation contributions are matched.

Contributions are credited to non-budgetary accounts. The basic superannuation accounts earn interest at rates that are based on the Government of Canada long-term bond rates. The interest rate earned by the basic accounts was about 11% in both 1987 and 1986. The indexation account is credited with interest based on five year Government of Canada bond rates. The rate in 1987 was 8.8% (10.3% in 1986).

All benefit payments are charged to non-budgetary accounts, except for certain indexing benefits in the cases where retirees have exhausted their credits in the Supplementary Retirement Benefits Account. In such cases, indexing benefits are charged directly to expenditure.

The superannuation accounts shown on the Statement of Assets and Liabilities include liabilities for basic pensions and indexing. Liabilities for basic pensions are determined on an actuarial basis, those for indexing are not. The Government has estimated that if the liabilities for all these superannuation accounts were determined on an actuarial basis, the reported liabilities and accumulated deficit would increase by \$3.1 billion at March 31, 1987 (\$4.4 billion at March 31, 1986).



This estimate incorporates, initially, the effects of currently high rates of interest credited to the Accounts and other current economic conditions. These economic assumptions are blended gradually into long-term actuarial assumptions which, from 1999, are assumed to be an interest rate on new funds of 6%, general wage increases of 5%, and an inflation rate of 3.5%.

The following table discloses pension and related interest costs charged to expenditure in 1986-87.

	(in millions of dollars)				
	Public Service	Canadian Forces	Royal Canadian Mounted Police	1987 Total	1986 Total
Employer contributions .....	476	258	79	813	785
Indexation benefits charged directly to expenditure .....	476	286	22	784	735
Amortization of actuarial deficiencies .....	53	62	1	116	407 <sup>(1)</sup>
Interest credited to Accounts .....	2,649	1,601	251	4,501	3,807 <sup>(1)</sup>
	3,654	2,207	353	6,214	5,734

<sup>(1)</sup> Interest on pension accounts is stated, where applicable, net of amortization of actuarial deficiencies. Interest charged to the public debt represents the total of the two amounts.

In addition to the plans described above, pension obligations exist with respect to several other pension plans, the most significant of which cover all members of Parliament and federally appointed judges. The Government has estimated, using the same economic assumptions described above, that if the liabilities for these plans were determined on an actuarial basis, the reported liabilities and accumulated deficit would increase by approximately \$360 million at March 31, 1987 (\$330 million at March 31, 1986).

Details of the Accounts are reproduced in Section 9 of this volume.

## 12. Borrowings of Agent Crown Corporations

Included in borrowings of agent Crown corporations of \$15.8 billion (\$14.6 billion in 1986) are the borrowings of the Canadian Wheat Board (CWB) of \$4 billion (\$4.1 billion in 1986).

The borrowings of the CWB have been incurred to finance credit grain sales to various countries. Terms of the credit grain sales call for payment in full within 36 months or less from time of shipment. However, certain countries are experiencing difficulties in servicing their international financial obligations, of which approximately \$3.3 billion (\$3 billion in 1986) including accrued interest, are owing to CWB. Of this amount, approximately \$2.6 billion was in arrears as at March 31, 1987 (\$2.2 billion as at March 31, 1986).

It should be noted that, for such loans to sovereign borrowers, payment delays are not necessarily indicative of a future loss requiring an allowance. Sovereign entities and their international financial obligations do not have commercial mortality and the international system provides several mechanisms and institutions through which countries facing repayment difficulties can effect remedial measures in agreement with their creditors. The Government and CWB are presently in the process of negotiating the rescheduling of those sovereign obligations that are in arrears, together with accrued interest thereon. The Government is of the opinion that these negotiations will result in no significant loss on CWB's related assets.

Therefore, the Government, as guarantor of CWB's borrowings to finance credit grain sales, has made no valuation allowance in the accounts of Canada.

## 13. Unmatured Debt

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

Maturing date(s)	(in millions of dollars)								
	Marketable bonds			Canada Pension Plan non-marketable bonds	Treasury bills	Notes and loans		Canada bills	
	Canadian	Foreign currencies expressed in Canadian \$	Canada savings bonds <sup>(1)</sup>			Foreign currencies expressed in Canadian \$	Foreign currencies expressed in Canadian \$	Total	
1988 .....	8,177	58	1,240	4	76,950	1,304	1,045	88,778	
1989 .....	5,300	348	6,852	6		653		13,159	
1990 .....	7,874	732	5,613	4		1,140		15,363	
1991 .....	6,701	535	5,816	5		173		13,230	
1992 .....	7,255		7,018	7				14,280	
1993/97 .....	28,162	3,412	17,770	45		1,827		51,216	
1998/2002 .....	7,656	783		82				8,521	
Subsequent .....	23,301			1,643				24,944	
	94,426	5,868	44,309	1,796	76,950	5,097	1,045	229,491	
Less: Government holdings of unmatured debt .....	9	13	858	1,796				2,676	
	94,417	5,855	43,451		76,950	5,097	1,045	226,815	
Effective average annual interest rate .....	11.07	8.18	8.36	10	7.87	9.82	5.81	9.34	
Range of interest rates .....	3-18	3.625-10.125	7.75-10.5	5.37-17.51	6.80-9.66	4.875-16.375	5.65-6.14	3-18	

<sup>(1)</sup> Canada savings bonds are redeemable on demand.

Foreign currency amounts are translated to the Canadian dollar equivalent at year end. At year end, foreign currency borrowings included the following:

Currency	1987 Face value (in millions)	(in millions of dollars)	
		1987	1986
		Canadian \$ equiva- lent	Canadian \$ equiva- lent
United States dollars .....	5,951	7,768	9,842
Deutsche marks .....	200	144	119
Swiss francs .....	1,252	1,082	1,188
Japanese yen <sup>(1)</sup> .....	360,000	3,016	2,661
		12,010	13,810

<sup>(1)</sup> The 1987 Canadian \$ equivalent is comprised of the conversion of Yen debt and U.S. dollar swap risks.

Substantially all the debt of the Government is issued at fixed rates. The Government has entered into interest rate swap agreements expiring in 1989 and 1995 on U.S. \$1.9 billion in notional principal. The Government has assumed a

variable interest rate determined by the London Inter-bank Offered Rate (LIBOR) market against a weighted average 10.58% fixed interest rate position assumed by third parties. Interest on all swap transactions is recorded in a consistent manner in the financial statements.

The Government has also entered into currency swap agreements which have the effect of converting future exchange fluctuation risks of Yen debt totalling 100,000 million Yen to U.S. dollar risks totalling \$530 million.

The proceeds of Canada's borrowings in foreign currency have been advanced to the Exchange Fund Account.

#### 14. Borrowing Authorities

The following table shows the borrowing authorities available and the use of such authorities for the years ended March 31, 1987 and 1986, and reconciles the use of such authorities to the change in unmatured debt as reported in Table 12.1 in Section 12 of this volume.

	(in millions of dollars)							
	1987				1986			
	Available	Used	Lapsed	Available for use in subsequent years	Available	Used	Lapsed	Available for use in subsequent years
Authorities which impose a ceiling through borrowing authority acts Section 39 of the Financial Administration Act <sup>(1)</sup> .....	28,200	26,337	163	1,700	32,200	28,098	2,102	2,000
Total use of authorities .....	29,350	26,937	713	1,700	32,200	28,098	2,102	2,000
Net increase in unmatured debt .....		26,031				28,270		
Net change in matured Canada savings bonds not yet redeemed .....		- 87				154		
Change in internal holding of Government debt excluding Canada Pension Plan .....		593				111		
Foreign currency adjustments .....		400				- 437		
Total use of borrowing authorities .....		26,937				28,098		

<sup>(1)</sup> Authorizes the Government to borrow, for a fixed period not exceeding six months, amounts necessary to ensure that the Consolidated Revenue Fund will be sufficient to meet lawfully authorized disbursements.



## 15. Accounts Receivable

Non-tax accounts receivable represent billed but uncollected and/or unbilled and accrued financial claims arising from amounts owed to a Government body for use of its assets or for services rendered as of the accounting date. Non-tax accounts receivable of the Government as at March 31, 1987, amounted to approximately \$1.9 billion (approximately \$1.5 billion in 1986) net of an allowance for doubtful accounts.

## 16. Commitments under Capital Lease Arrangements

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. The Government has entered into capital leases with outside parties for buildings and equipment.

In accordance with the accounting policies of the Government, lease payments under capital leases are charged to budgetary expenditure in the year of payment. Such payments are authorized annually by Parliament. The Government's total remaining commitments under capital lease arrangements, in excess of \$100 thousand each, entered into as at March 31, 1987, amounted to \$1,524 million (\$1,613 million in 1986). Included in this amount is \$1,074 million (\$1,147 million in 1986) in imputed interest and \$0 million (\$4 million in 1986) in executory costs. The resulting net commitments of \$450 million (\$462 million in 1986) represent the value of the capital assets leased and the principal amount of the long-term lease liability. In accordance with the significant accounting policies of the Government, neither the asset nor the lease commitment is reflected on the Government's Statement of Assets and Liabilities.

	(in millions of dollars)	
	1987	1986 <sup>(1)</sup>
Scheduled minimum lease payments to be made in:		
1988 .....	55	59
1989 .....	54	59
1990 .....	54	59
1991 .....	52	58
1992 .....	50	69
1993/97 .....	251	251
1998/2002 .....	251	251
2003/07 .....	251	251
2008/12 .....	252	261
2013/17 .....	172	192
2018/22 .....	82	103
Total commitments under capital lease arrangements (minimum lease payments) .....	1,524	1,613
Less: imputed interest .....	1,074	1,147
executory costs .....		4
Net commitments under capital lease arrangements .....	450	462

Details can be found in Section 13 of this volume.

<sup>(1)</sup> Figures for 1986 are for one year increments from 1987 to 1991 and for increments of 5 years for 1992 to 2021.

## 17. Insurance Programs

Three Crown corporations operate insurance programs as agents of Her Majesty. The insurance programs are intended to operate on a self-sustaining basis but in the event that such corporations do not have sufficient funds to meet their obligations, the Government provides the required financing through appropriations, either budgetary or non-budgetary. The Government is of the opinion that no allowance need be established in the accounts of Canada for these insurance programs.

The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits with member banks and trust and loan companies for up to \$60,000 per depositor per institution. Total insured deposits at March 31, 1987 were \$200,277 million (\$183,719 million at March 31, 1986). The CDIC experienced a loss for the year ended March 31, 1987 of \$10 million (in 1986, the loss was \$432 million). The deficiency of the CDIC's Deposit Insurance Fund at March 31, 1987 was \$1,269 million (\$1,259 million at March 31, 1986). The deficiency has been funded in part by loans from the Government of \$1,203 million at March 31, 1987 (\$935 million at March 31, 1986). Amendments to the CDIC Act, which received Royal Assent on June 30, 1987, allow for premium levels to be set by the Governor in Council, at amounts not to exceed 1/6 of 1% of insured deposits. Other amendments allow for premium surcharges in risk situations and raise the loan limits from the Consolidated Revenue Fund from \$1.5 billion to \$3 billion. The Government is of the opinion that, based on current information, this restructuring will allow CDIC, over time, to eliminate its deficiency without budgetary support from the Government.

The Canada Mortgage and Housing Corporation administers the Mortgage Insurance Fund (MIF). The MIF provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1987 was \$40,299 million (\$38,413 million at March 31, 1986). The MIF had income for the year ended March 31, 1987 of \$54 million (in 1986, the MIF had income of \$340 million which includes \$248 million in Government assistance). The actuarial deficiency of the MIF at March 31, 1987 was \$418 million (\$472 million at March 31, 1986). Budgetary financial assistance is provided by the Government only to the extent that internally generated funds are insufficient to support cash outflows. In this regard, the MIF's current excess of revenues over disbursements has resulted in investments in securities of \$145 million at March 31, 1987 (nil in 1986).

The Export Development Corporation provides export and foreign investment insurance for the purpose of facilitating and developing export trade. Insurance in force at March 31, 1987 was \$2,644 million (\$2,519 million in 1986). The Corporation's premium revenues have been adequate to provide for the full costs of claims experienced to date and to establish an allowance for possible future claims based on past claims experience.



This information has not been audited because the three corporations have financial years other than March 31, 1987. Financial statements of these corporations and their insurance funds on a calendar year basis are reproduced in Volume III of the Public Accounts. Details of the transactions for these three insurance programs for the year ended March 31, 1987 can be found in Section 13 of this volume.

**18. Contingent Liabilities of the Government of Canada**

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. The contingent liabilities of the Government consist of explicit guarantees and potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items.

The Government has six comprehensive native land claims under negotiation which is the maximum number that may be negotiated at any one time. An additional 19 native claims have been validated and are awaiting negotiation. A total of 93 specific native claims were also at various stages of the negotiation process as at March 31, 1987. A further 143 claims were under review to determine their acceptability for negotiation pursuant to the provisions of the policy on specific claims. The amount of land, financial and other benefits required to settle both comprehensive and specific native claims cannot be determined and therefore no amount for such claims is included in contingent liabilities. Failure to reach an acceptable agreement could lead to future litigation cases which would then be reported as contingent liabilities.

The contingent liabilities of the Government as at March 31, 1987 amounted to \$8,222 million and are summarized in the following table:

	(in millions of dollars)	
	1987 <sup>(1)</sup>	1986
i) Explicit guarantees by the Government		
Borrowings by other than Crown corporations	3,801	3,347
Insurance programs of the Government .....	1,440	1,456
Other explicit guarantees .....	341	223
ii) Pending and threatened litigation <sup>(2)</sup> .....	2,640	3,850
	<b>8,222</b>	<b>8,876</b>

<sup>(1)</sup> Details can be found in Section 13 of this volume.

<sup>(2)</sup> Includes \$1.7 billion (\$2.9 billion in 1986) related to native statutory and treaty obligations. This amount represents plaintiffs' claims in 46 (50 in 1986) litigation cases. There are another 96 (75 in 1986) similar cases, for which amounts are not stated in the claims, and for which it is not possible to determine the amounts that may be ultimately payable.



**OPINION OF THE AUDITOR GENERAL  
ON THE  
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

I have examined the statement of assets and liabilities of the Government of Canada as at March 31, 1987 and the statements of revenue and expenditure and accumulated deficit, transactions, and use of appropriations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary to enable me to report as required by Section 6 of the Auditor General Act.

In my opinion, these financial statements present information in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements applied on a basis consistent with that of the preceding year. Further, in my opinion, the statement of use of appropriations presents fairly a summary of appropriations available and used for the year ended March 31, 1987 in accordance with the accounting policies stated in Note 1(ix). However, in my opinion, because of the stated accounting policies that I consider inappropriate as outlined in Reservations 1, 2 and 3, the statements of assets and liabilities, revenue and expenditure and accumulated deficit, and transactions do not present fairly the financial position of the Government as at March 31, 1987 and the results of its operations and its financial requirements for the year then ended.

**Reservation 1: Failure to Provide for Crown Corporation Borrowings**

In accordance with the accounting policy stated in Note 1(vii), amounts receivable from sovereign states are not reduced in value unless a state has formally repudiated its debts. The Government has used this accounting policy in determining whether assets of agent Crown corporations have sufficient value to repay corporate borrowings. If borrowings exceed the corporations' ability to repay, a liability is recorded by the Government under the accounting policy in Note 1(i). The purpose of this policy is to recognize borrowings that the Government will likely have to repay.

As described in Note 12, the Canadian Wheat Board, an agent Crown corporation, has borrowed \$4 billion mainly to finance accounts receivable from sales of grain. The receivables include \$1.1 billion of interest that has accrued on amounts due from countries that are experiencing difficulties in servicing their debts. In my judgement, sound accounting practice does not recognize any value for accrued interest in circumstances where receipt is uncertain. I believe that the value of the Board's assets has been impaired by at least the \$1.1 billion of accrued interest, putting the Government at risk for at least this amount of Board borrowings. However, application of the accounting policy stated in Note 1(vii) does not permit this risk to be recognized because the countries that owe money to the Board have not formally repudiated their debts.

I believe that an appropriate provision for Canadian Wheat Board borrowings should be recorded by the Government. If this were done, reported liabilities and accumulated deficit would be increased by at least \$1.1 billion (\$900 million in 1986) and the deficit for the year would be increased by at least \$200 million (\$200 million in 1986).



**Reservation 2: Failure to Consolidate Crown Corporations**

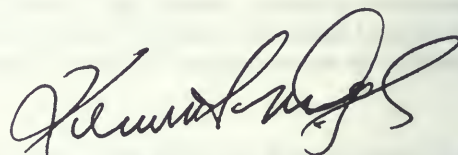
As described in Note 1 (i), the assets, liabilities, revenues and expenditures reported in the separate financial statements of Crown corporations are excluded from the accompanying statements of assets and liabilities, revenue and expenditure and accumulated deficit, and transactions of the Government of Canada. As a result, I believe that the Government's financial statements do not provide a comprehensive and complete summary of the full nature and extent of the financial affairs and resources for which the Government is responsible. The Government and the Canadian Institute of Chartered Accountants are conducting studies to determine the extent to which and how the separate financial statements of Crown corporations should be consolidated with those of the Government, and the alternative presentation that would be appropriate for any not consolidated.

**Reservation 3: Unrecorded Liabilities**

In accordance with the accounting policy stated in Note 1(v), financial obligations in respect of indexing superannuate pensions and annuities are not fully recorded in the accompanying statements of assets and liabilities, revenue and expenditure and accumulated deficit, and transactions of the Government of Canada. As disclosed in Note 11, if the full amount of these obligations had been recorded, reported liabilities and accumulated deficit would be increased by approximately \$3.5 billion (\$4.7 billion in 1986), and the deficit for the year would be decreased by \$1.2 billion.

Additional information and comments on the financial statements and this opinion are included in my observations in Section 3 of this volume.

Ottawa, Canada  
August 14, 1987



KENNETH M. DYE, F.C.A.  
*Auditor General of Canada*



# SECTION 3

## 1986-87 PUBLIC ACCOUNTS

### Observations by the Auditor General on the Financial Statements of the Government of Canada

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# OBSERVATIONS BY THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

## INTRODUCTION

The Financial Statements of the Government of Canada for the year ended 31 March 1987 and my audit Opinion on them are in Section 2 of this volume. These financial statements convey a highly summarized overview of the Government's various activities. It includes what the Government owns and owes at a given time (financial position), what its revenues and expenditures for the year have been (results of operations) and the extent to which cash going out exceeded cash coming in (financial requirements).

My audit Opinion informs readers whether the financial statements are prepared in accordance with the Government's accounting policies—applied consistently from year to year—and whether users of the statements can rely on them to inform and not mislead. If I conclude that the financial statements reliably inform, my Opinion states that information is “presented fairly”; if they do not, the phrase “do not present fairly” is used, and supporting “Reservations” are added to explain why.

The Observations in this section contain additional explanations and comments on my audit Opinion, background information on each of the three Reservations included in it, and other significant issues, initiatives and concerns related to reporting summary financial information.

### Mandate for the audit

The mandate for my audit of the Government's financial statements is contained in section 6 of the Auditor General Act. Section 6 states that “the Auditor General shall examine the several financial statements required by section 55 of the Financial Administration Act to be included in the Public Accounts, and any other statement that the President of the Treasury Board or the Minister of Finance may present for audit and shall express his opinion as to whether they present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have”.

### An overview of my audit Opinion

My audit Opinion on the Government's financial statements consists of two main paragraphs followed by three Reservations. The first paragraph, commonly referred to as the “scope” paragraph, identifies the financial statements that I have examined and reported on, and the nature and extent of the audit work that I have performed.

The financial statements covered by my Opinion and the information these statements convey are summarized below:

Financial Statement	Information Conveyed
Statement of Transactions	Financial requirements
Statement of Revenue and Expenditure and Accumulated Deficit	Results of operations
Statement of Assets and Liabilities	Financial position
Statement of Use of Appropriations	Summary of appropriations available and used



My audit Opinion relates only to these summary financial statements and related notes contained in Section 2 of this volume. It does not extend to the more detailed information presented in other Sections of Volume I or to Volumes II and III.

I have conducted my audit work on the Government's financial statements in accordance with generally accepted auditing standards prescribed by the Canadian Institute of Chartered Accountants.

The second paragraph of my audit Opinion contains my conclusion on whether the financial statements are prepared in accordance with the Government's accounting policies consistently applied (the first sentence), and whether the financial statements may be relied on to inform and not mislead (the second and third sentences). The Government uses one set of accounting policies in preparing its Statement of Use of Appropriations (see Note 1 (ix) to the financial statements) and another set of policies in preparing the remaining summary statements (see the other parts of Note 1).

I have concluded and reported that the financial statements have been prepared in accordance with the Government's accounting policies consistently applied (the first sentence). I have also concluded that compliance with these policies results in a summary of appropriations available and used that reliably informs, and have therefore reported that the Statement of Use of Appropriations presents information fairly (the second sentence). But I have concluded that compliance with these policies results in a display of the Government's overall financial position, results of operations and financial requirements that does not reliably inform. So I have reported that the remaining financial statements do not present information fairly for the reasons set out in the three Reservations (the third sentence).

#### **Materiality and audit assurance**

There are two main factors that determine the amount of auditing required to provide an opinion on the Government's financial statements. First is the extent to which I am willing to accept the financial statements being in error before concluding that they do not reliably inform. This tolerable error is called materiality. Second is the degree of assurance I want to have that the financial statements are not in error by more than materiality.

In setting materiality, I cannot provide assurance that total errors are less than the amount management has tolerated in preparing the financial statements. In other words, I cannot be any more precise than the statements.

In setting the level of assurance, I cannot be 100 per cent certain that, after completing the audit, there are no material errors in the financial statements. The size and complexity of the Government, and considerations of audit cost, make it impractical for me to examine all or even most of the individual transactions entered into during the year. What I can do is verify samples of transactions and account balances, determine if significant financial controls within the Government are working and may be relied on to produce complete and accurate data, and conduct other procedures such as confirming year-end balances with third parties and conducting analytical reviews to identify anomalies in the reported data.

The more stringent the audit, the more it costs. For example, more work is required to provide assurance that the Government's financial statements do not contain aggregate errors of, say \$200 million than to provide assurance at the \$300 million level. To obtain 99 per cent assurance that errors do not exceed a given materiality is more costly than obtaining assurance at the 95 per cent level.

In auditing the Government's financial statements, I have set materiality and assurance at levels that I consider appropriate for the sensitive task of auditing the public purse. In doing so, I seek reasonable assurance that the financial statements do not contain aggregate errors that would mislead the reader.

What it comes down to is exercising professional judgement concerning how much auditing is required to assure readers that they can rely on reported results and not be misled.

#### **Auditing for compliance with parliamentary authorities**

Each year, I examine and verify compliance with parliamentary authorities to spend, borrow and raise revenues to the same level of materiality and assurance established for my audit of the Government's overall financial position, results of operations and financial requirements. This allows me to conclude whether or not the Statement of Use of Appropriations presents fairly a summary of appropriations available and used for the year. This year, in order to be more informative, I have expanded the wording of my audit Opinion to provide this assurance explicitly.

However, this work is not extensive enough for me to conclude whether each authority has been complied with each year. The size and complexity of individual authorities vary greatly. It would not be practical for me to audit each of them each year to much lower levels of materiality. I have therefore decided to perform detailed verifications of individual authorities on a cyclical rather than on an annual basis. The results of this work are included in my annual Report to Parliament.

#### **RESERVATION 1: FAILURE TO PROVIDE FOR CROWN CORPORATION BORROWINGS**

In accordance with the accounting policy stated in Note 1(vii), amounts receivable from sovereign states are not reduced in value unless a state has formally repudiated its debts. The Government has used this accounting policy in determining whether assets of agent Crown corporations have sufficient value to repay corporate borrowings. If borrowings exceed the corporations' ability to repay, a liability is recorded by the Government under the accounting policy in Note 1(i). The purpose of this policy is to recognize borrowings that the Government will likely have to repay.

As described in Note 12, the Canadian Wheat Board (CWB), an agent Crown corporation, has borrowed \$4 billion mainly to finance accounts receivable from sales of grain. The receivables include \$1.1 billion of interest that has accrued on amounts due from countries that are experiencing difficulties in servicing their debts. In my judgement, sound accounting practice does not recognize any value for accrued interest in circumstances where receipt is uncertain. I believe that the value of CWB's assets has been impaired by at least the \$1.1 billion of accrued interest, putting the Government at risk for at least this amount of Board borrowings. However, application of the accounting policy stated in Note 1(vii) does not permit this risk to be recognized because the countries that owe money to the Board have not formally repudiated their debts.

I believe that an appropriate provision for CWB borrowings should be recorded by the Government. If this were done, reported liabilities and accumulated deficit would be increased by at least \$1.1 billion (\$900 million in 1986), and the deficit for the year would be increased by at least \$200 million (\$200 million in 1986).

CWB buys grain from Canadian farmers and sells it on the world market. Under the Canadian Wheat Board Act, any profit on operations is distributed to the farmers, with any loss being absorbed by the Government. The terms of sales generally specify cash on delivery. However, sales on credit are also made, but only with the concurrence of and within guidelines established by the Government. Accounts receivable from credit sales are financed by bank borrowing that is guaranteed by the Government. Because CWB has no other significant assets, repayment of the bank borrowing depends entirely on repayment of the accounts receivable.

At March 31, 1987, CWB had approximately \$3.3 billion of accounts receivable owing from countries experiencing difficulties in servicing their debts. Included in this figure is approximately \$1.1 billion of interest that CWB has charged these countries because of late



or deficient repayment of amounts due. About one-half of this accrued interest has been converted to new loans as part of debt reschedulings to ease the financial burden on countries experiencing repayment difficulties. These difficulties continue, and further debt reschedulings are expected.

The receivables from countries experiencing difficulties have not been written down to a lower value in CWB's financial statements, and interest on these receivables is still being accrued in the accounts. The reason given in the financial statements is that the Board is not at risk should any of its receivables prove uncollectible because the borrowings used to finance them are guaranteed by the Government. But what about the risk to the Government as guarantor? Surely this depends on the value of CWB's assets that are available to service the borrowings that the Government has guaranteed.

If CWB's borrowings were not guaranteed by the Government, I believe that sound accounting practice would require the Board to cease accruing interest on its receivables in arrears and to write them down to a lower value. This would be consistent with the spirit of the Superintendent of Financial Institutions' rules for valuing loans by commercial banks to sovereign nations that are experiencing difficulties in servicing their debts.

Recent amendments to the Superintendent's rules require that, by October 31, 1987, a valuation allowance be established of from 30 per cent to 40 per cent of loans receivable from countries experiencing difficulties in servicing their debts. Accrual of interest would also cease where countries are significantly in arrears. If these criteria were applied to CWB's receivables, they would be reduced in value by amounts ranging from \$1.0 billion to \$1.3 billion. It seems to me that because CWB's receivables arose from commercial-type transactions, applying commercial accounting conventions to their valuation may well be appropriate in the circumstances.

As explained in Note 12 to the financial statements, the Government believes that payment delays on amounts receivable from sovereign nations are not *necessarily* indicative of a future loss requiring an allowance (*italics added*). Although this may be so, the individual circumstances of each country must be looked at separately. There may be situations where payment delays *do* indicate future losses. Sovereign nations do not necessarily receive preferential treatment. For example, of the \$1.1 billion in accrued interest owing to CWB, \$1 billion is from countries that are reasonably up-to-date on loans they owe to commercial banks, at least in terms of interest. But these same countries have paid CWB only a small fraction of the interest they owe.

Moreover, rescheduling of amounts that are past due does not necessarily create assets with value, as the Estey report on the collapse of the Canadian Commercial Bank and the Northland Bank has pointed out. Why would a country formally repudiate its debts when a rescheduling agreement can be obtained that spreads out the repayment of its debts over an extended time period, with a grace period of several years and lower rates of interest than the country is currently paying?

I believe that the Government should recognize as a liability at least that portion of CWB's borrowings supported by accrued interest on amounts owing to the Board that are overdue and unpaid. This would be done under the accounting policy stated in Note 1(i) that requires the Government to provide an allowance for agent Crown corporation borrowings that the Government will likely have to repay.

In saying this, I am not in any way suggesting that CWB should write off its accounts receivable from debtor countries. Sound collection practices must prevail if public assets are to be protected. But the Government is clearly at risk for at least \$1.1 billion of the CWB borrowings that it has guaranteed, and the summary financial statements in Section 2 should reflect this reality.

I would encourage the Government to revise its position on this matter and establish an appropriate allowance for borrowings of the Canadian Wheat Board at the earliest possible date.

## **RESERVATION 2: FAILURE TO CONSOLIDATE CROWN CORPORATIONS**

The assets, liabilities, revenues and expenditures reported in the separate financial statements of Crown corporations are excluded from the financial statements of the Government of Canada as described in Note 1(i). As a result, I believe that the Government's financial statements do not provide a comprehensive and complete summary of the full nature and extent of the financial affairs and resources for which the Government is responsible. At March 31, 1987, the net investment in Crown corporations whose financial statements are not consolidated with those of the Government amounted to approximately \$22 billion or 56 per cent of the Government's total financial assets.

The exclusion of corporate activities from the Government's statements can have a significant effect on reported financial position and results of operations. As an example, consider the Canada Deposit Insurance Corporation, whose financial affairs are summarized in Note 17. At March 31, 1987, the Canada Deposit Insurance Corporation had a deficit of \$1,269 million, of which \$10 million represented a loss during the year. If the separate financial statements of the corporation had been consolidated with those of the Government, the accumulated deficit would have increased by \$1,269 million (\$1,259 million in 1986), and the deficit for the year would have increased by \$10 million (\$432 million in 1986).

In previous years, the Government illustrated in a note to the financial statements (Note 5 in 1986) one method of broadening the reporting entity to include all Crown corporations. The method chosen was to include Crown corporations in the entity using the Government's modified cash basis of accounting. This resulted in physical assets and revenue accruals of Crown corporations being excluded from the display. The exclusion was considered uninformative by the Government. This year, another form of illustration is provided in Note 7. It shows the Government entity (as defined at present) in one column using the modified cash basis of accounting, and all Crown corporations combined together in a second column using the quite different basis of accounting that the corporations use for external reporting. Although this approach discloses the physical assets and revenue accruals of Crown corporations, it does not provide a comprehensive and complete picture of the Government—this would require that the columns be added together. That has not been done because the bases of accounting differ.

The Government is studying the extent to which and how the separate financial statements of Crown corporations should be consolidated with those of the Government, and the alternative presentation that would be appropriate for any not consolidated. The Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Committee (PSAAC) is also studying this issue. Government officials have advised me that until this research is complete, the accounting policy stated in Note 1(i) will not be changed. As an interim measure, the Government has summarized corporate activities in Note 7.

I am hopeful that PSAAC will publish a Statement on the reporting entity that, if implemented by the Government, will allow me to delete this Reservation from my Opinion. Until authoritative guidance is provided by PSAAC, I am unable to determine the effect on the Government's financial statements of the failure to consolidate Crown corporations.

### **A related concern—Expenditures offset against revenues**

In the past two years, I have called attention to the Government's practice of reporting payments under the Child Tax Credit program as a reduction in personal income tax revenue rather than as a program expenditure. This practice continues. In Note 3, the Government has disclosed what the effect on reported revenue and expenditure would be if payments under the program were charged to expenditure of the Social Affairs envelope, as I believe they should be. I have not included this matter in my Reservations because it has no effect on the reported deficit for the year.



### RESERVATION 3: UNRECORDED LIABILITIES

#### Indexing of superannuate pensions and annuities

The Government has defined liabilities as financial obligations to outside organizations and individuals as a result of events and transactions recorded as of the closing date. However, in accordance with the accounting policy stated in Note 1(v), and as described in Note 11, financial obligations related to the indexing provisions of superannuate pension and annuity plans (including the Public Service, the Canadian Forces, the Royal Canadian Mounted Police, Members of Parliament and Judges) have not been fully recorded. If full actuarial liabilities for all these obligations had been provided for in the accounts, reported liabilities and accumulated deficit would be increased by approximately \$3.5 billion (\$4.7 billion in 1986), and the deficit for the year would be decreased by \$1.2 billion.

Note 11 is much more informative than the corresponding note (Note 9) in 1986. But until the Government appropriately adjusts the financial statements to reflect an additional liability for indexing, the burden is on the reader to do so. I consider this both undesirable and unfair. A reader unfamiliar with financial statements may get quite a different picture than a reader with more experience in this area.

Government officials have advised me that they will record an appropriate liability for indexing when revised superannuate pension legislation that is now before the House of Commons becomes law. PSAAC is also studying how these pensions should be accounted for and disclosed by senior levels of government in Canada. When additional guidance is available from PSAAC and an appropriate liability is recorded by the Government, I should be able to delete this Reservation from my Opinion.

#### Deficit of Mortgage Insurance Fund

In previous years, I have commented in Reservation 3 on the failure to provide an allowance for the deficit of the Mortgage Insurance Fund. Although the problem persists, I have deleted the comment from Reservation 3 this year because the absence of an allowance no longer has a material effect on the financial statements taken as a whole.

### REPORTING OF SUMMARY FINANCIAL INFORMATION

The Government of Canada is a world leader in providing summary financial information in audited form. As we learned in the Federal Government Reporting Study (FGRS), Members of Parliament and many other users need overall financial information about the Government that is both *credible* and *understandable*.

The Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Committee (PSAAC) is developing generally accepted accounting principles (GAAP) appropriate for Canadian governments. Public sector GAAP should provide objective and *credible* standards of good accounting and reporting practice that the Government can use in preparing its financial statements and against which I can audit.

FGRS introduced the concept of presenting overall financial data in a comprehensive but succinct Annual Financial Report similar to corporate reports produced in the private sector. All users that we consulted during FGRS, particularly Members of Parliament, expressed a need for this type of document. It would provide them with "the big picture" in *understandable* language, and also a key into the considerable other detail that the Government now provides.

Preparing financial data in accordance with PSAAC recommendations and presenting it along the lines illustrated in FGRS are important initiatives for the Government to pursue. Continued support and encouragement from Members of Parliament will help create the climate within which this work can be done.

In last year's Observations, I reported that the opportunity was never better for making significant improvements in financial reporting in the Canadian public sector:

- The accounting profession was making progress.
- The Government of Canada was making progress.
- FGRS results were made available to the accounting profession and the Government.

The following sections of this Observation provide an update on each of these initiatives.

### **Progress during the year by the accounting profession**

In November 1986, PSAAC issued Accounting Statement Number 3 entitled "General Standards of Financial Statement Presentation for Governments". It contains 35 recommendations, 25 of which have been implemented by the Government. Appendix 1 to these Observations provides a status report on the extent to which the Government has complied with Accounting Statement 3.

PSAAC is also studying the reporting entity and employee pension issues, the subjects of the second and third Reservations in my audit Opinion on the Government's 1987 financial statements. I would hope that, in the near future, PSAAC recommendations on these issues will be available, and that implementation of them by the Government will allow me to delete Reservations 2 and 3 from my audit Opinion.

The disclosure of and accounting for physical assets is another significant issue being addressed by PSAAC. Accounting Statement 3 requires governments to disclose information about such assets (see Appendix 1, paragraph .65). In addition, a research study is well under way, examining how to account for them.

It will take time for the Government to implement all the recommendations in PSAAC's Accounting Statement 3. New systems and procedures will have to be developed to capture data for physical assets, revenue accruals and financial commitments. Because of this, and because there is no implementation date specified in the Statement, I have not added new Reservations to my Opinion this year respecting departures from Statement 3.

In addition, it will take time for PSAAC to develop and publish additional Statements on the government reporting entity, employee pensions and physical assets. These issues have a significant and pervasive effect on government financial statements. They must be resolved before generally accepted accounting principles for the public sector can be considered to exist. In the meantime, PSAAC Statements are an important authoritative source that governments and their auditors can refer to in assessing the appropriateness of accounting policies and the adequacy of disclosure.

There are other issues that will require attention by PSAAC in future years. We encountered one such issue during our 1987 audit. It concerns transfer payments to prairie grain farmers under the Western Grain Stabilization Act (WGSA). This is one of the Government's "automatic stabilizers" that generates statutory payments when specified conditions warrant. The fundamental issue is whether these types of expenditure should be recognized in the fiscal year that adverse conditions prevail and payments are reasonably estimable (the accrual basis) or in the fiscal year when payments to those entitled are made (the cash basis).

Payments to farmers under the WGSA are very significant. They have been accounted for on the cash basis, even though it seems possible to determine much earlier the crop yields to which the payments relate and the amounts ultimately payable under the program. I have not added a Reservation to my Opinion on the Government's financial statements for failure to account for WGSA payments on the accrual basis because the practicability and the effect on the government's other transfer payment programs of doing so have not yet been studied and assessed.



However, the dollar value of such programs is enormous, and I would encourage both PSAAC and the Government to conduct a study at the earliest possible date of how transfer payment programs should be accounted for.

### **Progress during the year by the Government**

The Government has continued to improve the disclosure of summary financial information this year. Section 1 of this volume has been re-done entirely, and now resembles more closely the financial overview section shown in the FGRS Illustrative Annual Financial Report. In Section 2, a new Statement of Responsibility has been split out from the Preface; Note 1 (ix) has been added to clarify the accounting basis used in preparing the Statement of Use of Appropriations; the other explanatory notes have been re-ordered to follow more closely the order of items appearing in the financial statements; additional note disclosure has been provided for superannuate pensions and annuities, unmatured debt, and contingent liabilities; and a new note has been added that discloses accounts receivable for non-tax revenues, as recommended in PSAAC Accounting Statement 3.

However, there was a matter that concerned me during the year. It was the Government's treatment of the \$1 billion Special Canadian Grains Program. The Program was announced by the Prime Minister in October 1986, and was further explained by the Minister of Agriculture in a December news release as "... an equitable, national program that puts straight cash—new money—into the pockets of farmers with no strings attached". The \$1 billion was allocated among farmers based on the acreage they seeded in the summer of 1986.

The Government included \$300 million of Program expenditure in fiscal 1987 and \$700 million in fiscal 1988. By March 1987, Parliament had granted appropriation authority to make these payments in these fiscal years. On reviewing the program, however, we noted an apparent inconsistency between how it was accounted for in the Government's summary financial statements and how it was classified in the Estimates presented to Parliament.

The Special Canadian Grains Program was classified in the Estimates as a "contribution". Had the Government's accounting rules for contributions been followed in reporting expenditures under the program in the summary statements, the \$700 million should have been accounted for on the accrual basis and included in fiscal 1987 rather than fiscal 1988.

However, the substance of the Program was more like a "gift" or grant. The Government's accounting rules for grants require that they be accounted for on the cash basis and included in the summary statements in the fiscal year in which they are paid. This is how the Program was accounted for.

I am concerned that the Government classified the Special Canadian Grains Program in the Estimates as a "contribution" because this seems at variance with the fundamental nature or substance of a program under which payments with virtually "no strings attached" are made. And I am concerned that this inconsistency has made it difficult to determine the appropriate accounting treatment for the Program in the Government's summary financial statements. I would encourage the Government to avoid such confusion in future years by ensuring that the classification of amounts in the Estimates corresponds more closely to their nature or substance.

Additional comments on the Special Canadian Grains Program are included in Chapter 6 of my 1987 Report to the House of Commons. In this chapter, I also point out that the use of subsection 5(2) of the Department of Agriculture Act as the legislative basis to create the Program is questionable.

### **Progress during the year on FGRS**

FGRS was a research study undertaken jointly by my Office and the United States General Accounting Office. The purpose of the Study was to identify the financial information about federal governments that users need, with a primary focus on summary-level data. The results of the Study have been provided to Members of Parliament, the Government and PSAAC for their consideration.

During the year, the Standing Senate Committee on National Finance (Senate Finance Committee) and the House of Commons Standing Committee on Public Accounts (PAC) examined and reported on FGRS findings. Findings have also been presented and discussed outside Canada. A summary of the Government's consideration of the 16 significant FGRS findings is in Appendix 2 to these Observations.

In May of this year, the Senate Finance Committee heard testimony concerning whether the Government's accounts receivable should be included in the summary Statement of Assets and Liabilities. At present, accounts receivable are not included in this statement. Revenues are reported when cash is received (see Appendix 1, recommendation at paragraph 81; see also Appendix 2, item 7). As a consequence, amounts shown in the Government's summary statements can be affected significantly by factors that have nothing to do with economic activity during the reporting period. For example, delays at Revenue Canada in issuing refund cheques can inflate reported revenues. Similarly, as will happen next year, a change in the basis of remitting income taxes at source can significantly affect reported revenues and the resulting deficit.

In its Eleventh Report of May 28, 1987, the Senate Finance Committee stated that "... it recognizes the difficulty raised by the witnesses in determining the value of a tax and non-tax receivables. Nevertheless it believes that in principle, all receivables should be accrued and be part of the audited financial statements of the Government of Canada." The Committee recommended that I audit the memorandum records maintained by departments in order to determine the practicability of including accounts receivable in the Government's summary statements. This is being done. In addition, as mentioned earlier, a new note has been added to the Government's financial statements this year that discloses accounts receivable for non-tax revenues.

Also in May, the PAC heard testimony respecting my Opinion and Observations on the Government's 1986 summary statements. In its Eighth Report of June 30, 1987, the Committee stated that it endorses "... the need for a succinct annual financial report for parliamentarians and other users of government financial information" (see Appendix 2, issue 1), and "... the work of the Public Sector Accounting and Auditing Committee (PSAAC) of the Canadian Institute of Chartered Accountants." In addition, the Committee requested the Government to consult with PSAAC in resolving issues raised in my Opinion on the Government's summary statements, and requested the Office of the Comptroller General to provide progress reports on FGRS (by September 30, 1987) and the consolidation of Crown corporations (by September 30, 1988).

The Federal Government Reporting Study has also been well received internationally. Last September, the International Consortium on Governmental Financial Management hosted a two-day conference in Washington, D.C., that focused on our work. In March of this year, FGRS was a major theme at an international symposium on governmental accounting, auditing and financial reporting organized by the University of Illinois at Chicago. Findings are also being considered by the International Organization of Supreme Audit Institutions and by the International Federation of Accountants.

### **A concluding thought**

It seems to me that the accounting profession and those who prepare and use financial statements—particularly Members of Parliament—have accomplished a great deal during the year. The need has never been clearer for overall financial information about the Government that is prepared in accordance with PSAAC recommendations to enhance *credibility*, and presented in a comprehensive yet succinct Annual Financial Report to enhance *understandability*. The challenge now is for the Government to respond by reporting more of its summary financial information in the form that people need.



## APPENDIX 1

**STATUS REPORT: COMPLIANCE BY GOVERNMENT  
WITH PSAAC ACCOUNTING STATEMENT NUMBER 3  
AUGUST 1987**

PSAAC RECOMMENDATION AND PARAGRAPH NUMBER	COMPLIANCE BY GOVERNMENT	
	YES	NO
.05 The financial statements of a government should be clearly identified and should include or be accompanied by an acknowledgment of the government's responsibility for their preparation.	X	
.07 Notes and schedules that are integral to the financial statements should be clearly identified.	X	
.10 Financial statements should present any information required for the fair presentation of a government's financial condition and results of operations.		X Note 1
.13 Financial statements should be presented in such form and use terminology and classification of items that significant information is readily understandable.	X	
.15 Financial statements should present a comparison of current period amounts with those of the prior period(s).	X	
.17 The bases for determining the reported amounts of assets and liabilities should be applied consistently and, where the bases are not self-evident, they should be disclosed.	X	
.19 Financial statements should be issued on a timely basis.		X Note 2
.21 Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.	X	
.23 Financial statements should present the substance of transactions and events.		X Note 1
.28 Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment.		Note 1
.32 Financial statements should include a statement of financial position, a statement of revenues and expenditures and a statement of changes in financial position.	X	Note 3
.35 The statement of financial position should account for the difference between a government's liabilities and financial assets at the end of the accounting period.	X	
.39 The statement of financial position should report a government's liabilities at the end of the accounting period segregated by main classifications, such as:		
—accounts payable and accrued liabilities;	X	
—employee pension obligations;	X	
—borrowings; and	X	
—loans and advances from other governments.	X	

	YES	NO
.40 Financial statements should disclose adequate information about the nature and terms of a government's liabilities.	X	
.48 The statement of financial position should report a government's financial assets at the end of the accounting period segregated by main classifications, such as:		
—cash and temporary investments;	X	
—revenues receivable;		Note 4
—inventories for resale;		Note 4
—loans and advances to other governments;	X	
—other loans and advances; and	X	
—investments.	X	
.49 Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances.	X	
.53 Valuation allowances should be used to reflect financial assets at their net recoverable or other appropriate value.	X	
.56 Financial statements should disclose information to describe a government's material financial commitments at the end of the accounting period.		X
.60 Financial statements should disclose information to describe a government's material contingencies at the end of the accounting period.	X	
.65 Financial statements should disclose information to describe a government's acquired physical assets on hand and available for use by the government at the end of accounting period.		X
.70 The statement of revenues and expenditures should account for the difference between a government's revenues and expenditures of the accounting period adjusted for changes in valuation allowances in the accounting period.	X	
.72 Expenditures should be accounted for in the period the goods and services are acquired and a liability is incurred, or transfer payments are due.	X	
.74 The statement of revenues and expenditures should report a government's expenditures of the accounting period by function or major program.	X	
.76 Financial statements should disclose a government's expenditures of the accounting period by object of expenditure.	X	
.79 Financial statements should disclose the gross amounts of expenditures.	X	
.81 Revenues should be accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Items not practicably measurable until cash is received would be accounted for at that time.		X



	YES	NO
.84 The statement of revenues and expenditures should report a government's revenues of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments.	X	
.86 Financial statements should disclose the gross amounts of revenues.	X	
.89 The statement of revenues and expenditures should report changes in valuation allowances in the accounting period.	X	
.92 The statement of changes in financial position should report how a government financed its activities in the period and how it met its cash requirements, including:		Note 3
—the changes in a government's cash and cash equivalents during the accounting period; and	X	
—a government's total cash requirements during the accounting period.	X	
.93 The statement of changes in financial position should classify cash flows by operating, investing and financing activities.		X
.94 The statement of changes in financial position should report significant non-cash items.		X
.98 Financial statements should present a comparison of the actual results with those originally forecast by the fiscal plan.		X
.100 Planned results should be presented on a basis consistent with that used for actual results.	X	
.103 Financial statements should present information to show where a government has exceeded its borrowing, investing or expenditure authority limits.	X	
<b>Notes:</b>		
1. Consolidation of Crown corporations, indexing of employee pensions, and provision for Canadian Wheat Board borrowings are disclosed in notes but not booked in the financial statements.		
2. Tabling in September or October is 6 or 7 months after the fiscal year-end.		
3. The Government's Statement of Transactions is not in the form of a "statement of changes in financial position" as envisaged by PSAAC, although it does report changes in cash and cash equivalents and cash requirements.		
4. Revenue receivables and inventories are not booked in the financial statements under the Government's stated accounting policies.		

**CONSIDERATION BY THE GOVERNMENT  
OF SIGNIFICANT FGRS FINDINGS  
AUGUST 1987**

<b>FGRS FINDING</b>	<b>CONSIDERATION BY THE GOVERNMENT</b>
1. Need to prepare and publish a comprehensive yet succinct Annual Financial Report.	Section 1 of Public Accounts Volume I has been re-done to resemble more closely the financial overview section in the FGRS Illustrative Annual Financial Report. Disclosure in Section 2 of this Volume has been expanded to make the financial statements more informative.
2. Need to record and disclose physical assets.	Study underway.
3. Need to sweep Crown corporations into the reporting entity.	Study underway.
4. Need to record and disclose actuarial liabilities for employee pensions.	Additional liabilities for indexing will be recorded when new employee pension legislation enacted.
5. Need to record and disclose data for ongoing social programs.	Study underway.
6. Need to record and disclose gold holdings.	Gold now recorded and disclosed in accordance with FGRS findings.
7. Need to accrue revenues from self-assessed taxes.	Being considered.
8. Need to disclose tax expenditures.	Being considered.
9. Need to report a comparison of budget and actual data.	Being considered.
10. Need for timely reporting.	Plan underway to table Public Accounts earlier.
11. Need to report inflation-adjusted data.	No action required at this time.
12. Need to report various measures of deficit.	Being considered.
13. Need for appropriate valuation of assets.	Soft loans now recorded and disclosed in accordance with FGRS findings.
14. Need to disclose program performance information.	No action required at this time.
15. Need to report disaggregated information.	Study underway for both Public Accounts and Estimates.
16. Need to report both cash and accrual information.	Study underway.



# SECTION 4

## 1986-87 PUBLIC ACCOUNTS

### Budgetary Revenue

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## BUDGETARY REVENUE

Budgetary revenue consists of all tax and non-tax receipts which affect the annual deficit or surplus of the Government.

The Government generally reports revenue in the year in which it is received, with refunds of revenue allocated to the year in which they are actually paid.

Revenue is reported after deducting refunds paid, and excludes amounts receivable, taxes collected on behalf of provinces and territories, and amounts credited to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

Revenue for a year, therefore, includes receipts credited to the Receiver General by the Bank of Canada and the chartered banks by March 31, and amounts received in Government offices by March 31, but not deposited until April, or not credited to the Receiver General until April. Revenue also includes the amounts received in the mail on the first working day of April, except where it is clear that it was the remitter's intention to discharge an obligation arising in the new year.

The yield from tax revenue is affected by changes in tax rates, by changes in the base on which taxes are calculated, and by variations in economic conditions. A taxpayer's income tax liability relates to the income of a taxation year, but advance collection of personal and corporation income taxes by payroll deductions and instalments results in a distribution of receipts throughout the year.

The major tax changes which had an effect on the tax revenue for 1986-87 are:

—personal income tax—in 1986, the federal tax reduction was eliminated; beginning in the 1986 tax year, the indexation of personal income tax exemptions and tax brackets was restricted to the annual increase in the Consumer Price Index that exceeds 3 per cent; a 3 per cent surtax on basic federal tax was introduced, effective July 1, 1986; while the high-income surtax introduced on July 1, 1985 became fully phased-in in the 1986 tax year; the refundable sales tax credit was introduced in the 1986 tax year; a portion of the refundable child tax credit was prepaid in November 1986; the limits on RRSP and certain pension contributions were increased beginning in the 1986 tax year; the disability deduction was enhanced to include all severely disabled Canadians, effective for the 1986 tax year; the cumulative lifetime exemption increased to \$25,000 of taxable capital gains in 1986; and,

effective with the 1986 tax year, the taxation of dividends from taxable Canadian corporations under the minimum tax base was based on the cash dividend received by individuals and not on the grossed-up amounts;

—corporation income tax—the inventory allowance was eliminated, effective February 26, 1986; a 3 per cent surtax was imposed on the federal income tax payable by all corporations, effective January 1, 1987; commencing January 1, 1986, a temporary two-year tax on larger financial institutions regulated under the Bank Act, the Quebec Savings Bank Act and under federal and provincial trust and/or loan corporation legislation was imposed at an annual rate of 1 per cent of capital employed in Canada in excess of \$200 million; the Scientific Research Tax Credit was eliminated effective May 23, 1985; the refundable portion of the tax credit earned by small Canadian-controlled private corporations was increased from 40 per cent of the credit earned to 100 per cent, effective for qualifying expenditures on scientific research and experimental development made after May 23, 1985; the special investment tax credit of 50 per cent for investment in manufacturing in designated areas, which was due to expire at the end of 1985, was extended one year until December 31, 1986; and, the Small Business Bond Program, due to expire at the end of 1985, was extended for a further two years;

—non-resident income tax—the exemption from the non-resident withholding tax for interest payments on certain long-term debt obligations of corporations and on debt obligations of Canadian governments was extended for such debt obligations issued before 1989;

—sales tax—the federal sales tax was increased 1 percentage point on January 1, 1986 and again on April 1, 1986; tourist literature was made exempt from the sales tax commencing February 27, 1986; the fuel tax rebate offered to farmers, fishermen, loggers and mine operators on purchases of gasoline and diesel fuel for off-highway use in commercial activities was extended for one year, effective January 1, 1987; the special relieving provisions for construction goods manufactured away from the construction site were removed, effective July 1, 1985; and, the exemption from the federal sales tax applying to a range of consumer goods was ended effective July 1, 1985;



- excise taxes and duties—effective February 27, 1986, the tax on alcoholic beverages was increased 4 per cent and the tax on cigarettes and other tobacco products was increased 6 per cent; the automatic indexation of excise levies on alcoholic beverages and tobacco products was eliminated effective September 1, 1985, while the existing specific excise levies on spirits, beer and wine were increased by 2 per cent and the specific excise levies on cigarettes were increased by 1 cent;
- customs import duties—as scheduled under the Multilateral Trade Negotiations, the eighth and final annual tariff reduction was implemented in January 1987; and, tariffs were reimposed on a range of US imports including books, periodicals, computer components and other items on June 6, 1986, and subsequently eliminated on February 19, 1987;
- petroleum and gas revenue tax (PGRT)—effective May 1, 1986, the 6 per cent PGRT rate on revenue from the synthetic oil production was reduced to zero and the small producers' credit was increased from \$500,000 to \$2 million on PGRT payable from production revenue; effective October 1, 1986, the PGRT was eliminated; and,
- other energy taxes—the introduction of a 2 cents per litre rebate for farmers from the excise tax on gasoline, effective May 1, 1986; the excise tax on motor gasoline, aviation gasoline, diesel fuel and aviation turbo fuel was increased 1 cent per litre, effective January 1, 1987; and, the fuel tax rebate for farmers was increased 1 cent per litre, effective January 1, 1987.

Changes to the effective interest date in 1986-87 for tax remittances resulted in increased revenues of approximately \$200 million. Under previous procedures, this revenue would have been reported in the 1987-88 fiscal year.

Under fiscal arrangements that became operative in 1962, the federal Government entered into tax collection agreements to collect the personal income taxes of all provinces and territories (except Quebec) and the corporation income taxes of all provinces and territories (except Ontario and Quebec). Personal and corporation income taxes collected by the federal Government on behalf of the provinces and territories are not included in the tables shown hereunder.

## Revenue by Main Classification and Source

Table 4.1 presents revenue by main classification and source on both a gross and net basis and segregates revenue internal to the Government from revenue from outside parties. The difference between gross and net revenue is revenue credited to appropriations.

In this table, revenue from outside parties represents revenue received from organizations and individuals outside the Government of Canada as an accounting entity while revenue internal to the Government represents revenue generated from transactions between organizations within the accounting entity. The Government of Canada as an accounting entity is defined in Note 1 to the audited financial statements in Section 2 of this volume.

Revenue credited to appropriations represents revenue that has been credited to expenditure rather than to revenue where authority has been granted by Parliament.

“Total net revenue” represents all budgetary revenue recorded in the accounts of Canada in accordance with the accounting policies of the Government. “Total gross revenue” is derived by adding to “Total net revenue” all “Revenue credited to appropriations”.

TABLE 4.1

REVENUE BY MAIN CLASSIFICATION AND SOURCE  
(in millions of dollars)

	1986-87							
	Gross revenue			Revenue credited to appropriations		Net revenue		
	From outside parties <sup>(1)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	From outside parties <sup>(1)</sup>	Internal to the Government	Total
<b>Tax revenue—</b>								
<b>Income tax—</b>								
Personal .....	37,878		37,878			37,878		37,878
Corporation .....	9,885		9,885			9,885		9,885
Unemployment insurance contributions .....	9,558		9,558			9,558		9,558
Non-resident .....	1,355		1,355			1,355		1,355
	58,676		58,676			58,676		58,676
<b>Excise taxes and duties—</b>								
Sales tax .....	11,972	50	12,022			11,972	50	12,022
Customs import duties .....	4,187	4	4,191			4,187	4	4,191
Excise duties .....	1,470		1,470			1,470		1,470
Other .....	1,767		1,767	348		1,419		1,419
	19,396	54	19,450	348		19,048	54	19,102
<b>Energy taxes—</b>								
Excise tax—Gasoline .....	1,279		1,279			1,279		1,279
Petroleum and gas revenue tax and incremental oil revenue tax .....	473		473			473		473
Aviation gas and diesel fuel .....	213		213			213		213
Natural gas and gas liquids tax .....	1		1			1		1
Oil export charges .....	9		9	9				9
Petroleum compensation charge .....	-1		-1			-1		-1
Canadian Ownership special charge .....	1,974		1,974	9		1,965		1,965
	21,370	54	21,424	357		21,013	54	21,067
<b>Other tax revenue .....</b>	180		180			180		180
<b>Total tax revenue .....</b>	80,226	54	80,280	357		79,869	54	79,923
<b>Non-tax revenue—</b>								
<b>Return on investments, Table 4.2—</b>								
Bank of Canada .....	1,936		1,936			1,936		1,936
Canada Mortgage and Housing Corporation ..	866		866			866		866
Farm Credit Corporation .....	372		372			372		372
Exchange Fund Account .....	366		366			366		366
Interest on bank deposits .....	219		219			219		219
Other return on investments .....	496	171	667	21	144	475	27	502
	4,255	171	4,426	21	144	4,234	27	4,261
<b>Proceeds from sales .....</b>	519	186	705	175	176	344	10	354
<b>Refunds of previous years' expenditure .....</b>	331	14	345			331	14	345
<b>Privileges, licences and permits .....</b>	426		426	188		238		238
<b>Services and service fees .....</b>	1,087	2,247	3,334	889	2,239	198	8	206
<b>Domestic coinage .....</b>	53		53			53		53
<b>Premium and discount on exchange .....</b>	41		41	1		40		40
<b>Other non-tax revenue .....</b>	639	1,123	1,762	163	1,101	476	22	498
	3,096	3,570	6,666	1,416	3,516	1,680	54	1,734
<b>Total non-tax revenue .....</b>	7,351	3,741	11,092	1,437	3,660	5,914	81	5,995
<b>Total revenue<sup>(2)</sup> .....</b>	87,577	3,795	91,372	1,794	3,660	85,783	135	85,918

<sup>(1)</sup> Reflected on the Statement of Revenue and Expenditure and Accumulated Deficit in Section 2 of this volume.<sup>(2)</sup> Additional details are provided in Table 6 in Section 1 of Volume II (Part I).



1985-86							
Gross revenue			Revenue credited to appropriations		Net revenue		
From outside parties <sup>(1)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	From outside parties <sup>(1)</sup>	Internal to the Government	Total
33,008		33,008			33,008		33,008
9,210		9,210			9,210		9,210
8,719		8,719			8,719		8,719
1,053		1,053			1,053		1,053
51,990		51,990			51,990		51,990
9,345	38	9,383			9,345	38	9,383
3,971	4	3,975			3,971	4	3,975
1,473		1,473			1,473		1,473
1,661		1,661	307		1,354		1,354
16,450	42	16,492	307		16,143	42	16,185
729		729			729		729
2,037		2,037			2,037		2,037
41		41			41		41
- 15		- 15			- 15		- 15
327		327			327		327
1,093		1,093	1,093				
229		229			229		229
4,441		4,441	1,093		3,348		3,348
20,891	42	20,933	1,400		19,491	42	19,533
126		126			126		126
73,007	42	73,049	1,400		71,607	42	71,649
1,880		1,880			1,880		1,880
892		892			892		892
403		403			403		403
- 505		- 505			- 505		- 505
278		278			278		278
825	142	967	34	129	791	13	804
3,773	142	3,915	34	129	3,739	13	3,752
275	137	412	173	128	102	9	111
398	17	415			398	17	415
376		376	167		209		209
945	2,002	2,947	788	1,999	157	3	160
144		144			144		144
6		6	1		5		5
618	1,085	1,703	149	1,053	469	32	501
2,762	3,241	6,003	1,278	3,180	1,484	61	1,545
6,535	3,383	9,918	1,312	3,309	5,223	74	5,297
79,542	3,425	82,967	2,712	3,309	76,830	116	76,946

## Tax Revenue

The major tax changes which had an effect on the tax revenue for 1986-87 are listed at the beginning of this section.

