Government of Canada Gouvernement du Canada

Prepared by the
Receiver General for Canada

2014-2015

Consolidated Financial Statements of the Government of Canada and Report of the Auditor General of Canada

Canada

Statement of Responsibility

These consolidated financial statements are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the consolidated financial statements, which are based on Canadian public sector accounting standards, and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of the consolidated financial statements rests with the Government. The consolidated 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. These consolidated financial statements are prepared on a full accrual basis of accounting. The information included in these consolidated financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

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. These systems 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 summary record of the Government's financial transactions. Additional information is obtained as required, from departments, agencies, Crown corporations, other government business enterprises, and other entities to meet accounting and reporting requirements.

The Government presents the consolidated financial statements to the Auditor General of Canada, who audits them and provides an independent audit opinion to the House of Commons. The duties of the Auditor General of Canada in that respect are contained in Section 6 of the *Auditor General Act*.

Annually, the consolidated financial statements are tabled in the House of Commons as part of the *Public Accounts of Canada*, 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 consolidated financial statements and accompanying independent audit opinion.

On behalf of the Government of Canada.

Yaprak Baltacıoğlu
Secretary of the Treasury Board of Canada

Paul Rochon
Deputy Minister of Finance

George Da Pont
Deputy Receiver General for Canada

Bill Matthews
Comptroller General of Canada

September 3, 2015

Auditor General of Canada
Vérificateur général du Canada

Independent Auditor's Report

To the House of Commons

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Government of Canada, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of operations and accumulated deficit, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Government's Responsibility for the Consolidated Financial Statements

The Government is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the consolidated financial statements, which are based on Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Government of Canada as at 31 March 2015, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with the stated accounting policies of the Government of Canada set out in Note 1 to the consolidated financial statements, which conform with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by Section 6 of the *Auditor General Act*, I report that, in my opinion, the stated accounting policies of the Government of Canada have been applied on a basis consistent with that of the preceding year.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

3 September 2015
Ottawa, Canada

Government of Canada

Consolidated Statement of Operations and Accumulated Deficit for the Year Ended March 31, 2015

(in millions of dollars)

	2015		2014
	Budget	Actual	Actual
	(Note 3)		
Revenues (Note 19)			
Tax Revenues —			
Income tax revenues —			
Personal	137,755	135,743	130,811
Corporate	36,984	39,447	36,587
Non-resident	5,666	6,216	6,404
Total income tax revenues	***180,405***	***181,406***	***173,802***
Other taxes and duties —			
Goods and services tax	31,325	31,349	30,998
Energy taxes	5,501	5,528	5,486
Customs import duties	4,416	4,581	4,239
Other excise taxes and duties	5,807	5,724	5,413
Total other taxes and duties	***47,049***	***47,182***	***46,136***
Total Tax Revenues	***227,454***	***228,588***	***219,938***
Employment Insurance Premiums	***22,655***	***22,564***	***21,766***
Other Revenues —			
Crown corporations	8,431	13,480	11,455
Other programs	16,337	16,359	16,836
Net foreign exchange	1,461	1,355	1,682
Total Other Revenues	***26,229***	***31,194***	***29,973***
Total Revenues	**276,338**	**282,346**	**271,677**
Expenses (Note 4 and Note 19)			
Transfer Payments —			
Old age security benefits, guaranteed income supplement and spouse's allowance	43,797	44,103	41,786
Major transfer payments to other levels of government	62,559	63,109	60,475
Employment insurance benefits	17,670	18,052	17,300
Children's benefits	13,211	14,303	13,136
Other transfer payments	35,812	35,126	36,698
Total Transfer Payments	***173,049***	***174,693***	***169,395***
Other Program Expenses —			
Crown corporations	6,265	7,590	7,484
Ministries	70,927	71,558	71,728
Total Other Program Expenses	***77,192***	***79,148***	***79,212***
Total Program Expenses	***250,241***	***253,841***	***248,607***
Public Debt Charges	***28,175***	***26,594***	***28,220***
Total Expenses	**278,416**	**280,435**	**276,827**
Annual (Surplus) or Deficit	**2,078**	**(1,911)**	**5,150**
Accumulated Deficit at Beginning of Year	**611,881**	**611,881**	**609,391**
Other Comprehensive Loss or (Income) (Note 5 and Note 12)		**2,360**	**(2,660)**
Accumulated Deficit at End of Year (Note 5)	**613,959**	**612,330**	**611,881**

The accompanying notes are an integral part of these consolidated statements.

Government of Canada

Consolidated Statement of Financial Position as at March 31, 2015

(in millions of dollars)

	2015	2014
Liabilities		
Accounts Payable and Accrued Liabilities —		
Other accounts payable and accrued liabilities	40,420	38,096
Amounts payable to taxpayers	56,198	52,600
Environmental liabilities (Note 17)	12,296	11,143
Deferred revenue	9,160	3,920
Interest and matured debt	5,240	5,585
Allowance for guarantees (Note 18)	317	386
Total Accounts Payable and Accrued Liabilities	***123,631***	***111,730***
Interest-Bearing Debt —		
Unmatured debt (Note 6)	665,180	658,958
Pensions and other future benefits —		
Public sector pensions (Note 7)	152,664	153,162
Other employee and veteran future benefits (Note 7)	76,140	71,959
Total pensions and other future benefits	*228,804*	*225,121*
Other liabilities (Note 8)	6,002	5,914
Total Interest-Bearing Debt	***899,986***	***889,993***
Total Liabilities	**1,023,617**	**1,001,723**
Financial Assets		
Cash and Accounts Receivable —		
Cash and cash equivalents (Note 9)	34,999	31,429
Taxes receivable (Note 10)	98,499	92,489
Other accounts receivable (Note 10)	3,198	4,656
Total Cash and Accounts Receivable	***136,696***	***128,574***
Foreign Exchange Accounts (Note 11)	***85,018***	***72,262***
Loans, Investments and Advances —		
Enterprise Crown corporations and other government business enterprises (Note 5, Note 12 and Note 18)	89,375	94,815
Other loans, investments and advances (Note 13)	24,306	22,820
Total Loans, Investments and Advances	***113,681***	***117,635***
Public sector pension assets (Note 7)	***1,263***	***938***
Total Financial Assets	**336,658**	**319,409**
Net Debt	**686,959**	**682,314**
Non-Financial Assets		
Tangible capital assets (Note 14)	63,347	61,942
Inventories	7,250	7,316
Prepaid expenses and other	4,032	1,175
Total Non-Financial Assets	**74,629**	**70,433**
Accumulated Deficit (Note 5)	**612,330**	**611,881**

Contractual Obligations and Contingent Liabilities (Note 16 and Note 18)

The accompanying notes are an integral part of these consolidated statements.

Government of Canada

Consolidated Statement of Change in Net Debt for the Year Ended March 31, 2015

(in millions of dollars)

	2015		2014
	Budget (Note 3)	Actual	Actual
Net Debt at Beginning of Year	**682,314**	**682,314**	**678,313**
Change in Net Debt During the Year —			
Annual (Surplus) or Deficit	**2,078**	**(1,911)**	**5,150**
Changes due to Tangible Capital Assets —			
Acquisition of tangible capital assets	9,136	7,204	7,129
Amortization of tangible capital assets	(5,471)	(5,090)	(4,865)
Proceeds from disposal of tangible capital assets	(400)	(954)	(875)
Net gain on disposal of tangible capital assets, including adjustments		245	312
Total Change due to Tangible Capital Assets	***3,265***	***1,405***	***1,701***
Change due to Inventories		**(66)**	**(137)**
Change due to Prepaid Expenses and Other		**2,857**	**(53)**
Net Increase in Net Debt due to Operations	**5,343**	**2,285**	**6,661**
Other Comprehensive Loss or (Income) (Note 5 and Note 12)		**2,360**	**(2,660)**
Net Increase in Net Debt	**5,343**	**4,645**	**4,001**
Net Debt at End of Year	**687,657**	**686,959**	**682,314**

The accompanying notes are an integral part of these consolidated statements.

Government of Canada

Consolidated Statement of Cash Flow
for the Year Ended March 31, 2015

(in millions of dollars)

	2015	2014
Operating Activities —		
Annual Surplus or (Deficit)	**1,911**	**(5,150)**
Items not affecting cash —		
Share of annual profit in enterprise Crown corporations and other government business enterprises	(8,365)	(5,945)
Amortization of tangible capital assets	5,090	4,865
Net gain on disposal of tangible capital assets, including adjustments	(245)	(312)
Change in taxes receivable	(6,010)	(374)
Change in pensions and other future benefits	3,358	5,215
Change in foreign exchange accounts	(12,756)	(13,503)
Change in accounts payable and accrued liabilities	11,901	(7,014)
Change in cross-currency swap revaluation	4,343	5,745
Net change in other accounts	670	1,953
Cash Used by Operating Activities	***(103)***	***(14,520)***
Capital Investment Activities —		
Acquisition of tangible capital assets	(6,804)	(7,129)
Proceeds from disposal of tangible capital assets	954	875
Cash Used by Capital Investment Activities	***(5,850)***	***(6,254)***
Investing Activities —		
Enterprise Crown corporations and other government business enterprises —		
Equity transactions	3,514	5,165
Issuance of loans and advances	(79,905)	(70,328)
Repayment of loans and advances	88,168	110,259
Issuance of other loans, investments and advances	(8,124)	(5,525)
Repayment of other loans, investments and advances	5,503	4,418
Cash Provided by Investing Activities	***9,156***	***43,989***
Financing Activities —		
Issuance of Canadian currency borrowings	468,021	512,009
Repayment of Canadian currency borrowings	(471,891)	(536,364)
Issuance of foreign currency borrowings	16,961	12,011
Repayment of foreign currency borrowings	(12,724)	(6,783)
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 (Note 9)	***34,999***	***31,429***
Supplementary Information		
Cash used for interest	15,152	16,123

The accompanying notes are an integral part of these consolidated statements.

Notes to the Consolidated Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

The reporting entity of the Government of Canada includes all of the government organizations which comprise the legal entity of the Government as well as other government organizations, including Crown corporations, which are separate legal entities but are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations defined as departments and as Crown corporations in the *Financial Administration Act* are included in the reporting entity. Other organizations not listed in the *Financial Administration Act* may also meet the definition of control and they are included in the Government's reporting entity if their revenues, expenses, assets or liabilities are significant.

The financial activities of all of these entities, except for enterprise Crown corporations and other government business enterprises, are consolidated in these financial statements on a line-by-line and uniform basis of accounting after eliminating significant inter-governmental balances and transactions. Enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities, are recorded under the modified equity method.

The Canada Pension Plan (CPP), which includes the assets of CPP under the administration of the Canada Pension Plan Investment Board, is excluded from the reporting entity because changes to CPP require the agreement of two thirds of participating provinces and it is therefore not controlled by the Government.

Basis of accounting

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

Revenues

The Government reports revenues on an accrual basis. Tax revenues are recognized in the period in which the taxable event occurs and when they are authorized by legislation or the ability to assess and collect the tax has been provided through legislative convention.

Tax revenues are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31. Annual revenues also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates of unreported taxes, or the impact of future reassessments that cannot yet be reliably determined.

Income tax revenue is recognized when the taxpayer has earned the income subject to the tax.

Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services. These revenues are reported net of input tax credits, GST rebates, and the GST quarterly tax credits. The GST quarterly tax credit for low-income individuals and families is recorded in the period to which it relates. It is intended to offset the cost of the tax for low-income individuals and families.

Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Excise tax revenue is recognized when a taxpayer sells goods taxable under the *Excise Tax Act*.

Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act* and the *Excise Act, 2001*.

Tax collected on behalf of the provincial/territorial governments is not included in Tax Revenue. It is recorded as payable to the provincial/territorial governments included within Other Accounts Payable and Accrued Liabilities and distributed by the Department of Finance in accordance with associated agreements.

