Government of Canada | Gouvernement du Canada

Prepared by the
Receiver General for Canada

2014-2015

Financial Statements Discussion and Analysis

Canada

Financial Statements Discussion and Analysis

Introduction

Further discussion and analysis of the Government's financial results can be found in the *Annual Financial Report of the Government of Canada – Fiscal Year 2014-2015*, available on the Department of Finance's website.

The consolidated financial statements have been prepared under the joint direction of the Minister of Finance, the President of the Treasury Board and the Receiver General for Canada. Responsibility for the integrity and objectivity of the consolidated financial statements rests with the Government. A glossary of terms used in this financial statement discussion and analysis is provided at the end of this document.

2014-2015 Financial Highlights

- The Government posted a budgetary surplus of $1.9 billion for the fiscal year ended March 31, 2015, compared to a budgetary deficit of $5.2 billion in 2013-2014.
- Revenues increased by $10.7 billion, or 3.9 percent, from 2013-2014, reflecting growth in all major revenue streams. Program expenses increased by $5.2 billion, or 2.1 percent, reflecting increases in major transfers to persons and other levels of government. Public debt charges were down $1.6 billion, or 5.8 percent, due to a lower average effective interest rate on the stock of interest-bearing debt.
- The accumulated deficit (the difference between total liabilities and total assets) stood at $612.3 billion at March 31, 2015. The accumulated deficit-to-GDP (gross domestic product) ratio was 31.0 percent, down from 32.3 percent a year earlier.
- As reported by the Organisation for Economic Co-operation and Development (OECD), Canada's total government net debt-to-GDP ratio, which includes the net debt of the federal, provincial/territorial and local governments, as well as the net assets held in the Canada Pension Plan and Quebec Pension Plan, stood at 40.4 percent in 2014. This is the lowest level among Group of Seven (G-7) countries, which the OECD expects will record an average net debt of 86.8 percent of GDP for the same year.

Discussion and Analysis

Economic Highlights [1]

In 2014 and early 2015 there were two main factors which affected the performance of Canada's economy: persistent weakness in the global economy and the decline in global commodity prices, with the fall in crude oil prices having a significant impact.

Global growth remained subdued in 2014, reflecting relatively weak growth in the euro area and Japan and moderating growth in China. This weak external demand weighed on Canadian exports. Without solid growth in global demand, Canadian businesses were cautious about expanding capacity. As a result, real business investment growth slowed, between mid-2012 and the end of 2014, to an annual rate of about 1 percent.

The sharp decline in crude oil prices since mid-2014 has further weighed on the Canadian economy, particularly in early 2015. For Canada, as a producer and net exporter of crude oil, lower oil prices have had a net negative impact on Canada's nominal GDP growth – the broadest measure of the tax base. In particular, the value of Canada's crude oil exports in the second quarter of 2014 (before the decline in oil prices) was $100 billion, or 5.1 percent of nominal GDP. The decline in crude oil export prices reduced the value of exports, and hence nominal GDP, by over $45 billion (2.3 percent of GDP) by the first quarter of 2015 (export volumes remained broadly unchanged). In addition, lower oil prices led to a significant retrenchment in real business investment in the oil and gas sector in the first quarter of 2015.

Nominal GDP growth in 2014 was higher than anticipated in Budget 2014. However, due to the fall in oil prices, growth fell from an average of 4.9 percent in the first three quarters of 2014 to 0.4 percent in the fourth quarter. In the first quarter of 2015, nominal GDP declined by 2.9 percent.

In response to economic conditions, short- and long-term interest rates have remained at historically low levels over the last two years and in 2014 were below Budget 2014 projections. Interest rates fell in early 2015, and in the first quarter of 2015 were lower than anticipated at the time of Budget 2015.

The unemployment rate declined from 7.1 percent in 2013 to 6.9 percent in 2014. Consumer Price Index (CPI) inflation remained below the mid-point of the Bank of Canada's target band in 2013 and 2014. Reflecting excess slack in the economy and lower commodity prices, CPI inflation in 2014 was lower than projected in Budget 2014.

[1] This section incorporates data available up to and including August 10, 2015.

Average Private Sector Forecasts
(Percent)

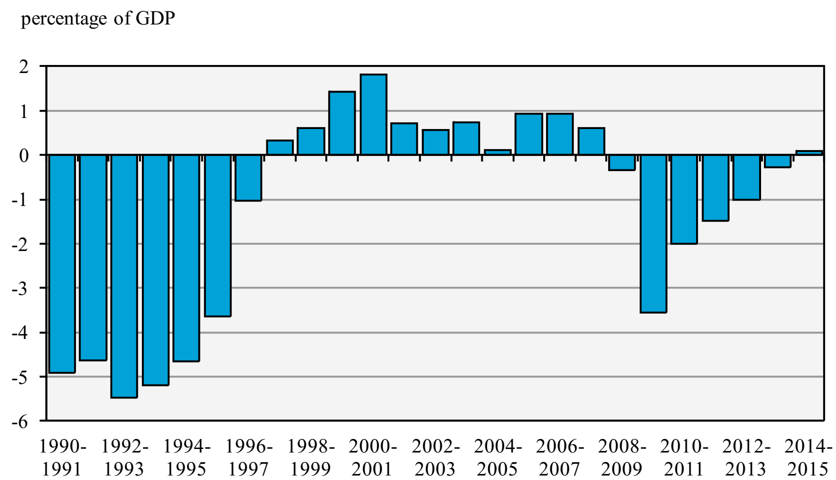
	2013	2014	2015
Real GDP Growth (%)			
December 2013 Survey / Economic Action Plan 2014	1.7	2.3	2.5
March 2015 Survey / Economic Action Plan 2015	2.0	2.5	2.0
Actual	2.0	2.4	
Nominal GDP Growth (%)			
December 2013 Survey / Economic Action Plan 2014	3.2	3.9	4.5
March 2015 Survey / Economic Action Plan 2015	3.4	4.4	1.6
Actual	3.4	4.3	
3-Month Treasury Bill Rate (%)			
December 2013 Survey / Economic Action Plan 2014	1.0	1.0	1.5
March 2015 Survey / Economic Action Plan 2015	1.0	0.9	0.6
Actual	1.0	0.9	
10-Year Government Bond Rate (%)			
December 2013 Survey / Economic Action Plan 2014	2.3	3.0	3.5
March 2015 Survey / Economic Action Plan 2015	2.3	2.2	1.7
Actual	2.3	2.2	
Unemployment Rate (%)			
December 2013 Survey / Economic Action Plan 2014	7.1	6.8	6.6
March 2015 Survey / Economic Action Plan 2015	7.1	6.9	6.7
Actual	7.1	6.9	
Consumer Price Index Inflation (%)			
December 2013 Survey / Economic Action Plan 2014	1.0	1.5	1.9
March 2015 Survey / Economic Action Plan 2015	1.0	1.9	0.9
Actual	1.0	1.9	

Source: December 2013 private sector survey for Budget 2014 and March 2015 private sector survey for Budget 2015.
Statistics Canada data for actual.

The Budgetary Balance

The Government posted a budgetary surplus of $1.9 billion in 2014-2015. The following graph shows the Government's budgetary balance since 1990-1991. To enhance the comparability of results over time and across jurisdictions, the budgetary balance and its components are presented as a percentage of GDP. In 2014-2015, the budgetary surplus was 0.1 percent of GDP, compared to a deficit of 0.3 percent of GDP a year earlier.

Annual Surplus/Deficit



The 2014-2015 budgetary surplus of $1.9 billion compares to a deficit of $5.2 billion in 2013-2014.

Revenues were up $10.7 billion, or 3.9 percent, from the prior year, reflecting increases across all major revenue streams.

Expenses were up $3.6 billion, or 1.3 percent, from the prior year. Program expenses increased by $5.2 billion, reflecting increases in major transfers to persons and other levels of government, offset in part by decreases in other transfer payments and other program expenses. Public debt charges decreased by $1.6 billion, or 5.8 percent, from the prior year, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

2014-2015 Financial Highlights

	2014-2015	2013-2014 [1]
Consolidated Statement of Operations		
Revenues	282,346	271,677
Expenses —		
Program expenses	253,841	248,607
Public debt charges	26,594	28,220
Total expenses	280,435	276,827
Annual (surplus) or deficit	***(1,911)***	***5,150***
Percentage of GDP	*(0.1%)*	*0.3%*
Consolidated Statement of Financial Position		
Liabilities —		
Interest-bearing debt	899,986	889,993
Other	123,631	111,730
Total liabilities	1,023,617	1,001,723
Financial assets	336,658	319,409
Net debt	***686,959***	***682,314***
Non-financial assets	74,629	70,433
Accumulated deficit	***612,330***	***611,881***
Percentage of GDP	*31.0%*	*32.3%*

[1] Certain comparative figures have been reclassified to conform to the current year's presentation.

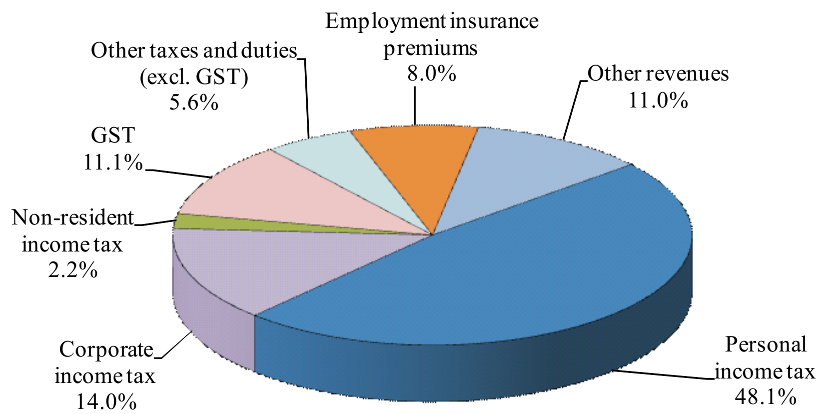
Revenues

Federal revenues can be broken down into four main categories: income taxes, other taxes and duties, Employment Insurance (EI) premiums and other revenues. Within the income tax category, personal income tax revenues are the largest source of federal revenues, and accounted for 48.1 percent of total revenues in 2014-2015 (the same percentage as in 2013-2014). Corporate income tax revenues are the second largest source of revenues, and accounted for 14.0 percent of total revenues in 2014-2015 (up from 13.5 percent in 2013-2014). Non-resident income taxes are a comparatively smaller source of revenues, accounting for only 2.2 percent of total revenues in 2014-2015, down from 2.4 percent in 2013-2014.

Other taxes and duties consist of revenues from the Goods and Services Tax (GST), energy taxes, customs import duties and other excise taxes and duties. The largest component of this category-GST revenues-accounted for 11.1 percent of all federal revenues in 2014-2015, down from 11.4 percent in 2013-2014. The share of the remaining components was unchanged at 5.6 percent of total federal revenues.

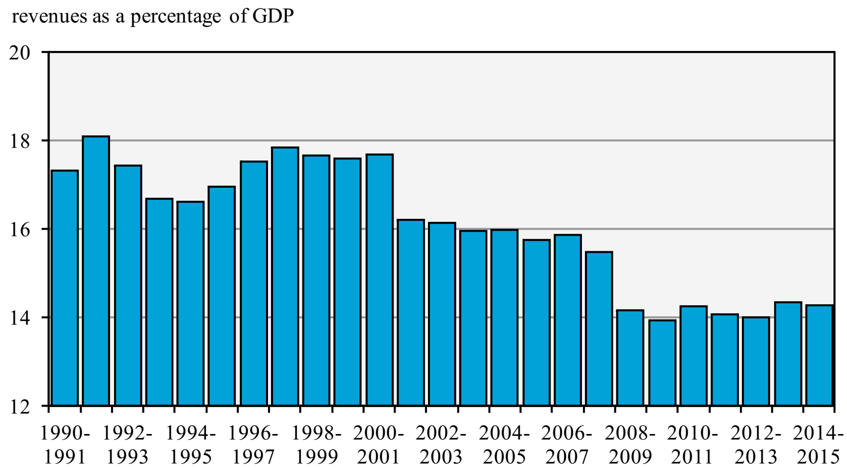
The last two categories of federal revenues, EI premium revenues and other revenues, which include such items as profits of enterprise Crown corporations, net foreign exchange and interest and penalties revenues, accounted for 8.0 and 11.0 percent of total federal revenues respectively in 2014-2015, unchanged from the previous year.

