

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2015

TRANSPORT CANADA

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2015, and all information contained in these statements rests with the management of Transport Canada. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of Transport Canada's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in Transport Canada's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout Transport Canada and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2015 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The effectiveness and adequacy of Transport Canada's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of Transport Canada's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister of Transport Canada.

The financial statements of Transport Canada have not been audited.

Original signed by

Jean-François Tremblay, Deputy Minister
Ottawa, Canada
August 27, 2015

Original signed by

André Lapointe, Chief Financial Officer
Ottawa, Canada
August 14, 2015

TRANSPORT CANADA

Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	2015	2014
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,019,677	758,725
Vacation pay and compensatory leave	25,323	23,872
Deferred revenue (Note 5)	4,800	4,416
Other liabilities (Note 6)	24,789	24,540
Lease obligations for tangible capital assets (Note 7)	530,078	550,203
Employee future benefits (Note 8)	25,627	44,285
Environmental and contingent liabilities (Note 9)	252,749	231,294
Total liabilities	1,883,043	1,637,335
Financial assets		
Due from Consolidated Revenue Fund	954,978	691,407
Accounts receivable and advances (Note 10)	36,748	34,983
Loans receivable (Note 11)	1,712	1,673
Rent receivable (Note 12)	5,493	12,816
Total gross financial assets	998,931	740,879
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 10)	(20,576)	(22,498)
Loans receivable (Note 11)	(1,712)	(1,673)
Total financial assets held on behalf of Government	(22,288)	(24,171)
Total net financial assets	976,643	716,708
Departmental net debt	906,400	920,627
Non-financial assets		
Prepaid expenses	2,735	3,021
Inventory (Note 13)	12,523	12,251
Tangible capital assets (Note 14)	2,242,628	2,262,959
Total non-financial assets	2,257,886	2,278,231
Departmental net financial position (Note 15)	1,351,486	1,357,604

Environmental and contingent liabilities (Note 9)

Contractual obligations (Note 16)

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

Original signed by

Jean-François Tremblay, Deputy Minister

Ottawa, Canada

August 27, 2015

Original signed by

André Lapointe, Chief Financial Officer

Ottawa, Canada

August 14, 2015

TRANSPORT CANADA

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

For the Year Ended March 31

(in thousands of dollars)

	2015 Planned Results	2015	2014
Expenses			
An Efficient Transportation System	1,078,579	961,762	826,002
A Safe and Secure Transportation System	442,306	502,063	469,845
Internal Services	172,290	223,355	176,839
A Clean Transportation System	80,922	78,410	57,560
Ship-Source Oil Pollution Fund and other programs	2,223	1,536	2,381
Expenses incurred on behalf of Government	(2,223)	(1,536)	(2,381)
Total expenses	1,774,097	1,765,590	1,530,246
Revenues			
Airport rent	306,782	312,711	294,368
Monitoring and enforcement revenues	50,341	46,509	45,980
Aircraft maintenance and flying services	33,383	29,086	30,685
Rentals and concessions	22,025	28,044	27,912
Transport facilities user fees	14,987	15,785	15,591
Other	893	5,939	2,091
Pollution control revenues	5,578	5,400	8,977
Revenues earned on behalf of Government	(347,072)	(354,089)	(337,712)
Total revenues	86,917	89,385	87,892
Net cost from continuing operations	1,687,180	1,676,205	1,442,354
Transferred operations			
Expenses (Note 19)	-	-	6,756
Net cost of transferred operations	-	-	6,756
Net cost of operations before government funding and transfers	1,687,180	1,676,205	1,449,110
Government funding and transfers			
Net cash provided by Government		1,333,782	1,284,320
Change in due from Consolidated Revenue Fund		263,571	43,798
Services provided without charge by other government departments (Note 17)		88,044	86,721
Transfer of the transition payments for implementing salary payments in arrears (Note 18)		(15,253)	-
Transfer of assets and liabilities from (to) other government departments (Note 14 and Note 19)		(57)	473
Net cost of operations after government funding and transfers		6,118	33,798
Departmental net financial position – Beginning of year		1,357,604	1,391,402
Departmental net financial position – End of year		1,351,486	1,357,604