Tax expenditures that reduce taxes paid or payable are considered tax concessions and are netted against the applicable tax revenue. As foregone revenue, tax concessions do not give rise to assets or expenses of the taxing government. Tax expenditures that provide a financial benefit through the tax system, and are not related to the relief of taxes paid or payable, are shown as other transfer payments and are not netted against tax revenue.

Tax revenues that were not collected at year end and refunds that were not yet disbursed are reported respectively as taxes receivable and amounts payable to taxpayers on the Consolidated Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

Employment Insurance premiums are recognized as revenue in the period the insurable earnings are earned.

Other revenues are recognized in the period to which they relate.

Deferred revenue consists of spectrum licence fees and other amounts received in advance for the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned. Spectrum licence fees are recognized as revenue on a straight-line basis over the term of the licence.

Expenses

The Government has three major types of expenses: transfer payments, other program expenses and public debt charges. All of the expenses are reported on an accrual basis.

Transfer payments are recorded as expenses when the recipients have met all the eligibility criteria and the transfers are authorized by the consolidated financial statements date. In the case of transfers which do not form part of an existing program, the transfers are considered to be authorized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the consolidated financial statements.

Other program expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets or liabilities, such as provisions for bad debts, loans, investments and advances and inventory obsolescence, as well as utilization of inventories and prepaid expenses and other are also included in other program expenses. Public sector pensions and other employee and veteran future benefits, which comprise a portion of personnel expenses, are recorded as employees render services using the projected benefit method prorated on service, except for: veteran future benefits and workers' compensation where benefits are accrued on an event driven basis; accumulated sick leave entitlements where benefits are recognized using an accrued benefit method; and plan amendments related to past services, curtailments and settlements where costs are recorded when approved or paid.

Public debt charges are recorded when incurred and include interest, servicing costs, costs of issuing new borrowings, amortization of premiums and discounts on market debt including amounts arising on the extinguishment of debt, as well as interest on public sector pensions and other employee and veteran future benefits.

Cash and cash equivalents

Cash consists of public moneys on deposit and cash in transit less outstanding cheques and warrants. Cash equivalents consist mainly of term deposits usually not exceeding 31 days.

Foreign exchange accounts

Short-term deposits, marketable securities and special drawing rights held in the foreign exchange accounts are recorded at cost. Marketable securities are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement date. Transaction costs are expensed as incurred for all classes of financial instruments.

Investment income earned with respect to foreign accounts as well as write-downs to reflect other than temporary impairment in the fair value of securities are included in net foreign exchange revenues on the Consolidated Statement of Operations and Accumulated Deficit. Canada's subscriptions to the capital of the International Monetary Fund and loans to the International Monetary Fund are recorded at cost.

Loans, investments and advances

Investments in enterprise Crown corporations and other government business enterprises, which include the net assets and liabilities of enterprise Crown corporations and other government business enterprises, are recorded under the modified equity method whereby the cost of the Government's equity is reduced by dividends received and adjusted to include the annual profits and losses of these corporations, after elimination of unrealized inter-organizational gains and losses. All of these corporations follow International Financial Reporting Standards (IFRS) used by publicly accountable enterprises. Under the modified equity method, the corporations' accounts are not adjusted to the Government's basis of accounting and other comprehensive income or loss of enterprise Crown corporations and other government business enterprises is recorded directly to the Government's accumulated deficit and net debt.

Some enterprise Crown corporations provide loans to borrowers outside the reporting entity of the Government. Some of these loans will be repaid through future appropriations of the Government under various subsidy programs which provide funds directly related to the repayment of the loan. For these loans receivable, a valuation allowance for the amount expected to be repaid from future appropriations is recorded to reduce their carrying value to an amount that approximates the amount to be recovered from sources outside the reporting entity of the Government.

Other loans, investments and advances are initially recorded at cost and are adjusted to reflect the concessionary terms of loans made on a long-term, low interest or interest-free basis.

When necessary, an allowance for valuation is recorded to reduce the carrying value of other loans, investments and advances to amounts that approximate their net realizable value. The allowance for valuation for other loans, investments and advances, reflects the possibility of losses associated with potential default on these exposures. The determination of the valuation allowance considers the credit risk of borrowers, collateral provided as well as previous repayment history. When they are determined to be uncollectible, other loans, investments and advances are written off. Subsequent recoveries are recorded as revenue when received.

Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated retrospectively in a systematic and rational manner to approximate original costs. Assets acquired under capital leases are recorded at the present value of the minimum lease payments using the appropriate discount rate, which is usually the lower of the implicit interest rate in the lease or the Consolidated Revenue Fund term lending rate at the inception of the lease. These assets are amortized over the lease term or over the estimated useful life of the asset if the lease term contains terms that allow ownership to pass to the Government or a bargain purchase option. The corresponding lease obligations are recorded under unmatured debt on the Consolidated Statement of Financial Position. When conditions indicate that a tangible capital asset no longer contributes to the government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, the cost of works of art and museum collections and Crown land to which no acquisition cost is attributable. Intangible assets are also not recognized in the consolidated financial statements. In addition, acquisitions of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are expensed in the fiscal year in which they are acquired.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available are valued using management's best estimate of original cost, based on available information.

Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit.

Unmatured debt

Unmatured debt consists of market debt, cross currency swap revaluations, the obligation related to capital leases and other unmatured debt. Market debt is recorded at face value and is adjusted by discounts and premiums which are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded in public debt charges. When a marketable bond is exchanged or repurchased, and the transaction results in an extinguishment of the debt, the difference between the carrying amount of the debt instrument and the net consideration paid is recognized as a gain or loss in the Consolidated Statement of Operations and Accumulated Deficit, and the debt instrument is derecognized. An extinguishment occurs on the repurchase of bonds, or when there is an exchange of bonds with an existing bond holder and the terms of the original debt and the replacement debt are substantially different. Exchanged bonds are considered to have substantially different terms when the discounted present value of the cash flows under the new terms, including any amounts paid on the exchange, and discounted using the average effective interest rate of the original debt, is at least 10 percent different from the discounted present value of the remaining cash flows of the original debt. If an exchange of bonds with an existing bond holder does not result in an extinguishment, the carrying amount of the debt is adjusted for any amounts paid on the exchange, and the unamortized premiums or discounts relating to the original debt and arising on the exchange transaction are amortized over the remaining term to maturity of the replacement debt on a straight line basis. The Government's holdings of its own securities, if any, are deducted from market debt to report the liability to external parties. The Government does not specifically borrow on behalf of enterprise Crown corporations. Consequently, there is no netting of outstanding market debt and loans to these corporations.

Cross currency swap revaluations consist of unrealized gains or losses due to fluctuations in the foreign exchange value of the cross currency swaps entered into by the Government.

The obligation related to capital leases represents the present values of the remaining minimum lease payments under capital lease agreements. The corresponding assets under capital leases are recorded under tangible capital assets on the Consolidated Statement of Financial Position.

Public sector pensions and other employee and veteran future benefits

Public sector pensions and other employee and veteran future benefits are measured on an actuarial basis. The actuarial valuations estimate the current value of benefits earned and use various actuarial assumptions in the process. When actual experience of the plans varies from estimates or when actuarial assumptions change, actuarial gains or losses arise. Due to their tentative nature and because further adjustments will likely be required in the future, actuarial gains and losses are not recognized immediately but rather over the expected average remaining service life (EARSL) of the employees, which varies across plans, or the average remaining life expectancy (ARLE) of the benefit recipients under wartime veteran plans. Recognition of actuarial gains and losses commences in the year following the effective date of the related actuarial valuations. In addition, an unrecognized net actuarial loss is recognized immediately upon a plan amendment, up to the one-time past service cost reduction; similarly, an unrecognized net actuarial gain is recognized immediately up to the one-time past service cost. The unrecognized net actuarial loss or gain, relating to the obligation that is curtailed or settled, is recognized immediately upon a plan curtailment or settlement.

Investments held by the Public Sector Pension Investment Board (PSPIB) are valued at market related value, a five-year smoothed value. Under this method, the expected return on investments is recorded immediately while the difference between the expected and the actual return on investments is recorded over a five-year period through actuarial gains and losses. The market related value of investments is adjusted, if necessary, to ensure that it does not fall outside a limit of plus or minus 10 percent of the market value of investments at year end; any difference is recorded immediately through actuarial gains and losses.

Contributions receivable from employees for past service buy-back elections are discounted to approximate their fair value.

Contingent liabilities

Contingent liabilities, including the allowance for guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued as part of other accounts payable and accrued liabilities and an expense recorded to other program expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

For guarantees, the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

Environmental liabilities

Environmental liabilities consist of estimated costs related to the remediation of contaminated sites as well as estimated costs related to obligations associated with the retirement of tangible capital assets and other environmental liabilities.

Effective April 1, 2014, the Government of Canada adopted new Public Sector Accounting Standard PS 3260, Liability for Contaminated Sites. The standard was adopted retroactively and did not affect the recognition or measurement of liabilities for contaminated sites. Consequently, the impact on the consolidated financial statements of the Government of Canada is limited to increased disclosures.

A liability for remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is used. The discount rate applied is taken from the Government's Consolidated Revenue Fund monthly lending rates for periods of one year and over which is based on the Government's cost of borrowing. The discount rates used are based on the term rate associated with the estimated number of years to complete remediation. For remediation costs with estimated future cash flows spanning more than 25 years, the 25-year Government of Canada lending rate is used as the discount rate.

A liability for an asset retirement obligation is recognized when all of the following criteria are satisfied: there is an agreement, contract, legislation, or a constructive or equitable obligation that obligates the Government to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. These costs are normally capitalized and amortized over the asset's estimated useful life based on the Government's best estimates of the cost to retire the tangible asset. If the related asset is fully amortized, the related cost is expensed. The liability reflects the present value of estimated future cash flows required to retire the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities or assets are removed from service.

A liability for unexploded explosive ordnance (UXO) affected legacy sites is recognized when there is an appropriate basis for measurement and a reasonable estimate can be made. These liabilities are present obligations arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

The recorded environmental liabilities are adjusted each year, as required, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements. If measurement uncertainty exists it is also disclosed in the notes to the consolidated statements.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Consolidated Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the foreign exchange accounts, foreign debt, swap and foreign exchange forward agreement revaluations are presented with investment revenues from foreign exchange accounts under net foreign exchange revenues. Net gains and losses relating to loans, investments and advances are presented with the return on investments from these loans, investments and advances under other program revenues. Net gains and losses relating to transfer payments are reported in the transfer payment expenses under other transfer payments. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are reported in ministry expenses under other program expenses.

Measurement Uncertainty

The preparation of consolidated financial statements requires the Government to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and accompanying notes at the date of the financial statements. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. Estimates and underlying assumptions are reviewed annually as at the date of the financial statements. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period or in the period of revision and future periods if revisions affect both current and future periods.

A material measurement uncertainty exists when it is reasonably possible that a material variance could occur in the reported or disclosed amount in the near term. Near term is defined as a period of time not to exceed one year from the date of the financial statements. The Government has determined that a material measurement uncertainty exists with respect to the reported amounts for public sector pensions and other employee and veteran future benefits. Measurement uncertainty due to estimates and assumptions also exists in the accrual of tax revenues, the related amounts receivable and payable, and the allowance for doubtful accounts; and environmental liabilities. It is reasonably possible that the Government's reassessments of these estimates and assumptions could require a material change in reported amounts and/or disclosures in the consolidated financial statements.

Obligations for public sector pensions and other employee and veteran future benefits are actuarially determined and the actual experience may differ significantly from the assumptions used in the calculation of the plans' accrued benefits. At March 31, 2015, net future benefit liabilities of $227,541 million ($224,183 million in 2014) in regards to obligations for public sector pensions and other employee and veteran future benefits are recorded in the financial statements. The significant actuarial assumptions used in measuring the benefit obligations as well as a sensitivity analysis of the impact on the consolidated financial statements of changes in the most significant assumptions are found in Note 7.