Composition of Revenues for 2014-2015



The revenue ratio — revenues as a percentage of GDP — compares the total of all federal revenues to the size of the economy. This ratio is influenced by changes in statutory tax rates and by economic developments. The ratio stood at 14.3 percent in 2014-2015, which was slightly lower than in 2013-2014. This relative decrease reflects the fiscal cost of tax relief measures for families announced in the fall of 2014 (notably the Family Tax Cut) as well as the fact that a number of one-time factors temporarily increased revenues and the revenue ratio in 2013-2014. Overall, the revenue ratio has declined since 2001-2002, due primarily to tax reduction measures.

Revenue Ratio



Revenues Compared to 2013-2014

The following table compares revenues for 2014-2015 to 2013-2014.

Revenues

	2014-2015	2013-2014	Change: Absolute	Change: Percent
	(in millions of dollars)			%
Income tax revenues —				
Personal	135,743	130,811	4,932	3.8
Corporate	39,447	36,587	2,860	7.8
Non-resident	6,216	6,404	(188)	(2.9)
Total	**181,406**	**173,802**	**7,604**	**4.4**
Other taxes and duties —				
Goods and services tax	31,349	30,998	351	1.1
Energy taxes	5,528	5,486	42	0.8
Customs import duties	4,581	4,239	342	8.1
Other excise taxes and duties	5,724	5,413	311	5.7
Total	**47,182**	**46,136**	**1,046**	**2.3**
Employment insurance premiums	**22,564**	**21,766**	**798**	**3.7**
Other revenues	**31,194**	**29,973**	**1,221**	**4.1**
Total revenues	**282,346**	**271,677**	**10,669**	**3.9**

Total revenues increased by $10.7 billion in 2014-2015, reflecting growth in all major revenue streams.

Personal income tax revenues increased by $4.9 billion, or 3.8 percent, reflecting gains in personal income.

Corporate income tax revenues increased by $2.9 billion, or 7.8 percent, reflecting growth in corporate taxable income which was broadly distributed across industry sectors.

Non-resident income tax revenues decreased by $0.2 billion, or 2.9 percent. This decrease reflects one-time factors which raised 2013-2014 revenues but did not recur this year.

Other taxes and duties increased by $1.0 billion, or 2.3 percent. GST revenues grew by $0.4 billion in 2014-2015, or 1.1 percent, while energy taxes grew by $42 million, or 0.8 percent. Customs import duties and other excise taxes and duties each increased by $0.3 billion.

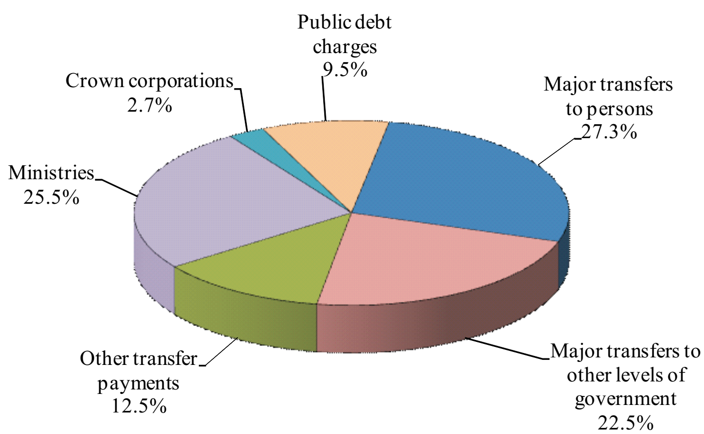
EI premium revenues increased by $0.8 billion, or 3.7 percent, reflecting growth in insurable earnings.

Other revenues increased by $1.2 billion, or 4.1 percent, in 2014-2015, largely reflecting an increase in revenues from Crown corporations, offset in part by a decrease in interest and penalties.

Expenses

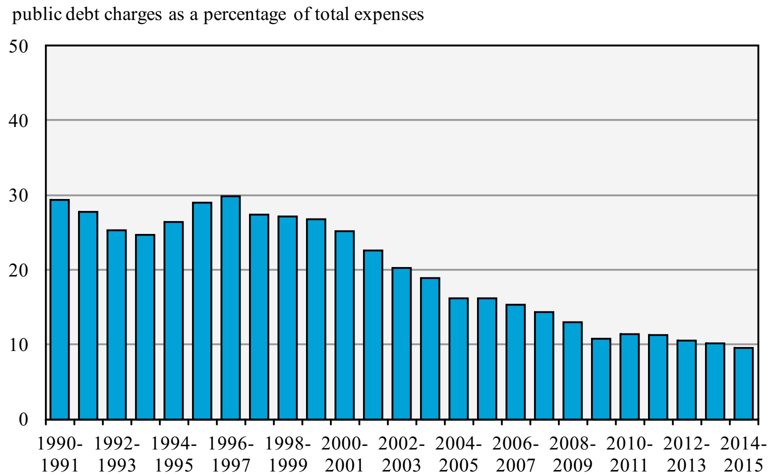
Federal expenses can be broken down into three main categories: transfer payments, which account for over half of all federal spending, other program expenses and public debt charges. Within these three main categories, the largest major component of expenses in 2014-2015 was major transfers to persons, which made up 27.3 percent of total expenses. This category consists of elderly benefits, EI benefits, the Canada Child Tax Benefit and the Universal Child Care Benefit. The second largest component of expenses was ministries expenses, which accounted for 25.5 percent of total expenses. Ministries expenses represent the operating expenses of more than 100 government departments and agencies, including National Defence. Major transfers to other levels of government — which include the Canada Health Transfer, the Canada Social Transfer, fiscal arrangements (Equalization, transfers to the territories, a number of smaller transfer programs and the Quebec Abatement), transfers to provinces on behalf of Canada's cities and communities, and other transfers — made up 22.5 percent of total expenses in 2014-2015. Other transfer payments, which include transfers to Aboriginal peoples, assistance to farmers, students and businesses, support for research and development, and foreign aid and international assistance, made up 12.5 percent of expenses, while Crown corporations accounted for 2.7 percent of total expenses. Public debt charges made up the remaining 9.5 percent of total expenses in 2014-2015.

Composition of Expenses for 2014-2015



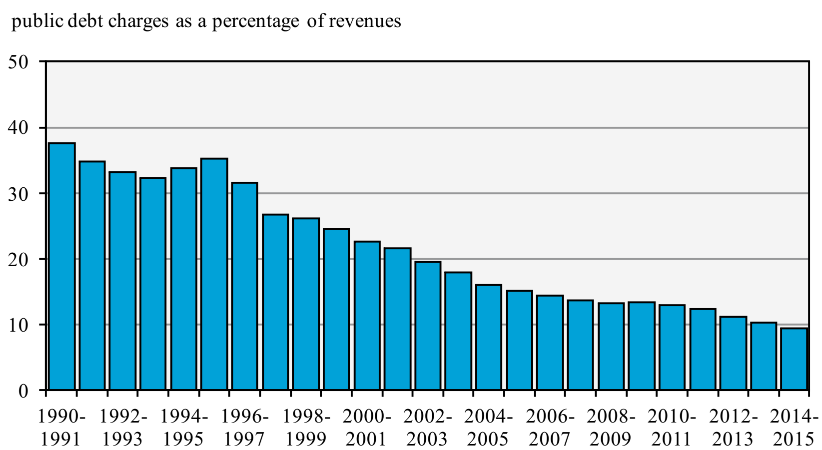
There has been a large shift in the composition of total expenses since the early 1990s. Public debt charges were the largest component for most of the 1990s, given the large and increasing stock of interest-bearing debt and high average effective interest rates on that stock of debt. Since reaching a high of nearly 30 percent of total expenses in 1996-1997, the share of public debt charges in total expenses has fallen by two-thirds.

Public Debt Charges



The interest ratio (public debt charges as a percentage of revenues) has been decreasing in recent years, falling from a peak of 37.6 percent in 1990-1991 to 10.4 percent in 2013-2014. The ratio continued to fall in 2014-2015, reaching 9.4 percent. This means that, in 2014-2015, the Government spent approximately 9 cents of every revenue dollar on interest on the public debt.

Interest Ratio



Expenses Compared to 2013-2014

Total expenses amounted to $280.4 billion in 2014-2015, up $3.6 billion, or 1.3 percent, from 2013-2014.

The following table compares total expenses for 2014-2015 to 2013-2014.

Expenses

	2014-2015	2013-2014	Change: Absolute	Change: Percent
	(in millions of dollars)			%
Transfer payments —				
Major transfers to persons —				
Elderly benefits [1]	44,103	41,786	2,317	5.5
Employment insurance benefits	18,052	17,300	752	4.3
Children's benefits	14,303	13,136	1,167	8.9
Total	**76,458**	**72,222**	**4,236**	**5.9**
Major transfers to other levels of government —				
Federal transfer support for health and other social programs	44,696	42,758	1,938	4.5
Fiscal arrangements and other transfers	18,413	17,717	696	3.9
Total	**63,109**	**60,475**	**2,634**	**4.4**
Other transfer payments	35,126	36,698	(1,572)	(4.3)
Total transfer payments	**174,693**	**169,395**	**5,298**	**3.1**
Other program expenses —				
Crown corporations	7,590	7,484	106	(1.4)
Ministries	71,558	71,728	(170)	(0.2)
Total other program expenses	**79,148**	**79,212**	**(64)**	**(0.1)**
Program expenses	**253,841**	**248,607**	**5,234**	**2.1**
Public debt charges	**26,594**	**28,220**	**(1,626)**	**(5.8)**
Total expenses	**280,435**	**276,827**	**3,608**	**1.3**

(1) Elderly benefits consist of old age security benefits, guaranteed income supplement and spouse's allowance.

Major transfers to persons increased by $4.2 billion in 2014-2015, reflecting increases in elderly, children's and EI benefits. Elderly benefits increased by $2.3 billion, or 5.5 percent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. This increase also reflects the accrual of retroactive benefit payments. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $1.2 billion, due mainly to the accrual of benefits related to the expansion and enhancement of the Universal Child Care Benefit for the January to March 2015 period. EI benefits increased by $0.8 billion in 2014-2015, reflecting higher average regular benefits, as well as increased special benefits (e.g. for maternity, parental and sickness purposes).

Major transfers to other levels of government increased by $2.6 billion in 2014-2015, primarily reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

Other transfer payments decreased by $1.6 billion, or 4.3 percent, in 2014-2015, largely reflecting the one-time accrual in 2013-2014 of a liability for disaster assistance related to the 2013 flood in Alberta as well as decreases in spending across a number of departments in 2014-2015. These decreases were offset in part by an increase in Aboriginal claims expenses.

Other program expenses decreased from $79.2 billion in 2013-2014 to $79.1 billion in 2014-2015, down $0.1 billion, or 0.1 percent. This spending component consists of operating expenses of Crown corporations, departments and agencies, including National Defence, as well as expenses related to the periodic reassessment of estimates and assumptions underlying the valuation of government assets and liabilities. Within this component, expenses of consolidated Crown corporations increased by $0.1 billion, or 1.4 percent, and operating expenses of departments and agencies decreased by $0.2 billion, or 0.2 percent.

Public debt charges decreased by $1.6 billion, or 5.8 percent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Comparison of Actual Results to Budget Projections

Comparison to April 2015 Budget Plan

The $1.9-billion surplus recorded in 2014-2015 represents a $3.9 billion improvement over the $2.0-billion deficit projected in the April 2015 Budget. Revenues were $3.0 billion (1.1 percent) higher than expected, primarily reflecting gains in personal and corporate income tax revenues.

Program expenses were $0.8 billion lower than forecast, largely reflecting lower-than-expected direct program expenses, which are comprised of other transfer payments and other program expenses. This is attributed in part to a higher-than-expected lapse of departmental spending authorities.