### Personal Income Tax

This tax is levied on personal income under the provisions of the Income Tax Act.

In 1986-87, personal income tax was the largest source of Government revenue. It amounted to \$37,878 million, or 44% of total net revenue.

### Corporation Income Tax

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

Corporation income tax amounted to \$9,885 million in 1986-87, or 12% of total net revenue.

### Unemployment Insurance Contributions

This account records the contributions from employers and employees to the Unemployment Insurance Account.

### Non-Resident Income Tax

The non-resident income tax is levied on the income earned in Canada by non-residents. It is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts, paid to non-residents. It amounted to \$1,355 million in 1986-87, or 2% of total net revenue.

### Excise Taxes and Duties

Excise taxes and duties totalled \$21,067 million in 1986-87, or 25% of total net revenue.

#### *Sales tax*

The sales tax, totalling \$12,022 million in 1986-87, was the most important tax levied under the Excise Tax Act. It was increased by 1 percentage point on January 1, 1986 and again on April 1, 1986.

#### *Customs import duties*

The revenues from customs import duties, consisting mainly of *ad valorem* taxes on the importation of goods, totalled \$4,191 million in 1986-87.

#### *Excise duties*

Excise duties, which totalled \$1,470 million in 1986-87, are levied on alcoholic beverages (other than wines) and tobacco products. (Additional taxes on tobacco products and taxes on wines are levied under the Excise Tax Act.)

#### *Excise tax—Gasoline*

The excise tax on gasoline and aviation gasoline for personal use was increased 1 cent per litre, effective January 1, 1987.

Net receipts from the excise tax—Gasoline were \$1,279 million in 1986-87. Under certain conditions, the amounts received may be refunded to purchasers. As of March 31, 1987, \$1,340 million was received, and \$61 million was refunded and charged to revenue.

#### *Petroleum and gas revenue tax and incremental oil revenue tax*

The petroleum and gas revenue tax came into effect on January 1, 1981, and was applicable to net operating revenues related to the production of oil and gas. Effective May 1, 1986, the 6 per cent tax rate on revenue from the synthetic oil production was reduced to zero. The petroleum and gas revenue tax was eliminated effective October 1, 1986.

The incremental oil revenue tax was eliminated effective June 1, 1985.

#### *Aviation gas and diesel fuel*

This tax, which came into effect during 1985-86, is imposed on diesel fuel and aviation turbo fuel. It was increased 1 cent per litre, effective January 1, 1987.

#### *Natural gas and gas liquids tax*

This tax, which came into effect during 1980-81, was imposed on all sales of natural gas and gas liquids. It was eliminated effective June 1, 1985.

#### *Oil export charges*

Oil export charges were collected in respect of oil produced in, and exported from, provinces.

The oil export charges were eliminated effective June 1, 1985.

#### *Canadian Ownership special charge*

This special charge was levied to increase public ownership of the oil and gas industry in Canada. It was eliminated effective June 1, 1985.

## Non-Tax Revenue

### Return on Investments

Return on investments consists mainly of interest from loans and advances, transfer of profits and surpluses, and rental income from properties.

Return on investments is summarized in Table 4.2. In 1986-87, the presentation of this table has been changed to agree the total ministerial return on investments amount as reported in Table 6 in Section 1 of Volume II (Part I) to the amount as reported in Table 4.1. The reconciling items include the Exchange Fund Account adjustment to recognize the international reserves held in the Account and the interest on loans to the Unemployment Insurance Account. The return on



investments internal to the Government has been deducted from the total net return on investments to obtain the total net return on investments from outside parties. Revenue credited

to appropriations from outside parties has been added to the latter to obtain total gross return on investments from outside parties.

TABLE 4.2

RETURN ON INVESTMENTS<sup>(2)</sup>  
(in millions of dollars)

	1986-87	1985-86	Increase or decrease (-)
Loans, investments and advances—			
Crown corporations—			
Lending institutions—			
Canada Deposit Insurance Corporation .....	80	33	47
Canada Mortgage and Housing Corporation .....	866	892	-26
Export Development Corporation .....	8	15	-7
Farm Credit Corporation .....	372	403	-31
Federal Business Development Bank .....	10	20	-10
	1,336	1,363	-27
All other Crown corporations—			
Air Canada .....	14	16	-2
Atomic Energy of Canada Limited .....	63	68	-5
Canadian National Railway Company .....	18	67	-49
Petro-Canada .....		50	-50
Other—			
Bank of Canada .....	1,936	1,880	56
Canadian Dairy Commission .....	7	15	-8
Northern Canada Power Commission .....	15	24	-9
Royal Canadian Mint .....	4	10	-6
Teleglobe Canada .....	(1)	188	-188
Vancouver Port Corporation .....	6	(1)	6
Miscellaneous .....	15	11	4
	2,078	2,329	-251
	3,414	3,692	-278
Provincial and territorial governments .....	94	88	6
National governments including developing countries .....	55	54	1
International organizations .....	(1)	(1)	
Veterans' Land Act Fund—Advances .....	9	11	-2
Joint and mixed enterprises .....	7	4	3
Miscellaneous .....	14	35	-21
	179	192	-13
	3,593	3,884	-291
Foreign exchange accounts—			
Exchange Fund Account .....	366	-505	871
International Monetary Fund—Subscriptions .....	9	24	-15
	375	-481	856
Cash—			
Interest on bank deposits .....	219	278	-59
Other accounts—			
Interest on investment <i>re</i> : military purchases .....	24	21	3
Government's holdings of unmatured debt .....	18	29	-11
Baie Verte Mines .....	6		6
Supply revolving fund .....	6	7	-1
Other .....	20	14	6
	74	71	3
Total net return on investments .....	4,261	3,752	509
Return on investments internal to the Government .....	-27	-13	-14
Total net return on investments from outside parties .....	4,234	3,739	495
Revenue credited to appropriations from outside parties .....	21	34	-13
Total gross return on investments from outside parties .....	4,255	3,773	482

<sup>(1)</sup> Less than \$500,000.

<sup>(2)</sup> Additional details are provided in Table 6 in Section 1 of Volume II (Part I).





# SECTION 5

## 1986-87 PUBLIC ACCOUNTS

### Estimates and Appropriations

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Source and disposition of authorities—Annual and statutory	5.3

## ESTIMATES AND APPROPRIATIONS

## Parliamentary Spending Authorities

The Government submits its spending proposals to Parliament in the annual Estimates. During the year, the Government may request further appropriations. The initial request is called the "Main Estimates" and additional requests are called "Supplementary Estimates". With these Estimates, the Government requests authority for that part of the proposed spending which is not already provided by other statutes. The amounts making up the total of such proposed spending are authorized in appropriation acts and are generally referred to as "annual" authorities. The balance of the planned spending is made under authority of other statutes which authorize disbursements for specified purposes, and for such amounts and time periods as are set by those acts. The proposed or estimated uses of most of these "statutory" authorities for the current year are included in the Estimates for information purposes; however, they are not included in appropriation acts because they have already been authorized by Parliament.

Annual authorities, with few exceptions, lapse at the end of the year if not used, while statutory authorities, with few exceptions, are carried forward to future years. Those authorities which extend to subsequent years are referred to as "non-lapsing".

Both the budgetary expenditure amounts and the non-budgetary requirements for loans, investments and advances are included under each type of spending authority, annual and statutory.

Table 5.1 presents, for the year ended March 31, 1987, a summary of parliamentary spending authorities requested and approved (annual authority), and estimated uses of authorities already granted (statutory authority).

A Statement of Use of Appropriations by ministry, as examined by the Auditor General, is presented in Section 2 of this volume. Additional details on the use of appropriations by ministry and by type (annual and statutory) are given in Section 1 (Table 3) of Volume II (Part I), and in the ministerial sections of the same volume.

TABLE 5.1

PARLIAMENTARY SPENDING AUTHORITIES  
(in millions of dollars)

	Authority		Total
	Annual	Statutory	
<b>ESTIMATES</b>			
Spending proposals presented to Parliament:			
Main Estimates—Budgetary .....	37,470	69,538	107,008
Non-budgetary .....	<b>81</b>	<b>345</b>	<b>426</b>
Supplementary Estimates (A)—Budgetary .....	485	95	580
Non-budgetary .....	<b>22</b>	<b>- 263</b>	<b>- 241</b>
Supplementary Estimates (B)—Budgetary .....	300		300
Supplementary Estimates (C)—Budgetary .....	582	42	624
Non-budgetary .....		<b>- 28</b>	<b>- 28</b>
Total—Budgetary .....	38,837	69,675	108,512
Non-budgetary .....	<b>103</b>	<b>54</b>	<b>157</b>
<b>APPROPRIATIONS</b>			
Granted by Parliament in appropriation acts:			
Appropriation Act No. 1—Budgetary .....	10,141		
Non-budgetary .....	<b>28</b>		
Appropriation Act No. 2—Budgetary .....	27,329		
Non-budgetary .....	<b>53</b>		
Appropriation Act No. 3—Budgetary .....	485		
Non-budgetary .....	<b>22</b>		
Appropriation Act No. 4—Budgetary .....	300		
Appropriation Act No. 5—Budgetary .....	582		
Total—Budgetary .....	38,837		
Non-budgetary .....	<b>103</b>		

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.



## Source and Disposition of Authorities— Annual and Statutory

Budgetary appropriations provide spending authority for those transactions which enter into the calculation of the annual deficit or surplus of the Government. Non-budgetary appropriations provide spending authority for all transactions which result in the acquisition or disposal of loans, investments and advances. Balances of appropriations brought forward from the previous years are available for spending, together with current increases to such authorities.

The totals of these authorities are reduced by the amount of their current year use to determine the balances which lapse, are overexpended or are carried forward to future years, depending upon the type of authority. In cases where the

spending of loan repayments is authorized, the non-budgetary spending is reported net of such repayments.

Table 5.2 presents details of the total available parliamentary spending authorities. They include authorities available from previous years, parliamentary spending authorities as per Table 5.1 and various adjustments which are explained in the notes to the table.

Table 5.3 presents a summary of the source and disposition of authorities by type (annual and statutory) for the year ended March 31, 1987.

Further ministerial details are presented in Section 1 (Table 3) of Volume II (Part I).

TABLE 5.2

### TOTAL AVAILABLE PARLIAMENTARY SPENDING AUTHORITIES (in millions of dollars)

	Available from previous years	Main and Supplementary Estimates	Adjustments and transfers <sup>(1)</sup>	Total available parliamentary spending authorities
Annual—Budgetary .....	23	38,837	52	38,912
Non-budgetary .....	<b>1,927</b>	<b>103</b>	<b>490</b>	<b>2,520</b>
Statutory—Budgetary .....	868	69,675	- 10	70,533
Non-budgetary .....	<b>26,131</b>	<b>54</b>	<b>- 1,143</b>	<b>25,042</b>
Total—Budgetary .....	891	108,512	42	109,445
Non-budgetary .....	<b>28,058</b>	<b>157</b>	<b>- 653</b>	<b>27,562</b>

<sup>(1)</sup> These adjustments and transfers include items such as:

- reserved allotments established to provide payment authority for the overexpenditure of previous year's appropriations which resulted from Payables at Year End (PAYE);
- adjustments to items displayed in the Estimates on an informational basis to reflect actual spending and of certain authorities carried forward to reflect authorities available; and,
- adjustments to authorities granted in statutes other than appropriation acts.

Further details can be obtained by referring to the adjustments and transfers column of the Ministry Summary in the ministerial sections of Volume II (Part I).

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.

TABLE 5.3

### SOURCE AND DISPOSITION OF AUTHORITIES—ANNUAL AND STATUTORY (in millions of dollars)

	Total available for use <sup>(1)</sup>	Used	Lapsed	Overexpended	Available for use in subsequent years
Annual—Budgetary .....	38,912	37,576	1,410	- 96	22
Non-budgetary .....	<b>2,520</b>	<b>628</b>	<b>31</b>		<b>1,861</b>
Statutory—Budgetary .....	70,533	69,122	508		903
Non-budgetary .....	<b>25,042</b>	<b>- 361</b>			<b>25,403</b>
Total—Budgetary .....	109,445	106,698	1,918	- 96	925
Non-budgetary .....	<b>27,562</b>	<b>267</b>	<b>31</b>		<b>27,264</b>

<sup>(1)</sup> Represents total available parliamentary spending authorities (Table 5.2).

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.





# SECTION 6

## 1986-87 PUBLIC ACCOUNTS

### Budgetary Expenditure

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## BUDGETARY EXPENDITURE

Budgetary expenditure consists of all charges to budgetary appropriations which affect the annual deficit or surplus of the Government. In addition, budgetary expenditure may also include charges related to the provision for valuation of loans, investments and advances, the allowance for borrowings of agent Crown corporations, and accounts payable and other allowances related to statutory items and certain annual appropriations. Such charges include those for work performed, goods received, services rendered, and transfer payments made, during the year and in the supplementary period including accounts payable at year end.

Expenditure excludes amounts charged to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

## Expenditure by Envelope

The increasing complexity of Government responsibilities and the limited resources available to meet those responsibilities led to the policy and expenditure management system. Under this system, the Government manages the resources made available to it by "envelope". Each envelope represents the resources allocated to a particular policy sector for all elements of ministerial spending that relates to that sector.

## Expenditure by Envelope and Source

Table 6.1 presents expenditure by envelope and source. The table is presented on both a gross and net basis and segregates expenditure with outside parties from expenditure internal to the Government. The difference between gross and net expenditure is revenue credited to appropriations.

TABLE 6.1  
EXPENDITURE BY ENVELOPE AND SOURCE  
(in millions of dollars)

	1986-87					
	Gross expenditure		Revenue credited to appropriations		Net expenditure	
	With outside parties <sup>(2)</sup>	Internal to the Government	From outside parties	Internal to the Government	With outside parties <sup>(2)</sup>	Internal to the Government
		Total			Total	
Social development—						
Old age security benefits, guaranteed income supplements and spouses' allowances .....	13,445		13,445			13,445
Unemployment insurance benefits.....	10,444		10,444			10,444
Established programs financing—						
Insurance and medical care services ..	6,607		6,607			6,607
Education support .....	2,232		2,232			2,232
Canada Assistance Plan .....	4,051		4,051			4,051
Family allowances .....	2,534		2,534			2,534
Justice and legal .....	2,177	5	2,182			2,182
Social assistance—Indians and Inuit.....	2,240	1	2,241			2,241
Direct job creation and training.....	1,959		1,959			1,959
Veterans benefits .....	1,589		1,589			1,589
Housing .....	1,454		1,454			1,454
Television, film and radio .....	1,028		1,028			1,028
Other.....	5,299	1,026	6,325	490	1,019	4,816
	55,059	1,032	56,091	490	1,019	54,582
Economic and regional development .....	12,626	325	12,951	834	293	11,824
Defence.....	10,283	74	10,357	277	24	10,056
Fiscal arrangements .....	6,302		6,302			6,302
Services to Government .....	4,135	2,359	6,494	173	2,324	3,997
External affairs and aid .....	2,912	1	2,913	20	<sup>(1)</sup>	2,893
Parliament .....	207		207			207
Total program expenditure.....	91,524	3,791	95,315	1,794	3,660	89,861
Public debt, Table 6.3 .....	26,658	4	26,662			26,662
Total expenditure <sup>(3)</sup> .....	118,182	3,795	121,977	1,794	3,660	116,388

<sup>(1)</sup> Less than \$500,000.

<sup>(2)</sup> Reflected on the Statement of Revenue and Expenditure and Accumulated Deficit in Section 2 of this volume.

<sup>(3)</sup> Additional information is provided in Table 4 in Section 1 of Volume II (Part I).



In this table, expenditure with outside parties represents expenditure incurred as a result of transactions with organizations and individuals outside the Government of Canada as an accounting entity while expenditure internal to the Government represents expenditure incurred as a result of transactions between organizations within the accounting entity. The Government of Canada as an accounting entity is defined in Note 1 to the audited financial statements in Section 2 of this volume.

Revenue credited to appropriations represents revenue that has been credited to expenditure rather than to revenue where authority has been granted by Parliament.

"Total net expenditure" represents all budgetary expenditure recorded in the accounts of Canada in accordance with the accounting policies of the Government. "Total gross expenditure" is derived by adding to "Total net expenditure" all "Revenue credited to appropriations".

1985-86							
Gross expenditure			Revenue credited to appropriations		Net expenditure		
With outside parties <sup>(2)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	With outside parties <sup>(2)</sup>	Internal to the Government	Total
12,525		12,525			12,525		12,525
10,036		10,036			10,036		10,036
6,400		6,400			6,400		6,400
2,277		2,277			2,277		2,277
3,916		3,916			3,916		3,916
2,501		2,501			2,501		2,501
2,016	5	2,021			2,016	5	2,021
1,951	5	1,956			1,951	5	1,956
1,795		1,795			1,795		1,795
1,535	1	1,536			1,535	1	1,536
1,429		1,429			1,429		1,429
1,023		1,023			1,023		1,023
4,820	982	5,802	405	972	4,415	10	4,425
52,224	993	53,217	405	972	51,819	21	51,840
13,625	318	13,943	1,807	288	11,818	30	11,848
9,366	55	9,421	272	18	9,094	37	9,131
5,941		5,941			5,941		5,941
4,640	2,055	6,695	207	2,030	4,433	25	4,458
2,511	2	2,513	21	1	2,490	1	2,491
198		198			198		198
88,505	3,423	91,928	2,712	3,309	85,793	114	85,907
25,441	2	25,443			25,441	2	25,443
113,946	3,425	117,371	2,712	3,309	111,234	116	111,350

## Details of Expenditure by Envelope

Table 6.2 presents expenditure with outside parties on both a gross and net basis for major elements within each envelope.

TABLE 6.2

## DETAILS OF EXPENDITURE BY ENVELOPE

(in millions of dollars)

	1987		1986	
	Gross expenditure	Net expenditure	Gross expenditure	Net expenditure
<b>SOCIAL DEVELOPMENT</b>				
<b>COMMUNICATIONS—</b>				
Department: cultural affairs .....	105	105	98	98
Canada Council .....	86	86	74	74
Canadian Broadcasting Corporation .....	855	855	857	857
Canadian Film Development Corporation .....	86	86	76	76
Canadian Radio-television and Telecommunications Commission .....	26	26	24	24
National Arts Centre Corporation .....	15	15	17	17
National Film Board .....	70	60	73	64
National Library .....	36	36	31	31
National Museums of Canada .....	86	85	74	73
Public Archives .....	51	51	40	39
<b>EMPLOYMENT AND IMMIGRATION—</b>				
Department/Canada Employment and Immigration Commission .....	13,390	13,390	12,694	12,694
Immigration Appeal Board .....	8	8	5	5
<b>ENVIRONMENT .....</b>				
	751	751	691	691
<b>INDIAN AFFAIRS AND NORTHERN DEVELOPMENT .....</b>				
	2,641	2,640	2,368	2,367
<b>JUSTICE—</b>				
Department .....	175	175	130	130
Canadian Human Rights Commission .....	10	10	9	9
Commissioner for Federal Judicial Affairs .....	112	112	107	107
Federal Court of Canada .....	10	10	8	8
Law Reform Commission of Canada .....	4	4	5	5
Offices of the Information and Privacy Commissioners of Canada .....	4	4	3	3
Supreme Court of Canada .....	7	7	6	6
Tax Court of Canada .....	3	3	3	3
<b>LABOUR—</b>				
Canadian Centre for Occupational Health and Safety .....	8	8	7	7
<b>NATIONAL HEALTH AND WELFARE—</b>				
Department .....	27,660	27,603	26,226	26,186
Medical Research Council .....	168	168	161	161
<b>PUBLIC WORKS—</b>				
Canada Mortgage and Housing Corporation .....	1,454	1,454	1,454	1,454
<b>SECRETARY OF STATE—</b>				
Department .....	3,145	3,145	3,129	3,129
Advisory Council on the Status of Women .....	2	2	3	3
Social Sciences and Humanities Research Council .....	70	70	63	63
Status of Women—Office of the Co-ordinator .....	2	2	3	3
<b>SOLICITOR GENERAL—</b>				
Department .....	137	137	117	117
Canadian Security Intelligence Service .....	132	132	116	116
Correctional Service .....	745	745	717	717
National Parole Board .....	16	16	15	15
Royal Canadian Mounted Police .....	1,239	818	1,130	777
<b>VETERANS AFFAIRS .....</b>				
	1,586	1,586	1,532	1,532
<b>Provision for valuation .....</b>				
	54,895	54,405	52,066	51,661
	164	164	158	158
	<b>55,059</b>	<b>54,569</b>	<b>52,224</b>	<b>51,819</b>



TABLE 6.2

DETAILS OF EXPENDITURE BY ENVELOPE—Continued  
(in millions of dollars)

	1987		1986	
	Gross expenditure	Net expenditure	Gross expenditure	Net expenditure
<b>ECONOMIC AND REGIONAL DEVELOPMENT</b>				
<b>AGRICULTURE—</b>				
Department .....	3,347	3,334	2,294	2,281
Canadian Dairy Commission .....	5	5	4	4
Canadian Livestock Feed Board .....	17	17	17	17
Farm Credit Corporation .....	5	5		
<b>COMMUNICATIONS—</b>				
Department: excluding cultural affairs .....	173	162	174	164
<b>CONSUMER AND CORPORATE AFFAIRS—</b>				
Department .....	158	158	153	153
Competition Tribunal .....	1	1		
Restrictive Trade Practices Commission .....	1	1	1	1
Standards Council of Canada .....	7	7	6	6
<b>ENERGY, MINES AND RESOURCES—</b>				
Department .....	1,536	1,526	3,458	2,362
Atomic Energy Control Board .....	22	22	20	20
Atomic Energy of Canada Limited .....	218	218	274	274
National Energy Board .....	25	25	25	25
<b>EXTERNAL AFFAIRS—</b>				
Department: program for export market development .....	24	24	34	34
Canadian Commercial Corporation .....	16	16	16	16
<b>FISHERIES AND OCEANS .....</b>	<b>572</b>	<b>572</b>	<b>627</b>	<b>627</b>
<b>LABOUR—</b>				
Department .....	213	191	172	150
Canada Labour Relations Board .....	6	6	6	6
<b>REGIONAL INDUSTRIAL EXPANSION—</b>				
Department .....	1,160	1,160	1,057	1,057
Canadair Financial Corporation Inc. ....			1,188	1,188
Cape Breton Development Corporation .....	164	164	120	120
Federal Business Development Bank .....	55	55	26	26
Investment Canada .....	9	9	10	10
The de Havilland Aircraft of Canada, Limited .....			50	50
<b>SCIENCE AND TECHNOLOGY—</b>				
Ministry of State .....	16	16	13	13
National Research Council of Canada .....	428	409	423	413
Natural Sciences and Engineering Research Council .....	320	320	310	310
Science Council of Canada .....	3	3	4	4
<b>SUPPLY AND SERVICES—</b>				
Department: unsolicited proposals for research and development and public awareness .....	19	19	24	24
<b>TRANSPORT—</b>				
Department .....	3,151	2,392	3,288	2,632
Canadian Aviation Safety Board .....	14	14	17	17
Canadian Transport Commission .....	882	882	679	679
Civil Aviation Tribunal .....	1	1		
Grain Transportation Agency Administrator .....	3	3	2	2
Northern Pipeline Agency .....	1	1	1	1
	12,572	11,738	14,493	12,686
Provision for valuation .....	54	54	-868	-868
	12,626	11,792	13,625	11,818

TABLE 6.2

DETAILS OF EXPENDITURE BY ENVELOPE—*Continued*  
(in millions of dollars)

	1987		1986	
	Gross expenditure	Net expenditure	Gross expenditure	Net expenditure
<b>DEFENCE</b>				
NATIONAL DEFENCE .....	10,026	9,749	9,319	9,047
Provision for valuation .....	257	257	47	47
	10,283	10,006	9,366	9,094
<b>FISCAL ARRANGEMENTS</b>				
<b>FINANCE—</b>				
Department—				
Fiscal transfer payments program .....	5,801	5,801	5,459	5,459
<b>PUBLIC WORKS—</b>				
Department: municipal grants .....	247	247	239	239
<b>SUPPLY AND SERVICES—</b>				
Department: reciprocal taxation .....	256	256	243	243
	6,304	6,304	5,941	5,941
Provision for valuation .....	-2	-2		
	6,302	6,302	5,941	5,941
<b>SERVICES TO GOVERNMENT</b>				
<b>CONSUMER AND CORPORATE AFFAIRS—</b>				
Canada Post Corporation .....	431	431	355	355
<b>FINANCE—</b>				
Department—				
Financial and economic policies program: excluding development assistance .....	85	85	85	85
Canadian Import Tribunal program .....	2	2	2	2
Inspector general of banks program .....	4	4	4	4
Special program .....	6	6	797	797
Auditor General .....	43	43	41	41
Insurance .....	24	24	25	25
Tariff Board .....	3	3	3	3
GOVERNOR GENERAL .....	8	8	6	6
<b>NATIONAL REVENUE—</b>				
Customs and Excise .....	451	451	402	402
Taxation .....	815	762	730	685
<b>PRIVY COUNCIL—</b>				
Department .....	45	45	48	48
Canadian Intergovernmental Conference Secretariat .....	3	3	3	3
Chief Electoral Officer .....	10	10	4	4
Commissioner of Official Languages .....	10	10	9	9
Economic Council of Canada .....	9	9	8	8
Public Service Staff Relations Board .....	8	8	9	9
Security Intelligence Review Committee .....	1	1	1	1
<b>PUBLIC WORKS—</b>				
Department: excluding municipal grants .....	954	898	1,055	965
National Capital Commission .....	62	62	81	81



TABLE 6.2

DETAILS OF EXPENDITURE BY ENVELOPE—*Concluded*  
(in millions of dollars)

	1987		1986	
	Gross expenditure	Net expenditure	Gross expenditure	Net expenditure
<b>SECRETARY OF STATE—</b>				
Public Service Commission .....	123	123	111	111
<b>SUPPLY AND SERVICES—</b>				
Department: excluding reciprocal taxation, unsolicited proposals for research and development, and public awareness .....	296	238	253	186
Statistics Canada .....	302	296	210	205
<b>TREASURY BOARD—</b>				
Secretariat .....	305	305	282	282
Comptroller General .....	13	13	12	12
Privatization and Regulatory Affairs .....	5	5		
	4,018	3,845	4,536	4,329
Provision for valuation .....	117	117	104	104
	4,135	3,962	4,640	4,433
<b>EXTERNAL AFFAIRS AND AID</b>				
<b>ENERGY, MINES AND RESOURCES—</b>				
Petro-Canada International Assistance Corporation .....	29	29	24	24
<b>EXTERNAL AFFAIRS—</b>				
Department: excluding program for export market development .....	818	798	758	737
Canadian International Development Agency .....	1,900	1,900	1,268	1,268
Canadian Institute for International Peace and Security .....	3	3	2	2
International Development Research Centre .....	100	100	86	86
International Centre for Ocean Development .....	4	4		
International Joint Commission .....	3	3	3	3
<b>FINANCE—</b>				
Department—				
Financial and economic policies program: development assistance .....	150	150		
	3,007	2,987	2,141	2,120
Provision for valuation .....	-95	-95	370	370
	2,912	2,892	2,511	2,490
<b>PARLIAMENT</b>				
<b>PARLIAMENT—</b>				
The Senate .....	29	29	27	27
House of Commons .....	161	161	160	160
Library of Parliament .....	12	12	11	11
	202	202	198	198
Provision for valuation .....	5	5		
	207	207	198	198
<b>PUBLIC DEBT</b>				
<b>FINANCE—</b>				
Department—				
Public debt program .....	26,658	26,658	25,452	25,452
Provision for valuation .....			-11	-11
	26,658	26,658	25,441	25,441
Total expenditure before provision for valuation .....	117,682	115,888	114,146	111,434
Provision for valuation .....	500	500	-200	-200
<b>TOTAL</b> .....	118,182	116,388	113,946	111,234

## SUPPLEMENTARY STATEMENTS

## Public Debt Charges

Public debt charges include interest on unmatured debt (including Canada and Treasury bills), on specified purpose accounts and on other accounts, cost of issuing new loans, amortization of bond discounts, premiums and commissions, and the costs of servicing the public debt.

The increase of \$816 million in public debt charges related to unmatured debt is commensurate with an increase in the debt, which rose from \$201,517 million at March 31, 1986 to \$229,491 million at March 31, 1987. The increase of \$400 million in public debt charges related to specified purpose accounts was due mainly to an increase in the balances of superannuation accounts.

A comparative summary of public debt charges is presented in Table 6.3. In 1986-87, changes in the presentation of the table have been made in order to disclose in greater detail the consolidated specified purpose accounts and the reconciling items between total public debt charges as reported in the Finance ministerial section (Section 9) of Volume II (Part I) and the total net expenditure of the public debt envelope as per Table 6.1. The reconciling items include the expenditure of the consolidated specified purpose accounts and the provision for valuation. Expenditure internal to the Government has been deducted from the total net expenditure of the public debt envelope to obtain the total net expenditure with outside parties. Since no portion of revenue credited to appropriations applies to the public debt envelope, the total gross public debt envelope is identical to the total net public debt envelope.

TABLE 6.3

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

	1986-87	1985-86	Increase or decrease (-)
Unmatured debt—			
Marketable bonds—			
Payable in Canadian currency .....	10,142	9,058	1,084
Payable in foreign currencies .....	455	307	148
	10,597	9,365	1,232
Canada savings bonds .....	4,419	5,177	- 758
Special non-marketable bonds—			
Canada Pension Plan Investment Fund .....	136	37	99
Treasury bills .....	5,801	5,513	288
Notes and loans—			
Payable in Canadian currency .....		4	- 4
Payable in foreign currencies .....	539	575	- 36
	539	579	- 40
Canada bills .....	30		30
Servicing costs and costs of issuing new loans .....	66	101	- 35
Total public debt charges related to unmatured debt .....	21,588	20,772	816
Specified purpose accounts—			
Superannuation accounts .....	4,616	4,214	402
Government Annuities Account .....	70	73	- 3
Canada Pension Plan Account .....	156	152	4
Deposit and trust accounts .....	94	104	- 10
Other .....	59	52	7
Total public debt charges related to specified purpose accounts .....	4,995	4,595	400
Consolidated specified purpose accounts—			
Unemployment Insurance Account .....	3	3	
Western Grain Stabilization Account .....	1	48	- 47
Agricultural Commodities Stabilization Accounts .....	2		2
Total public debt charges related to consolidated specified purpose accounts .....	6	51	- 45
Total public debt charges related to other accounts .....	79	87	- 8
Total public debt charges <sup>(2)</sup> .....	26,668	25,505	1,163
Less:			
Total public debt charges related to consolidated specified purpose accounts .....	6	51	- 45
Provision for valuation .....		11	- 11
Total consolidated accounts and provision .....	6	62	- 56
Total net/gross expenditure of the public debt envelope .....	26,662	25,443	1,219
Less:			
Expenditure internal to the Government—Interest on Government's holdings of unmatured debt .....	4	2	2
Total net/gross expenditure with outside parties of the public debt envelope .....	26,658	25,441	1,217

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

<sup>(2)</sup> Additional details are provided in Section 8 of Volume II (Part II).



## Expenditure under Statutory Authority

The spending authority provided by statutory appropriations is for specified purposes and for such amounts and such time as the acts prescribe. This spending authority does not generally lapse at the end of the year in which it is granted. Expenditure under such authority accounts for more than half of the total net expenditure each year.

Table 6.4 presents a comparative summary of these statutory expenditures. In 1986-87, changes in the presentation of the table have been made in order to disclose the reconciling

items between the total ministerial expenditure under statutory authority and the total net statutory expenditure. The reconciling items include the statutory expenditure of the consolidated specified purpose accounts and the provision for valuation. Expenditure internal to the Government has been deducted from the total net statutory expenditure to obtain the total net statutory expenditure with outside parties. Revenue credited to appropriations from outside parties has been added to the latter to obtain the total gross statutory expenditure with outside parties.

TABLE 6.4

### EXPENDITURE UNDER STATUTORY AUTHORITY (in millions of dollars)

	1986-87	1985-86	Increase or decrease (-)
Public debt charges .....	26,668	25,505	1,163
Old age security payments .....	9,520	8,858	662
Payments for insured health services and extended health care services .....	6,621	6,386	235
Federal-provincial fiscal arrangements and public utilities .....	5,801	5,459	342
Canada Assistance Plan payments .....	4,001	3,876	125
Guaranteed income supplement payments .....	3,451	3,319	132
Government's contribution to the Unemployment Insurance Account .....	2,710	2,744	-34
Family allowance payments .....	2,535	2,500	35
Post-secondary education payments to provinces .....	2,232	2,278	-46
Payments to railway companies under the Western Grain Transportation Act .....	672	496	176
Spouse's allowance payments .....	473	348	125
Interest payments under the Canada Student Loans Act .....	351	285	66
Reciprocal taxation .....	256	243	13
Grants to municipalities and other taxing authorities .....	247	239	8
Contributions to the provinces under the Crop Insurance Act .....	213	198	15
Government's contribution in respect of fishermen's benefits .....	201	176	25
Excess of expenditures over the revenues of the Canada Post Corporation .....	129	184	-55
Payments to International Development Association .....	141		141
Payments to international financial institutions .....	120		120
Judges' salaries, allowances and annuities .....	109	103	6
Labour adjustment benefits payments .....	92	60	32
Payments to producers for named agricultural commodities .....	84	24	60
Superannuation, supplementary retirement benefits, death benefits and other pensions— Public Service—			
Government's matching contribution to the Public Service Superannuation Account .....	398	391	
Statutory payments under the Supplementary Retirement Benefits Act .....	476	453	
Government's contribution as employer to the Unemployment Insurance Account .....	185	175	
Government's matching contribution to the Canada and Quebec Pension Plans .....	105	91	
Government's matching contribution to the Supplementary Retirement Benefits Account .....	78	72	
Government's matching contribution to the death benefit account .....	7	7	
Amortization of actuarial deficiency .....	53	244	
	1,302	1,433	
Less: interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	53	244	
recoveries from revolving funds .....	70	67	
	123	311	
	1,179	1,122	57
Canadian Forces—			
Government's matching contribution to the Canadian Forces Superannuation Account ..	233	223	
Statutory payments under the Supplementary Retirement Benefits Act .....	286	262	
Government's contribution as employer to the Unemployment Insurance Account .....	63	58	
Government's matching contribution to the Canada and Quebec Pension Plans .....	35	32	
Government's matching contribution to the Supplementary Retirement Benefits Account .....	25	24	
Government's matching contribution to the death benefit account .....	2	2	
Amortization of actuarial deficiency .....	62	152	
	706	753	
Less: interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	62	152	
	644	601	43

TABLE 6.4

EXPENDITURE UNDER STATUTORY AUTHORITY—*Concluded*  
(in millions of dollars)

	1986-87	1985-86	Increase or decrease (-)
Royal Canadian Mounted Police—			
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account .....	72	68	
Statutory payments under the Supplementary Retirement Benefits Act .....	22	20	
Government's contribution as employer to the Unemployment Insurance Account .....	13	12	
Government's matching contribution to the Canada and Quebec Pension Plans .....	8	7	
Government's matching contribution to the Supplementary Retirement Benefits Account .....	7	6	
Amortization of actuarial deficiency .....	1	11	
	123	124	
<i>Less:</i> interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	1	11	
	122	113	9
Payments under the Defence Services and Royal Canadian Mounted Police Pension Continuation Act .....	17	17	
All other statutory expenditure .....	533	2,458	- 1,925
Total ministerial expenditure under statutory authority <sup>(1)</sup> .....	69,122	67,592	1,530
Consolidated specified purpose accounts—			
Unemployment Insurance Account .....	8,282	7,753	529
Western Grain Stabilization Account .....	777	393	384
Crop Reinsurance Fund .....	287	98	189
Oil Export Charges Revenue Sharing Account .....		142	- 142
Agricultural Commodities Stabilization Accounts .....	- 22		- 22
Total expenditure of consolidated specified purpose accounts .....	9,324	8,386	938
Provision for valuation .....	500	- 200	700
Total net statutory expenditure .....	78,946	75,778	3,168
Expenditure internal to the Government .....	- 4	- 2	- 2
Total net statutory expenditure with outside parties .....	78,942	75,776	3,166
Revenue credited to appropriations from outside parties .....	136	1,258	- 1,122
Total gross statutory expenditure with outside parties .....	79,078	77,034	2,044

<sup>(1)</sup> Additional details are provided in Table 3 in Section 1 of Volume II (Part I).



# SECTION 7

## 1986-87 PUBLIC ACCOUNTS

### Consolidated Specified Purpose Accounts

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## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are categories of budgetary revenue and expenditure which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. Such accounts collect primarily receipts of a tax nature, and include: the Unemployment Insurance Account, the Canadian Ownership Account, the Western Grain Stabilization Account, the Oil Export Charges Revenue Sharing Account, the Crop Reinsurance Fund and the Agricultural Commodities Stabilization Accounts.

In the past, earmarked revenues were credited to non-budgetary accounts, with related offsetting payments and expendi-

tures charged thereto. Commencing with 1985-86 (1984-85 for the Canadian Ownership Account), the transactions of these accounts are reported with budgetary revenue and expenditure, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 7.1 presents a summary of the balances and transactions of these accounts, in the manner required by legislation.

The financial statements of the Unemployment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 7.1

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	Receipts and other credits			Payments and other charges		Net increase or decrease (-)		
	April 1/ 1986	From outside parties	Internal to the Government	With outside parties	Internal to the Government	March 31/ 1987	1987	1986
	\$	\$	\$	\$	\$	\$	\$	\$
Unemployment Insurance Account, Table 7.2 .....	- 105,563,768	9,558,032,569	5,987,255,695	11,257,265,243	4,473,014,553	- 290,555,300	- 184,991,532	156,097,652
Less: interest bearing loans .....	4,229,000,000		3,635,000,000		3,012,000,000	3,606,000,000	- 623,000,000	- 586,000,000
	- 4,334,563,768	9,558,032,569	9,622,255,695	11,257,265,243	7,485,014,553	- 3,896,555,300	438,008,468	742,097,652
Canadian Ownership Account .....	1,902,919,901	- 752,749				1,902,167,152	- 752,749	229,177,065
Add: investments made through the Canadian Ownership Account .....	1,656,854,321					1,656,854,321		
Canadian Ownership special charge collected .....	3,559,774,222	- 752,749				3,559,021,473	- 752,749	229,177,065
Oil Export Charges Revenue Sharing Account .....	297,718			297,718			- 297,718	297,718
Western Grain Stabilization Account .....	607,017,929	25,378,264	77,393,414	854,800,245		- 145,010,638	- 752,028,567	- 363,496,516
Crop Reinsurance Fund .....	120,497,510	53,810,768		287,403,056		- 113,094,778	- 233,592,288	- 49,563,384
Agricultural Commodities Stabilization Accounts .....		47,109,166	26,844,576	4,172,679		69,781,063	69,781,063	
Total .....	- 46,976,389	9,683,578,018	9,726,493,685	12,403,938,941	7,485,014,553	- 525,858,180	- 478,881,791	558,512,535

### Unemployment Insurance Account

The Unemployment Insurance Act provides for a compulsory contributory unemployment insurance program applicable to all employees, with few exceptions.

The Act authorizes an account in the accounts of Canada to be known as the Unemployment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, fines, penalties and interest; (b) Government share of benefits paid; (c) refunds of overpayments of benefits, and benefit repayments; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to unemployment insurance and authorized by an appropriation administered by the Canada Employment and Immigration Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may authorize. The Act also provides that the following be charged to the

Account: (a) benefits paid under the Act; (b) costs of administering the Act; and (c) interest on advances made by the Minister of Finance.

Maximum weekly employee premiums were \$11.63 from April 1, 1986 to December 31, 1986 and \$12.46 from January 1, 1987 to March 31, 1987. For the same periods, maximum weekly benefits were \$297 from April 1, 1986 to December 31, 1986 and \$318 from January 1, 1987 to March 31, 1987.

Interest bearing loans are made to the Unemployment Insurance Account, under Section 137(1) of the Unemployment Insurance Act, as a result of deficiencies in contributions from employers and employees. The balance outstanding as at March 31, 1987 bears interest at rates between 8.045% and 12% per annum, and is repayable between April 30, 1987 and March 31, 1989.



TABLE 7.2

**TRANSACTIONS IN THE UNEMPLOYMENT INSURANCE ACCOUNT**  
(in millions of dollars)

	1986-87	1985-86
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employee and employer*.....	9,819	8,964
Government .....	2,710	2,744
Investment income .....	4	4
Interest bearing loans from the Government .....	3,012	594
	15,545	12,306
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits .....	10,320	9,841
Expenses .....	937	904
Interest expense .....	838	225
Repayments of interest bearing loans to the Government .....	3,635	1,180
	15,730	12,150
Net decrease ( - ) or increase .....	- 185	156
Add—Balance at beginning of year .....	- 106	- 262
Balance at end of year .....	- 291	- 106

\* Included in employee and employer contributions is \$261 million (\$245 million in 1985-86) from the Government as contribution for employees.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, receipts and other credits of \$9,558 million (\$8,719 million in 1986), are reported as revenue, while payments and other charges of \$11,257 million (\$10,745 million in 1986), are reported as expenditure.

Receipts and other credits of \$5,987 million (\$3,587 million in 1986) and payments and other charges of \$4,473 million (\$1,405 million in 1986), internal to the operations of the Government, have been eliminated, in order to present transactions with outside parties, only.

### Canadian Ownership Account

This account was established under the authority of Energy, Mines and Resources Vote 5c, Appropriation Act No 4, 1980-81. The account was credited with amounts received from the Canadian Ownership special charge levied to increase public ownership of the oil and gas industry in Canada.

The special charge was cancelled due to deregulation on June 1, 1985. Therefore, any transactions since then are as a result of adjustments due to audits.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, receipts and other credits of -\$1 million (\$229 million in 1986), are reported as revenue.

### Oil Export Charges Revenue Sharing Account

This account recorded the share of the oil export charges that was payable to oil producing provinces, in accordance with the Energy Administration Act. The share of oil export charges was in respect of oil produced in, and exported from, the provinces of British Columbia, Alberta, Manitoba and Saskatchewan. The charges were cancelled due to deregulation on June 1, 1985. Therefore, any transactions since then are as a result of adjustments due to audits.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, there were no receipts and other credits reported as revenue in 1987 (\$142 million reported as revenue in 1986), nor were there any payments and other charges reported as expenditure (\$142 million reported as expenditure in 1986). However, an amount of \$297,718 payable to oil producing provinces at March 31, 1986 was paid in 1986-87 (details are provided in Table 9.15 in Section 9 of this volume).

### Western Grain Stabilization Account

The purpose of the Western Grain Stabilization Act is to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, mustard seed, canola and flax seed as well as any other seed that may be prescribed which is: (a) produced in the designated area and, (b) named in Schedule 1 to the Canada Grain Act and designated therein as "Canada Western".

This account records funds for this purpose which are received from:

- levies paid by participating producers—Ranging from 1% to 2½% of grain sales proceeds to an annual maximum of \$60,000 eligible proceeds per participant;
- Government contributions equal to levies paid by producers plus an additional 2% of the participating eligible grain sales proceeds of all participants; and,
- interest on the amount standing to the credit of the Account, at rates and in accordance with terms and conditions determined by the Minister of Finance.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, receipts and other credits of \$25 million (\$30 million in 1986), are reported as revenue, while payments and other charges of \$855 million (\$526 million in 1986), are reported as expenditure.

Receipts and other credits of \$77 million (\$133 million in 1986), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties, only.

### Crop Reinsurance Fund

This Fund, established by Section 5(1) of the Crop Insurance Act, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes.

The revenue of the Fund comes from moneys paid by the provinces for the purpose of reinsurance and the expenditure of the Fund are moneys paid to the provinces under the terms of reinsurance agreements.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, receipts and other credits of \$54 million (\$48 million in 1986), are reported as revenue, while payments and other charges of \$287 million (\$98 million in 1986), are reported as expenditure.

## **Agricultural Commodities Stabilization Accounts**

The purpose of these accounts is to reduce income loss to producers from market risks through stabilizing prices. Premiums are shared equally by the Government of Canada, the governments of participating provinces and participating producers. These premiums should equal the total paid over time. There are four active accounts as follows:

- (a) hogs;
- (b) slaughter cattle;
- (c) feeder calves; and,
- (d) lambs.

These accounts were established in the accounts of Canada, in the 1986-87 fiscal year, pursuant to Section 10.2 of the Agricultural Stabilization Act.

Within the Statement of Revenue and Expenditure and Accumulated Deficit, receipts and other credits of \$47 million are reported as revenue, while payments and other charges of \$4 million are reported as expenditure.

Receipts and other credits of \$27 million, internal to the operations of the Government, have been eliminated in order to present transactions with outside parties, only.



## SUPPLEMENTARY STATEMENT

Canada Employment and Immigration  
Commission relating to the Unemployment  
Insurance Account

## AUDITOR'S REPORT

TO THE MINISTER OF EMPLOYMENT AND IMMIGRATION

I have examined the balance sheet of the Canada Employment and Immigration Commission relating to the Unemployment Insurance Account as at December 31, 1986 and the statement of revenue, expenses and deficit for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission relating to the Unemployment Insurance Account as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Kenneth M. Dye, F.C.A.  
Auditor General of Canada

Ottawa, Canada  
August 28, 1987

BALANCE SHEET AS AT DECEMBER 31, 1986  
(in thousands of dollars)

ASSETS			LIABILITIES AND DEFICIT		
	1986	1985		1986	1985
Balance of the account with Receiver General for Canada .....	48,961	23,947	Unredeemed warrants .....	220,675	114,008
Due from claimants (Note 4) .....	126,682	125,179	Tax deductions from warrants .....	112,137	76,508
Due from Canada (Notes 3 and 5) .....		84,563	Due to Canada (Note 5) .....	85,580	
			Advances from Canada (Note 6) .....	3,549,224	4,487,779
				3,967,616	4,678,295
			Deficit (Note 3) .....	3,791,973	4,444,606
	175,643	233,689		175,643	233,689

Approved by the Commission:

PAUL GAUVIN  
Executive Director  
Finance and Administration

GAETAN LUSSIER  
Chairman

## Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—Continued

### STATEMENT OF REVENUE, EXPENSES AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1986 (in thousands of dollars)

	1986	1985
<b>Revenue</b>		
Premiums .....	9,615,637	8,752,844
Penalties .....	15,855	13,500
	<u>9,631,492</u>	<u>8,766,344</u>
<b>Expenses</b>		
Benefits (Note 7 and Schedule) .....	10,393,518	10,117,876
Administration .....	927,687	902,286
Interest on advances from Canada and on the balance of the account with Receiver General for Canada .....	463,245	521,620
Doubtful accounts .....	8,411	11,878
	<u>11,792,861</u>	<u>11,553,660</u>
Excess of expenses over revenue before Gov- ernment's share of benefits .....	2,161,369	2,787,316
Government's share of benefits (Note 3 and Schedule) .....	<u>2,814,002</u>	<u>2,888,372</u>
Excess of revenue over expenses for the year (Note 3) .....	652,633	101,056
Deficit at beginning of the year .....	<u>4,444,606</u>	<u>4,545,662</u>
Deficit at end of the year (Note 3) .....	<u>3,791,973</u>	<u>4,444,606</u>

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1986

#### 1. Authority and objective

The Canada Employment and Immigration Commission, a departmental corporation named in Schedule B to the Financial Administration Act, administers the Unemployment Insurance Act, 1971 as amended. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Unemployment Insurance Account.

In the accounts of Canada, the Unemployment Insurance Account was established by Section 131 of the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to this Account. Benefits and the cost of administration of the Act are paid out of the Consolidated Revenue Fund and charged to this Account.

Under Part IV of the Act, the Minister of National Revenue is responsible for collecting premiums from employers and employees.

#### 2. Accounting policies

##### (a) Premiums

The premiums are recorded based on an estimate of the amount to be collected in the current year and include adjustments between actual and estimated premiums of prior years.

##### (b) Penalties

Penalties, levied pursuant to Section 47 of the Act, are recorded on an accrual basis.

##### (c) Benefits

Benefits represent warrants issued during the year less benefit overpayments identified by the Commission during the year and benefit repayments estimated to be receivable under Section 142 of the Act including adjustments between actual and estimated repayments of prior years.

##### (d) Administration

The costs of administration of the Act are determined by the Unemployment Insurance Regulations and are charged to the Account by the Commission.

##### (e) Interest

Interest on the balance of the account with Receiver General for Canada and interest on advances from Canada are recorded on an accrual basis.

##### (f) Government's share of benefits

The government's share of benefits is recorded on an accrual basis.



## Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—Continued

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1986—Continued

#### 3. Restatement of prior year

The Commission completed a study to estimate the overcharge to the Government's share of benefits due to the methods used to administer claimants' records of employment. The overcharges were estimated at \$73,223,000 for 1985 and \$69,617,000 for 1986. The estimate for prior years is unavailable due to the difficulty in obtaining the necessary information and the cost involved.

The 1985 comparative figures in the financial statements were restated accordingly. The Government's share of benefits and the excess of revenue over expenses for the year ended December 31, 1985 and the amount due from Canada as at that date have been reduced by \$73,223,000. The deficit at December 31, 1985 has been increased by the same amount and the balance of this account as at January 1st, 1985 has remained the same as previously reported.

#### 4. Due from claimants

	1986	1985
	(in thousands of dollars)	
Benefit overpayments and penalties .....	116,335	102,973
Less: allowance for doubtful accounts .....	29,849	27,794
	86,486	75,179
Estimated benefit repayments under Section 142 of the Act .....	40,196	50,000
	126,682	125,179

Uncollectable benefit overpayments and penalties written-off during the year under authority of Section 60(2) of the Regulations amounted to \$6.4 million (1985—\$5.4 million).

#### 5. Due from (to) Canada

	1986	1985
	(in thousands of dollars)	
Government's share of benefits (Note 3)	(64,647)	(45,933)
Premiums .....	3,781	132,929
Interest on balance of the account with Receiver General for Canada .....	170	1,156
Administration expenses .....	(24,956)	(3,702)
Benefit repayments .....	114	142
Other .....	(42)	(29)
	(85,580)	84,563

#### 6. Advances from Canada

Advances from Canada are made under Section 137 of the Act and the Unemployment Insurance Account Advance Regulations, by means of promissory notes which bear annual interest compounded semi-annually at

rates varying from 9.125% to 12.00%. The balance as at December 31 consists of:

	1986	1985
	(in thousands of dollars)	
Principal repayable in		
1986 .....		1,308,000
1987 .....	2,749,000	2,749,000
1988 .....	342,000	
	3,091,000	4,057,000
Accrued interest .....	458,224	430,779
	3,549,224	4,487,779

#### 7. Overpayments and underpayments of benefits

The large number of claimants to be monitored and the requirement for prompt service require selective internal control procedures rather than universal and therefore the verification of claims is mainly done after claimants have begun to receive benefits.

As a result, overpayments and underpayments of benefits exist which the Commission estimated at \$316 million (\$270 million in 1985) and \$123 million (\$109 million in 1985) respectively. These amounts are included in the benefits for the year.

#### 8. Contingent liabilities

In the normal course of the operations of the Unemployment Insurance Account, certain appeals against or by the Commission are presently outstanding. In the opinion of management, the result of these appeals will not have a significant impact on the operations of the Unemployment Insurance Account.

#### 9. Subsequent event

On June 26, 1987, Bill C-50 received Royal Assent. This Act concerns the treatment of pension payments in determining certain unemployment insurance benefits entitlements retroactive to January 5, 1986. Pursuant to this Act, approximately \$123 million in benefits were paid subsequent to June 26, 1987. As benefit payments are recorded on a cash basis, no provision was made as at December 31, 1986.

## Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—*Concluded*

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1986—*Concluded*

### SCHEDULE OF BENEFITS FOR THE YEAR ENDED DECEMBER 31, 1986 (in thousands of dollars)

	1986		1985	
	Total	Government's share	Total	Government's share
Regular .....	9,098,430	2,464,447	8,877,008	2,535,969
Maternity .....	471,839		431,268	
Training .....	235,660	113,939	232,790	120,311
Sickness .....	236,395		215,066	
Job creation .....	96,092	44,471	132,279	65,455
Work sharing .....	21,551		25,373	
Retirement .....	21,859		21,108	
Adoption .....	4,154		3,897	
	10,185,980	2,622,857	9,938,789	2,721,735
Fishing .....	207,538	191,145	179,087	166,637
	10,393,518	2,814,002	10,117,876	2,888,372

In accordance with Sections 136 and 146 of the Unemployment Insurance Act, 1971, the Government's share of benefits consists of extended benefits paid under Section 35, Subsections 38(8) and 39(3), and all benefits paid to fishermen less premiums paid by them and their designated employers.

Extended benefits paid under Section 35 of the Act are benefits paid to claimants who have exhausted their initial benefits (and labour force extended benefits, if they are entitled) and who reside in a region where the regional unemployment rate exceeds 4.0 per cent.

Extended benefits under Subsection 38(8) and 39(3) of the Act are benefits paid to claimants on job creation projects or training courses and whose entitlements are not enough to cover the duration of the project or course plus an additional maximum of three weeks of entitlement after the projects or courses end.



# SECTION 8

## 1986-87 PUBLIC ACCOUNTS

### Loans, Investments and Advances

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## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to valuation to reflect estimated losses on realization. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenue as premium and discount on exchange, while net losses are charged to budgetary expenditure of the Department of Finance.

The allowance established to reflect estimated losses on realization of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under Section 54(2)(b) of the Financial Administration Act.

Revenue received during the year on loans, investments and advances, is credited to return on investments; details are given

in Section 11 of Volume II (Part II). In accordance with stated accounting policies, accrued interest and interest due but not received are not reported as revenue. Table 8.19 gives details of recorded uncollected interest.

Transactions and year-end balances of loans, investments and advances are presented as follows:

- Crown corporations;
- provincial and territorial governments;
- national governments including developing countries;
- international organizations;
- Veterans' Land Act Fund advances;
- joint and mixed enterprises; and,
- miscellaneous.

Transactions and balances are further summarized in Sections 1 and 2 of this volume.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. In addition, the term "account(s) without current transactions" has been included in some tables, to show the net result of transactions in accounts which were closed out in the previous year.



TABLE 8.1

## LOANS, INVESTMENTS AND ADVANCES

					Net increase or decrease (-)	
	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
<b>Crown corporations—</b>						
<b>Lending institutions, Table 8.2—</b>						
Canada Deposit Insurance Corporation .....	935,000,000	282,835,618	551,000,000	1,203,164,382	268,164,382	895,000,000
Canada Mortgage and Housing Corporation .....	9,664,994,947	447,510,210	193,900,000	9,411,384,737	-253,610,210	-194,707,444
Export Development Corporation .....	825,991,600	48,991,600		777,000,000	-48,991,600	-63,720,054
Farm Credit Corporation .....	4,113,993,637	591,154,858		3,522,838,779	-591,154,858	-214,368,398
Federal Business Development Bank .....	438,000,000	93,000,000		345,000,000	-93,000,000	-119,000,000
	<i>15,977,980,184</i>	<i>1,463,492,286</i>	<i>744,900,000</i>	<i>15,259,387,898</i>	<i>-718,592,286</i>	<i>303,204,104</i>
<b>All other Crown corporations, Table 8.3—</b>						
Air Canada .....	525,106,762	20,508,877		504,597,885	-20,508,877	-31,581,502
Atomic Energy of Canada Limited .....	727,984,283	18,395,550		709,588,733	-18,395,550	-67,100,805
Canada Development Investment Corporation .....	395,658,315			395,658,315		
Canadian National Railway Company .....	2,844,599,806	351,111,331		2,493,488,475	-351,111,331	-8,861,078
Petro-Canada .....	4,299,126,174			4,299,126,174		
Other .....	1,539,280,720	972,016,869	1,157,359,395	1,724,623,246	185,342,526	-107,163,947
	<i>10,331,756,060</i>	<i>1,362,032,627</i>	<i>1,157,359,395</i>	<i>10,127,082,828</i>	<i>-204,673,232</i>	<i>-214,707,332</i>
Less: allowance for valuation .....	3,700,000,000	100,000,000		3,800,000,000	100,000,000	-100,000,000
<b>Total Crown corporations .....</b>	<b>22,609,736,244</b>	<b>2,925,524,913</b>	<b>1,902,259,395</b>	<b>21,586,470,726</b>	<b>-1,023,265,518</b>	<b>188,496,772</b>
<b>Other loans, investments and advances—</b>						
<b>Provincial and territorial governments, Table 8.12 .....</b>						
National governments including developing countries, Table 8.13 .....	1,036,811,262	91,420,949	2,352,000	947,742,313	-89,068,949	-109,985,844
International organizations, Table 8.14 .....	4,528,924,116	238,795,629	114,445,153	4,404,573,640	-124,350,476	141,985,069
Less: notes payable, Table 8.14 .....	4,293,856,081	352,662,068	601,053,238	4,542,247,251	248,391,170	566,746,195
	<i>1,542,956,880</i>	<i>582,095,984</i>	<i>288,103,610</i>	<i>1,836,949,254</i>	<i>293,992,374</i>	<i>347,277,430</i>
	<i>2,750,899,201</i>	<i>934,758,052</i>	<i>889,156,848</i>	<i>2,705,297,997</i>	<i>-45,601,204</i>	<i>219,468,765</i>
Veterans' Land Act Fund advances less allowance for conditional benefits, Table 8.16 .....	161,027,865	35,842,001	9,404,159	134,590,023	-26,437,842	-31,334,898
Joint and mixed enterprises, Table 8.17 .....	664,424,600	232,331,086	15,240,000	447,333,514	-217,091,086	93,595,000
Miscellaneous, Table 8.18 .....	623,370,020	1,086,822,984	1,126,654,878	663,201,914	39,831,894	-143,039,292
	<i>9,765,457,064</i>	<i>2,619,970,701</i>	<i>2,157,253,038</i>	<i>9,302,739,401</i>	<i>-462,717,663</i>	<i>170,688,800</i>
Less: allowance for valuation .....	6,000,000,000		100,000,000	5,900,000,000	-100,000,000	400,000,000
<b>Total other loans, investments and advances .....</b>	<b>3,765,457,064</b>	<b>2,619,970,701</b>	<b>2,257,253,038</b>	<b>3,402,739,401</b>	<b>-362,717,663</b>	<b>-229,311,200</b>
<b>Total .....</b>	<b>26,375,193,308</b>	<b>5,545,495,614</b>	<b>4,159,512,433</b>	<b>24,989,210,127</b>	<b>-1,385,983,181</b>	<b>-40,814,428</b>

## CROWN CORPORATIONS

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

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations. These include the corporations listed in Parts I and II of Schedule C of the Financial Administration Act, the Bank of Canada, the Canada Council, the Canadian Broadcasting Corporation, the Canadian Film Development Corporation, the Canadian Institute for International Peace and Security, the Canadian Wheat Board, the International Development Research Centre, and the National Arts Centre Corporation.

A Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its

affairs. Most of the Crown corporations listed in the schedules to the Financial Administration Act are agents of Her Majesty in right of Canada. This status is granted in one of the following ways:

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

Financial statements of parent Crown corporations can be found in Volume III of the Public Accounts. The financial statements of wholly-owned subsidiaries of Crown corporations are also included in that volume whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent Crown corporation.

## Lending Institutions

Table 8.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to Crown corporations whose primary activity is to provide financial assistance.