Tax revenues, the related amounts receivable and payable and the allowance for doubtful accounts are subject to measurement uncertainty due to the use of estimates of amounts not yet assessed/reassessed based on cash received. A key assumption used in estimating tax revenues is that tax installments and historical information on refund rates are good indicators of tax revenue earned to March 31 that has not yet been assessed. The estimates are subject to back-testing and are refined as required. The key assumption used to estimate the general allowance for doubtful accounts is historical collection information as described in Note 10.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 17 due to the evolving technologies used in the remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or revisions to environmental standards could result in significant changes to the environmental liabilities recorded.

Other comprehensive income or loss

Other comprehensive income or loss, resulting from the accounting of enterprise Crown corporations and other government business enterprises under the modified equity method, is excluded from the calculation of the Government's annual deficit and is recorded directly to the Government's accumulated deficit and net debt.

2. Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation. In particular, the Government has changed the presentation of the Consolidated Statement of Financial Position 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 in previous years. The change in presentation has no financial impact on the Consolidated Financial Statements of the Government.

3. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Government uses the full accrual method of accounting to prepare its Budget and present its current consolidated financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the authorities indicated in the following table:

	(in millions of dollars)	
	2015	2014
Annual spending limits voted by Parliament	93,955	94,754
Expenditures permitted under other legislation	148,614	144,470
Total budgetary expenditures authorized	242,569	239,224
Less: amounts available for use in subsequent years and amounts that have lapsed	11,428	9,262
Total net expenditures	231,141	229,962
Effect of consolidation and full accrual accounting	49,294	46,865
Total expenses	280,435	276,827

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Consolidated Statement of Operations and Accumulated Deficit. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Consolidated Statement of Operations and Accumulated Deficit is prepared on a full accrual basis. The transactions of certain accounts with separate non-budgetary authorities and of certain Crown corporations or other controlled entities are consolidated in the financial statements but are not included in the budgetary expenditure authorities available for use. Transfer payments to organizations within the Government reporting entity are recorded against a budgetary expenditure authority in the year they are disbursed to the organization, but they are recorded as a consolidated expense only when they are disbursed to the ultimate recipient outside of the Government reporting entity. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of $245,788 million ($211,529 million in 2014) was authorized for loans, investments and advances. A net amount of $71,551 million ($29,703 million in 2014) was used, an amount of $33 million ($114 million in 2014) lapsed and an amount of $174,204 million ($181,712 million in 2014) is available for use in subsequent years.

ii. Over-expenditure of spending authorities

There were no over-expenditures of spending authorities in 2014-2015.

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament which is contained in Part IV of the *Financial Administration Act*. Section 43.1 of the *Financial Administration Act* empowers the Governor in Council to authorize the Minister of Finance to borrow money on behalf of Her Majesty in right of Canada. In 2015, the Governor in Council specified $270,000 million ($300,000 million in 2014) to be the maximum aggregate amount of principal that may be borrowed during the fiscal year. The maximum aggregate amount of principal is the sum of *i)* the maximum stock of treasury bills anticipated to be outstanding during the year, *ii)* the total value of refinanced and anticipated new issuances of marketable bonds and retail debt and *iii)* an amount to facilitate intra-year management of the debt and foreign exchange reserves. During the year, $244,913 million ($252,122 million in 2014) of the borrowing authority was used.

iv. Source of budget amounts

The budget amounts included in the Consolidated Statement of Operations and Accumulated Deficit and the Consolidated Statement of Change in Net Debt are derived from the amounts that were budgeted for 2014-2015 in the February 2014 Budget Plan (Budget 2014). 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.

Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2014, the corresponding amounts in the budget column have been adjusted to the actual closing numbers of the previous year.

4. Expenses

Expenses in the Consolidated Statement of Operations and Accumulated Deficit include:

i. Major transfer payments to other levels of government

	(in millions of dollars)	
	2015	2014
Canada health transfer	32,114	30,543
Canada social transfer	12,582	12,215
Fiscal arrangements	16,271	15,610
Other major transfers	2,142	2,107
Total major transfer payments to other levels of government	63,109	60,475

ii. Other transfer payments

Other transfer payments totalling $35,126 million ($36,698 million in 2014) include various subsidies paid through federal programs to stabilize market prices for commodities, to develop new technologies, to conduct research, to establish new jobs through support for training and to promote educational and cultural activities. Also included are expenses of other consolidated entities and other miscellaneous payments. The various types of transfer payments are being delivered by departments according to their departmental legislative mandates.

iii. Public debt charges

	(in millions of dollars)	
	2015	2014
Public debt charges related to unmatured debt —		
Interest on unmatured debt	13,614	14,120
Amortization of discounts on Canada and Treasury Bills	1,420	1,818
Amortization of premiums and discounts on all other debts	841	974
Cross currency swap revaluation	(542)	(495)
Servicing costs and costs of issuing new borrowings	19	11
Capital lease obligations	209	214
Other unmatured debt	60	14
Total	15,621	16,656
Interest expense related to pensions and other future benefits	10,748	11,328
Other liabilities	225	236
Total public debt charges	26,594	28,220

iv. Total expenses by segment

The Government has defined the segments as the Ministries and Crown corporations and other entities. Additional segmented information is provided in Note 19. The following table presents the total expenses by segment after the elimination of internal transactions:

	(in millions of dollars)	
	2015	2014
Ministries —		
Agriculture and Agri-Food	2,081	2,432
Atlantic Canada Opportunities Agency	237	253
Canada Revenue Agency	21,830	21,605
Canadian Heritage	1,794	1,636
Canadian Northern Economic Development Agency	49	49
Citizenship and Immigration	2,045	1,962
Economic Development Agency of Canada for the Regions of Quebec	179	197
Employment and Social Development	75,043	71,252
Environment	1,658	1,644
Finance	88,892	87,990
Fisheries and Oceans	1,671	1,755
Foreign Affairs, Trade and Development	6,126	5,947
Health	6,245	6,194
Indian Affairs and Northern Development	8,780	6,794
Industry	4,395	4,659
Justice	1,625	1,592
National Defence	23,873	21,696
Natural Resources	2,253	2,189
Office of Infrastructure of Canada	3,020	3,511
Office of the Governor General's Secretary	20	20
Parliament	543	535
Privy Council Office	322	293
Public Safety and Emergency Preparedness	10,036	11,871
Public Works and Government Services	4,423	4,337
Transport	1,553	1,350
Treasury Board	3,277	2,947
Veterans Affairs	1,018	897
Western Economic Diversification	147	182
Provision for valuation and other items	(957)	2,875
Total ministries	272,178	268,664
Crown corporations and other entities	8,257	8,163
Total expenses	280,435	276,827

Certain comparative figures have been reclassified to conform to the current Government structure.

v. Total expenses by type of resource used in operations

The Consolidated Statement of Operations and Accumulated Deficit and the previous table present a breakdown of expenses by segment, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses by main objects of expense:

	(in millions of dollars)	
Objects of expense	2015	2014
Transfer payments	174,693	169,395
Other program expenses —		
Crown corporations (1)	7,162	7,059
Personnel	43,811	44,994
Transportation and communications	2,422	2,472
Information	232	220
Professional and special services	8,090	7,753
Rentals	1,979	1,832
Repair and maintenance	2,312	2,498
Utilities, materials and supplies	2,514	2,461
Other subsidies and expenses	5,435	4,949
Amortization of tangible capital assets	5,090	4,865
Net loss on disposal of assets	101	109
Total other program expenses	79,148	79,212
Total program expenses	253,841	248,607
Public debt charges	26,594	28,220
Total expenses	280,435	276,827

(1) This amount differs from the expense shown on the Consolidated Statement of Operations and Accumulated Deficit due to the amortization of tangible capital assets and the net loss on disposal of assets of consolidated Crown corporations, which have been reclassified within their respective object of expense.

5. Accumulated Deficit

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and other entities controlled by the Government, and of certain accounts established for specified purposes. Legislation requires that revenues received for purposes specified in the legislation be credited to these accounts and that related payments be charged to the accounts. Any deficiency of payments over revenues must be met through future revenues or transfers credited to these accounts. The following table shows the balance of these consolidated accounts and the equity of the consolidated Crown corporations and other entities included in the accumulated deficit:

	(in millions of dollars)	
	2015	2014
Accumulated deficit, excluding consolidated accounts and accumulated other comprehensive income (1)	619,998	616,032
Consolidated specified purpose accounts —		
Employment Insurance Operating Account	(522)	2,734
Other insurance accounts	(707)	(691)
Other consolidated accounts	(306)	(321)
	618,463	617,754
Consolidated Crown corporations and other entities	(2,274)	(1,556)
Accumulated other comprehensive income	(3,859)	(4,317)
Accumulated deficit	612,330	611,881

(1) Included in this amount are actuarial gains and losses on pensions and other employee future benefits of enterprise Crown corporations and other government business enterprises which are a part of other comprehensive income but recorded directly to accumulated deficit and therefore are not a component of accumulated other comprehensive income.

Accumulated other comprehensive income

For enterprise Crown corporations and other government business enterprises recorded under the modified equity method, certain unrealized gains and losses on financial instruments and certain actuarial gains and losses related to pensions and other employee future benefits are recorded in other comprehensive loss or income in accordance with International Financial Reporting Standards (IFRS). The unrealized gains and losses on financial instruments reflect changes in the fair value of financial assets classified as available-for-sale or derivative instruments used in hedging activities and are excluded from the calculation of profit or loss until realized. Actuarial gains and losses related to pensions and other employee future benefits reflect differences between the actual and expected returns on plan assets as well as the difference between actual and expected experience and changes in actuarial assumptions used to determine the present value of the benefit obligations. In accordance with IFRS, these actuarial gains and losses are recorded directly to retained earnings without reclassification to profit or loss in a subsequent period.

Other comprehensive loss or income is excluded from the calculation of the Government's annual deficit. It is instead recorded directly to the Government's accumulated deficit. Upon realization of the gains and losses on financial instruments, the associated amounts are reclassified to the profit or loss of enterprise Crown corporations and other government business enterprises and then reflected in the Government's annual deficit. As indicated above, the actuarial gains and losses related to pensions and other employee future benefits are not reclassified.

The following table presents the different components of other comprehensive income as well as accumulated other comprehensive income included in the Government's accumulated deficit:

	(in millions of dollars)	
	2015	2014
Accumulated other comprehensive income at beginning of year	4,317	3,480
Other comprehensive (loss) or income —		
Net change in unrealized gains and losses on available-for-sale financial instruments	(450)	887
Net change in fair value of derivatives designated as hedges	(8)	(50)
Actuarial (losses) gains on pensions and other employee future benefits	(1,902)	1,823
Total	(2,360)	2,660
Less: Actuarial (losses) gains on pensions and other employee future benefits recorded directly to accumulated deficit	(1,902)	1,823
Accumulated other comprehensive income at end of year	3,859	4,317

6. Unmatured Debt

Unmatured debt includes:

	(in millions of dollars)	
	2015	2014
Market debt —		
Payable in Canadian currency	629,233	632,636
Payable in foreign currencies	20,267	16,030
Total	649,500	648,666
Cross currency swap revaluations	6,669	2,326
Unamortized discounts and premiums on market debt	4,296	3,184
Obligation related to capital leases	3,710	3,603
Other unmatured debt	1,005	1,179
Total unmatured debt	665,180	658,958

Unamortized discounts result from Treasury bills and Canada bills which are issued at a discount in lieu of interest. Discounts or premiums also result from the Government's bond buy-back program and from issuance of market debt when the face value of the instrument issued differs from the proceeds received. The unamortized portion represents the amount of premium and discount that has not yet been recorded to public debt charges.

i. *Market debt*

The following table presents the contractual maturity of debt issues and interest rates by currency and type of instrument at gross value (in Canadian dollars) and the effective average annual interest rates as at March 31, 2015:

	(in millions of dollars)								
	Marketable bonds					Canada bills	Medium-term notes		
Maturing year	CAD	USD	Euro	Treasury bills	Retail debt [1]	USD	USD	Euro	Total
2016	56,409			135,700	902	3,789			196,800
2017	95,367	3,842			1,140		507		100,856
2018	53,742	4,433			1,224				59,399
2019	31,023	3,820			992				35,835
2020	38,050	4	2,723		505		285		41,567
2021 and subsequent	212,822				897		728	204	214,651
	487,413	12,099	2,723	135,700	5,660	3,789	1,520	204	649,108
Less: Government holdings of unmatured debt and consolidation adjustment [2]	(468)	68		8					(392)
Total market debt	487,881	12,031	2,723	135,692	5,660	3,789	1,520	204	649,500
Nature of interest rate [3]	Fixed [4]	Fixed	Fixed	Variable	Variable	Variable	Fixed and variable	Fixed	
Effective weighted average annual interest rates	2.73	1.25	3.50	0.81	0.71	0.08	0.38	0.15	
Range of interest rates	0.25 - 11.25	0.88 - 9.70	3.50	0.43 - 1.02	0.50 - 1.40	0.02 - 0.20	0.18 - 2.30	0.15	

(1) Includes $3,910 million of Canada savings bonds having fixed dates of maturity which are redeemable on demand.