Public debt charges in 2014-2015 were $0.1 billion lower than forecast in the April 2015 budget, reflecting a lower-than-expected average interest rate on the stock of interest bearing debt.

Comparison of 2014-2015 Outcomes to April 2015 Budget

	Projection	Actual	Difference
	(in millions of dollars)		
Revenues	279,323	282,346	3,023
Expenses —			
Program expenses	254,632	253,841	(791)
Public debt charges	26,689	26,594	(95)
Total expenses	281,321	280,435	(886)
Annual deficit or (surplus)	**1,998**	**(1,911)**	**(3,909)**

Comparison to February 2014 Budget Plan

The 2014-2015 budgetary surplus represents a $4.0 billion improvement over the $2.1-billion deficit forecast in the February 2014 Budget, primarily reflecting higher-than-forecast revenues.

Revenues were $6.0 billion (2.2 percent) higher than forecast in the February 2014 budget, primarily reflecting stronger-than-expected growth in other revenues. Other revenues grew more than projected due in large part to foreign exchange gains, stronger-than-expected revenues from Crown corporations, and gains from asset sales in excess of amounts provisioned at the time of the Budget (including the fiscal gain realized on the transfer to Ontario of the Province's one-third portion of the Government's holdings of General Motors shares and spectrum auction revenues).

Total expenses were $2.0 billion higher than projected in the February 2014 budget.

Major transfers to persons were $1.8 billion higher than projected, almost entirely due to the introduction of the enhanced Universal Child Care Benefit. The February 2014 budget did not include any projections for the enhancement, which was announced in October 2014 and was effective January 2015.

Major transfers to other levels of government were $0.6 billion higher than forecast due to a lower-than-forecast value for the Quebec Abatement and also due to the settlement of an outstanding Stabilization claim with Quebec.

Direct program expenses, which are comprised of other transfer payments, Crown corporation expenses and Ministries' expenses, were $1.3 billion higher than projected in the February 2014 budget. Higher-than-expected direct program expenses were entirely due to Crown corporation expenses, which were $1.3 billion higher than expected. Other transfer payments, which were $0.7 billion lower than forecast, were offset by Ministries' operating expenses, which were $0.6 billion higher than forecast.

The higher-than-expected Crown corporation expenses were largely due to expenses of the Canadian Commercial Corporation, a Crown corporation that signed new defence export contracts, which resulted in both higher expenses and revenues. This was reflected in the April 2015 budget forecast.

Public debt charges in 2014-2015 were $1.6 billion lower than forecast in the February 2014 budget, largely reflecting a lower-than-expected average effective interest rate on the stock of market debt and lower adjustments on Real Return Bonds resulting from lower-than-expected inflation.

Comparison of 2014-2015 Outcomes to February 2014 Budget

	Budget [1]	Actual	Difference
	(in millions of dollars)		
Revenues —			
Income tax revenues	180,405	181,406	1,001
Other taxes and duties	47,049	47,182	133
Employment insurance premiums	22,655	22,564	(91)
Other revenues	26,229	31,194	4,965
Total revenues	**276,338**	**282,346**	**6,008**
Expenses —			
Program expenses			
Major transfers to persons	74,678	76,458	1,780
Major transfers to other levels of government	62,559	63,109	550
Other transfer payments	35,812	35,126	(686)
Other program expenses	77,192	79,148	1,956
Total program expenses	**250,241**	**253,841**	**3,600**
Public debt charges	**28,175**	**26,594**	**(1,581)**
Total expenses	**278,416**	**280,435**	**2,019**
Annual deficit or (surplus)	**2,078**	**(1,911)**	**(3,989)**

(1) To enhance comparability with actual 2014-2015 results, Budget 2014 amounts have been restated to reflect the change in the Government's accounting policy for bond buy-back operations in 2013-2014. This restatement has resulted in an $800 million decrease in budgeted public debt charges and a corresponding decrease in the budgeted 2014-2015 annual deficit.

Accumulated Deficit

The accumulated deficit is the difference between the Government's total liabilities and total assets. The annual change in the accumulated deficit represents the annual budgetary balance plus other comprehensive income or loss. Other comprehensive income or loss is comprised of certain unrealized gains and losses on financial instruments and certain actuarial gains and losses related to pensions and other employee future benefits reported by enterprise Crown corporations and other government business enterprises. Based on the recommendations of the Public Sector Accounting Board, other comprehensive income or loss is not included in the Government's annual budgetary balance, but is instead recorded directly to the Government's Consolidated Statement of Accumulated Deficit and Consolidated Statement of Change in Net Debt.

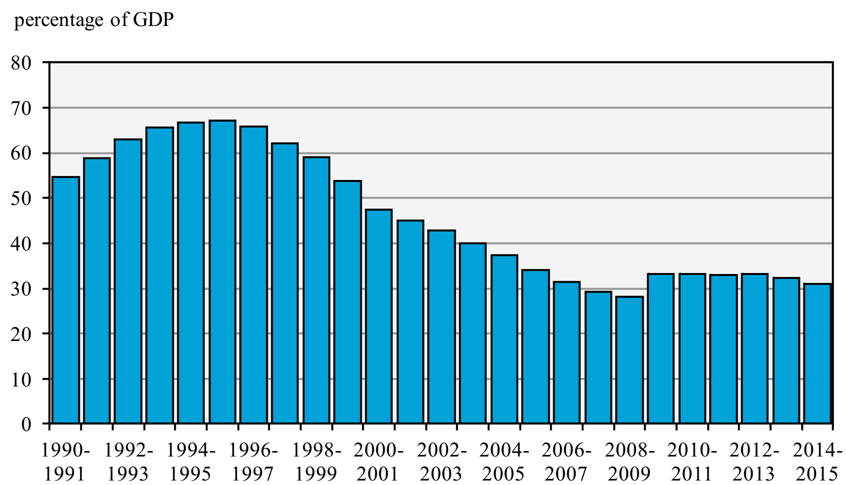
Accumulated Deficit

	2014-2015	2013-2014	Difference
	(in millions of dollars)		
Accumulated deficit at beginning of year	**611,881**	**609,391**	**2,490**
Annual (surplus) or deficit	(1,911)	5,150	(7,061)
Other comprehensive loss or (income)	2,360	(2,660)	5,020
Accumulated deficit at end of year	**612,330**	**611,881**	**449**

The accumulated deficit increased by $0.4 billion in 2014-2015, as the 2014-2015 budgetary surplus of $1.9 billion was more than offset by a $2.4 billion other comprehensive loss. The $2.4 billion other comprehensive loss reflects $0.5 billion in net unrealized losses on available-for-sale financial assets and $1.9 billion in net actuarial losses on pension and other employee future benefits recorded by enterprise Crown corporations and other government business enterprises.

As a percentage of GDP, the accumulated deficit has fallen from a post-World War II peak of 67.1 percent at March 31, 1996 to 31.0 percent at March 31, 2015.

Accumulated Deficit



As noted above, the accumulated deficit is the difference between the Government's total liabilities and total assets. Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Total assets include both financial and non-financial assets, the latter consisting primarily of capital assets. The following sections provide more details on each of these components.

Consolidated Statement of Financial Position

	2014-2015	2013-2014 (1)	Difference
		(in millions of dollars)	
Liabilities			
Accounts payable and accrued liabilities	123,631	111,730	11,901
Interest-bearing debt —			
Unmatured debt	665,180	658,958	6,222
Pensions and other future benefits	228,804	225,121	3,683
Other liabilities	6,002	5,914	88
Total	899,986	889,993	9,993
Total liabilities	**1,023,617**	**1,001,723**	**21,894**
Financial assets			
Cash and accounts receivable	136,696	128,574	8,122
Foreign exchange accounts	85,018	72,262	12,756
Loans, investments and advances	113,681	117,635	(3,954)
Public sector pension assets	1,263	938	325
Total financial assets	**336,658**	**319,409**	**17,249**
Net debt	***686,959***	***682,314***	***4,645***
Non-financial assets	**74,629**	**70,433**	**4,196**
Accumulated deficit	***612,330***	***611,881***	***449***

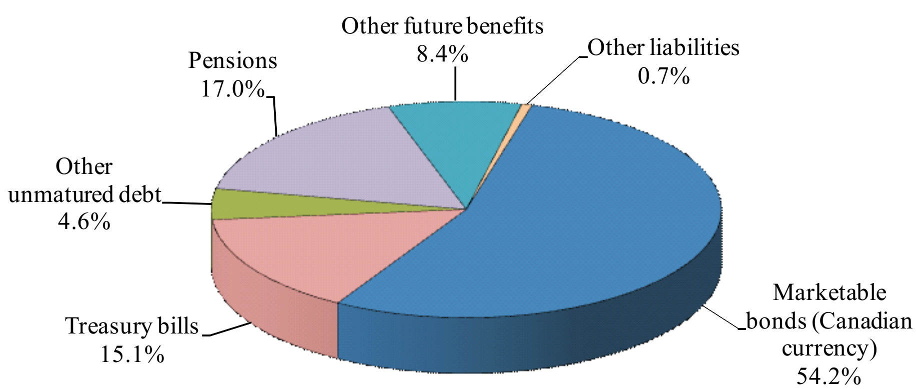
(1) Certain comparative figures have been reclassified to conform to the current year's presentation.

Interest-Bearing Debt

Interest-bearing debt includes unmatured debt, or debt issued on the credit markets, obligations for pensions and other future benefits, and other liabilities. Unmatured debt, which includes fixed-coupon marketable bonds, Real Return Bonds, treasury bills, retail debt (Canada Savings Bonds and Canada Premium Bonds), foreign-currency-denominated debt, and obligations related to capital leases, amounted to 73.9 percent of interest-bearing debt at March 31, 2015. Obligations for pensions and other future benefits include obligations for: federal public sector pension plans; disability and associated benefits available to war veterans, current and retired members of the Canadian Forces and the Royal Canadian Mounted Police, their survivors and dependants; health care and dental plans available to retired employees and their dependants; accumulated sick leave entitlements; severance benefits; workers' compensation benefits; and other future benefit plans maintained by consolidated Crown corporations and other entities. Obligations for federal public sector pension plans made up 17.0 percent of interest-bearing debt and other employee and veteran future benefits accounted for an additional 8.4 percent of interest-bearing debt. The remaining 0.7 percent of interest-bearing debt represents other interest-bearing liabilities of the Government, which include deposit and trust accounts and other specified purpose accounts.

The share of total interest-bearing debt represented by unmatured debt had been declining since the mid-1990s, as the Government was able to retire some of this debt. This trend reversed in 2008-2009 due to the increase in financial requirements stemming from the stimulus phase of the Economic Action Plan, as well as an increase in borrowings under the consolidated borrowing framework introduced in 2008. Under the consolidated borrowing framework, the Government finances all of the borrowing needs of the Canada Mortgage and Housing Corporation (CMHC), the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market.

Interest-Bearing Debt by Category for 2014-2015



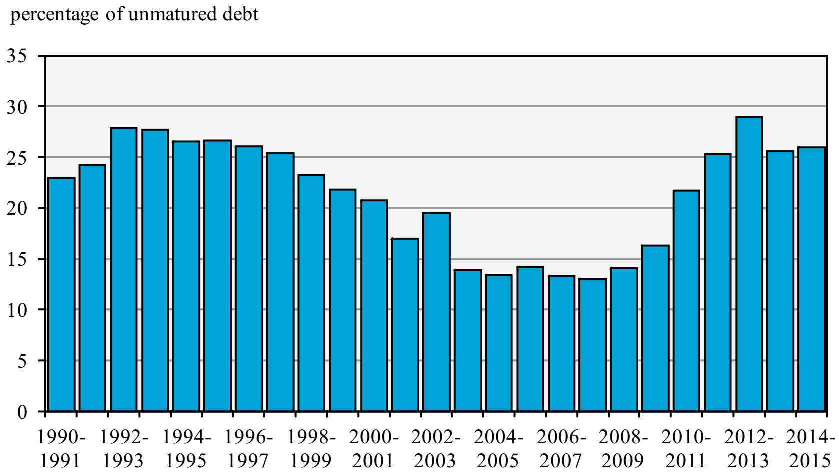
At March 31, 2015, interest-bearing debt totalled $900.0 billion, up $10.0 billion from March 31, 2014. Within interest-bearing debt, unmatured debt increased by $6.2 billion, liabilities for pensions decreased by $0.5 billion, liabilities for other employee and veteran future benefits increased by $4.2 billion, and other liabilities increased by $0.1 billion.