TABLE 8.2  
CROWN CORPORATIONS—LENDING INSTITUTIONS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Canada Deposit Insurance Corporation .....	935,000,000	282,835,618	551,000,000	1,203,164,382	268,164,382	895,000,000
Canada Mortgage and Housing Corporation—						
Capital stock .....	25,000,000			25,000,000		
Housing .....	6,411,221,690	270,452,112	74,300,000	6,215,069,578	-196,152,112	-86,181,506
Real estate .....	74,575,879	12,158,282	31,500,000	93,917,597	19,341,718	10,339,526
Joint projects .....	1,386,987,498	59,125,746	79,200,000	1,407,061,752	20,074,254	-7,512,361
Urban renewal scheme .....	21,710,107	3,083,130		18,626,977	-3,083,130	-3,783,901
Student housing projects .....	372,316,386	4,418,117		367,898,269	-4,418,117	-4,151,296
Sewage treatment projects .....	1,068,539,462	35,058,335	8,900,000	1,042,381,127	-26,158,335	-25,538,875
Ownership assistance .....	304,643,925	63,214,488		241,429,437	-63,214,488	-77,879,031
	9,664,994,947	447,510,210	193,900,000	9,411,384,737	-253,610,210	-194,707,444
Export Development Corporation—						
Capital stock .....	697,000,000			697,000,000		9,000,000
Loans .....	128,991,600	48,991,600		80,000,000	-48,991,600	-72,720,054
	825,991,600	48,991,600		777,000,000	-48,991,600	-63,720,054
Farm Credit Corporation—						
Contributed capital .....	218,333,000			218,333,000		
Notes .....	3,886,488,304	588,012,525		3,298,475,779	-588,012,525	-213,022,303
Farm syndicates loan fund .....	9,172,333	3,142,333		6,030,000	-3,142,333	-1,346,095
	4,113,993,637	591,154,858		3,522,838,779	-591,154,858	-214,368,398
Federal Business Development Bank—						
Paid-in capital .....	294,000,000			294,000,000		
Loans .....	144,000,000	93,000,000		51,000,000	-93,000,000	-119,000,000
	438,000,000	93,000,000		345,000,000	-93,000,000	-119,000,000
Total .....	15,977,980,184	1,463,492,286	744,900,000	15,259,387,898	-718,592,286	303,204,104



### Canada Deposit Insurance Corporation

The Corporation was established by the Canada Deposit Insurance Corporation Act, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

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

Section 37 of the Canada Deposit Insurance Corporation Act provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$1,500,000,000.

The loans bear interest at rates from 7.75% to 9% per annum, and are repayable between September 25, 1987 and March 16, 1988.

During the year, the Corporation paid interest of \$79.9 million to the Government.

### Canada Mortgage and Housing Corporation

The Corporation was established by the Canada Mortgage and Housing Corporation Act, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$1,454.3 million from budgetary appropriations. It paid interest of \$841.5 million and transferred \$24.5 million of profit to the Government.

#### Capital stock

The Government's investment in the capital of the Corporation is authorized by Section 17 of the Canada Mortgage and Housing Corporation Act.

#### Housing

Advances have been made to enable the Corporation to lend money under the following sections of the National Housing Act:

- (a) Section 14.1—for rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Section 15—to any person to assist in
  - (i) the construction, purchase or improvement of a low-rental housing project;
  - (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,

- (iii) the conversion of existing buildings into a low-rental housing project;
- (c) Section 27.5—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;
- (d) Section 34.1—
  - (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,
  - (ii) to a non profit corporation for the purpose of assisting in the conversion of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;
- (e) Section 34.18—to co-operatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;
- (f) Section 37.1—to any person that wishes to undertake a project
  - (i) for individuals or families of low income; or,
  - (ii) to meet the needs of individuals resulting from age, infirmity or other disability;
- (g) Section 42—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;
- (h) Section 43—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;
- (i) Section 58—to a person unable to obtain a loan from an approved lender for construction of a house or housing project; and,
- (j) Section 59—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

During the year, additional advances were authorized by Labour Vote L25, Appropriation Acts No 1 and No 2, 1986-87.

The advances bear interest at rates from 3.5% to 17.625% per annum, and are repayable over 18 to 50 years, with final instalments between September 30, 1997 and December 31, 2035.

#### Real estate

Section 55 of the National Housing Act authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials



and equipment and other personal property for use in connection with housing projects.

During the year, additional advances were authorized by Labour Vote L20, Appropriation Acts No 1 and No 2, 1986-87.

The advances bear interest at rates from 4.457% to 16.157% per annum, and are repayable over 50 years, with the final instalment on September 30, 2036.

#### *Joint projects*

Section 40 of the National Housing Act authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereof; (b) the construction of housing projects or housing accommodation of the hostel or dormitory type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 5% to 17.96% per annum, and are repayable over 25 to 50 years, with final instalments between March 31, 2005 and September 30, 2036.

#### *Urban renewal scheme*

Advances have been made to enable the Corporation to lend money under Section 25 of the National Housing Act, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at rates from 5.81% to 8.75% per annum, and are repayable over 20 to 50 years, with final instalments between June 30, 1987 and June 30, 1999.

#### *Student housing projects*

Advances have been made to enable the Corporation to lend money under Section 47 of the National Housing Act, to a province or agency thereof, a municipality or agency thereof, a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5% to 10.054% per annum, and are repayable over 20 to 50 years, with final instalments between September 30, 1993 and March 31, 2030.

#### *Sewage treatment projects*

Advances have been made to enable the Corporation to lend money under Section 51 of the National Housing Act, to any province, municipality or municipal sewerage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5% to 10.376% per annum, and are repayable over 18 to 50 years, with final instalments between September 30, 1993 and December 31, 2030.

#### *Ownership assistance*

Advances have been made to enable the Corporation to lend money under Section 34.15 of the National Housing Act, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof, or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 7.625% to 9.618% per annum, and are repayable over 20 to 50 years, with final instalments between December 31, 1992 and June 30, 2003.

### **Export Development Corporation**

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

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

#### *Capital stock*

The Government's investment in the capital of the Corporation is authorized by Section 11 of the Export Development Act.

#### *Loans*

Loans to the Corporation are authorized by Sections 12 and 13 of the Export Development Act. Pursuant to Section 12, the Corporation may borrow money from public and private sources by any means, including the issue and sale of bonds, debentures, notes or other evidences of indebtedness of the Corporation. Pursuant to Section 13, loans to the Corporation may be made out of the Consolidated Revenue Fund on terms and conditions fixed by the Minister of Finance.

Section 14 limits the Corporation's outstanding borrowings under Sections 12 and 13 to an amount equal to ten times the aggregate of the paid-in capital of the Corporation from time to time and the retained earnings, if any, determined according to the most recent statements of accounts of the Corporation for a financial year, that have been audited by the Auditor General of Canada.

For the purposes of the Export Development Act, Section 31 also authorizes the making of loans by the Government of Canada through the Corporation. These loans are administered by the Corporation on behalf of the Government and are reported further in this section under "National governments including developing countries" and "Miscellaneous loans, investments and advances".

The loans bear interest at rates from 8.25% to 8.5% per annum, and are repayable between July 15, 1987 and October 15, 1988.



During the year, the Corporation paid interest of \$8.6 million to the Government.

### Farm Credit Corporation

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

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

During the year, the Corporation received financial assistance of \$5 million from budgetary appropriations.

#### Contributed capital

The Government's contribution to the capital of the Corporation is authorized by Section 12 of the Farm Credit Act.

The total amount authorized is not to exceed \$225,000,000.

#### Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to Section 13 of the Act, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twenty-five times the capital of the Corporation.

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

- (a) repayable over 20 years, bearing interest at rates from 9% to 12.25% per annum, with final instalments between July 1, 1997 and July 1, 2003, \$823,416,555;
- (b) repayable over 20 years, bearing interest at rates from 6% to 9% per annum, with final instalments between July 1, 1989 and July 1, 1999, \$1,456,630,399;
- (c) repayable over 10 years, bearing interest at rates from 11.25% to 11.625% per annum, with final instalments between July 1, 1993 and July 1, 1994, \$542,846,939;
- (d) repayable over 4 years, bearing interest at rates from 10.75% to 11% per annum, with the final instalment on July 1, 1989, \$435,898,160; and,
- (e) repayable over 5 years, bearing interest at a rate of 10.375% per annum, with the final instalment on July 1, 1991, \$39,683,726.

During the year, the Corporation paid interest of \$370.7 million to the Government.

#### Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to Section 8 of the Farm Syndicates Credit Act, to enable the Corporation to make loans. Section 3(1) of the Act allows the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;

- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings are or are to be erected for use primarily by the syndicate or its members, in their farming operations.

The total amount authorized to be outstanding at any time is \$25,000,000.

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

- (a) repayable over 5 years, bearing interest at rates from 11% to 16.5% per annum, with final instalments between July 1, 1987 and July 1, 1989, \$2,530,000; and,
- (b) repayable over 7 years, bearing interest at rates from 9.375% to 10.75% per annum, with final instalments between July 1, 1992 and July 1, 1993, \$3,500,000.

During the year, the Corporation paid interest of \$1 million to the Government.

### Federal Business Development Bank

The Corporation was established by the Federal Business Development Bank Act, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$54.9 million from budgetary appropriations.

#### Paid-in capital

The Government's contribution to the paid-in capital of the Corporation is authorized by Sections 28 and 52 of the Federal Business Development Bank Act.

#### Loans

Loans have been made to the Corporation, pursuant to Section 30 of the Federal Business Development Bank Act, to enable it to achieve its objectives.

The loans bear interest at rates from 10% to 10.125% per annum, and are repayable over 1 to 9 years, with final instalments between April 1, 1987 and August 1, 1988.

During the year, the Corporation paid interest of \$10.2 million to the Government.

### All Other Crown Corporations

Table 8.3 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to Crown corporations engaged in activities other than providing financial assistance.

TABLE 8.3

## ALL OTHER CROWN CORPORATIONS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Air Canada—						
Capital stock .....	329,009,000			329,009,000		
Consolidated loan .....	196,097,762	20,508,877		175,588,885	- 20,508,877	- 19,100,430
Account without current transactions .....						- 12,481,072
	<b>525,106,762</b>	<b>20,508,877</b>		<b>504,597,885</b>	<b>- 20,508,877</b>	<b>- 31,581,502</b>
Atomic Energy of Canada Limited—						
Capital stock .....	15,000,000			15,000,000		
Contributed capital .....	149,159,473			149,159,473		
Housing .....	5,018,899	509,916		4,508,983	- 509,916	- 512,972
Bruce heavy water plant .....	96,618,613	11,400,339		85,218,274	- 11,400,339	- 10,572,150
Commercial products division .....	2,361,349	523,197		1,838,152	- 523,197	- 488,434
Gentilly II nuclear power station .....	147,477,636	2,012,959		145,464,677	- 2,012,959	- 1,840,164
Heavy water inventory .....	19,500,000			19,500,000		- 50,000,000
Lepreau nuclear station .....	292,728,239	3,829,065		288,899,174	- 3,829,065	- 3,490,284
Sheridan Park engineering design office .....	120,074	120,074			- 120,074	- 196,801
	<b>727,984,283</b>	<b>18,395,550</b>		<b>709,588,733</b>	<b>- 18,395,550</b>	<b>- 67,100,805</b>
Canada Development Investment Corporation....	395,658,315			395,658,315		
Canadair Limited <sup>(1)</sup> .....						
Eldorado Nuclear Limited .....						
	<b>395,658,315</b>			<b>395,658,315</b>		
Canadian National Railway Company—						
Capital stock .....	2,625,877,732	327,558,000		2,298,319,732	- 327,558,000	
Consolidated loan .....	204,718,162	9,549,419		195,168,743	- 9,549,419	- 8,765,647
Canadian Government Railways—						
Working capital .....	14,003,912	14,003,912			- 14,003,912	- 70,923
Account without current transactions .....						- 24,508
	<b>2,844,599,806</b>	<b>351,111,331</b>		<b>2,493,488,475</b>	<b>- 351,111,331</b>	<b>- 8,861,078</b>
Petro-Canada—						
Capital stock— Common .....	3,326,354,321			3,326,354,321		
Preferred .....	972,771,853			972,771,853		
	<b>4,299,126,174</b>			<b>4,299,126,174</b>		
	<b>8,792,475,340</b>	<b>390,015,758</b>		<b>8,402,459,582</b>	<b>- 390,015,758</b>	<b>- 107,543,385</b>
Other—						
Bank of Canada .....	5,920,000			5,920,000		
Canada Ports Corporation .....	84,971,205	65,498,058		19,473,147	- 65,498,058	- 2,678,473
Saint John Harbour Bridge Authority.....	14,205,727	108,203		14,097,524	- 108,203	- 101,187
	<b>99,176,932</b>	<b>65,606,261</b>		<b>33,570,671</b>	<b>- 65,606,261</b>	<b>- 2,779,660</b>
Canadian Arsenals Limited .....	3,500,000	3,500,000			- 3,500,000	
Canadian Broadcasting Corporation .....	33,000,000			33,000,000		
Canadian Commercial Corporation .....	10,000,000			10,000,000		
Canadian Dairy Commission .....	65,827,200	338,457,200	323,740,000	51,110,000	- 14,717,200	- 50,794,800
Canadian Film Development Corporation .....	6,313,935			6,313,935		
Canadian National (West Indies) Steamships Ltd—						
Capital stock .....	976			976		
Advances.....	324,024			324,024		
	<b>325,000</b>			<b>325,000</b>		
Canadian Patents and Development Limited ..	296,199			296,199		
Canadian Saltfish Corporation.....	17,422,500	392,172,500	398,750,000	24,000,000	6,577,500	5,087,500
Cape Breton Development Corporation .....	2,643,419	4,000,000	8,378,797	7,022,216	4,378,797	- 10,798,825
Freshwater Fish Marketing Corporation.....	18,152,589	44,152,589	29,000,000	3,000,000	- 15,152,589	2,142,384
Halifax Port Corporation .....	32,336,762	2,381,000		29,955,762	- 2,381,000	6,781,000
Marine Atlantic Inc.....			327,558,000	327,558,000		
Mingan Associates, Ltd .....						
Montreal Port Corporation.....	141,045,972	339,365		140,706,607	- 339,365	- 319,402
National Capital Commission .....						- 26,308,948
Northern Canada Power Commission—						
Loans.....	227,058,037	14,366,335	11,600,000	224,291,702	- 2,766,335	3,647,408
Less: amount to be applied in 1987-88 against the Yukon related loans.....		95,000,000		95,000,000	95,000,000	
	<b>227,058,037</b>	<b>109,366,335</b>	<b>11,600,000</b>	<b>129,291,702</b>	<b>- 97,766,335</b>	<b>3,647,408</b>
Advances.....	50,000			50,000		
Working capital .....	7,500,000	7,500,000			- 7,500,000	
	<b>234,608,037</b>	<b>116,866,335</b>	<b>11,600,000</b>	<b>129,341,702</b>	<b>- 105,266,335</b>	<b>3,647,408</b>
Pêcheries Canada Inc .....	31,499,900			31,499,900		
Prince Rupert Port Corporation.....	27,084,979			27,084,979		
Royal Canadian Mint .....	30,341,357	3,128,735		27,212,622	- 3,128,735	18,240,767



TABLE 8.3

ALL OTHER CROWN CORPORATIONS—*Concluded*

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (—)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Saint John Port Corporation .....			58,332,598	58,332,598	58,332,598	
St John's Port Corporation .....	1,566,437	51,983		1,514,454	- 51,983	1,566,437
St Lawrence Seaway Authority, The Jacques Cartier and Champlain Bridges In- corporated, The .....	624,950,000			624,950,000		
	59,752,867			59,752,867		
	684,702,867			684,702,867		
Teleglobe Canada .....	3,216,252	1,188,381		2,027,871	- 1,188,381	- 1,361,724
Vancouver Port Corporation .....	81,000,383	172,520		80,827,863	- 172,520	- 160,484
VIA Rail Canada Inc .....	9,300,000			9,300,000		
Accounts without current transactions .....						- 52,105,600
	1,539,280,720	972,016,869	1,157,359,395	1,724,623,246	185,342,526	- 107,163,947
Total .....	10,331,756,060	1,362,032,627	1,157,359,395	10,127,082,828	- 204,673,232	- 214,707,332

(1) This account is now reported in Table 8.18.

**Air Canada**

The Corporation was established by the Air Canada Act, to provide scheduled domestic and international air services to North America, the British Isles, continental Europe and the Caribbean.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation paid interest of \$13.8 million to the Government.

*Capital stock*

The Government's investment in the capital of the Corporation is recorded in this account.

*Consolidated loan*

The loan bears interest at the rate of 7.243% per annum, and is repayable in semi-annual instalments over 15 years, with the final instalment on April 13, 1993.

**Atomic Energy of Canada Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to develop the utilization of atomic energy for peaceful purposes.

The Corporation is an agent of Her Majesty, reports through the Minister of Energy, Mines and Resources, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$217.6 million from budgetary appropriations. It paid interest of \$63 million to the Government.

*Capital stock*

The Government's investment in the capital of the Corporation is recorded in this account.

*Contributed capital*

The Government's contribution to the capital of the Corporation is recorded in this account.

*Housing*

Loans have been made to finance the construction of housing near the Whiteshell Nuclear Research Establishment.

The loans bear interest at rates from 4.375% to 8.5% per annum, and are repayable in equal monthly instalments over 30 years, with final instalments between November 30, 1987 and June 30, 2003.

*Bruce heavy water plant*

Loans have been made to finance the construction of the Bruce heavy water plant at Douglas Point, Ontario.

The loans bear interest at rates from 6.687% to 8.5% per annum, and are repayable in equal monthly instalments over 17 years, with the final instalment on December 31, 1992.

*Commercial products division*

Loans have been made to finance the construction of manufacturing facilities and a laboratory at South March, Ontario.

The loans bear interest at rates from 6.687% to 7.625% per annum, and are repayable in equal monthly instalments over 20 years, with final instalments between May 31, 1988 and September 30, 1992.

*Gentilly II nuclear power station*

Loans have been made to finance a share in the construction of the CANDU-PHW 600 generating station at Gentilly,

under an agreement with the Province of Quebec and Hydro-Quebec.

The loan, consolidated in 1983-84, bears interest at the rate of 9.18% per annum, and is repayable in equal annual instalments over 25 years, with the final instalment on April 7, 2008.

*Heavy water inventory*

Loans have been made to finance the production and purchase of heavy water for lease or resale to Canadian and foreign users.

The loans bear interest at the rate of 10% per annum, and are repayable at the end of 10 years, with the final repayment on January 1, 1988.

*Lepreau nuclear station*

Loans have been made to finance a share in the construction of the nuclear generating station at Lepreau.

The loan, consolidated in 1980-81, bears interest at the rate of 9.706% per annum, and is repayable in equal annual instalments over 25 years, with the final instalment on April 1, 2008.

*Sheridan Park engineering design office*

Loans were made to finance the construction of office facilities.

During the year, the loans were repaid in full.

**Canada Development Investment Corporation**

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

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of State (Privatization), and is listed in Part II of Schedule C of the Financial Administration Act.

On December 23, 1986, Canada Development Investment Corporation sold its investment in Canadair Limited to Bombardier Canadair Inc ("Bombardier").

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account

represents the value of 100 common shares of the Corporation without nominal or par value.

*Eldorado Nuclear Limited*

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide for the mining and refining of uranium, and the production of nuclear fuel in Canada. The Corporation is a wholly-owned subsidiary of the Canada Development Investment Corporation.

Interest due but not received, totalling \$10,093,433 as of March 31, 1987, was recorded in the accounts of Canada in previous years by being debited to a loan account and credited to an uncollected interest account (see Table 8.19 of this section). Since the Government's policy is to report revenue only as received, this uncollected interest was deducted from the loan account, to present it on a net basis.

**Canadian National Railway Company**

The Corporation was established by the Canadian National Railways Act, to provide, operate and manage a national system of railways.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$10.4 million from budgetary appropriations.

*Capital stock*

The Government's investment in the capital of the Corporation is recorded in this account.

During the year, the Marine Atlantic Inc Acquisition Authorization Act authorized the transfer of the ownership of Marine Atlantic Inc (formerly CN Marine Inc) from the Canadian National Railway Company to the Government of Canada. As a result of this transfer, 655,116 common shares without nominal or par value, valued at \$327,558,000, were transferred from this account to the Marine Atlantic Inc account.

*Consolidated loan*

The loan bears interest at the rate of 8.75% per annum, and is repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1998.

During the year, the Corporation paid interest of \$17.7 million to the Government.

*Canadian Government Railways—Working capital*

Advances were made for working capital purposes.

During the year, the advances were repaid in full.



### Petro-Canada

The Corporation was established by the Petro-Canada Act, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The Corporation is an agent of Her Majesty, reports through the Minister of Energy, Mines and Resources, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$28.6 million from budgetary appropriations.

The Government's investment in the capital of the Corporation is authorized by Sections 5, 22, 24.1 and 25 of the Petro-Canada Act.

### Bank of Canada

The Bank of Canada was established by the Bank of Canada Act, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by Section 17 of the Bank of Canada Act. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,936.5 million to the Government.

### Canada Ports Corporation

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

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

During the year, the Corporation received financial assistance of \$13 million from budgetary appropriations.

Under the authority of the Canada Ports Corporation Act, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation. A summary of the balances and transactions for the loans made to various harbours follows:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
Belledune .....	2,168,321	41,456		2,126,865
Sept-Îles .....	2,977,437			2,977,437
Churchill .....	13,693,573			13,693,573
Saint John, NB .....	65,432,966	65,432,966		
Chicoutimi .....	698,908	23,636		675,272
	84,971,205	65,498,058		19,473,147

Effective December 31, 1986, the Port of Saint John was established as a local port corporation under the name of Saint John Port Corporation. In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity related to this port were transferred to the new Corporation.

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

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$17,841,447; and,
- (b) bearing interest at rates from 6.44% to 9.09% per annum, repayable in equal annual instalments over 20 years, with final instalments on December 31, 2000, \$1,631,700.

During the year, the Corporation paid interest of \$3.4 million and dividends of \$1 million to the Government.

### Saint John Harbour Bridge Authority

Loans have been made to the Saint John Harbour Bridge Authority in respect of a vehicular bridge across the harbour of Saint John. An agreement between Canada, the Province of New Brunswick, the City of Saint John and the Saint John Harbour Bridge Authority, dated July 7, 1966, requires that debentures issued by the Authority and acquired by the Canada Ports Corporation shall be related exclusively to the financing of the total capital costs of the bridge (see also Table 8.18, Miscellaneous loans, investments and advances).

The loans bear interest at rates from 6.687% to 8.5% per annum, and are repayable in equal semi-annual instalments over 50 to 51 years, with final instalments between January 1, 2020 and January 1, 2021.

During the year, the Authority paid interest of \$1 million to the Government.

### Canadian Arsenals Limited

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to maintain an efficient Canadian manufacturing capability for certain military materiel for Canadian defence needs and related ammunition products.

During the year, the Corporation was authorized to be dissolved pursuant to the Canadian Arsenals Limited Divestiture Authorization Act. The Corporation was sold on May 9,

1986 to SNC Defence Products Inc. As a result of the transaction, an amount of \$88,724,941 was credited to non-tax revenue.

Advances were made to provide working capital to the Corporation.

During the year, the advances were repaid in full.

### **Canadian Broadcasting Corporation**

The Corporation was established by the Broadcasting Act, to provide a national broadcasting service in both official languages, and an international broadcasting service predominantly Canadian in content and character.

The Corporation is an agent of Her Majesty and reports through the Minister of Communications.

During the year, the Corporation received financial assistance of \$855.1 million from budgetary appropriations.

Advances have been made to the Corporation for purposes of working capital. The total amount authorized to be outstanding at any time is \$33,000,000.

The advances are non-interest bearing and are repayable using the amounts on hand (cash and marketable securities) which, at any time, are in excess of what is required by the Corporation for working capital purposes.

### **Canadian Commercial Corporation**

The Corporation was established by the Canadian Commercial Corporation Act, to assist in the development of international trade, assist persons in obtaining goods from outside Canada, and dispose of goods available for export.

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

During the year, the Corporation received financial assistance of \$16.1 million from budgetary appropriations.

Section 8(1) of the Canadian Commercial Corporation Act states that advances not exceeding in the aggregate \$10,000,000 may be made available to the Corporation as paid-in capital.

### **Canadian Dairy Commission**

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

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

During the year, the Corporation received financial assistance of \$289.3 million from budgetary appropriations.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 8% to 11.875% per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$6.6 million to the Government.

### **Canadian Film Development Corporation**

The Corporation was established by the Canadian Film Development Corporation Act, to foster and promote the development of a feature film industry in Canada.

The Corporation is an agent of Her Majesty and reports through the Minister of Communications.

During the year, the Corporation received financial assistance of \$86 million from budgetary appropriations.

The advances are non-interest bearing and have no fixed terms of repayment.

### **Canadian National (West Indies) Steamships Ltd**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide steamship services between Canada and the West Indies.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act. The Corporation was authorized to be dissolved pursuant to the Crown Corporations Dissolution Authorization Act.

Steps have been initiated to wind-up the Corporation and assign the accounts receivable to the Minister of Finance. As of the year end, however, dissolution had not taken place because of unresolved legal implications with the BankAmerica International (formerly the Bank of America) and the United States Government.

#### *Capital stock*

The Government's investment in the capital of the Corporation is recorded in this account.

#### *Advances*

The advances are repayable from moneys to be received upon collection of the final instalment on the sale of the eight vessels to Cuban interests which was due to be paid August 19, 1963 by an irrevocable letter of credit issued through the BankAmerica International. However, on July 3, 1963, the United States Cuban Assets Control Regulations became effective which prohibited the BankAmerica International from honouring payment of the draft. Since that time, negotiations to obtain a preferred status, in order to collect the receivable, have not been successful. It is the opinion of management, based on legal counsel, that these moneys plus



applicable interest will be collected when the regulations are repealed.

A waiver of the application of the statute of limitations has been obtained until January 1, 1989, and further extensions will be obtained as required.

### **Canadian Patents and Development Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to make available to the public through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$478,000 from budgetary appropriations.

The Government's investment in the capital of the Corporation is recorded in this account.

### **Canadian Saltfish Corporation**

The Corporation was established by the Saltfish Act, to improve the earnings of primary producers of cured cod fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule C of the Financial Administration Act.

Loans have been made to the Corporation, pursuant to Section 17 of the Saltfish Act, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, is \$50,000,000.

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

- (a) repayable within 1 year, bearing interest at the rate of 6.923% per annum, with the final instalment on August 9, 1987, \$23,500,000; and,
- (b) repayable over 10 years, bearing interest at rates from 10% to 12.375% per annum, with final instalments between March 27, 1989 and September 30, 1990, \$500,000.

During the year, the Corporation paid interest of \$1.8 million to the Government.

### **Cape Breton Development Corporation**

The Corporation was established by the Cape Breton Development Corporation Act, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is

listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$163.9 million from budgetary appropriations.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$25,000,000.

The advances are non-interest bearing and have no fixed repayment dates.

### **Freshwater Fish Marketing Corporation**

The Corporation was established by the Freshwater Fish Marketing Act, to regulate interprovincial and export trade in freshwater fish, and to market and trade in fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule C of the Financial Administration Act.

Loans have been made to the Corporation, pursuant to Section 17 of the Freshwater Fish Marketing Act, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, is \$30,000,000.

The loans bear interest at rates from 6.923% to 7.414% per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$1.3 million to the Government.

### **Halifax Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Halifax.

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

Loans have been made to finance capital expenditures related to the Port of Halifax.

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

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$25,555,762; and,
- (b) bearing interest at the rate of 10% per annum, repayable in equal annual instalments over 10 years, with final instalment on December 31, 1996, \$4,400,000.

During the year, the Corporation paid interest of \$414,580 and dividends of \$316,885 to the Government.

### **Marine Atlantic Inc**

The Corporation was incorporated under the Canada Business Corporations Act, to acquire, manage and operate a

marine transportation service, a marine maintenance, repair and refit service and a marine construction business.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$179.8 million from budgetary appropriations.

The Government's investment in the capital of the Corporation is recorded in this account.

During the year, the Marine Atlantic Inc Acquisition Authorization Act authorized the transfer of 655,116 common shares without nominal or par value, valued at \$327,558,000, from the Canadian National Railway Company to the Government. These shares were cancelled and replaced by 517,061 common shares without nominal or par value.

### **Mingan Associates, Ltd**

The Corporation was established by letters patent, granted under the laws of the Province of Quebec.

The Corporation is not an agent of Her Majesty, reports through the Minister of Indian Affairs and Northern Development, and is listed in Part I of Schedule C of the Financial Administration Act.

In 1983-84, the Government purchased all of the 21,606 common shares without par value of the Corporation for an amount of \$355,000, which was charged to budgetary expenditure (Indian Affairs and Northern Development Vote 10). These shares were purchased to gain ownership of a parcel of land owned by the Corporation which was required to be converted into reserve land. The Corporation will be wound up within 6 months of the conversion of land.

### **Montreal Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Montreal.

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

Loans have been made to finance capital expenditures related to the Port of Montreal.

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

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$132,994,837; and,
- (b) bearing interest at the rate of 6.25% per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000, \$7,711,770.

During the year, the Corporation paid interest of \$0.5 million and dividends of \$4.1 million to the Government.

### **National Capital Commission**

The Corporation was established by the National Capital Act, to prepare plans for, and assist in, the development, conservation and improvement of the National Capital Region, in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$62.4 million from budgetary appropriations.

Loans can be made for the purpose of acquiring property in the National Capital Region. During the year, additional loans were authorized by Public Works Vote L80, Appropriation Acts No 1 and No 2, 1986-87.

### **Northern Canada Power Commission**

The Corporation was established by the Northern Canada Power Commission Act, to construct, purchase, rent or otherwise acquire, operate and maintain electrical power plants within the Northwest Territories and the Yukon Territory and, with the approval of the Governor in Council, but subject to the laws of the provinces, elsewhere in Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Indian Affairs and Northern Development, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation paid interest of \$14.8 million to the Government.

#### *Loans*

Loans have been made to the Corporation for capital expenditures. During the year, additional loans were made under authority of Indian Affairs and Northern Development Vote L60, Appropriation Acts No 1 and No 2, 1986-87.

The loans bear interest at rates from 4% to 15.625% per annum, and are repayable annually up to March 31, 2024.

In accordance with Section 4(2) of the Northern Canada Power Commission Yukon Assets Disposal Authorization Act, the Corporation transferred its assets in the Yukon Territory to the Yukon Power Corporation. In exchange for such assets, an amount of \$95 million is to be paid to the Government of Canada by the Yukon Power Corporation and is to be applied in 1987-88, pursuant to Section 6(2) of the Act, against the Yukon related loans due to the Government of Canada by the Northern Canada Power Commission (see Table 8.18—Yukon Power Corporation in this section). At March 31, an amount of \$19.5 million has been received leaving an amount of \$75.5 million in notes receivable from the Yukon Power Corporation. Pursuant to Section 6(1) of the Act, the balance of the Yukon related loans will be written-off to budgetary expenditure and will be deleted from the accounts of Canada effective June 4, 1987.



**Advances**

Section 14 of the Northern Canada Power Commission Act authorized the payment to the Commission of \$50,000 for the purpose of meeting expenditures incurred in carrying out investigations in accordance with Section 13 of the Act.

The advances are non-interest bearing and have no fixed repayment dates.

**Working capital**

Loans were made to the Corporation, for the purpose of maintaining inventories and meeting current liabilities.

During the year, the loans were repaid in full.

**Pêcheries Canada Inc**

The Corporation was incorporated pursuant to the Canada Business Corporations Act. It was the Quebec-based holding company for the federal equity investment in Pêcheries Cartier Inc of Montreal.

The Corporation was sold in April 1986 to Cooperative agro-alimentaire Purdel, a Quebec agricultural co-op, for \$5 million. The sale was authorized by the Atlantic Fisheries Restructuring Act. The Corporation was an agent of Her Majesty, reported through the Minister of Regional Industrial Expansion, and was listed in Part I of Schedule C of the Financial Administration Act.

The Government's investment in the capital of the Corporation is recorded in this account. This investment, authorized by the Atlantic Fisheries Restructuring Act, was made with the objective of contributing to the restructuring of the Quebec fishing industry.

Parliamentary authority will be sought to write-off the balance from the accounts of Canada following the completion of the sale transaction.

**Prince Rupert Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Prince Rupert.

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

Loans have been made to finance capital expenditures related to the Port of Prince Rupert.

The non-interest bearing loan has an indefinite maturity date, and requires no principal repayment.

During the year, the Corporation paid dividends of \$0.8 million to the Government.

**Royal Canadian Mint**

The Corporation was established by the Royal Canadian Mint Act, to:

(a) produce and arrange for the production and supply of coins of the currency of Canada;

(b) produce coins of the currency of other countries;

(c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,

(d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Supply and Services, and is listed in Part I of Schedule C of the Financial Administration Act.

Section 18(1)(a) of the Royal Canadian Mint Act states that loans not exceeding in the aggregate \$5,000,000 may be made to the Mint, to meet establishment and operating expenses.

Section 18(1)(b) of the Act states that loans may be made to the Mint, to finance the costs of capital projects approved by the Governor in Council.

Section 18(2) of the Act states that the total amount outstanding at any time, of loans made under Section 18(1), shall not exceed \$35,000,000.

Section 19(2) of the Act states that the aggregate of all amounts loaned to the Mint for temporary purposes and outstanding at any time, shall not exceed \$1,000,000.

The loans bear interest at rates from 8.125% to 12% per annum, and are repayable over 1 to 12 years, with final instalments between April 1, 1987 and April 1, 1998.

During the year, the Corporation paid interest of \$3.3 million and transferred \$0.8 million of profit to the Government.

**Saint John Port Corporation**

In accordance with the Canada Ports Corporation Act, effective December 31, 1986, the Port of Saint John was established as a local port corporation under the name of Saint John Port Corporation, to administer, manage and control the Port of Saint John.

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

Pursuant to the Canada Ports Corporation Act, the loans to finance capital expenditures related to the Port of Saint John were transferred from the Canada Ports Corporation to this Corporation.

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

(a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$37,767,986;

(b) bearing interest at rates from 11% to 11.875% per annum, repayable in equal annual instalments over 10 years, with final instalments between December 31, 1993 and December 31, 1994, \$10,817,600;

(c) bearing interest at rates from 12.43% to 15.625% per annum, repayable in equal annual instalments over 20

years, with final instalments between December 31, 2000 and December 31, 2002, \$7,177,217; and,

- (d) bearing interest at the rate of 11.625% per annum, repayable in equal instalments over 20 years, with the final instalment on December 31, 2005, \$2,569,795.

### **St John's Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of St John's.

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

A loan has been made to finance capital expenditures related to the Port of St John's.

The loan bears interest at the rate of 9.33% per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$146,149 and dividends of \$152,474 to the Government.

### **The St Lawrence Seaway Authority**

The Corporation was established by The St Lawrence Seaway Authority Act, to construct, operate and maintain, either wholly in Canada or in conjunction with works undertaken by an appropriate authority in the United States, a deep waterway between the Port of Montreal and Lake Erie.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act.

The Government's contribution to the capital of the Corporation is recorded in this account.

During the year, the Corporation received financial assistance of \$13.2 million from budgetary appropriations.

#### *The Jacques Cartier and Champlain Bridges Incorporated*

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to operate and maintain the Jacques Cartier Bridge and a portion of the Bonaventure Autoroute, in Montreal (Quebec). The Corporation is a wholly-owned subsidiary of The St Lawrence Seaway Authority.

This account records loans which were transferred from the Canada Ports Corporation.

On December 17, 1981, as per PC 1981-3635, the certificates of indebtedness were cancelled and replaced by a certificate bearing an issue date of April 1, 1981, an indefinite due date, with no repayment of principal, and an interest rate equal to zero percent per annum. Furthermore, accrued and unpaid interest amounting to \$44,513,580 as of March 31, 1981, on the original certificates, are to be treated as not due and payable as of April 1, 1981.

A non-interest bearing advance of \$6,489,605 is reported by the Corporation as being due to the Government. Although

this amount has been deleted in the past, from the accounts of Canada, by a direct charge to the accumulated deficit account, it has not been forgiven.

During the year, the Corporation received financial assistance of \$3.9 million from budgetary appropriations.

### **Teleglobe Canada**

The Corporation was established by the Teleglobe Canada Act, to establish, maintain and operate, in Canada and elsewhere, external telecommunication services by cable, radiotelegraph, radio-telephone and any other means of telecommunication for the conduct of public communications, and to coordinate Canada's external telecommunication services with those of other parts of the British Commonwealth of Nations.

The Corporation is an agent of Her Majesty, reports through the Minister of State (Privatization), and is listed in Part II of Schedule C of the Financial Administration Act. On March 31, 1987, the Teleglobe Canada Reorganization and Divestiture Act was passed by the House of Commons. The legislation received Royal Assent on April 1, 1987. Once proclaimed in force, this legislation will authorize the dissolution of the Corporation. Teleglobe Canada was sold in April 1987 to Memotec Data Inc.

Section 12 of the Teleglobe Canada Act provides that the Minister of Finance, with the approval of the Governor in Council, may pay to the Corporation, for capital purposes, amounts not exceeding \$4,500,000 and, in addition, any other moneys appropriated by Parliament.

The loans bear interest at rates from 3.5% to 5% per annum, and are repayable in semi-annual instalments over 15 to 40 years, with final instalments between March 30, 1988 and September 30, 1998.

During the year, the Corporation paid interest of \$120,919 to the Government.

### **Vancouver Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Vancouver.

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

Loans have been made to finance capital expenditures related to the Port of Vancouver.

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

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$76,494,444; and,
- (b) bearing interest at the rate of 7.5% per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000, \$4,333,419.

During the year, the Corporation paid interest of \$337,945 and dividends of \$5.8 million to the Government.



## VIA Rail Canada Inc

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to revitalize passenger rail services in Canada, and to manage and market them on an efficient commercial basis, reducing the financial burden on the Government.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$535.8 million from budgetary appropriations.

The Government's investment in the capital of the Corporation is recorded in this account.

## Summary Financial Statements of Crown Corporations

Table 8.4 presents summary combined financial statements as at March 31, 1987 of the Crown corporations named in Section 96 or Schedule C of the Financial Administration Act. Table 8.5 displays the assets and liabilities and Table 8.6 the revenues, expenses and changes in equity of each corporation. For those corporations with March 31 year ends, the data are based on audited financial statements. For those corporations having other year ends, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The Crown corporations have been grouped in five segments. The category of competitive, self-sustaining corporations consists of those corporations named in Schedule C Part II of the Financial Administration Act.

The tables summarize the financial transactions and results of operations of each Crown corporation in accordance with its own respective accounting policies. Most Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the Handbook of the Canadian Institute of Chartered Accountants.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and other Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties

represent amounts repayable to institutional and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable. Net assets/liabilities represent the Government's equity in each Crown corporation as reported by that corporation.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations. Other net changes in equity include dividends declared, transfers of profits to the Government and non-current financial assistance provided by the Government.

Crown corporations are defined to include either parent Crown corporations or wholly-owned subsidiaries. A wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations. These tables present consolidated financial information on parent Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. Volume III of the Public Accounts includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the Government Companies Operation Act. In accordance with Section 45 of the Financial Administration Act, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1987 is presented in Table 8.7.

Borrowings by non-agent Crown corporations are not, in law, obligations of the Government. However, when the Government expressly guarantees such borrowings, they become potential obligations of the Government. Such guarantees amounted to \$93.6 million as at March 31, 1987. A summary of borrowing transactions by non-agent Crown corporations is presented in Table 8.8. The maturity of all Crown corporations' borrowings is presented in Table 8.9. Contingent liabilities of Crown corporations are presented in Table 8.10.

A summary of financial assistance under Government budgetary appropriations to Crown corporations for the year ended March 31, 1987 is provided in Table 8.11. Differences in figures reported in Table 8.6 and those reported in Table 8.11 represent amounts capitalized by Crown corporations and timing differences resulting from the use of different accounting policies and from items in transit.

TABLE 8.4

SUMMARY COMBINED FINANCIAL STATEMENTS OF CROWN CORPORATIONS BY SEGMENT  
(in thousands of dollars)

	Competitive, self-sustaining	Lending and insurance	Marketing	Bank of Canada	Other	Elimination of intercorporate balances/ transactions	Combined Crown corporations
<b>ASSETS AND LIABILITIES</b>							
<b>AS AT MARCH 31, 1987</b>							
Assets							
Financial							
Outside parties.....	2,866,697	24,436,747	3,982,798	2,163,637	1,357,339		34,807,218
Government and other Crown corporations	769,604	290,648	129,476	17,587,868	884,542	- 86,520	19,575,618
Total financial assets .....	3,636,301	24,727,395	4,112,274	19,751,505	2,241,881	- 86,520	54,382,836
Physical assets and deferred charges.....	17,919,638	389,403	1,157,790	201,897	5,715,658		25,384,386
Total assets .....	21,555,939	25,116,798	5,270,064	19,953,402	7,957,539	- 86,520	79,767,222
Liabilities							
Outside parties							
Borrowings.....	6,230,976	9,963,066	4,017,295		24,450		20,235,787
Bank of Canada notes in circulation and amounts owing to depositors .....				19,442,198			19,442,198
Other liabilities .....	4,629,673	1,505,021	1,135,144	445,957	1,982,708		9,698,503
Government and other Crown corporations .....	2,514,135	14,257,362	90,286	35,247	1,478,261	- 86,520	18,288,771
Total liabilities.....	13,374,784	25,725,449	5,242,725	19,923,402	3,485,419	- 86,520	67,665,259
Net assets/liabilities (-) .....	8,181,155	- 608,651	27,339	30,000	4,472,120		12,101,963
Contingent liabilities.....	150,390	289,487	8,264		183,682		631,823
<b>REVENUES, EXPENSES AND CHANGES IN NET ASSETS/LIABILITIES (-) FOR THE YEAR ENDED MARCH 31, 1987</b>							
Revenues							
Outside parties.....	12,385,994	2,640,035	5,190,262		4,822,081		25,038,372
Government and other Crown corporations							
Financial assistance .....	58,177	1,502,774	623,212		2,450,806		4,634,969
Other .....	927,659	27,580	172,497	2,092,189	234,652	- 405,764	3,048,813
Total revenues .....	13,371,830	4,170,389	5,985,971	2,092,189	7,507,539	- 405,764	32,722,154
Expenses							
Outside parties.....	12,102,181	2,935,357	5,910,441	155,723	6,577,540		27,681,242
Government and other Crown corporations .....	1,188,531	1,290,107	78,574		1,039,312	- 405,764	3,190,760
Total expenses .....	13,290,712	4,225,464	5,989,015	155,723	7,616,852	- 405,764	30,872,002
Net income/loss (-) for the year .....	81,118	- 55,075	- 3,044	1,936,466	- 109,313		1,850,152
Other net changes in equity .....	- 562,573	3,006		- 1,936,466	- 31,500	324,136	- 2,203,397
Changes in net assets/liabilities (-) for the year.....	- 481,455	- 52,069	- 3,044		- 140,813	324,136	- 353,245
Net assets/liabilities (-), beginning of year .....	8,662,610	- 556,582	30,383	30,000	4,612,933	- 324,136	12,455,208
Net assets/liabilities (-), end of year.....	8,181,155	- 608,651	27,339	30,000	4,472,120		12,101,963

Notes to Table 8.5 are an integral part of this table.



TABLE 8.5

FINANCIAL POSITION OF CROWN CORPORATIONS—ASSETS AND LIABILITIES  
AS AT MARCH 31, 1987  
(in thousands of dollars)

Crown corporations <sup>(1)</sup>	Assets				Liabilities					
	Financial		Physical assets and deferred charges	Total	Outside parties		Government and other Crown corporations	Total	1987 Net assets or liabilities (-)	1986 Net assets or liabilities (-)
	Outside parties	Government and other Crown corporations			Borrowings	Other				
<b>Competitive, self-sustaining</b>										
Air Canada.....	747,003	150,324	1,996,465	2,893,792	1,430,701	571,794	321,498	2,323,993	569,799	466,847
Canada Development Investment Corporation <sup>(2)</sup> .....	91,657	221,648	20,075	333,380		44,822		44,822	288,558	623,485
Eldorado Nuclear Limited <sup>(3)</sup> .....	60,032		896,178	956,210	615,785	192,123	10,093		138,209	188,312
Elimination of intercorporate equity.....		-138,209		-138,209					-138,209	-188,312
Canada Ports Corporation <sup>(4)</sup> .....	12,255	45,056	39,284	96,595		5,267	25,053	30,320	66,275	72,097
Canadian National Railway System <sup>(5)(6)</sup> .....	431,419	270,101	7,104,837	7,806,357	3,037,686	1,454,824	291,580	4,784,090	3,022,267	3,387,128
Halifax Port Corporation.....	2,230	4,514	53,555	60,299		1,452	35,065	36,517	23,782	24,182
Montreal Port Corporation.....	8,465	68,930	132,326	209,721		15,783	239,873	255,656	-45,935	-992
Petro-Canada <sup>(7)</sup> .....	1,276,684	70,494	6,982,004	8,329,182	1,072,792	2,221,577	1,272,494	4,566,863	3,762,319	3,659,792
Port of Quebec Corporation.....	1,638	18,877	44,688	65,203		3,395	469	3,864	61,339	69,670
Prince Rupert Port Corporation.....	1,342	7,912	71,988	81,242		888	86,412	87,300	-6,058	-6,970
Saint John Port Corporation <sup>(4)</sup> .....	1,806	7,474	83,903	93,183	19,696	2,584	68,985	91,265	1,918	
St John's Port Corporation.....	243	3,953	10,036	14,232		444	1,954	2,398	11,834	11,732
Teleglobe Canada <sup>(8)</sup> .....	216,352	269	301,188	517,809	54,316	100,925	52,298	207,539	310,270	245,780
Vancouver Port Corporation.....	15,571	38,261	183,111	236,943		13,795	108,361	122,156	114,787	109,859
Total—Competitive, self-sustaining.....	2,866,697	769,604	17,919,638	21,555,939	6,230,976	4,629,673	2,514,135	13,374,784	8,181,155	8,662,610
<b>Lending and insurance</b>										
Canada Deposit Insurance Corporation.....	994,471	23,399	632	1,018,502	987,830	69,092	1,230,141	2,287,063	-1,268,561	-1,259,115
Canada Mortgage and Housing Corporation.....	9,507,191	66,706	14,086	9,587,983		35,351	9,502,632	9,537,983	50,000	50,000
Insurance programs.....	83,409	156,500	280,221	520,130		920,472	5,022	925,494	-405,364	-459,787
Minister's account.....										
Export Development Corporation.....	7,150,698	5,177		7,155,875	5,814,483	359,046	83,901	6,257,430	898,445	897,729
Farm Credit Corporation.....	4,811,051	21,506	81,527	4,914,084	1,597,809	58,730	3,382,336	5,038,875	-124,791	7,699
Federal Business Development Bank.....	1,889,927	17,360	12,937	1,920,224	1,562,944	62,330	53,330	1,678,604	241,620	206,892
Total—Lending and insurance.....	24,436,747	290,648	389,403	25,116,798	9,963,066	1,505,021	14,257,362	25,725,449	-608,651	-556,582
<b>Marketing</b>										
Canadian Commercial Corporation.....	172,116	8,461	313,276	493,853		459,228	3,237	462,465	31,388	35,655
Canadian Dairy Commission.....	77,501	46,399	13,599	137,499		86,055	51,444	137,499		
Canadian Sallfish Corporation.....	9,197		15,168	24,365		4,582	24,000	28,582	-4,217	-5,426
Canadian Wheat Board, The.....	3,717,323	74,455	801,486	4,593,264	4,017,295	567,368	8,601	4,593,264		
Canagrex <sup>(9)</sup> .....	85	83		168					168	154
Freshwater Fish Marketing Corporation.....	6,576	78	14,261	20,915		17,911	3,004	20,915		
Total—Marketing.....	3,982,798	129,476	1,157,790	5,270,064	4,017,295	1,135,144	90,286	5,242,725	27,339	30,383
Bank of Canada.....	2,163,637	17,587,868	201,897	19,953,402		19,888,155	35,247	19,923,402	30,000	30,000
<b>Other</b>										
Atlantic Pilotage Authority.....	530	2	835	1,367	239	1,306	385	1,930	-563	-1,018
Atomic Energy of Canada Limited.....	876,604	404	141,107	1,018,115	23,853	125,407	673,194	822,454	195,661	176,806
Canada Council.....	91,165	17,122	12,958	121,245		29,327	212	29,539	91,706	81,210
Canada Harbour Place Corporation.....	10,330	1,644	74,052	86,026		4,562	1,164	5,726	80,300	132,703
Canada Lands Company Limited— Canada Lands Company (Le Vieux- Port de Montréal) Limited.....	484	125	16	625		409	216	625		
Canada Lands Company (Mirabel) Limited.....	5,349			5,349		3,379	1,970	5,349		
Canada Lands Company (Vieux-Port de Québec) Inc.....	1,561	175	51	1,787		644	940	1,584	203	203
Canada Museums Construction Corpora- tion Inc.....	4,509	529	168,138	173,176		15,829	15,829	157,347	91,347	
Canada Post Corporation.....	119,409	586,148	1,922,964	2,628,521		881,228	148,953	1,030,181	1,598,340	1,575,918
Canadian Arsenal Limited <sup>(10)</sup> .....									62,023	
Canadian Broadcasting Corporation.....	65,471	17,038	672,065	754,574		260,415	33,678	294,093	460,481	447,518
Canadian Film Development Corporation Canadian Institute for International Peace and Security.....	11,096	22,984	1,627	35,707		7,211		7,211	28,496	10,094
Canadian Livestock Feed Board.....	1,380		176	1,556		154		154	1,402	1,741
Canadian National (West Indies) Steam- ships Ltd <sup>(11)</sup> .....	466	1,968		2,434		2,121		2,121	313	475
Canadian Patents and Development Lim- ited.....	1,076	95		1,171		14	324	338	833	735
Canertech Inc <sup>(7)</sup> .....	766	70	14	850		750	116	866	-16	406
Cape Breton Development Corporation— Coal Division.....	13,145	75		13,220		857	29,550	30,407	-17,187	-16,762
Industrial Development Division.....	31,587	814	521,051	553,452		48,384	20,030	68,414	485,038	378,617
Defence Construction (1951) Limited.....	10,559	27	16,879	27,465		1,459	7	1,466	25,999	22,639
Great Lakes Pilotage Authority, Ltd.....	1,181	12	301	1,494		4,046	363	4,409	-2,915	-3,062
	2,502		34	2,536		3,957		3,957	-1,421	-2,723

TABLE 8.5

FINANCIAL POSITION OF CROWN CORPORATIONS—ASSETS AND LIABILITIES  
AS AT MARCH 31, 1987—*Concluded*  
(in thousands of dollars)

	Assets				Liabilities					
	Financial			Total	Outside parties		Government and other Crown corporations	Total	1987 Net assets or liabilities (-)	1986 Net assets or liabilities (-)
	Outside parties	Government and other Crown corporations	Physical assets and deferred charges		Borrowings	Other				
Crown corporations <sup>(1)</sup>										
Harbourfront Corporation	29,169	7,355	601	37,125		34,266	1,442	35,708	1,417	336
International Centre for Ocean Development	110	34		144		83	17	100	44	35
International Development Research Centre	10,320		4,011	14,331		11,776		11,776	2,555	1,123
Jacques Cartier and Champlain Bridges Incorporated, The	1,261	3,881	20,066	25,208		2,298	111,049	113,347	-88,139	-87,113
Laurentian Pilotage Authority	2,895		1,010	3,905	350	3,214		3,564	341	-152
Marine Atlantic Inc <sup>(6)</sup>	4,742	2,916	319,814	327,472		330,691	2,335	333,026	-5,554	282,058
Mingan Associates, Ltd <sup>(12)</sup>			355	355					355	355
National Arts Centre Corporation	1,869	221	4,316	6,406		4,483	404	4,887	1,519	268
National Capital Commission	12,280	780	285,223	298,283		28,224	2,996	31,220	267,063	284,430
Northern Canada Power Commission <sup>(13)</sup>	14,607	15,951	112,361	142,919		9,672	108,301	117,973	24,946	9,539
Pacific Pilotage Authority	4,164		891	5,055		2,473	58	2,531	2,524	2,832
Pêcheres Canada Inc <sup>(14)</sup>									8,705	8,705
Royal Canadian Mint	4,429	23,527	84,912	112,868		26,714	85,154	111,868	1,000	1,000
Seaway International Bridge Corporation, Ltd, The	392		55	447	8	431		439	8	8
Standards Council of Canada	1,979	151	830	2,960		945	93	1,038	1,922	2,241
St Anthony Fisheries Limited <sup>(15)</sup>										80
St Lawrence Seaway Authority, The	13,185	37,570	602,003	652,758		25,455	210,072	235,527	417,231	407,740
VIA Rail Canada Inc	6,767	142,924	746,942	896,633		110,524	45,238	155,762	740,871	740,578
Total—Other	1,357,339	884,542	5,715,658	7,957,539	24,450	1,982,708	1,478,261	3,485,419	4,472,120	4,612,933
Total—All Crown corporations	34,807,218	19,662,138	25,384,386	79,853,742	20,235,787	29,140,701	18,375,291	67,751,779	12,101,963	12,779,344
Elimination of intercorporate balances		-86,520		-86,520			-86,520	-86,520		-324,136
Total combined Crown corporations	34,807,218	19,575,618	25,384,386	79,767,222	20,235,787	29,140,701	18,288,771	67,665,259	12,101,963	12,455,208

(1) All Crown corporations listed in this table are parent Crown corporations except the following unconsolidated subsidiaries: Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux-Port de Montréal) Limited, Canada Lands Company (Vieux-Port de Québec) Inc, Canertech Inc, Eldorado Nuclear Limited, The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation, Ltd.

(2) On August 18, 1986, the Government signed a letter of intent between representatives of the Canada Development Investment Corporation, the Government and Bombardier Inc which outlines the sale of Canadair Limited to Bombardier. Bill C-35 received Royal Assent on December 19, 1986 authorizing the divestiture of Canadair Limited.

(3) Eldorado Nuclear Limited, a wholly-owned subsidiary of the Canada Development Investment Corporation (CDIC), is accounted for by CDIC on the equity basis with the result that its net assets are included as a financial asset of CDIC and its loss is included in the revenues of CDIC.

(4) On December 31, 1986, Canada Ports Corporation transferred certain of its assets and related liabilities and equities to the Saint John Port Corporation, a Crown corporation incorporated during the year under the Canada Ports Corporation Act.

(5) Canadian National Railway System's borrowings from other than the Government include \$93,596 which is guaranteed by the Government.

(6) On December 31, 1986, Canadian National Railways transferred its interest in Marine Atlantic Inc (formerly CN Marine Inc) to the Government.

(7) Petro-Canada has been authorized to dissolve Canertech Inc and dispose of its investments on October 9, 1986.

(8) On April 4, 1987, Bill C-38 the Teleglobe Canada Reorganization and Divestiture Act received Royal Assent pursuant to the letter of intent signed February 11, 1987 selling Teleglobe Canada to Memotec Data Inc.

(9) The Corporation is being wound up.

(10) On May 1st, 1986, Bill C-87 received Royal Assent authorizing the divestiture of Canadian Arsenals Limited which was sold to SNC Defence Products Inc on May 9, 1986.

(11) On October 29, 1985, Bill C-60 received Royal Assent and authorized the Minister responsible for Canadian National (West Indies) Steamships Ltd, to dissolve the Corporation.

(12) The Corporation is inactive.

(13) During the year, assets under the jurisdiction of the Northern Canada Power Commission related to the Yukon Territory have been transferred to the Yukon Power Corporation.

(14) Pêcheres Canada Inc ceased to be a Crown corporation on April 24, 1986 following its sale to Co-operative agro-alimentaire Purdel.

(15) St Anthony Fisheries Limited was wound up during the year.