(2) Includes $68 million of securities held for the retirement of unmatured debt, $15 million of securities held by consolidated Crown corporations and other entities and $475 million of borrowings by consolidated agent Crown corporations.

(3) Debt with terms to maturity of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(4) Includes real return bonds which have a variable component based on the consumer price index.

ii. *Obligation related to capital leases*

The total obligation related to capital leases as at March 31, 2015 is $3,710 million ($3,603 million in 2014). Interest on this obligation of $209 million ($214 million in 2014) is reported in the Consolidated Statement of Operations and Accumulated Deficit as part of public debt charges. Future minimum lease payments are summarized as follows:

Year	(in millions of dollars)
2016	498
2017	519
2018	462
2019	455
2020	349
2021 and subsequent	3,637
Total minimum lease payments	5,920
Less: imputed interest at the average discount rate of 5.62 percent	2,210
Obligation related to capital leases	3,710

A significant number of leases have a duration from inception that falls within the range of 10 to 25 years.

7. Public Sector Pensions and Other Employee and Veteran Future Benefits

i. *Overview of benefit plans*

(a) *Pension benefits*

The Government sponsors a number of defined benefit pension plans covering substantially all the employees of the federal public service, as well as certain Public Service corporations as defined in the *Public Service Superannuation Act*, territorial governments, members of the Canadian Forces including the Reserve Force, members of the Royal Canadian Mounted Police, federally appointed judges and Members of Parliament, including Senators. The public service, Canadian Forces – Regular Force and Royal Canadian Mounted Police pension plans represent the three main public sector pension plans sponsored by the Government. In addition, some of the consolidated Crown corporations and other entities maintain their own defined benefit pension plans covering substantially all of their employees. In this note, the term "employees" is used in a general manner to apply to plan members of the different groups.

The defined benefit pension plans are designed to provide employees with a retirement income during their lifetime and, in the case of Government sponsored plans, are indexed to inflation. The indexation for Crown corporation and other entity pension plans varies depending on the specific plan. In the event of death, the pension plans also provide an income for a plan member's eligible survivors and dependants.

Pension benefits generally accrue as follows:

> For the three main public sector pension plans, pension benefits generally accrue based on a member's average earnings during the best five consecutive years of earnings and years of pensionable service. Plan members can accumulate up to a maximum of 35 years at a rate of two percent per year of pensionable service. Pension benefits are coordinated with the Canada and the Quebec Pension Plan benefits.
>
> For the Canadian Forces – Reserve Force pension plan, pension benefits accrue based on total pensionable service and pensionable earnings over the service period.
>
> For the Members of Parliament retiring allowance plan, basic allowances accrue at a rate of three percent per year of pensionable service multiplied by the average of the best five years of sessional indemnity up to a maximum of 75 percent of the plan member's average sessional indemnity. Retiring allowance benefits are coordinated with the Canada and the Quebec Pension Plan benefits at age 60. Members of Parliament are entitled to benefits after they have contributed to the plan for at least six years.
>
> For federally appointed judges, pension benefits do not have an explicit accrual rate. Instead, federally appointed judges may retire with a pension equivalent to two-thirds of the salary annexed to their office, once the member has completed 15 years of pensionable service and the sum of the member's age and years of service equals 80 or more.
>
> For the consolidated Crown corporation and other entity pension plans, pension benefits vary depending on the terms of the plans. Some plans are closed to new entrants.

(b) *Other future benefits*

In addition to pension plans, the Government and the consolidated Crown corporations and other entities sponsor different types of future benefit plans, with varying terms and conditions. The benefits are available to employees during or after employment or upon retirement. Other future benefits include 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 benefits available to retired employees and their dependants, accumulated sick leave entitlements, severance benefits and workers' compensation benefits.

ii. *Financing arrangements*

The Government has a statutory obligation to pay the pension benefits it sponsors. Pursuant to pension legislation, the transactions for funded and unfunded pension benefits are tracked in the pension accounts within the accounts of Canada.

(a) *Funded pension benefits*

The pension plans are generally financed from employee and employer contributions, as well as investment earnings. Pension benefits funded by the Government relate to post March 2000 service that falls within the *Income Tax Act* limits for the three main public sector pension plans and all service for the Canadian Forces – Reserve Force pension plan, as an amount equal to contributions less benefit payments and other charges is invested in capital markets through the Public Sector Pension Investment Board (PSPIB). Funded pension benefits also relate to consolidated Crown corporations and other entities where pension plans' funds are held in external trusts that are legally separate from Crown corporations and other entities.

(b) Unfunded pension benefits

For unfunded pension benefits, separate market invested funds are not maintained. These relate to pre April 2000 service and post March 2000 service that falls above the *Income Tax Act* limits for the three main public sector pension plans, all service periods for the pension plans of the federally appointed judges and Members of Parliament, and some of the consolidated Crown corporation and other entity pension plans. Employee and employer contributions for unfunded pension benefits sponsored by the Government are part of general government funds. Contributions amounted to $247 million ($260 million in 2014).

(c) Other future benefits

Other employee and veteran future benefit plans sponsored by the Government and almost all of the other employee future benefits sponsored by the consolidated Crown corporations and other entities are unfunded. The health care and dental plans for retired employees are contributory plans, whereby contributions by retired plan members are made to obtain coverage. These contributions amounted to $211 million in 2015 ($201 million in 2014). The cost of benefits earned and benefits paid are presented net of these contributions.

iii. Actuarial valuations

(a) For funding purposes

Pursuant to the *Public Pensions Reporting Act*, actuarial valuations of the pension plans sponsored by the Government are performed at least every three years to determine the state of the pension plans, as well as to assist in making informed decisions regarding the financing of the Government's pension benefit obligations. The actuarial assumptions underlying the valuations are based on the actuary's best estimates.

The most recent triennial actuarial valuations were conducted as at March 31, 2013 for the Canadian Forces – Regular Force, Canadian Forces – Reserve Force, the Members of Parliament and the federally appointed judges pension plans; as at March 31, 2012 for the Royal Canadian Mounted Police pension plan; and as at March 31, 2014 for the public service pension plan, for which the valuation is currently in-progress.

(b) For accounting purposes

Actuarial valuations of the public sector pension and other employee and veteran future benefit plans are performed every year to measure and report the obligations and to attribute the costs of the benefits to the period. Actuarial valuations are conducted as at March 31, except for some of the consolidated Crown corporations and other entities for which the actuarial valuations are conducted as at December 31. The actuarial valuations are based on the most recent or any in-progress actuarial valuation for funding purposes, as applicable, in regards to the majority of the demographic assumptions. The other assumptions underlying the valuations are based on best estimates of the Government or of management of the consolidated Crown corporation and other entities.

iv. Changes to benefit plans

(a) Plan amendments

In 2015, amendments were made to the veteran future benefit plans thereby improving and expanding eligibility for certain benefits. This includes modifying the Earnings Loss Benefit to ensure that part-time Reserve Force veterans have access to the same minimum level of income support as Regular and full-time Reserve Force veterans and to ensure their benefits are calculated in the same way; expanding access to the Permanent Impairment Allowance to help compensate disabled veterans for the loss of career opportunities associated with their disabilities; and changes to vocational rehabilitation so that there is more flexibility in identifying a suitable employment goal – one that reflects both their military and civilian work experiences. Furthermore, access to treatment and long-term care benefits were improved by expanding services within the Operational Stress Injury Social Support Program as well as the transfer of the Sainte-Anne's Hospital to the government of Quebec effective April 1, 2016. New veteran future benefits were also created. This includes the Family Caregiver Relief Benefit which will provide annual financial support to eligible veterans who have an informal caregiver who plays an essential role in the provision or coordination of their care. The Retirement Income Security Benefit was created to provide additional financial security after the age of 65 for moderately to severely disabled veterans. The new Critical Injury Benefit will compensate eligible Canadian Armed Forces members and veterans for the immediate impacts of the most severe and traumatic service-related injuries or diseases between the time the injury occurs and the time when their condition becomes medically stable. These amendments resulted in one-time past service cost of $1,828 million and the immediate recognition of a previously unrecognized net actuarial gain of $69 million.

With respect to the employee severance benefit plan, an amendment was agreed upon resulting in a one-time past service cost of $3 million ($23 million in 2014) and the immediate recognition of a previously unrecognized net actuarial gain of $3 million (nil in 2014).

In 2014, an amendment to the Public Service Health Care Plan resulted in a one-time past service cost reduction of $7,890 million and the immediate recognition of a previously unrecognized net actuarial loss of $7,106 million. Amendments to the veteran future benefit plans resulted in one-time past service costs of $317 million. The amendments to the veteran future benefit plans also resulted in the immediate recognition of a previously unrecognized net actuarial gain of $49 million.

(b) Plan curtailments

In 2015, former employees of the Candu Reactor Division of Atomic Energy of Canada Limited ceased to be employed in the public service and became employed by a new employer. As a result, new regulations defer the availability of pensions under the PSSA for those individuals who choose to leave their accrued pension benefits under the PSSA until such time as they cease to be employed with the new employer. The impact of this curtailment is a one-time past service cost of $51 million and the immediate recognition of a previously unrecognized net actuarial gain of $6 million.

Beginning in 2011, the accumulation of severance benefits for voluntary departures ceased for certain employee groups. Employees subject to these changes are being given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. The impact of the curtailments is a one-time past service cost reduction of $3 million ($94 million in 2014) and the immediate recognition of a previously unrecognized net actuarial gain of $37 million (net actuarial loss of $69 million in 2014), representing the portion related to the obligation for employees subject to the curtailments.

(c) Plan settlements

In 2015, payments of $643 million ($1,178 million in 2014) were made to employees affected by the curtailments of the severance benefit plan who opted to cash out the full or partial value of their accumulated benefits. Because the actual cost of settling part of the obligation differed from the liability previously recorded, a one-time past service cost reduction of $49 million (past service cost of $127 million in 2014) was recognized along with a previously unrecognized net actuarial gain of $101 million (net actuarial loss of $131 million in 2014), representing the portion related to the obligation for employees subject to the settlements.

v. Net future benefit liabilities

The accrued benefit obligations in respect of public sector pension and other employee and veteran future benefit plans are presented net of pension assets and unrecognized net actuarial gain or loss, as well as contributions and benefits paid by some of the consolidated Crown corporations and other entities after their measurement date of December 31 up to March 31, in the Consolidated Statement of Financial Position. The details are as follows:

(a) Accrued benefit obligations

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

	(in millions of dollars)							
	2015				2014			
	Pension benefits				Pension benefits			
	Funded	Unfunded	Total	Other future benefits	Funded	Unfunded	Total	Other future benefits
Accrued benefit obligations at beginning of year	97,912	156,452	254,364	82,170	90,448	159,066	249,514	99,915
Benefits earned	6,332	270	6,602	2,844	6,484	285	6,769	3,429
Interest on average accrued benefit obligations	4,963	7,597	12,560	2,857	4,452	8,154	12,606	2,644
Benefits paid	(2,282)	(8,613)	(10,895)	(5,062)	(1,989)	(8,495)	(10,484)	(5,778)
Administrative expenses	(81)	(105)	(186)	(66)	(77)	(114)	(191)	(64)
Net transfers to other plans	(559)	(114)	(673)		(491)	(142)	(633)	
Plan amendments				1,831				(7,550)
Plan curtailments	(40)	(11)	(51)	(3)				(94)
Plan settlements				(49)				127
Actuarial (gains) losses	3,130	7,612	10,742	21,741	(915)	(2,302)	(3,217)	(10,459)
Accrued benefit obligations at end of year	109,375	163,088	272,463	106,263	97,912	156,452	254,364	82,170

(b) Pension assets

Pension assets include investments held by the PSPIB that are valued at market related value; consolidated Crown corporations' investments, the majority of which are valued at fair value; and contributions receivable from employees for past service buy-back elections.