The $6.2 billion increase in unmatured debt largely reflects a $4.3 billion increase in the value of cross-currency swaps due to exchange rate movements and a $1.1 billion increase in unamortized discounts and premiums on market debt.

The Bank of Canada and the Department of Finance manage the Government's unmatured debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management objectives and principles are tabled annually in Parliament through the Department of Finance's *Debt Management Strategy*.

Foreign holdings of the Government's unmatured debt are estimated at $172.9 billion, representing approximately 26.0 percent of the Government's total unmatured debt.

Foreign Holdings of Government of Canada Unmatured Debt



The Government's net liabilities for pensions and other future benefits stood at $227.5 billion at March 31, 2015, up $3.4 billion from the prior year. These net liabilities represent the estimated present value of future pension and other benefits earned to March 31, 2015 by current and former employees, net of the value of assets set aside to fund these obligations, as measured annually on an actuarial basis.

The following table illustrates the change in the Government's liabilities for pensions and other future benefits, net of public sector pension assets, in 2014-2015.

Net future benefit liabilities

	Pensions	Other future benefits	Total
	(in millions of dollars)		
Net future benefit liabilities at beginning of year [1]	**152,224**	**71,959**	**224,183**
Add:			
Benefits earned during the year	6,602	2,844	9,446
Interest on the accrued benefit obligations, net of the expected return on investments	7,796	2,857	10,653
Actuarial losses recognized during the year	999	2,037	3,036
Plan amendments, curtailments and settlements [2]	(57)	1,569	1,512
	15,340	9,307	24,647
Deduct:			
Benefits paid by employer during the year	10,468	5,059	15,527
Transfers to the PSPIB [3]	4,554		4,554
Transfers to external trusts [4]	282	1	283
Net transfers to other plans and administrative expenses	859	66	925
	16,163	5,126	21,289
Net (decrease) or increase	**(823)**	**4,181**	**3,358**
Net future benefit liabilities at end of year	**151,401**	**76,140**	**227,541**
Presented on the Consolidated Statement of Financial Position as:			
Public sector pension liabilities			152,664
Other employee and veteran future benefit liabilities			76,140
Total pension and other future benefit liabilities			228,804
Public sector pension assets			1,263
Net future benefit liabilities			**227,541**

(1) A significant class of pension and other future benefits related to consolidated Crown corporations and other entities was reclassified from other accounts payable and accrued liabilities to public sector pensions and other future benefits.
(2) Amounts shown include actuarial gains and losses recognized immediately upon a plan amendment, settlement or curtailment.
(3) With respect to the Government's funded pension plans, amounts equal to employer and employee contributions or Government and member contributions less benefits and other payments are transferred to the PSPIB for investment.
(4) Funds related to pension and other future benefit plans of consolidated Crown corporations and other entities are held in legally separate external trusts.

The increase in net liabilities for pensions and other future benefits in 2014-2015 reflects the addition of $9.4 billion in future benefits earned by employees during the year as well as $10.7 billion in net interest charges on the liabilities. Accounting standards require that liabilities due a long time into the future be recorded at their estimated present, or discounted, value. For the Government's funded pension benefits, which relate to post-March 2000 service under its three main pension plans — the public service, Canadian Forces – Regular Force, and Royal Canadian Mounted Police pension plans — as well as benefits under the Canadian Forces – Reserve Force pension plan, the discount rate is based on the streamed expected rates of return on invested funds. For benefits related to pre-April 2000 service under these main plans, as well as benefits under several smaller plans sponsored by the Government, which are unfunded, the discount rate is based on the streamed weighted average of long-term bond rates. For the Government's other future benefit plans, the discount rate reflects the expected long-term bond rate. Interest is recorded on the liabilities for pensions and other future benefits each year, net of the expected return on investments associated with funded benefits, to reflect the passage of time as the liabilities are one year closer to settlement. Net interest charges are recorded as part of public debt charges while benefits expense is recorded as part of ministries expenses on the Consolidated Statement of Operations and Accumulated Deficit.

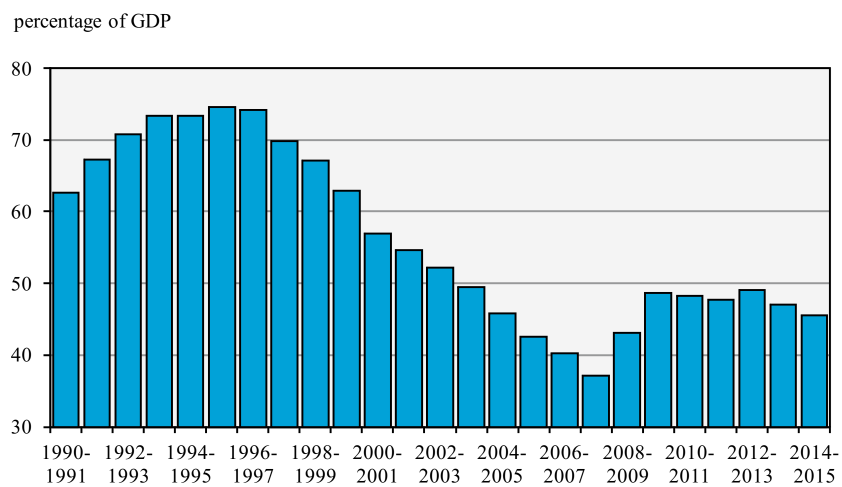
The liabilities for pensions and other future benefits increased by an additional $3.0 billion in 2014-2015 due to the amortization of actuarial gains and losses. Actuarial gains and losses represent year-over-year increases or decreases in the estimated value of the Government's pension and other future benefit obligations and the value of related assets due to changes in actuarial assumptions or actual experience different from that previously estimated. Actuarial assumptions include future inflation, interest rates, return on investments, general wage increases, workforce composition, retirement rates and mortality rates. Under Canadian Public Sector Accounting Standards, which are set independently by the Public Sector Accounting Board, actuarial gains and losses are not recognized in the liabilities immediately but instead are amortized over the expected average remaining service life of plan contributors, which represents periods ranging from 4 to 23 years, according to the plan in question. As of March 31, 2015, the Government had net unamortized losses of $39.8 billion. These losses will be reflected over time in the liabilities and recorded as part of program expenses.

The Government also recorded a $1.5 billion increase in liabilities for pensions and other future benefits to reflect the net impact of plan amendments, curtailments and settlements during the year. The largest of these amendments relates to improvements made to and the expansion of eligibility for certain benefits under the Government's veterans future benefit plans.

These increases were offset in part by reductions in the liabilities for benefits paid by the employer during the year ($15.5 billion) and for net transfers to the PSPIB for investment ($4.6 billion).

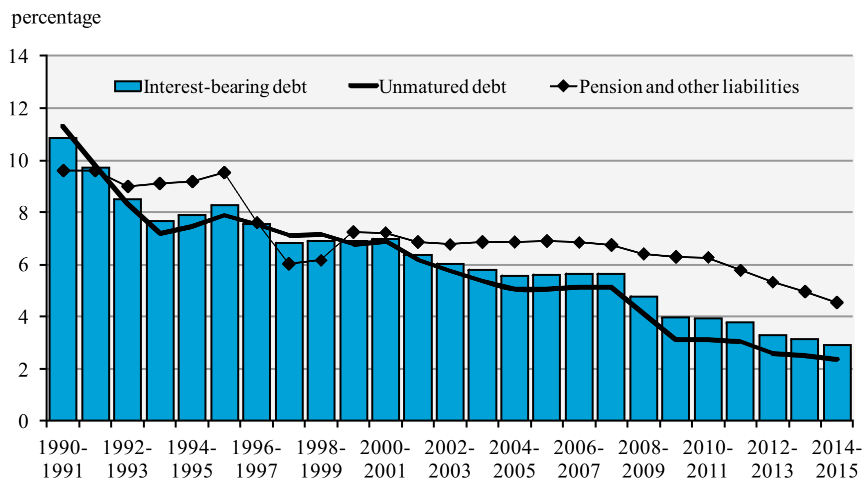
Interest-bearing debt stood at 45.6 percent of GDP in 2014-2015, down from 47.0 percent in 2013-2014. This ratio is down over 29 percentage points from its high of 74.6 percent in 1995-1996.

Interest-Bearing Debt



The average effective interest rate on the Government's interest-bearing debt in 2014-2015 was 3.0 percent, down from 3.2 percent in 2013-2014. The average effective interest rate on unmatured debt in 2014-2015 was 2.4 percent, while the average effective interest rate on pension and other liabilities was 4.7 percent. The average effective interest rate was higher on pension and other liabilities than on unmatured debt because the Government's unfunded pension liability is primarily credited with interest at rates that are calculated as though the amounts in the plans were invested in a notional portfolio of Government of Canada 20-year bonds held to maturity, whereas unmatured debt includes both short- and long-term securities.

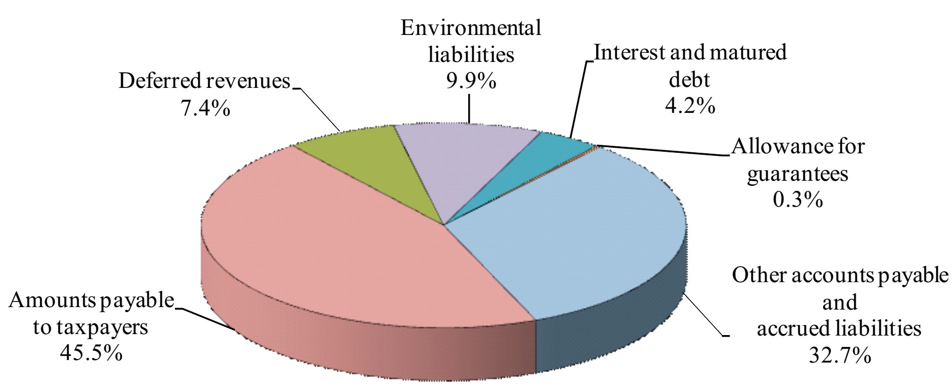
Average Effective Interest Rate on Interest-Bearing Debt



Accounts Payable and Accrued Liabilities

The following chart shows accounts payable and accrued liabilities by category for 2014-2015.

Accounts Payable and Accrued Liabilities by Category for 2014-2015



The Government's accounts payable and accrued liabilities consist of amounts payable to taxpayers based on assessments and estimates of refunds owing for tax assessments not completed by year end; environmental liabilities, which include estimated costs related to the remediation of contaminated sites and the future retirement of certain tangible capital assets; deferred revenue; interest due and matured debt, as well as accrued interest at year end; an allowance for guarantees provided by the Government; and other accounts payable and accrued liabilities. Other accounts payable and accrued liabilities include items such as accrued salaries and benefits, amounts payable to provinces, territories and Aboriginal governments for taxes collected and administered on their behalf in accordance with tax collection agreements, and amounts owing at year end pursuant to contractual arrangements or for work performed or goods received.

At March 31, 2015, accounts payable and accrued liabilities totalled $123.6 billion, up $11.9 billion from March 31, 2014. This increase is mainly due to growth in other accounts payable and accrued liabilities, deferred revenue and amounts payable to taxpayers.

Other accounts payable and accrued liabilities increased by $2.3 billion in 2014-2015. Within this component, accrued salaries and benefits increased by $1.1 billion, due mainly to the implementation of a payment-in-arrears payroll practice for government employees in 2014-2015. Liabilities under provincial, territorial and Aboriginal tax agreements increased by $1.0 billion in 2014-2015 due to settlements of prior year's tax assessments and timing differences.