Segmented information (Note 20)

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

TRANSPORT CANADA

Statement of Change in Departmental Net Debt (*Unaudited*)

For the Year Ended March 31

(*in thousands of dollars*)

	2015	2014
Net cost of operations after government funding and transfers	6,118	33,798
Change due to tangible capital assets		
Acquisitions of tangible capital assets	124,627	76,261
Amortization of tangible capital assets	(138,287)	(148,828)
Proceeds from disposal of tangible capital assets	(4,255)	(11,484)
Loss on disposal of tangible capital assets	(1,704)	(9,784)
Prior years' assets under construction expensed	(655)	(8,938)
Transfer from (to) other government departments	(57)	13
Total change due to tangible capital assets	(20,331)	(102,760)
Change due to inventories	272	396
Change due to prepaid expenses	(286)	586
Net increase (decrease) in departmental net debt	(14,227)	(67,980)
Departmental net debt – Beginning of year	920,627	988,607
Departmental net debt – End of year	906,400	920,627

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

TRANSPORT CANADA

Statement of Cash Flows (*Unaudited*)

For the Year Ended March 31

(*in thousands of dollars*)

	2015	2014
Operating activities		
Net cost of operations before government funding and transfers	1,676,205	1,449,110
Non-cash items:		
Amortization of tangible capital assets	(138,287)	(148,828)
Services provided without charge by other government departments (Note 17)	(88,044)	(86,721)
Transition payments for implementing salary payments in arrears (Note 18)	15,253	-
Loss on disposal of tangible capital assets	(1,704)	(9,784)
Prior years' assets under construction expensed	(655)	(8,938)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	3,687	(9,737)
(Decrease) in rents receivable	(7,323)	(7,323)
Increase (decrease) in prepaid expenses	(286)	586
Increase in inventory	272	396
(Increase) in accounts payable and accrued liabilities	(260,952)	(19,471)
(Increase) in vacation pay and compensatory leave	(1,451)	(87)
(Increase) in deferred revenue	(384)	(714)
(Increase) in other liabilities	(249)	-
Decrease in employee future benefits	18,658	24,882
Decrease (increase) in environmental and contingent liabilities	(21,455)	17,383
Transfer of liabilities to other government departments (Note 19)	-	(460)
Cash used in operating activities	1,193,285	1,200,294
Capital investing activities		
Acquisitions of tangible capital assets	124,627	76,261
Proceeds from disposal of tangible capital assets	(4,255)	(11,484)
Cash used in capital investing activities	120,372	64,777
Financing activities		
Decrease in lease obligation for tangible capital assets	20,125	19,249
Cash used in financing activities	20,125	19,249
Net cash provided by Government of Canada	1,333,782	1,284,320

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

TRANSPORT CANADA

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

1. Authority and objectives

Transport Canada is a department of the Government of Canada named in Schedule 1 of the *Financial Administration Act* and reports to Parliament through the Minister of Transport.

Transport Canada is responsible for the transportation policies, programs and goals set by the Government of Canada, which are supported through the following departmental programs:

- *An Efficient Transportation System* program: modernizes marketplace frameworks so that the transportation sector can adapt, innovate and remain competitive; develops and implements gateways and corridors initiatives; ensures the renewal of federal transportation infrastructure; encourages innovation in the transportation sector, and; partners with provinces, territories, municipal governments, and public and private sector entities in various transportation initiatives.
- *A Clean Transportation System* program: advances the federal government's environmental agenda in the transportation sector and complements other federal programs designed to reduce air emissions to protect the health of Canadians and the environment for generations to come; protects the marine environment by reducing the pollution of water from transportation sources, and; fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe and Secure Transportation System*: influences the behaviour of the public and industry through policies, standards, regulations and laws; harmonizes and streamlines regulatory regimes, informed by the expertise of multiple countries and stakeholders; aids effective, safe and secure transportation practices and a sound safety and security culture, and; ensures that Canadians and the transportation industry are in compliance with the regulatory framework through its oversight program.
- The *Internal Services* program: Internal Services are groups of related activities and resources that are administrated to support the needs of programs and other corporate obligations of Transport Canada. Internal Services include only those activities and resources that apply across its organization and not to those provided specifically to a program.