TABLE 8.6

## REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1987

(in thousands of dollars)

Crown corporations	Revenues				Expenses				Net income/loss (-)	Other net changes in equity	Net assets or liabilities (-) beginning 1987	Net assets or liabilities (-) end 1987
	Outside parties	Government and Crown corporations		Total	Outside parties	Government and Crown corporations		Total				
		Financial assistance <sup>(1)</sup>	Other			Government and Crown corporations	Total					
<b>Competitive, self-sustaining</b>												
Air Canada.....	2,918,165		61,468	2,979,633	2,682,703	193,978	2,876,681	102,952		466,847	569,799	
Canada Development Investment Corporation.....	98,215		-49,905	48,310	238,237		238,237	-189,927	-145,000	623,485	288,558	
Eldorado Nuclear Limited.....	259,907			259,907	309,812	198	310,010	-50,103		188,312	138,209	
Elimination of intercorporate equity.....			49,905	49,905		-198	-198	50,103		-188,312	-138,209	
Canada Ports Corporation.....	14,799		4,740	19,539	20,397	127	20,524	-985	-4,837	72,097	66,275	
Canadian National Railway System	4,108,273	10,163	707,069	4,825,505	4,649,620	213,188	4,862,808	-37,303	-327,558	3,387,128	3,022,267	
Halifax Port Corporation.....	11,765		374	12,139	9,166	1,136	10,302	1,837	-2,237	24,182	23,782	
Montreal Port Corporation.....	58,238		7,538	65,776	51,103	497	51,600	14,176	-59,119	-992	-45,935	
Petro-Canada.....	4,539,932	48,014	130,970	4,718,916	3,965,922	650,467	4,616,389	102,527		3,659,792	3,762,319	
Port of Quebec Corporation.....	6,869		2,880	9,749	8,607	1,615	10,222	-473	-7,858	69,670	61,339	
Prince Rupert Port Corporation.....	11,919		601	12,520	9,540		9,540	2,980	-2,068	-6,970	-6,058	
Saint John Port Corporation.....	2,954		141	3,095	1,989	769	2,758	337	1,581	1,918	1,918	
St John's Port Corporation.....	2,291		422	2,713	1,807	415	2,222	491	-389	11,732	11,834	
Teleglobe Canada.....	290,731		6,707	297,438	108,464	124,484	232,948	64,490		245,780	310,270	
Vancouver Port Corporation.....	61,936		4,749	66,685	44,814	1,855	46,669	20,016	-15,088	109,859	114,787	
Total—Competitive, self-sustaining	12,385,994	58,177	927,659	13,371,830	12,102,181	1,188,531	13,290,712	81,118	-562,573	8,662,610	8,181,155	
<b>Lending and insurance</b>												
Canada Deposit Insurance Corporation.....	321,889		8,501	330,390	256,546	83,290	339,836	-9,446		-1,259,115	-1,268,561	
Canada Mortgage and Housing Corporation.....	816,916	84,267	5,606	906,789	38,065	843,730	881,795	24,994	-24,994	50,000	50,000	
Insurance programs.....	119,258		12,317	131,575	77,152		77,152	54,423		-459,787	-405,364	
Minister's account.....		1,386,656		1,386,656	1,386,656		1,386,656					
Export Development Corporation.....	653,946		472	654,418	653,628	74	653,702	716		897,729	898,445	
Farm Credit Corporation.....	482,308	5,000	684	487,992	263,873	356,609	620,482	-132,490		7,699	-124,791	
Federal Business Development Bank	245,718	26,851		272,569	259,437	6,404	265,841	6,728	28,000	206,892	241,620	
Total—Lending and insurance.....	2,640,035	1,502,774	27,580	4,170,389	2,935,357	1,290,107	4,225,464	-55,075	3,006	-556,582	-608,651	
<b>Marketing</b>												
Canadian Commercial Corporation.....	777,122	16,095		793,217	786,625	10,859	797,484	-4,267		35,655	31,388	
Canadian Dairy Commission.....	416,614	289,660	19,954	726,228	665,923	60,305	726,228					
Canadian Saltfish Corporation.....	68,253		5,600	73,853	65,989	6,655	72,644	1,209		-5,426	-4,217	
Canadian Wheat Board, The.....	3,869,607	317,457	146,943	4,334,007	4,334,007		4,334,007					
Canagrex.....	19			19	5		5	14		154	168	
Freshwater Fish Marketing Corporation.....	58,647			58,647	57,892	755	58,647					
Total—Marketing.....	5,190,262	623,212	172,497	5,985,971	5,910,441	78,574	5,989,015	-3,044		30,383	27,339	
<b>Bank of Canada.....</b>			2,092,189	2,092,189	155,723		155,723	1,936,466	-1,936,466	30,000	30,000	
<b>Other</b>												
Atlantic Pilotage Authority.....	5,889	522	66	6,477	5,905	205	6,110	367	88	-1,018	-563	
Atomic Energy of Canada Limited..	306,754	216,325	1,226	524,305	220,286	286,420	506,706	17,599	1,256	176,806	195,661	
Canada Council.....	18,172	85,311	3,690	107,173	96,677		96,677	10,496		81,210	91,706	
Canada Harbour Place Corporation	9,352	13,464		22,816	75,219		75,219	-52,403		132,703	80,300	
Canada Lands Company Limited— Canada Lands Company (Le Vieux-Port de Montréal) Limited.....	472	3,277		3,749	3,749		3,749					
Canada Lands Company (Mirabel) Limited.....	10,022	7,617		17,639	7,615		7,615	10,024	-10,024			
Canada Lands Company (Vieux- Port de Québec) Inc.....	394	5,021		5,415	5,415		5,415			203	203	
Canada Museums Construction Corporation Inc.....										66,000	91,347	
Canada Post Corporation.....	2,561,829	383,074	154,134	3,099,037	2,642,885	456,152	3,099,037			22,422	1,575,918	
Canadian Arsenals Limited.....										-62,023	62,023	
Canadian Broadcasting Corporation	262,451	782,673	3,858	1,048,982	1,108,279		1,108,279	-59,297		72,260	447,518	
Canadian Film Development Corporation.....	9,264	96,305		105,569	85,987	1,180	87,167	18,402		10,094	28,496	
Canadian Institute for International Peace and Security.....	67	3,000		3,067	3,406		3,406	-339		1,741	1,402	
Canadian Livestock Feed Board.....		16,993	3	16,996	16,952	206	17,158	-162		475	313	
Canadian National (West Indies) Steamships Ltd.....	98			98				98		735	833	
Canadian Patents and Development Limited.....	1,674	478	68	2,220	2,526	116	2,642	-422		406	-16	
Canertech Inc.....					425		425	-425		-16,762	-17,187	

TABLE 8.6

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CROWN CORPORATIONS  
FOR THE YEAR ENDED MARCH 31, 1987—*Concluded*  
(in thousands of dollars)

Crown corporations	Revenues				Expenses				Net income/loss (-)	Other net changes in equity	Net assets or liabilities (-) beginning 1987	Net assets or liabilities (-) end 1987
	Outside parties	Financial assistance <sup>(1)</sup>	Other	Total	Outside parties	Government and Crown corporations	Total					
Cape Breton Development Corporation—												
Coal Division .....	179,746	17,685	4,062	201,493	230,669		230,669	-29,176	135,597	378,617	485,038	
Industrial Development Division ..	3,585	10,600	204	14,389	11,029		11,029	3,360		22,639	25,999	
Defence Construction (1951) Limited .....	125	12,857		12,982	12,835		12,835	147		-3,062	-2,915	
Great Lakes Pilotage Authority, Ltd .....	11,359	610		11,969	10,667		10,667	1,302		-2,723	-1,421	
Harbourfront Corporation .....	19,379	2,479	633	22,491	21,410		21,410	1,081		336	1,417	
International Centre for Ocean Development .....	31	4,000	43	4,074	3,982	84	4,066	8	1	35	44	
International Development Research Centre .....	1,903	100,000	498	102,401	100,969		100,969	1,432		1,123	2,555	
Jacques Cartier and Champlain Bridges Incorporated, The .....	7,325	3,771	169	11,265	9,194	3,115	12,309	-1,044	18	-87,113	-88,139	
Laurentian Pilotage Authority .....	27,253	1,718		28,971	28,561		28,561	410	83	-152	341	
Marine Atlantic Inc .....	58,640	121,519	21	180,180	169,585	7,612	177,197	2,983	-290,595	282,058	-5,554	
Mingan Associates, Ltd .....										355	355	
National Arts Centre Corporation .....	14,279	14,828	1,210	30,317	28,013	1,053	29,066	1,251		268	1,519	
National Capital Commission .....	14,044	47,314	1,823	63,181	87,810	4,369	92,179	-28,998	11,631	284,430	267,063	
Northern Canada Power Commission .....	88,448		14,620	103,068	71,765	32,588	104,353	-1,285	16,692	9,539	24,946	
Pacific Pilotage Authority .....	23,788			23,788	24,096		24,096	-308		2,832	2,524	
Pêcheries Canada Inc .....									-8,705	8,705		
Royal Canadian Mint .....	927,644		35,617	963,261	921,087	34,584	955,671	7,590	-7,590	1,000	1,000	
Seaway International Bridge Corporation, Ltd, The .....	1,588			1,588	1,421		1,421	167	-167	8	8	
Standards Council of Canada .....	1,243	6,935	373	8,551	8,281	589	8,870	-319		2,241	1,922	
St Anthony Fisheries Limited .....									-80	80		
St Lawrence Seaway Authority, The .....	58,954		3,129	62,083	63,673	2,119	65,792	-3,709	13,200	407,740	417,231	
VIA Rail Canada Inc .....	196,309	492,430	9,205	697,944	497,167	208,920	706,087	-8,143	8,436	740,578	740,871	
Total—Other .....	4,822,081	2,450,806	234,652	7,507,539	6,577,540	1,039,312	7,616,852	-109,313	-31,500	4,612,933	4,472,120	
Total—All Crown corporations .....	25,038,372	4,634,969	3,454,577	33,127,918	27,681,242	3,596,524	31,277,766	1,850,152	-2,527,533	12,779,344	12,101,963	
Elimination of intercorporate transactions .....			-405,764	-405,764		-405,764	-405,764		324,136	-324,136		
Combined Crown corporations .....	25,038,372	4,634,969	3,048,813	32,722,154	27,681,242	3,190,760	30,872,002	1,850,152	-2,203,397	12,455,208	12,101,963	

Notes to Table 8.5 are an integral part of this table.

<sup>(1)</sup> This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. A further amount of \$371,983 has been capitalized by the corporations and is included in "Other net changes in equity". Revenues "other" include amounts generated from the sale of goods or services, investment income as well as grants where the corporation qualifies as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amounts reported in Table 8.11 because of timing differences resulting from the different accounting policies followed.



## Borrowings by Agent Crown Corporations

Table 8.7 summarizes the borrowing transactions by agent Crown corporations made on behalf of Her Majesty. This information is published to satisfy Section 40 of the Financial Administration Act (FAA) which requires that "An annual statement of all borrowing transactions on behalf of Her Majesty shall be included in the Public Accounts". The borrowings are from other than the Government. In accordance with Section 45 of the FAA, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue

Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 1987, an allowance for borrowings expected to be repaid by the Government was established at \$100 million.

Borrowings by non-agent Crown corporations are not included in this table because such borrowings are not on behalf of Her Majesty. Table 8.8 provides information on borrowings of such corporations.

TABLE 8.7

### BORROWINGS BY AGENT CROWN CORPORATIONS (in thousands of dollars)

	Balance April 1/1986	Borrowings and other credits	Repayments and other charges	Balance March 31/1987
Atomic Energy of Canada Limited.....	24,284	2,044	2,475	23,853
Canada Deposit Insurance Corporation.....	1,035,585	111,835	159,590	987,830
Canada Development Investment Corporation .....	14,542		14,542	
Eldorado Nuclear Limited.....	517,259	98,526		615,785
Canada Ports Corporation.....	19,696		19,696	
Canadian Wheat Board, The.....	4,060,604	13,342,321	13,385,630	4,017,295
Export Development Corporation.....	5,842,278	30,501,499	30,529,294	5,814,483
Farm Credit Corporation.....	984,100	613,709		1,597,809
Federal Business Development Bank .....	1,183,730	4,387,120	4,007,906	1,562,944
Pêcheries Canada Inc.....	104		104	
Petro-Canada .....	874,192	3,837,950	3,639,350	1,072,792
Saint John Port Corporation.....		19,696		19,696
Seaway International Bridge Corporation, Ltd, The .....	8			8
Teleglobe Canada.....	66,422		12,106	54,316
Total.....	14,622,804	52,914,700	51,770,693	15,766,811
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government .....			100,000	- 100,000
Borrowings expected to be repaid by agent Crown corporations reported on the Statement of Assets and Liabilities .....	14,622,804	52,914,700	51,870,693	15,666,811

Notes to Table 8.5 are an integral part of this table.

## Borrowings by Crown Corporations

Table 8.8 summarizes the borrowing transactions of agent and non-agent Crown corporations. Borrowings of non-agent Crown corporations are not on behalf of Her Majesty.

TABLE 8.8

### BORROWINGS BY CROWN CORPORATIONS (in thousands of dollars)

	Balance April 1/1986	Borrowings and other credits	Repayments and other charges	Balance March 31/1987
Borrowings by agent Crown corporations, Table 8.7 .....	14,622,804	52,914,700	51,770,693	15,766,811
Borrowings by non-agent Crown corporations—				
Air Canada .....	1,411,466	85,442	66,207	1,430,701
Atlantic Pilotage Authority.....	429		190	239
Canadian National Railway System.....	3,302,039	266,440	530,793	3,037,686
Laurentian Pilotage Authority .....	900	1,820	2,370	350
Total.....	4,714,834	353,702	599,560	4,468,976
Total.....	19,337,638	53,268,402	52,370,253	20,235,787

Notes to Table 8.5 are an integral part of this table.

## Maturity of Borrowings by Crown Corporations

Table 8.9 summarizes the maturity of borrowings by agent and non-agent Crown corporations.

TABLE 8.9

### MATURITY OF BORROWINGS BY CROWN CORPORATIONS (in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
1988 .....	8,723,724	355,044	9,078,768
1989 .....	1,618,769	117,470	1,736,239
1990 .....	1,031,746	129,899	1,161,645
1991 .....	1,203,496	132,210	1,335,706
1992 .....	414,393	302,189	716,582
1993/97 .....	2,491,800	1,773,179	4,264,979
1998/2002 .....	2,159	716,524	718,683
2003 and after.....	280,724	942,461	1,223,185
	15,766,811	4,468,976	20,235,787

Notes to Table 8.5 are an integral part of this table.

## Contingent Liabilities of Crown Corporations

Table 8.10 summarizes the contingent liabilities of Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 8.10

### CONTINGENT LIABILITIES OF CROWN CORPORATIONS AS AT MARCH 31, 1987 (in thousands of dollars)

	March 31, 1987
<u>Agent Crown corporations</u>	
Canada Lands Company (Vieux-Port de Québec) Inc—contract disputes .....	3,300
Canada Mortgage and Housing Corporation—insulation program litigation .....	48,000
Canada Museums Construction Corporation Inc—contract disputes .....	8,500
Canada Ports Corporation—miscellaneous litigation .....	500
Canadian Commercial Corporation—contract damages.....	8,264
Canertech Inc—miscellaneous litigation.....	77,000
Cape Breton Development Corporation—loan guarantees .....	45,510
Defence Construction (1951) Limited—miscellaneous claims .....	5,870
Export Development Corporation—loan guarantees and loans with recourse .....	234,000
Federal Business Development Bank—loan and investment guarantees .....	7,487
Montreal Port Corporation—miscellaneous litigation.....	5,948
National Capital Commission—miscellaneous litigation and agreements .....	26,752
Northern Canada Power Commission—miscellaneous litigation .....	150
Petro-Canada—loan guarantee .....	135,000
Port of Quebec Corporation—miscellaneous litigation .....	2,660
St John's Port Corporation—legal action .....	4,964
Teleglobe Canada—potential liability re: retirement agreement .....	1,318
	615,223
<u>Non-agent Crown corporations</u>	
Marine Atlantic Inc—contract disputes .....	16,600
Total .....	631,823

Notes to Table 8.5 are an integral part of this table.



## Financial Assistance Under Budgetary Appropriations to Crown Corporations

Table 8.11 summarizes financial assistance under budgetary appropriations for both agent and non-agent Crown corporations. It should be read in conjunction with Table 8.4. The purpose for which payments have been made under budgetary

appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 8.11

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1987 (in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited .....	217,581	199,689	17,892
Canada Harbour Place Corporation .....	13,622	13,622	
Canada Lands Company (Mirabel) Limited .....	6,823	6,823	
Canada Lands Company (Le Vieux-Port de Montréal) Limited .....	3,277	3,277	
Canada Lands Company (Vieux-Port de Québec) Inc .....	4,951	4,951	
Canada Mortgage and Housing Corporation <sup>(2)</sup> .....	1,454,286	1,454,286	
Canada Museums Construction Corporation Inc .....	66,000	66,000	
Canada Ports Corporation .....	12,993	12,993	
Canada Post Corporation .....	486,074	383,074	103,000
Canadian Broadcasting Corporation .....	855,101	786,673	68,428
Canadian Commercial Corporation .....	16,095	16,095	
Canadian Dairy Commission .....	289,267	289,267	
Canadian Film Development Corporation .....	85,971	85,971	
Canadian Livestock Feed Board .....	17,156	17,156	
Canadian Patents and Development Limited .....	478	478	
Canadian Wheat Board, The .....	244,836	244,836	
Cape Breton Development Corporation .....	163,882	28,285	135,597
Defence Construction (1951) Limited .....	13,200	13,200	
Farm Credit Corporation .....	5,000	5,000	
Federal Business Development Bank .....	54,851	54,851	
National Capital Commission .....	62,445	58,764	3,681
Petro-Canada .....	28,648	28,648	
St Lawrence Seaway Authority, The .....	13,200	13,200	
	<b>4,115,737</b>	<b>3,787,139</b>	<b>328,598</b>
<u>Non-agent Crown corporations</u>			
Atlantic Pilotage Authority .....	460	460	
Canada Council .....	85,481	85,481	
Canadian Institute for International Peace and Security .....	3,000	3,000	
Canadian National Railway System .....	10,366	10,366	
Harbourfront Corporation .....	954	954	
International Centre for Ocean Development .....	4,000	4,000	
International Development Research Centre .....	100,000	100,000	
Jacques Cartier and Champlain Bridges Incorporated, The .....	3,853	3,853	
Laurentian Pilotage Authority .....	1,282	1,282	
Marine Atlantic Inc .....	179,798	179,798	
National Arts Centre Corporation .....	14,828	14,828	
Standards Council of Canada .....	6,935	6,935	
VIA Rail Canada Inc .....	535,768	535,768	
	<b>946,725</b>	<b>946,725</b>	
<b>Total</b> .....	<b>5,062,462</b>	<b>4,733,864</b>	<b>328,598</b>

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

<sup>(2)</sup> Includes budgetary appropriations for Government programs and insurance funds administered by the Corporation on behalf of the Government.

## PROVINCIAL AND TERRITORIAL GOVERNMENTS

This group records loans to provinces made under relief acts and other legislation.

Table 8.12 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 8.12

### PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
					\$	\$
<b>NEWFOUNDLAND—</b>						
<b>Finance—</b>						
Federal-provincial employment loans program .....	3,661,214			3,661,214		
Federal-provincial fiscal arrangements .....						-37,071,621
Municipal Development and Loan Board ....	5,232,469	188,934		5,043,535	-188,934	-178,058
Special development loans program .....	6,700,000			6,700,000		
Winter capital projects fund .....	7,025,761	36,449		6,989,312	-36,449	-54,435
	22,619,444	225,383		22,394,061	-225,383	-37,304,114
<b>Regional Industrial Expansion—</b>						
Atlantic Development Board carry-over projects .....	1,009,310	35,815		973,495	-35,815	-25,797
Atlantic Provinces Power Development Act .....	77,358,044	1,939,381		75,418,663	-1,939,381	-1,813,042
Special areas and highways agreement .....	34,511,854	2,143,832		32,368,022	-2,143,832	-1,978,862
	112,879,208	4,119,028		108,760,180	-4,119,028	-3,817,701
<b>Total Newfoundland .....</b>	<b>135,498,652</b>	<b>4,344,411</b>		<b>131,154,241</b>	<b>-4,344,411</b>	<b>-41,121,815</b>
<b>NOVA SCOTIA—</b>						
<b>Energy, Mines and Resources—</b>						
Regional electrical interconnections .....	2,530,292	27,556		2,502,736	-27,556	-24,992
<b>Finance—</b>						
Federal-provincial employment loans program .....	2,862,235	572,733		2,289,502	-572,733	-535,503
Municipal Development and Loan Board ....	1,771,217	513,232		1,257,985	-513,232	-663,576
Special development loans program .....	4,300,000			4,300,000		
Winter capital projects fund .....	4,582,942	545,989		4,036,953	-545,989	
	13,516,394	1,631,954		11,884,440	-1,631,954	-1,199,079
<b>Regional Industrial Expansion—</b>						
Atlantic Development Board carry-over projects .....	3,962,356	150,390		3,811,966	-150,390	-139,768
Atlantic Provinces Power Development Act .....	41,489,520	1,779,241		39,710,279	-1,779,241	-1,673,485
Mainland Investments Limited .....	1,000,000	500,000		500,000	-500,000	-500,000
Special areas and highways agreement .....	22,984,707	2,007,640		20,977,067	-2,007,640	-1,853,115
	69,436,583	4,437,271		64,999,312	-4,437,271	-4,166,368
<b>Total Nova Scotia .....</b>	<b>85,483,269</b>	<b>6,096,781</b>		<b>79,386,488</b>	<b>-6,096,781</b>	<b>-5,390,439</b>
<b>PRINCE EDWARD ISLAND—</b>						
<b>Energy, Mines and Resources—</b>						
Regional electrical interconnections .....						-8,526,857
<b>Finance—</b>						
Federal-provincial employment loans program .....	194,769	16,437		178,332	-16,437	-15,400
Municipal Development and Loan Board ....	763,297	64,647		698,650	-64,647	-78,000
Special development loans program .....	213,582	51,735		161,847	-51,735	
Winter capital projects fund .....	1,064,039	52,614		1,011,425	-52,614	-48,774
	2,235,687	185,433		2,050,254	-185,433	-142,174
<b>Regional Industrial Expansion—</b>						
Atlantic Development Board carry-over projects .....	23,906	1,149		22,757	-1,149	-1,069
Comprehensive development plan agreement .....	11,392,312	174,798		11,217,514	-174,798	-161,839
	11,416,218	175,947		11,240,271	-175,947	-162,908
<b>Total Prince Edward Island .....</b>	<b>13,651,905</b>	<b>361,380</b>		<b>13,290,525</b>	<b>-361,380</b>	<b>-8,831,939</b>



TABLE 8.12

## PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (—)	
					1987	1986
	\$	\$	\$	\$	\$	\$
<b>NEW BRUNSWICK—</b>						
Energy, Mines and Resources—						
Regional electrical interconnections .....	4,793,033	53,697		4,739,336	- 53,697	- 94,010
Finance—						
Federal-provincial employment loans program .....	6,258,234	178,360		6,079,874	- 178,360	- 176,815
Federal-provincial fiscal arrangements .....			2,352,000	2,352,000	2,352,000	
Municipal Development and Loan Board .....	5,627,763	223,207		5,404,556	- 223,207	- 330,268
Special development loans program .....	5,375,000			5,375,000		
Town of Oromocto .....	6,803	6,803			- 6,803	- 37,461
Winter capital projects fund .....	9,494,232	93,627		9,400,605	- 93,627	- 102,141
	26,762,032	501,997	2,352,000	28,612,035	1,850,003	- 646,685
Regional Industrial Expansion—						
Atlantic Development Board carry-over projects .....	835,553	35,759		799,794	- 35,759	- 33,265
Atlantic Provinces Power Development Act .....	41,354,061	1,730,933		39,623,128	- 1,730,933	- 1,635,138
Special areas and highways agreement .....	39,873,965	2,227,423		37,646,542	- 2,227,423	- 2,062,792
	82,063,579	3,994,115		78,069,464	- 3,994,115	- 3,731,195
Total New Brunswick .....	113,618,644	4,549,809	2,352,000	111,420,835	- 2,197,809	- 4,471,890
<b>QUEBEC—</b>						
Finance—						
Federal-provincial employment loans program .....	61,300,779			61,300,779		
Municipal Development and Loan Board .....	47,086,748	2,931,445		44,155,303	- 2,931,445	- 3,128,104
Special development loans program .....	70,300,000			70,300,000		
Winter capital projects fund .....	91,314,928			91,314,928		
	270,002,455	2,931,445		267,071,010	- 2,931,445	- 3,128,104
Regional Industrial Expansion—						
Special areas and highways agreement .....	99,495,914	2,200,860		97,295,054	- 2,200,860	- 2,033,252
Total Quebec .....	369,498,369	5,132,305		364,366,064	- 5,132,305	- 5,161,356
<b>ONTARIO—</b>						
Finance—						
Federal-provincial employment loans program .....	9,441,734	835,818		8,605,916	- 835,818	- 781,343
Municipal Development and Loan Board .....	18,488,230	4,894,613		13,593,617	- 4,894,613	- 5,670,606
Special development loans program .....	1,559,558	221,478		1,338,080	- 221,478	- 208,066
Winter capital projects fund .....	31,650,955	2,882,113		28,768,842	- 2,882,113	- 2,650,321
Total Ontario .....	61,140,477	8,834,022		52,306,455	- 8,834,022	- 9,310,336
<b>MANITOBA—</b>						
Agriculture—						
Agricultural service centres—						
Advances .....						- 392
Loans .....	6,500,608	348,302		6,152,306	- 348,302	- 590,937
	6,500,608	348,302		6,152,306	- 348,302	- 591,329
Energy, Mines and Resources—						
Regional electrical interconnections .....	130,795,816	25,746,497		105,049,319	- 25,746,497	606,123
Finance—						
Federal-provincial employment loans program .....	3,850,088	443,962		3,406,126	- 443,962	- 408,945
Municipal Development and Loan Board .....	3,730,459	705,309		3,025,150	- 705,309	- 724,251
Special development loans program .....	3,834,410	449,759		3,384,651	- 449,759	- 422,270
Winter capital projects fund .....	2,390,963	123,983		2,266,980	- 123,983	- 114,528
	13,805,920	1,723,013		12,082,907	- 1,723,013	- 1,669,994
Regional Industrial Expansion—						
Special areas and highways agreement .....	2,854,016	185,250		2,668,766	- 185,250	- 180,741
Total Manitoba .....	153,956,360	28,003,062		125,953,298	- 28,003,062	- 1,835,941

TABLE 8.12

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
<b>SASKATCHEWAN—</b>						
Agriculture—						
Agricultural service centres—						
Advances.....						- 28,121
Loans.....	5,885,560	271,918		5,613,642	- 271,918	- 240,167
South Saskatchewan River project—						
Treasury bills .....	2,400,000	2,400,000			- 2,400,000	- 2,140,000
	8,285,560	2,671,918		5,613,642	- 2,671,918	- 2,408,288
Finance—						
Federal-provincial employment loans pro- gram .....	738,401	72,016		666,385	- 72,016	- 67,316
Federal-provincial fiscal arrangements .....	22,913,000	22,913,000			- 22,913,000	- 22,913,000
Municipal Development and Loan Board .....	1,338,808	431,485		907,323	- 431,485	- 596,797
	24,990,209	23,416,501		1,573,708	- 23,416,501	- 23,577,113
Total Saskatchewan.....	33,275,769	26,088,419		7,187,350	- 26,088,419	- 25,985,401
<b>ALBERTA—</b>						
Agriculture—						
Agricultural service centres—						
Loans.....	310,232	310,232			- 310,232	
Finance—						
Federal-provincial employment loans pro- gram .....	3,081,006	360,702		2,720,304	- 360,702	- 331,227
Municipal Development and Loan Board .....	4,369,521	855,458		3,514,063	- 855,458	- 1,029,368
Special development loans program .....	4,000,000			4,000,000		
Winter capital projects fund .....	3,936,128	332,159		3,603,969	- 332,159	- 304,005
	15,386,655	1,548,319		13,838,336	- 1,548,319	- 1,664,600
Regional Industrial Expansion—						
Special areas and highways agreement .....	2,584,140	173,398		2,410,742	- 173,398	- 169,486
Total Alberta .....	18,281,027	2,031,949		16,249,078	- 2,031,949	- 1,834,086
<b>BRITISH COLUMBIA—</b>						
Finance—						
Federal-provincial employment loans pro- gram .....	9,370,672	918,198		8,452,474	- 918,198	- 857,910
Municipal Development and Loan Board .....	5,786,011	1,023,407		4,762,604	- 1,023,407	- 1,408,286
Special development loans program .....	14,787,898	2,294,412		12,493,486	- 2,294,412	- 2,156,848
Winter capital projects fund .....	13,707,643	937,288		12,770,355	- 937,288	- 904,706
Total British Columbia .....	43,652,224	5,173,305		38,478,919	- 5,173,305	- 5,327,750
<b>NORTHWEST TERRITORIES—</b>						
Finance—						
Federal-provincial employment loans pro- gram .....	19,561	3,458		16,103	- 3,458	91
Winter capital projects fund .....	262,564	31,630		230,934	- 31,630	2,194
	282,125	35,088		247,037	- 35,088	2,285
Indian Affairs and Northern Development— Government of the Northwest Territories .....	359,781	51,662		308,119	- 51,662	- 54,477
Total Northwest Territories .....	641,906	86,750		555,156	- 86,750	- 52,192
<b>YUKON TERRITORY—</b>						
Indian Affairs and Northern Development—						
Government of the Yukon Territory .....	7,759,073	701,157		7,057,916	- 701,157	- 625,528
Yukon Territory small business loans .....	353,587	17,599		335,988	- 17,599	- 8,495
Total Yukon Territory .....	8,112,660	718,756		7,393,904	- 718,756	- 634,023
Account without current transactions .....						- 28,676
Total .....	1,036,811,262	91,420,949	2,352,000	947,742,313	- 89,068,949	- 109,985,844



### Federal-provincial employment loans program

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 6.5% to 7.41% per annum, and are repayable either in annual instalments over 10 to 20 years, or at maturity, with final repayments between April 1, 1988 and November 30, 1994.

### Federal-provincial fiscal arrangements

These amounts represent overpayments in respect of provincial equalization entitlements under the Constitution Acts 1867-1982, the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977, and other statutory authority. These overpayments are non-interest bearing and are recovered in the subsequent year.

### Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25% to 5.625% per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1987 and March 31, 2016.

### Special development loans program

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 5.91% to 7.54% per annum, and are repayable either in annual or semi-annual instalments over 10 to 20 years, or at maturity, with final repayments between April 1, 1987 and March 30, 1993.

### Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.2% to 9.84% per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity, with final repayments between January 16, 1990 and February 28, 1999.

### Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board. Loans were made pursuant to terms and conditions of agreements between Canada and the provinces in the Atlantic region, with the approval of the Governor in Council.

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

- (a) bearing interest at the rate of 7.5% per annum, repayable over 28 years at various anniversary amortization dates, with the final instalment on July 31, 1999, \$136,105; and,

- (b) bearing interest at rates from 7.161% to 8.5% per annum, repayable over 30 years at various anniversary amortization dates, with final instalments between November 21, 1998 and April 1, 2006, \$5,471,907.

### Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5% to 8.5% per annum, and are repayable in equal annual instalments over 29 to 40 years, with final instalments between March 31, 1992 and March 31, 2014.

### Special areas and highways agreement

Loans have been made to finance development of community and industrial infrastructure projects for special areas, and for highway development, pursuant to terms and conditions of agreements between Canada and the provinces, with the approval of the Governor in Council.

The loans bear interest at rates from 5.768% to 10.164% per annum, and are repayable in equal annual instalments over 5 to 30 years, with final instalments between March 31, 1988 and March 31, 2009.

### Regional electrical interconnections

Loans have been made to assist in financing regional electrical interconnections, under agreements between the Government of Canada and the Provinces of Manitoba, New Brunswick, Nova Scotia and Prince Edward Island.

During the year, additional loans were authorized by Energy, Mines and Resources Vote L30, Appropriation Acts No 1 and No 2, 1986-87.

The loans bear interest at rates from 9% to 13.375% per annum, and are repayable in annual instalments over 29 to 31 years, with final instalments between March 31, 2008 and March 31, 2011.

### Mainland Investments Limited

Loans have been made to the Province of Nova Scotia for the purchase of shares of Mainland Investments Limited, in accordance with an agreement between Canada and Nova Scotia, pursuant to Section 8 of the Special Areas Act.

The loans bear interest at the rate of 7% per annum, and are repayable over 15 years, with the final instalment on February 28, 1988.

### Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

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

- (a) repayable over 30 years in equal instalments due at various anniversary dates, bearing interest at rates from 6.688% to 9.375% per annum, with final instalments between March 25, 2000 and March 27, 2005, \$4,891,000; and,
- (b) repayable in equal annual instalments over 30 years, bearing interest at rates from 6.688% to 9.375% per annum, with final instalments between March 31, 2001 and March 31, 2005, \$6,326,514.

### Town of Oromocto

Capital assistance loans were made to the Town of Oromocto, New Brunswick.

During the year, the remaining loan was repaid in full.

### Agricultural service centres

Loans and advances have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

#### Advances

The amounts shown as advances represent outlays made on incomplete projects. When a project is completed, the advances are transferred to the loan account.

Upon completion of projects, interest is calculated and added to the amount of advances being transferred to loans in accordance with the terms and conditions of the agreements between Canada and the provinces, with the approval of the Governor in Council. As of March 31, 1986, all the advances have been transferred to loans.

#### Loans

This account records amounts transferred from the advances account when projects are completed.

The loans bear interest at rates from 7.747% to 14.129% per annum, and are repayable in equal annual instalments over 20 years, with final instalments between March 31, 1992 and March 31, 2004.

### South Saskatchewan River project—Treasury bills

Treasury bills were received as payment of the Province of Saskatchewan's share of certain expenditures on the South Saskatchewan River project.

During the year, the Treasury bills were redeemed in full.

### Government of the Northwest Territories

Loans have been made to the Government of the Northwest Territories, for the following purposes:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
Second mortgage ....	141,517	11,751		129,766
Low cost housing ....	218,264	39,911		178,353
	359,781	51,662		308,119

The loans bear interest at rates from 5.125% to 8.875% per annum, and are repayable in equal annual instalments over 20 to 25 years, with final instalments between April 1, 1987 and August 27, 1996.

### Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
Second mortgage ....	106,687	11,281		95,406
Low cost housing ....	407,942	39,824		368,118
Capital expenditures .....	917,021	69,490		847,531
Outside parties—Capital projects ..	6,272,759	525,898		5,746,861
City of Whitehorse—Capital projects .....	54,664	54,664		
	7,759,073	701,157		7,057,916

The loans bear interest at rates from 5.375% to 12.5% per annum, and are repayable in equal annual instalments over 2 to 35 years, with final instalments between April 1, 1987 and March 31, 2004.

### Yukon Territory small business loans

Loans have been made for the establishment or expansion of small businesses in the Yukon Territory.

The total amount authorized to be outstanding at any time is \$5,000,000.

The loans bear interest at rates from 9% to 12% per annum, and are repayable in annual instalments over 10 years, with final instalments between April 1, 1987 and March 31, 1988. The repayment period may be extended with the approval of the Minister of Finance.



## NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

Loans to national governments consist mainly of the loan to the Government of the United Kingdom under the United Kingdom Financial Agreement Act, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 8.13 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 8.13

### NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	Receipts and other credits		Payments and other charges		Net increase or decrease (-)	
	April 1/1986			March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
China—Finance .....	49,426,118			49,426,118		
Jamaica— Finance— Special program—Economic assistance .....	25,000,000			25,000,000		
United Kingdom— Finance— The United Kingdom Financial Agreement Act, 1946 .....	484,564,620	28,018,963		456,545,657	- 28,018,963	- 27,469,571
Deferred principal .....	94,990,863			94,990,863		
	579,555,483	28,018,963		551,536,520	- 28,018,963	- 27,469,571
Developing countries— External Affairs—Canadian International Development Agency— International development assistance .....	3,257,541,331	159,362,559	100,621,357	3,198,800,129	- 58,741,202	177,586,681
Development of export trade (loans adminis- tered by the Export Development Corpora- tion)—External Affairs.....	617,361,446	51,389,284	13,768,680	579,740,842	- 37,620,604	- 1,925,447
National Defence— North Atlantic Treaty Organization— Damage claims recoverable .....	39,738	24,823	55,116	70,031	30,293	7,532
Account without current transactions .....						- 6,214,126
Total .....	4,528,924,116	238,795,629	114,445,153	4,404,573,640	- 124,350,476	141,985,069

#### China

A loan to China was authorized under the Export Credits Insurance Act.

#### Jamaica—Economic assistance

A loan has been made to the Government of Jamaica, to provide economic assistance. The maturity under the agreement is August 9, 1989. Interest at 11% per annum is payable annually on August 9. Up to August 9, 1989, the interest rate will be equal to the Crown corporations' 5 year borrowing rate.

The agreement, as amended in 1985, provides for the deferment of the principal payment and one-half of the interest due on August 9, 1985 which are repayable in semi-annual instalments over 10 years, with the final instalment on February 9, 1996 and bear interest at a rate of 10.75% per annum.

#### United Kingdom

##### *The United Kingdom Financial Agreement Act, 1946*

Under authority of the United Kingdom Financial Agreement Act, a credit of \$1,250,000,000 was extended to the

Government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2% per annum, with the final instalment on December 31, 2000.

##### *Deferred principal*

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

### Developing countries—International development assistance

Loan assistance has been made to developing countries for international development assistance. Commencing April 1, 1986, loans under negotiated loan agreements in existence at March 31, 1986 are made under budgetary authority (External Affairs Vote 35, Appropriation Acts No 1 and No 2, 1986-87). Previous to this date, all loans to developing countries were paid under non-budgetary authority.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The closing balance of loans to individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. The total budgetary payments to all countries are deducted as a lump sum amount under the caption "Payments made under budgetary authority" at the end of the table to arrive at the amount reported in Table 8.13 as international development assistance to developing countries.

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
(a) 17 year term, 7 year grace period, non-interest bearing, with the final repayment in September 1997:				
Senegal .....	999,070			999,070
(b) 20 year term, 5 year grace period, 5% interest per annum, with final repayments between September 2000 and March 2001:				
Jamaica .....	4,499,073			4,499,073
Turkey .....	29,234,907	2,063,913		27,170,994
	33,733,980	2,063,913		31,670,067
(c) 25 year term, 5 year grace period, 6% interest per annum, with the final repayment in March 1990:				
Nigeria .....	973,789	350,000		623,789
(d) 30 year term, 7 year grace period, 3% interest per annum, with final repayments between September 1996 and January 2012:				
Barbados .....	17,746,709	682,608	572,181	17,636,282
Brazil .....	13,148,973	581,009		12,567,964
Chile .....	2,285,867	182,864		2,103,003
Colombia .....	19,040,598	1,000,000		18,040,598
Cuba .....	9,547,012			9,547,012
Dominican Republic .....	2,200,001			2,200,001
Egypt .....	50,000,000	2,173,912		47,826,088
Jamaica .....	33,059,229	64,117		32,995,112
Korea .....	477,898	43,445		434,453
Malaysia .....	11,724,735	789,037		10,935,698
Nigeria .....	834,711	213,032		621,679
Peru .....	337,617			337,617
Salvador, El .....	9,260,527			9,260,527
Trinidad .....	6,099,032	735,988	289,189	5,652,233
Turkey .....	9,112,771	1,128,885		7,983,886
	184,875,680	7,594,897	861,370	178,142,153
(e) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	2,960,746	171,939		2,788,807
(f) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	694,987	33,333		661,654
(g) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria .....	16,218,094	579,090		15,639,004
Antigua .....	5,774,797	150,000		5,624,797
Argentina .....	588,000	18,667		569,333
Barbados .....	8,133,029	61,500		8,071,529
Belize .....	11,816,656	274,796		11,541,860
Bolivia .....	1,547,420	63,593		1,483,827
Brazil .....	700,605	20,906		679,699
Burma .....	8,306,202			8,306,202
Cameroun .....	141,121,496	2,004,838	4,552,956	143,669,614
Chile .....	3,156,603	98,062		3,058,541
Colombia .....	19,990,016	833,815		19,156,201
Congo-Brazzaville .....	22,598,238			22,598,238
Costa Rica .....	21,209,422		1,909,425	23,118,847
Dominica .....	1,821,648	30,854		1,790,794
Dominican Republic .....	8,801,845	180,473		8,621,372
East African Community <sup>(1)</sup> .....	47,402,298			47,402,298



	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
Ecuador .....	10,903,408	304,900		10,598,508
Egypt .....	57,599,945			57,599,945
Gabon .....	4,660,006		2,954,180	7,614,186
Ghana .....	79,809,565	2,444,438	213,954	77,579,081
Grenada .....	818,125	21,250		796,875
Guatemala .....	4,000,103	6,240		3,993,863
Guyana .....	36,195,102		1,002,342	37,197,444
Honduras .....	32,896,982	1,051	119,330	33,015,261
India .....	696,068,727	16,407,599	30,819,147	710,480,275
Indonesia .....	267,643,028	3,105,204	13,988,695	278,526,519
Ivory Coast .....	70,985,438	91,175	9,065,423	79,959,686
Jamaica .....	56,226,552	13,017		56,213,535
Kenya .....	109,518,003	658,013	223,963	109,083,953
Madagascar .....	22,958,010			22,958,010
Malaysia .....	1,133,624	14,860	1,314,427	2,433,191
Malta .....	962,490	37,500		924,990
Mauritania .....	4,199,062	51,786		4,147,276
Mexico .....	87,298	2,772		84,526
Montserrat .....	683,815	8,625		675,190
Morocco .....	14,835,516	125,991		14,709,525
Nicaragua .....	15,540,997	71,230	2,887,273	18,357,040
Nigeria .....	44,619,260	3,495,042		41,124,218
Pakistan .....	606,089,118	10,508,496	10,323,003	605,903,625
Paraguay .....	619,880	19,996		599,884
Peru .....	12,078,361	253,840	10,895,179	22,719,700
Philippines .....	3,886,371	48,572		3,837,799
Salvador, El .....	1,200,000			1,200,000
St Lucia .....	512,054	10,810		501,244
St Vincent .....	1,116,375	62,812		1,053,563
Senegal .....	14,093,784			14,093,784
Sri Lanka .....	168,259,086	1,173,290	49,109	167,134,905
Swaziland .....	1,423,565	53,605		1,369,960
Thailand .....	33,747,453			33,747,453
Togo .....	16,571,216			16,571,216
Trinidad .....	3,375,892	114,236		3,261,656
Tunisia .....	121,664,993	3,038,065	1,297,127	119,924,055
Various francophone countries <sup>(2)</sup> .....	1,677,258			1,677,258
Zaire .....	29,446,058	15,516	1,793,534	31,224,076
Zambia .....	85,329,657		858,734	86,188,391
Zimbabwe .....	26,896,682		3,916,682	30,813,364
	2,979,519,228	46,476,525	98,184,483	3,031,227,186
(h) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria .....	46,115,824	1,875,000		44,240,824
(i) 55 year term, 15 year grace period, non-interest bearing, with the final repayment in September 2036:				
Egypt .....	7,668,027		1,575,504	9,243,531
	3,257,541,331	58,565,607	100,621,357	3,299,597,081
Less: payments made under budgetary authority .....		100,796,952		100,796,952
	3,257,541,331	159,362,559	100,621,357	3,198,800,129

Note: grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

<sup>(1)</sup> Joint project involving Kenya, Tanzania and Uganda.

<sup>(2)</sup> Joint project involving Mali and Senegal.

Similar assistance has been provided to developing countries by way of subscriptions to the capital of the International Development Association and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

### Development of export trade

Pursuant to Section 31 of the Export Development Act, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

During the year, receipts and other credits included loan repayments of \$29,625,454, a valuation adjustment of \$16,378,158 in respect of loans totalling \$180,705,993 US, and a transfer of \$5,385,672 to the Development of export trade account under the caption "Miscellaneous loans, investments and advances", while payments and other charges included loans and guarantees of \$13,768,680. Interest of \$34.7 million was received and credited to Non-tax revenue—Return on investments.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
(a) 1 year term, non-interest bearing:				
Norway .....	393	393		
(b) 5 year term, 9.5% interest per annum, with the final repayment in May 1990:				
Ghana .....	2,930,221	337,484	2,743,202	5,335,939
(c) 6 to 10 year term, 8.5% to 10.25% interest per annum, with final repayments between June 1987 and June 1993:				
Ethiopia .....	23,664,634	5,697,557	182,461	18,149,538
Ghana .....	3,505,928	226,812		3,279,116
Jamaica .....	1,796,129	116,199		1,679,930
Tanzania .....	35,033,670	794,681		34,238,989
	64,000,361	6,835,249	182,461	57,347,573
(d) 11 to 15 year term, 7.5% to 11.125% interest per annum, with final repayments between July 1989 and December 2000:				
Kenya .....	-1,680,316	13,517	1,889,247	195,414
Korea .....	190,086,379	16,666,667		173,419,712
Poland .....	81,354,755	6,794,525		74,560,230
Thailand .....			2,896,889	2,986,889
Turkey .....	57,200,315	7,660,115	172	49,540,372
	326,961,133	31,134,824	4,786,308	300,612,617
(e) 16 to 20 year term, 6% to 11.5% interest per annum, with final repayments between April 1988 and September 1995:				
Brazil .....	3,480,141	604,480	5,920,229	8,795,890
Jamaica .....	5,186,506	454,845		4,731,661
Madagascar .....	22,201,820	1,436,327		20,765,493
Pakistan .....	702,735	247,990		454,745
Zambia .....	8,351,901		136,480	8,488,381
	39,923,103	2,743,642	6,056,709	43,236,170
(f) 21 to 25 year term, 7% to 9% interest per annum, with final repayments between April 1998 and June 1999:				
Argentina .....	129,450,000	6,837,986		122,612,014
Sudan .....	9,072,700	586,950		8,485,750
	138,522,700	7,424,936		131,097,764
(g) 26 to 30 year term, 2.5% to 5% interest per annum, with final repayments between March 2008 and June 2014:				
Congo .....	4,000,922	258,836		3,742,086
Mexico .....	41,022,613	2,653,920		38,368,693
	45,023,535	2,912,756		42,110,779
	617,361,446	51,389,284	13,768,680	579,740,842



## North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## INTERNATIONAL ORGANIZATIONS

This group records Canada's subscriptions to the capital of the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development (i.e. World Bank), the International Development Association and the International Finance Corporation. It also includes loans and advances to other international organizations.

Capital subscriptions are made in part by the issuance of non-interest bearing, non-negotiable demand notes. The amounts advanced or loaned vary according to the needs of the organizations concerned, and the terms of the agreements.

TABLE 8.14

### INTERNATIONAL ORGANIZATIONS

	Receipts and		Payments and		Net increase or decrease (-)	
	April 1/1986	other credits	other charges	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
Canada's subscriptions to the capital of the—						
African Development Bank .....	46,840,351		11,710,088	58,550,439	11,710,088	11,710,088
Less: notes payable .....		11,710,088	11,710,088			
	46,840,351	11,710,088	23,420,176	58,550,439	11,710,088	11,710,088
Asian Development Bank .....	169,758,879	6,575,201	6,283,960	169,467,638	-291,241	13,141,679
Less: notes payable .....	20,064,707	3,770,376	4,376,789	19,458,294	-606,413	-606,413
	149,694,172	10,345,577	10,660,749	150,009,344	315,172	13,748,092
Caribbean Development Bank .....	13,344,281	863,296		12,480,985	-863,296	307,842
Less: notes payable .....	1,421,319			1,421,319		-210,254
	11,922,962	863,296		11,059,666	-863,296	518,096
Inter-American Development Bank .....	158,040,250	10,829,108	10,164,368	157,375,510	-664,740	13,630,830
Less: notes payable .....	45,681,437	10,164,368	11,875,340	43,970,465	-1,710,972	1,370,023
	112,358,813	20,993,476	22,039,708	113,405,045	1,046,232	12,260,807
International Bank for Reconstruction and Development (World Bank) .....	266,156,300	2,060,556	10,686,831	274,782,575	8,626,275	18,701,021
Less: notes payable .....	16,200,000	9,618,148		25,818,148	9,618,148	16,200,000
	249,956,300	11,678,704	10,686,831	248,964,427	-991,873	2,501,021
International Development Association .....	2,231,188,061		266,300,000	2,497,488,061 <sup>(1)</sup>	266,300,000	333,400,000
Less: notes payable .....	744,277,700	266,300,000	140,661,000	869,916,700	125,639,000	215,694,310
	1,486,910,361	266,300,000	406,961,000	1,627,571,361	140,661,000	117,705,690
International Finance Corporation .....	29,244,801	2,263,593	7,950,055	34,931,263	5,686,462	674,654
	2,086,927,760	324,154,734	481,718,519	2,244,491,545	157,363,785	159,118,448
International financial institutions .....	1,360,817,662	26,580,910	282,824,731	1,617,061,483 <sup>(1)</sup>	256,243,821	172,596,954
Less: notes payable .....	715,311,717	280,533,004	119,480,393	876,364,328	161,052,611	114,829,764
	645,505,945	307,113,914	402,305,124	740,697,155	95,191,210	57,767,190
International Tin Council .....	4,500,000			4,500,000		
International Natural Rubber Agreement .....	8,262,930		493,878	8,756,808	493,878	3,025,403
International organizations and associations—						
Berne Union of the World Intellectual Prop- erty Organization .....	15,676			15,676		-8,675
Customs Co-operation Council .....	6,309			6,309		
Food and Agriculture Organization .....	613,422			613,422		
General Agreement on Tariffs and Trade .....	14,508			14,508		

The net position of the Government vis-à-vis the international organizations has been obtained by deducting from subscriptions, loans and advances, the non-interest bearing notes issued by Canada to these organizations. These notes, payable on demand, represent that portion of the investment by Canada in these organizations which has not yet been encashed by them. These notes are encashed subject to the financial requirements of these organizations.

Commencing April 1, 1986, note encashments, and cash subscriptions/loans to international financial institutions are now made under budgetary authority. However, subscriptions/loans made by the issuance of non-interest bearing notes continue to be under non-budgetary authority.

Table 8.14 presents a summary of the balances and transactions for the subscriptions, loans and advances to international organizations. The closing balance of loans/subscriptions to international financial institutions includes, where applicable, total loans/subscriptions made under both budgetary and non-budgetary authorities. The total budgetary payments to all international financial institutions are deducted as a lump sum amount under the caption "Payments made under budgetary authority" at the end of the table to arrive at the total amount reported in Table 8.1 as International organizations (net). In addition, Table 8.15 presents additional disclosure of information related to subscriptions to the capital of international development institutions.

TABLE 8.14

INTERNATIONAL ORGANIZATIONS—*Concluded*

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease ( - )	
					1987	1986
					\$	\$
Intergovernmental Maritime Consultative Organization .....	1,617			1,617		
International Atomic Energy Agency .....	65,656			65,656		
International Civil Aviation Organization .....	71,419			71,419		
International Labour Organization .....	68,666			68,666		
Paris Union of the World Intellectual Prop- erty Organization .....	46,382		12,545	58,927	12,545	1,191
United Nations bonds .....	444,199	444,199			- 444,199	- 406,688
United Nations Educational, Scientific and Cultural Organization .....	630,715		52,744	683,459	52,744	
United Nations Industrial Development Organization .....			249,888	249,888	249,888	
United Nations organizations .....	3,546,774			3,546,774		- 28,104
World Health Organization .....	177,223	13,866		163,357	- 13,866	
	5,702,566	458,065	315,177	5,559,678	- 142,888	- 442,276
Total .....	2,750,899,201	631,726,713	884,832,698	3,004,005,186	253,105,985	219,468,765
Less: payments made under budgetary authority		303,031,339	4,324,150	298,707,189	298,707,189	
	2,750,899,201	934,758,052	889,156,848	2,705,297,997	- 45,601,204	219,468,765
Summary—						
International organizations .....	4,293,856,081	49,630,729	596,729,088	4,840,954,440	547,098,359	566,746,195
Less: payments made under budgetary au- thority .....		303,031,339	4,324,150	298,707,189	298,707,189	
	4,293,856,081	352,662,068	601,053,238	4,542,247,251	248,391,170	566,746,195
Less: notes payable .....	1,542,956,880	582,095,984	288,103,610	1,836,949,254	293,992,374	347,277,430
Total .....	2,750,899,201	934,758,052	889,156,848	2,705,297,997	- 45,601,204	219,468,765

<sup>(1)</sup> The subscriptions to the Association and the loans to the international financial institutions are used to lend funds to developing countries at rates favourable to the borrowers. In addition, as described earlier in this section, under the heading "National governments including developing countries", international development assistance has also been provided to developing countries.



TABLE 8.15

## SUBSCRIPTIONS TO THE CAPITAL OF INTERNATIONAL DEVELOPMENT INSTITUTIONS

	Share subscriptions		Paid-in shares purchased			Cost of paid-in shares called but not yet paid	Estimated value of callable shares <sup>(2)</sup>	Parliamentary authority available for use in subsequent years	
	Paid-in	Callable	Number of shares	Cost				Number of shares	Estimated value
				Foreign currencies	Canadian currency <sup>(1)</sup>				
African Development Bank .....	4,200	12,600	4,200		\$	\$	\$		\$
Asian Development Bank .....	8,740	36,403	8,740	\$105,434,978US	58,550,439 <sup>(3)</sup>	137,645,364	175,651,316 <sup>(4)</sup>	12,600	181,449,560 <sup>(5)</sup>
Caribbean Development Bank .....	2,370	45,030	1,896	18,960,000SDR	31,822,274	7,955,568	573,307,179	36,403	573,307,179 <sup>(5)</sup>
Inter-American Development Bank .....	1,585	5,355	1,585	\$9,560,310US	12,480,985		755,779,017	5,355	42,167,677 <sup>(5)</sup>
International Bank for Reconstruction and Development (World Bank) .....	9,982	115,220	9,982	\$120,548,074US	157,375,510		1,814,577,642	63,692	1,003,078,891 <sup>(5)</sup>
International Development Association .....	(6)	(6)	(6)	(6)	274,782,575		3,132,307,038 <sup>(7)</sup>	(6)	3,134,961,128 <sup>(9)</sup>
International Finance Corporation .....	(8)	(8)	(8)	(8)	2,497,488,061				(9)
International Finance Corporation .....	26,757	20,019 <sup>(10)</sup>	26,757	\$26,757,000US	34,931,263		26,134,805 <sup>(10)</sup>		(9)

<sup>(1)</sup> Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1987 (\$1US = \$1.3055 Cdn; 1 SDR = \$1.28563 US).

<sup>(2)</sup> Commitments to the institutions will require future "Maintenance of value" payments.

According to the Articles of Agreement of the World Bank, countries are obliged to maintain the value of certain portions of their paid-in capital subscriptions and contributions. The World Bank has not had a workable standard of value since 1978 when the formal link between the US dollar and gold was broken. The World Bank agreed not to seek payment of these obligations pending the establishment of a new standard of value for the Bank. Maintenance of value obligations do not exist for International Development Association contributions. In October 1986, the Executive Board agreed upon the "1974 SDR" as a successor standard of value. The 1974 SDR is a fixed US dollar equivalent of the value of the SDR prevailing in 1974 (US \$1.20635 = 1 SDR). Maintenance of value payments will be resumed on July 1, 1987. It is expected that other institutions will follow this lead.

<sup>(3)</sup> Canadian currency equivalent of 42,000,000 units of account. One unit = \$1.20635 US = \$1.1556 Cdn as of May 1979.

<sup>(4)</sup> Canadian currency equivalent of 126,000,000 units of account. One unit = \$1.20635 US = \$1.1556 Cdn as of May 1979.

<sup>(5)</sup> These amounts are reflected as non-lapsing non-budgetary authorities in the External Affairs ministerial section of Volume II, Part I (Section 8).

<sup>(6)</sup> Canada's subscription is for 21,782 shares. Payments are accounted for as a proportion of each share.

<sup>(7)</sup> Valued at \$2,399,316,000 US translated at \$1 US = \$1.3055 Cdn. This represents approximately 91.31% of the total subscription.

<sup>(8)</sup> There are no outstanding subscriptions other than the notes payable in Table 8.14. Accounting is based on dollar values rather than number of shares.

<sup>(9)</sup> Subscription and payment authorities are annual budgetary voted items presented in the Finance ministerial section of Volume II, Part I (Section 9).

<sup>(10)</sup> This represents a commitment by Canada to the capital of the Corporation to be paid by 1990, rather than a "callable" amount.

### African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the International Development (Financial Institutions) Assistance Act, the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Vote L50, Appropriation Acts No 1 and No 2, 1986-87).

During the year, transactions included additional subscriptions in non-interest bearing demand notes.

### Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the International Development (Financial Institutions) Continuing Assistance Act, and various appropriations acts (including External Affairs Votes 40 and L50, Appropriation Acts No 1 and No 2, 1986-87).

During the year, transactions included additional subscriptions in cash and in non-interest bearing demand notes, and a valuation adjustment.

### Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the

International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts.

During the year, a valuation adjustment transaction was made.

### Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Vote L50, Appropriation Acts No 1 and No 2, 1986-87).

During the year, transactions included additional subscriptions in the form of non-interest bearing demand notes, and a valuation adjustment.

### International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development (IBRD), as authorized by the Bretton Woods and Related Agreements Act, and various appropriation acts (including Finance Vote 5 and Vote L6, Appropriation Acts No 1 and No 2, 1986-87).

During the year, transactions included additional subscriptions in cash and non-interest bearing demand notes, and a valuation adjustment.

### International Development Association

This account records Canada's subscriptions to the capital of the International Development Association, as authorized by the Bretton Woods and Related Agreements Act, and various appropriation acts (including Finance Vote L6, Appropriation Acts No 1 and No 2, 1986-87). The subscriptions to the Association, which is part of the World Bank Groups, are used to lend funds to developing countries for development purposes, at rates highly favourable to the borrower (no interest, with a 50 year maturity and 10 years of grace).

During the year, transactions included additional subscriptions in the form of non-interest bearing, non-negotiable demand notes.

### International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Groups, as authorized by various appropriation acts (including Finance Vote 5, Appropriation Acts No 1 and No 2, 1986-87).

During the year, transactions included additional subscriptions in cash, and a valuation adjustment.

### International financial institutions

This account records loans for assistance to international financial institutions, as authorized by the International Development (Financial Institutions) Assistance Act, the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Votes 35, L45, L45a and L45c, Appropriation Acts No 1, No 2, No 3 and No 5, 1986-87).

The balances and transactions for loans to various international financial institutions are as follows:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
African Development Bank.....	4,343,896	125,000		4,218,896
African Development Fund.....	349,225,836	6,772,495	117,145,830	459,599,171
Less: notes payable.....	193,540,915	117,145,830	36,000,758	274,685,987
	155,684,921	123,918,325	153,146,588	184,913,184
Andean Development Corporation.....	4,750,020	187,480		4,562,540
Asian Development Bank—Special.....	27,027,000			27,027,000
Asian Development Fund.....	538,787,028		133,259,322	672,046,350
Less: notes payable.....	399,364,308	133,259,322	56,192,000	476,431,630
	139,422,720	133,259,322	189,451,322	195,614,720
Caribbean Development Bank— Agricultural Development Fund.....	8,600,000			8,600,000
Caribbean Development Bank— Commonwealth Caribbean Regional.....	5,583,200	361,200		5,222,000
Caribbean Development Bank—Special.....	49,139,015	1,133,265	11,081,100	59,086,850
Less: notes payable.....	14,752,444	11,081,100	290,540	25,543,004
	34,386,571	12,214,365	11,371,640	33,543,846
Central American Bank for Economic Integration.....	2,333,279	25,500		2,307,779
Inter-American Development Bank—Fund for Special Operations.....	285,801,255	15,179,430	14,263,752	284,885,577
Less: notes payable.....	71,996,050	11,972,025	16,539,095	67,428,980
	213,805,205	27,151,455	30,802,847	217,456,597
International Bank for Reconstruction and Development.....	27,916,000	1,806,000		26,110,000
International Fund for Agriculture Development.....	42,000,000		7,074,727	49,074,727
Less: notes payable.....	35,658,000	7,074,727	10,458,000	32,274,727
	6,342,000	7,074,727	17,532,727	16,800,000
International Monetary Fund.....	15,311,133	990,540		14,320,593
	645,505,945	307,113,914	402,305,124	740,697,155

### International Tin Council

This account records Canada's subscriptions to the International Tin Council, as authorized by previous appropriation acts. The subscriptions are for the investment in the buffer stock previously established and carried forward under the Sixth International Tin Agreement.

### International Natural Rubber Agreement

This account records Canada's contributions to the financing of the natural rubber buffer stock, as authorized by a previous appropriation act and extended for the fiscal years 1986-87 and 1987-88 by External Affairs Vote L18c, Appropriation Act No 5, 1986-87. Pursuant to the International Natural Rubber Agreement, 1979, Canada is committed to participate in the funding of the rubber buffer stock up to \$12,500,000.



### International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

During the year, additional advances to the working capital funds of the Paris Union of the World Intellectual Property Organization, the United Nations Educational, Scientific and Cultural Organization and the United Nations Industrial Development Organization were authorized by External Affairs Votes L15, L16a and L17c, Appropriation Acts No 1, No 2, No 3 and No 5, 1986-87.

During the year, Canada made payments of: 14,152 Swiss Francs valued at \$12,545 Cdn to the Paris Union of the World Intellectual Property Organization, \$182,400 US valued at \$249,888 Cdn to the United Nations Industrial Development Organization, and, \$38,220 US valued at \$52,744 Cdn to the United Nations Educational, Scientific and Cultural Organization. In addition, Canada received a refund of \$10,080 US valued at \$13,866 Cdn from the World Health Organization.

This account also recorded United Nations bonds purchased by the Canadian Government in September 1962. During the year, the bonds were redeemed.

### VETERANS' LAND ACT FUND ADVANCES

Advances have been made, under Parts I and III of the Veterans' Land Act, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security and, under Part II of the Act, for the purchase, subdivision and development of land, and for progress payments to veterans during construction and completion of unfinished houses, after termination of construction contracts, etc. On completion of the construction contract for each house, Canada Mortgage and Housing Corporation will place or arrange to have placed, a mortgage on the property and will reimburse the Fund the full cost of that property. The total amount authorized to be outstanding at any time is \$605,000,000.

A provision equal to  $\frac{1}{10}$  of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to budgetary expenditure and credited to the allowance for conditional benefits account. The allowance for conditional benefits account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the Veterans' Land Act. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Table 8.16 summarizes the balances and transactions for advances to the Veterans' Land Act Fund.

TABLE 8.16

#### VETERANS' LAND ACT FUND

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Veterans' Land Act Fund—						
Advances.....	162,021,335	35,842,001	9,027,656	135,206,990	- 26,814,345	- 31,299,271
Less: allowance for conditional benefits .....	993,470		376,503	616,967	- 376,503	35,627
Total .....	161,027,865	35,842,001	9,404,159	134,590,023	- 26,437,842	- 31,334,898

## JOINT AND MIXED ENTERPRISES

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's loans, investments and advances to such entities. Additional information on these entities is provided in Volume III of the Public Accounts.