Deferred revenue increased by $5.2 billion in 2014-2015. This increase is due in large part to a combined $4.7 billion in license fees received in 2014-2015 under the 700 megahertz wireless spectrum auction and Advanced Wireless Services auction. These fees will be recognized as other program revenues on a straight-line basis over the 20-year terms of the licenses.

Amounts payable to taxpayers increased by $3.6 billion in 2014-2015, from $52.6 billion at March 31, 2014 to $56.2 billion at March 31, 2015.

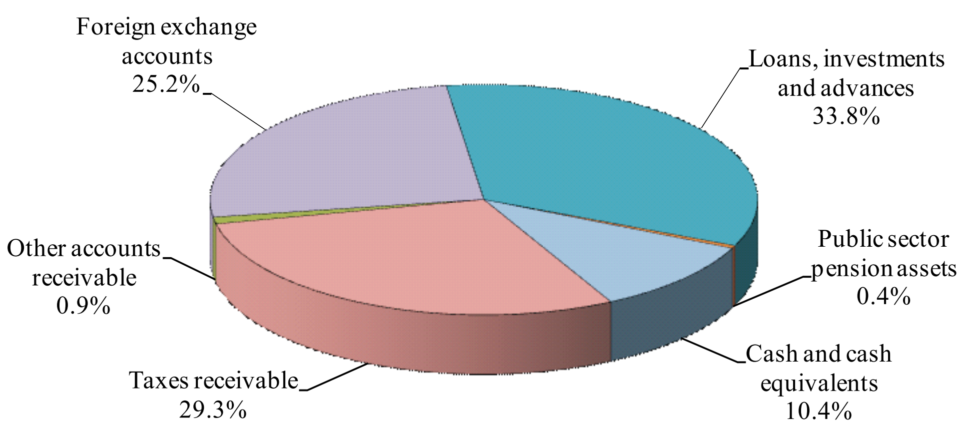
Environmental liabilities increased by $1.2 billion in 2014-2015, reflecting an increase in the estimated future costs related to remediation of contaminated sites.

Liabilities for interest and matured debt decreased by $0.3 billion from the prior year, reflecting lower interest rates, while allowances for guarantees provided by the Government decreased by $0.1 billion.

Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable, foreign exchange accounts, loans, investments and advances, and public sector pension assets of consolidated Crown corporations and other entities. The Government's foreign exchange accounts include foreign currency deposits, investments in gold, and subscriptions and loans to the International Monetary Fund. Proceeds of the Government's foreign currency borrowings are held in the Exchange Fund Account to provide foreign currency liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the Government's annual *Report on the Management of Canada's Official International Reserves*. The Government's loans, investments and advances include its investments in and loans to enterprise Crown corporations, loans to national governments mainly for financial assistance and development of export trade, and loans under the Canada Student Loans Program.

Financial Assets by Category for 2014-2015



At March 31, 2015, financial assets amounted to $336.7 billion, up $17.2 billion from March 31, 2014. The increase in financial assets largely reflects an increase in the Government's foreign exchange accounts and an increase in taxes and other accounts receivable.

At March 31, 2015, cash and cash equivalents totalled $35.0 billion, up $3.6 billion from March 31, 2014. Included in the March 31, 2015 balance of cash and cash equivalents is $20 billion which has been designated as a deposit held at the Bank of Canada with respect to prudential liquidity management. The Government's overall liquidity is maintained at a level sufficient to cover at least one month of net projected cash flows, including coupon payments and debt refinancing needs.

Taxes receivable increased by $6.0 billion during 2014-2015 to $98.5 billion, while other accounts receivable decreased by $1.5 billion.

Foreign exchange accounts increased by $12.8 billion in 2014-2015, totalling $85.0 billion at March 31, 2015. The increase in foreign exchange accounts is due mainly to growth in foreign exchange reserves held in the Exchange Fund Account, primarily reflecting $8.4 billion in net additional advances to the Account during the year and $5.4 billion in foreign exchange gains. Under the Government's prudential liquidity plan, liquid foreign exchange reserves will continue to rise sufficiently to maintain their level at or above 3 percent of GDP.

Loans, investments and advances to enterprise Crown corporations and other government business enterprises decreased by $5.4 billion in 2014-2015. Net loans and advances decreased by $7.9 billion due mainly to the repayment of principal on assets maturing under the Insured Mortgage Purchase Program (IMPP) administered by Canada Mortgage and Housing Corporation (CMHC), while investments in Crown corporations and other government business enterprises increased by $2.5 billion. This $2.5 billion increase reflects $8.4 billion in net profits recorded by these corporations and enterprises during 2014-2015, offset in part by $2.4 billion in other comprehensive losses and $3.5 billion in dividends paid to the Government and other equity transactions.

Other loans, investments and advances increased by $1.5 billion, from $22.8 billion to $24.3 billion.

Public sector pension assets increased by $0.3 billion.

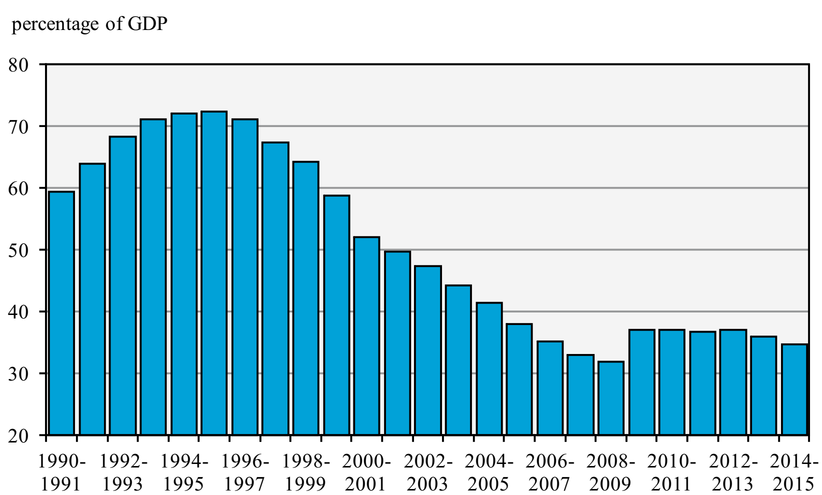
Since the accumulated deficit reached its post-World War II peak of 67.1 percent of GDP at March 31, 1996, financial assets have increased by $244.0 billion reflecting higher levels of cash and cash equivalents and accounts receivable (up $84.1 billion), an increase in the foreign exchange accounts (up $66.0 billion), and an increase in loans, investments and advances (up $92.7 billion). The increase in cash and cash equivalents and accounts receivable is largely attributable to growth in taxes receivable, broadly in line with the growth in the applicable tax bases. The increase in the foreign exchange accounts reflects a decision by the Government in the late 1990s and more recently in the 2011-2012 *Debt Management Strategy* to increase liquidity in these accounts. The increase in loans, investments and advances is attributable to several factors including the accumulation of net profits from enterprise Crown corporations, the Government taking over the financing of the Canada Student Loans Program from the chartered banks in 2000, and the issuance of direct loans to Crown corporations under the Government's consolidated borrowing framework implemented in 2008.

Net Debt

The Government's net debt — its total liabilities less financial assets — stood at $687.0 billion at March 31, 2015. Net debt was 34.8 percent of GDP, down 1.2 percentage points from a year earlier, and 37.7 percentage points below its peak of 72.5 percent at March 31, 1996.

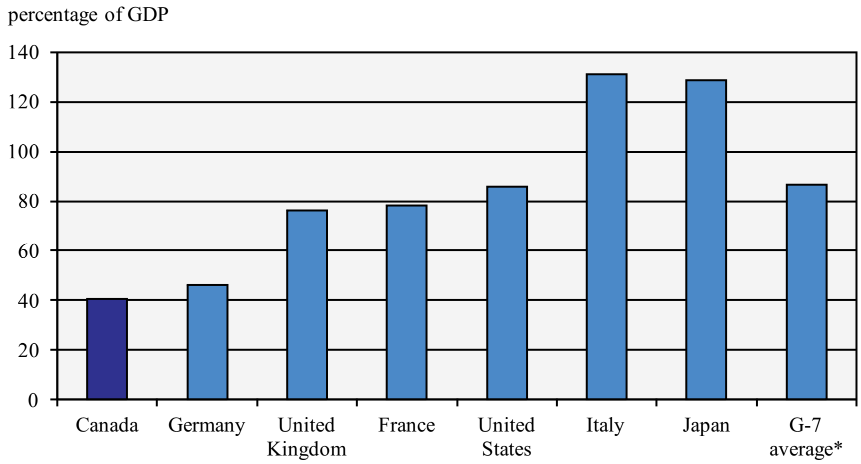
This ratio measures debt relative to the ability of the country's taxpayers to finance it. Total liabilities are reduced only by financial assets as non-financial assets cannot normally be converted to cash to pay off the debt without disrupting government operations.

Net Debt



Canada Has the Lowest Total Government Net Debt Burden Among G-7 Countries

G-7 Total Government Net Debt, 2014



*Weighted by GDP on a Purchasing Power Parity (PPP) basis.
Source: OECD Economic Outlook, No. 97 (June 2015).

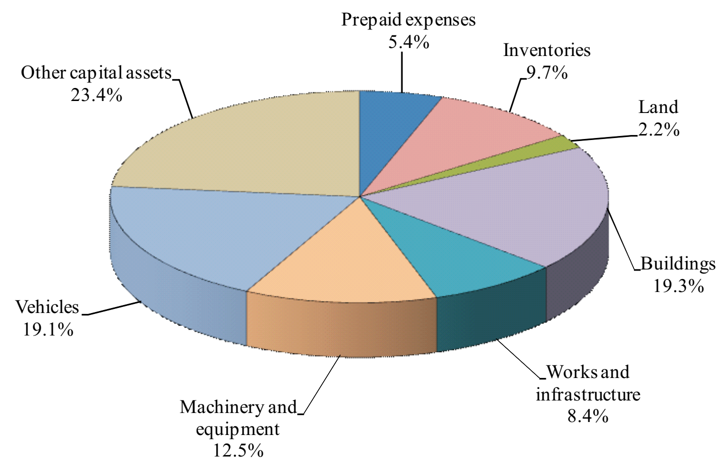
Canada's total government net debt-to-GDP ratio stood at 40.4 percent in 2014, according to the OECD. This is the lowest level among G-7 countries, which the OECD estimates will record an average net debt of 86.8 percent of GDP in that same year.

International comparisons of net debt are made on a total government, National Accounts basis, which for Canada includes the net debt of federal, provincial/territorial and local governments, as well as the net assets held in the Canada Pension Plan and Quebec Pension Plan.

Non-Financial Assets

Non-financial assets include the net book value of the Government's tangible capital assets, which include land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses and other non-financial assets.

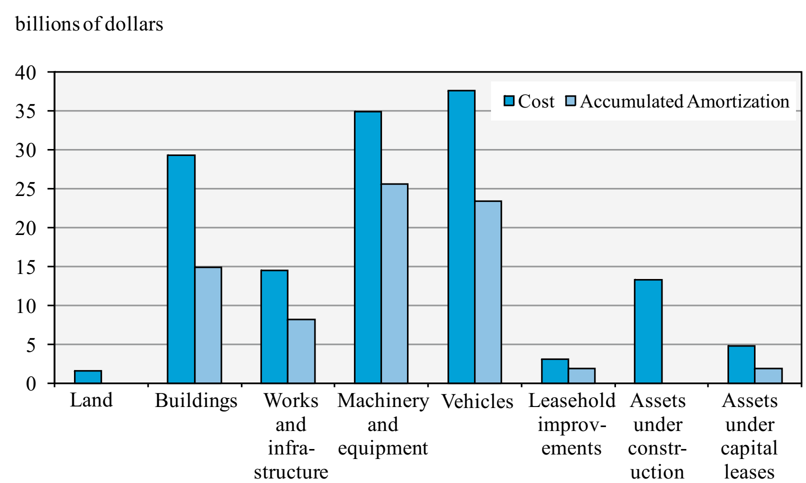
Non-Financial Assets by Category for 2014-2015



At March 31, 2015, non-financial assets stood at $74.6 billion, up $4.2 billion from a year earlier. Of this growth, $1.4 billion relates to an increase in tangible capital assets while $2.9 billion relates to an increase in prepaid expenses and other non-financial assets. This latter increase is due mainly to growth in advances and progress payments to Canadian exporters made by the Canadian Commercial Corporation.