Transport Canada delivers its programs and services under numerous legislative and constitutional authorities including the *Department of Transport Act*, *Canada Transportation Act*, *Aeronautics Act*, *Canada Marine Act*, *Canada Shipping Act*, *Navigable Waters Protection Act*, *Railway Safety Act*, *Transportation of Dangerous Goods Act*, *Motor Vehicle Safety Act*, *Canadian Air Transport Security Authority Act* and *Marine Transportation Security Act*.

2. Summary of significant accounting policies

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

Significant accounting policies are as follows:

- (a) Parliamentary authorities – Transport Canada is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to Transport Canada do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial

TRANSPORT CANADA

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

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

Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2014-15 Report on Plans and Priorities. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2014-15 Report on Plans and Priorities.

- (b) Net cash provided by Government – Transport Canada operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by Transport Canada is deposited to the CRF and all cash disbursements made by Transport Canada are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.
- (c) Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that Transport Canada is entitled to draw from the CRF without further authorities to discharge its liabilities.
- (d) Revenues:
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
 - Funds that have been received are recorded as deferred revenue, provided Transport Canada has an obligation to other parties for the provision of goods, services or the use of assets in the future.
 - Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
 - Revenues that are non-responsible are not available to discharge the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-responsible revenues. As a result, non-responsible revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.
- (e) Expenses – Expenses are recorded on the accrual basis:
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable, as a result of conditions specified in the contribution agreement that have come into being, are recorded as a reduction to transfer payment expense and as a receivable.

TRANSPORT CANADA

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

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

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, employer's contribution to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their estimated cost.
- (f) Employee future benefits:
- Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan), a multiemployer pension plan administered by the Government. Transport Canada's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
 - Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as the services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially-determined liability for employee severance benefits for the Government as a whole.
- (g) Accounts and loans receivable are stated at the lower of cost and net recoverable value. However, when the terms of the loans are concessionary, such as those provided with a low or no interest clause, they are recorded at their estimated present value. A portion of the unamortized discount is recorded as revenue each year to reflect the change in the present value of the loans outstanding. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.
- (h) Contingent liabilities – Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- (i) Environmental liabilities – Environmental liabilities consist of estimated costs related to the remediation of contaminated sites.
- 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 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. The discount rates used are based on the term rate associated with the estimated number of years to complete remediation. 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.

TRANSPORT CANADA

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

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

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

- (j) Inventory – Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory, other than serialized inventory items, is valued at cost using the average cost method. Serialized inventory items are valued on a specific cost basis. A serialized inventory item is consumable inventory, which has a serial number and is required to be tracked for airworthiness purposes. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.
- (k) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect at year-end. Gains and losses resulting from foreign currency transactions are included in the Statement of Operations and Departmental Net Financial Position.
- (l) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Transport Canada does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Land has no minimum capitalization threshold.

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

Asset Class	Amortization Period
Confederation Bridge	100 years
Buildings	20 to 40 years
Works and infrastructure	10 to 40 years
Machinery and equipment	5 to 15 years
Computer hardware and software	3 to 5 years
Ships and boats	10 to 35 years
Aircrafts	6 to 20 years
Motor vehicles	6 to 35 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement
Leased tangible capital assets	Over term of lease or useful life of the asset if a bargain purchase offer exists

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

- (m) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses

TRANSPORT CANADA

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

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

reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowance for doubtful accounts, contingent liabilities, environmental remediation liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

Transport Canada receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, Transport Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