The changes in pension assets during the year were as follows:

	(in millions of dollars)			
	2015		2014	
	Funded pension benefits	Other future benefits	Funded pension benefits	Other future benefits
Investments at beginning of year	92,913	5	79,746	6
Expected return on average value of investments	4,764		3,961	
Contributions —				
Employees	2,553		2,423	
Public Service corporations, territorial governments and Crown corporations and other entities	420	1	456	2
Government	4,161		4,418	
Benefits paid, transfers and others	(2,736)	(3)	(2,424)	(3)
Actuarial gains	8,685		4,333	
Investments at end of year	110,760	3	92,913	5
Contributions receivable from employees for past service	587		568	
Total pension assets at end of year	111,347	3	93,481	5

Actuarial gains of $2,778 million ($94 million in 2014) were incorporated in the market related value of the investments to adjust for the limit of plus or minus 10 percent in the difference between the market related value and the market value of the investments at the end of the year.

At March 31, 2015, the market value of the investments is $122,023 million ($102,319 million in 2014). The actual rate of return of investments calculated on a time-weighted basis was 14.9 percent (15.6 percent in 2014) during the year.

(c) Net future benefit liabilities

A reconciliation of the accrued benefit obligations to the amounts of net future benefit liabilities follows:

	(in millions of dollars)							
	2015				2014			
	Pension benefits				Pension benefits			
	Funded	Unfunded	Total	Other future benefits	Funded	Unfunded	Total	Other future benefits
Accrued benefit obligations	109,375	163,088	272,463	106,263	97,912	156,452	254,364	82,170
Less: Pension assets	111,347		111,347	3	93,481		93,481	5
Subtotal	(1,972)	163,088	161,116	106,260	4,431	156,452	160,883	82,165
Plus: Unrecognized net actuarial gain (less loss)	6,475	(16,147)	(9,672)	(30,118)	810	(9,436)	(8,626)	(10,204)
Less: Contributions after measurement date up to March 31	43		43		33		33	
Less: Benefits paid after measurement date up to March 31				2				2
Net future benefit liabilities	4,460	146,941	151,401	76,140	5,208	147,016	152,224	71,959
The net future benefit liabilities were recognized and presented in the Consolidated Statement of Financial Position as follows:								
Public sector pension liabilities	5,723	146,941	152,664		6,146	147,016	153,162	
Other employee and veteran future benefit liabilities				76,140				71,959
Total pensions and other future benefit liabilities	5,723	146,941	152,664	76,140	6,146	147,016	153,162	71,959
Less: Public sector pension assets	1,263		1,263		938		938	
Net future benefit liabilities	4,460	146,941	151,401	76,140	5,208	147,016	152,224	71,959

vi. Future benefit and interest expenses

The cost of public sector pension and other employee and veteran future benefit plans is comprised of benefit and interest expenses. Benefit expense of $11,164 million ($13,273 million in 2014) and interest expense of $10,653 million ($11,289 million in 2014) are included in the Consolidated Statement of Operations and Accumulated Deficit. More specifically, a benefit expense of $11,144 million ($13,221 million in 2014) is included in ministries expenses, an interest expense of $10,748 million ($11,328 million in 2014) is included in public debt charges and a balance of $75 million in benefit and interest expenses is included as a reduction ($13 million increase in 2014) in Crown corporations' expenses. The components of the benefit and interest expenses are as follows:

	(in millions of dollars)							
	2015				2014			
	Pension benefits				Pension benefits			
	Funded	Unfunded	Total	Other future benefits	Funded	Unfunded	Total	Other future benefits
Benefit expense —								
Benefits earned, net of employee contributions	3,561	211	3,772	2,844	3,818	227	4,045	3,429
Actuarial losses recognized during the year	98	901	999	2,037	611	1,343	1,954	4,105
Plan amendments				1,831				(7,550)
Plan curtailments	(40)	(11)	(51)	(3)				(94)
Plan settlements				(49)				127
Actuarial (gains) losses recognized following plan amendments, curtailments and settlements	(6)		(6)	(210)				7,257
Total	3,613	1,101	4,714	6,450	4,429	1,570	5,999	7,274
Interest expense —								
Interest on average accrued benefit obligations	4,963	7,597	12,560	2,857	4,452	8,154	12,606	2,644
Expected return on average market related value of investments	(4,764)		(4,764)		(3,961)		(3,961)	
Total	199	7,597	7,796	2,857	491	8,154	8,645	2,644

vii. Actuarial assumptions

The assumptions used in the actuarial valuations for accounting purposes are based on the Government's or the consolidated Crown corporations and other entities management's best estimates of expected long-term experience and short-term forecasts, as well as the majority of the demographic assumptions underlying the most recent or any in-progress actuarial valuations for funding purposes. The assumptions include estimates of future inflation, interest rates, returns on investments, general wage increases, workforce composition, retirement rates and mortality rates.

The discount rates used to measure the present value of the accrued benefit obligations, as well as the costs of benefits earned, plan amendments, plan curtailments, plan settlements and the interest expense, for public sector pensions and other employee and veteran future benefits sponsored by the Government are as follows:

for funded pension benefits, the streamed expected rates of return on invested funds;

for unfunded pension benefits, the streamed weighted average of Government of Canada long-term bond rates; and

for other future benefits, the expected Government of Canada long-term bond rate at the valuation date.

The streamed weighted average of Government of Canada long-term bond rates is a calculated 20-year weighted moving average of Government of Canada long-term bond rates projected over time. The streamed rates take into account historical Government of Canada long-term bond rates and, over time, reflect expected Government of Canada long-term bond rates.

The principal actuarial assumptions used in measuring the accrued benefit obligations as at March 31 for Government sponsored plans, as well as the related future benefit and interest expenses for the year, were as follows:

	2015		2014	
	Accrued benefit obligations	Benefit and interest expenses	Accrued benefit obligations	Benefit and interest expenses
Discount rates (1) —				
Funded pension benefits	5.8 %	4.9 %	5.9 %	4.7 %
Unfunded pension benefits	4.2 %	5.1 %	4.6 %	5.4 %
Other employee and veteran future benefits	2.4 %	3.5 %	3.5 %	2.7 %
Expected rate of return on investments		4.9 %		4.7 %
Long-term rate of inflation	2.0 %	2.0 %	2.0 %	2.0 %
Long-term general wage increase	2.6 %	2.6 %	2.6 %	2.6 %
Assumed health care cost trend rates —				
Initial health care cost trend rate	4.5 %	4.6 %	4.6 %	3.8 %
Cost trend rate is expected to stabilize at	4.8 %	4.8 %	4.8 %	4.8 %
Year that the rate is expected to stabilize	2024	2023	2023	2022

(1) The streamed discount rates used to measure the accrued benefit obligations are equivalent to the flat discount rates presented in the table. The initial discount rates used to measure the benefit expense are presented in the table whereas the ultimate discount rates are expected to reach 6.1 percent by 2022 (6.1 percent by 2020 in 2014) for the funded pension benefits and 5.1 percent by 2040 (5.1 percent by 2036 in 2014) for the unfunded pension benefits. The interest expense is calculated using the discount rates presented in the table.

The discount rates used by the consolidated Crown corporations and other entities to measure their accrued benefit obligations range from 4.8 percent to 6.3 percent (5.7 to 6.3 percent in 2014) for the funded pension benefits, from 2.2 percent to 3.5 percent (3.1 to 4.3 percent in 2014) for the unfunded pension benefits, and from 2.2 percent to 4.0 percent (2.8 to 4.8 percent in 2014) for the other employee future benefits.

The expected average remaining service life (EARSL) of the employees represent periods ranging from 4 to 23 years (3 to 23 years in 2014) according to the plan in question; more specifically, from 11 to 15 years (11 to 15 years in 2014) for the three main public sector pension plans. The average remaining life expectancy (ARLE) of the benefit recipients under wartime veteran plans represent periods ranging from 6 years to 11 years (6 to 11 years in 2014).

viii. Sensitivity analysis

Changes in assumptions can result in significantly higher or lower estimates of the accrued benefit obligations. The table below illustrates the possible impact of a one percent change in the principal actuarial assumptions. Note that for the sensitivity to the discount rates, the one percent change was considered only for the future expected Government of Canada long-term bond rates and not for the historical Government of Canada long-term bond rates included in the determination of the streamed discount rates used to measure the unfunded pension benefits sponsored by the Government.

	(in millions of dollars)					
	2015			2014		
	Pension benefits			Pension benefits		
	Funded	Unfunded	Other future benefits	Funded	Unfunded	Other future benefits
Possible impact on the accrued benefit obligations due to:						
Increase of 1 % in discount rates	(17,300)	(8,700)	(17,200)	(15,600)	(8,400)	(11,600)
Decrease of 1 % in discount rates	22,500	9,100	23,500	20,400	9,500	15,300
Increase of 1 % in rate of inflation	14,300	20,400	20,900	12,700	19,300	13,900
Decrease of 1 % in rate of inflation	(11,800)	(17,000)	(15,700)	(10,300)	(16,200)	(10,600)
Increase of 1 % in general wage increase	6,100	1,200	500	5,700	1,400	400
Decrease of 1 % in general wage increase	(5,300)	(1,100)	(400)	(5,000)	(1,200)	(300)
Increase of 1 % in assumed health care cost trend rates			7,500			4,700
Decrease of 1 % in assumed health care cost trend rates			(5,400)			(3,500)

8. Other Liabilities

Other liabilities include:

	(in millions of dollars)	
	2015	2014
Due to Canada Pension Plan	212	140
Others —		
Government Annuities Account	150	166
Deposit and trust accounts	1,675	1,686
Other specified purpose accounts	3,965	3,922
	5,790	5,774
Total other liabilities	6,002	5,914

i. Due to Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan (CPP) are not included in these consolidated financial statements.

The CPP is a federal/provincial social insurance program established by an Act of Parliament. It is compulsory and in operation in all parts of Canada, except for the Province of Quebec. The objective of the program is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death. The CPP is financed from employees, employers and self-employed workers contributions, as well as investments earnings. The CPP's investments are held and managed by the Canada Pension Plan Investment Board (CPPIB). As administrator of the CPP, the Government's authority to provide benefits is limited to the consolidated net assets of the CPP. At March 31, 2015, the fair value of the CPP's consolidated net assets is $269,615 million ($223,209 million in 2014).

Pursuant to the *Canada Pension Plan Act*, the transactions of the CPP are recorded in the Canada Pension Plan Account (the Account) within the accounts of Canada. The Account also tracks the amounts transferred to or received from the CPPIB. The $212 million ($140 million in 2014) balance in the Account represents the CPP's deposit with the Receiver General for Canada and, therefore, is reported as a liability to the CPP.

ii. Others

Deposit and trust accounts are a group of liabilities representing the Government's financial obligations in its role as administrator of certain funds 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 negotiable securities, these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt. One of the largest deposit and trust accounts is the Indian band funds accounts in the amount of $835 million ($833 million in 2014). This account was established to record funds belonging to Indian bands throughout Canada pursuant to the *Indian Act*.