At March 31, 2015, roughly 61 percent of the original cost of the Government's depreciable tangible capital assets had been amortized, unchanged from a year earlier. Depreciable tangible capital assets exclude land, and assets under construction which are not yet available for use.

Tangible Capital Asset Cost and Accumulated Amortization



Cash Flow

The annual surplus or deficit is presented on an accrual basis of accounting, recognizing revenue in the period it is earned and expenses when incurred, regardless of when the associated cash is received or paid. In contrast, the Government's net cash flow measures the difference between cash coming in to the Government and cash going out.

In 2014-2015, the Government had a total cash source of $3.2 billion before financing activities, compared to a total cash source of $23.2 billion before financing activities in 2013-2014. Operating activities resulted in a net cash requirement of $0.1 billion in 2014-2015, compared to a net cash requirement of $14.5 billion in 2013-2014, reflecting in part the improvement in the budgetary balance. Cash used by capital investment activities totalled $5.9 billion in 2014-2015, down from $6.3 billion last year. Cash provided by investing activities decreased by $34.8 billion, from $44.0 billion in 2013-2014 to $9.2 billion in 2014-2015, reflecting the wind-down of repayments of principal on assets maturing under the IMPP.

Cash Flow

	2014-2015	2013-2014
	(in millions of dollars)	
Cash used by operating activities	(103)	(14,520)
Cash used by capital investment activities	(5,850)	(6,254)
Cash provided by investing activities	9,156	43,989
Total cash provided before financing activities	*3,203*	*23,215*
Cash provided or (used) by financing activities	367	(19,127)
Net increase in cash	3,570	4,088
Cash and cash equivalents at beginning of year	31,429	27,341
Cash and cash equivalents at end of year	34,999	31,429

Financing activities generated an additional $0.4 billion source of cash in 2014-2015, resulting in an overall net increase in cash of $3.6 billion. The level of cash and cash equivalents stood at $35.0 billion at March 31, 2015.

Risks and Uncertainties

As noted in the budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic conditions — particularly to changes in economic growth, inflation and interest rates.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. As published in the April 21, 2015 budget, these show, for example, that:

- A one-year, 1-percentage-point decrease in real GDP growth would lower the budgetary balance by $4.1 billion in the first year, $4.7 billion in the second year, and $5.2 billion in the fifth year.
- A one-year, 1-percentage-point decrease in GDP inflation would lower the budgetary balance by $1.9 billion in the first year, $1.7 billion in the second year, and $1.5 billion in the fifth year.
- A sustained 100-basis-point increase in interest rates would lower the budgetary balance by $0.5 billion in the first year, $1.2 billion in the second year, and $2.0 billion in the fifth year.

While these generalized rules of thumb provide good estimates of the sensitivity of the budgetary balance to small economic changes, it is important to note that some of the estimated relationships would change in response to large economic changes.

Ten Year Comparative Financial Information

The following tables provide a ten year comparison of financial information based on the accounting policies explained in Note 1 to the audited consolidated financial statements.

Table 1.1

Government of Canada — Detailed Consolidated Statement of Operations and Accumulated Deficit

(in millions of dollars)

	Year ended March 31									
	2006	2007	2008	2009	2010	2011	2012 (2)	2013 (1)	2014	2015
Revenues —										
Tax Revenues —										
Income tax revenues —										
Personal	103,770	110,575	113,528	116,612	105,040	114,661	120,537	125,728	130,811	135,743
Corporate	33,209	39,361	42,212	31,243	32,247	31,953	33,641	34,986	36,587	39,447
Non-resident	4,529	4,877	5,693	6,298	5,293	5,137	5,300	5,073	6,404	6,216
	141,508	*154,813*	*161,433*	*154,153*	*142,580*	*151,751*	*159,478*	*165,787*	*173,802*	*181,406*
Other taxes and duties —										
Goods and services tax	33,020	31,296	29,920	25,740	26,947	28,379	28,370	28,821	30,998	31,349
Energy taxes	5,076	5,128	5,139	5,161	5,178	5,342	5,328	5,381	5,486	5,528
Customs import duties	3,330	3,704	3,903	4,036	3,490	3,520	3,862	3,979	4,239	4,581
Other excise taxes and duties	4,730	5,189	5,245	4,869	4,958	5,662	5,546	5,370	5,413	5,724
	46,156	*45,317*	*44,207*	*39,806*	*40,573*	*42,903*	*43,106*	*43,551*	*46,136*	*47,182*
Total tax revenues	***187,664***	***200,130***	***205,640***	***193,959***	***183,153***	***194,654***	***202,584***	***209,338***	***219,938***	***228,588***
Employment Insurance Premiums	***16,535***	***16,789***	***16,558***	***16,887***	***16,761***	***17,501***	***18,556***	***20,395***	***21,766***	***22,564***
Other Revenues —										
Crown corporations	7,198	7,503	6,504	7,760	7,622	12,937	12,024	11,448	11,455	13,480
Other programs	10,932	12,261	14,951	16,944	12,920	13,939	14,274	13,952	16,836	16,359
Net foreign exchange	2,014	1,714	1,872	1,736	1,647	1,809	1,669	1,502	1,682	1,355
Total other revenues	***20,144***	***21,478***	***23,327***	***26,440***	***22,189***	***28,685***	***27,967***	***26,902***	***29,973***	***31,194***
Total Revenues	**224,343**	**238,397**	**245,525**	**237,286**	**222,103**	**240,840**	**249,107**	**256,635**	**271,677**	**282,346**
Expenses —										
Transfer Payments —										
Old age security benefits, guaranteed income supplement and spouse's allowance	28,992	30,284	31,955	33,377	34,653	35,629	38,045	40,255	41,786	44,103
Major transfer payments to other levels of government —										
Canada health transfer	19,000	20,140	21,474	22,759	24,820	26,031	27,174	28,912	30,543	32,114
Canada social transfer	8,225	8,500	9,872	10,568	10,858	11,179	11,514	11,860	12,215	12,582
Fiscal arrangements	9,650	9,856	11,850	12,164	13,490	13,826	15,259	15,595	15,610	16,271
Other major transfers	3,882	3,985	2,923	985	7,772	1,751	2,847	2,003	2,107	2,142
	40,757	*42,481*	*46,119*	*46,476*	*56,940*	*52,787*	*56,794*	*58,370*	*60,475*	*63,109*
Employment insurance benefits	14,417	14,084	14,298	16,308	21,586	19,850	17,647	17,099	17,300	18,052
Children's benefits	9,200	11,214	11,894	11,901	12,340	12,656	12,726	12,975	13,136	14,303
Other transfer payments	28,634	30,693	31,269	34,793	45,949	43,155	37,720	34,862	36,698	35,126
Total transfer payments	***122,000***	***128,756***	***135,535***	***142,855***	***171,468***	***164,077***	***162,932***	***163,561***	***169,395***	***174,693***
Other Program Expenses —										
Crown corporations	5,076	5,109	5,185	5,859	7,400	7,584	8,198	9,512	7,484	7,590
Ministries	50,277	56,835	61,883	63,337	69,419	71,680	73,176	73,106	71,728	71,558
Total other program expenses	***55,353***	***61,944***	***67,068***	***69,196***	***76,819***	***79,264***	***81,374***	***82,618***	***79,212***	***79,148***
Total program expenses	***177,353***	***190,700***	***202,603***	***212,051***	***248,287***	***243,341***	***244,306***	***246,179***	***248,607***	***253,841***
Public Debt Charges	***33,772***	***33,945***	***33,325***	***30,990***	***29,414***	***30,871***	***31,080***	***28,871***	***28,220***	***26,594***
Total Expenses	**211,125**	**224,645**	**235,928**	**243,041**	**277,701**	**274,212**	**275,386**	**275,050**	**276,827**	**280,435**
Annual (Surplus) or Deficit	**(13,218)**	**(13,752)**	**(9,597)**	**5,755**	**55,598**	**33,372**	**26,279**	**18,415**	**5,150**	**(1,911)**
Accumulated Deficit at Beginning of Year	**494,717**	**481,499**	**467,268**	**457,637**	**463,710**	**519,097**	**551,668**	**591,040**	**609,391**	**611,881**
International Financial Reporting Standards transition adjustment							**3,337**			
Other Comprehensive (Income) or Loss		**(479)**	**(34)**	**318**	**(211)**	**(2,142)**	**2,292**	**(64)**	**(2,660)**	**2,360**
Accumulated Deficit at End of Year	**481,499**	**467,268**	**457,637**	**463,710**	**519,097**	**550,327**	**583,576**	**609,391**	**611,881**	**612,330**

(1) The 2013 Accumulated Deficit at Beginning of Year has been adjusted to include the restatement amount of $5,669 million and $1,795 million for the buy-back of bonds and the loans expected to be repaid from future appropriations done in the course of the fiscal year 2013-2014.

(2) The 2012 Accumulated Deficit at Beginning of Year has been adjusted to include the restatement amount of $1,341 million for accumulated sick leave entitlements that was done in the course of the fiscal year 2012-2013.

Table 1.2

Government of Canada — Detailed Consolidated Statement of Financial Position

(in millions of dollars)