	2015	2014
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	1,676,205	1,449,110
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(138,287)	(148,828)
Services provided without charge by other government departments	(88,044)	(86,721)
Loss on disposal of tangible capital assets	(1,704)	(9,784)
Prior years' assets under construction expensed	(655)	(8,938)
(Increase) in vacation pay and compensatory leave	(1,451)	(87)
Decrease in employee future benefits	18,658	24,882
Decrease (increase) in environmental and contingent liabilities	(21,455)	17,383
(Increase) in accrued liabilities not charged to authorities	(851)	(1,629)
Refund of prior years' expenditures	932	1,591
Adjustments of previous years accounts payable	1,021	1,679
Bad debt expense	(574)	(217)
Expenditures not affecting authorities	(1,110)	(1,270)
Total items affecting net cost of operations but not affecting authorities	(233,520)	(211,939)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	124,092	75,559
Decrease in lease obligation for tangible capital assets	20,125	19,249
Transition payments for implementing salary payments in arrears (Note 18)	15,253	-
Increase in inventory	272	396
Increase (decrease) in prepaid expenses	(286)	586
Decrease in previous year accrued liabilities charged to authorities	2,405	6,970
Other	535	702
Total items not affecting net cost of operations but affecting authorities	162,396	103,462
Current year authorities used	1,605,081	1,340,633

TRANSPORT CANADA

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

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used

	2015	2014
	<i>(in thousands of dollars)</i>	
Authorities provided		
Vote 1 – Operating expenditures	644,498	576,725
Vote 5 – Capital expenditures	229,800	232,603
Vote 10 – Transfer payments	843,508	619,721
Statutory amounts	200,119	189,553
Total authorities provided	1,917,925	1,618,602
Less:		
Authorities available for future years	(1,211)	(92)
Lapsed authorities: Operating expenditures	(9,219)	(27,559)
Lapsed authorities: Capital expenditures	(105,708)	(157,044)
Lapsed authorities: Transfer payments	(196,614)	(93,274)
Lapsed authorities: Other lapsed amounts	(92)	-
Current year authorities used	1,605,081	1,340,633

4. Accounts payable and accrued liabilities

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

	2015	2014
	<i>(in thousands of dollars)</i>	
Accounts payable – External parties	875,189	510,730
Accounts payable – Other government departments and agencies	52,079	133,622
Total accounts payable	927,268	644,352
Accrued liabilities	92,409	114,373
Total accounts payable and accrued liabilities	1,019,677	758,725

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over three fiscal years starting in 2012-13. As a result, Transport Canada has recorded at March 31, 2015, an obligation for termination benefits for an amount of \$476,597 (\$2,405,245 in 2013-14) as part of accrued liabilities to reflect the estimated workforce adjustment costs.

TRANSPORT CANADA

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

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues, stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific research projects, and for fees prior to services being performed. Revenue is recognized in the period in which these expenditures are incurred or in which the service is performed.

Details of the transactions related to this account are as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Transportation research and development *		
Opening balance	1,229	784
Amounts received	840	803
Revenue recognized	(814)	(358)
Closing balance	1,255	1,229
Others (non-specified purpose)		
Opening balance	3,187	2,918
Amounts received	3,138	2,776
Revenue recognized	(2,780)	(2,507)
Closing balance	3,545	3,187
Net closing balance	4,800	4,416

* A shared-cost agreement is a common undertaking whereby the parties involved agree to participate in carrying out a project. This may involve the sharing of resources and the purchase of goods or services. The Transportation Development Center utilizes joint cost sharing agreements with private and other government organizations on Research and Development projects related to transportation.

6. Other liabilities

Other liabilities represent specified purpose accounts for shared cost environmental remediation projects. Funds are received by Transport Canada from external parties in order to cover future remediation expenditures related to these projects. These shared cost projects have not yet commenced and as a result, no associated expenditures have been incurred to date.

Details of the transactions related to this account are as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Shared-cost agreements – Remediation projects		
Opening balance	24,540	24,540
Amounts received	249	-
Net closing balance	24,789	24,540

TRANSPORT CANADA

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

7. Lease obligation for tangible capital assets

Under the *Northumberland Strait Crossing Act*, the Government of Canada entered into a long-term capital lease arrangement in 1992 and is obligated to pay an annual subsidy of \$41,900,000 indexed to the annual inflation rate to the Strait Crossing Finance Inc., a wholly owned corporation of the Province of New Brunswick, for the construction of the Confederation Bridge. The annual payments made by Transport Canada are due on April 1 and will be used to retire \$661,542,613 of 4.5 per cent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge. Annual payments made by Transport Canada began in 1997 and will continue until 2033. At such time, the ownership of the bridge will be transferred to the Government of Canada.