Under the terms of Section 118 of the Bankruptcy Act, the Superintendent of Bankruptcy has received shares in a number

of corporations in lieu of a cash levy payable to the Crown. The Government's purpose in sharing ownership in these corporations with other entities is not to further common operating objectives.

Table 8.17 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 8.17

## JOINT AND MIXED ENTERPRISES

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Canada Development Corporation—						
Treasury Board .....	322,000,000	228,831,086		93,168,914	- 228,831,086	
Canarctic Shipping Company Limited—						
Transport .....						
Cooperative Energy Corporation—Energy,						
Mines and Resources .....	57,804,000			57,804,000		
Lower Churchill Development Corporation						
Limited—Energy, Mines and Resources .....	14,750,000			14,750,000		
Mohawk St Régis Lacrosse Ltd—Indian Affairs						
and Northern Development .....						
Nanisivik Mines Ltd—						
Indian Affairs and Northern Development .....						
National Sea Products Limited—						
Regional Industrial Expansion .....						
Newfoundland and Labrador Development Cor-						
poration Limited—Regional Industrial						
Expansion—						
Capital stock .....	200			200		
Loans .....	25,000,000	500,000		24,500,000	- 500,000	
	25,000,200	500,000		24,500,200	- 500,000	
North Portage Development Corporation—						
Treasury Board .....						
NPM Nuclear Project Managers Canada Inc—						
Energy, Mines and Resources .....						
N.S. Holdco Limited—Treasury Board—						
Capital stock .....	44,300,000		15,240,000	59,540,000	15,240,000	16,800,000
Advance .....	3,000,000	3,000,000			- 3,000,000	
	47,300,000	3,000,000	15,240,000	59,540,000	12,240,000	16,800,000
125459 Canada Limited—Treasury Board .....	167,570,000			167,570,000		76,795,000
Société Inter-Port de Québec—Regional Indus-						
trial Expansion .....	400			400		
Telesat Canada—Communications .....	30,000,000			30,000,000		
Total .....	664,424,600	232,331,086	15,240,000	447,333,514	- 217,091,086	93,595,000

## Canada Development Corporation

The Corporation was incorporated under the Canada Development Corporation Act, to develop and maintain strong Canadian controlled and managed corporations in the private sector; to widen the investment opportunities open to Canadians; to operate profitably and in the best interest of all the shareholders.

The Canada Development Corporation Reorganization Act authorized the sale of the common shares of the Corporation held by the Government.

During the year, the Government sold 21,825,646 common shares. The Government's holding of shares now amounts to

8,886,344 no par value common shares. A large number of Canadians share in the ownership of the Corporation.

## Canarctic Shipping Company Limited

The Corporation was incorporated under the Canada Corporations Act, and continued under the Canada Business Corporations Act, to acquire, sell, lease, charter and otherwise deal in and with ships of every description, and to do all other things necessary or incidental thereto.



In 1977-78, 305,996 common shares of Canarctic Shipping Company Limited having a total value of \$305,996, and representing 51% of the common shares outstanding, were purchased and charged to budgetary expenditure (Transport Vote 10—Marine operating expenditures). The balance of outstanding shares is owned by North Water Navigation Ltd.

### Cooperative Energy Corporation

The Corporation was incorporated under the Cooperative Energy Act, to operate an energy corporation whose primary activity is to explore and develop new Canadian oil and gas resources. The Corporation is a holding company whose shareholders are the participating co-operatives and the Government of Canada. The Government's objective of its participation is to bring together a number of co-operative financial, agricultural, service and marketing institutions to participate in the Canadian oil and gas industry.

The Minister of Energy, Mines and Resources may subscribe for, acquire and hold shares and equity debentures of the Corporation for the Government of Canada. For that purpose, the Government of Canada may provide, over the next year, up to \$100,000,000 to match investment funds contributed by participating co-operative organizations.

The Government's investment in the capital of the Corporation, as authorized by the Cooperative Energy Act, is recorded in this account and is made up of:

	March 31, 1987
	\$
Equity debentures .....	3,075,900
57,804 class B shares .....	5,780,400
489,477 class D shares .....	48,947,700
	57,804,000

The equity debentures pay 6% interest per year, payable every December 31. As of March 31, 1987, the Government received 823,665 class C shares at \$1 each in lieu of cash for the interest due on the equity debentures. These class C shares are not recorded in the accounts of Canada.

The Government's holding of shares represents 25% of the shares outstanding.

### Lower Churchill Development Corporation Limited

The Corporation was incorporated under the Companies Act of Newfoundland, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49% of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49% of the shares outstanding. The balance of the outstanding shares is owned by Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

### Mohawk St Régis Lacrosse Ltd

The Corporation was incorporated under the Business Corporations Act of Ontario, to acquire assets of an insolvent lacrosse stick manufacturing company located on St Régis Reserve, Cornwall Island.

The Government's holding in the Corporation consists of 1,000 common shares, which represent 10% of the authorized capital.

The Corporation is presently inactive.

### Nanisivik Mines Ltd

The Corporation was incorporated under the Companies Act of Alberta, and continued under the Canada Business Corporations Act, to test the feasibility of mining lead and zinc in the Canadian Arctic, providing jobs for the Inuit and to have a Canadian presence in the Arctic.

The Government incurred capital expenditures of approximately \$24.4 million for the construction of infrastructure facilities for Nanisivik Mines Ltd.

In return for the infrastructure facilities provided, the Corporation issued to the Government, 1,800,000 class A common shares without nominal or par value. This represented 18% of the issued shares. Mineral Resources International Limited, a private sector corporation, has a majority interest in this Corporation.

On November 12, 1986, Mineral Resources International Limited paid \$6,012,000 in return for the common shares held by the Government. This amount was credited to Non-tax revenue—Return on investments.

### National Sea Products Limited

The Corporation was incorporated under the Nova Scotia Companies Act, to process and market fish, seafoods and fish by-products. The Government's objective of its participation is the restructure of the Nova Scotia fishery.

Pursuant to the Atlantic Fisheries Restructuring Act, the Government has acquired shares in the Corporation. The Government's holding consists of 1,527,043 no par value common shares and 1,527,043 no par value non-voting equity shares. This represents 19.8% of the shares outstanding.

The Government's shares in this Corporation are held on behalf of the Government by N.S. Holdco Limited.

### **Newfoundland and Labrador Development Corporation Limited**

The Corporation was incorporated under the Companies Act of Newfoundland, to assist small and medium-sized businesses in Newfoundland and Labrador through loan and equity financing, management advisory services, and other related services.

#### *Capital stock*

The Government has purchased 200 ordinary \$1 par value common shares of Newfoundland and Labrador Development Corporation Limited, in accordance with an agreement between Canada and Newfoundland pursuant to Section 8(3)(c) of the Special Areas Act. This represents 40% of the authorized shares. The balance of the outstanding shares is owned by the Government of Newfoundland and Labrador.

#### *Loans*

Loans have been made to provide financing and other services to small and medium-sized businesses in Newfoundland.

The loans bear interest at rates from 8.375% to 18.375% per annum, and are repayable at the end of 10 years, with final repayments between April 13, 1987 and March 30, 1992.

### **North Portage Development Corporation**

The Corporation was incorporated under the Manitoba Corporations Act, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The Government's objective of its participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3% of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

### **NPM Nuclear Project Managers Canada Inc**

The Corporation was incorporated under the Canada Business Corporations Act, to manage nuclear projects and construction. The Government's objective of its participation is to transfer this activity to the private sector.

The Government has purchased 60 no par value common shares.

The Government's holding of shares represents 13.34% of the shares outstanding. The balance of the outstanding shares is owned by four private sector corporations.

### **N.S. Holdco Limited**

The Corporation was incorporated under the Canada Business Corporations Act, and continued under the Nova Scotia Companies Act, for the purpose of restructuring the Nova Scotia fishery.

The Atlantic Fisheries Restructuring Act authorizes the investment and the provision of financial assistance for the restructure of fishery enterprises to help Atlantic fisheries become more viable, competitive and privately-owned.

#### *Capital stock*

During the year, additional purchases were authorized by Regional Industrial Expansion Vote L30, Appropriation Acts No 1 and No 2, 1986-87. The Government purchased 1,240 class AA-1 preferred shares and 14,000 senior class 3 preferred shares of N.S. Holdco Limited for \$1,240,000 and \$14,000,000, respectively. The Government also received 1,240 common voting shares without nominal or par value.

The Government's holding in the Corporation as of March 31, 1987, is as follows:

- (a) 17,540 common voting shares (38% of the issued voting shares);
- (b) 7,540 class AA-1 preferred shares (100%);
- (c) 10,000 class AA-2 preferred shares (100%);
- (d) 14,000 class 1 preferred shares (100%);
- (e) 14,000 class 2 preferred shares (100%); and,
- (f) 14,000 class 3 preferred shares (100%).

The balance of the shares is owned by the Bank of Nova Scotia.

N.S. Holdco Limited holds the shares of the Government in National Sea Products Limited.

#### *Advance*

In 1984-85, the Government made available an additional \$3,000,000 in the event that all or part of these funds were necessary to defray expenses in winding up North Sydney Investments Limited (formerly HB Nickerson and Sons Limited).

During the year, the advance was repaid in full.

### **125459 Canada Limited**

The Corporation was incorporated under the Canada Business Corporations Act, for the purpose of restructuring the Newfoundland fishery.

The Atlantic Fisheries Restructuring Act authorizes the investment and the provision of financial assistance for the restructure of fishery enterprises to help Atlantic fisheries become more viable, competitive and privately-owned.

The Government's holding in the Corporation as of March 31, 1987, is as follows:

- (a) 908 common voting shares (62.6% of the issued voting shares);
- (b) 90,775 class AA preferred shares (70.5%); and,
- (c) 76,795 class C preferred shares (73.1%).

The balance of the shares is owned by the Government of Newfoundland and Labrador and the Bank of Nova Scotia.

Fishery Products International Limited, a wholly-owned subsidiary of the Corporation, was sold in March 1987.



### Société Inter-Port de Québec

The Corporation was incorporated by a Special Act of the Government of Quebec, to develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40% of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

### Telesat Canada

The Corporation was incorporated by the Telesat Canada Act, to establish multi-purpose satellite telecommunication systems.

The Government has purchased 3,000,000 common shares of the Corporation at \$10 per share, for \$30,000,000. This investment represents 49.99% of the common shares outstanding.

## MISCELLANEOUS

This group records loans, investments and advances not classified elsewhere.

Table 8.18 presents a summary of the balances and transactions for the various types of miscellaneous loans, investments and advances.

TABLE 8.18

### MISCELLANEOUS LOANS, INVESTMENTS AND ADVANCES

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Loans and accountable advances—						
External Affairs—						
Personnel posted abroad .....	9,375,560	8,529,341	7,992,849	8,839,068	- 536,492	1,322,884
Posts abroad .....	12,509,789	431,630,644	429,918,321	10,797,466	- 1,712,323	5,535,249
	21,885,349	440,159,985	437,911,170	19,636,534	- 2,248,815	6,858,133
National Defence—						
Imprest accounts, standing advances and authorized loans .....	34,287,202	496,593,854	489,768,718	27,462,066	- 6,825,136	343,335
Regional Industrial Expansion—						
Personnel posted in Canada .....	1,563			1,563		
Supply and Services—						
Miscellaneous accountable advances .....	4,765,125	4,968,932	5,256,175	5,052,368	287,243	- 68,729
Treasury Board—						
Miscellaneous accountable imprest and standing advances .....	11,339,972	18,903,416	13,075,472	5,512,028	- 5,827,944	- 1,499,223
Total loans and accountable advances .....	72,279,211	960,626,187	946,011,535	57,664,559	- 14,614,652	5,633,516
Other miscellaneous—						
Agriculture—						
Construction of multi-purpose exhibition buildings .....	21,728,805	690,185		21,038,620	- 690,185	- 826,354
Communications—						
Cultural property .....	2,920			2,920		- 1,000
Employment and Immigration—						
Assisted passage scheme .....	57,637,103	13,928,242	18,288,617	61,997,478	4,360,375	2,811,432
Energy, Mines and Resources—						
Hydro-Quebec Research Institute .....	12,704,003	615,698		12,088,305	- 615,698	- 573,440
NewGrade Energy Inc .....	3,310,043		20,400,000	23,710,043	20,400,000	3,310,043
	16,014,046	615,698	20,400,000	35,798,348	19,784,302	2,736,603
External Affairs—						
Development of export trade (loans administered by the Export Development Corporation) .....	95,450,065	11,482,018	12,217,046	96,185,093	735,028	- 248,781,031
Finance—						
Canadian Commercial Bank .....	72,936,360			72,936,360		72,936,360
Ottawa Civil Service Recreational Association .....	284,686	24,495		260,191	- 24,495	- 22,739
Saint John Harbour Bridge Authority .....	12,523,963	66,182	530,230	12,988,011	464,048	836,499
Town of Oromocto .....	4,161	4,161			- 4,161	- 7,968
Town of Oromocto Development Corporation .....	282,151	69,681		212,470	- 69,681	- 66,121
	86,031,321	164,519	530,230	86,397,032	365,711	73,676,031

TABLE 8.18

MISCELLANEOUS LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Fisheries and Oceans—						
Canadian producers of frozen groundfish ....	629,972	213,256		416,716	- 213,256	- 28,907
Groundfish processors .....	192,889			192,889		
Haddock fishermen .....	1,359,570	1,144		1,358,426	- 1,144	- 46,411
	2,182,431	214,400		1,968,031	- 214,400	- 75,318
Indian Affairs and Northern Development—						
British Yukon Railway Company .....	4,500,000			4,500,000		- 250,000
Chippewa Band of Kettlepoint .....	65,000			65,000		
Council for Yukon Indians .....	4,799,357		1,051,807	5,851,164	1,051,807	992,601
Eskimo loan fund .....	2,740,882	945,863	482,142	2,277,161	- 463,721	- 153,473
Indian economic development fund .....	48,920,296	18,518,582	7,591,168	37,992,882	- 10,927,414	2,415,240
Indian housing assistance fund .....	4,822,615	1,156,133		3,666,482	- 1,156,133	333,871
Inuvialuit Regional Corporation .....			30,000,000	30,000,000		
Native claimants .....	91,328,001	4,969,186	14,171,308	100,530,123	9,202,122	13,733,758
Yukon Power Corporation .....		19,500,000	75,500,000	56,000,000	56,000,000	
	157,176,151	45,089,764	128,796,425	240,882,812	83,706,661	17,071,997
Labour—						
Provincial workers' compensation boards ....	4,595,000		375,000	4,970,000	375,000	80,000
National Defence—						
Canadian Forces housing projects .....	15,093,792	578,407		14,515,385	- 578,407	- 404,704
Public Works—						
Burgeo Leasing Limited .....	148,527	9,717		138,810	- 9,717	- 9,070
Eurocan Pulp and Paper Co Ltd .....	1,125,000	226,567	1,567	900,000	- 225,000	- 225,000
Oil refinery terminal wharf at Come-by- Chance, Newfoundland .....	19,311,904	19,311,904			- 19,311,904	
Sydney Steel Corporation .....	5,218,162			5,218,162		
	25,803,593	19,548,188	1,567	6,256,972	- 19,546,621	- 234,070
Regional Industrial Expansion—						
Canadair Limited <sup>(1)</sup> .....	592,837	147,122		445,715	- 147,122	- 147,122
Canadian defence industry .....	10,883,466	4,717,505		6,165,961	- 4,717,505	- 11,661,911
Company stock option .....						
Enterprise development program .....	14,894,464	13,497,964		1,396,500	- 13,497,964	- 5,085,000
Industrial and regional development pro- gram .....	1,250,000			1,250,000		
	27,620,767	18,362,591		9,258,176	- 18,362,591	- 16,894,033
Solicitor General—						
Parolees .....	14,025	21,070	22,452	15,407	1,382	- 5,306
Supply and Services—						
Canadian Commercial Bank .....	15,189,000			15,189,000		15,189,000
Defence production loan account .....	16,724,007	15,000,000		1,724,007	- 15,000,000	15,000,000
	31,913,007	15,000,000		16,913,007	- 15,000,000	30,189,000
Transport—						
Coast Ferries Limited .....	100,000			100,000		
Corporation of the City of Montreal .....	558,697	86,255		472,442	- 86,255	- 83,641
Hamilton Harbour Commissioners .....	966,428	208,688		757,740	- 208,688	- 199,845
Northern Transportation Company Lim- ited .....	7,000,000			7,000,000		7,000,000
Port Alberni Harbour Commission .....	855,359	132,473		722,886	- 132,473	- 123,179
Thunder Bay Harbour Commission .....	285,595	74,299		211,296	- 74,299	- 69,066
	9,766,079	501,715		9,264,364	- 501,715	6,524,269
Veterans Affairs—						
Commonwealth War Graves Commission ..	61,704		12,006	73,710	12,006	10,830
Accounts without current transactions .....						- 14,551,154
Total other miscellaneous .....	551,090,809	126,196,797	180,643,343	605,537,355	54,446,546	- 148,672,808
Total .....	623,370,020	1,086,822,984	1,126,654,878	663,201,914	39,831,894	- 143,039,292

<sup>(1)</sup> This account was previously reported in Table 8.3.



### Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies. The purposes of the account were extended to include loans and advances to locally-engaged staff abroad including their dependants, for medical expenses.

The total amount authorized to be outstanding at any time is \$14,500,000.

The closing balance consists of loans to employees, \$6,769,047; advances for medical expenses, \$1,044,099; and security and other deposits under Foreign Service Directives, \$1,025,922.

The loans bear interest at rates from 9% to 13% per annum, and are repayable over 4 years, with final instalments between April 1, 1987 and June 30, 1990.

### Posts abroad

Non-interest bearing advances have been made for interim financing of expenditures at posts abroad, pending distribution to appropriations of External Affairs and other departments and agencies.

The total amount authorized to be outstanding at any time is \$30,000,000.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$60,000,000.

### Personnel posted in Canada

This account records imprest bank account advances made to regional offices.

The total amount authorized to be outstanding at any time is \$1,950,000.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide standing travel advances, petty cash and imprest bank account advances, to departments and agencies.

The total amount authorized to be outstanding at any time is \$17,000,000.

### Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

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

- (a) repayable over 28 to 30 years, bearing interest at rates from 7.432% to 9.684% per annum, with final instalments between May 31, 1995 and May 1, 2008, \$18,389,214;
- (b) repayable over 20 to 26 years, bearing interest at rates from 7.266% to 9.420% per annum, with final instalments between December 31, 1992 and February 15, 2005, \$2,173,104; and,
- (c) repayable over 10 to 15 years, bearing interest at rates from 7.613% to 8.766% per annum, with final instalments between May 1, 1988 and August 1, 1992, \$476,302.

### Cultural property

Loans may be made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the Cultural Property Export and Import Act, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

During the year, additional loans were authorized by Communications Vote L20, Appropriation Acts No 1 and No 2, 1986-87. The total loan authority is \$10,000 per year.

The outstanding loan bears interest at the rate of 10.875% per annum, and is repayable over 5 years, with the final instalment on September 30, 1988.

The instalment due September 30, 1986, was received in 1987-88.

### Assisted passage scheme

Section 121 of the Immigration Act authorizes the making of loans to immigrants and other such classes of persons.

During the year, the total amount which may be outstanding at any time was increased to \$90,000,000 by an amendment to Section 121(3) of the Immigration Act.

During the year, loans totalling \$32,631 were written-off by Employment and Immigration Vote 21c, Appropriation Act No 5, 1986-87.

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

- (a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 6% to 15% per annum, with final instalments between April 1, 1987 and April 1, 1992, \$5,399,859; and,

(b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1987 and April 1, 1992, \$56,597,619.

**Hydro-Quebec Research Institute**

Loans have been made to the Hydro-Quebec Research Institute, guaranteed by the Province of Quebec, to provide financial assistance for construction and operation of the Institute.

The loans bear interest at rates from 7.187% to 7.937% per annum, and are repayable in equal annual instalments over 25 years, with the final instalment on March 25, 1999.

**NewGrade Energy Inc**

Loans have been made to NewGrade Energy Inc for the study and construction of a heavy oil upgrader in the Province of Saskatchewan.

During the year, additional loans were authorized by Energy, Mines and Resources Vote L31a, Appropriation Act No 3, 1986-87.

The loans bear interest at the rate of 9.55% per annum, and are repayable when the Corporation arranges long-term financing.

**Development of export trade**

Pursuant to Section 31 of the Export Development Act, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments:

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
(a) 1 year term, non-interest bearing:				
Norway .....	- 393		393	
(b) 6 to 10 year term, 8% to 8.75% interest per annum, with final repayments between June 1987 and September 1988:				
United States .....	16,797,031	1,086,669		15,710,362
(c) 11 to 15 year term, 7.25% to 9.5% interest per annum, with final repayments between October 1991 and October 2000:				
Antigua .....	27,800,713		12,216,653	40,017,366
Brazil .....	20,399,026	6,545,418		13,853,608
Kenya .....	1,889,247	1,889,247		
Norway .....	28,194,740	1,824,033		26,370,707
Turkey .....	172	172		
Zambia .....	286,590	136,479		150,111
	78,570,488	10,395,349	12,216,653	80,391,792
(d) 18 year term, non-interest bearing, with final repayment in November 1988:				
Nigeria .....	82,939			82,939
	95,450,065	11,482,018	12,217,046	96,185,093

During the year, receipts and other credits included loan repayments of \$6,479,321, and a valuation adjustment of \$5,002,697 in respect of loans totalling \$55,435,024 US, while payments and other charges included loans of \$6,831,374 and a transfer of \$5,385,672 from the Development of export trade account under the caption "National governments including developing countries". Interest of \$2.2 million was received and credited to Non-tax revenue—Return on investments.

**Canadian Commercial Bank**

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the Canadian Commercial Bank Financial Assistance Act. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank (the Government of Canada's share is \$60 million) and the purchase of outstanding debentures from existing holders (\$13 million).

**Ottawa Civil Service Recreational Association**

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The loans bear interest at rates from 4.25% to 5.375% per annum, and are repayable in equal semi-annual instalments over 25 and 45 years, with final instalments between September 30, 1990 and September 30, 2005.

**Saint John Harbour Bridge Authority**

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year. The advances bear interest at rates from 5% to 18.375% per annum.



Advances made to the Authority to meet payments on Municipal Development and Loan Board loans and/or Canada Ports Corporation loans, have also been charged to this account. During the year, additional loans were authorized by Finance Vote L25, Appropriation Acts No 1 and No 2, 1986-87.

#### **Town of Oromocto**

Loans were made to the Town of Oromocto, New Brunswick, to provide capital assistance.

During the year, the remaining loan was repaid in full.

#### **Town of Oromocto Development Corporation**

Loans have been made to the Town of Oromocto Development Corporation, for housing projects in the Town of Oromocto, New Brunswick. The total loan authority is \$1,250,000.

The loans bear interest at rates of 5% and 5.75% per annum, and are repayable in equal semi-annual instalments over 30 years, with final instalments between November 15, 1988 and February 15, 1992.

#### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories. The total loan authority is \$5,500,000.

The loans bear interest at the rate of 13% per annum, and are repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

#### **Groundfish processors**

Loans have been made to assist processors of groundfish in Canada, who, as determined by the Fisheries Prices Support Board, are unable to obtain sufficient financing on reasonable terms from other sources, to maintain raw fish prices, i.e. prices to primary producers, at the 1966-68 level. The total loan authority is \$6,000,000. The loans bear interest at the rate of 8.75% per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1984. No loan repayments nor interest were received since November 1982.

Loans, in the amount of \$3,000,000, have also been made to ice-affected fish plants in Newfoundland, Labrador and North Shore, Quebec, to provide advances for working capital assistance to Canadian producers of groundfish products in Newfoundland and Quebec, who were affected by severe ice conditions in May and June 1974. The loans bear interest at rates from 8% to 10% per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1985. No loan repayments nor interest were received since November 1982.

#### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8% per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. Parliamentary authority is required to write-off the balance.

#### **British Yukon Railway Company**

A loan has been made to the British Yukon Railway Company, for the Whitepass and Yukon Railway, to maintain and improve the rail service of the Yukon Territory.

The loan is non-interest bearing, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2003. Instalments in arrears bear interest at the rate established by the Minister of Finance for loans to Crown corporations in effect on the day the instalment is payable.

#### **Chippewa Band of Kettlepoint**

A non-interest bearing loan has been made to the Chippewa Band of Kettlepoint, to purchase Lots 60 and 61 in Lake Road, West Concession, in the Township of Bosanquet, County of Lambton, Ontario. Land claim negotiations are presently being held with the Band and it is expected that repayment will be made in full once a settlement is reached.

#### **Council for Yukon Indians**

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indians land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L56a, Appropriation Act No 3, 1986-87.

The loans are repayable in full upon settlement of land claims, and are non-interest bearing before an Agreement-in-Principle for the settlement of a claim is reached.

#### **Eskimo loan fund**

Loans have been made to individual Eskimos or groups of Eskimos, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Eskimos, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Eskimos.

The total amount authorized to be outstanding at any time is \$7,072,000.

During the year, loans totalling \$461,825 were written-off by Indian Affairs and Northern Development Vote 21c, Appropriation Act No 5, 1986-87.

The loans bear interest at rates from 5% to 21% per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1987 and October 23, 2001.

#### **Indian economic development fund**

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to



individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$70,000,000.

During the year, loans totalling \$14,157,728 were written-off by Indian Affairs and Northern Development Vote 6c, Appropriation Act No 5, 1986-87.

The loans bear interest at rates from 5% to 22.25% per annum, and are repayable over 1 month to 15 years, with final instalments between April 1, 1987 and March 31, 1999.

### **Indian housing assistance fund**

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10% per annum for up to 10 years.

During the year, \$397,042 was forgiven under the authority of Northern Affairs and National Resources Vote L51a, Appropriation Act No 9, 1966 and loans totalling \$565,414 were written-off by Indian Affairs and Northern Development Vote 6c, Appropriation Act No 5, 1986-87.

### **Inuvialuit Regional Corporation**

A loan has been made to the Inuvialuit Regional Corporation pursuant to Section 6 of the Western Arctic (Inuvialuit) Claims Settlement Act to meet the monetary obligations of the Government under Section 15(4) of the agreement dated June 5, 1984, between the Committee for Original Peoples' Entitlement representing the Inuvialuit of the Inuvialuit Settlement Region, and the Government of Canada.

The total loan authority is \$30,000,000 per year.

The loan bears interest at the rate of 8% per annum, calculated semi-annually, not in advance, and any accrued interest or loans outstanding, exceeding \$74,049,000, are repayable December 31, 1987.

### **Native claimants**

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L55, Appropriation Acts No 1 and No 2, 1986-87.

The terms and conditions of the loans are as follows:

- (a) loans made before an Agreement-in-Principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an Agreement-in-Principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 1996, whichever date is earlier.

### **Yukon Power Corporation**

In accordance with Section 4(2) of the Northern Canada Power Commission Yukon Assets Disposal Authorization Act, the Northern Canada Power Commission (a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Power Corporation. In exchange for such assets, an amount of \$95 million is to be paid to the Government of Canada (see Table 8.3—Northern Canada Power Commission—Loans in this section).

On March 31, 1987, the Yukon Power Corporation paid \$19.5 million in cash and issued \$75.5 million in notes to the Government of Canada. The Government of Canada assigned one note amounting to \$19.5 million to the Government of the Yukon Territory pursuant to Section 7(1) of the Act. Pursuant to Section 7(2) of the Act, this note assignment was written-off to budgetary expenditure and deleted from the accounts of Canada.

### **Provincial workers' compensation boards**

This account is operated under the authority of Section 3(4) of the Government Employees Compensation Act, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

### **Canadian Forces housing projects**

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4% to 5.75% per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1996 and November 1, 2010.



### Burgeo Leasing Limited

Loans have been made to Burgeo Leasing Limited, for the construction of an extension to the wharf at Burgeo, Newfoundland. The total loan authority is \$240,000.

The loans bear interest based on the composite rate of 7.147% per annum, and are repayable in equal annual instalments over 25 years, with the final instalment on September 1, 1996.

### Eurocan Pulp and Paper Co Ltd

Loans have been made to Eurocan Pulp and Paper Co Ltd, for the construction of a marine terminal at Kitimat, British Columbia. The total loan authority is \$4,500,000.

The loans bear interest at rates from 7.062% to 7.812% per annum, and are repayable in equal annual instalments over 20 years, with the final instalment on March 31, 1991.

### Oil refinery terminal wharf at Come-by-Chance, Newfoundland

Loans were made for the construction of an oil refinery terminal wharf at Come-by-Chance, Newfoundland. The total loan authority was \$28,200,520.

During the year, the loans were written-off pursuant to Public Works Vote 51c, Appropriation Act No 5, 1986-87.

### Sydney Steel Corporation

Loans have been made to Sydney Steel Corporation, for the construction of wharf facilities at Sydney, Nova Scotia. The total loan authority is \$6,000,000.

The loans bear interest at the rate of 9.078% per annum, and are repayable in equal annual instalments over 20 years, with the final instalment on June 12, 1998. The instalments are in arrears since June 1, 1979. Parliamentary authority is required to write-off the balance.

### Canadair Limited

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to manufacture and sell aircraft.

Loans have been made to the Corporation for the financing of water bomber aircraft, such loans to be recovered on the sale of the aircraft.

The loans are non-interest bearing and are repayable only when the aircraft are sold.

### Canadian defence industry

Advances have been made to assist Canadian defence industry with plant modernization.

The advances are non-interest bearing, and are repayable over 1 to 10 years, with final instalments between April 1, 1987 and December 31, 1991.

### Company stock option

This account records the purchase by the General Adjustment Assistance Board and the Enterprise Development Board, on behalf of Her Majesty in right of Canada, of the capital stock of a company in order to exercise a stock option in such company that has been taken by the Board in connection with the provision of a loan, or of insurance of a loan or a letter of credit made or issued to the company in accordance with the General Adjustment Assistance Regulations, the Automotive Manufacturing Assistance Regulations, or under the Enterprise Development Program, where, in the opinion of a Board established pursuant to Section 7 of the Department of Regional Industrial Expansion Act:

- (i) the value of the capital stock of the company has increased as a result of the assistance provided and the stock option should be exercised, in order to permit Her Majesty in right of Canada to benefit from the increased value of the capital stock of the company; or,
- (ii) the stock option should be exercised, to protect the Crown's interest in respect of the loan made or insurance provided; and,

to authorize the sale or other disposition of any capital stock so acquired.

During the year, additional purchases were authorized by Regional Industrial Expansion Votes L25 and L25a, Appropriation Acts No 1, No 2 and No 3, 1986-87.

### Enterprise development program

This account records loans to:

- (a) a person engaged in a manufacturing or processing activity in Canada where, in the opinion of the Enterprise Development Board, such loan is required for the purpose of:
  - (i) restructuring operations in order to adapt efficiently to competition from goods imported at such prices, in such quantities or under such conditions as to cause or threaten serious injury; or,
  - (ii) adjusting to changes in conditions affecting access to foreign markets which are attributable to the imposition by a country other than Canada of an import surtax or to the taking by such country of other actions having the same effect;
- (b) a person in respect of whom the Board has authorized the provision of insurance of a loan not exceeding \$200,000 where, in the opinion of the Board, such loan is required for the purpose of preventing a serious delay in implementing a restructuring program;
- (c) a person who has previously obtained assistance in accordance with the Automotive Manufacturing Assistance Regulations, the Pharmaceutical Industry Incentives Development Assistance Regulations or the Footwear and Tanning Industries Assistance Regulations or under the Enterprise Development Program or to any

trustee or receiver authorized by law to carry on the business of such person or manufacturer where, in the opinion of the Board, such loan is required for the purpose of protecting the Crown's interest in the assets securing a loan previously made or a loan or letter of credit previously insured, where such a person is unable to obtain sufficient financing on reasonable terms from other sources for such purposes;

- (d) a person in Canada engaged or about to engage in the tanning or in the manufacture of footwear who, in the opinion of the Board, requires assistance to establish or restructure his operations in order to meet international competition;
- (e) a person engaged or about to engage in a manufacturing, processing or other commercial activity, for the purpose of promoting the establishment, growth, efficiency or international competitiveness of Canadian industry, and to foster the expansion of Canadian trade; and,
- (f) a person who has previously obtained assistance under a program of assistance to industry, or any trustee or receiver authorized by law to carry on the business of such person for the purpose of protecting the Crown's interest resulting therefrom.

During the year, additional loans were authorized by Regional Industrial Expansion Vote L26a, Appropriation Act No 3, 1986-87.

The loans bear interest at rates from 9.375% to 10.375% per annum, and are repayable over 5 to 20 years, with final instalments between April 15, 1987 and December 1, 1998.

#### **Industrial and regional development program**

Loans have been made to firms and industries to help them adjust to changing competitive conditions and to produce new, more viable and competitive products and services.

The loans bear interest at the rate of 12.625% per annum, and are repayable between January 1, 1989 and December 31, 1998.

#### **Parolees**

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$11,709 were forgiven pursuant to Solicitor General Vote L103b, Appropriation Act No 1, 1969.

#### **Canadian Commercial Bank**

This account represents the amount the Receiver General for Canada had on deposit with the Canadian Commercial Bank at the time the Bank ceased operation on September 1, 1985. Since this amount was not covered for reimbursement under the Financial Institutions Depositors Compensation Act, parliamentary authority is required to write-off the balance.

#### **Defence production loan account**

This account was established pursuant to Section 15.1 of the Defence Production Act, to record loans or advances for any purpose other than to assist in the construction, acquisition, extension or improvement of capital equipment or works by any person.

Section 15.2 of the Defence Production Act stated that the aggregate of expenditures charged to the Defence production revolving fund (budgetary account), and to this account, shall not at any time exceed by more than \$100,000,000 the aggregate of amounts:

- (a) received from the sale or disposition of materials, substances or defence supplies;
- (b) charged to another appropriation in respect of costs of acquisition, storage, maintenance or transportation of stocks of materials or substances purchased, or of stocks of defence supplies acquired, where such materials, substances or defence supplies may be acquired under that appropriation;
- (c) charged to an appropriation or paid by an agent of Her Majesty or by an associated government, to pay costs incurred in respect of defence supplies, payment for which was made out and charged to the Defence production revolving fund; and,
- (d) received in repayment of a loan or advance previously charged to this account.

A repayment of \$1.7 million owed to this account by CAE Aircraft is in dispute concerning the date when repayment is due. Legal counsel is of the opinion that no loss to the Government will be incurred.

#### **Coast Ferries Limited**

A loan was made to the Corporation, for working capital purposes.

The loan bears interest at an annual rate equal to the rate established by the Minister of Finance in respect of Crown corporations' borrowings. The loan was due April 1, 1978. No interest and no repayment have been received since the loan was made.

#### **Corporation of the City of Montreal**

A loan has been made to the Corporation of the City of Montreal, for the construction of a vehicular tunnel under the Lachine Canal at Atwater Avenue.

The loan bears interest at the rate of 3.125% per annum, and is repayable in equal annual instalments over 30 years, with the final instalment on June 20, 1991.



### Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

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

- (a) bearing interest at the rate of 6.062% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1987, \$42,143;
- (b) bearing interest at the rate of 5.562% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1987, \$40,597; and,
- (c) bearing interest at the rate of 4.125% per annum, repayable in semi-annual instalments over 39 years, with the final instalment on January 31, 2001, \$675,000.

### Northern Transportation Company Limited

A loan has been made to 141606 Canada Limited, to finance the acquisition of the former Northern Transportation Company Limited. On July 15, 1985, both corporations were amalgamated under the name of Northern Transportation Company Limited.

The loan bears interest at the rate of 4% per annum, is repayable in annual instalments equal to 40% of the annual cash flow of the Company, and has an indefinite maturity date.

### Port Alberni Harbour Commission

Loans have been made to the Port Alberni Harbour Commission, to finance the construction of a new lumber assembly wharf.

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

- (a) bearing interest at the rate of 8.062% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1991, \$188,400; and,
- (b) bearing interest at the rate of 7.187% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1991, \$534,486.

### Thunder Bay Harbour Commission

Loans have been made to the Thunder Bay Harbour Commission, for the expansion of the Keefer terminal.

The loans bear interest at the rate of 7.437% per annum, and are repayable in semi-annual instalments over 15 years, with the final instalment on June 30, 1989.

### Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

The advances are non-interest bearing and have no fixed terms of repayments.

### ALLOWANCE FOR VALUATION

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

## SUPPLEMENTARY STATEMENT

## Recorded Uncollected Interest

In accordance with Government's stated accounting policies, interest due but not received is not reported as revenue. In certain cases, this uncollected interest is recorded by being added to the applicable loan and advance account, and credited to an uncollected interest account. Since the Government's policy is to report revenue only as received, the balance of the uncollected interest account is deducted from the loan and advance account, to present it on a net basis.

Table 8.19 reports the balances and transactions for the year in respect of the recorded uncollected interest.

TABLE 8.19

## RECORDED UNCOLLECTED INTEREST

	April 1/1986	Additions	Collections and deletions	March 31/1987
	\$	\$	\$	\$
Loans, investments and advances—				
Crown corporations—				
All other Crown corporations—				
Atomic Energy of Canada Limited—				
Housing .....	5,167		558	4,609
Bruce heavy water plant .....	35,345,673		4,171,427	31,174,246
Commercial products division .....	134,112		22,050	112,062
Lepreau nuclear station .....	49,472,441		647,129	48,825,312
Sheridan Park engineering design office .....	3,364		3,364	
	84,960,757		4,844,528	80,116,229
Canada Development Investment Corporation—				
Eldorado Nuclear Limited .....	10,093,433			10,093,433
Canada Ports Corporation .....	4,370,511			4,370,511
Northern Canada Power Commission—Loans .....	10,028,009		2,984,639	7,043,370
St Lawrence Seaway Authority, The—Interest bearing loans .....	210,000,000			210,000,000
Provincial and territorial governments—				
Federal-provincial employment loans program .....	77,608		7,120	70,488
Special development loans program .....	3,012		351	2,661
Winter capital projects fund .....	2,589,288		97,545	2,491,743
Atlantic Development Board carry-over projects .....	139,929		3,824	136,105
Special areas and highways agreement .....	31,736,351		1,392,026	30,344,325
Regional electrical interconnections .....	20,095,972		6,717,093	13,378,879
Agricultural service centres—Loans .....	468,691	104	34,529	434,266
Atlantic Provinces Power Development Act .....	12,188,721		382,514	11,806,207
Yukon Territory small business loans .....	394,788	72,479		467,267
National governments including developing countries—				
Jamaica—Economic assistance .....	1,375,000	6,671,875		8,046,875
The United Kingdom Financial Agreement Act, 1946 .....	115,802,213			115,802,213
International organizations—				
International financial institutions—				
Inter-American Development Bank .....	6,416,288	459,100		6,875,388
Miscellaneous—				
Hydro-Quebec Research Institute .....	2,256,078		110,052	2,146,026
Northern Transportation Company Limited .....		487,130		487,130
Saint John Harbour Bridge Authority .....	825,287	66,182	131,246	760,223
	513,821,936	7,756,870	16,705,467	504,873,339



# SECTION 9

## 1986-87 PUBLIC ACCOUNTS

### Specified Purpose Accounts

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## SPECIFIED PURPOSE ACCOUNTS

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

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

This section gives details of specified purpose accounts on which summary information was given in Sections 1 and 2 of this volume.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. In addition, the term "account(s) without current transactions" has been included in some tables, to show the net result of transactions in accounts which were closed out in the previous year.

The financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

TABLE 9.1

### SPECIFIED PURPOSE ACCOUNTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Canada Pension Plan Account, Table 9.2 .....	31,714,801,834	8,379,582,805	5,861,678,611	34,232,706,028	2,517,904,194	2,658,350,155
Less: provincial and territorial government securities held by the Canada Pension Plan Investment Fund, Table 9.2 .....	29,496,612,000	563,462,000	1,525,443,000	30,458,593,000	961,981,000	2,147,516,000
	2,218,189,834	8,943,044,805	7,387,121,611	3,774,113,028	1,555,923,194	510,834,155
Superannuation accounts, Table 9.4 .....	41,789,302,802	6,324,306,150	1,444,599,411	46,669,009,541	4,879,706,739	4,272,443,060
Less: unamortized portion of actuarial deficiencies, Table 9.4 .....	119,686,037	115,698,837		3,987,200	- 115,698,837	- 406,955,206
	41,669,616,765	6,440,004,987	1,444,599,411	46,665,022,341	4,995,405,576	4,679,398,266
Government Annuities Account .....	1,059,790,419	71,028,148	106,498,775	1,024,319,792	- 35,470,627	- 35,639,219
Deposit and trust accounts, Table 9.11 .....	1,826,488,390	9,295,003,303	9,281,072,844	1,840,418,849	13,930,459	414,175,630
Provincial tax collection agreements account, Table 9.14 .....	1,389,562,668	16,187,676,310	16,130,557,562	1,446,681,416	57,118,748	- 227,167,749
Other specified purpose accounts, Table 9.15 .....	645,279,154	11,506,572,566	11,397,712,049	754,139,671	108,860,517	96,185,886
Total .....	48,808,927,230	52,443,330,119	45,747,562,252	55,504,695,097	6,695,767,867	5,437,786,969

Note: the balances and the transactions of the Unemployment Insurance Account, the Canadian Ownership Account, the Oil Export Charges Revenue Sharing Account, the Western Grain Stabilization Account, the Crop Reinsurance Fund and the Agricultural Commodities Stabilization Accounts are reported in Section 7 of this volume since the transactions in these accounts are treated as budgetary.

## Canada Pension Plan Account

The Canada Pension Plan is a compulsory contributory social insurance plan which enables members of the labour force to acquire and retain protection for themselves and their families against loss of income due to retirement, disability or death. Established in 1965, the Plan applies in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all benefits and costs incurred in the administration of the program are financed from contri-

butions made by employees, employers and self-employed persons, and the interest earned from the investment of funds.

The Government's financial obligation, as administrator of the Canada Pension Plan, is limited to the balance in the Account.

Table 9.2 presents a summary of the balances and transactions in the Canada Pension Plan Account less investment in securities of the provinces and territories held by the Canada Pension Plan Investment Fund.



TABLE 9.2

## CANADA PENSION PLAN ACCOUNT

	Net increase or decrease ( - )					
	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
Canada Pension Plan Account, Table 9.3 .....	31,714,801,834	8,379,582,805	5,861,678,611	34,232,706,028	2,517,904,194	2,658,350,155
Less: provincial and territorial government securities held by the Canada Pension Plan Investment Fund—						
Newfoundland .....	620,093,000	11,038,000	59,659,000	668,714,000	48,621,000	49,915,000
Nova Scotia .....	1,170,043,000	20,311,000	109,641,000	1,259,373,000	89,330,000	91,752,000
Prince Edward Island .....	128,531,000	1,890,000	13,526,000	140,167,000	11,636,000	8,867,000
New Brunswick .....	864,295,000	16,707,000	75,518,000	923,106,000	58,811,000	45,153,000
Quebec .....	115,666,000	368,000	6,907,000	122,205,000	6,539,000	5,792,000
Ontario .....	15,827,102,000	332,587,000	351,269,000	15,845,784,000	18,682,000	1,193,392,000
Manitoba .....	1,682,598,000	34,939,000	149,984,000	1,797,643,000	115,045,000	123,884,000
Saskatchewan .....	1,351,176,000	24,462,000	133,709,000	1,460,423,000	109,247,000	111,075,000
Alberta .....	3,385,454,000	40,764,000	398,667,000	3,743,357,000	357,903,000	332,280,000
British Columbia .....	4,351,654,000	80,396,000	225,991,000	4,497,249,000	145,595,000	185,406,000
Northwest Territories .....			572,000	572,000	572,000	
Yukon Territory .....						
	29,496,612,000	563,462,000	1,525,443,000	30,458,593,000	961,981,000	2,147,516,000
Total .....	2,218,189,834	8,943,044,805	7,387,121,611	3,774,113,028	1,555,923,194	510,834,155

## Receipts and other credits include:

- (a) contributions of: (i) 1.8% of earnings by employees earning over \$2,500 for the 1986 calendar year and 1.9% of earnings over \$2,500 for the 1987 calendar year, subject to maximum payments of \$419.40 for the 1986 calendar year and \$444.60 for the 1987 calendar year, with matching contributions by employers and (ii) 3.6% of earnings of self-employed persons over \$2,500 for the 1986 calendar year and 3.8% of earnings over \$2,500 for the 1987 calendar year, subject to maximum payments of \$838.80 for the 1986 calendar year and \$889.20 for the 1987 calendar year;
- (b) interest received from securities of the Canada Pension Plan Investment Fund, and from the average daily operating balance; and,
- (c) funds received from the federal and provincial governments for securities which have been redeemed.

## Payments and other charges include:

- (a) benefits paid under the Canada Pension Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability pensions and benefits to children of disabled contributors;
- (b) benefits paid and recovered from the Canada Pension Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Canada Pension Plan Account, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan; and,

- (e) funds invested during the year in the securities of the federal, provincial and territorial governments.

When the operating balance exceeds the estimated amount required to meet all payments in the following three-month period, the excess is available for the purchase of securities of the provinces, territories and Canada.

Provinces and territories are advised monthly of the amount of excess moneys in the Canada Pension Plan Account that is available for the purchase of provincial and territorial securities. The amount available to each province and territory is the proportion that contributions made to the Plan during the preceding ten years in respect of employment in the province or territory bears to total contributions. Contributions received in respect of employment from employees outside Canada as well as any excess funds not invested in the securities of the provinces and territories are invested in the special non-marketable bonds of the Government of Canada.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Canada Pension Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

On the Statement of Assets and Liabilities of the Government of Canada, the investment in securities issued by provinces and territories, as charged to the Canada Pension Plan Investment Fund, is deducted from the Canada Pension Plan Account. The liability of the Government of Canada of \$3,774,113,028 at March 31, 1987 (\$2,218,189,834 as at March 31, 1986) is comprised of \$1,795,680,000 (\$445,190,000 in 1986) in special non-marketable bonds issued to the Canada Pension Plan Investment Fund (Section 12 in this volume) with the balance of \$1,978,433,028 (\$1,772,999,834 in 1986) being held on deposit in the Consolidated Revenue Fund to cover three months operating costs and the April purchase of securities.



TABLE 9.3

CANADA PENSION PLAN ACCOUNT  
(in millions of dollars)

	1986-87	1985-86
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employees, employers and self-employed	4,976	4,495
Interest on investments .....	3,248	3,010
Interest on monthly operating balance .....	156	152
	<u>8,380</u>	<u>7,657</u>
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits .....	5,722	4,887
Expenses .....	140	111
	<u>5,862</u>	<u>4,998</u>
Excess of receipts and other credits over payments and other charges .....	<u>2,518</u>	<u>2,659</u>
<b>Funds applied—</b>		
Purchases of bonds—		
Provincial and territorial .....	1,525	2,173
Federal .....	1,352	240
Increase in deposits with Receiver General ..	206	271
	<u>3,083</u>	<u>2,684</u>
<b>Less: funds provided—</b>		
Redemption of bonds—		
Provincial .....	563	25
Federal .....	2	(1)
	<u>565</u>	<u>25</u>
Net increase .....	<u>2,518</u>	<u>2,659</u>
Balance at beginning of year .....	<u>31,715</u>	<u>29,056</u>
Balance at end of year .....	<u>34,233</u>	<u>31,715</u>

(1) Less than \$500,000.

**Superannuation Accounts**

The Government provides pensions to retired employees or their dependants through pension schemes authorized by the Public Service Superannuation Act, the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act. These pensions are indexed to the cost of living under authority of the Supplementary Retirement Benefits Act. The Government's liabilities in its role as sponsor and administrator of these pension plans in respect of its employees and certain other contributors, are recorded in the relevant superannuation accounts.

Legislation for basic pensions provides for employee contributions (6½% of salary), employer contributions (prior year's employee contributions for members of the Public Service, and approximately 1.8 and 2.0 times current year's employee contributions for members of the Canadian Forces and the Royal Canadian Mounted Police respectively), allocation of interest (average market yield of 20 year Canada bonds weighted by the quarterly excess of receipts over disbursements in the three accounts each quarter over 20 years), and actuarial valuation deficiencies. Legislation for indexing basic pensions does not require actuarial valuations but does provide for additional employee contributions (1% of salary), matching employer contributions and allocation of interest (current rate of 5 year Canada bonds).

Receipts and other credits for the superannuation accounts consist of contributions from personnel, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other Government contributions related to actuarial liability adjustments (not

applicable to the Supplementary Retirement Benefits Account), and interest. Payments and other charges for the superannuation accounts consist of payments of pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions and transfers to other plans.

The Public Pensions Reporting Act, as passed by the House of Commons on February 10, 1986, requires that actuarial reviews be conducted at a date not later than four years after the last review date and, thereafter, at dates not more than three years apart, for each of the employer-sponsored pension plans, and the portion of the Supplementary Retirement Benefits Account that relates to these plans. As specified in that Act, the last review dates are deemed to be December 31, 1983 for the Public Service Superannuation Account, December 31, 1983 for the Canadian Forces Superannuation Account, and December 31, 1985 for the Royal Canadian Mounted Police Superannuation Account.

In accordance with the legislation governing the basic portion of the three superannuation plans, the Minister of Finance has the authority to direct that any actuarial deficiency found will be credited to the appropriate account, charged to unamortized portion of actuarial deficiencies, and amortized to expenditure in five equal annual instalments commencing in the year in which the actuarial report is laid before Parliament. In addition, the cost of added liabilities, created by the authorization of salary increases each year, is credited to the superannuation accounts, charged to unamortized portion of actuarial deficiencies, and amortized to expenditure over a period of five years commencing in the year in which the increases are authorized.

Since the quarter ending September 30, 1969, the regulations, made pursuant to each of the superannuation acts, have provided for the calculation of interest on the basic accounts at a rate related to the Canada Pension Plan interest rate. The acts further provide that the amount by which the calculated interest rate (currently about 11% per annum) exceeds the amount of interest calculated at the rate used in the latest actuarial report (currently 6.5% per annum for the Public Service, Canadian Forces and Royal Canadian Mounted Police Superannuation Accounts), may be used to reduce the amortization of actuarial deficiency adjustments charged to budgetary expenditure. Any of these interest earnings not needed to reduce amortization charges are credited to the respective Accounts.

Table 9.4 presents a summary of the balances and transactions for the superannuation accounts including the unamortized portion of actuarial deficiencies. Table 9.5 presents an analysis of actuarial deficiency adjustments.

Table 9.6 presents a summary of transactions in the superannuation accounts that resulted in charges to budgetary expenditure. In 1986-87, \$6,214 million was charged to budgetary expenditure on account of superannuation plans. This was composed of Government contributions, \$813 million; increased superannuation benefits paid during the year due to indexation in excess of the superannuates' share of contributions to the Supplementary Retirement Benefits Account, \$784 million; and, interest, \$4,617 million (\$4,501 million credited to the superannuation accounts and \$116 million of interest earnings in excess of 6.5% on the main superannuation accounts which was used to reduce the amortization of actuarial deficiency adjustments).



TABLE 9.4

## SUPERANNUATION ACCOUNTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease ( - )			
							1987	1986
					\$	\$	\$	\$
Public Service Superannuation Account, Table 9.7 .....	22,154,145,104	3,526,771,800	911,560,227	24,769,356,677	2,615,211,573	2,234,506,202		
Less: unamortized portion of actuarial deficiency .....	53,441,800	53,441,800			- 53,441,800	- 243,712,000		
	22,100,703,304	3,580,213,600	911,560,227	24,769,356,677	2,668,653,373	2,478,218,202		
Canadian Forces Superannuation Account, Table 9.8 ..	14,641,421,501	1,912,393,251	442,950,547	16,110,864,205	1,469,442,704	1,289,699,819		
Less: unamortized portion of actuarial deficiency .....	65,238,537	61,251,337		3,987,200	- 61,251,337	- 151,977,106		
	14,576,182,964	1,973,644,588	442,950,547	16,106,877,005	1,530,694,041	1,441,676,925		
Royal Canadian Mounted Police Superannuation Account, Table 9.9 .....	2,096,942,840	345,554,662	35,579,307	2,406,918,195	309,975,355	268,868,939		
Less: unamortized portion of actuarial deficiency .....	1,005,700	1,005,700			- 1,005,700	- 11,266,100		
	2,095,937,140	346,560,362	35,579,307	2,406,918,195	310,981,055	280,135,039		
Supplementary Retirement Benefits Account, Table 9.10 .....	2,896,793,357	539,586,437	54,509,330	3,381,870,464	485,077,107	479,368,100		
Total .....	41,669,616,765	6,440,004,987	1,444,599,411	46,665,022,341	4,995,405,576	4,679,398,266		
Summary—								
Superannuation accounts .....	41,789,302,802	6,324,306,150	1,444,599,411	46,669,009,541	4,879,706,739	4,272,443,060		
Less: unamortized portion of actuarial deficiencies ..	119,686,037	115,698,837		3,987,200	- 115,698,837	- 406,955,206		
Total .....	41,669,616,765	6,440,004,987	1,444,599,411	46,665,022,341	4,995,405,576	4,679,398,266		

TABLE 9.5

ANALYSIS OF ACTUARIAL DEFICIENCY ADJUSTMENTS FOR 1986-87  
(in millions of dollars)

	Arising from salary increments				Arising from actuarial valuations				Total
	Public Service Super- annuation Account	Canadian Forces Super- annuation Account	Royal Canadian Mounted Police Superannuation Account	Sub- total	Public Service Super- annuation Account	Canadian Forces Super- annuation Account	Royal Canadian Mounted Police Superannuation Account	Sub- total	
Actuarial deficiency adjustments recognized <sup>(1)</sup> .....	267	307	5	579					579
Less: amount amortized to March 31, 1986 .....	214	241	4	459					459
Unamortized balance at March 31, 1986 .....	53	66	1	120					120
Add: current year actuarial defi- ciency adjustments .....									
Less: current year amortization ....	53	62	1	116					116
Unamortized balance at March 31, 1987 .....		4		4					4

<sup>(1)</sup> Represents actuarial deficiency adjustments recognized prior to 1986-87 for which the amounts have not yet been fully amortized.

TABLE 9.6

SUMMARY OF TRANSACTIONS IN SUPERANNUATION ACCOUNTS THAT RESULTED IN CHARGES TO BUDGETARY EXPENDITURE  
(in millions of dollars)

	1986-87						1985-86
	Government contributions	Net amortization of actuarial deficiency adjustments <sup>(1)</sup>	Statutory payments under Supplementary Retirement Benefits Account	Interest <sup>(1)</sup>		Total	
				A	B		
Public Service Superannuation Account.....	398		476	2,445	53	3,372	3,081
Canadian Forces Superannuation Account .....	233		286	1,546	62	2,127	1,987
Royal Canadian Mounted Police Superannuation Account .....	72		22	237	1	332	295
Supplementary Retirement Benefits Account .....	110			273		383	371
Total .....	813		784	4,501	116	6,214	5,734

<sup>(1)</sup> Column A represents interest earnings credited to the Accounts. Column B represents interest earnings in excess of 6.5% on each respective Account which were charged to interest on public debt, and applied against the amortization of actuarial deficiency adjustments. In 1986-87, net amortization charges were nil.

### Public Service Superannuation Account

This account is operated under the Public Service Superannuation Act.

The unamortized portion of the actuarial deficiency in the Public Service Superannuation Account at the end of the current year was nil compared with \$53 million at March 31, 1986. During the year, \$53 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

TABLE 9.7

### PUBLIC SERVICE SUPERANNUATION ACCOUNT

	1986-87	1985-86
	\$	\$
Opening balance .....	22,154,145,104	19,919,638,902
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Government employees .....	410,416,063	383,849,510
Retired employees .....	19,257,917	16,343,580
Public Service corporation employees .....	122,656,431	123,875,978
Matching contributions—		
Government .....	397,926,126	391,046,591
Public Service corporations .....	119,618,297	121,656,530
Transfers from other pension funds .....	11,546,933	9,738,181
Interest .....	2,445,350,033	1,992,621,736
Actuarial liability adjustment <sup>(1)</sup> .....		
	3,526,771,800	3,039,132,106
	25,680,916,904	22,958,771,008
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities .....	826,003,699	730,310,891
Cash termination allowances .....	259,220	378,661
Minimum benefits .....	8,966,998	9,094,813
Returns of contributions—		
Government employees .....	47,950,343	39,017,556
Public Service corporation employees .....	21,156,024	22,364,941
Transfers to other pension funds .....	7,223,943	3,459,042
	911,560,227	804,625,904
Closing balance .....	24,769,356,677	22,154,145,104

<sup>(1)</sup> No actuarial liability adjustment was made in 1985-86 and 1986-87 with respect to actuarial review and salary increases authorized in excess of 5%.

### 9•6 SPECIFIED PURPOSE ACCOUNTS

### Canadian Forces Superannuation Account

This account is operated under the Canadian Forces Superannuation Act.

The unamortized portion of the actuarial deficiency in the Canadian Forces Superannuation Account is \$4 million, compared with \$66 million at March 31, 1986. During the year, \$62 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

TABLE 9.8

### CANADIAN FORCES SUPERANNUATION ACCOUNT

	1986-87	1985-86
	\$	\$
Opening balance .....	14,641,421,501	13,351,721,682
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel .....	130,867,098	125,270,341
Contributions by the Government .....	232,803,915	222,981,505
Interest .....	1,545,909,113	1,350,209,785
Actuarial liability adjustment <sup>(1)</sup> .....		
Other .....	2,813,125	1,870,572
	1,912,393,251	1,700,332,203
	16,553,814,752	15,052,053,885
<b>PAYMENTS AND OTHER CHARGES—</b>		
Pensions and retiring allowance payments .....	425,915,688	394,696,281
Cash termination allowances and returns of contributions .....	15,965,854	14,467,859
Transfers to Public Service Superannuation Account (Treasury Board) .....	1,069,005	1,468,175
Other .....		69
	442,950,547	410,632,384
Closing balance .....	16,110,864,205	14,641,421,501

<sup>(1)</sup> No actuarial liability adjustment was made in 1985-86 and 1986-87 with respect to actuarial review and salary increases authorized in excess of 5%.

### Royal Canadian Mounted Police Superannuation Account

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



The unamortized portion of the actuarial deficiency in the Royal Canadian Mounted Police Superannuation Account at the end of the current year was nil compared with \$1 million at March 31, 1986. During the year, \$1 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

TABLE 9.9

## ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1986-87		1985-86	
	\$		\$	
Opening balance .....	2,096,942,840		1,828,073,901	
<b>RECEIPTS AND OTHER CREDITS—</b>				
Contributions from personnel (current and arrears) .....	36,702,286		34,275,444	
Contributions by the Government .....	71,971,133		68,323,017	
Interest .....	236,881,243		196,105,566	
Actuarial liability adjustment <sup>(1)</sup> .....				
	345,554,662		298,704,027	
	2,442,497,502		2,126,777,928	
<b>PAYMENTS AND OTHER CHARGES—</b>				
Annuities and allowance payments .....	33,224,674		27,440,466	
Cash termination allowance payments, returns of contributions and gratuities .....	1,875,229		2,048,216	
Transfers to other pension funds .....	276,833		130,704	
Interest on returns of contributions .....	202,571		215,702	
	35,579,307		29,835,088	
Closing balance .....	2,406,918,195		2,096,942,840	

<sup>(1)</sup> No actuarial liability adjustment was made in 1985-86 and 1986-87 with respect to actuarial review and salary increases authorized in excess of 5%.