	As at March 31 [1]									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Liabilities										
Accounts Payable and Accrued Liabilities —										
Other accounts payable and accrued liabilities	46,477	49,136	45,398	43,645	53,171	50,830	54,911	43,563	38,096	40,420
Amounts payable to taxpayers	38,402	41,388	49,010	50,845	48,251	48,648	50,952	54,877	52,600	56,198
Environmental liabilities	5,861	6,062	6,669	6,342	6,602	7,745	8,362	10,600	11,143	12,296
Deferred revenue	1,786	1,594	1,602	5,734	5,113	4,512	3,893	3,321	3,920	9,160
Interest and matured debt	7,875	7,516	7,182	6,919	6,853	6,733	6,379	5,955	5,585	5,240
Allowance for guarantees	1,031	815	602	514	535	592	506	428	386	317
Total accounts payable and accrued liabilities	***101,432***	***106,511***	***110,463***	***113,999***	***120,525***	***119,060***	***125,003***	***118,744***	***111,730***	***123,631***
Interest-bearing Debt —										
Unmatured debt —										
Payable in Canadian currency —										
Marketable bonds	261,134	257,482	253,550	295,186	367,962	416,080	448,140	469,039	473,319	487,881
Treasury bills	131,597	134,074	116,936	192,275	175,849	162,980	163,221	180,689	152,990	135,692
Retail debt	17,342	15,175	13,068	12,532	11,855	10,141	8,922	7,481	6,327	5,660
Bonds for Canada Pension Plan	3,102	1,743	1,042	523	452	27	11			
	413,175	*408,474*	*384,596*	*500,516*	*556,118*	*589,228*	*620,294*	*657,209*	*632,636*	*629,233*
Payable in foreign currencies	14,085	10,372	9,498	10,381	8,243	7,628	10,715	10,802	16,030	20,267
Cross-currency swap revaluation	(2,258)	(1,091)	(1,420)	3,690	(4,233)	(5,091)	(4,448)	(3,419)	2,326	6,669
Unamortized discounts and premiums on market debt	(6,780)	(6,659)	(6,213)	(4,751)	(5,092)	(4,485)	(4,295)	3,231	3,184	4,296
Obligation related to capital leases	2,927	3,096	4,236	4,184	4,090	3,685	3,633	3,647	3,603	3,710
Other unmatured debt						190	453	917	1,179	1,005
Total unmatured debt	*421,149*	*414,192*	*390,697*	*514,020*	*559,126*	*591,155*	*626,352*	*672,387*	*658,958*	*665,180*
Pensions and other future benefits —										
Public sector pensions	131,062	134,726	137,371	139,909	142,843	146,135	148,911	151,667	153,162	152,664
Other employee and veteran future benefits	43,369	45,123	47,901	50,311	54,227	58,206	61,915	67,301	71,959	76,140
Total pensions and other future benefits	*174,431*	*179,849*	*185,272*	*190,220*	*197,070*	*204,341*	*210,826*	*218,968*	*225,121*	*228,804*
Due to Canada Pension Plan	151	54	106	90	175	23	138	68	140	212
Other liabilities	5,342	5,157	5,789	5,833	6,412	6,292	6,795	5,978	5,774	5,790
Total interest-bearing debt	***601,073***	***599,252***	***581,864***	***710,163***	***762,783***	***801,811***	***844,111***	***897,401***	***889,993***	***899,986***
Total Liabilities	**702,505**	**705,763**	**692,327**	**824,162**	**883,308**	**920,871**	**969,114**	**1,016,145**	**1,001,723**	**1,023,617**
Financial Assets										
Cash and Accounts Receivable —										
Cash and cash equivalents	21,149	22,696	13,729	46,985	28,450	14,323	17,143	27,341	31,429	34,999
Taxes receivable	59,113	66,492	65,902	71,911	69,063	78,626	86,006	92,115	92,489	98,499
Other accounts receivable	2,581	3,398	3,247	3,251	3,692	3,958	4,513	4,698	4,656	3,198
Total cash and accounts receivable	***82,843***	***92,586***	***82,878***	***122,147***	***101,205***	***96,907***	***107,662***	***124,154***	***128,574***	***136,696***
Foreign Exchange Accounts —										
International reserves held in the Exchange Fund Account	40,936	44,673	42,904	51,194	53,701	54,041	62,141	63,381	77,365	91,961
International Monetary Fund — Subscriptions	10,673	11,106	10,752	12,011	9,823	9,792	9,842	9,694	10,883	11,129
International Monetary Fund — Loans					337	1,139	1,325	1,457	1,665	1,353
Less: International Monetary Fund — Notes payable and special drawing rights allocations	10,782	11,601	11,357	11,496	16,911	16,465	16,311	15,773	17,651	19,425
Total foreign exchange accounts	***40,827***	***44,178***	***42,299***	***51,709***	***46,950***	***48,507***	***56,997***	***58,759***	***72,262***	***85,018***
Loans, Investments and Advances —										
Enterprise Crown corporations and other government business enterprises	20,584	23,683	30,167	104,049	129,523	135,673	130,662	131,785	94,815	89,375
Other loans, investments and advances	21,305	21,411	20,702	21,044	23,158	22,876	22,258	23,134	22,820	24,306
Total loans, investments and advances	***41,889***	***45,094***	***50,869***	***125,093***	***152,681***	***158,549***	***152,920***	***154,919***	***117,635***	***113,681***
Public sector pension assets									***938***	***1,263***
Total Financial Assets	**165,559**	**181,858**	**176,046**	**298,949**	**300,836**	**303,963**	**317,579**	**337,832**	**319,409**	**336,658**
Net Debt	**536,946**	**523,905**	**516,281**	**525,213**	**582,472**	**616,908**	**651,535**	**678,313**	**682,314**	**686,959**
Non-financial Assets										
Tangible capital assets	48,355	49,036	51,175	53,326	55,054	57,668	59,047	60,241	61,942	63,347
Inventories	5,875	5,988	6,248	6,348	6,192	6,830	6,996	7,453	7,316	7,250
Prepaid expenses and other	1,217	1,613	1,221	1,829	2,129	2,083	1,916	1,228	1,175	4,032
Total Non-financial Assets	**55,447**	**56,637**	**58,644**	**61,503**	**63,375**	**66,581**	**67,959**	**68,922**	**70,433**	**74,629**
Accumulated Deficit	**481,499**	**467,268**	**457,637**	**463,710**	**519,097**	**550,327**	**583,576**	**609,391**	**611,881**	**612,330**

[1] Certain comparative figures have been reclassified to conform to current year's presentation. In particular, the 2014 comparative figures have been reclassified to segregate a significant class of pensions and other employee future benefits related to consolidated Crown corporations and other entities which were included in other accounts payable and accrued liabilities. The comparative figures for the previous years have not been reclassified.

Table 1.3

Government of Canada — Detailed Consolidated Statement of Change in Net Debt

(in millions of dollars)

	Year ended March 31									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Debt at Beginning of Year — as Previously Reported	**549,587**	**536,946**	**523,905**	**516,281**	**525,213**	**582,472**	**616,908**	**650,135**	**671,363**	**682,314**
Accounting Changes and Restatement —										
Accumulated sick leave entitlements							1,341	1,400		
Unamortized premiums and discounts on the buy-back of bonds								5,669	5,387	
Loans expected to be repaid from future appropriations								1,795	1,563	
Net Debt at Beginning of Year — as Restated							**618,249**	**658,999**	**678,313**	**682,314**
International Financial Reporting Standards transition adjustment							**3,337**			
Change in Net Debt during the Year —										
Annual (Surplus) or Deficit	**(13,218)**	**(13,752)**	**(9,597)**	**5,755**	**55,598**	**33,372**	**26,279**	**18,415**	**5,150**	**(1,911)**
Change due to Tangible Capital Assets —										
Acquisition of tangible capital assets	4,046	4,789	5,957	6,249	7,136	8,061	6,976	7,175	7,129	7,204
Amortization of tangible capital assets	(3,904)	(3,807)	(3,954)	(4,176)	(4,418)	(4,756)	(4,859)	(5,184)	(4,865)	(5,090)
Proceeds from disposal of tangible capital assets	(146)	(202)	(440)	(608)	(297)	(447)	(664)	(407)	(875)	(954)
Net (loss) or gain on disposal of tangible capital assets, including adjustments	149	(99)	576	686	(693)	(244)	(74)	(390)	312	245
Total change due to tangible capital assets	*145*	*681*	*2,139*	*2,151*	*1,728*	*2,614*	*1,379*	*1,194*	*1,701*	*1,405*
Change due to Inventories	**350**	**113**	**260**	**100**	**(156)**	**638**	**166**	**457**	**(137)**	**(66)**
Change due to Prepaid Expenses	**82**	**396**	**(392)**	**608**	**300**	**(46)**	**(167)**	**(688)**	**(53)**	**2,857**
Net (Decrease) or Increase in Net Debt due to Operations	**(12,641)**	**(12,562)**	**(7,590)**	**8,614**	**57,470**	**36,578**	**27,657**	**19,378**	**6,661**	**2,285**
Other Comprehensive (Income) or Loss		**(479)**	**(34)**	**318**	**(211)**	**(2,142)**	**2,292**	**(64)**	**(2,660)**	**2,360**
Net (Decrease) or Increase in Net Debt	**(12,641)**	**(13,041)**	**(7,624)**	**8,932**	**57,259**	**34,436**	**29,949**	**19,314**	**4,001**	**4,645**
Net Debt at End of Year	**536,946**	**523,905**	**516,281**	**525,213**	**582,472**	**616,908**	**651,535**	**678,313**	**682,314**	**686,959**

Table 1.4

Government of Canada — Detailed Consolidated Statement of Cash Flow

(in millions of dollars)

	Year ended March 31 [1]									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Activities —										
Annual Surplus or (Deficit)	**13,218**	**13,752**	**9,597**	**(5,755)**	**(55,598)**	**(33,372)**	**(26,279)**	**(18,415)**	**(5,150)**	**1,911**
Items not affecting cash —										
Share of annual profit in enterprise Crown corporations and other government business enterprises	(5,041)	(5,336)	(4,256)	(4,773)	(2,306)	(6,992)	(5,350)	(4,995)	(5,945)	(8,365)
Amortization of tangible capital assets	3,904	3,807	3,954	4,176	4,418	4,756	4,859	5,184	4,865	5,090
Net loss or (gain) on disposal of tangible capital assets, including adjustments	(149)	99	(576)	(686)	693	244	74	390	(312)	(245)
Change in taxes receivable	(5,636)	(7,379)	590	(6,009)	2,848	(9,563)	(7,380)	(6,109)	(374)	(6,010)
Change in pensions and other future benefits	3,303	5,418	5,423	4,948	6,850	7,271	5,144	8,142	5,215	3,358
Change in foreign exchange accounts	44	(3,351)	1,879	(9,410)	4,759	(1,557)	(8,490)	(1,762)	(13,503)	(12,756)
Change in accounts payable and accrued liabilities	3,692	5,079	3,952	3,536	6,526	(1,465)	5,943	(6,259)	(7,014)	11,901
Change in cross-currency swap revaluation	(1,336)	1,668	(329)	5,110	(7,923)	(858)	643	1,029	5,745	4,343
Net change in other accounts	(3,530)	(1,667)	1,797	2,752	2,281	(129)	1,844	1,175	1,953	670
Cash provided or (used) by operating activities	**8,469**	**12,090**	**22,031**	**(6,111)**	**(37,452)**	**(41,665)**	**(28,992)**	**(21,620)**	**(14,520)**	**(103)**
Capital Investment Activities —										
Acquisition of tangible capital assets	(4,046)	(4,789)	(5,957)	(6,249)	(7,136)	(8,061)	(6,976)	(7,175)	(7,129)	(6,804)
Proceeds from disposal of tangible capital assets	146	202	440	608	297	447	664	407	875	954
Cash used by capital investment activities	**(3,900)**	**(4,587)**	**(5,517)**	**(5,641)**	**(6,839)**	**(7,614)**	**(6,312)**	**(6,768)**	**(6,254)**	**(5,850)**
Investing Activities —										
Enterprise Crown corporations and other government business enterprises —										
Equity transactions	2,012	2,602	2,436	1,495	(3,226)	2,818	2,684	1,445	5,165	3,514
Issuance of loans and advances	(198)	(3,713)	(5,052)	(132,057)	(119,755)	(76,579)	(63,389)	(65,183)	(70,328)	(79,905)
Repayment of loans and advances	331	3,894	435	60,688	99,921	76,677	65,286	66,156	110,259	88,168
Issuance of other loans, investments and advances	(6,861)	(16,969)	(6,571)	(6,910)	(21,174)	(5,858)	(7,679)	(5,533)	(5,525)	(8,124)
Repayment of other loans, investments and advances	5,182	16,475	6,883	5,041	16,620	5,814	6,858	4,221	4,418	5,503
Cash provided or (used) by investing activities	**466**	**2,289**	**(1,869)**	**(71,743)**	**(27,614)**	**2,872**	**3,760**	**1,106**	**43,989**	**9,156**
Total Cash Generated or (Used) Before Financing Activities	**5,035**	**9,792**	**14,645**	**(83,495)**	**(71,905)**	**(46,407)**	**(31,544)**	**(27,282)**	**23,215**	**3,203**
Financing Activities —										
Issuance of Canadian currency borrowings	363,824	369,354	343,755	531,668	554,892	553,464	567,707	579,456	512,009	468,021
Repayment of Canadian currency borrowings	(366,123)	(373,886)	(366,493)	(415,801)	(499,383)	(520,569)	(536,430)	(542,063)	(536,364)	(471,891)
Issuance of foreign currency borrowings	15,859	11,586	11,099	24,500	22,212	8,195	12,743	7,782	12,011	16,961
Repayment of foreign currency borrowings	(18,061)	(15,299)	(11,973)	(23,616)	(24,351)	(8,810)	(9,656)	(7,695)	(6,783)	(12,724)
Cash (used) or provided by financing activities	**(4,501)**	**(8,245)**	**(23,612)**	**116,751**	**53,370**	**32,280**	**34,364**	**37,480**	**(19,127)**	**367**
Net Increase or (Decrease) in Cash	**534**	**1,547**	**(8,967)**	**33,256**	**(18,535)**	**(14,127)**	**2,820**	**10,198**	**4,088**	**3,570**
Cash and Cash Equivalents at Beginning of Year	**20,615**	**21,149**	**22,696**	**13,729**	**46,985**	**28,450**	**14,323**	**17,143**	**27,341**	**31,429**
Cash and Cash Equivalents at End of Year	**21,149**	**22,696**	**13,729**	**46,985**	**28,450**	**14,323**	**17,143**	**27,341**	**31,429**	**34,999**

(1) Certain comparative figures have been reclassified to conform to current year's presentation. Refer to the footnote in table 1.2 for additional information.