On April 1, 2014, an annual payment in the amount of \$61,732,946 (\$60,830,420 in 2013-14) was made. This payment represents a payment of principal in the amount of \$20,125,008 (\$19,248,682 in 2013-14), interest of \$25,048,832 (\$25,925,158 in 2013-14) and an amount of \$16,559,106 (\$15,656,580 in 2013-14) representing the indexing of the payment to the annual inflation rate. The interest expense and indexing adjustment accrued at March 31, 2015 amounts to \$24,132,610 (\$25,048,832 in 2013-14) and \$17,160,790 (\$16,559,106 in 2013-14) respectively.

Transport Canada has a capital lease obligation of \$530,077,828 at March 31, 2015 (\$550,202,835 in 2013-14), based on the present value for the future payments using an interest rate of 6.06% (6.06% in 2013-14).

The obligations related to the upcoming years include the following:

	2015	2014
	<i>(in thousands of dollars)</i>	
2015	-	59,257
2016	60,152	60,152
2017	61,061	61,061
2018	61,983	61,983
2019	62,920	62,920
2020 and thereafter	846,025	846,025
Total future minimum lease payments	1,092,141	1,151,398
Less: imputed interest (6.06%)	(562,063)	(601,195)
Balance of obligations under leased tangible capital assets	530,078	550,203

TRANSPORT CANADA

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

8. Employee future benefits

(a) Pension benefits

Transport Canada's employees participate in the Public Service Pension Plan (Plan), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and Transport Canada contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2014-15 expense amounts to \$63,321,829 (\$63,103,692 in 2013-14). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-14) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-14) the employee contributions.

The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

Transport Canada provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes were given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	44,285	69,167
Expense for the year	9,669	(9,850)
Benefits paid during the year	(28,327)	(15,032)
Accrued benefit obligation, end of year	25,627	44,285

TRANSPORT CANADA

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

9. Environmental and contingent liabilities

Environmental and contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. The recorded amount of \$252,748,661 (\$231,294,496 in 2013-14) is composed of \$146,573,661 (\$163,587,726 in 2013-14) for environmental liabilities and \$106,175,000 (\$67,706,770 in 2013-14) for claims and litigation.

(a) Environmental liabilities - Remediation of contaminated sites

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

Transport Canada has identified approximately 377 sites (398 sites in 2013-14) where contamination may exist and assessment, remediation and monitoring may be required. Of these, Transport Canada has identified 104 sites (92 sites in 2013-14) where action is possible and for which a net liability of \$146,573,661 (\$163,587,726 in 2013-14) has been recorded. This liability represents management’s best estimate of the amount required to complete the remediation of the 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. The March 2015 rates range from 0.61% for 2 year term to 2.12% for a 25 or greater year term.

TRANSPORT CANADA

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

9. Environmental and contingent liabilities (cont'd)

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

Nature & Source	Number of Sites 2015	Estimated Liability 2015	Estimated Total Undiscounted Expenditures 2015	Estimated Recoveries 2015	Number of Sites 2014	Estimated Liability 2014	Estimated Total Undiscounted Expenditures 2014	Estimated Recoveries 2014
Military & Former Military Sites ⁽¹⁾	1	46	47	-	1	45	46	-
Fuel Related Practices ⁽²⁾	24	15,330	15,713	-	26	18,577	19,385	-
Landfill/Waste Sites ⁽³⁾	10	22,657	23,766	-	11	21,911	23,492	-
Engineered Asset/Air & Land Transportation ⁽⁴⁾	23	14,239	14,408	-	20	14,032	14,770	-
Marine Facilities/Aquatic Sites ⁽⁵⁾	19	93,197	96,729	-	17	107,732	115,354	-
Other ⁽⁶⁾	27	1,105	1,147	-	17	1,291	1,313	-
Totals	104	146,574	151,810	-	92	163,588	174,360	-

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

2. Contamination primarily associated with fuel storage and handling, e.g., accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX.

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

4. Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as, fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.

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

6. Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

TRANSPORT CANADA

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

9. Environmental and contingent liabilities (cont'd)

Of the remaining 273 sites, 45 sites were closed, as they were either remediated or assessed and found not to be contaminated, and there are 228 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 they have not developed a detailed remediation plan. As the sites are assessed, if contamination is found and it exceeds the environmental standard, a liability will be recognized as soon as a reasonable estimate can be made.