TABLE 9.10

SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT  
(in thousands of dollars)

	Public Service		Canadian Forces		Royal Canadian Mounted Police		Parliament		Others		Total	
	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86
Opening balance .....	2,149,950	1,791,601	584,130	490,920	151,436	125,926	4,829	4,024	6,448	4,954	2,896,793	2,417,425
<b>RECEIPTS AND OTHER CREDITS—</b>												
<b>Employee contributions—</b>												
Public Service corporations .....	22,469	23,474									22,469	23,474
Government .....	77,840	71,989	25,285	23,719	6,837	6,250	239	235	577	526	110,778	102,719
<b>Matching contributions—</b>												
Public Service corporations .....	22,799	23,704									22,799	23,704
Government .....	77,866	71,994	25,253	23,663	6,839	6,242	238	233	577	525	110,773	102,657
Interest .....	202,369	199,233	55,025	54,393	14,173	13,876	426	385	507	450	272,500	268,337
Transfers from other pension funds .....	242	265	6	6	19	14					267	285
	403,585	390,659	105,569	101,781	27,868	26,382	903	853	1,661	1,501	539,586	521,176
	2,553,535	2,182,260	689,699	592,701	179,304	152,308	5,732	4,877	8,109	6,455	3,436,379	2,938,601
<b>PAYMENTS AND OTHER CHARGES—</b>												
Annuities .....	28,015	20,200	8,299	5,809	610	473	58	26	3	5	36,985	26,513
Cash termination allowances .....	18	24									18	24
Minimum benefits .....	418	388									418	388
<b>Returns of contributions—</b>												
Public Service corporations .....	3,867	3,999									3,867	3,999
Government .....	8,905	7,249	2,912	2,654	356	385	5	22		2	12,178	10,312
Transfers to other pension funds .....	906	450	94	108	43	14					1,043	572
	42,129	32,310	11,305	8,571	1,009	872	63	48	3	7	54,509	41,808
Closing balance .....	2,511,406	2,149,950	678,394	584,130	178,295	151,436	5,669	4,829	8,106	6,448	3,381,870	2,896,793

## Supplementary Retirement Benefits Account

This account was established by the Supplementary Retirement Benefits Act, to provide for the payment of increased pension benefits resulting from indexation. Actuarial valuation of the Account is not required by the legislation.

The Chief Actuary of the Department of Insurance has estimated that, after allowing for surpluses (there were no deficits) in the three basic accounts, the actuarial present value of unfunded supplementary retirement benefits, including provision for future indexation, in respect of benefits earned or in pay as at March 31, 1987, was \$3.1 billion, or \$3.2 billion if the Royal Canadian Mounted Police plan which has no net unfunded supplementary retirement benefits is excluded. This amount is based on dynamic economic assumptions which incorporate the current high interest rates (the interest rate was assumed to decrease from a level of 10% in 1987 to 6% for 2006 and subsequent years) as well as current price and salary increase levels, which were gradually linked with ultimate or long-term economic assumptions of 6% for interest, 5% for wages and an inflation rate of 3.5%.

Increased superannuation benefits paid during the year due to indexation amounted to \$821 million (\$762 million in 1985-86), of which \$784 million (\$735 million in 1985-86) represents benefits to superannuates in excess of their share of contributions to the account which has been charged to budgetary expenditure. The payments charged to budgetary expenditure on behalf of contributors amounted to \$476 million (\$453 million in 1985-86) for the Public Service Superannuation Account of which it is estimated that \$38 million (\$36 million in 1985-86) pertains to former employees of Public Service corporations, \$286 million (\$262 million in 1985-86)

for the Canadian Forces Superannuation Account, and \$22 million (\$20 million in 1985-86) for the Royal Canadian Mounted Police Superannuation Account. An amount of \$37 million (\$27 million in 1985-86) was charged to the Supplementary Retirement Benefits Account.

## Government Annuities Account

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

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

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for

previously unlocated annuitants, earned interest and items transferred from previous years' revenue to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenue. The amounts of unclaimed annuities, related to annuitants who cannot be located, are transferred to non-tax revenue.

## Deposit and Trust Accounts

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

Table 9.11 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 9.11

### DEPOSIT AND TRUST ACCOUNTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
	\$	\$	\$	\$	1987 \$	1986 \$
Deposit accounts—						
Agriculture—						
Canadian Dairy Commission account .....	49,026,766	701,074,295	703,695,303	46,405,758	-2,621,008	28,466,035
Guarantee deposits—Canada Agricultural Products Standards Act .....		2,400	1,645	755	755	
	49,026,766	701,076,695	703,696,948	46,406,513	-2,620,253	28,466,035
Consumer and Corporate Affairs—						
Canada Post Corporation account .....	397,228,813	5,012,212,190	4,840,877,459	568,563,544	171,334,731	92,199,782
Security deposits—Bankruptcy Act .....	7,000			7,000		
Less: securities held in trust .....	7,000			7,000		
	397,228,813	5,012,212,190	4,840,877,459	568,563,544	171,334,731	92,199,782
Employment and Immigration—						
Immigration guarantee fund .....	6,550,864	2,510,588	3,796,963	5,264,489	-1,286,375	658,508
Less: securities held in trust .....	60,000	10,000		50,000	-10,000	10,000
	6,490,864	2,520,588	3,796,963	5,214,489	-1,276,375	648,508
Energy, Mines and Resources—						
Guarantee deposits—Oil and gas .....	33,000,000	31,486,338	31,000,000	33,486,338	486,338	-500,000
Less: securities held in trust .....	33,000,000	31,000,000	30,348,065	32,348,065	-651,935	-500,000
		62,486,338	61,348,065	1,138,273	1,138,273	
Environment—						
Guarantee deposits .....	116,000		113,000	3,000	-113,000	
Less: securities held in trust .....	116,000	113,000	113,000	3,000	-113,000	
External Affairs—						
Fairs and missions .....	262,212	22,079	266,981	17,310	-244,902	-108,418
Finance—						
Canada Development Investment Corpora- tion—						
Canadair Limited .....		5,500,000		5,500,000	5,500,000	
The de Havilland Aircraft of Canada, Limited .....	77,300,000		9,195,840	68,104,160	-9,195,840	77,300,000
Crown corporations' surplus moneys—						
Canadian Commercial Corporation .....	8,000,000			8,000,000		
St Lawrence Seaway Authority, The .....	13,000,000			13,000,000		
	98,300,000	5,500,000	9,195,840	94,604,160	-3,695,840	77,300,000



TABLE 9.11

## DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Fisheries and Oceans—						
Guarantee deposits .....	50	675,132	675,182		- 50	50
Indian Affairs and Northern Development—						
Guarantee deposits .....	105,417,225	77,692,738	20,895,686	162,214,277	56,797,052	- 36,731,200
<i>Less: securities held in trust .....</i>	<i>104,863,000</i>	<i>20,596,372</i>	<i>77,450,245</i>	<i>161,716,873</i>	<i>56,853,873</i>	<i>- 36,936,000</i>
<i>Less: securities held in trust .....</i>	<i>554,225</i>	<i>98,289,110</i>	<i>98,345,931</i>	<i>497,404</i>	<i>- 56,821</i>	<i>204,800</i>
Guarantee deposits—Reserve resources .....	468,017	50,356	20,236	498,137	30,120	12,589
Guarantee deposits—Rotating herds .....	3,091			3,091		- 8,087
Indian contributions to the subsidy housing program .....	19,959			19,959		
Indian savings accounts .....	109,708,314	25,811,545	6,998,906	128,520,953	18,812,639	32,829,183
	<i>110,753,606</i>	<i>124,151,011</i>	<i>105,365,073</i>	<i>129,539,544</i>	<i>18,785,938</i>	<i>33,038,485</i>
Justice—						
Security for costs .....		163,321	2,007	161,314	161,314	
National Revenue—						
Customs and Excise—						
Guarantee deposits .....	7,043,995	6,652,084	2,190,297	11,505,782	4,461,787	1,449,481
<i>Less: securities held in trust .....</i>	<i>6,845,900</i>	<i>2,123,000</i>	<i>6,520,100</i>	<i>11,243,000</i>	<i>4,397,100</i>	<i>1,467,400</i>
<i>Less: securities held in trust .....</i>	<i>198,095</i>	<i>8,775,084</i>	<i>8,710,397</i>	<i>262,782</i>	<i>64,687</i>	<i>- 17,919</i>
Temporary deposits received from importers .....	2,738,753		82,812	2,655,941	- 82,812	- 634,805
<i>Less: deposits in special bank accounts .....</i>	<i>2,738,753</i>	<i>82,812</i>	<i>82,812</i>	<i>2,655,941</i>	<i>- 82,812</i>	<i>- 634,805</i>
	<i>198,095</i>	<i>8,857,896</i>	<i>8,793,209</i>	<i>262,782</i>	<i>64,687</i>	<i>- 17,919</i>
Privy Council—						
Chief Electoral Officer—Candidates' election deposits .....		2,400	2,400			- 157,400
Public Works—						
Harbourfront capital account .....	6,595,757	3,055,198	10,320,688	- 669,733	- 7,265,490	2,754,387
Regional Industrial Expansion—						
Fairs, shows and consortiums .....	59,838	297,521	288,601	68,758	8,920	29,899
Supply and Services—						
Contractors' security deposits (departments and agencies)—						
Bonds .....	9,260,300	4,562,976	6,444,476	7,378,800	- 1,881,500	224,400
<i>Less: securities held in trust .....</i>	<i>9,260,300</i>	<i>8,741,382</i>	<i>6,859,882</i>	<i>7,378,800</i>	<i>- 1,881,500</i>	<i>224,400</i>
<i>Less: securities held in trust .....</i>		<i>13,304,358</i>	<i>13,304,358</i>			
Cash .....	18,643,496	55,891,607	53,691,072	20,844,031	2,200,535	- 1,050,774
Certified cheques .....	7,030,172	3,317,974	6,725,655	3,622,491	- 3,407,681	5,993,642
<i>Less: securities held in trust .....</i>	<i>6,933,978</i>	<i>9,137,198</i>	<i>6,129,726</i>	<i>3,926,506</i>	<i>- 3,007,472</i>	<i>5,922,497</i>
<i>Less: securities held in trust .....</i>	<i>96,194</i>	<i>12,455,172</i>	<i>12,855,381</i>	<i>- 304,015</i>	<i>- 400,209</i>	<i>71,145</i>
Royal Canadian Mint account .....	15,111,317	2,952,477,319	2,949,771,727	17,816,909	2,705,592	- 6,667,184
SNC Defence Products Inc. ....	4,711,247		4,711,247		- 4,711,247	4,711,247
	<i>38,562,254</i>	<i>3,034,128,456</i>	<i>3,034,333,785</i>	<i>38,356,925</i>	<i>- 205,329</i>	<i>- 2,935,566</i>
Treasury Board—						
Canada Development Corporation .....	123,040,144		123,040,144		- 123,040,144	123,040,144
Privatisation and Regulatory Affairs—						
Bids deposit account .....		9,765,360		9,765,360	9,765,360	
	<i>123,040,144</i>	<i>9,765,360</i>	<i>123,040,144</i>	<i>9,765,360</i>	<i>- 113,274,784</i>	<i>123,040,144</i>
Instalments (payroll deductions) made by employees in the purchase of Canada savings bonds <sup>(1)</sup> .....						
Total deposit accounts .....	830,518,399	8,965,027,185	8,902,116,345	893,429,239	62,910,840	354,257,987
Trust accounts—						
Agriculture—						
Canagrex trust fund .....		82,743		82,743	82,743	
Communications—						
National Museums of Canada—						
Trust account .....	583,579	1,099,945	393,977	1,289,547	705,968	166,773
<i>Less: securities held in trust .....</i>	<i>2,000</i>			<i>2,000</i>		
<i>Less: securities held in trust .....</i>	<i>581,579</i>	<i>1,099,945</i>	<i>393,977</i>	<i>1,287,547</i>	<i>705,968</i>	<i>166,773</i>
National Library—Special operating account .....	27,530	28,510	32,884	23,156	- 4,374	- 1,188

TABLE 9.11

## DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Public Archives—Mackenzie King trust account .....	277,626 886,735	19,800 1,148,255	21,211 448,072	276,215 1,586,918	- 1,411 700,183	- 1,255 164,330
Consumer and Corporate Affairs— Income from securities in trust—Bankrupt- cy Act .....	62,690	4,812		67,502	4,812	4,802
Securities in trust—Bankruptcy Act .....	31,266			31,266		
Less: securities held in trust .....	31,266			31,266		
Unclaimed dividends and undistributed assets—						
Bankruptcy Act .....	3,681,357	983,079	2,127,755	2,536,681	- 1,144,676	574,628
Canada Business Corporations Act .....	96,462	390	520	96,332	- 130	9,365
Winding-up Act .....	176,904	47	486	176,465	- 439	36,607
	4,017,413	988,328	2,128,761	2,876,980	- 1,140,433	625,402
Environment— Marconi celebration trust fund.....		100,000		100,000	100,000	
National Battlefields Commission— Trust fund.....	109,659 109,659	17,952 117,952		127,611 227,611	17,952 117,952	
External Affairs— Canada Foundation account .....	300,286			300,286		43,598
Less: securities held in trust .....	46,061			46,061		- 2,159
deposits in a special bank account ..	254,225			254,225		45,757
Canadian International Development Agency— International agencies—Travel account ..	19,873 19,873	74,330 74,330	73,024 73,024	21,179 21,179	1,306 1,306	- 15,246 - 15,246
Finance— Common school funds—Ontario and Quebec .....	2,677,771			2,677,771		
Foreign claims fund .....	878,512	91,392	829,830	140,074	- 738,438	- 859,136
Halifax 1917 explosion pension account .....	1,051,794	73,668	166,832	958,630	- 93,164	- 74,380
Less: securities held in trust .....	190,000			190,000		
	861,794	73,668	166,832	768,630	- 93,164	- 74,380
War claims fund—World War II .....	10,904,133 15,322,210	107,659 272,719	107,659 996,662	11,011,792 14,598,267	107,659 - 723,943	963,428 29,912
Fisheries and Oceans— Great Lakes Fishery Commission— Lamprey research and control .....	53,662	186,873	225,944	14,591	- 39,071	42,303
Indian Affairs and Northern Development— Indian agencies revenue trust bank accounts .....	78,210	4,128,795	4,094,764	112,241	34,031	4,986
Less: deposits in special bank accounts ...	77,695	4,084,484	4,119,230	112,441	34,746	4,471
	515	8,213,279	8,213,994	- 200	- 715	515
Indian band funds—Shares and certificates Less: securities held in trust .....	20,000 20,000			20,000 20,000		
Indian compensation funds .....	125,273	2,106	684	126,695	1,422	12,673
Indian estate accounts .....	15,850,645	6,605,574	5,209,279	17,246,940	1,396,295	1,966,687
Less: securities held in trust .....	5,113	5,000		113	- 5,000	- 50
	15,845,532	6,610,574	5,209,279	17,246,827	1,401,295	1,966,737
Indian moneys suspense account .....	10,746,132	7,877,459	10,175,117	8,448,474	- 2,297,658	- 11,761,244
Indian special accounts .....	662,567	335,593	158,087	840,073	177,506	74,006
Indian band funds— Capital accounts, Table 9.12 .....	777,745,832	130,591,797	161,982,721	746,354,908	- 31,390,924	117,044,964
Revenue accounts, Table 9.13 .....	89,247,309	91,852,440	99,306,615	81,793,134	- 7,454,175	- 31,576,073
	866,993,141	222,444,237	261,289,336	828,148,042	- 38,845,099	85,468,891
1924 Ontario lands agreement .....	4,379,549 898,752,709	4,379,549 245,483,248	4,379,549 285,046,497	4,379,549 859,189,460	4,379,549 - 39,563,249	4,379,549 80,141,127
Justice— Federal Court special account .....	5,888,220	22,666,267	21,522,547	7,031,940	1,143,720	- 2,911,569
Labour— Fair wages suspense account .....	41,413	346,590	383,052	4,951	- 36,462	- 29,082
Labour Standards suspense account .....	106,528 147,941	215,620 562,210	142,537 525,589	179,611 184,562	73,083 36,621	27,441 - 1,641



TABLE 9.11

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease ( - )	
					1987	1986
	\$	\$	\$	\$	\$	\$
National Defence—						
Estates—Armed services.....	394,712	2,627,078	2,719,344	302,446	- 92,266	29,873
Herbert Lott naval trust fund.....	787		382	405	- 382	- 159
	395,499	2,627,078	2,719,726	302,851	- 92,648	29,714
National Health and Welfare—						
Canadian Sports Pool Corporation—						
Other outstanding liabilities.....	267,662	1,664	71,760	197,566	- 70,096	267,662
Inuvik General Hospital.....	2,773			2,773		
Post occupancy evaluation methodology.....		113,800	68,423	45,377	45,377	
Sioux Lookout Zone Hospital.....	3,758		195	3,563	- 195	
Social marketing research study on non-smoking.....		24,000	24,000			
Ted Harrison poster fund.....		1,925		1,925	1,925	
Medical Research Council—						
Donations for research.....		101,719		101,719	101,719	
Dyskinesia and torticollis research.....	82,326	6,355		88,681	6,355	3,247
Farquharson scholarships.....	20,000	956	6,300	14,656	- 5,344	20,000
	376,519	250,419	170,678	456,260	79,741	290,909
Science and Technology—						
Natural Sciences and Engineering						
Research Council—Donation trust fund..	31,050	30,150	28,580	32,620	1,570	10,000
Trust fund.....	108,761	582,206	395,915	295,052	186,291	11,755
Science Council of Canada—						
Claudia de Hueck trust fund.....		345,885		345,885	345,885	
	139,811	958,241	424,495	673,557	533,746	21,755
Solicitor General—						
Canadian Security Intelligence Service—						
Sir William Stephenson academy—						
Meritorious graduate awards.....		11,557		11,557	11,557	
Scholastic awards.....		15,840		15,840	15,840	
Correctional Service—						
Inmates' trust fund.....	5,264,816	15,133,636	15,804,529	4,593,923	- 670,893	- 84,024
Royal Canadian Mounted Police—						
Benefit fund.....	1,935,182	165,779	87,898	2,013,063	77,881	137,158
	7,199,998	15,326,812	15,892,427	6,634,383	- 565,615	53,134
Supply and Services—						
Petro-Canada Enterprises Inc—Shares.....	4,557,151	26,826	2,802,060	1,781,917	- 2,775,234	- 1,325,024
Transport—						
Canadian National (West Indies) Steamships Ltd.....	95,000			95,000		
Unclaimed moneys due to Canadian seamen.....	3,373			3,373		
	98,373			98,373		
Veterans Affairs—						
Administered trust accounts.....	41,658,571	11,152,938	20,933,073	31,878,436	- 9,780,135	- 1,950,889
Less: securities held in trust.....	30,000	15,000		15,000	- 15,000	- 10,000
	41,628,571	11,167,938	20,933,073	31,863,436	- 9,765,135	- 1,940,889
Army benevolent fund.....	1,060,318	475,756	571,438	964,636	- 95,682	- 71,491
Canadian Forces personnel assistance fund	4,536	352		4,888	352	367
Estates fund.....	1,611,898	1,044,898	1,344,145	1,312,651	- 299,247	818,125
Ste-Anne's Hospital.....	1,424,362	1,525,761	1,065,947	1,884,176	459,814	312,997
Soldier Settlement and Veterans' Land Act—						
Veterans' Land Act trust account general	782,193	6,369,716	6,590,107	561,802	- 220,391	154,212
Veterans administration and welfare trust						
fund.....	889,983	1,631,921	1,572,588	949,316	59,333	169,269
Less: securities held in trust.....	342,639	148,641	153,314	347,312	4,673	40,529
	547,344	1,780,562	1,725,902	602,004	54,660	128,740
Veterans care trust accounts.....	10,948,596	16,837,829	13,749,405	14,037,020	3,088,424	1,376,239
Less: securities held in trust.....	3,600	1,005		2,595	- 1,005	- 1,505
	10,944,996	16,838,834	13,749,405	14,034,425	3,089,429	1,377,744
	58,004,218	39,203,817	45,980,017	51,228,018	- 6,776,200	779,805
Accounts without current transactions.....						- 18,007,268
Total trust accounts.....	995,969,991	329,976,118	378,956,499	946,989,610	- 48,980,381	59,917,643
Total deposit and trust accounts.....	1,826,488,390	9,295,003,303	9,281,072,844	1,840,418,849	13,930,459	414,175,630

(1) Starting in 1986-87, these instalment purchases are deducted from the applicable "Government's holdings of unmatured debt" account (see Table 12.1 in Section 12 of this volume). Figures for the previous year have been adjusted retroactively.

**Canadian Dairy Commission account**

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Commission.

**Guarantee deposits—Canada Agricultural Products Standards Act**

This account was established to record bonds deposited as guarantees required by the Canada Agricultural Products Standards Act and the Licensing and Arbitration Regulations.

**Canada Post Corporation account**

The Canada Post Corporation is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Corporation.

**Security deposits—Bankruptcy Act**

This account represents liabilities to authorized trustees under the Bankruptcy Act, for securities held in trust. The account is credited with securities deposited by trustees, and is charged with securities returned to them.

**Immigration guarantee fund**

This account records amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

**Guarantee deposits—Oil and gas**

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

**Guarantee deposits—Environment**

This account records amounts deposited to ensure compliance with terms and conditions of contracts.

**Fairs and missions**

This account records deposits which may be refunded, in part or in total, in accordance with contractual agreements concerning the participation of Canadian sector enterprises at international trade fairs.

**Canadair Limited—Canada Development Investment Corporation**

This account was established pursuant to PC 1986-2946. This special purpose money is to be used to meet costs incurred on the sale of Canadair and demand for payment by Bombardier pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with the sale of the shares of Canadair.

**The de Havilland Aircraft of Canada, Limited—Canada Development Investment Corporation**

This account was established pursuant to Section 136(1) of the Financial Administration Act. This special purpose money is to be used to satisfy demands for payment by the Boeing Company pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with the sale of the shares of The de Havilland Aircraft of Canada, Limited.

**Crown corporations' surplus moneys**

These accounts were established pursuant to Section 136 of the Financial Administration Act to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council. The deposit from the Canadian Commercial Corporation is non-interest bearing.

**Guarantee deposits—Fisheries and Oceans**

This account was created to record amounts deposited to ensure compliance with terms and conditions of the Coastal Fisheries Protection Act.

**Guarantee deposits—Indian Affairs and Northern Development**

In this account are recorded cash and securities deposited as guarantees under the Arctic Water Pollution Prevention Act, and guarantees for oil, mineral and timber rights and licences. Interest is not allowed on cash deposits.

**Guarantee deposits—Reserve resources**

This account records cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, pursuant to the provisions of the Indian Act.

**Guarantee deposits—Rotating herds**

This account records guarantee deposits given by Indians who sign herd agreements under the rotating herd program.

**Indian contributions to the subsidy housing program**

This account records amounts deposited by Indians, to ensure compliance with terms and conditions of the subsidy housing program.

**Indian savings accounts**

Savings accounts are maintained for individual Indians. During the year, interest was credited to the accounts and charged to interest on public debt.

**Security for costs**

This account records security to the value of \$500 deposited with the Registrar of the Supreme Court of Canada in accordance with Section 66(1)(b) of the Supreme Court Act. As per Section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.



**Guarantee deposits—Customs and Excise**

Cash and securities are collected to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees.

**Temporary deposits received from importers**

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

**Candidates' election deposits**

This account records candidates' election deposits, received in respect of general elections and by-elections, less amounts refunded to candidates, or transferred to non-tax revenue, pursuant to the provisions of the Canada Elections Act.

During the year, \$1,400 was transferred to non-tax revenue.

**Harbourfront capital account**

Funds are received from and held for Harbourfront Corporation regarding moneys derived from the capitalized leasing, sale or resale of lands or development rights.

During the year, interest was credited to the account and charged to interest on public debt.

The debit balance in the account results from funds required to cover costs incurred in 1986-87 which were received only after the end of the year.

**Fairs, shows and consortiums**

In this account are recorded moneys deposited by companies to cover various expenses incurred at fairs, shows and consortiums. Moneys are disbursed on behalf of depositors.

**Contractors' security deposits**

This account records contractors' securities that are required for the satisfactory performance of work.

During the year, interest was credited to the account and charged to interest on public debt.

The debit balance in the account for certified cheques results from adjustments which have been made in the new year rather than the current year.

**Royal Canadian Mint account**

The Royal Canadian Mint is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Mint.

**SNC Defence Products Inc**

This account recorded a deposit received in accordance with an agreement between the Government and SNC Defence Products Inc for the purchase of Canadian Arsenals Limited. On May 9, 1986, the sale transaction was completed.

**Canada Development Corporation**

This account recorded moneys received from the instalment sales of common shares of Canada Development Corporation in accordance with the Canada Development Corporation Reorganization Act.

During the year, the account was closed.

**Bids deposit account**

This account was established to record bids received from interested parties for the purchase of the Government's interests in various Crown corporations.

Interest is calculated on these funds subject to the provisions of PC 1970-300 dated February 17, 1970. This interest is paid at the time the original bids are returned to the depositors and charged to interest on public debt.

**Canagrex trust fund**

This account was established pursuant to legal requirements arising from the winding-up of the Corporation.

**Trust account—National Museums of Canada**

This account is credited with moneys received by the Corporation, by way of gift, bequest or otherwise, interest on securities, rent or sales of any real property acquired by the Corporation by way of gift, bequest or otherwise, and an amount representing interest on the balance from time to time to the credit of the account. The account is to be charged with such amounts as are authorized by the Board of Trustees of the Corporation to be expended for the purpose for which such money or property were given, bequeathed or otherwise made available to the Corporation. Securities in connection with this account amount to \$2,000 consisting of two Government of Canada marketable bonds bequeathed by the late J Dazell McKee and the late Hugh de T Glazebrook.

During the year, interest was credited to the account and charged to interest on public debt.

**Special operating account—National Library**

This account records moneys received for the purpose of the National Library, by way of donation, bequest or otherwise. Amounts required for the purposes of the National Library Act may be paid out of this account, or out of money appropriated by Parliament for such purposes.

**Mackenzie King trust account**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of the Laurier House Act, is to be credited to the account at the end of each year, and charged to interest on public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research. Expenditures are to be made by the Dominion Archivist, subject to the approval of the Governor in Council.



During the year, interest of \$19,800 was credited hereto. In accordance with the Act, the Dominion Archivist is authorized to expend an annual sum not to exceed 70% of the interest earned in the previous year for the maintenance and upkeep of the buildings on the Laurier House property, as well as an annual sum not to exceed 30% of the interest earned for the maintenance of the Laurier House as a museum and study centre, and for the provision of sundry purchases therefrom, and the unspent balance of the interest earned be credited at the end of the year to non-tax revenue.

**Income from securities in trust—Bankruptcy Act**

This account represents dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are now forwarded to the Superintendent of Bankruptcy for safekeeping.

**Securities in trust—Bankruptcy Act**

This account represents the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

**Unclaimed dividends and undistributed assets—Bankruptcy Act**

This account represents amounts credited to the Receiver General in accordance with provisions of Section 125 of the Bankruptcy Act, pending distribution to creditors.

**Unclaimed dividends and undistributed assets—Canada Business Corporations Act**

This account represents liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

**Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with the provisions of the relevant Act, pending distribution.

**Marconi celebration trust fund**

This account was established for the purpose of raising moneys through public subscriptions and others to construct, operate and maintain a National Historic Site in Glace Bay, Nova Scotia to commemorate the efforts and accomplishments of Guglielmo Marconi in the field of wireless communications.

**Trust fund—National Battlefields Commission**

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The moneys are received by way of private contributions, contributions from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its Act of incorporation. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result

of interest earned, while the Commission was listed in Schedule C of the Financial Administration Act, prior to September 1, 1984.

During the year, interest was credited to the account and charged to interest on public debt.

**Canada Foundation account**

This account records moneys received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954, between Canada and Italy, and disbursements for the purposes of the said agreements.

The account is maintained in Italian lira in the Banco di Roma, Italy, and all transactions recorded in foreign currencies during the year are converted at the rate of exchange prevailing at the close of the year (1986-87, 1 Lira/\$0.001018 Cdn; 1985-86, 1 Lira/\$0.000875 Cdn).

**International agencies—Travel account**

This account records funds made available by international agencies, to provide for payment of transportation of fellows and scholars who travel in Canada, under the sponsorship of such agencies.

**Common school funds—Ontario and Quebec**

The funds represent the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid semi-annually to these provinces, at the rate of 5% per annum, and is charged to interest on public debt.

**Foreign claims fund**

This account records: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

During the year, interest was credited to the account and charged to interest on public debt.

**Halifax 1917 explosion pension account**

This account was established to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

During the year, interest was credited to the account and charged to interest on public debt.

**War claims fund—World War II**

This account records moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50% of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.



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

#### Great Lakes Fishery Commission—Lamprey research and control

This account was created to record funds received from the Great Lakes Fishery Commission, covering control and research work in respect to lampreys in the Great Lakes, carried out on behalf of the Commission, on a contract basis.

#### Indian agencies revenue trust bank accounts

This account records moneys held for Indians in authorized banks across Canada. These moneys include such items as deceased estates, deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands.

#### Indian band funds—Shares and certificates

This account records the historical value of Transalta Utilities Ltd shares of stock as compensation for a power line right-of-way on the Blood Indian reserve.

#### Indian compensation funds

Moneys received from the sale of Indian lands and easement compensation, where the title has not been cleared nor the land survey completed, are recorded in this account pending completion of documentation.

#### Indian estate accounts

Accounts were established to record the estates of deceased Indians, minor Indian children who have guardians, or mentally incompetent Indians.

During the year, interest was credited to the accounts and charged to interest on public debt.

#### Indian moneys suspense account

In this account are recorded moneys held for individuals and bands, received from rentals and leases of Indian lands, such as agricultural leases, easements, oil and gas leases and permits, etc, pending proper documentation.

#### Indian special accounts

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

- (a) *Absent or missing heirs*—Assets in an estate to which a missing heir might be entitled are held in this account for a period of seven years, after which time, if the heirs are not located, the assets are distributed to other persons according to entitlement.
- (b) *Abitibi fur preserve*—This account records moneys received from the sale of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

(c) *Abitibi fishery*—This account records charges for the operation of the Abitibi sturgeon fish catching project.

(d) *Indian off-reserve housing*—This account records personal contributions held in trust until paid to the vendor, the builder or legal representative.

#### Indian band funds

The Indian band funds represent moneys belonging to Indian bands throughout Canada. During the year, interest was credited to the account and charged to interest on public debt.

TABLE 9.12

#### INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	1986-87	1985-86
	\$	\$
Opening balance .....	777,745,832	660,700,868
<b>RECEIPTS AND OTHER CREDITS—</b>		
Oil royalties .....	62,726,903	230,017,633
Gas royalties .....	55,111,049	86,333,919
British Columbia agreement .....	560,631	985,815
Land and other claim settlements .....	4,230,000	13,019,149
Sundries .....	7,963,214	7,875,732
	130,591,797	338,232,248
	908,337,629	998,933,116
<b>PAYMENTS AND OTHER CHARGES—</b>		
Per capita cash distribution .....	59,021,689	88,540,925
Transfers pursuant to Section 64 of the Indian Act .....	101,090,048	130,888,694
Sundries .....	1,870,984	1,757,665
	161,982,721	221,187,284
Closing balance .....	746,354,908	777,745,832

TABLE 9.13

#### INDIAN BAND FUNDS—REVENUE ACCOUNTS

	1986-87	1985-86
	\$	\$
Opening balance .....	89,247,309	120,823,382
<b>RECEIPTS AND OTHER CREDITS—</b>		
Government interest .....	74,575,544	83,843,113
Land and other claim settlements .....	3,189,883	993,586
Sundries .....	14,087,013	14,511,466
	91,852,440	99,348,165
	181,099,749	220,171,547
<b>PAYMENTS AND OTHER CHARGES—</b>		
Per capita cash distribution .....	13,442,677	20,828,161
Transfers pursuant to Section 69 of the Indian Act .....	80,667,056	102,550,816
Sundries .....	5,196,882	7,545,261
	99,306,615	130,924,238
Closing balance .....	81,793,134	89,247,309

### **1924 Ontario lands agreement**

This account records the Province of Ontario's share of the receipts from mineral activity on Indian reserves in accordance with the terms of the 1924 Ontario lands agreement. Payment of these funds to Indian bands is awaiting the passage of federal and provincial legislation to enact a new Indian Lands Agreement for Ontario.

### **Federal Court special account**

The Court maintains trust accounts on behalf of litigants before the Court. Those accounts record the amount paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

During the year, interest was credited to the account and charged to interest on public debt.

### **Fair wages suspense account**

This account is operated under the authority of the Fair Wages and Hours of Labour Act, and related regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

### **Labour Standards suspense account**

This account is operated under the authority of the Canada Labour Code, Part III, Section 65, and the Canada Labour Standards, Regulation 23.

The account records:

- (a) funds received from employers as a result of assessments made by inspectors regarding underpayments of minimum wages, overtime, vacation pay, holiday pay, termination, severance or bereavement pay. The assessments are payable either directly to the employee, or to the Minister of Labour who is required to transmit the payment to the employee;
- (b) payments received from employers who are in arrears in paying their employees. Such amounts are repaid to employees; and,
- (c) wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees.

### **Estates—Armed services**

To this account are credited the service estates of deceased members of the Canadian Forces. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

### **Herbert Lott naval trust fund**

Credits to this account represent the Canadian naval portion of the Herbert Lott naval trust fund, which is administered by

the British Admiralty. These funds are allocated to active or reserve force units which show marked efficiency in fighting practices, or contribute in signal degree to the improvement of the fighting appliances of naval or maritime forces.

### **Canadian Sports Pool Corporation—Other outstanding liabilities**

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

### **Inuvik General Hospital**

This account was established to record transactions relating to a donation by the Lions Club for the purchase of items for Ward 300 at the Inuvik General Hospital.

### **Post occupancy evaluation methodology**

This account was established to record transactions relating to the provinces' share of costs incurred under a cost-sharing agreement with provinces (except Quebec) and territories for a project entitled "Development of a post occupancy evaluation methodology for hospitals".

### **Sioux Lookout Zone Hospital**

This account was established to record transactions relating to a donation made by the Hospital for Sick Children Foundation, to be used to finance a paediatric play program and volunteer service at Sioux Lookout Zone Hospital.

### **Social marketing research study on non-smoking**

This account was established to record transactions relating to the provinces' share of costs incurred under a cost-sharing agreement with the provinces of Saskatchewan and New Brunswick for a project entitled "Social marketing research study on non-smoking".

### **Ted Harrison poster fund**

This account was established to accumulate money received from the sale of posters donated to the Whitehorse General Hospital in Whitehorse, Yukon Territory by local artist Ted Harrison. The proceeds from the sales will be used to purchase special equipment for the hospital.

### **Donations for research**

This account was established as a result of the Government's "Matching Grants" policy and records contributions received from organizations and individuals for biomedical research.

During the year, interest was credited to the account and charged to interest on public debt.

### **Dyskinesia and torticollis research**

This account was established to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

During the year, interest was credited to the account and charged to interest on public debt.



**Farquharson scholarships**

This fund was established to record an award received from the St Boniface General Hospital Research Foundation. The fund will provide research scholarships to undergraduate medical students and graduate high school students.

During the year, interest was credited to the account and charged to interest on public debt.

**Donation trust fund**

This account records moneys, securities or other property received by way of gift, bequest or otherwise as approved by the Natural Sciences and Engineering Research Council. The account is charged with payments and with the disposal of such moneys, securities or other property, subject to the terms upon which such moneys are given, bequeathed or otherwise made available to the Council, and subject to the approval of the Council.

**Trust fund—Natural Sciences and Engineering Research Council**

This account is maintained to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record this agency's liability to other organizations.

**Claudia de Hueck trust fund**

This account records a bequest made by Mrs Claudia de Hueck to be used to promote the study of humanities, as it may see fit, and for educational purposes generally.

During the year, interest was credited to the account and charged to interest on public debt.

**Sir William Stephenson academy—Meritorious graduate awards**

This account records a donation of \$11,000 to be used for the presentation of meritorious awards to employees attending the Academy.

During the year, interest was credited to the account and charged to interest on public debt.

**Sir William Stephenson academy—Scholastic awards**

This account records a donation of \$15,000 to be used for the presentation of scholastic awards to employees attending the Academy.

During the year, interest was credited to the account and charged to interest on public debt.

**Inmates' trust fund**

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

**Benefit fund**

Moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances, are deposited in the fund, and benefits are payable therefrom. During the year, interest was credited to the account and charged to interest on public debt. In addition to the balance in the fund of \$2,013,063, there was an amount of \$88,400 outstanding in loans issued from the fund to members.

**Petro-Canada Enterprises Inc—Shares**

This account records the liability to shareholders who have not presented their shares for payment. The closing balance represents 14,832 shares of Petro-Canada Enterprises Inc at \$120.14 per share.

**Canadian National (West Indies) Steamships Ltd**

This account records a deposit by the Canadian National (West Indies) Steamships Ltd, covering a transfer of funds to be held pending the wind-up of the Corporation.

During 1985-86, the Corporation was authorized to be dissolved pursuant to the Crown Corporations Dissolution Authorization Act.

**Unclaimed moneys due to Canadian seamen**

Unpaid wages of deceased members of ships' crews, as well as any amount of cash on their person at time of death, are credited to this account pending direction as to payees.

**Administered trust accounts**

These accounts are under the jurisdiction of the Canadian Pension Commission and Veterans Services. Moneys held in these accounts include: (a) pensions placed under the administration of the Canadian Pension Commission; (b) war veterans and civilian war allowances and assistance fund payments placed under the administration of the Department of Veterans Affairs; and, (c) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated the inability to manage their own affairs.

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

**Army benevolent fund**

This account is credited with certain canteen profits and other funds and, semi-annually, with interest at the rate of 12.62% per annum from June 29, 1985 to June 28, 1990, on the minimum monthly balances to the credit of the fund.

Payments are made out of the fund to or for the benefit of veterans or their dependants or the widows, children or other dependants of deceased veterans.

During the year, interest was credited to the account and charged to interest on public debt.

### Canadian Forces personnel assistance fund

This fund was established to provide financial assistance to serving or former members of the Canadian Forces, who enlisted on or after February 1, 1968, and to their dependants, when warranted by distress or other qualifying circumstances.

### Estates fund

This account is credited with the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care. Individual accounts are maintained and payments are made to beneficiaries.

### Ste-Anne's Hospital

This account records moneys deposited for safekeeping by patients in the veterans' hospital in Ste-Anne-de-Bellevue, Quebec.

### Veterans' Land Act trust account general

Receipts and other credits to this account consist mainly of initial and excess payments by veterans and civilian purchasers, as provided under the Act, which are held pending approval of sales. Other items included are veterans' sales proceeds held pending redispbursement on their present or second establishment, insurance fire loss proceeds to pay for restoration of fire damage, and moneys sent in by veterans and civilian purchasers, to be held for payment of taxes and insurance, and other related items.

### Veterans administration and welfare trust fund

Moneys held in this account include: (a) donations, legacies, gifts, bequests, etc, received, to be disbursed for the benefit of veterans or their dependants under certain conditions, and for the benefit of patients in institutions; and, (b) donations, legacies, gifts, bequests, etc, received by the Canadian Pension Commission, to be disbursed for the use of pensioners or dependants in distressed circumstances.

During the year, interest was credited to the account and charged to interest on public debt.

### Veterans care trust accounts

In accordance with the Veterans Treatment Regulations and Veterans Care Regulations, clients receiving adult residential

care service or nursing home intermediate care service are charged up to a maximum of \$240 per month for board and lodgings. If the Minister of Veterans Affairs so directs, the veteran client assigns or pays any or all of his income and resources, to be administered in the manner prescribed. Moneys held in these individual accounts may include: (a) war service gratuities held for mental, tubercular and other long-term treatment cases; (b) pension paid by the Canadian Pension Commission; (c) war veterans and civilian war allowances; and, (d) income from other sources such as Old Age Security, Guaranteed Income Supplement and retirement pensions. The moneys are used to pay the charges for board and lodgings, and to provide clothing, comforts and other necessities.

## Provincial Tax Collection Agreements Account

This account records income taxes collected by the Government of Canada on behalf of provinces and territories participating in the joint-collection provision of the Federal-Provincial Fiscal Arrangements Act, and related payments made to them.

Under the Federal-Provincial Fiscal Arrangements Act, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes.

The Government of Canada entered into agreements with provinces and territories (Quebec excepted), to collect individual income tax, and, with provinces and territories (Ontario and Quebec excepted), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenue to be produced by the respective provincial and territorial taxes.

At the beginning of each year, the Minister of Finance estimates the amount of the payments, for the taxation year ending in that year, to provinces and territories that have entered into agreements. These estimates are adjusted to actual amounts at a later date. Adjustments are to be made not later than March 31 of the year following that in which the taxation year ends.



Table 9.14 presents a summary of the balances and transactions in the provincial tax collection agreements account.

TABLE 9.14

## PROVINCIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987
	\$	\$	\$	\$
Corporation income taxes collected by National Revenue—				
Taxation .....	12,257,633,804	703,478,790	40,000	12,961,072,594
<i>Less: payments to provinces and territories—</i>				
Newfoundland .....	507,511,255		65,397,748	572,909,003
Prince Edward Island .....	76,179,205		10,065,975	86,245,180
Nova Scotia .....	774,570,130		82,426,449	856,996,579
New Brunswick .....	652,690,042		66,758,904	719,448,946
Manitoba .....	1,541,389,528		124,376,706	1,665,766,234
Saskatchewan .....	1,325,364,769		118,800,802	1,444,165,571
Alberta .....	2,543,905,889	10,884,102		2,533,021,787
British Columbia .....	4,664,127,439		280,646,755	4,944,774,194
Yukon Territory .....	11,755,024		2,254,673	14,009,697
Northwest Territories .....	68,657,825		19,759,844	88,417,669
Total payments .....	12,166,151,106	10,884,102	770,487,856	12,925,754,860
Collections of corporation income tax on hand .....	91,482,698	714,362,892	770,527,856	35,317,734
Personal income taxes collected by National Revenue—				
Taxation .....	107,736,406,783	15,473,313,418	4,858,677	123,204,861,524
<i>Less: payments to provinces and territories—</i>				
Newfoundland .....	2,304,970,415		283,258,774	2,588,229,189
Prince Edward Island .....	431,606,749		61,056,725	492,663,474
Nova Scotia .....	4,218,577,845		604,537,233	4,823,115,078
New Brunswick .....	3,172,997,807		416,201,971	3,589,199,778
Ontario .....	54,585,564,650		8,617,857,426	63,203,422,076
Manitoba .....	5,159,030,038		667,426,199	5,826,456,237
Saskatchewan .....	5,466,461,922		701,816,984	6,168,278,906
Alberta .....	12,845,970,866		1,699,672,458	14,545,643,324
British Columbia .....	17,938,772,124		2,248,096,282	20,186,868,406
Yukon Territory .....	99,340,685		16,718,753	116,059,438
Northwest Territories .....	215,033,712		38,528,224	253,561,936
Total payments .....	106,438,326,813		15,355,171,029	121,793,497,842
Collections of personal income tax on hand .....	1,298,079,970	15,473,313,418	15,360,029,706	1,411,363,682
Total .....	1,389,562,668	16,187,676,310	16,130,557,562	1,446,681,416

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts.

Table 9.15 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 9.15

### OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Insurance and death benefit accounts—						
Energy, Mines and Resources—						
Atomic Energy Control Board—						
Nuclear liability reinsurance account .....	529,842		100	529,742	- 100	1,500
Finance—						
Investors' indemnity fund .....	24,727			24,727		
Insurance—						
Civil service insurance fund .....	15,406,862	18,971	3,126,515	12,299,318	- 3,107,544	- 386,321
Pioneer Trust Payment Continuation Act account .....	15,431,589	1,747,344	1,747,344	12,324,045	- 3,107,544	- 386,321
.....		1,766,315	4,873,859			
Fisheries and Oceans—						
Fishing Vessel Insurance Plan .....	6,467,986	12,746,458	8,282,709	10,931,735	4,463,749	1,989,553
Indian Affairs and Northern Development—						
Land assurance fund .....	754,428	232,838	32	987,234	232,806	21,242
National Defence—						
Regular forces death benefit account, Table 9.16	66,053,778	17,160,602	8,252,174	74,962,206	8,908,428	7,317,702
National Health and Welfare—						
Health insurance supplementary account .....	28,387			28,387		
Transport—						
Maritime pollution claims fund .....	114,258,193	10,438,717	134,483	124,562,427	10,304,234	10,976,987
Treasury Board—						
Public Service death benefit account, Table 9.17..	315,462,028	95,141,521	32,800,988	377,802,561	62,340,533	54,288,200
Veterans Affairs—						
Returned soldiers' insurance fund .....	1,235,994	6,808	226,094	1,016,708	- 219,286	- 213,635
Veterans' insurance fund .....	23,584,789	852,963	1,569,321	22,868,431	- 716,358	- 957,514
.....	24,820,783	859,771	1,795,415	23,885,139	- 935,644	- 1,171,149
Account without current transactions .....						- 9,066,972
<b>Total insurance and death benefit accounts .....</b>	<b>543,807,014</b>	<b>138,346,222</b>	<b>56,139,760</b>	<b>626,013,476</b>	<b>82,206,462</b>	<b>63,970,742</b>
Pension accounts—						
Employment and Immigration—						
Annuities agents' pension account .....	41,002	10,209	16,241	34,970	- 6,032	- 6,799
Parliament—						
Members of Parliament retiring allowances account, Table 9.18 .....	24,179,007	6,691,984	4,304,166	26,566,825	2,387,818	1,828,317
Solicitor General—						
Royal Canadian Mounted Police—Dependants' pension fund .....	14,669,063	1,641,217	557,322	15,752,958	1,083,895	904,704
Treasury Board—						
Locally-engaged contributory pension account .....	6,593,583	487,423	2,795,624	4,285,382	- 2,308,201	5,250,623
Less: unamortized portion of actuarial deficiency	4,946,600	2,566,219		2,380,381	- 2,566,219	4,946,600
.....	1,646,983	3,053,642	2,795,624	1,905,001	258,018	304,023
Retirement fund .....	5,303			5,303		
.....	1,652,286	3,053,642	2,795,624	1,910,304	258,018	304,023
<b>Total pension accounts .....</b>	<b>40,541,358</b>	<b>11,397,052</b>	<b>7,673,353</b>	<b>44,265,057</b>	<b>3,723,699</b>	<b>3,030,245</b>



TABLE 9.15

## OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	Net increase or decrease ( - )					
	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
Other accounts—						
Agriculture—						
Fees paid in advance—Importation of foreign cattle .....	276,434	243,248	241,942	277,740	1,306	83,700
Importation of Dutch bulbs .....	545	4,625	2,398	2,772	2,227	- 367
Miscellaneous projects' deposits .....	2,813	311,897	281,063	33,647	30,834	- 96,324
Saskatchewan—Water treatment plant renovations .....		1,166,300	1,081,380	84,920	84,920	
	279,792	1,726,070	1,606,783	399,079	119,287	- 12,991
Consumer and Corporate Affairs—						
Deposit account .....	142,471	849,392	843,672	148,191	5,720	- 6,743
Employment and Immigration—						
Canada works program .....	7,722	8,011	15,733		- 7,722	7,722
Canadian jobs strategy program .....	1,795,849	300,000	1,405,279	690,570	- 1,105,279	1,795,849
Summer employment—Experience development program .....	46,215	1,527,701	1,499,475	74,441	28,226	46,215
Territorial subsidiary agreement on human resource development .....	- 33,968	191,811	157,843		33,968	- 33,968
Work orientation workshops program .....	1,197	112,444	105,242	8,399	7,202	1,197
	1,817,015	2,139,967	3,183,572	773,410	- 1,043,605	1,817,015
Energy, Mines and Resources—						
Market development incentive payments—Alberta .....	28,239,571	8,942,845	7,363,256	29,819,160	1,579,589	28,239,571
Miscellaneous projects' deposits .....	9,525	265,313	274,838		- 9,525	- 7,811
Oil export charges revenue sharing account .....	297,718		297,718		- 297,718	297,718
	28,546,814	9,208,158	7,935,812	29,819,160	1,272,346	28,529,478
Environment—						
Miscellaneous projects' deposits .....	418,337	1,580,691	944,633	1,054,395	636,058	61,052
External Affairs—						
Cost recoverable technical assistance program .....	895,473	472,009	1,177,936	189,546	- 705,927	217,979
Canadian International Development Agency—Guarantee deposits .....	34,600			34,600		
	930,073	472,009	1,177,936	224,146	- 705,927	217,979
Fisheries and Oceans—						
Miscellaneous projects' deposits .....	111,440	234,468	255,995	89,913	- 21,527	64,390
Indian Affairs and Northern Development—						
Fines—Indian Act .....	425,516	130,563	56,284	499,795	74,279	- 233,203
Justice—						
Federal Court—Advance payments .....	5,000	3,750		8,750	3,750	
National Defence—						
Foreign governments—						
United Kingdom—						
British Army—Suffield, Alberta .....	9,784,372	23,447,774	23,241,308	9,990,838	206,466	1,369,899
Other activities .....	1,267	9,600,822	5,018,079	4,584,010	4,582,743	- 104,177
United States of America .....	1,087,300	8,854,844	4,981,818	4,960,326	3,873,026	- 1,224,004
Federal Republic of Germany—						
German Army—Shilo, Manitoba .....	4,404,271	6,998,820	11,562,705	- 159,614	- 4,563,885	470,842
Other activities .....	785,437	3,900,000	4,465,923	219,514	- 565,923	1,293,762
Netherlands .....		9,350,000		9,350,000	9,350,000	
North Atlantic Treaty Organization (NATO)—						
Infrastructure projects .....	1,465,999	7,409,977	420,512	8,455,464	6,989,465	203,273
Other projects .....	100,824			100,824		
Non-government agencies .....	1,896,013	1,288,045	1,559,205	1,624,853	- 271,160	- 386,220
	19,525,483	70,850,282	51,249,550	39,126,215	19,600,732	1,623,375
National Health and Welfare—						
Computerized space programming methodology ..	1,007		1,007		- 1,007	1,007
“Nobody's perfect”—Shared-cost project .....	1,281		1,281		- 1,281	1,281
Safety evaluation of chemicals .....		8,153	1,845	6,308	6,308	
World Health Organization .....	125,160	79,308	82,702	121,766	- 3,394	10,449
	127,448	87,461	86,835	128,074	626	12,737
Public Works—						
Shared-cost projects .....	61,507	34,155	5,555	90,107	28,600	- 1,094,997
Science and Technology—						
National Research Council— Trust fund .....	63,587	218,252	13,141	268,698	205,111	38,588
Special fund .....	10,000,000	19,250,332	24,230,332	5,020,000	- 4,980,000	- 747
	10,063,587	19,468,584	24,243,473	5,288,698	- 4,774,889	37,841

TABLE 9.15

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

					Net increase or decrease (-)	
	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
Secretary of State—						
Promotion of official languages .....	98,847	50,494	139,211	10,130	- 88,717	69,321
Social Sciences and Humanities Research Council—						
Queen's Fellowship Fund .....	269,985	47,284	27,608	289,661	19,676	- 41,829
Trust fund .....	39,225	15,946	37,500	17,671	- 21,554	14,225
	<i>408,057</i>	<i>113,724</i>	<i>204,319</i>	<i>317,462</i>	<i>- 90,595</i>	<i>41,717</i>
Supply and Services—						
Interest on bonds—Insurance companies .....	- 1,855,279	40,401,141	38,545,862		1,855,279	- 1,859,216
Military purchases excess funds deposit .....	406,536,946	5,594,330,715	5,592,930,840	407,936,821	1,399,875	138,991,615
Less: securities held in trust .....	406,536,946	5,592,930,840	5,594,330,715	407,936,821	1,399,875	138,991,615
		<i>11,187,261,555</i>	<i>11,187,261,555</i>			
Statistics Canada—						
Advance payments .....	959,147	15,700,630	15,341,263	1,318,514	359,367	204,773
	<i>- 896,132</i>	<i>11,243,363,326</i>	<i>11,241,148,680</i>	<i>1,318,514</i>	<i>2,214,646</i>	<i>- 1,654,443</i>
Transport—						
Cartierville Airport account .....		5,095,077	566,425	4,528,652	4,528,652	
Provincial sales tax—						
Communications—						
National Library .....	225	5,391	5,579	37	- 188	223
Public Archives .....	1,190	9,062	9,296	956	- 234	468
	<i>1,415</i>	<i>14,453</i>	<i>14,875</i>	<i>993</i>	<i>- 422</i>	<i>691</i>
Energy, Mines and Resources .....	7,129	98,097	105,113	113	- 7,016	7,129
Solicitor General—						
Correctional Service .....	- 423,168	526,945	95,212	8,565	431,733	- 61,591
Royal Canadian Mounted Police .....	- 215	61,267	61,157	- 105	110	- 89
	<i>- 423,383</i>	<i>588,212</i>	<i>156,369</i>	<i>8,460</i>	<i>431,843</i>	<i>- 61,680</i>
	<i>- 414,839</i>	<i>700,762</i>	<i>276,357</i>	<i>9,566</i>	<i>424,405</i>	<i>- 53,860</i>
Federal sales tax—						
Solicitor General—Correctional Service .....	- 620,787	770,853	113,055	37,011	657,798	- 92,412
Accounts without current transactions .....						- 72,036
Total other accounts .....	60,930,782	11,356,829,292	11,333,898,936	83,861,138	22,930,356	29,184,899
Total other specified purpose accounts .....	645,279,154	11,506,572,566	11,397,712,049	754,139,671	108,860,517	96,185,886

**Nuclear liability reinsurance account**

This account was established to record premiums under the Nuclear Liability Act, and to provide for payment of claims arising from accidents at an insured facility.

**Investors' indemnity fund**

Section 48 of the Financial Administration Act provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purposes of this Section, and any recovery of losses referred to in Section 49 of the Act.

Section 49 states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

**Civil service insurance fund**

This fund was established by the Civil Service Insurance Act, to provide life insurance coverage for civil servants who bought policies before 1955-56. The purchase of policies was discontinued in 1954-55, pursuant to Section 51(2) of the Public Service Superannuation Act.

During the year, receipts and other credits consisted of premiums of \$18,971. Payments and other charges consisted of death benefits, \$562,033; cash surrender value, \$61,664; annuities, \$56,485; premium refunds, \$144; and, an amount of \$2,446,189 (credited to budgetary expenditure) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1986.

**Pioneer Trust Payment Continuation Act account**

This account was established in accordance with the Pioneer Trust Payment Continuation Act to record funds received as the assets of the Pioneer Trust Company were liquidated and to record disbursements to provide for the continuation of payments under certain guaranteed income averaging certificates issued by the Company.

During the year, this account was closed.

**Fishing Vessel Insurance Plan**

The Fishing Vessel Insurance Plan is administered in accordance with regulations of the Governor in Council, to insure fishermen against abnormal capital losses. The account is credited with premiums and recoveries, and with advances in accordance with the regulations, such advances not at any time to exceed \$150,000. The account is charged with refunds of premiums and payments in settlement of third party vessel



collision damage claims against fishermen, where the collision involves a vessel insured under the Fishing Vessel Insurance Plan. Administration costs are paid from Fisheries and Oceans Vote 1.

#### Land assurance fund

This fund was created to indemnify title holders who suffer loss through misdescriptions in titles, and from other causes specified in the Land Titles Act. Fees are collected from the parties who register deeds with the Registrar of Land Titles in the Northwest Territories and the Yukon Territory. Interest is added to the fund annually, the present rate being 3% per annum.

During the year, interest was credited to the account and charged to interest on public debt.

#### Regular forces death benefit account

This account was established by the Canadian Forces Superannuation Act, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution (1/6 of benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act); (c) single premiums payable by the Government in respect of regular forces participants who become entitled to a basic benefit of \$500 without contribution; and, (d) interest.

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

TABLE 9.16

#### REGULAR FORCES DEATH BENEFIT ACCOUNT

	1986-87	1985-86
	\$	\$
Opening balance.....	66,053,778	58,736,076
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions by participants .....	7,759,626	7,251,750
Government's contribution .....	1,374,079	1,416,532
Single premiums payable by the Government in respect of regular forces participants who become entitled to a basic benefit of \$500 without contribution .....	556,140	546,840
Interest .....	7,470,757	6,601,730
	17,160,602	15,816,852
	83,214,380	74,552,928
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act .....	8,252,174	8,499,150
Closing balance.....	74,962,206	66,053,778

#### Health insurance supplementary account

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

#### Maritime pollution claims fund

This account was established to record levy tonnage payments for oil carried by ships in Canadian waters. The payment of the levy was revoked effective September 1, 1976.

Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the fund.

During the year, interest was credited to the account and charged to interest on public debt.

#### Public Service death benefit account

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

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the Public Service Superannuation Act; and, (b) benefits of \$500 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the Public Service Superannuation Act, and on whose behalf a single premium for \$500 death benefit coverage for life has been made.

TABLE 9.17

## PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1986-87	1985-86
	\$	\$
Opening balance.....	315,462,028	261,173,828
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employees—		
Government and Public Service corporations.....	49,586,869	47,823,424
Government—		
One-sixth of benefit payments—General.....	5,085,483	5,230,694
Single premium for \$500.....	1,975,413	2,068,548
Public Service corporations.....	2,151,750	2,101,093
Interest.....	36,342,006	30,259,953
	95,141,521	87,483,712
	410,603,549	348,657,540
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefit payments—		
General.....	31,322,411	31,792,440
Life coverage of \$500.....	1,419,077	1,383,197
Other death benefit payments.....	59,500	19,875
	32,800,988	33,195,512
Closing balance.....	377,802,561	315,462,028

**Returned soldiers' insurance fund**

This fund was established by the Returned Soldiers' Insurance Act, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1986 of \$6,760 was credited to the account during the year and was charged to budgetary expenditure. The final date on which application for this insurance could have been received, was August 31, 1933.

**Veterans' insurance fund**

This fund was established by the Veterans' Insurance Act, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1986 of \$620,294 was credited to the account during the year and was charged to budgetary expenditure. The final date on which application for this insurance could have been received, was October 31, 1968.

**Annuities agents' pension account**

This pension plan provides pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

During the year, interest was credited to the account and charged to interest on public debt.

**Members of Parliament retiring allowances account**

This account was established by the Members of Parliament Retiring Allowances Act, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a member of the Senate or House of

Commons. Benefits are also available to widows and dependent children of members who served on or after April 9, 1963 and contributed under the Act.

Receipts and other credits consist of: (a) contributions reserved from current indemnities, based on the full amount paid; (b) contributions reserved from additional salaries, based on the percentage of contribution elected, up to 10% of the full amount of salary; (c) contributions for previous sessions, where members elect to pay arrears, and interest on arrears; (d) interest and mortality insurance on any unpaid balance, based on Canada Life Tables; (e) contributions by the Government, of an amount equal to contributions paid or which have become payable in the year; (f) interest credited quarterly; and, (g) the repayment of pensions after elections to transfer Members of Parliament retiring allowances to the Public Service Superannuation Account.

Payments and other charges consist of: (a) payments of annual allowances; (b) withdrawal allowances and related interest; (c) refunds of contributions which are in excess of the maximum required; and, (d) transfers of funds to the Public Service Superannuation Account.