Table 1.5

Government of Canada — Detailed Consolidated Statement of Non-Budgetary Transactions and of Non-Financial Assets

(in millions of dollars)

	Year ended March 31 [1]									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Loans, Investments and Advances —										
Enterprise Crown corporations and other government business enterprises —										
Loans and advances —										
Canada Mortgage and Housing Corporation	200	148	258	(57,470)	(10,399)	2,693	2,974	3,472	41,951	10,465
Business Development Bank of Canada			(1,000)	(6,284)	(4,961)	(978)	662	(653)	(1,106)	(1,356)
Farm Credit Canada			(3,840)	(7,610)	(4,481)	(1,627)	(1,768)	(1,848)	(855)	(662)
Other	(67)	33	(35)	(5)	7	10	29	2	(59)	(185)
	133	*181*	*(4,617)*	*(71,369)*	*(19,834)*	*98*	*1,897*	*973*	*39,931*	*8,262*
Investments —										
Share of annual profit	(5,041)	(5,336)	(4,256)	(4,773)	(2,306)	(6,992)	(5,350)	(4,995)	(5,945)	(8,365)
Other comprehensive (income) or loss		(479)	(34)	318	(211)	(2,142)	2,292	(64)	(2,660)	2,360
Dividends	2,027	2,604	2,436	2,095	1,391	2,818	2,028	1,445	5,215	2,341
Capital	(15)	(3)		(600)	(4,617)		656		(50)	1,030
Transition adjustment and other							3,337			143
	(3,029)	*(3,214)*	*(1,854)*	*(2,960)*	*(5,743)*	*(6,316)*	*2,963*	*(3,614)*	*(3,440)*	*(2,491)*
Total	(2,896)	(3,033)	(6,471)	(74,329)	(25,577)	(6,218)	4,860	(2,641)	36,491	5,771
Less:										
Loans expected to be repaid from future appropriations	63	66	32	(473)	(103)	(64)	(119)	(1,519)	(480)	353
Unamortized discounts and premiums			(19)	26		(4)	(32)		1	(22)
Total	(2,959)	(3,099)	(6,484)	(73,882)	(25,474)	(6,150)	5,011	(1,122)	36,970	5,440
Other loans, investments and advances —										
Portfolio investments	(101)			6	2		12	5		10
National governments, including developing countries	158	80	143	(182)	235	69	40	18	(7)	(606)
International organizations	(224)	(491)	(321)	(905)	(454)	(826)	(704)	(885)	(900)	(1,039)
Provincial and territorial governments	14	285	899	217	590	257	(849)	803	849	765
Other loans, investments and advances	(1,524)	(367)	(410)	(1,005)	(4,926)	456	680	(1,254)	(1,049)	(1,751)
Total	(1,677)	(493)	311	(1,869)	(4,553)	(44)	(821)	(1,313)	(1,107)	(2,621)
Less: allowance for valuation	(915)	(387)	(398)	(1,527)	(2,440)	(326)	(1,439)	(436)	(1,421)	(1,135)
Total	(762)	(106)	709	(342)	(2,113)	282	618	(877)	314	(1,486)
Total loans, investments and advances	**(3,721)**	**(3,205)**	**(5,775)**	**(74,224)**	**(27,587)**	**(5,868)**	**5,629**	**(1,999)**	**37,284**	**3,954**
Pensions and Other Future Benefits —										
Public sector pensions	1,483	3,664	2,645	2,538	2,934	3,292	2,776	2,757	557	(823)
Other employee and veteran future benefits	1,820	1,754	2,778	2,410	3,916	3,979	3,707	5,386	4,658	4,181
Total pensions and other future benefits	**3,303**	**5,418**	**5,423**	**4,948**	**6,850**	**7,271**	**6,483**	**8,143**	**5,215**	**3,358**
Other Liabilities —										
Due to Canada Pension Plan	(2,620)	(97)	52	(16)	85	(152)	115	(70)	72	72
Other liabilities	(567)	(185)	632	44	579	(120)	503	(817)	(204)	16
Total other liabilities	**(3,187)**	**(282)**	**684**	**28**	**664**	**(272)**	**618**	**(887)**	**(132)**	**88**
Non-Financial Assets —										
Tangible capital assets	(145)	(681)	(2,139)	(2,152)	(1,728)	(2,614)	(1,379)	(1,194)	(1,701)	(1,405)
Inventories	(350)	(113)	(260)	(100)	156	(638)	(166)	(458)	137	66
Prepaid expenses and other	(82)	(396)	392	(608)	(300)	46	167	688	53	(2,857)
Total non-financial assets	**(577)**	**(1,190)**	**(2,007)**	**(2,860)**	**(1,872)**	**(3,206)**	**(1,378)**	**(964)**	**(1,511)**	**(4,196)**
Other Transactions —										
Taxes receivable	(5,636)	(7,379)	590	(6,009)	2,848	(9,563)	(7,380)	(6,109)	(374)	(6,010)
Other accounts receivable	(327)	(817)	151	(3)	(441)	(266)	(555)	(185)	42	1,458
Provincial, territorial and Aboriginal tax agreements account	2,316	410	(1,311)	(168)	1,438	241	2,688	(7,130)	(1,584)	951
Amounts payable to taxpayers	2,752	2,986	7,622	1,835	(2,594)	397	2,304	3,925	(2,277)	3,598
Other liabilities	(1,376)	1,683	(2,359)	1,869	7,682	(2,103)	951	(3,054)	(3,153)	7,352
Total other transactions	**(2,271)**	**(3,117)**	**4,693**	**(2,476)**	**8,933**	**(11,294)**	**(1,992)**	**(12,553)**	**(7,346)**	**7,349**
Total Non-Budgetary Transactions and Non-Financial Assets	**(6,453)**	**(2,376)**	**3,018**	**(74,584)**	**(13,012)**	**(13,369)**	**9,360**	**(8,260)**	**33,510**	**10,553**

[1] Certain comparative figures have been reclassified to conform to current year's presentation. Refer to the footnote in table 1.2 for additional information.

Table 1.6

Government of Canada — Detailed Consolidated Statement of Foreign Exchange, Unmatured Debt and Cash Transactions

(in millions of dollars)

	Year ended March 31									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Foreign Exchange Accounts —										
International reserves held in the Exchange Fund Account	(1,822)	(3,737)	1,769	(8,290)	(2,507)	(340)	(8,100)	(1,240)	(13,984)	(14,596)
International Monetary Fund — Subscriptions	567	(433)	354	(1,259)	2,188	31	(50)	148	(1,189)	(246)
International Monetary Fund — Loans					(337)	(802)	(186)	(132)	(208)	312
	(1,255)	*(4,170)*	*2,123*	*(9,549)*	*(656)*	*(1,111)*	*(8,336)*	*(1,224)*	*(15,381)*	*(14,530)*
Less: International Monetary Fund —										
Special drawing rights allocations	113	(48)	43	(154)	(7,766)	30	(48)	139	(1,118)	(231)
Notes payable	(1,412)	(771)	201	14	2,351	416	202	398	(760)	(1,543)
	(1,299)	*(819)*	*244*	*(140)*	*(5,415)*	*446*	*154*	*537*	*(1,878)*	*(1,774)*
Total foreign exchange accounts	**44**	**(3,351)**	**1,879**	**(9,409)**	**4,759**	**(1,557)**	**(8,490)**	**(1,761)**	**(13,503)**	**(12,756)**
Unmatured Debt —										
Payable in Canadian currency —										
Marketable bonds	(4,664)	(3,652)	(3,932)	41,636	72,776	48,118	32,060	20,899	4,280	14,562
Treasury bills	4,398	2,477	(17,138)	75,339	(16,426)	(12,869)	241	17,468	(27,699)	(17,298)
Retail debt	(1,738)	(2,167)	(2,107)	(537)	(677)	(1,714)	(1,219)	(1,441)	(1,154)	(667)
Bonds for Canada Pension Plan	(291)	(1,359)	(700)	(519)	(71)	(425)	(16)	(11)		
	(2,295)	*(4,701)*	*(23,877)*	*115,919*	*55,602*	*33,110*	*31,066*	*36,915*	*(24,573)*	*(3,403)*
Payable in foreign currencies	(2,201)	(3,713)	(875)	883	(2,138)	(615)	3,087	87	5,228	4,237
Cross-currency swap revaluation	(1,336)	1,167	(329)	5,110	(7,923)	(858)	643	1,029	5,745	4,343
Unamortized discounts and premiums on market debt	(438)	121	446	1,462	(341)	607	190	7,526	(47)	1,112
Obligation related to capital leases	(5)	169	1,140	(51)	(94)	(405)	(52)	13	(44)	107
Other unmatured debt						190	263	464	262	(174)
Total unmatured debt	**(6,275)**	**(6,957)**	**(23,495)**	**123,323**	**45,106**	**32,029**	**35,197**	**46,034**	**(13,429)**	**6,222**
Cash and Cash Equivalents at End of Year —										
In Canadian currency	21,152	22,701	13,733	46,989	28,124	13,902	16,493	27,130	31,415	34,716
In foreign currencies	(3)	(5)	(4)	(4)	326	421	650	211	14	283
Total cash and cash equivalents	**21,149**	**22,696**	**13,729**	**46,985**	**28,450**	**14,323**	**17,143**	**27,341**	**31,429**	**34,999**

Glossary of Terms

The following terms are used in the Financial Statements Discussion and Analysis and throughout the Consolidated Financial Statements. The definitions are taken from the following primary sources:

— TERMIUM at www.termiumplus.gc.ca
— The *CPA Canada Public Sector Accounting Handbook*
— Glossary of Frequently-Used Terms, Finance Canada

Accounts of Canada —
The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.

Accrued Benefit Obligation —
The value of future benefits attributed to services rendered by employees and former employees to the accounting date.

Accumulated Deficit —
The accumulated net total of all past federal deficits and surpluses since Confederation plus accumulated other comprehensive income. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.

Actuarial Valuation for Accounting Purposes —
An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation measures the obligations and attributes the costs of the benefits to the period; it also determines any gains or losses since the last valuation.

Allowance —
Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.

Appropriation —
Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

Capital Lease —
A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

Consolidated Revenue Fund —
The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.

Consumer Price Index (CPI) —
A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a “shopping basket” of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is “weighted”, meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.

Contingent Liability —
A potential debt which may become an actual financial obligation if certain events occur or fail to occur.

Contractual Obligation —
A written obligation to outside organizations or individuals as a result of a contract.

Deficit —
The amount by which government expenses exceed revenue in any given year.

Defined Benefit Pension Plan —
A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.

Enterprise Crown Corporation —
A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.

Financial Assets —
An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.

Full Accrual Accounting —

The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.

G-7 (Group of Seven) —

The G-7 consists of the world's seven largest industrial market economies: the United States, Japan, Germany, France, Great Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G-7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G-7 Finance Deputies.

Gross Domestic Product (GDP) —

The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.

Net Book Value of Tangible Capital Assets —

The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.

Net Debt —

The total liabilities of the government less its financial assets.

Non-Financial Assets —

An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.

Operating Lease —

A lease in which the lessor retains substantially all the benefits and risks of ownership.

Other comprehensive income —

Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on assets that are classified as available-for-sale, derivative instruments used in hedging activities or actuarial gains and losses on pensions and other employee future benefits.

Public Money —

All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.

Real Return Bonds —

These Government of Canada bonds pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.

Retail Debt —

Canada Savings Bonds and Canada Premium Bonds.

Surplus —

The amount by which government revenue exceeds expenses in any given year.

Swap —

An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).

Tangible Capital Asset —

A non-financial asset having physical substance that:

(a) is held for use in the production or supply of goods and services; *(b)* has a useful economic life extending beyond an accounting period; and *(c)* has been acquired to be used on a continuing basis.

Transfer Payments —

A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:

(a) receive any goods or services directly in return as would occur in a purchase/sales transaction; *(b)* expect to be repaid in the future, as would be expected in a loan; or *(c)* expect a financial return, as would be expected in an investment.