Other specified purpose accounts are liability accounts that are used to record transactions made under authorities obtained from Parliament through either the *Financial Administration Act* or other specific legislation. Certain accounts earn interest which is charged to interest on the public debt. The largest other specified purpose account is the Public Service Death Benefit Account totalling $3,424 million ($3,310 million in 2014). This account was established under the *Public Service Superannuation Act* to provide life insurance to contributing members of the public service.

9. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

	(in millions of dollars)	
	2015	2014
Cash [(1)]	28,845	27,469
Cash equivalents	6,154	3,960
Total cash and cash equivalents	34,999	31,429

(1) Included in cash is $20,000 million ($20,000 million in 2014) which has been designated as a deposit held at the Bank of Canada with respect to prudential liquidity management undertaken by the Government.

10. Taxes and Other Accounts Receivable

Taxes receivable represent tax revenues that were assessed by year end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due until the next fiscal year. They also include other receivables for amounts collectible through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

The Government has established an allowance for doubtful accounts of $13,138 million ($12,690 million in 2014) and has recorded a bad debt expense of $3,910 million ($3,751 million in 2014). The allowance for doubtful accounts is management's best estimate of the collectability of amounts that have been assessed, including the related interest and penalties, but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age and type of tax accounts using rates based on historical collection experience. A specific allowance is calculated based on an annual review of all accounts over $10 million. The allowance for doubtful accounts is adjusted every year through a provision for doubtful accounts and is reduced by amounts written off as uncollectible during the year. The annual provision is reported as a bad debt expense which is charged against other program expenses. The details of the taxes receivable and allowance for doubtful accounts are as follows:

	(in millions of dollars)					
	2015			2014		
	Total taxes receivable	Allowance for doubtful accounts	Net	Total taxes receivable	Allowance for doubtful accounts	Net
Income taxes receivable —						
Individuals	55,150	6,660	48,490	52,161	6,621	45,540
Employers	17,652	1,052	16,600	16,127	945	15,182
Corporations	16,964	2,282	14,682	15,410	2,152	13,258
Non-residents	1,462	138	1,324	1,442	138	1,304
Goods and services tax receivable	18,248	2,785	15,463	17,752	2,779	14,973
Customs duties receivable	266	24	242	246	16	230
Excise taxes and duties receivable	1,895	197	1,698	2,041	39	2,002
Total	111,637	13,138	98,499	105,179	12,690	92,489

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year end. Total other accounts receivable amount to $5,418 million ($6,521 million in 2014) and are presented net of an allowance for doubtful accounts of $2,220 million ($1,865 million in 2014).

11. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations.

The Government holds certain investments in its Exchange Fund Account to provide general liquidity and to promote orderly conditions in the foreign exchange market for the Canadian dollar. As at March 31, 2015, the fair value of the marketable securities held in the Exchange Fund Account is $84,241 million ($68,976 million in 2014).

Subscriptions and loans to the International Monetary Fund (IMF) and special drawing rights allocations are denominated in special drawing rights (SDR). The SDR serves as the unit of account for the IMF and its value is based on a basket of key international currencies (US dollar, Euro, Japanese yen and British pound sterling). Canada participates in two multi-lateral lending arrangements with the IMF along with a group of other member countries. Collectively, maximum direct lending under the multi-lateral arrangements is limited to no more than the equivalent of SDR 8,517 million ($14,881 million) at March 31, 2015.

The following table presents the balances of the foreign exchange accounts:

	(in millions of dollars)	
	2015	2014
International reserves held in the Exchange Fund Account —		
Cash and cash equivalents —		
US dollar	441	391
Euro	189	51
British pound sterling	48	2
Japanese yen	17	10
Short-term deposits		223
Total	695	677
Marketable securities —		
US dollar	60,558	46,636
Euro	17,685	19,903
British pound sterling	2,405	199
Japanese yen	794	316
Total	81,442	67,054
Special drawing rights	9,818	9,628
Gold	6	6
Total international reserves held in the Exchange Fund Account	91,961	77,365
International Monetary Fund —		
Subscriptions	11,129	10,883
Loans	1,353	1,665
Total	104,443	89,913
Less:		
International Monetary Fund —		
Special drawing rights allocations	10,463	10,232
Notes payable	8,962	7,419
Total	19,425	17,651
Total foreign exchange accounts	85,018	72,262

12. Crown Corporations and Other Entities

Parent Crown corporations are included in the reporting entity of the Government. There are also a number of not-for-profit organizations and other government business enterprises that meet the definition of control for financial reporting purposes and are included in the reporting entity of the Government.

i. Consolidated Crown corporations and other entities

Some Crown corporations and not-for-profit organizations rely on the Government for most of their financing and their financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Air Transport Security Authority, Canadian Broadcasting Corporation, Canadian Commercial Corporation and VIA Rail Canada Inc. The major consolidated not-for-profit organizations are the Canada Foundation for Innovation and the Canada Foundation for Sustainable Development Technology.

ii. Enterprise Crown corporations and other government business enterprises

The remaining Crown corporations are government business enterprises able to raise substantial portions of their revenues through commercial business activity and are therefore considered self-sustaining. These Crown corporations are referred to as enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Canada.

In addition, there are a number of self-sustaining government business enterprises that are not Crown corporations but which are controlled by the Government. These are referred to as other government business enterprises. Investments in enterprise Crown corporations and other government business enterprises are recorded under the modified equity method.

The following table presents the Government's recorded loans, investments and advances in significant enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2015	2014
Investments —		
Canada Mortgage and Housing Corporation	18,733	16,511
Export Development Canada	8,527	7,276
Farm Credit Canada	4,855	4,166
Business Development Bank of Canada	4,745	4,339
Canada Development Investment Corporation	3,880	4,953
Canada Deposit Insurance Corporation	1,801	1,568
Canada Post Corporation	(2,277)	(1,140)
Other	3,544	3,644
Total investments	43,808	41,317
Loans and advances —		
Farm Credit Canada	22,691	22,029
Business Development Bank of Canada	15,676	14,320
Canada Mortgage and Housing Corporation	10,708	21,173
Other	333	148
Total loans and advances	49,408	57,670
Less:		
Loans expected to be repaid from future appropriations	3,792	4,145
Unamortized discounts and premiums	49	27
	3,841	4,172
Total loans, investments and advances to enterprise Crown corporations and other government business enterprises	89,375	94,815

The following table presents the summary financial position and results of enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)					
	2015			2014		
	Third Parties	Government, Crown corporations and other entities	Total	Third Parties	Government, Crown corporations and other entities	Total
Assets —						
Financial assets	352,984	103,664	456,648	349,246	97,118	446,364
Non-financial assets	9,180		9,180	9,359		9,359
Total assets	362,164	103,664	465,828	358,605	97,118	455,723
Liabilities	349,723	71,735	421,458	333,096	80,951	414,047
Equity of Canada as reported			44,370			41,676
Elimination adjustments			(562)			(359)
Equity of Canada			43,808			41,317
Revenues	27,247	4,467	31,714	27,478	4,511	31,989
Expenses	20,916	2,402	23,318	22,999	3,065	26,064
Profit as reported			8,396			5,925
Adjustments and others			(31)			20
Profit			8,365			5,945
Other changes in equity —						
Other comprehensive (loss) or income			(2,360)			2,660
Dividends [(1)]			(2,341)			(5,215)
Capital [(2)]			(1,030)			50
Other adjustments			(143)			
			2,491			3,440
Equity of Canada at beginning of year			41,317			37,877
Equity of Canada at end of year			43,808			41,317
Contractual obligations			47,555			44,803
Contingent liabilities			2,503			2,409

(1) Amounts reported as dividends include $1,041 million ($1,331 million in 2014) from Canada Development Investment Corporation, $1,100 million ($1,127 million in 2014) from the Bank of Canada and nil ($2,569 million in 2014) from Export Development Canada.

(2) Amounts reported as capital include a return of capital of $1,030 million (Nil in 2014) from Canada Development Investment Corporation.

iii. Non Public Property

Non Public Property (NPP), as defined under the *National Defence Act*, consists of money and property contributed to or by Canadian Forces members and is administered for their benefit and welfare by the Canadian Forces Morale and Welfare Services (CFMWS). The CFMWS is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, Canadian Forces Exchange System (CANEX), Personnel Support Programs and Service Income Security Insurance Plan (SISIP) Financial Services. Under the *National Defence Act*, NPP is explicitly excluded from the *Financial Administration Act*. The Government provides some services related to NPP activities such as accommodation and security for which no amount is charged. The cost of providing these services is included in the consolidated financial statements of the Government of Canada. In 2015, CFMWS administered estimated revenues and expenses of $327 million ($400 million in 2014) and $294 million ($331 million in 2014) respectively and had net equity of $708 million at March 31, 2015 ($685 million at March 31, 2014). These amounts are excluded from the consolidated financial statements of the Government of Canada.

13. Other Loans, Investments and Advances

The following table presents a summary of the balances of other loans, investments and advances by category:

	(in millions of dollars)	
	2015	2014
National governments, including developing countries and international organizations —		
National governments including developing countries	988	382
International organizations	20,189	19,150
Total	21,177	19,532
Other loans, investments and advances —		
Provincial and territorial governments	1,112	1,877
Other loans, investments and advances	28,324	26,583
Total	29,436	28,460
Total	50,613	47,992
Less: allowance for valuation	26,307	25,172
Total other loans, investments and advances	24,306	22,820

The following table presents a summary of the balances of other loans, investments and advances by currency:

	(in millions of dollars)			
	2015			2014
	Loans, investments and advances in base currency	Foreign exchange rate	Loans, investments and advances CAD	Loans, investments and advances CAD
Canadian dollar	45,253		45,253	43,348
US dollar	4,123	1.26660	5,222	4,552
Special drawing rights	68	1.74726	119	75
Various other currencies			19	17
Total			50,613	47,992

Loans to national governments consist mainly of loans for financial assistance totalling $400 million (nil in 2014), international development assistance to developing countries totalling $164 million ($187 million in 2014), and development of export trade totalling $424 million ($195 million in 2014) which are administered by Export Development Canada. Certain loans are non-interest bearing and others bear interest at rates varying from 1.0 percent to 10.3 percent. These loans are repayable over 1 to 31 years, with final instalments due in 2045.

Loans, investments and advances to international organizations include subscriptions to the share capital of international banks totalling $12,654 million ($11,951 million in 2014) as well as loans and advances to associations and other international organizations totalling $7,536 million ($7,201 million in 2014). These subscriptions are composed of both paid-in and callable capital. They do not provide a return on investment but are repayable on termination of the organization or withdrawal from it. Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms.

Loans to provinces and territories include loans made under relief acts and other legislation. Loans totalling $789 million ($1,234 million in 2014) are non-interest bearing and are repayable over 1 to 11 years. An amount of $320 million ($640 million in 2014) is due from British Columbia regarding the Comprehensive Integrated Tax Coordination Agreement and is due in equal annual instalments with the final payment due March 2016. The Government has not collected interest on these amounts. The remaining loans totalling $3 million ($3 million in 2014) bear interest at rates varying from 4.5 percent to 9.5 percent with final instalments due in 2015.

Other loans, investments and advances include portfolio investments and loans and advances under various programs to individuals and organizations which include loans under the Canada Student Loans Program of $17,519 million ($16,739 million in 2014), and loans for development of export trade which are administered by Export Development Canada of $2,772 million ($2,595 million in 2014). Collateral of $259 million ($272 million in 2014) is held on loans for development of export trade. Loans under the Canada Student Loans Program are provided interest-free to full-time students and afterward bear interest at either a variable prime rate plus 2.5 percent or a fixed prime rate plus 5.0 percent. The repayment period is generally 10 years. Certain loans for development of export trade are non-interest bearing and others bear interest at rates varying from 1.9 percent to 12.8 percent. These loans are repayable over 1 to 9 years, with final instalments due in 2023.

14. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. Tangible capital assets include land, buildings, works and infrastructure, machinery and equipment including computer hardware and software, vehicles including ships, aircraft and others, leasehold improvements, and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001. Tangible capital assets also include assets under capital lease. Renewal options for assets under capital leases are typically for periods of 3 to 5 years and are exercisable at the discretion of the lessee.

Except for land, the cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	10 to 40 years
Works and infrastructure [(1)]	5 to 40 years
Machinery and equipment	3 to 30 years
Vehicles	3 to 40 years
Leasehold improvements	lesser of useful life of improvement or lease term
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type or over the lease term

(1) Except for the Confederation Bridge, which is amortized over 100 years.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

	(in millions of dollars)											
	Cost					Accumulated amortization						
	Opening balance	Acquisitions	Disposals	Adjustments [(1)]	Closing balance	Opening balance	Amortization expense	Disposals	Adjustments	Closing balance	Net book value 2015	Net book value 2014
Land	1,597	36	(32)	4	1,605						1,605	1,597
Buildings	27,047	229	(350)	2,424	29,350	14,330	767	(316)	155	14,936	14,414	12,717
Works and infrastructure	13,977	227	(160)	505	14,549	8,001	419	(142)	(2)	8,276	6,273	5,976
Machinery and equipment	34,556	484	(1,296)	1,181	34,925	24,680	1,989	(888)	(169)	25,612	9,313	9,876
Vehicles	36,452	157	(520)	1,534	37,623	22,420	1,481	(279)	(234)	23,388	14,235	14,032
Leasehold improvements	2,972	32	(98)	210	3,116	1,787	206	(83)		1,910	1,206	1,185
Assets under construction	13,850	5,639	(230)	(5,900)	13,359						13,359	13,850
Assets under capital leases	4,517	400[(2)]	(130)	74	4,861	1,808	228	(114)	(3)	1,919	2,942	2,709
Total	134,968	7,204	(2,816)	32	139,388	73,026	5,090	(1,822)	(253)	76,041	63,347	61,942

(1) Adjustments include assets under construction of $5,193 million that were transferred to other categories upon completion of the assets.
(2) Acquisitions of assets under capital leases do not involve the use of cash and are therefore excluded from the Consolidated Statement of Cash Flow.

Some leases have escalation clauses for the operating cost component and are based on the consumer price index.

15. Financial Instruments

The Government uses various financial instruments to manage financial risks associated with its financial assets and liabilities. The Government does not hold or use derivative instruments for trading or speculative purposes.

i. Derivative financial instruments

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and Euros. The Government has entered into cross currency swap agreements to facilitate management of its debt structure. Using cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government's swap positions are held to maturity.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctuations in the foreign exchange value of the swaps are presented in the cross currency swap revaluation account and are recognized as part of net foreign exchange revenues in the Consolidated Statement of Operations and Accumulated Deficit.

Cross currency swaps with contractual principal amounts outstanding at March 31, stated in Canadian dollars, are as follows:

	(in millions of dollars)
Maturing year	2015
2016	5,107
2017	4,898
2018	5,610
2019	6,708
2020	7,296
2021 and subsequent	33,472
Total	63,091

(b) Foreign-exchange forward agreements

The Government's lending arrangements with the IMF, included in the Foreign Exchange Accounts, are denominated in SDRs. However, the government typically funds these loans with US dollars. Consequently, since the value of the SDR is based upon a basket of key international currencies (US dollar, Euro, Japanese yen and British pound sterling), a currency mismatch results, whereby fluctuations in the value of the loan asset are not equally offset by fluctuations in the value of the related funding liability. Therefore, the Government enters into forward agreements to hedge this foreign exchange risk.

Unrealized gains or losses due to fluctuations in the foreign exchange value of these agreements are recorded in accounts payable and accrued liabilities and are recognized as part of the net foreign exchange revenues in the Consolidated Statement of Operations and Accumulated Deficit.

The notional principal amount of a foreign-exchange forward agreement refers to the principal amount used to calculate contractual cash flows. This amount does not represent an asset or liability, and is not included in the Consolidated Statement of Financial Position. Foreign-exchange forward agreements outstanding at March 31, with notional principal amounts in Canadian dollars of $1,572 million ($2,650 million at March 31, 2014), mature during the next fiscal year.

(c) Credit risk related to swap and foreign-exchange forward agreements

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Standard & Poor's or Moody's. At the time of inception of the agreement, the credit rating of the institution must be at least A-.

Credit risk is also managed through collateral provisions in swap and foreign-exchange forward agreements. Counterparties must pledge collateral to the Government, which, in the event of default, could be liquidated to mitigate credit losses.

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any counterparty credit loss with respect to its swap and foreign-exchange forward agreements.

The following table presents the contractual or notional principal amounts of the swap and foreign-exchange forward agreements organized by credit ratings based on published Standard & Poor's credit ratings and stand-alone credit profiles at year end:

	(in millions of dollars)	
Credit ratings	2015	2014
A+	17,774	16,707
A	14,040	14,782
A-	26,518	16,703
BBB+	4,765	6,769
BBB	1,566	1,803
Total	64,663	56,764

ii. Managing foreign currency risk and sensitivity analysis to foreign currency exposures

Interest rate and foreign currency risks are managed using a strategy of matching the duration and the currency of the foreign exchange accounts assets and the related foreign currency borrowings of the Government. At March 31, 2015, assets within the foreign exchange accounts and their related foreign currency borrowings substantially offset each other on a market value basis. Accordingly, the impact of price changes affecting these assets and the liabilities funding these assets naturally offset each other, resulting in no significant impact to the Government's net debt.

Assets related to the IMF are only partially matched by related foreign currency borrowings as they are denominated in SDRs, however, foreign-exchange risks relating to loans to the IMF have been managed through entering into various foreign-exchange forward agreements.

The majority of the government foreign currency assets and related liabilities are held in four currency portfolios: the US dollar, the Euro, the British pound sterling and the Japanese yen. At March 31, 2015, a one percent appreciation in the Canadian dollar as compared to the US dollar, the Euro, the British pound sterling and the Japanese yen would result in a foreign exchange loss of $9 million due to the exposure of the US dollar portfolio, a foreign exchange loss of $3 million due to the exposure of the Euro portfolio and a foreign exchange gain of $2 million due to the exposure of the British pound sterling. There is no significant exposure related to the Japanese yen portfolio.

The net foreign exchange gain included in net foreign exchange revenues, other program revenues and other program expenses on the Consolidated Statement of Operations and Accumulated Deficit amounts to $452 million (net foreign exchange gain of $448 million in 2014).

iii. Fair value information

(a) Liabilities and financial assets

The following table presents the carrying value and the fair value of liabilities and financial assets. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of liabilities and financial assets with a short term to maturity or of a non-negotiable nature are assumed to approximate their carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to the unpredictability of future events.

	(in millions of dollars)					
	2015			2014		
	Carrying value	Fair value	Fair value over (under) carrying value	Carrying value	Fair value	Fair value over (under) carrying value
Liabilities —						
Accounts payable and accrued liabilities	123,631	123,631		111,730	111,730	
Unmatured debt	665,180	742,080	76,900	658,958	705,520	46,562
Public sector pensions	152,664	152,659	(5)	153,162	153,245	83
Other employee and veteran future benefits	76,140	106,258	30,118	71,959	82,163	10,204
Other liabilities	6,002	6,002		5,914	5,914	
Financial Assets —						
Cash and accounts receivable	136,696	136,696		128,574	128,574	
Foreign exchange accounts	85,018	87,955	2,937	72,262	74,316	2,054
Loans, investments and advances excluding investments in enterprise Crown corporations	69,873	72,061	2,188	76,318	78,141	1,823
Public sector pension assets	1,263	2,849	1,586	938	1,801	863

Fair values are determined using the following methods and assumptions:

The carrying values of other accounts payable and accrued liabilities, amounts payable to taxpayers, interest and matured debt and cash and accounts receivable are assumed to approximate their fair values due to their short term to maturity and allowances to reduce carrying values.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars, Canada bills and medium-term notes issued in US dollars and Euros, fair values are established using market quotes or the discounted cash flow calculated using year end market interest and exchange rates. Fair values of other instruments comprising the unmatured debt are deemed to approximate their carrying values due to their short term to maturity or their non-negotiable nature.

The fair values of public sector pension and other employee and veteran future benefit liabilities, and public sector pension assets are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension assets, which are established at market value for investments and at discounted net present value for other assets, and the contributions and benefits paid by some of the consolidated Crown corporations and other entities after their measurement date of December 31 up to March 31.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are established using market quotes or the discounted cash flow calculated using year end market interest rates. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are recorded when necessary to reduce their carrying value to amounts that approximate their estimated realizable value.

(b) Derivative financial instruments

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

	(in millions of dollars)			
	2015		2014	
	Principal amount	Fair value	Principal amount	Fair value
Cross currency swaps	63,091	(5,756)	54,114	(2,648)
Foreign-exchange forward agreements	1,572	128	2,650	(38)
Total	64,663	(5,628)	56,764	(2,686)

Fair values of the swap and foreign-exchange forward agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap and foreign-exchange forward agreements, calculated from the contractual or notional principal amounts, using year end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated on March 31.

16. Contractual Obligations

The nature of government activities results in large multi-year contracts and agreements, including international treaties, protocols and agreements of various size and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. Major contractual obligations that will generate expenditures in future years and that can be reasonably estimated are summarized as follows:

	(in millions of dollars)				
Minimum payments to be made in:	Transfer payment agreements	Capital assets and purchases	Operating leases	International organizations	Total
2016	15,572	8,989	390	1,709	26,660
2017	8,407	6,612	358	1,441	16,818
2018	5,739	6,304	327	392	12,762
2019	4,370	7,736	292	243	12,641
2020	2,216	8,412	246	121	10,995
2021 and subsequent	2,358	18,957	1,411	1,178	23,904
Total	38,662	57,010	3,024	5,084	103,780

i. Transfer payment agreements

Transfer payments are one of the government's key instruments to provide various services to Canadians and to contribute to building a strong society and a competitive nation. They represent a large part of the Government of Canada's spending.

ii. Capital assets and purchases

Capital assets are tangible and durable items of value, including major additions or alterations thereto, from which benefits are expected to be derived during their useful life. Purchases are supported by contracts to supply goods or services.

iii. Operating leases

An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee. The Government rents premises and equipment under operating leases which expire at various dates.

iv. International organizations

International contractual obligations include transfer payments, loans and advances to international organizations as well as loans for the development of export trade (administered by Export Development Canada), which Canada has agreed to disburse in the future. Future paid-in share capital commitments made by Canada for future purchases of non-budgetary share capital in international organizations are also included.

17. Environmental Liabilities

i. Remediation of contaminated sites

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

The Government has identified approximately 9,800 sites (11,600 sites in 2014) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Government has identified approximately 2,400 sites (2,500 sites in 2014), where action is possible and for which a gross liability of $5,810 million has been recorded. A recovery of $17 million has also been recorded resulting in a net liability of $5,793 million ($4,796 million in 2014). This liability represents the Government's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date. A net present value technique has been used for sites where the cash flows are expected to occur over extended future periods.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2015 and March 31, 2014. When the liability estimate is based on a future cash requirement, the Government of Canada lending rate applicable to loans with similar terms to maturity has been used to discount the estimated future expenditures. March 2015 rates range from 0.61 percent for 2 year term to 2.12 percent for a 25 or greater year term.

	(in millions of dollars)							
	2015				2014			
Nature and Source	Number of Sites	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries	Number of Sites	Estimated Liability	Estimated Total Undiscounted Expenditures	Estimated Recoveries
Former mineral exploration sites [1]	131	3,083	5,048	17	210	2,205	3,763	
Radioactive material [2]	5	1,016	1,049		5	991	1,061	
Military and former military sites [3]	177	559	581		140	552	600	
Fuel related practices [4]	645	358	366		668	341	351	
Marine facilities/aquatic sites [5]	819	278	291		788	271	299	
Landfill/waste sites [6]	375	211	220		389	202	174	
Other [7]	261	305	309		272	234	214	
Total	2,413	5,810	7,864	17	2,472	4,796	6,462	

(1) Contamination associated with former mine activities, e.g. heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.