TABLE 9.18

## MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1986-87	1985-86
	\$	\$
Opening balance.....	24,179,007	22,350,690
<b>RECEIPTS AND OTHER CREDITS—</b>		
Members' contributions—		
Current.....	1,906,447	1,870,525
Arrears of principal, interest and mortality insurance.....	197,788	234,924
Government contributions—		
Current.....	1,906,447	1,870,007
Interest.....	2,681,302	2,132,431
	6,691,984	6,107,887
	30,870,991	28,458,577
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annual allowances.....	4,304,166	4,183,402
Withdrawal allowances.....		87,334
Interest on withdrawals.....		6,998
Refund of elective service contributions.....		1,836
	4,304,166	4,279,570
Closing balance.....	26,566,825	24,179,007

**Dependants' pension fund**

This fund which pertains to Part IV of the Royal Canadian Mounted Police Pension Continuation Act, provides pension benefits to widows and other dependants of contributing members of the Royal Canadian Mounted Police. It is maintained by 5% contributions from the pay of members of the Force, other than commissioned officers.

During the year, interest was credited to the account and charged to interest on public debt.

**Locally-engaged contributory pension account**

This account which pertains to Part II of the Locally-Engaged Pension Regulations, provides pension benefits to



locally-employed Government employees who contributed to the plan. The account is credited with contributions from locally-engaged employees, and charged with the subsequent payment of benefits.

#### **Retirement fund**

This fund provides pension benefits to certain eligible Government employees who are not covered by the Public Service Superannuation Account and who contributed to the fund.

Contributions are made to the fund in the form of monthly deductions from the salaries of certain prevailing rate or seasonal and certain other employees. Other credits are interest at the rate of 4% per annum on the balance to the credit of each contributor, the off-setting charge being to interest on public debt. Payments and other charges represent payment of the amounts to the employees' credit upon resignation or death, or, if they become contributors to the Public Service Superannuation Account, transfers to that account.

#### **Fees paid in advance—Importation of foreign cattle**

Deposits made in connection with the importation of foreign cattle, pregnancy tests on cattle, and applications for the registration of feeds, fertilizers and pesticides, are credited to this account pending assessment of actual costs on completion of the particular services required.

On final accountability and at such time as the services are completed, the deposits are either credited to non-tax revenue, or are returned to the depositor.

#### **Importation of Dutch bulbs**

This account records deposits made in connection with the importation of Dutch bulbs. The inspections are made in Holland before the bulbs are containerized. When the inspections are completed, the actual fees are credited to non-tax revenue, with any excess returned to depositors.

#### **Miscellaneous projects' deposits—Agriculture**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

#### **Saskatchewan—Water treatment plant renovations**

This account was established pursuant to the Saskatchewan—1985, Water Treatment Plant Renovations agreement, to facilitate accountability of the cost of additional work requested by the Province of Saskatchewan.

#### **Deposit account—Consumer and Corporate Affairs**

This account records moneys held in trust to defray the cost of services provided on a regular basis. No interest is credited to the account.

#### **Canada works program**

The Canada works program was jointly funded by the federal and provincial governments.

This account recorded advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

During the year, this account was closed.

#### **Canadian jobs strategy program**

The Canadian jobs strategy program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Summer employment—Experience development program**

The summer employment—Experience development program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Territorial subsidiary agreement on human resource development**

The territorial subsidiary agreement on human resource development program is jointly funded by the federal Government and the Government of the Northwest Territories.

This account records advance payments made by the territorial government against its share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Work orientation workshops program**

The work orientation workshops program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in provinces east of Alberta, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, the agreement was terminated as at April 30, 1986.

During 1986-87, the final payment of \$8.9 million was received from the Government of Alberta.

#### **Miscellaneous projects' deposits—Energy, Mines and Resources**

Accounts were established to record prepayments received from outside organizations and individuals for scientific services to be performed on a cost recovery basis. As work progresses, earned income is credited to non-tax revenue.

#### **Oil export charges revenue sharing account**

The balance in this account at the beginning of the year represented the unpaid amount of the share of the oil export charges which was payable in 1985-86 to oil producing provinces, in accordance with the Energy Administration Act.

During the year, the outstanding amount was paid.



**Miscellaneous projects' deposits—Environment**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

**Cost recoverable technical assistance program**

This account records prepayments and disbursements in respect of the costs pertaining to the provision of technical assistance to other countries by Canadian firms and institutions pursuant to agreements between the Government of Canada and other national governments.

During the year, interest was credited to the account and charged to interest on public debt.

**Guarantee deposits—Canadian International Development Agency**

This account records cheques for insurance claims related to damages to "in transit" goods being shipped to the country specified in the loan agreement, pending the decision of the country on the use of these moneys, to reduce the loan balance or to purchase replacement goods.

**Miscellaneous projects' deposits—Fisheries and Oceans**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

**Fines—Indian Act**

Fines collected under the Indian Act, in connection with liquor prosecutions, and band bylaws, are credited to this account. Expenditures cover certain costs incurred in the suppression of the liquor traffic among the Indians of Canada.

**Federal Court—Advance payments**

This account records advance payments for filing fees, in accordance with the Federal Court Rules.

**Foreign governments**

These accounts are maintained to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

The debit balance in the account for the Federal Republic of Germany (German Army—Shilo, Manitoba) results from funds required to cover costs incurred in 1986-87 which were received only after the end of year.

**North Atlantic Treaty Organization (NATO)**

These accounts are maintained to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

**Non-government agencies**

This account is maintained to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

**Computerized space programming methodology**

This account was established to record transactions relating to the provinces' share of costs incurred under a cost-sharing agreement with provinces (except Quebec) and territories to computerize the Hospital Space Programming Methodology Series. Contributions are made by provinces to the account in proportion to population.

**"Nobody's perfect"—Shared-cost project**

This account was established to record transactions relating to the provinces' share of costs incurred under a Federal-Provincial Cost-Sharing Agreement with the Atlantic provinces for a cooperative project on parenting.

**Safety evaluation of chemicals**

This account was established to record funds received and payments made to organizations and individuals providing services on behalf of the Scientific Group on Methodologies for the Safety Evaluation of Chemicals in accordance with the specific purposes identified by the Group.

**World Health Organization**

This account records the funds received from the World Health Organization, for scientific projects.

**Shared-cost projects**

This account records the receipt, in advance, of moneys from departments and agencies and others, for their share of certain shared-cost projects.

**Trust fund—National Research Council**

This account is maintained to record funds received from departments and agencies and public organizations, to cover expenditures made on their behalf.

**Special fund—National Research Council**

This account was credited with revenue of the National Research Council of Canada in the amount of \$19,250,332, derived from laboratory fees, \$9,199,263; capital, \$321,000; information services, \$2,917,284; sales of publications, \$3,968,642; and, miscellaneous receipts, \$2,844,143, under authority of the National Research Council Act. An amount of \$24,230,332 was charged hereto, of which an amount of \$23,553,332 was credited to National Research Council Vote 10, and \$677,000 to National Research Council Vote 15, to offset expenditures.



**Promotion of official languages**

This account has been established to provide members of the private sector with language instruction using federal Government facilities and Public Service Commission instructors.

Advance payments from the private sector are credited to the account, and charges by the Public Service Commission for its services are charged thereto.

**Queen's Fellowship fund—Social Sciences and Humanities Research Council**

This fund is an endowment of \$250,000 that was established by a special appropriation in 1973-74. The income is used for the payment of scholarships to graduate students in certain fields of Canadian studies.

During the year, interest was credited to the account and charged to interest on public debt.

**Trust fund—Social Sciences and Humanities Research Council**

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

During the year, interest was credited to the account and charged to interest on public debt.

**Interest on bonds—Insurance companies**

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the Canadian and British Insurance Companies Act. Debits represent the payment of the same interest to the insurance companies.

**Military purchases excess funds deposit**

This account records temporarily unutilized funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

**Statistics Canada—Advance payments**

This account records advance payments received from departments and agencies and others to finance the cost of special statistical services.

**Cartierville Airport account**

In accordance with Section 15 of the Financial Administration Act, and following the sale of the Cartierville Airport by the Government to Canadair Limited, this special account was established to hold in deposit \$5,000,000 and to record in the same account the interest earned as approved by the Minister of Finance.

Periodically, this account will be debited with payments to Canadair Limited to reimburse them for repairs and improvement expenses incurred at the Cartierville Airport.

**Provincial sales tax—National Library**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sale of microfilm and reproductions.

**Provincial sales tax—Public Archives**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sale of microfilm and reproductions.

**Provincial sales tax—Energy, Mines and Resources**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sale of maps, charts and photographs.

**Provincial sales tax—Correctional Service**

This account is credited with provincial sales tax on sales made by the Correctional Service of Canada, less the commission allowed to vendors where applicable, and is charged with payments to provinces.

Sales tax liability is recognized at the time of sale and is remitted the following month.

**Provincial sales tax—Royal Canadian Mounted Police**

This account is credited with provincial sales tax on sales made by the Royal Canadian Mounted Police, and is charged with payments to provinces.

The debit balance results from prepayments and/or overpayments of sales tax to the Province of Ontario. This amount was recovered in 1987-88.

**Federal sales tax—Correctional Service**

This account is credited with federal sales tax on sales made by the Correctional Service of Canada, and is charged with remittances to National Revenue, Customs and Excise.

Sales tax liability is recognized at the time of sale and is remitted the following month.

## SUPPLEMENTARY STATEMENTS

## Canada Pension Plan Account and the Canada Pension Plan Investment Fund

## AUDITOR'S REPORT

TO THE MINISTER OF NATIONAL HEALTH AND WELFARE

I have examined the statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund for the year ended March 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the balance and changes of the Account and the Fund for the year ended March 31, 1987 in accordance with the accounting policies set out in Note 2 to the statements applied on a basis consistent with that of the preceding year.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
August 28, 1987

STATEMENT OF THE CANADA PENSION PLAN ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 1987  
(in thousands of dollars)

	1987	1986
<b>Amounts credited</b>		
Contributions—Employees, employers and self-employed .....	4,975,733	4,495,146
Interest (Note 3) .....	3,403,850	3,161,581
	<u>8,379,583</u>	<u>7,656,727</u>
<b>Amounts charged</b>		
<b>Benefits</b>		
Retirement pensions .....	3,773,964	3,206,065
Survivors' pensions .....	876,151	763,482
Disability pensions .....	769,452	629,543
Orphans' benefits .....	116,880	114,308
Death benefits .....	113,269	104,430
Disabled contributors' child benefits ..	71,599	69,306
	<u>5,721,315</u>	<u>4,887,134</u>
<b>Expenses (Note 4)</b>		
Collection of contributions .....	59,003	51,694
Administration .....	57,865	40,520
Cheque issue and computer services ..	16,003	15,468
Accommodation .....	5,675	2,186
Assignment of social insurance numbers and maintenance of central index .....	1,406	1,004
Actuarial services .....	412	371
	<u>140,364</u>	<u>111,243</u>
	<u>5,861,679</u>	<u>4,998,377</u>
Increase in balance .....	2,517,904	2,658,350
Balance at beginning of year .....	31,714,802	29,056,452
Balance at end of year .....	<u>34,232,706</u>	<u>31,714,802</u>
<b>Represented by:</b>		
Canada Pension Plan Investment Fund..	32,254,273	29,941,802
Operating balance on deposit with the Receiver General for Canada .....	1,978,433	1,773,000
	<u>34,232,706</u>	<u>31,714,802</u>

Approved on behalf of the Department of National Health and Welfare:

D. E. L. MAASLAND  
Assistant Deputy Minister  
Income Security Programs

M. M. LAW  
Deputy Minister



## Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

STATEMENT OF THE CANADA PENSION PLAN INVESTMENT FUND FOR THE YEAR ENDED MARCH 31, 1987 (in thousands of dollars)

	Balance at beginning of year	Amounts charged—Purchases	Amounts credited—Redemptions	Balance at end of year
Investment in securities (Note 5)				
Provinces and territory				
Newfoundland.....	620,093	59,659	11,038	668,714
Prince Edward Island.....	128,531	13,526	1,890	140,167
Nova Scotia.....	1,170,043	109,641	20,311	1,259,373
New Brunswick.....	864,295	75,518	16,707	923,106
Quebec.....	115,666	6,907	368	122,205
Ontario.....	15,827,102	351,269	332,587	15,845,784
Manitoba.....	1,682,598	149,984	34,939	1,797,643
Saskatchewan.....	1,351,176	133,709	24,462	1,460,423
Alberta.....	3,385,454	398,667	40,764	3,743,357
British Columbia.....	4,351,654	225,991	80,396	4,497,249
Yukon Territory.....		572		572
	29,496,612	1,525,443	563,462	30,458,593
Canada.....	445,190	1,352,282	1,792	1,795,680
	29,941,802	2,877,725	565,254	32,254,273

Approved on behalf of the Department of National Health and Welfare:

D. E. L. MAASLAND  
Assistant Deputy Minister  
Income Security Programs

M. M. LAW  
Deputy Minister

### NOTES TO STATEMENTS FOR THE YEAR ENDED MARCH 31, 1987

#### 1. Plan description and authority

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance plan which enables members of the labour force to acquire and retain protection for themselves and their families against loss of income due to retirement, disability or death. The Plan applies in all parts of Canada, except for the Province of Quebec which has a parallel plan.

Under existing arrangements, all benefits and all costs incurred in the administration of the Plan are financed by the contributions made by employees, employers and self-employed persons and the interest earned from the investment of funds.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by Section 110.(1) of the Canada Pension Plan, a 1965 Act of Parliament, to record the contributions, interest, benefits and expenses of the Plan.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by Section 111.(1) of the Plan to record the investment in securities of the provinces, territories and Canada.

#### 2. Accounting policies

##### Canada Pension Plan Account

The amounts credited and charged to the Account are in accordance with Sections 110.(2) and 110.(3) of the Plan, respectively. Contributions, interest and benefits are recorded on a cash basis. Contributions are received from Revenue Canada—Taxation based on estimates of collections for the current year and adjustments to the estimates of prior years. Expenses are recorded on an accrual basis. The balance in the Account represents the accumulated excess of contributions and interest over benefits and expenses to date.

##### Canada Pension Plan Investment Fund

The amounts charged and credited to the Fund are in accordance with Section 111.(2) of the Plan. All securities held are carried at cost, are non-negotiable and have a term of 20 years or such lesser period as may be determined by the Minister of Finance on the recommendation of the Chief Actuary of the Department of Insurance.

## Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Concluded

### NOTES TO STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1987—Concluded

#### 3. Interest

	1987	1986
	(in thousands of dollars)	
Interest on investment in securities held by the Fund. The weighted average rate of interest on securities purchased during the year was 9.64% (1986—11.49%)		
Provinces and territory		
Newfoundland .....	68,556	63,035
Prince Edward Island .....	14,366	13,251
Nova Scotia .....	124,705	119,245
New Brunswick .....	94,114	88,785
Quebec .....	11,716	11,068
Ontario .....	1,674,289	1,584,776
Manitoba .....	182,347	168,671
Saskatchewan .....	148,211	135,886
Alberta .....	380,777	344,391
British Columbia .....	469,686	453,625
Yukon Territory .....		
	3,168,767	2,982,733
Canada .....	79,576	26,580
	3,248,343	3,009,313
Interest on operating balance on deposit with the Receiver General for Canada, at a weighted average rate of 8.32% (1986—9.55%)		
	155,507	152,268
	3,403,850	3,161,581

#### 4. Expenses

Expenses of the Account represent the costs of administration charged by six federal government departments: Revenue Canada—Taxation (collection of contributions); Health and Welfare (administration); Supply and Services (cheque issue and computer services); Public Works (accommodation); Employment and Immigration (assignment of social insurance numbers and maintenance of central index); and Insurance (actuarial services).

#### 5. Investment in securities

Operating balances on deposit with the Receiver General in excess of estimated cash requirements for the following three-month period are available for purchases of securities of the provinces and Canada. The monies available for securities purchases are allocated to the provinces based on the proportion of contributions credited to the Account during the preceding 10 years in respect of employment in a given province to the total contributions in those years. The portion attributed to employment in the Yukon Territory and Northwest Territories was, until December 31, 1986, invested in securities of Canada. With effect from January 1, 1987 the territories may issue securities on the same proportionate basis as the provinces. The portion attributed to certain other employees outside Canada continues to be invested in securities of Canada.

The securities of Quebec relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are residents in the Province of Quebec.

#### 6. Financing of the Plan

When the Plan was introduced, the combined employer-employee contribution rate was set at 3.6% of the contributory earnings with the understanding that this would be sufficient to meet the cost of benefits and administration for a certain period of time but not indefinitely. In the initial years, a fund would be built up from which resources would be used to purchase securities of the provinces and, to a much lesser extent, securities of Canada as described in Note 5. However, since inception of the Plan, it has been recognized that the 3.6% contribution rate would need to be raised.

Under existing legislation, any proposed enactment to alter the general level of benefits or the rate of contributions requires agreement by at least two-thirds of the 10 provinces having an aggregate of not less than two-thirds of the population.

During the year, the Canada Pension Plan was amended (Bill C-116) and, with effect from January 1, 1987, a long-term financing philosophy was established setting out provisions for the timing, rate of increase of the contribution rates and amendments thereto which will be made by regulation.

The revised legislation now contains a 25 year schedule of contribution rates providing for an increase from the 1986 rate of 3.6% progressively by 0.2 percentage points each year until 1991 and by 0.15 percentage points thereafter until 2011 when it will reach 7.6%. However, it stipulates that every five years the Minister of Finance and ministers of the Crown from the included provinces shall review the contribution rates set out in the schedule and make recommendations as to whether those rates should be changed and as to whether the schedule should be amended to include contribution rates for an additional five years. If, for any reason, the schedule is not amended for the additional five years the Minister of Finance shall, by regulation, amend the schedule to include the contribution rates set out in the most recent report prepared by the Chief Actuary. By the year 2011, it is expected that the Plan's Account will be equivalent to approximately two years' expenditure of the Plan and will be maintained near that level in accordance with the provisions of Section 114.1(4)(c) of the revised legislation.

The Chief Actuary's Report No 10 containing his examination of the financial impact of the legislative changes was tabled in Parliament in October 1986.

#### 7. Other significant changes

In addition to the financing provisions described in Note 6, Bill C-116 also introduced the following changes: a flexible retirement provision starting at the age of 60; increased disability and combined benefit payments; additional benefits for dependent children; the extension of benefits to remarried survivors; the splitting of pension credits to separated couples; and, the assignment of pensions between spouses.



**Government Annuities Account****AUDITOR'S REPORT**

TO THE MINISTER OF EMPLOYMENT AND IMMIGRATION

I have examined the balance sheet of the Government Annuities Account as at March 31, 1987 and the statements of operations and actuarial reserves and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Account that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with section 15 of the Government Annuities Act and Regulations and section 15 of the Government Annuities Improvement Act.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
July 24, 1987

**BALANCE SHEET AS AT MARCH 31, 1987**  
(in thousands of dollars)

ASSETS	1987	1986	LIABILITIES	1987	1986
Deposit with Receiver General for Canada .....	954,054	987,230	Actuarial surplus due to Canada .....	2,159	3,126
Accrued interest due from Canada .....	70,254	72,555	Actuarial reserves (Note 3) .....	1,022,332	1,056,855
Accounts receivable .....	183	196			
	<u>1,024,491</u>	<u>1,059,981</u>		<u>1,024,491</u>	<u>1,059,981</u>

Approved by the Canada Employment and Immigration Commission:

GAETAN LUSSIER  
*Chairman*

PAUL GAUVIN  
*Executive Director  
Finance and Administration*

## Government Annuities Account—Continued

STATEMENT OF OPERATIONS AND ACTUARIAL RESERVES  
FOR THE YEAR ENDED MARCH 31, 1987  
(in thousands of dollars)

	1987	1986
Payments and other charges		
Annuity payments .....	100,341	99,887
Premium refunds .....	2,752	2,914
Unclaimed annuities .....	212	313
	103,305	103,114
Income		
Interest from Canada .....	70,254	72,555
Premiums .....	610	840
Other .....	77	71
	70,941	73,466
Excess of payments and other charges over income for the year .....	32,364	29,648
Actuarial reserves, balance at beginning of the year .....	1,056,855	1,089,629
	1,024,491	1,059,981
Actuarial surplus—Excess of recorded actuarial reserves over calculated actuarial reserves at end of the year .....	2,159	3,126
Actuarial reserves, balance at end of the year (Note 3) .....	1,022,332	1,056,855
Accumulated premiums and accrued interest for unmaturing annuities .....	314,610	348,295
Present value of matured annuities .....	707,722	708,560
Total actuarial reserves (Note 3) .....	1,022,332	1,056,855

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 1987  
(in thousands of dollars)

	1987	1986
Funds were used for:		
Operations		
Excess of payments and other charges over income for the year .....	32,364	29,648
Decrease in accrued interest and others .....	(2,314)	(2,395)
	30,050	27,253
Actuarial surplus remitted to Consolidated Revenue Fund .....	3,126	6,015
Total funds used .....	33,176	33,268
Deposit with Receiver General for Canada, balance at beginning of the year .....	987,230	1,020,498
Deposit with Receiver General for Canada, balance at end of the year .....	954,054	987,230

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1987 (in thousands of dollars)

## 1. Authority and purpose

The Government Annuities Account was established in 1908 by the Government Annuities Act, R.S.C. c. G-6, (the "Act"), and modified by the Government Annuities Improvement Act, S.C. 1974-75-76, c. 83, (the "Improvement Act").

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government annuities. The Improvement Act increased the rate of return on Government annuity contracts to a rate of seven percent, increased their flexibility and discontinued future sales.

The Account is administered by the Canada Employment and Immigration Commission and operates through the Consolidated Revenue Fund.

## 2. Significant accounting policies

## (a) Basis of accounting

The accounts of the Government Annuities Account are maintained on an accrual basis.

## (b) Actuarial reserves

Actuarial reserves comprise: (i) in respect of unmaturing annuities, accumulated premiums and accrued interest, and (ii) in respect of matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

## (c) Actuarial surplus due to Canada

If at the end of any fiscal year the recorded amount of actuarial reserves exceeds or is less than the calculated amount of actuarial reserves, the difference results in an actuarial surplus or deficit which is remitted to or recovered from the Consolidated Revenue Fund.

## (d) Interest from Canada

Interest from Canada is calculated on actuarial reserves as prescribed by the Improvement Act.

## (e) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

## (f) Services provided without charge

Administrative services are provided to the Account by the Canada Employment and Immigration Commission and by other Government departments without charge.

## 3. Actuarial reserves

The method utilized to calculate the actuarial reserves of \$1,022,332 (1986—\$1,056,855) is in accordance with subsection 15(1) of the Government Annuities Improvement Act, S.C. 1974-75-76, c. 83 and the Regulations pertaining thereto.



**Government Annuities Account—Concluded****NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1987—Concluded**

The Government Annuities Regulations provide that the Mortality Tables to be used in the preparation of tables for determining the values of annuities shall be the Annuity Table for 1949 (without projection) for males and females and modified by Projection Scale C.

Mortality statistics in the last decade have shown that life expectancy has increased at a faster rate than that provided by Projection Scale C. Should this trend continue at the same rate in the future, the 1949 Mortality table adjusted by Projection Scale C may need to be modified and could result in a potential additional liability that would impact future actuarial reserves. The Commission undertakes an annual review of mortality in the preceding five year period to monitor the appropriateness of Projection Scale C for valuation purposes. The results of the 1986-87 study indicate that Projection Scale C continues to be appropriate.

## Royal Canadian Mounted Police (Dependants) Pension Fund

### AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have examined the statement of revenues and expenditures and fund balance of the Royal Canadian Mounted Police (Dependants) Pension Fund for the year ended March 31, 1987. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the revenues and expenditures of the Fund and its balance for the year ended March 31, 1987 in accordance with the basis of accounting set out in Note 2 to the financial statement applied, after giving retroactive effect to the changes in the basis of accounting as explained in Note 3 to the financial statement, on a basis consistent with that of the preceding year.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
August 14, 1987

### STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE FOR THE YEAR ENDED MARCH 31, 1987

	1987	1986
	\$	\$
<b>Revenues</b>		
Interest .....	1,641,122	1,500,909
Contributions .....	26,038	27,130
	1,667,160	1,528,039
<b>Expenditures</b>		
Pensions .....	606,623	583,395
Contributions withdrawn .....	24,328	39,941
	630,951	623,336
Excess of revenues over expenditures .....	1,036,209	904,703
Fund balance at the beginning of the year .....	14,669,062	13,764,359
Fund balance at the end of the year .....	15,705,271	14,669,062

Certified correct:

HENRI COURCY  
Manager  
District Services Officer

Approved:

R. H. SIMMONDS  
Commissioner

### NOTES TO THE FINANCIAL STATEMENT MARCH 31, 1987

#### 1. Authority and operations

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 by the Royal Canadian Mounted Police Pension Continuation Act. The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions. The Fund is credited with these contributions together with interest computed quarterly on the balance to the credit of the Fund at the end of the preceding quarter, and charged with contributions withdrawn and pensions. All transactions of the Fund are made through the Consolidated Revenue Fund.

Section 56 of the Act directs the Minister of Finance to have an actuarial valuation of the Fund made at least once every 5 years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Fund, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Fund.

#### 2. The Statement of Revenue, Expenditure and Fund Balance has been prepared using the following accounting policies:

##### Revenues

Revenues are generally accounted for in the year in which they are received, in accordance with the Government of Canada accounting policies.

##### Expenditures

Expenditures are recorded on an accrual basis, in accordance with the Government Payables At Year End accounting policy.

#### 3. Changes in the basis of accounting

Commencing April 1, 1986, the Royal Canadian Mounted Police have changed the basis of accounting in order to comply with the Government of Canada stated accounting policies:

- (a) Revenues, formerly accounted for on a cash basis are now recorded using the stated accounting policies of the Government of Canada;
- (b) Expenditures, formerly accounted for in the year in which they were paid, are now recorded in accordance with the Government Payables At Year End accounting policy.

For comparison purposes, the change in the basis of accounting has been applied retroactively to 1986. As a result of these changes, the excess of revenue over expenditure and the fund balance for 1987 and 1986 have been decreased by \$47,687 and \$139,005 respectively.



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

NOTES TO THE FINANCIAL STATEMENT  
MARCH 31, 1987—*Concluded*

4. Supplementary information

The most recent actuarial valuation was made as at March 31, 1986. The valuation disclosed an actuarial surplus of \$2,598,443. A portion of the surplus has been distributed by an increase in the basic pension amount of 30% as at April 1, 1986 and an increase of 15% will be effective April 1, 1987 and April 1, 1988 respectively.

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# SECTION 10

## 1986-87 PUBLIC ACCOUNTS

### Other Liabilities

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Interest and matured debt .....	10.2
Accounts payable.....	10.3
Outstanding cheques and warrants .....	10.3
Allowance for employee vacation and termination benefits .....	10.3
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government .....	10.3
Miscellaneous.....	10.4

## OTHER LIABILITIES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Other Liabilities". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well

as receipts and other credits, and payments and other charges. In addition, the term "accounts without current transactions" has been included in one table, to show the net result of transactions in accounts which were closed out in the previous year.

Table 10.1 presents the year-end balances for other liabilities.

TABLE 10.1

## OTHER LIABILITIES

	April 1/1986	March 31/1987	Net increase or decrease (-)	
			1987	1986
	\$	\$	\$	\$
Interest and matured debt, Table 10.2 .....	10,575,729,742	10,579,145,554	3,415,812	- 230,121,658
Less: unamortized discount on—				
Canada bills.....		6,875,615	6,875,615	
Treasury bills.....	1,491,381,625	1,507,549,231	16,167,606	103,974,423
	9,084,348,117	9,064,720,708	- 19,627,409	- 334,096,081
Accounts payable .....	5,434,079,186	5,867,578,156	433,498,970	- 663,436,264
Outstanding cheques and warrants, Table 10.3 .....	2,934,059,674	2,870,342,089	- 63,717,585	- 488,462,479
Allowance for employee vacation and termination benefits .....	2,050,000,000	2,350,000,000	300,000,000	
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government—				
Borrowings of agent Crown corporations .....	14,622,804,000	15,766,811,000	1,144,007,000	1,758,671,000
Less: borrowings expected to be repaid by these Crown corporations .....	14,622,804,000	15,666,811,000	1,044,007,000	1,812,498,000
		100,000,000	100,000,000	- 53,827,000
Miscellaneous, Table 10.4 .....	190,453,900	171,322,738	- 19,131,162	5,374,751
Total.....	19,692,940,877	20,423,963,691	731,022,814	- 1,534,447,073

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued and matured debt.

Table 10.2 presents a summary of the balances and transactions in this account.

TABLE 10.2

## INTEREST AND MATURED DEBT

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Interest due .....	5,280,201,377	15,093,292,491	15,108,203,758	5,265,290,110	- 14,911,267	- 96,555,639
Interest accrued .....	4,863,153,786	18,902,291,523	18,753,229,576	5,012,215,733	149,061,947	131,105,270
Matured debt.....	432,374,579	353,008,411,435	353,139,146,303	301,639,711	- 130,734,868	57,288,711
Accounts without current transactions .....						- 321,960,000
Total .....	10,575,729,742	387,003,995,449	387,000,579,637	10,579,145,554	3,415,812	- 230,121,658

## Interest due

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

## Interest accrued

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



**Matured debt**

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

**Unamortized Discount on Canada Bills**

This account records the portion of the discount on outstanding Canada bills which has not yet been charged to expenditure. The discount is amortized as an expenditure over the term of issue.

**Unamortized Discount on Treasury Bills**

This account records the portion of the discount on outstanding Treasury bills which has not yet been charged to expenditure. The discount is amortized as an expenditure over the term of issue.

**Accounts Payable**

This account represents amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, and items to be paid from certain statutory authorities.

**Outstanding Cheques and Warrants**

This account records cheques and warrants issued but not yet presented for payment.

Table 10.3 presents a summary of the balances in this account.

TABLE 10.3

**OUTSTANDING CHEQUES AND WARRANTS**

	April 1/1986	March 31/1987	Net increase or decrease (-)	
			1987	1986
	\$	\$	\$	\$
Outstanding cheques.....	2,705,194,270	2,644,991,372	- 60,202,898	- 462,806,323
Imprest account cheques .....	633,826	684,369	50,543	37,279
Unemployment insurance warrants.....	228,231,578	224,666,348	- 3,565,230	- 25,693,435
Total.....	2,934,059,674	2,870,342,089	- 63,717,585	- 488,462,479

**Outstanding cheques**

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenue. During the year, an amount of \$4,828,715 was transferred to revenue.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

**Imprest account cheques**

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenue), are recorded in this account. During the year, an amount of \$9,028 was transferred to revenue.

**Unemployment insurance warrants**

This account records outstanding Unemployment insurance benefit warrants.

**Allowance for Employee Vacation and Termination Benefits**

This account represents allowances for amounts owing for earned and unpaid annual vacation leave (\$450 million) and for employee benefits payable upon termination of employment (\$1,900 million).

**Allowance for Borrowings of Agent Crown Corporations Expected to be Repaid by the Government**

In accordance with Section 45 of the Financial Administration Act, the payment of all money borrowed by agent Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent Crown corporations expected to be repaid by the Government (see Table 8.7 in Section 8 of this volume).

## Other Liabilities—Miscellaneous

Table 10.4 presents a summary of the balances and transactions for other miscellaneous liabilities.

TABLE 10.4

## OTHER LIABILITIES—MISCELLANEOUS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Eldorado Mining and Refining Limited—						
Unpresented capital stock.....	23,695			23,695		
Miscellaneous departmental payroll deductions ..	12,748,631		13,475,772	- 727,141	- 13,475,772	- 452,365
Contractors' and other holdbacks—						
Agriculture.....	2,310,601	216,766	2,602	2,524,765	214,164	489,314
Communications.....	1,337,619	1,132,064	1,275,319	1,194,364	- 143,255	- 595,586
National Library.....		15,099	3,890	11,209	11,209	- 33,852
Consumer and Corporate Affairs.....	6,021	124,922	10,241	120,702	114,681	1,854
Employment and Immigration.....	39,489	2,587,641	66,479	2,560,651	2,521,162	10,120
Energy, Mines and Resources.....	14,134,919	8,971,897	9,749,496	13,357,320	- 777,599	5,579,320
Atomic Energy Control Board.....	67,673	385,214	336,563	116,324	48,651	12,694
Environment.....	2,943,964	97,948	356,909	2,685,003	- 258,961	108,041
External Affairs.....	2,695,846	2,027,254	273,006	4,450,094	1,754,248	1,317,216
Canadian International Development Agency.....	12,433,619	17,469,745	18,286,717	11,616,647	- 816,972	- 3,072,964
Fisheries and Oceans.....	2,493,081	2,567,374	3,387,039	1,673,416	- 819,665	110,801
Indian Affairs and Northern Development.....	668,436	617,655	799,370	486,721	- 181,715	- 119,926
Justice.....	4,074	31,947	13,587	22,434	18,360	1,379
National Defence.....	57,039,674	123,466,752	121,184,801	59,321,625	2,281,951	- 10,518,153
National Health and Welfare.....	233,317	18,345	6,086	245,576	12,259	- 153,459
National Revenue—						
Customs and Excise.....	513,360	127,063	120,253	520,170	6,810	- 404,275
Public Works.....	31,909,141	24,679,507	33,454,922	23,133,726	- 8,775,415	9,410,102
Regional Industrial Expansion.....	286,204	90,908	41,519	335,593	49,389	- 35,661
Science and Technology—						
National Research Council.....	3,948,461	3,476,619	4,675,023	2,750,057	- 1,198,404	571,619
Solicitor General—						
Administration program.....	164,427	537,689	193,150	508,966	344,539	- 39,034
Correctional Service.....	443,540	1,172,801	999,705	616,636	173,096	- 664,925
Royal Canadian Mounted Police.....	1,976,192	583,907	63,460	2,496,639	520,447	425,266
Supply and Services.....	2,274,030	1,564,467	1,693,964	2,144,533	- 129,497	- 488,662
Transport.....	22,510,815	20,009,559	21,699,329	20,821,045	- 1,689,770	1,776,504
Canadian Transport Commission.....	29,552	24,716	39,594	14,674	- 14,878	14,711
Suspense accounts.....	160,464,055	211,997,859	218,733,024	153,728,890	- 6,735,165	3,702,444
	17,217,519	1,079,775		18,297,294	1,079,775	2,124,672
Total.....	190,453,900	213,077,634	232,208,796	171,322,738	- 19,131,162	5,374,751

## Eldorado Mining and Refining Limited—Unpresented capital stock

The liability of the Government of Canada for the value of the paid-up capital stock of the former company, which has not been redeemed at the close of the year, is recorded herein.

## Miscellaneous departmental payroll deductions

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

During the year, the account was decreased by net transactions amounting to \$13,475,772.

## Contractors' and other holdbacks

This account records the amounts withheld to ensure that contracts are carried out as stipulated. Holdbacks are charged to appropriations of departments or agencies concerned, and are credited to this account under Section 35 of the Financial Administration Act. They are paid out in accordance with contracts under regulations of the Treasury Board.

## Suspense accounts

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

During the year, the accounts were increased by net transactions amounting to \$1,079,775.



# SECTION 11

## 1986-87 PUBLIC ACCOUNTS

### Foreign Exchange Accounts

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## FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government of Canada which are identified with Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenue as premium and discount on exchange, and net losses are charged to budgetary expenditure of the Department of Finance.

Table 11.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$11,997 million as at March 31, 1987 (\$13,797 million as at March 31, 1986); details relating to these obligations are presented in Section 12 of this volume.

TABLE 11.1

## FOREIGN EXCHANGE ACCOUNTS

	April 1/1986	Receipts and other credits	Payments and other charges	March 31/1987	Net increase or decrease (-)			
					1987		1986	
					\$	\$	\$	\$
International reserves held in the Exchange								
Fund Account.....	3,458,318,723	27,955,357,256	32,709,389,660	8,212,351,127	4,754,032,404	-752,686,020		
International Monetary Fund—Subscriptions ....	4,670,138,140		266,006,850	4,936,144,990	266,006,850	684,877,270		
	8,128,456,863	27,955,357,256	32,975,396,510	13,148,496,117	5,020,039,254	-67,808,750		
Less: International Monetary Fund—Notes								
payable .....	3,912,394,653	1,017,973,318	657,742,653	4,272,625,318	360,230,665	636,610,768		
Special Drawing Rights allocations .....	1,238,135,952	69,816,591		1,307,952,543	69,816,591	182,143,452		
	5,150,530,605	1,087,789,909	657,742,653	5,580,577,861	430,047,256	818,754,220		
Total foreign exchange accounts .....	2,977,926,258	29,043,147,165	33,633,139,163	7,567,918,256	4,589,991,998	-886,562,970		

## International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government of Canada to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and Special Drawing Rights (SDRs).

The Exchange Fund Account is operated under the provisions of the Currency Act. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 1986, together with the Auditor General's report thereon, are found at the end of this section.

Foreign exchange reserves, rather than the outstanding advances to acquire such reserves, are reported on the Statement of Assets and Liabilities. Accordingly, all investment income or losses and valuation gains or losses are recognized in the accounts of Canada as either revenue or expenditure of the

current year rather than being taken into revenue or expenditure in three equal portions over the current and two succeeding years.

Table 11.2 shows foreign exchange reserves held by and advances to the Exchange Fund Account as at March 31, 1987. Gold held by the Account is valued at 35 SDRs per fine ounce (\$58.74 Cdn as at March 31, 1987 and \$55.61 Cdn as at March 31, 1986).

In 1986-87, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$31,770.6 million, a valuation adjustment of \$467.8 million, and an adjustment of \$471 million due to recognition of international reserves held in the Exchange Fund Account. Receipts and other credits consisted of repayments of advances of \$27,450.9 million and a valuation adjustment of \$504.5 million.



TABLE 11.2

**INTERNATIONAL RESERVES HELD IN  
THE EXCHANGE FUND ACCOUNT**  
(in millions of dollars)

	March 31/ 1987	March 31/ 1986
US cash on deposit.....	25	22
US dollar short-term deposits.....	1,838	419
US dollar investments.....	4,699	1,380
Special Drawing Rights.....	253	259
International Monetary Fund notes.....	256	261
Gold.....	1,141	1,118
Canadian cash on deposit.....	(1)	(1)
<b>Total.....</b>	<b>8,212</b>	<b>3,459</b>
<b>Advances by the Consolidated Revenue Fund were denominated as follows:</b>		
US dollars (1987, US \$6,081 million; 1986, US \$7,060 million) <sup>(2)</sup> .....	7,938	9,854
Deutsche marks (1987, DM 200 million; 1986, DM 200 million).....	144	119
Swiss francs (1987, SF 1,252 million; 1986, SF 1,664 million).....	1,082	1,188
Japanese yen (1987, Y 260,000 million; 1986, Y 258,450 million).....	2,324	2,032
Special Drawing Rights (1987, SDR 383.3 million; 1986, SDR 383.3 million).....	643	609
	12,131	13,802
<i>Less:</i> Canadian dollar deposit with the Receiver General for Canada.....	3,868	9,821
<b>Total advances from the Consolidated Re- venue Fund.....</b>	<b>8,263</b>	<b>3,981</b>
<i>Less:</i> losses or income (-) and valuation losses recognized as expenditure or revenue— Deferred valuation losses at previous Decem- ber 31.....	412	403
Total net income (-) or losses from January 1 to March 31.....	-361	119
	51	522
<b>Total.....</b>	<b>8,212</b>	<b>3,459</b>

(1) Less than \$500,000.

(2) Excludes 1962 issue (1987, \$58,486,400; 1986, \$64,765,120) and 1968 issue (1987, \$130,550,000; 1986, \$139,580,000), the proceeds of which were advanced to the Exchange Fund Account in Canadian dollars.

**International Monetary Fund—Subscriptions**

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of the SDR, a unit of account defined in terms of a "basket" of five major currencies.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars. In 1986-87, payments and other charges consisted of a maintenance of value adjustment of \$155.6 million and a valuation adjustment of \$110.4 million.

**International Monetary Fund—Notes Payable**

This account records non-marketable, non-interest bearing notes issued by the Government of Canada to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1986-87, notes payable to the IMF increased by \$360.2 million.

**Special Drawing Rights Allocations**

This account records the value of SDRs allocated to Canada by the IMF. The Special Drawing Right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1986-87, receipts and other credits consisted of a valuation adjustment of \$69.8 million.

## SUPPLEMENTARY STATEMENT

## Exchange Fund Account

## AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have examined the balance sheet of the Exchange Fund Account as at December 31, 1986 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Exchange Fund Account for the year ended December 31, 1986 was in compliance, in all significant respects, with applicable provisions of the Currency Act, R.S., c. C-39, as amended.

Further, in my opinion, the financial statements present fairly the financial position of the Exchange Fund Account as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

D. Larry Meyers, F.C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
March 6, 1987

BALANCE SHEET AS AT DECEMBER 31, 1986  
(in millions of dollars)

ASSETS	1986		1985		LIABILITIES	1986		1985	
	US	Cdn	US	Cdn		Cdn	Cdn		
Denominated in US dollars					Due to the Consolidated Revenue Fund				
Cash and short-term deposits .....	867.5	1,197.6	645.4	902.5	Advances (Note 9) .....	4,113.3		3,903.4	
Securities (Note 3) .....	446.0	615.7	692.1	967.8	(Loss) net income for the year .....	(104.7)		51.4	
	<u>1,313.5</u>	<u>1,813.3</u>	<u>1,337.5</u>	<u>1,870.3</u>					
Denominated in other foreign currencies									
Cash and short-term deposits .....			21.7	30.3					
Denominated in Special Drawing Rights									
Special Drawing Rights (Note 4) ....	249.6	344.5	219.7	307.2					
International Monetary Fund notes (Note 5) .....	196.1	270.7	185.6	259.5					
Gold (Note 6) .....	844.8	1,166.3	773.1	1,081.0					
	<u>1,290.5</u>	<u>1,781.5</u>	<u>1,178.4</u>	<u>1,647.7</u>					
Official international reserve assets (Note 7) .....	<u>2,604.0</u>	<u>3,594.8</u>	<u>2,537.6</u>	<u>3,548.3</u>					
Denominated in Canadian dollars									
Cash .....		1.0		0.6					
Provision for valuation gains on uncompleted contracts (Note 8) .....		0.5		2.6					
Deferred net valuation losses .....		412.3		403.3					
		<u>4,008.6</u>		<u>3,954.8</u>		<u>4,008.6</u>		<u>3,954.8</u>	

Approved:

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## Exchange Fund Account—Continued

STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1986  
(in millions of Canadian dollars)

	1986	1985
Investment income		
Cash and short-term deposits .....	45.8	42.0
US dollar securities .....	103.8	118.2
Special Drawing Rights .....	15.1	8.8
International Monetary Fund notes .....	19.3	22.9
Gold loans .....	3.0	1.4
	187.0	193.3
Net valuation losses (Note 10) .....	(300.7)	(635.5)
Loss for the year .....	(113.7)	(442.2)
Reconciliation of loss for the year to (loss) net income due (from) to the Con- solidated Revenue Fund:		
(Losses) gains deferred from previous years .....	(403.3)	90.3
Losses deferred to subsequent years .....	412.3	403.3
(Loss) net income for the year due (from) to the Consolidated Revenue Fund .....	(104.7)	51.4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1986

## 1. Authority and objective

The Account is governed by Part II of the Currency Act, R.S., c. C-39, as amended (the Act). The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The Account is funded by advances from the Consolidated Revenue Fund (CRF) which are limited to Cdn \$10 billion by Order in Council dated March 1, 1979 and are not subject to interest. The loss or net income for the year is chargeable or payable to the CRF within three months after the end of the year.

The main objective of the Account is to aid in the control and protection of the external value of the Canadian dollar and the Minister acquires for the Account those assets which are deemed appropriate for this purpose in accordance with the Act.

## 2. Accounting policies

## Valuation of assets

US dollar securities, Special Drawing Rights (SDRs) and International Monetary Fund (IMF) notes are adjusted for amortized premiums and discounts where applicable, and include accrued interest. Gold includes gold loans and accrued interest on gold loans. Under the Currency Act, the Minister of Finance determines the gold valuation policy of the Account (Note 6). Cash and short-term deposits include accrued interest where applicable.

## Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates in the Canadian foreign exchange market.

Assets and liabilities denominated in SDRs are first translated into US dollars at the year-end US dollar value of the SDR, as calculated by the IMF, and then into Canadian dollars. Investment income in foreign currencies is translated into Canadian dollars at the foreign exchange rates prevailing on the date the income is recorded. The assets and liabilities denominated in foreign currencies and SDRs have been translated into Canadian dollars at the following year-end exchange rates:

	1986	1985
US dollar .....	1.3805	1.3983
Japanese yen .....	0.008736	0.006993
Swiss franc .....	0.8572	0.6803
Special Drawing Right .....	1.68861	1.53592
Deutsche mark .....	0.7191	0.5730

## Investment income

Investment income is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, and gains and losses on the sale of securities.

## Valuation gains and losses

Valuation gains and losses include the increases and decreases in the value of assets and liabilities arising from the translation of foreign currencies and SDRs during the year and at year end. Valuation gains and losses also include gains or losses on transactions in foreign currencies, SDRs and gold, and on the liquidation of liabilities. In accordance with the provisions of the Act, valuation gains and losses for the year are taken into income in three equal portions over the current and two succeeding years.

## Operating expenses

The Bank of Canada provides, without charge, the administrative, custodial and fiscal agency services to carry out the objectives of the Account.

## 3. Securities denominated in US dollars

	1986	1985
	(in millions of US dollars)	
US Government treasury bills .....	339.7	581.7
International Bank for Reconstruc- tion and Development bonds .....	103.0	106.0
Accrued interest .....	3.3	4.4
	446.0	692.1

## Estimated market value at year end:

1986—US \$446 million (Cdn \$616 million)

1985—US \$693 million (Cdn \$969 million)

## Exchange Fund Account—Continued

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1986—Continued

## 4. Special Drawing Rights

	1986	1985
	(in millions of SDRs)	
Held at end of the year .....	202.2	198.4
Accrued interest .....	1.7	1.6
	203.9	200.0
	(in millions of US dollars)	
Held at end of the year .....	247.4	217.9
Accrued interest .....	2.2	1.8
	249.6	219.7

## 5. International Monetary Fund notes

	1986	1985
	(in millions of SDRs)	
Supplementary Financing Facility notes .....	154.7	160.9
Accrued interest .....	5.6	8.0
	160.3	168.9
	(in millions of US dollars)	
Notes .....	189.2	176.8
Accrued interest .....	6.9	8.8
	196.1	185.6

These notes represent Canada's participation in the Supplementary Financing Facility established to assist members of the IMF with balance of payments needs. The notes were acquired in 1983 and 1984 and have original terms to maturity of five years. They are redeemable on demand if Canada represents that it has a balance of payments need and are transferable to other members.

## 6. Gold

	1986	1985
	(in thousands of fine ounces)	
Held at beginning of the year .....	20,106	20,137
Sales .....	382	31
Held at end of the year .....	19,724	20,106
	(in millions of US dollars)	
Gold and gold loans .....	844.5	773.0
Accrued interest on gold loans .....	0.3	0.1
	844.8	773.1

Gold is valued in the Account at 35 SDRs per fine ounce, which approximates its historical cost in foreign currency terms. In keeping with the method of valuation used for other assets, gold holdings were translated into

US dollars at the year-end US dollar value of the SDR, and to a Canadian dollar equivalent at the year-end exchange rate for the US dollar.

The book value, market value (as recorded at the London fixings) and approximate Canadian dollar historical cost of gold and gold loans at historical rates of exchange, excluding accrued interest on gold loans, at year end are:

	1986		1985	
	Per fine ounce	Total in millions	Per fine ounce	Total in millions
Book value — \$ US .....	42.81	844.5	38.44	773.0
— \$ Cdn .....	59.10	1,165.8	53.75	1,080.9
Market value — \$ US .....	390.90	7,710.1	327.00	6,574.7
— \$ Cdn .....	539.64	10,643.8	457.24	9,193.4
Approximate historical cost — \$ Cdn .....	36.91	728.0	36.91	742.1

The Minister of Finance has authorized loans and/or sales, at market related prices, of part of the gold held by the Account, to the Royal Canadian Mint and others. At year end, the Account's gold holdings included gold loans of 1,118 thousand (1985—1,174 thousand) fine ounces.

## 7. Official international reserve assets

The Account is the principal repository of Canada's official international reserves. The remainder of Canada's international reserves are held by the Bank of Canada and the CRF and are not reflected in the statements of the Account.

## 8. Provision for valuation gains on uncompleted contracts

At year end, the Account had uncompleted foreign exchange transactions and swaps. As the exchange rates on these uncompleted contracts differ from the year-end rates at which the Account's assets and liabilities are valued, additional valuation gains or losses will occur upon settlement. The provision for valuation gains on uncompleted contracts arises from the revaluation of such contracts using the year-end rates of exchange and represents the portion of future net gains or losses attributed to the current year.

Under swap arrangements with the Bank of Canada, the Account sells US dollars to the Bank and agrees to repurchase these amounts at the same exchange rates at which they were sold. These contracts are undertaken to assist in the Bank's cash management operations. Outstanding swaps with the Bank of Canada at year end amounted to US \$760 million (Cdn \$1,049 million) (1985—nil).



## Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1986—Concluded

## 9. Due to the Consolidated Revenue Fund—Advances

	1986		1985	
	Amount	Cdn \$	Amount	Cdn \$
	(in millions)			
Foreign currencies and SDRs				
US dollars .....	6,214	8,578.7	4,950	6,921.6
Japanese yen .....	260,000	2,271.4	262,300	1,834.3
Swiss francs .....	1,664	1,426.4	1,676	1,140.2
SDRs .....	383	647.2	383	588.7
Deutsche marks .....	200	143.8	200	114.6
		<u>13,067.5</u>		<u>10,599.4</u>
Less: Canadian dollar repayments to the Receiver General for Canada .....		8,954.2		6,696.0
		<u>4,113.3</u>		<u>3,903.4</u>

The proceeds of Canada's borrowings in foreign currency and allocations of SDRs by the IMF have been advanced in foreign currency and SDRs from the CRF to the Account. The borrowings have included foreign security and note issues and bank loans, as well as drawings under Standby Credit Arrangements with Canadian and foreign banks. Redemptions of such borrowings are made using the resources of the Account. Interest payable by Canada on borrowings in foreign currencies is charged directly to the CRF.

## 10. Net valuation losses (gains) during the year

	1986			1985
	Assets	Liabilities	Total	Total
	(in millions of Canadian dollars)			
Japanese yen .....	(10.5)	451.8	441.3	323.2
Swiss francs .....	(0.4)	294.8	294.4	290.1
US dollars .....	(21.7)	(146.4)	(168.1)	142.2
Gold .....	(107.2)		(107.2)	(169.3)
Deutsche marks .....		29.2	29.2	31.2
Special Drawing Rights .....	(51.2)	58.5	7.3	30.2
	<u>(191.0)</u>	<u>687.9</u>	<u>496.9</u>	<u>647.6</u>
Gain on gold sales .....			(196.2)	(12.1)
Net valuation losses during the year .....			<u>300.7</u>	<u>635.5</u>





# SECTION 12

## 1986-87 PUBLIC ACCOUNTS

### Unmatured Debt

#### CONTENTS

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## UNMATURED DEBT

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

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

TABLE 12.1

## UNMATURED DEBT

					Net increase or decrease (-)	
	April 1/1986	Issues	Retirements	March 31/1987	1987	1986
	\$	\$	\$	\$	\$	\$
Payable in Canadian currency—						
Marketable bonds, Table 12.2 .....	81,066,797,000	18,508,763,000	5,149,650,000	94,425,910,000	13,359,113,000	11,810,582,000
Canada savings bonds, Table 12.3 .....	44,244,635,000	9,227,473,514	9,162,464,514	44,309,644,000	65,009,000	2,285,204,544
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund, Table 12.4 .....	445,190,000	1,352,282,000	1,792,000	1,795,680,000	1,350,490,000	239,853,000
Treasury bills, Table 12.5 .....	61,950,000,000	190,600,000,000	175,600,000,000	76,950,000,000	15,000,000,000	9,650,000,000
Notes and loans, Table 12.6 .....	187,706,622,000	219,688,518,514	189,913,906,514	217,481,234,000	29,774,612,000	23,885,639,544
Less: Government's holdings of unmatured debt—						
Marketable bonds .....	184,429,819	53,111,351	228,007,070	9,534,100	-174,895,719	142,438,061
Canada savings bonds held on account of employees .....	90,579,235	572,164,358	536,134,861	126,608,732	36,029,497	-25,581,217
Canada savings bonds held on account of the Payroll Savings Plan .....		1,225,595,000	494,142,500	731,452,500	731,452,500	
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund....	445,190,000	1,352,282,000	1,792,000	1,795,680,000	1,350,490,000	239,853,000
	720,199,054	3,203,152,709	1,260,076,431	2,663,275,332	1,943,076,278	356,709,844
	186,986,422,946	216,485,365,805	188,653,830,083	214,817,958,668	27,831,535,722	23,528,929,700
Payable in foreign currencies—						
Marketable bonds, Table 12.2 .....	5,889,888,320	786,139,074	807,582,247	5,868,445,147	-21,443,173	3,773,071,520
Notes and loans, Table 12.6 .....	7,920,869,800	335,160,000	3,159,502,300	5,096,527,500	-2,824,342,300	961,367,050
Canada bills, Table 12.7 .....	13,810,758,120	4,008,696,745	5,809,123,981	12,010,330,884	-1,800,427,236	4,734,438,570
Less: Government's holdings of unmatured debt—						
Marketable bonds .....	13,501,600		446,600	13,055,000	-446,600	-6,470,400
	13,797,256,520	4,008,696,745	5,808,677,381	11,997,275,884	-1,799,980,636	4,740,908,970
Total unmatured debt .....	200,783,679,466	220,494,062,550	194,462,507,464	226,815,234,552	26,031,555,086	28,269,838,670

Notes:—This table includes unmatured debt issued by the Government of Canada. Borrowings of agent Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 12.11.

—Starting in 1986-87, all instalment purchases (payroll deductions) of Canada savings bonds by Government employees are deducted from the applicable "Government's holdings of unmatured debt" account. Such instalment purchases were previously reported as a deposit account under Section 9 of this volume. Figures for the previous year have been adjusted retroactively.

## Marketable Bonds

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

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

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

Table 12.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1987.



TABLE 12.2

## MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1987	Net increase or decrease (-)	
								1987	1986
				\$	\$	\$	\$	\$	\$
Payable in Canadian currency—									
Matured 1986-87									
1986—May 1	14½	May 1/81	J61	9,483,000		9,483,000		- 9,483,000	- 489,462,000
June 1	15¼	June 1/81-July 31/81	J64	5,196,000		5,196,000		- 5,196,000	- 811,112,000
June 6	13	June 6/84	H28	375,000,000		375,000,000		- 375,000,000	
July 1	14¼	July 1/81	J68	26,493,000		26,493,000		- 26,493,000	- 412,272,000
Sept 5	12¼	Sept 5/84	H37	400,000,000		400,000,000		- 400,000,000	
Oct 1	8	Oct 1/69-Feb 15/70							
		Apr 1/77	F47	410,380,000		410,380,000		- 410,380,000	
Oct 1	18	Oct 15/81	J72	267,726,000		267,726,000		- 267,726,000	- 32,473,000
Dec 5	10¾	Dec 5/84	H46	450,000,000		450,000,000		- 450,000,000	
Dec 15	10	Dec 15/83-Feb 1/84	H14	200,000,000		200,000,000		- 200,000,000	
1987—Feb 1	15½	Feb 1/82-Aug 1/82	J75	1,099,548,000		1,099,548,000		- 1,099,548,000	- 44,648,000
Mar 5	12	Mar 26/85	H55	400,000,000		400,000,000		- 400,000,000	
Mar 15	15	Mar 31/82-May 1/82	J78	800,000,000		800,000,000		- 800,000,000	
				4,443,826,000		4,443,826,000		- 4,443,826,000	- 1,789,967,000
Maturing 1987-88									
1987—May 1	12¼	May 8/84-Aug 22/84					650,000,000		
		Sept 12/84-Oct 1/84	H23	650,000,000			650,000,000		
June 1	13	June 1/84-June 19/84							
		July 11/84	H27	375,000,000			375,000,000		
June 1	14¾	June 1/82	J81	250,000,000			250,000,000		
June 6	10	June 6/85	H59	450,000,000			450,000,000		450,000,000
July 1	8¼	July 1/77-Sept 1/77							
		Dec 15/77	J11	525,000,000			525,000,000		
July 1	15	July 1/82	J84 <sup>(2)</sup>	399,756,000	393,164,000		6,592,000	- 393,164,000	- 208,000
Sept 1	13½	Aug 1/84	H31	150,000,000			150,000,000		
Sept 1	14¼	Sept 1/82	J87 <sup>(2)</sup>	631,841,000	86,960,000		544,881,000	- 86,960,000	- 18,109,000
Sept 6	9¾	Sept 6/85	H66	500,000,000			500,000,000		500,000,000
Oct 15	13	Oct 15/82	J90	450,000,000			450,000,000		
Nov 15	12	Nov 1/82-Apr 1/84							
		Oct 24/84	J92	475,000,000			475,000,000		
Dec 1	8	Dec 1/80	F79	7,000			7,000		
Dec 6	9¼	Dec 6/85	H71	500,000,000			500,000,000		500,000,000
Dec 15	11	Dec 15/82-Aug 1/83							
		Sept 1/83-Dec 15/84	J96	900,000,000			900,000,000		
1988—Feb 1	8¾	Feb 1/78	J15	125,000,000			125,000,000		
Feb 1	10¼	Feb 1/83-Apr 27/83	J98	500,000,000			500,000,000		
Feb 1	11¾	Nov 14/84-Mar 19/85							
		Apr 10/85	H45	350,000,000			350,000,000		100,000,000
Mar 6	9¾	Mar 6/86	H78	550,000,000			550,000,000		550,000,000
Mar 15	10½	Feb 22/83-Mar 15/83							
		July 12/83-Feb 1/85							
		Feb 19/85	H2	875,000,000			875,000,000		
				8,656,604,000		480,124,000	8,176,480,000	- 480,124,000	2,081,683,000
Maturing 1988-89									
1988—June 1	5	June 1/63	AT21	100,000,000			100,000,000		
June 1	5	Feb 1/64	CT9	50,000,000			50,000,000		
June 6	8½	June 6/86	H86		550,000,000		550,000,000	550,000,000	
Sept 5	8¾	Sept 5/86	H90		550,000,000		550,000,000	550,000,000	
Oct 15	10¾	Oct 15/83-Nov 8/83							
		Dec 15/83-May 1/85							
		May 22/85	H11	825,000,000			825,000,000		200,000,000
Nov 15	10	July 23/85-Sept 1/85							
		Oct 1/85-Oct 23/85	H64	625,000,000			625,000,000		625,000,000
Dec 5	8½	Dec 5/86	H91		600,000,000		600,000,000	600,000,000	
Dec 15	9¾	Nov 15/85-Feb 6/86							
		Mar 15/86	H69	475,000,000			475,000,000		475,000,000
1989—Feb 15	6¾	Feb 15/71	F61	150,000,000			150,000,000		
Feb 15	11	Feb 21/84	H15	200,000,000			200,000,000		
Mars 5	8	Mar 5/87	H99		600,000,000		600,000,000	600,000,000	
Mar 15	12½	Apr 1/84-May 1/84							
		Aug 22/84-Sept 12/84	H20	575,000,000			575,000,000		
				3,000,000,000	2,300,000,000		5,300,000,000	2,300,000,000	1,300,000,000

TABLE 12.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1987	Net increase or decrease (-)	
								1987	1986
				\$	\$	\$	\$	\$	\$
Maturing 1989-90									
1989—Apr 15	9¼	Dec 15/85-Apr 10/86 ....	H72	150,000,000	125,000,000		275,000,000	125,000,000	150,000,000
June 1	13¼	June 1/84-June 19/84					525,000,000		
July 1	13½	July 11/84 .....	H24	525,000,000			525,000,000		
July 1	8½	Aug 1/84 .....	H32	150,000,000			150,000,000		
		Apr 28/86-May 22/86							
		July 3/86-July 24/86							
		Sept 2/86-Oct 1/86							
		Oct 23/86-Dec 15/86 ....	H82		1,175,000,000		1,175,000,000	1,175,000,000	
Aug 1	13¾	Mar 1/81 .....	J58	442,320,000			442,320,000		
Oct 1	10	Aug 15/79-June 12/85							
		July 1/85 .....	J26	450,000,000			450,000,000		250,000,000
Oct 1	10½	Oct 1/79-July 1/80							
		May 15/83-June 21/83 ..	J29	775,000,000			775,000,000		
Nov 1	10¾	Jan 7/85 .....	H49	350,000,000			350,000,000		
Nov 1	12¼	Oct 1/84-Oct 24/84 .....	H40	325,000,000			325,000,000		
Dec 15	11¼	Dec 15/79-Feb 1/80							
		June 1/80-Aug 1/80							
		Sept 27/83-Feb 1/84							
		Mar 13/84 .....	J33	1,075,000,000			1,075,000,000		
1990—Feb 1	12	Nov 14/84-Mar 19/85 ..	H43	400,000,000			400,000,000		
Feb 1	13¾	Mar 31/81 .....	J60	592,912,000			592,912,000		
Feb 26	10	Feb 26/86 .....	H77	500,000,000			500,000,000		500,000,000
Mar 15	13¾	Mar 31/80 .....	J38	839,453,000			839,453,000		
				6,574,685,000	1,300,000,000		7,874,685,000	1,300,000,000	900,000,000
Maturing 1990-91									
1990—May 1	5¼	May 1/64-July 1/64							
		Sept 1/65 .....	CT12	225,000,000			225,000,000		
May 1	5¼	Apr 1/67 .....	F12	125,000,000			125,000,000		
May 1	13	May 1/80 .....	J41	1,784,422,000			1,784,422,000		75,000
June 1	11¾	Apr 10/85 .....	H56	150,000,000			150,000,000		150,000,000
July 1	8	Jan 29/87-Feb 19/87							
		Mar 15/87 .....	H95		600,000,000		600,000,000	600,000,000	
Aug 1	9	Aug 11/86 .....	H88		500,000,000		500,000,000	500,000,000	
Sept 1	10¾	July 12/83-Feb 1/85							
		Feb 19/85 .....	H5	550,000,000			550,000,000		
Oct 1	10½	Aug 15/85-Oct 1/85							
		Oct 23/85 .....	H65	1,100,000,000			1,100,000,000		1,100,000,000
Oct 1	12½	Oct 1/80 .....	J49	22,539,000			22,539,000		10,000
Dec 15	10¼	Nov 15/85 .....	H70	375,000,000			375,000,000		375,000,000
1991—Feb 1	12½	Feb 1/81 .....	J56	718,974,000			718,974,000		718,557,000
Mar 1	9¼	Dec 15/85-Apr 10/86 ....	H73	375,000,000	175,000,000		550,000,000	175,000,000	375,000,000
				5,425,935,000	1,275,000,000		6,700,935,000	1,275,000,000	2,718,642,000
Maturing 1991-92									
1991—May 1	9¼	Feb 6/86-Mar 15/86 .....	H75	625,000,000			625,000,000		625,000,000
May 1	14½	May 1/81 .....	J62	490,517,000	340,000		490,857,000	340,000	489,462,000
June 1	11	May 1/85-May 22/85 ....	H57	425,000,000			425,000,000		425,000,000
July 1	8½	Apr 28/86-May 22/86							
		June 12/86-July 3/86							
		July 24/86 .....	H83		1,700,000,000		1,700,000,000	1,700,000,000	
Oct 1	18	Oct 15/81 .....	J73	132,274,000	260,411,000		392,685,000	260,411,000	32,473,000
Dec 15	11½	Dec 15/84 .....	H47	225,000,000			225,000,000		
Dec 15	8¾	Sept 2/86-Oct 1/86							
		Oct 23/86-Nov 12/86 ....	H89		1,600,000,000		1,600,000,000	1,600,000,000	
1992—Feb 1	15½	Feb 1/82 .....	J76	150,452,000	1,095,734,000		1,246,186,000	1,095,734,000	44,648,000
Mar 1	8½	Jan 6/87 .....	H94		550,000,000		550,000,000	550,000,000	
				2,048,243,000	5,206,485,000		7,254,728,000	5,206,485,000	1,616,583,000
Maturing 1992-93									
1992—Apr 1	7¾	Mar 12/87 .....	A1		600,000,000		600,000,000	600,000,000	
June 1	10¼	June 12/85-July 1/85							
		July 23/85-Sept 1/85 ....	H61	750,000,000			750,000,000		750,000,000
June 1	15	June 1/82 .....	J82	200,000,000			200,000,000		
July 1	15	July 1/82 .....	J85	244,000	393,164,000		393,408,000	393,164,000	208,000
Sept 1	5¼	Sept 1/66-Dec 15/66							
		Feb 1/67 .....	F6	225,000,000			225,000,000		
Sept 1	14¼	Sept 1/82 .....	J88	18,159,000	86,960,000		105,119,000	86,960,000	18,109,000
Oct 15	13½	Oct 15/82 .....	J91	400,000,000			400,000,000		
Nov 15	12¾	Nov 1/82 .....	J93	500,000,000			500,000,000		
Dec 15	11¾	Nov 22/82-Dec 15/82							
		Aug 1/83-Sept 1/83 .....	J95	2,050,000,000			2,050,000,000		



TABLE 12.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	Net increase or decrease (-)			
							March 31/1987	1987	1986	
				\$	\$	\$	\$	\$	\$	
1993—Feb 1	11¼	Feb 1/83-Mar 15/83 Apr 27/83-July 12/83....	J99	1,850,000,000 5,993,403,000	1,080,124,000		1,850,000,000 7,073,527,000	1,080,124,000	768,317,000	
Maturing 1993-94										
1993—May 1	10¾	May 15/83-June 21/83..	H3	1,050,000,000			1,050,000,000			
June 1	15¼	June 1/81 .....	J65	894,804,000	202,000		895,006,000	202,000	811,112,000	
July 1	14¾	July 1/81 .....	J69	423,507,000	21,952,000		445,459,000	21,952,000	412,272,000	
Oct 15	11¾	Sept 27/83-Oct 15/83 Feb 1/84 .....	H8	1,025,000,000			1,025,000,000			
Dec 15	11½	Nov 8/83-Dec 15/83 Feb 21/84 .....	H12	850,000,000			850,000,000			
1994—Feb 1	8¾	Dec 15/86 .....	H93		250,000,000		250,000,000	250,000,000		
Mar 1	8¾	Jan 29/87-Feb 19/87 Mar 15/87 .....	H96		800,000,000		800,000,000	800,000,000		
Mar 1	12	Mar 13/84-Apr 10/85....	H17	700,000,000 4,943,311,000	1,072,154,000		700,000,000 6,015,465,000	1,072,154,000	475,000,000 1,698,384,000	
Maturing 1994-95										
1994—Apr 1	13	Apr 1/84-May 1/84 Aug 22/84 .....	H21	1,025,000,000			1,025,000,000			
May 15	13¾	June 1/84-July 11/84 Aug 1/84 .....	H25	1,200,000,000			1,200,000,000			
June 15	9½	June 15/74-July 1/75 Aug 15/75-June 1/76 Aug 1/76-Apr 1/77 .....	F85	764,120,000		36,575,000	727,545,000	- 36,575,000		
July 15	13½	June 19/84 .....	H29	250,000,000			250,000,000			
Oct 1	12¾	Sept 12/84 .....	H39	475,000,000			475,000,000			
Dec 1	6¾	Dec 1/67 .....	F23	125,000			125,000			
Dec 15	12½	Oct 1/84-Oct 24/84 .....	H42	900,000,000			900,000,000			
1995—Feb 1	11½	Feb 1/85 .....	H51	375,000,000			375,000,000			
Feb 1	12¼	Nov 14/84-Mar 19/85 ..	H44	725,000,000			725,000,000			
Mar 1	11¾	Dec 15/84 .....	H48	475,000,000 6,189,245,000		36,575,000	475,000,000 6,152,670,000	- 36,575,000		
Maturing 1995-96										
1995—Apr 1	11¼	Feb 19/85-May 1/85 May 22/85 .....	H54	1,350,000,000			1,350,000,000		975,000,000	
June 1	10½	June 12/85-July 1/85 July 23/85-Sept 1/85 ....	H62	1,850,000,000			1,850,000,000		1,850,000,000	
Oct 1	6½	Oct 1/68 .....	F33	100,000,000			100,000,000			
Oct 1	10	Oct 1/75-Dec 15/75 Feb 1/76-Apr 1/76 .....	F97	709,750,000		19,125,000	690,625,000	- 19,125,000		
Dec 15	10¾	Oct 1/85-Oct 23/85 Nov 15/85 .....	H67	950,000,000			950,000,000		950,000,000	
1996—Mar 1	10¾	Feb 6/86 .....	H76	350,000,000 5,309,750,000		19,125,000	350,000,000 5,290,625,000	- 19,125,000	350,000,000 4,125,000,000	
Maturing 1996-97										
1996—May 1	9¼	Apr 10/86 .....	H80		475,000,000		475,000,000	475,000,000		
June 1	8¾	Apr 28/86-May 22/86 July 24/86-Oct 1/86 Dec 15/86 .....	H84		1,975,000,000		1,975,000,000	1,975,000,000		
Sept 15	3	Sept 15/36 .....	P1	55,000,000			55,000,000			
1997—Mar 1	8¾	Jan 29/87-Feb 19/87 Mar 15/87 .....	H97	55,000,000	3,575,000,000		1,125,000,000 3,630,000,000	1,125,000,000	3,575,000,000	
Maturing 1997-98										
1997—May 15	9¼	May 15/77-July 1/77 Sept 1/77-Feb 1/78 .....	J9	1,032,000,000		48,000,000	984,000,000	- 48,000,000		
1998—Mar 15	3¾	Sept 15/56 .....	T15 <sup>(3)</sup>	197,045,000 1,229,045,000		48,000,000	197,045,000 1,181,045,000	- 48,000,000		
Maturing 1999-2000										
1999—Oct 15	9	Oct 15/77-Dec 15/77 ....	J13	621,750,000		29,000,000	592,750,000	- 29,000,000		
Dec 1	13½	Dec 1/80 .....	J53	400,000,000			400,000,000			
2000—Mar 15	13¾	Mar 31/80-Mar 1/81 Mar 31/81-Oct 15/82 ....	J39	1,050,000,000 2,071,750,000		29,000,000	1,050,000,000 2,042,750,000	- 29,000,000		

TABLE 12.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	Net increase or decrease (-)					
				April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1987	1987	1986
				\$	\$	\$	\$	\$	\$
Maturing 2000-01									
2000—July 1	15	July 1/81 .....	J70	175,000,000			175,000,000		
Dec 15	9¾	Dec 15/78 .....	J22	550,000,000		12,500,000	537,500,000	- 12,500,000	
2001—Feb 1	15¾	June 1/81-July 31/81 ....	J66	425,000,000			425,000,000		
				1,150,000,000		12,500,000	1,137,500,000	- 12,500,000	
Maturing 2001-02									
2001—May 1	13	May 1/80-Oct 1/80							
		Feb 1/81 .....	J42	1,325,000,000			1,325,000,000		
Oct 1	9½	Oct 1/76-Dec 1/76							
		Apr 1/78-May 15/78							
		July 1/78 .....	J2	1,411,500,000		32,500,000	1,379,000,000	- 32,500,000	
2002—Feb 1	8¾	Feb 1/77 .....	J7	252,000,000		12,000,000	240,000,000	- 12,000,000	
Mar 15	15½	Mar 31/82-May 1/82 ....	J79	350,000,000			350,000,000		
				3,338,500,000		44,500,000	3,294,000,000	- 44,500,000	
Maturing 2002-03									
2002—May 1	10	May 1/79-June 1/79							
		July 15/79 .....	J25	1,850,000,000			1,850,000,000		
Dec 15	11¼	Dec 15/79-July 1/80							
		May 15/83 .....	J34	1,625,000,000			1,625,000,000		
2003—Feb 1	11¾	Feb 1/80-June 1/80							
		Aug 1/80-Feb 1/83							
		Apr 27/83-June 21/83							
		July 12/83 .....	J35	2,700,000,000			2,700,000,000		
				6,175,000,000			6,175,000,000		
Maturing 2003-04									
2003—Oct 1	9½	Aug 15/78-Oct 1/78 .....	J18	787,500,000		36,000,000	751,500,000	- 36,000,000	
2004—Feb 1	10¼	Feb 1/79-Mar 15/79							
		Mar 21/79-Aug 15/79 ..	J24	2,200,000,000			2,200,000,000		
				2,987,500,000		36,000,000	2,951,500,000	- 36,000,000	
Maturing 2004-05									
2004—June 1	13½	Apr 1/84-May 1/84 .....	H22	550,000,000			550,000,000		
Oct 1	10½	Oct 1/79 .....	J30	600,000,000			600,000,000		
2005—Mar 1	12	Oct 15/83-Nov 8/83							
		Dec 15/83-Feb 1/84							
		Feb 21/84-Dec 15/84 ....	H9	1,775,000,000			1,775,000,000		
				2,925,000,000			2,925,000,000		
Maturing 2005-06									
2005—Sept 1	12¼	Aug 1/83-Sept 1/83							
		Sept 27/83-Apr 10/85 ....	H6	1,375,000,000			1,375,000,000		375,000,000
2006—Mar 1	12½	Mar 13/84-Nov 14/84							
		Mar 19/85 .....	H18	975,000,000			975,000,000		
				2,350,000,000			2,350,000,000		375,000,000
Maturing 2006-07									
2006—Oct 1	14	June 1/84-July 11/84							
		Aug 1/84 .....	H26	1,025,000,000			1,025,000,000		
2007—Mar 1	13¾	June 19/84 .....	H30	325,000,000			325,000,000		
				1,350,000,000			1,350,000,000		
Maturing 2007-08									
2007—Oct 1	13	Aug 22/84-Sept 12/84 ..	H36	700,000,000			700,000,000		
2008—Mar 1	12¾	Oct 1/84-Oct 24/84 .....	H41	750,000,000			750,000,000		
				1,450,000,000			1,450,000,000		
Maturing 2008-09									
2008—June 1	10	Dec 15/85 .....	H74	325,000,000			325,000,000		325,000,000
Oct 1	11¾	Feb 1/85-May 1/85 .....	H52	725,000,000			725,000,000		400,000,000
2009—Mar 1	11½	May 22/85 .....	H58	400,000,000			400,000,000		400,000,000
				1,450,000,000			1,450,000,000		1,125,000,000
Maturing 2009-10									
2009—June 1	11	Oct 1/85-Oct 23/85 .....	H68	625,000,000			625,000,000		625,000,000
Oct 1	10¾	June 12/85-July 1/85							
		Sept 1/85 .....	H63	1,000,000,000			1,000,000,000		1,000,000,000
2010—Mar 1	9¾	Mar 15/86 .....	H79	325,000,000			325,000,000		325,000,000
				1,950,000,000			1,950,000,000		1,950,000,000
Maturing 2010-11									
2010—June 1	9½	Apr 10/86 .....	H81		325,000,000		325,000,000	325,000,000	
Oct 1	8¾	Apr 28/86 .....	H85		325,000,000		325,000,000	325,000,000	
2011—Mar 1	9	July 3/86-Sept 2/86							
		Oct 23/86-Dec 15/86 ....	H87		1,300,000,000		1,300,000,000	1,300,000,000	
					1,950,000,000		1,950,000,000	1,950,000,000	



TABLE 12.2

## MARKETABLE BONDS—Concluded

Maturity date	%	Issue date	Series	April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1987	Net increase or decrease ( - )	
								1987	1986
				\$	\$	\$	\$	\$	\$
Maturing 2011-12									
2011—June 1	8½	Feb 19/87-Mar 15/87....	H98		750,000,000		750,000,000	750,000,000	
Accounts without current transactions.....									- 5,058,060,000
Total marketable bonds (Canadian currency).....				81,066,797,000	18,508,763,000	5,149,650,000	94,425,910,000	13,359,113,000	11,810,582,000
Payable in foreign currencies—									
United States dollars—									
				418,740,000		418,740,000		- 418,740,000	9,660,000
(3)	1986—Nov 3	16¼	Nov 3/81 .....	64,765,120		6,278,720	58,486,400	- 6,278,720	- 687,680
(3)	1987—Oct 15	5	Oct 15/62.....	139,580,000		9,030,000	130,550,000	- 9,030,000	3,220,000
(3)	1988—June 1	6¾	June 1/68 .....	628,110,000		40,635,000	587,475,000	- 40,635,000	628,110,000
	1989—July 15	9¼	July 15/85 .....	628,110,000		40,635,000	587,475,000	- 40,635,000	628,110,000
	1995—July 15	10½	July 15/85 .....	697,900,000		45,150,000	652,750,000	- 45,150,000	697,900,000
	Nov 21	10	Nov 21/85 .....	1,395,800,000		90,300,000	1,305,500,000	- 90,300,000	1,395,800,000
(3)	1996—Feb 27	9	Feb 27/86.....	348,950,000		22,575,000	326,375,000	- 22,575,000	8,050,000
(3)	1998—Apr 1	8¾	Apr 1/78 .....	488,530,000		31,605,000	456,925,000	- 31,605,000	11,270,000
	Oct 15	9¼	Oct 15/78.....	4,810,485,120		704,948,720	4,105,536,400	- 704,948,720	3,381,432,320
Deutsche marks—									
	1989—Apr 30	8½	Apr 30/82 .....	119,080,000	25,280,000		144,360,000	25,280,000	29,880,000
Swiss francs—									
(3)	1989—Mar 20	3¾	Mar 20/79 .....	188,443,200	37,850,400	8,565,600	217,728,000	29,284,800	36,379,200
	1992—May 10	5¼	May 10/84 .....	142,760,000	30,040,000		172,800,000	30,040,000	37,160,000
				331,203,200	67,890,400	8,565,600	390,528,000	59,324,800	73,539,200
Japanese yen—									
(4)	1991—Feb 20	6¼	Feb 20/86.....	629,120,000		94,067,927	535,052,073	- 94,067,927	629,120,000
(4)	1993—July 23	5¾	July 23/86 .....	629,120,000	692,968,674	94,067,927	1,228,020,747	692,968,674	629,120,000
				629,120,000	692,968,674	94,067,927	1,228,020,747	598,900,747	629,120,000
Account without current transactions .....									- 340,900,000
Total marketable bonds (foreign currencies).....				5,889,888,320	786,139,074	807,582,247	5,868,445,147	- 21,443,173	3,773,071,520
Total.....				86,956,685,320	19,294,902,074	5,957,232,247	100,294,355,147	13,337,669,827	15,583,653,520

(1) Issues and retirements of the marketable bonds payable in foreign currencies include the translation of these currencies to Canadian dollars using closing rates of exchange at March 31.

(2) Exchangeable at the option of the holder for an equal par value bond bearing the same interest rate.

(3) Subject to redemption before maturity.

(4) While the terms of the issue remain unaltered from the bondholders' perspective, the Government's Japanese yen liability was converted through a "currency swap" into a floating rate U.S. dollar liability which is based on 6-month London Inter-bank Offered Rate (LIBOR).

## Canada Savings Bonds

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

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;

- not marketable;
- redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;
- not subject to call before maturity; and,
- term to maturity of seven years or more.

Table 12.3 presents a summary of the balances and transactions for Canada savings bonds.

TABLE 12.3

## CANADA SAVINGS BONDS

Maturity date	%	Issue date	Series	April 1/1986	Issues	Retirements	March 31/1987	Net increase or decrease (-)	
								1987	1986
				\$	\$	\$	\$	\$	\$
1986—Nov 1	10½	1977-78	S32	383,191,500		383,191,500		- 383,191,500	- 16,866,200
1986—Nov 1	10½	1979-80	S34	1,927,183,200		1,927,183,200		- 1,927,183,200	- 93,493,300
1987—Nov 1	10½	1980-81	S35	1,299,241,700		59,455,500	1,239,786,200	- 59,455,500	- 62,484,500
1988—Nov 1	10½	1981-82	S36	7,241,620,900		389,842,900	6,851,778,000	- 389,842,900	- 514,438,200
1989—Nov 1	10-8½	1982-83	S37	6,123,117,600		510,280,200	5,612,837,400	- 510,280,200	- 820,180,800
1990—Nov 1	10-8½-7¾	1983-84	S38	6,563,037,600		746,544,500	5,816,493,100	- 746,544,500	- 1,115,806,600
1991—Nov 1	10-8½-7¾	1984-85	S39	8,383,278,900		1,365,346,200	7,017,932,700	- 1,365,346,200	- 3,794,746,106
1992—Nov 1	10-8½-7¾	1985-86	S40	12,323,963,600		3,145,057,500	9,178,906,100	- 3,145,057,500	12,323,963,600
1993—Nov 1	7¾	1986-87	S41 <sup>(1)</sup>		9,227,473,514	635,563,014	8,591,910,500	8,591,910,500	
Accounts without current transactions									- 3,620,743,350
Total				44,244,635,000	9,227,473,514	9,162,464,514	44,309,644,000	65,009,000	2,285,204,544

<sup>(1)</sup> S41 includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

## Special Non-Marketable Bonds

Special non-marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan Investment Fund, and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;

- issued in Canadian currency only;
- term to maturity of 20 years or less;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 12.4 presents a summary of the balances and transactions for these special non-marketable bonds.

TABLE 12.4

## SPECIAL NON-MARKETABLE BONDS

	April 1/1986	Issues	Retirements	March 31/1987	Net increase or decrease (-)				
					1987	1986			
				\$	\$	\$			
Canada Pension Plan Investment Fund—									
Matured 1986-87	1,792,000		1,792,000		- 1,792,000				
Maturing									
1987-88	3,814,000			3,814,000					
1988-89	5,607,000			5,607,000					
1989-90	4,059,000			4,059,000					
1990-91	5,447,000			5,447,000					
1991-92	6,540,000			6,540,000					
1992-93	7,112,000			7,112,000					
1993-94	7,907,000			7,907,000					
1994-95	9,087,000			9,087,000					
1995-96	10,217,000			10,217,000					
1996-97	10,651,000			10,651,000					
1997-98	11,351,000			11,351,000					
1998-99	12,015,000			12,015,000					
1999-2000	17,709,000			17,709,000					
2000-01	22,971,000			22,971,000					
2001-02	17,622,000			17,622,000					
2002-03	17,414,000			17,414,000					
2003-04	17,259,000			17,259,000					
2004-05	16,661,000			16,661,000					
2005-06	239,955,000			239,955,000		239,955,000			
2006-07		1,352,282,000		1,352,282,000	1,352,282,000				
Account without current transactions						- 102,000			
Total				445,190,000	1,352,282,000	1,792,000	1,795,680,000	1,350,490,000	239,853,000



## Treasury Bills

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

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

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1987 consists of \$30,600 million in three-month bills; \$31,000 million in six-month bills; and, \$15,350 million in 364-day bills.

Table 12.5 presents a monthly summary of Treasury bill issues and redemptions.

TABLE 12.5

### TREASURY BILL ISSUES AND REDEMPTIONS (in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 1986 .....	8,200	4,200	1,000	13,400	6,500	4,700	900	12,100	1,300
May .....	11,150	5,900	1,500	18,550	10,200	4,650	1,350	16,200	2,350
June .....	7,850	3,800	1,000	12,650	8,050	2,850	900	11,800	850
July .....	7,650	3,600	1,000	12,250	8,200	3,350	900	12,450	-200
August .....	11,200	5,700	1,000	17,900	11,150	5,350	900	17,400	500
September .....	8,200	4,200	1,000	13,400	7,850	4,300	900	13,050	350
October .....	10,850	5,500	3,750	20,100	9,900	5,400	1,350	16,650	3,450
November .....	8,800	4,500	1,550	14,850	8,950	4,700	3,650	17,300	-2,450
December .....	8,850	4,500	1,150	14,500	8,200	3,800	900	12,900	1,600
January, 1987 .....	10,950	5,700	1,700	18,350	10,850	4,750	1,000	16,600	1,750
February .....	9,950	5,550	2,700	18,200	8,800	4,550	1,750	15,100	3,100
March .....	9,700	5,250	1,500	16,450	8,850	4,200	1,000	14,050	2,400
Balance at April 1, 1986 .....	113,350	58,400	18,850	190,600	107,500	52,600	15,500	175,600	15,000
Balance at March 31, 1987 .....									61,950
									76,950

## Notes and Loans

These accounts record borrowings made under agreements with banks in Canada, United States, Switzerland, Japan and other international banks. They also record the borrowings of Canadair Financial Corporation Inc (now called Cartierville Financial Corporation Inc) which were directly assumed by the Government of Canada pursuant to Regional Industrial Expansion Vote 7c, Appropriation Act No. 4, 1984-85.

The balances at March 31, 1987 consist of:

- \$1,750,000,000 US (\$2,284,625,000 Cdn) five year loans from international banks;
- \$255,000,000 US (\$332,902,500 Cdn) in notes assumed from Canadair Financial Corporation Inc (now called Cartierville Financial Corporation Inc);

- 300,000,000 SF (\$259,200,000 Cdn) three year loan, 300,000,000 SF (\$259,200,000 Cdn) five year loan, and 200,000,000 SF (\$172,800,000 Cdn) six year loan, from Swiss banks; and,

- 200,000,000,000 Yen (\$1,787,800,000 Cdn) eight year loans, from Japanese banks.

The foreign currency balances were translated into Canadian dollars using the year-end closing rates of exchange at March 31, 1987.

Table 12.6 presents a summary of the balances and transactions for the notes and loans.

TABLE 12.6

## NOTES AND LOANS

Maturity date	%	Issue date	April 1/1986	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1987	Net increase or decrease (-)	
							1987	1986
			\$	\$	\$	\$	\$	\$
Payable in Canadian currency—								
Account without current transactions .....								
								-100,000,000
Payable in foreign currencies—								
United States dollars—								
Notes payable to—								
American banks								
	various	various .....	628,110,000		628,110,000		-628,110,000	-735,490,000
Canadian banks								
	various	various .....	1,605,170,000		1,605,170,000		-1,605,170,000	1,059,730,000
Debts assumed from Canadair Financial Corporation Inc								
	various	various .....	355,929,000		23,026,500	332,902,500	-23,026,500	-661,047,000
1987—June 16	14%	June 16/82 ..	1,046,850,000		67,725,000	979,125,000	-67,725,000	24,150,000
1988—Oct 27	10%	Oct 27/83 ..	697,900,000		45,150,000	652,750,000	-45,150,000	16,100,000
1990—Mar 22	11½	Mar 22/85 ..	697,900,000		45,150,000	652,750,000	-45,150,000	16,100,000
			5,031,859,000		2,414,331,500	2,617,527,500	-2,414,331,500	-280,457,000
Swiss francs—								
1987—Mar 8								
	7¼	Mar 8/82 ....	285,520,000		285,520,000		-285,520,000	74,320,000
Nov 15								
	4%	May 15/84 ..	214,140,000	45,060,000		259,200,000	45,060,000	55,740,000
1989—May 3								
	5%	May 3/84 ....	214,140,000	45,060,000		259,200,000	45,060,000	55,740,000
1990—May 15								
	5½	May 15/84 ..	142,760,000	30,040,000		172,800,000	30,040,000	37,160,000
			856,560,000	120,160,000	285,520,000	691,200,000	-165,360,000	222,960,000
Japanese yen—								
(2) 1989—Feb 19								
	7.1	Feb 19/79 ....	184,410,800		184,410,800		-184,410,800	14,799,050
(2) 1992—July 31								
	7.9	July 31/84 ..	943,680,000	129,000,000		1,072,680,000	129,000,000	290,280,000
(2) 1993—Nov 27								
	7	Nov 27/85 ..	629,120,000	86,000,000		715,120,000	86,000,000	629,120,000
(2) 1999—Feb 19								
	7½	Feb 19/79 ....	275,240,000		275,240,000		-275,240,000	84,665,000
			2,032,450,800	215,000,000	459,650,800	1,787,800,000	-244,650,800	1,018,864,050
Total notes and loans (foreign currencies) .....			7,920,869,800	335,160,000	3,159,502,300	5,096,527,500	-2,824,342,300	961,367,050
Total .....			7,920,869,800	335,160,000	3,159,502,300	5,096,527,500	-2,824,342,300	861,367,050

<sup>(1)</sup> Issues and retirements include the translation of foreign currencies to Canadian dollars using closing rates of exchange at March 31.

<sup>(2)</sup> Subject to redemption before maturity.

## Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money markets under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term U.S. funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 1987.

Table 12.7 presents a monthly summary of Canada bill issues and redemptions.



TABLE 12.7

## CANADA BILL ISSUES AND REDEMPTIONS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1986 .....			
May .....			
June .....			
July .....			
August .....			
September .....			
October .....	878,084,666		878,084,666
November .....	378,999,594	17,156,900	361,842,694
December .....	274,395,840	219,121,203	55,274,637
January, 1987 .....	520,828,994	644,024,670	- 123,195,676
February .....	448,911,373	379,450,301	69,461,072
March .....	386,177,204	553,823,349	- 167,646,145
	2,887,397,671	1,813,576,423	1,073,821,248
Exchange valuation adjustment at March 31, 1987 .....			- 28,463,011
Balance at March 31, 1987 .....			1,045,358,237

## SUPPLEMENTARY STATEMENTS

## Interest Rates

Table 12.8 sets out unmatured debt at March 31, for each of the years 1982-83 to 1986-87 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, non-marketable

bonds (include Canada savings bonds and the Canada Pension Plan Investment Fund), Treasury bills, notes and loans, and Canada bills.

TABLE 12.8

## UNMATURED DEBT AS AT MARCH 31, FROM 1983 TO 1987, WITH THE AVERAGE RATE OF INTEREST THEREON

	Non-marketable bonds												Total unmatured debt	
	Marketable bonds		Canada savings bonds		Canada Pension Plan Investment Fund		Treasury bills		Notes and loans		Canada bills			
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
1987 .....	100,294	10.90	44,309	8.35	1,796	10.00	76,950	7.87	5,097	9.82	1,045	5.81	229,491	9.34
1986 .....	86,957	11.44	44,245	10.12	445	11.08	61,950	10.13	7,920	9.14			201,517	10.66
1985 .....	71,373	11.76	41,960	11.25	205	10.81	52,300	10.89	7,059	9.86			172,897	11.31
1984 .....	58,994	11.55	38,204	9.85	189	10.59	41,700	9.94	3,039	10.43			142,126	10.59
1983 .....	51,713	11.18	32,641	12.00	171	10.48	29,125	10.15	1,825	10.19			115,475	11.14

Where various rates of interest are applicable, the interest rate in effect at March 31 is used.

Table 12.9 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1982-83 to 1986-87 inclusively.

TABLE 12.9

## TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
<b>Three-month bills—</b>			
1987 .....	9.89	6.80	6.80
1986 .....	11.85	8.52	10.19
1985 .....	13.01	9.41	10.40
1984 .....	10.53	9.02	10.53
1983 .....	16.34	9.13	9.17
<b>Six-month bills—</b>			
1987 .....	9.67	6.94	6.94
1986 .....	11.59	8.75	10.19
1985 .....	13.81	9.49	10.71
1984 .....	11.20	8.88	11.00
1983 .....	16.82	9.00	9.52
<b>Other bills—</b>			
1987 .....	9.66	7.13	7.19
1986 .....	10.96	8.38	9.89
1985 .....	14.25	9.79	11.63
1984 .....	11.67	8.91	11.67
1983 .....	17.08	9.10	9.58

## Maturity of Government Debt

Table 12.10 presents total unmatured debt arranged in order of maturity.

TABLE 12.10

## MATURITY OF GOVERNMENT DEBT

Maturity	Marketable bonds		Canada savings bonds		Treasury bills		Notes and loans		Canada bills		Total	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$( millions)	%	\$( millions)	%	\$( millions)	%	\$( millions)	%	\$( millions)	%	\$( millions)	%
1988 .....	8,235	11.10	1,240	10.50	76,950	7.87	1,304	12.59	1,045	5.81	88,774	8.25
1989 .....	5,648	9.20	6,852	10.50			653	10.88			13,153	9.96
1990 .....	8,606	11.15	5,613	8.50			1,140	10.37			15,359	10.12
1991 .....	7,236	10.37	5,816	7.75			173	5.13			13,225	9.15
1992 .....	7,255	11.02	7,018	7.75							14,273	9.41
1993/97 .....	31,574	10.88	17,770	7.75			1,827	7.56			51,171	9.67
1998/2002 .....	8,439	11.19									8,439	11.19
2003/07 .....	15,751	11.50									15,751	11.50
2008/12 .....	7,550	10.57									7,550	10.57
	100,294	10.90	44,309	8.35	76,950	7.87	5,097	9.82	1,045	5.81	227,695	9.33
Less: Government's own holdings .....	22	8.12	858	7.75							880	7.76
	100,272	10.90	43,451	8.36	76,950	7.87	5,097	9.82	1,045	5.81	226,815	9.34

Note: this table includes unmatured debt issued by the Government of Canada. Borrowings of agent Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 12.11.



## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 12.11 presents the information required by Section 40 of the Financial Administration Act. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent Crown corporations which are reported as such on the Government's State-

ment of Assets and Liabilities, except where the Government is the lender. Borrowings by non-agent Crown corporations are not included because such borrowings are not on behalf of Her Majesty.

TABLE 12.11

### STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY (in millions of dollars)

	April 1/1986	Issues/ Borrowings	Retirements	March 31/1987
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	200,784	220,494	194,463	226,815
Borrowings of Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	14,623	52,915	51,771	15,767
Total .....	215,407	273,409	246,234	242,582

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

<sup>(2)</sup> Details can be found in Section 8 (Table 8.7) of this volume.





# SECTION 13

## 1986-87 PUBLIC ACCOUNTS

### Other Information Related to the Financial Statements

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## OTHER ACCOUNTS REPORTED ON THE STATEMENT OF ASSETS AND LIABILITIES

This section contains information on accounts reported on the Statement of Assets and Liabilities, which are not included elsewhere in this volume. These accounts are:

- cash in transit;
- cash;
- fixed assets; and,
- accumulated deficit.

TABLE 13.1

### CASH IN TRANSIT

	April 1/1986	Credits	Charges	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Cash in hands of collectors and in transit .....	1,596,313,103	1,596,313,103	1,379,192,187	1,379,192,187	- 217,120,916	- 202,832,576
Moneys received after March 31 but applicable to the current year .....	96,143,963	96,143,963	89,172,972	89,172,972	- 6,970,991	12,727,797
Total .....	1,692,457,066	1,692,457,066	1,468,365,159	1,468,365,159	- 224,091,907	- 190,104,779

#### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

#### Moneys received after March 31 but applicable to the current year

Public moneys received after March 31, but applicable to the year just ended, are recorded in this account.

This account includes refunds of old year expenditure received prior to the closing of the accounts, and receipts to be credited to asset, liability, and (in exceptional cases) revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

TABLE 13.2

### CASH

	April 1/1986	Receipts	Disbursements	March 31/1987	Net increase or decrease (-)	
					1987	1986
	\$	\$	\$	\$	\$	\$
Receiver General—						
Current deposits—						
Canadian currency.....	4,565,881,925	360,095,683,032	360,182,968,426	4,478,596,531	- 87,285,394	- 1,212,889,485
Foreign currencies .....	154,133,686	4,110,087,074	4,142,105,215	122,115,545	- 32,018,141	105,362,330
Special deposits .....	24,258,012	842,515,883	849,571,915	17,201,980	- 7,056,032	- 5,808,848
Total .....	4,744,273,623	365,048,285,989	365,174,645,556	4,617,914,056	- 126,359,567	- 1,113,336,003

## Cash in Transit

Table 13.1 presents a summary of the balances and transactions for cash in transit.

## Cash

The Government's cash account represents public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 13.2 presents a summary of the balances and related transactions in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, West German marks, and Japanese yen.



**Receiver General current deposits**

The monthly balances of Canadian and foreign currency deposits for the last five years are presented in the following tables:

**TABLE 13.3****CASH IN CANADIAN CURRENCY DEPOSITS**  
(in millions of dollars)

At end of month of	Year ended March 31				
	1987	1986	1985	1984	1983
April .....	3,491	3,268	3,611	5,483	3,118
May .....	4,874	3,989	3,648	6,997	4,855
June .....	2,951	2,747	2,716	4,787	5,124
July .....	3,190	2,437	2,710	4,737	3,329
August .....	2,474	3,634	1,664	3,191	2,126
September .....	1,658	4,527	2,334	2,699	1,664
October .....	5,104	6,449	2,796	3,643	2,879
November .....	2,141	10,566	5,291	8,522	8,483
December .....	3,343	5,599	3,325	7,300	7,476
January .....	3,123	3,953	4,001	6,892	5,516
February .....	4,075	4,993	5,691	6,460	4,636
March .....	4,479	4,566	5,779	6,329	4,193

**TABLE 13.4****CASH IN FOREIGN CURRENCY DEPOSITS**  
(translated into Canadian dollars)  
(in millions of dollars)

At end of month of	Year ended March 31				
	1987	1986	1985	1984	1983
April .....	73	30	50	16	42
May .....	82	29	34	29	15
June .....	71	37	33	35	33
July .....	83	44	46	31	39
August .....	83	72	44	42	34
September .....	63	72	36	44	24
October .....	57	43	15	42	27
November .....	81	36	27	44	29
December .....	105	90	41	35	48
January .....	79	84	34	22	22
February .....	73	86	24	15	22
March .....	122	154	49	54	28

**Receiver General special deposits**

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

**Fixed Assets**

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, from which benefits are expected to be derived during their useful lives.

The fixed assets of the Government, which include land, engineering structures and works (such as canals, harbours and roads), buildings, and machinery and equipment, are charged to budgetary expenditure at the time of acquisition or construction, in accordance with the accounting policies of the Government of Canada which are described in Note 1 to the audited financial statements (Section 2 of this volume). Their existence, however, is acknowledged on the Statement of Assets and Liabilities by reporting them at the nominal value of \$1.

**Accumulated Deficit**

The accumulated deficit is the account recording the net sum of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account. The accumulated deficit is also equal to the excess of recorded liabilities over total financial assets.

A Statement of Revenue and Expenditure and Accumulated Deficit is published in Section 2 of this volume.

A five year comparative statement of the accumulated deficit, in terms of total liabilities and total financial assets, is presented as follows:

**TABLE 13.5****STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL FINANCIAL ASSETS**  
(in millions of dollars)

As at March 31	Total liabilities	Less: total financial assets	Accumulated deficit	
			Amount	Increase or decrease (-)
1987.....	302,744	38,643	264,101	30,605
1986.....	269,286	35,790	233,496	34,404
1985.....	237,112	38,020	199,092	38,324
1984.....	199,497	38,729	160,768	32,399
1983.....	166,203	37,834	128,369	27,816

## OTHER INFORMATION

## 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.

The Government of Canada as an accounting entity is defined as all the departments named in Schedule A of the Financial Administration Act; any division or branch of the Public Service of Canada, including a commission appointed under the Inquiries Act, designated by the Governor in Council as a department for purposes of the Financial Administration Act; the staffs of the Senate, the House of Commons, and the Library of Parliament; and, any corporation named in Schedule B of the Financial Administration Act. Corporations listed in Parts I and II of Schedule C of the Financial Administration Act, and those Crown corporations that are not subject to the Financial Administration Act, are excluded from this definition. Information regarding contingent liabilities of Crown corporations can be found in Table 8.10—"Contingent Liabilities of Crown Corporations", while details of their borrowings can be found in Tables 8.7 and 8.8—"Borrowings by Agent Crown Corporations" and "Borrowings

by Crown Corporations" respectively. Some Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 13.7 of this section.

The contingent liabilities of the Government comprise explicit guarantees by the Government, which include borrowings by other than Crown corporations, both from agent Crown corporations and from other than agents. Such explicit guarantees consist of guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total in the following table. This table is also summarized in Note 18 to the audited financial statements of the Government in Section 2 of this volume.

TABLE 13.6

STATEMENT OF CONTINGENT LIABILITIES  
AS AT MARCH 31, 1987

	Authorized limit (where applicable)	Contingent liability	Percentage of net claims to outstanding guarantees (where applicable) <sup>(1)</sup>
	\$	\$	%
<b>EXPLICIT GUARANTEES BY THE GOVERNMENT OF—</b>			
Borrowings by other than Crown corporations—			
From agents—			
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing .....	350,000,000	76,155,273 <sup>(2)</sup>	8.3
Loans to Nanisivik Mines Ltd by the Canada Mortgage and Housing Corporation, for the development of a town at Strathcona Sound, Baffin Island .....	4,570,000	1,700,590	
	<b>354,570,000</b>	<b>77,855,863</b>	
From other than agents <sup>(3)</sup> —			
Guarantee programs of the Government—			
Canada Student Loans Act .....	4,282,466,670	2,195,028,995	4.4
Small Businesses Loans Act .....	725,143,000 <sup>(4)</sup>	515,120,062	7.2
Farm Improvement Loans Act .....	327,247,966 <sup>(4)</sup>	126,187,690	0.6
Advance Payments for Crops Act .....	400,000,000	107,960,103	0.1
Enterprise development program, Canadian Industrial Renewal Board and Atlantic enterprise program .....	1,135,543,250	18,824,837 <sup>(5)</sup>	20.5
Fisheries Improvement Loans Act .....	25,945,355 <sup>(4)</sup>	9,773,040	18.6
Regional Development Incentives Act .....	5,902,000	5,061,000	21.7
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC-7 and DHC-8 aircraft .....	726,375,000 <sup>(6)</sup>	250,062,710 <sup>(6)</sup>	2.8
Loans to Indians by approved lenders for on-reserve housing .....	(7)	221,091,950 <sup>(2)</sup>	0.5
Loans to foreign borrowers for goods or services purchased from Canadian exporters .....	8,000,000 <sup>(8)</sup>	8,000,000	
Indian economic development .....	7,344,556	2,805,353 <sup>(2)</sup>	25.0
Loans to promote the commercial activities of Eskimos .....	5,000,000	1,373,956 <sup>(9)</sup>	
	<b>7,648,967,797</b>	<b>3,461,289,696</b>	
Other explicit loan guarantees—			
Loans to construct coal handling and terminal facilities by Ridley Terminals Inc .....	230,000,000	198,560,649	
Loans to Marine Industries Limited for acquisition of assets .....	40,000,000	40,000,000	
Loans to Versitile Pacific Shipyards Inc for company operations .....	13,000,000		<sup>(10)</sup>
Loans to Curragh Resources Corporation for company operations .....	11,475,000	11,475,000	
Loans for the restructuring of Maislin Industries Ltd .....	11,096,750 <sup>(6)</sup>	11,096,750 <sup>(6)(11)</sup>	
Loans to the Ottawa Civil Service Recreation Association .....	2,000,000	112,500	
Loans for the financing of Cheticamp Fishermen's Co-operative Society Ltd .....	360,000	209,093	
	<b>307,931,750</b>	<b>261,453,992</b>	



TABLE 13.6

STATEMENT OF CONTINGENT LIABILITIES  
AS AT MARCH 31, 1987—*Concluded*

	Authorized limit (where applicable)	Contingent liability	Percentage of net claims to outstanding guarantees (where applicable) <sup>(1)</sup>
	\$	\$	%
<b>Insurance programs of the Government—</b>			
Insurance against accidents at nuclear installations under the Nuclear Liability Act <sup>(12)</sup> .....	675,000,000	641,068,858	
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees.....	7,000,000,000 <sup>(13)</sup>	369,000,000	
Insurance under the Fishing Vessel Insurance Plan <sup>(14)</sup> .....	11,081,735	429,860,000	
	<u>7,686,081,735</u>	<u>1,439,928,858</u>	
<b>Other explicit guarantees—</b>			
Guarantees under the Prairie Grain Advance Payments Act.....	262,813,557	262,813,557	(15)
Guarantees under the Agriculture Products Co-operative Marketing Act .....	78,037,982	78,037,982	
Guarantee against damage or loss that may be occasioned by a leased aircraft .....	638,346 <sup>(16)</sup>	638,346	
	<u>341,489,885</u>	<u>341,489,885</u>	
<b>Total explicit guarantees .....</b>	<b><u>16,339,041,167</u></b>	<b><u>5,582,018,294</u></b>	
<b>PENDING AND THREATENED LITIGATION.....</b>		<b><u>2,640,348,476</u></b> <sup>(6)(17)</sup>	
<b>Total<sup>(18)</sup> .....</b>		<b><u>8,222,366,770</u></b>	

(1) Represents the average percentage over the most recent 5 years of net claims to the average amount of outstanding guarantees for the same period computed as at March 31, 1987. In some situations where historical data is not readily available, departmental estimates have been used.

(2) Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$51,658,383; for Indian economic development, \$414,579. As at March 31, 1987, no loans had been issued for these amounts.

(3) Letters of comfort have been issued by the Minister of Finance to the Bank of Canada with respect to funds advanced or guarantees provided by the Bank of Canada to the Bank for International Settlements (BIS). The letters pertain to BIS standby credit facilities in favour of the International Monetary Fund (IMF) and a short-term bridge financing operation in favour of Argentina. The Government's potential liability and actual exposure on behalf of the IMF at March 31, 1987 amounted to 171.6 million Special Drawing Rights (\$220,600,000 US) and \$30,000,000 US to Argentina.

(4) The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee per lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies depending upon the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

(5) Includes \$1,786,474 attributable to the Canadian Industrial Renewal Board and \$2,930,800 to the Atlantic enterprise program.

(6) Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of statement.

(7) Authorized limit for loan guarantees for on-reserve housing totals \$350,000,000 (shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

(8) The Export Development Act (EDA) authorizes the Export Development Corporation (EDC) to make various loans and commitments to foreign borrowers on behalf of the Government of Canada to a maximum limit of \$6 billion net of repayments. Included within this limit are outstanding loans made by other lenders who have recourse against EDC in the event of default by the borrower. Accordingly, the authorized limit for lenders with recourse in loans receivable will equate to the actual amount of contingent liability reported in accordance with the requirements of the EDA.

(9) Includes committed guarantees for loans not yet issued by the lender in the amount of \$12,000 as at March 31, 1987.

(10) Authority has been provided but the loan agreement was not signed as at March 31, 1987.

(11) Malsin Industries Ltd was placed in receivership on July 11, 1983 and was declared bankrupt on October 19, 1983. To date, the Government has made interim payments totalling \$18,500,000 US to creditors under a guarantee in the amount of \$27,000,000 US. It is anticipated that the Government will be called upon to make a final payment of \$7,000,000 US to settle remaining obligations to creditors when certain issues are settled in US Bankruptcy Court.

(12) There have been no claims under the Nuclear Liability Act since its inception in 1970. The Act covers 15 Canadian nuclear installations, 9 of which are active, as at March 31, 1987.

(13) The Export Development Act specifies that EDC may enter into contracts of insurance, re-insurance, related guarantees and other agreements up to a maximum of \$7 billion, the authorized limit.

(14) The Fishing Vessel Insurance Plan is administered by the Government to assist fishermen to meet abnormal capital losses. A specified purpose account is credited with all amounts received by way of premiums, recoveries and with advances to the fund by the Government, such advances not to exceed \$150,000 at any time. The fund is debited with refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen, where the collision involves a vessel insured under the Plan. As at March 31, 1987, the insured value of vessels under the Plan amounted to \$429,860,000; the balance of the fund was \$10,931,735 and outstanding claims against the fund totalled \$1,050,000.

(15) Less than 0.1%.

(16) The Defence Production Act enables the Minister of the Department of Supply and Services to purchase or otherwise acquire defence supplies to the extent of \$100 million in excess of receipts credited to the Defence Production Revolving Fund unless otherwise authorized by Parliament. Accordingly, the authorized limit of this item will equate to the actual amount of contingent liability reported in accordance with total commitments authorized under the Defence Production Act up to the total approved limit.

(17) Includes \$1.7 billion related to native statutory and treaty obligations. This amount represents plaintiffs' claims in 46 litigation cases. There are another 96 cases and settlements of Native Land claims currently under negotiation, for which amounts are not stated in the claims, and for which it is not possible to determine the amounts that may be ultimately payable.

(18) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Two departments reported contingent gains as at March 31, 1987 but an estimate of the amounts involved could not be determined.



## Insurance Programs of Agent Crown Corporations

At present, three Crown corporations operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, two of the Crown corpora-

tions have required loans or other funding from the Government to meet obligations.

Information presented in Table 13.7 has not been audited since the three corporations have financial years other than March 31, 1987. Financial statements of these corporations may be found in Volume III of the Public Accounts.

In Table 13.7, a minus "-" sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year.

TABLE 13.7

### SUMMARY OF INSURANCE PROGRAMS OF AGENT CROWN CORPORATIONS AS AT MARCH 31, 1987 (in millions of dollars)

	Canada Deposit Insurance Corporation <sup>(1)</sup>		Canada Mortgage and Housing Corporation <sup>(2)</sup>				Export Development Corporation <sup>(3)</sup>			
	1986-87	1985-86	Mortgage Insurance Fund		Home Improvement Loan Fund		Rental Guarantee Fund			
	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86	1986-87	1985-86		
Insurance in force as at reporting date .....	200,277	183,719	40,299	38,413	1	1	N/A	N/A	2,644	2,519
Opening balance of Fund .....	- 1,259	- 827	- 472	- 812	1	8	11	27	32	24
Revenue for the year—										
Premiums .....	217	58	114	92				1	8	6
Investment income .....	3	3	17	11						
Appropriations .....				248						
Other revenue .....	5									
Total revenue .....	225	61	131	351	(4)	(4)	(4)	1	8	6
Expenses for the year—										
Loss on claims .....	145	420	41	- 32				- 2	6	- 2
Interest on loans .....	82	56								
Administrative .....	8	17	36	43						
Funds returned to Government .....						7		19		
Total expenses .....	235	493	77	11		7	(4)	17	6	- 2
Net income/loss (-) for the year .....	- 10	- 432	54	340		- 7		- 16	2	8
Closing balance of Fund .....	- 1,269	- 1,259	- 418	- 472	1	1	11	11	34	32
Net claims during the year <sup>(5)</sup> ..	107	854	- 26	170	(4)	(4)			2	3
Five year average of net claims paid .....	192	229	67	77	(4)	(4)			6	6

N/A—Not applicable.

<sup>(1)</sup> The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor per institution. In recent years, premiums paid by member institutions have not been sufficient to meet obligations incurred by CDIC under the insurance plan. This deficiency has been funded in part by loans from the Government of \$1,203 million at March 31, 1987 (\$935 million at March 31, 1986). Recently, the CDIC Act was amended to increase premiums paid by member institutions from 1/30 of 1% to 1/6 of 1% of insured deposits. In addition, the Government is continuing to explore other alternatives to allow CDIC, over the long run, to eliminate its deficiency without budgetary support from the Government. Since there is no reason to believe that this will not be the case, no provision has been made in the Government's accounts for the losses experienced by CDIC.

<sup>(2)</sup> Canada Mortgage and Housing Corporation administers three funds of which only the Mortgage Insurance Fund (MIF) is active. The MIF provides insurance, for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, all to make housing more accessible for Canadians.

Although the balance of the Fund is currently inadequate to meet future claims in respect to business in force, an actuarial study of the MIF in 1985 indicated that business undertaken since February 1985 is being written on a break-even basis. The actuarial deficiency (\$454.3 million as of September 30, 1986) will be reflected in the Government's accounts only to the extent that additional funding of the deficiency from parliamentary appropriations may be required.

<sup>(3)</sup> The Export Development Corporation (EDC) provides export and foreign investment insurance to Canadian business to facilitate and develop export trade. The insurance fund has been adequate to provide for the full cost of claims experienced to date and to establish an allowance for any future claims based on previous claims experience.

<sup>(4)</sup> Less than \$500,000.

<sup>(5)</sup> Refers to the difference between claims and amounts received from sales of related assets and other recoveries.



## Capital Leases

Table 13.8 provides details of commitments under capital lease arrangements which are summarized in Note 16 to the audited financial statements in Section 2 of this volume. A capital lease is a lease that, from the point of view of the Government, transfers substantially all the benefits and risks

incident to ownership of the asset to the Government. Table 13.9 presents commitments under capital lease arrangements in order of maturity. Table 13.10 presents details of purchase options exercised during the year.

TABLE 13.8

### COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS

(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception	Total estimated minimum lease payments, full term (excluding executory costs)	Implicit interest rate (%)	Balances at March 31, 1987		
						Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs
<b>Communications</b>								
Cyber computer (a).....	Sept 9, 1985	4	880	1,083	8.7	656	89	567
Cyber computer (b).....	Feb 2, 1986	4	1,458	1,906	10.5	1,434	270	1,164
			2,338	2,989		2,090	359	1,731
<b>Employment and Immigration</b>								
Electronic data processing equipment, Phase IV.....	Oct 12, 1982	5	2,069	3,387	18.0	629	81	548
<b>Energy, Mines and Resources</b>								
Office electronic data processing equip- ment.....	Oct 1, 1985	5.4	758	1,038	7.9	849	150	699
Science Center System.....	Oct 1, 1986	3	515	651	12.0	555	104	451
HP 3000 (a).....	May 1, 1984	5	401	549	11.0	301	58	243
Resource computing system.....	Apr 1, 1984	5	348	398	4.7	177	13	164
			2,022	2,636		1,882	325	1,557
<b>Fisheries and Oceans</b>								
HP 3000—Halifax.....	Jan 31, 1985	5	470	686	13.4	409	90	319
<b>Indian Affairs and Northern Development</b>								
Hewlett Packard computers.....	July 1, 1986	4.75	5,319	6,699	8.5	6,083	1,052	5,031
<b>National Revenue</b>								
Electronic data processing equipment....	Jan 1, 1986	3	590	842	18.5	537	119	418
<b>Public Works</b>								
Charlottetown, DVA Building.....	Apr 1, 1984	35	15,600	78,365	14.2 <sup>(2)</sup>	71,648	56,122	15,526
Guy Favreau Building, Montreal.....	Dec 1, 1983	35	87,600	422,950	12.7 <sup>(2)</sup>	385,524	298,361	87,163
240 Sparks St, CD Howe Building.....	Jan 1, 1979	35	63,703	213,500	9.1 <sup>(2)</sup>	163,175	102,792	60,383
L'Esplanade Laurier, Ottawa.....	July 1, 1975	35	60,374	222,715	9.4 <sup>(2)</sup>	153,989	97,196	56,793
Place du Centre, Hull.....	Dec 1, 1977	30	26,201	96,600	11.2 <sup>(2)</sup>	68,413	43,700	24,713
Terrasses de la Chaudière, Hull.....	July 1, 1977	35	146,084	564,230	9.7 <sup>(2)</sup>	422,094	281,479	140,615
Cornwall, Government of Canada Building (GOCB).....	Dec 1, 1984	35	9,600	49,420	14.6 <sup>(2)</sup>	46,125	36,556	9,569
Scarborough (GOCB).....	Dec 1, 1984	35	38,900	191,965	13.2 <sup>(2)</sup>	179,834	141,061	38,773
Chatham (GOCB).....	June 1, 1985	35	4,940	20,783	11.8 <sup>(2)</sup>	19,695	14,778	4,917
			453,002 <sup>(1)</sup>	1,860,528		1,510,497	1,072,045	438,452
<b>Regional Industrial Expansion</b>								
Mini computers.....	Jan 1, 1986	4.9	1,826	2,270	8.0	1,830	298	1,532
<b>Secretary of State</b>								
Electronic data processing equipment....	Mar 1, 1985	3	354	448	12.7	137	15	122
Electronic data processing equipment....	Jan 1, 1984	4.25	729	1,093	17.5	258	38	220
			1,083	1,541		395	53	342
<b>Total</b> .....			468,719	1,881,578		1,524,352	1,074,422	449,930

<sup>(1)</sup> Estimated fair value.<sup>(2)</sup> Lessors'/Lessees' financing rate per lease agreement is subject to change over term of lease.

TABLE 13.9

**COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY**  
 (in thousands of dollars)

Department and agency	Payments due in										Total	
	1988	1989	1990	1991	1992	1993 to 1997	1998 to 2002	2003 to 2007	2008 to 2012	2013 to 2017		2018 to 2022
<b>Communications</b>												
Remaining payments.....	674	674	742									2,090
Imputed interest.....	172	129	58									359
Net commitments .....	502	545	684									1,731
<b>Employment and Immigration</b>												
Remaining payments.....	629											629
Imputed interest.....	81											81
Net commitments .....	548											548
<b>Energy, Mines and Resources</b>												
Remaining payments.....	599	597	429	257								1,882
Imputed interest.....	145	101	60	19								325
Net commitments .....	454	496	369	238								1,557
<b>Fisheries and Oceans</b>												
Remaining payments.....	128	128	153									409
Imputed interest.....	43	31	16									90
Net commitments .....	85	97	137									319
<b>Indian Affairs and Northern Development</b>												
Remaining payments.....	1,640	1,653	1,653	1,137								6,083
Imputed interest.....	427	325	212	88								1,052
Net commitments .....	1,213	1,328	1,441	1,049								5,031
<b>National Revenue</b>												
Remaining payments.....	243	294										537
Imputed interest.....	85	34										119
Net commitments .....	158	260										418
<b>Public Works</b>												
Remaining payments.....	50,219	50,219	50,219	50,219	50,219	251,095	251,095	251,095	251,772	171,679	82,666	1,510,497
Imputed interest.....	47,655	47,398	47,113	46,802	46,456	225,725	209,877	183,678	137,594	64,027	15,720	1,072,045
Net commitments .....	2,564	2,821	3,106	3,417	3,763	25,370	41,218	67,417	114,178	107,652	66,946	438,452
<b>Regional Industrial Expansion</b>												
Remaining payments.....	501	501	501	327								1,830
Imputed interest.....	123	92	59	24								298
Net commitments .....	378	409	442	303								1,532
<b>Secretary of State</b>												
Remaining payments.....	395											395
Imputed interest.....	53											53
Net commitments .....	342											342
<b>Summary</b>												
Remaining payments.....	55,028	54,066	53,697	51,940	50,219	251,095	251,095	251,095	251,772	171,679	82,666	1,524,352
Imputed interest.....	48,784	48,110	47,518	46,933	46,456	225,725	209,877	183,678	137,594	64,027	15,720	1,074,422
Net commitments .....	6,244	5,956	6,179	5,007	3,763	25,370	41,218	67,417	114,178	107,652	66,946	449,930



TABLE 13.10

**CAPITAL LEASES—PURCHASE OPTIONS EXERCISED DURING THE YEAR**  
(in thousands of dollars)

Department and agency identification of capital leases	Original lease plan			Values upon exercise of purchase option						
	Total minimum lease payments including final purchase options	Imputed interest	Executory costs	Net commitments	Total minimum lease payments including purchase options exercised	Imputed interest	Net minimum lease payments	Executory costs	Purchase options exercised	Market or appraisal value of acquisition
Employment and Immigra- tion										
Phase IV micros .....	928	346		582	787	226	158		403	N/A
Energy, Mines and Resources Vax processing unit.....	880	410		470	700	287	177		236	N/A
Total.....	1,808	756		1,052	1,487	513	335		639	

N/A—Not applicable.





# SECTION 14

**1986-87  
PUBLIC ACCOUNTS**

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