(2) Contamination associated with former nuclear operations, e.g. low-level radioactive waste, radioactive isotopes.

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

(4) Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene and xylenes).

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

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

(7) Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, the operations of assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants.

Of the remaining 7,400 sites, 1,200 sites were closed as they were either remediated or assessed and no longer meet all the criteria required to record a liability for contaminated sites and there are 6,200 sites for which an estimated liability has not been determined primarily due to the fact the sites are not yet fully assessed and contamination has not yet been determined or it has not yet been determined if the site requires remediation or if a risk management plan will suffice. As the sites are assessed, if contamination is found, and it exceeds the environmental standard and if remediation is required, a liability will be recognized as soon as a reasonable estimate can be made.

Of the 6,200 sites that do not have liabilities, 200 are considered high priority for action because they present a higher risk to human health and the environment. These sites are at various stages of testing and evaluation in order to develop a remediation or risk management strategy. If remediation is required liabilities will be reported as soon as a reasonable estimate can be determined. If risk management is the preferred option the site will be monitored to determine if remediation is required or if the contamination can be reduced or eliminated through natural attenuation. Monitoring costs prior to determining if remediation is required are not included in a liability. These costs are considered operating costs of the current period. 1,800 sites are considered a medium to low priority based on the low level of risk to human health or the environment. Assessment and remediation or risk management will be done on these sites as resources become available. 3,600 sites are not yet classified because they are only at the initial testing stages and contamination has not yet been determined. 500 sites are not considered a priority for action because information indicates there is likely no significant environmental impact or human health threats and there is likely no need for action unless new information becomes available indicating greater concerns, in which case, the site will be re-examined. 100 sites currently have insufficient information in order to classify. Additional information is required to classify the site but is not available at this time. As additional information becomes available the sites will be re-examined.

ii. Asset retirement obligations

The asset retirement obligation is $6,502 million ($6,345 million in 2014) of which Atomic Energy of Canada Ltd. has recorded $6,487 million ($6,327 million in 2014) for nuclear facility decommissioning. These costs are normally capitalized and amortized over the asset's estimated useful life based on the Government's best estimates of the cost to retire the tangible asset. The liability reflects the present value of estimated future cash flows required to restore the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities or assets are removed from service.

iii. Other environmental liabilities

A liability for unexploded explosive ordnance (UXO) affected legacy sites is recognized when there is an appropriate basis for measurement and a reasonable estimate can be made. These liabilities are present obligations arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

The Government has identified approximately 918 UXO (865 in 2014) suspected sites for which clearance action may be necessary. Of these sites, 57 (63 in 2014) are confirmed UXO affected sites. Based on the Government's best estimates, a liability of $1.3 million ($2 million in 2014) has been recorded for clearance action on 5 (6 in 2014) of the confirmed UXO sites. The remaining 861 suspect sites are currently in the assessment stage and a reasonable estimate cannot yet be determined. Of these sites, the obligation for clearance action is likely for 68 sites, indeterminable for 774 sites and unlikely for 19 sites

The Government's ongoing efforts to assess contaminated sites, asset retirement obligations and UXO affected sites may result in additional environmental liabilities. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

18. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into contingent liabilities related to: guarantees provided by the Government, international organizations, claims and pending and threatened litigation, and insurance programs of agent enterprise Crown corporations.

i. Guarantees provided by the Government

At March 31, 2015, the principal amount outstanding for guarantees provided by the Government amount to $442,904 million ($407,039 million in 2014) for which an allowance of $317 million ($386 million in 2014) has been recorded. The authorized limit, where applicable, is established at $356,950 million ($355,006 million in 2014) for an amount of $188,901 million ($160,435 million in 2014) of guarantees provided by the Government. The amount of guarantees with no authorized limit is established at $254,003 million ($246,604 million in 2014). Guarantees provided by the Government include guarantees on the borrowings of enterprise Crown corporations and other government business enterprises, loan guarantees, insurance programs managed by the Government, and other explicit guarantees. Of the total amount guaranteed, $253,049 million ($245,223 million in 2014) relates to guarantees on the borrowings of agent enterprise Crown corporations for which no authorized limit has been set and no allowance (nil in 2014) has been recorded.

ii. International organizations

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2015, callable share capital amounts to $30,601 million ($28,217 million in 2014).

iii. Claims and pending and threatened litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable and for which an amount has not been accrued, are estimated at approximately $8,304 million ($7,300 million in 2014) which is based on management's best estimate determined on a case by case basis. Certain large and significant claims are described below:

Comprehensive land claims: Comprehensive land claims arise in areas of the country where Aboriginal rights and title have not been resolved by treaty or by other legal means. There are currently 80 (81 in 2014) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of $4,840 million ($3,912 million in 2014) is estimated for claims that have progressed to a point where quantification is possible. This estimate includes projections based on historical rates and costs of settlement for similar claims.

Specific claims: Specific claims deal with the past grievances of First Nations related to Canada's obligations under historic treaties or the way it managed First Nations' funds or other assets. The Government of Canada will pursue a settlement agreement with the First Nation when a claim demonstrates an outstanding lawful obligation. There are currently 456 (447 in 2014) specific claims under negotiation, accepted for negotiation or under review. A liability of $3,458 million ($3,265 million in 2014) is estimated for claims that have progressed to a point where quantification is possible. This estimate includes projections based on historical rates and costs of settlement for similar claims.

Assessed taxes under objection or appeal: Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court of Canada, the Federal Court of Canada, or the Supreme Court of Canada. As of March 31, 2015, $22,987 million ($22,230 million for 2014) was under objection at the Government level and $5,450 million ($4,715 million for 2014) was being appealed to the courts. The Government has recorded, in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers, as applicable, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

iv. Insurance programs of agent enterprise Crown corporations

Four agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to $100,000 deposited with each member bank, trust or loan company; the Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; Export Development Canada provides export and foreign investment insurance to help with export trade; and Farm Credit Canada sells group creditor life and accident insurance to its customers through a program administered by a major insurance provider. At March 31, 2015, total insurance in force amounts to $1,671,666 million ($1,648,444 million in 2014). The Government expects that all four corporations will cover the cost of both current claims and possible future claims.

19. Segmented Information

The Government segmented information is based on the ministry structure, which groups the activities of departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 12. The five main ministries are reported separately and the others are grouped together with the provision for valuation and other items. The presentation by segment is based on the same accounting policies as those described in the Summary of significant accounting policies in Note 1. Inter-segment transfers are measured at the exchange amount. The following tables present the segmented information by Ministry and Crown corporations and other entities before the elimination of internal transactions that are eliminated in the Adjustments column before arriving at the total for the year ended March 31:

(in millions of dollars)

	2015								
	Canada Revenue Agency	Employment and Social Development	Finance	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corporations and other entities	Adjustments [1]	Total
Revenues									
Tax Revenues —									
Income tax revenues	181,406								181,406
Other taxes and duties	18,137				29,045				47,182
Total Tax Revenues	***199,543***				***29,045***				***228,588***
Employment Insurance Premiums		***22,962***						***(398)***	***22,564***
Other Revenues —									
Crown corporations							17,730	(4,250)	13,480
Other programs	5,061	2,636	885	630	2,244	11,578	519	(7,194)	16,359
Net foreign exchange			1,355						1,355
Total Other Revenues	***5,061***	***2,636***	***2,240***	***630***	***2,244***	***11,578***	***18,249***	***(11,444)***	***31,194***
Total Revenues	***204,604***	***25,598***	***2,240***	***630***	***31,289***	***11,578***	***18,249***	***(11,842)***	***282,346***
Expenses									
Transfer Payments —									
Old age security benefits, guaranteed income supplement and spouse's allowance		44,103							44,103
Major transfer payments to other levels of government			61,136			1,973			63,109
Employment insurance benefits		18,052							18,052
Children's benefits	10,372	3,931							14,303
Other transfer payments	3,350	6,311	920	136	204	23,886	487	(168)	35,126
Total Transfer Payments	***13,722***	***72,397***	***62,056***	***136***	***204***	***25,859***	***487***	***(168)***	***174,693***
Other Program Expenses —									
Crown corporations							7,951	(361)	7,590
Ministries	8,372	4,317	726	23,837	10,077	35,253	284	(11,308)	71,558
Total Other Program Expenses	***8,372***	***4,317***	***726***	***23,837***	***10,077***	***35,253***	***8,235***	***(11,669)***	***79,148***
Total Program Expenses	***22,094***	***76,714***	***62,782***	***23,973***	***10,281***	***61,112***	***8,722***	***(11,837)***	***253,841***
Public Debt Charges			***26,330***	***68***	***1***	***200***		***(5)***	***26,594***
Total Expenses	***22,094***	***76,714***	***89,112***	***24,041***	***10,282***	***61,312***	***8,722***	***(11,842)***	***280,435***

(1) Represents consolidation adjustments to eliminate internal transactions.

(in millions of dollars)

	2014								
	Canada Revenue Agency	Employment and Social Development	Finance	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corporations and other entities	Adjustments [1]	Total
Revenues									
Tax Revenues —									
Income tax revenues	173,802								173,802
Other taxes and duties	19,233				26,903				46,136
Total Tax Revenues	***193,035***				***26,903***				***219,938***
Employment Insurance Premiums		***22,160***						***(394)***	***21,766***
Other Revenues —									
Crown corporations							15,843	(4,388)	11,455
Other programs	5,830	2,601	795	528	2,202	11,642	415	(7,177)	16,836
Net foreign exchange			1,682						1,682
Total Other Revenues	***5,830***	***2,601***	***2,477***	***528***	***2,202***	***11,642***	***16,258***	***(11,565)***	***29,973***
Total Revenues	***198,865***	***24,761***	***2,477***	***528***	***29,105***	***11,642***	***16,258***	***(11,959)***	***271,677***
Expenses									
Transfer Payments —									
Old age security benefits, guaranteed income supplement and spouse's allowance		41,786							41,786
Major transfer payments to other levels of government			58,369			2,106			60,475
Employment insurance benefits		17,300							17,300
Children's benefits	10,402	2,734							13,136
Other transfer payments	3,361	6,322	1,100	159	2,097	23,228	516	(85)	36,698
Total Transfer Payments	***13,763***	***68,142***	***59,469***	***159***	***2,097***	***25,334***	***516***	***(85)***	***169,395***
Other Program Expenses —									
Crown corporations							7,885	(401)	7,484
Ministries	8,109	4,745	807	22,019	10,008	37,235	271	(11,466)	71,728
Total Other Program Expenses	***8,109***	***4,745***	***807***	***22,019***	***10,008***	***37,235***	***8,156***	***(11,867)***	***79,212***
Total Program Expenses	***21,872***	***72,887***	***60,276***	***22,178***	***12,105***	***62,569***	***8,672***	***(11,952)***	***248,607***
Public Debt Charges			***27,999***	***26***	***1***	***201***		***(7)***	***28,220***
Total Expenses	***21,872***	***72,887***	***88,275***	***22,204***	***12,106***	***62,770***	***8,672***	***(11,959)***	***276,827***

Certain comparative figures have been reclassified to conform to the current Government structure.

(1) Represents consolidation adjustments to eliminate internal transactions.

20. Subsequent Events

i. Divestiture of remaining interests in General Motors

Subsequent to the end of the fiscal year, through an enterprise Crown corporation, the Government sold its remaining 73 million common shares in General Motors Company through an unregistered block trade. The shares were sold on April 6, 2015 for proceeds of $3,254 million, resulting in a realized gain of $2,131 million recorded in other revenues that will be reflected on the Consolidated Statement of Operations and Accumulated Deficit for fiscal year 2015-2016.