Of the 228 sites that do not have liabilities, 21 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. Liabilities will be reported as soon as a reasonable estimate can be determined. 117 sites are considered a medium to low priority based on the low level of risk to human health or the environment. Assessment and remediation will be done on these sites as resources become available. 36 sites are not yet classified because they are only at the initial testing stages and contamination has not yet been determined. 44 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. 10 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.

(b) Claims and litigation

Claims have been made against Transport Canada in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. Transport Canada has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. An amount of \$106,175,000 has been recorded in the financial statements as of March 31, 2015 (\$67,706,770 in 2013-14). Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$5,350,000 as at March 31, 2015 (\$5,400,000 in 2013-14).

10. Accounts receivable and advances

The following table presents details of Transport Canada's accounts receivable and advances balances:

	2015	2014
	<i>(in thousands of dollars)</i>	
Accounts receivable – External parties	26,700	25,210
Accounts receivable – Other government departments and agencies	12,101	11,525
Employee advances	495	472
Subtotal	39,296	37,207
Allowance for doubtful accounts on receivables from external parties	(2,548)	(2,224)
Gross accounts receivable and advances	36,748	34,983
Accounts receivable and advances held on behalf of Government	(20,576)	(22,498)
Net accounts receivable and advances	16,172	12,485

TRANSPORT CANADA

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

11. Loans receivable

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

	2015	2014
	<i>(in thousands of dollars)</i>	
Loans receivable – Victoria Harbour	2,151	2,194
Loans receivable – St. Lawrence Seaway Management Corporation	174	174
Subtotal	2,325	2,368
Less: Unamortized discounts	(439)	(521)
Subtotal	1,886	1,847
Less: Allowance for uncollectibility	(174)	(174)
Gross loans receivable	1,712	1,673
Loans receivable held on behalf of Government	(1,712)	(1,673)
Net loans receivable	-	-

(a) Loans receivable from Victoria Harbour

The Victoria Harbour loan receivable relates to the sale of a parcel of Victoria Harbour land for \$2,578,469. A discount of \$439,437 is recorded to reflect the concessionary nature of the loan (\$520,606 in 2013-14). A payment of \$42,720 was received in fiscal year 2014-15 (\$42,720 in 2013-14).

(b) Loans receivable from St. Lawrence Seaway Management Corporation

The St. Lawrence Seaway Management Corporation loan portfolio account was established by subsection 80(1) of the *Canada Marine Act*. The loan portfolio is managed in accordance with the Seaway Agreements between Transport Canada and the St. Lawrence Seaway Management Corporation. An allowance for uncollectibility has been recorded for the remaining amount of the loans receivable as there is uncertainty of recovering the monies owed.

12. Rent receivable

The National Airport System consists of Canadian airports considered essential to air transportation in Canada, including three airports owned by Territorial Governments. Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government.

In fiscal year 2003-04, Transport Canada entered into lease amendments with eight of the Canadian Airport Authorities, which provided for deferral of a portion of the airport rent payable by the Canadian Airport Authorities to Transport Canada for the 2003 to 2005 lease years. The total rent deferred for 2003 to 2005 is payable to Transport Canada over ten years beginning in the 2006 lease year. Repayments of \$7,322,682 were received during the fiscal year (\$7,322,682 in 2013-14). The rent receivable balance was \$5,493,168 as of March 31, 2015 (\$12,815,849 in 2013-14).

TRANSPORT CANADA

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

13. Inventory

The following table presents the detail of the inventory, which is measured at cost using the average cost method for non-serialized inventory items parts, and on a specific cost basis for serialized inventory items parts:

	2015	2014
	<i>(in thousands of dollars)</i>	
Consumable parts	12,523	12,251
Total inventory	12,523	12,251

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$1,565,757 (\$684,698 in 2013-14).

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

(in thousands of dollars)

14. Tangible capital assets

Capital Asset Class	Cost					Accumulated Amortization					Net book value	
	Opening balance	Acquisitions	Adjustments (a)	Disposals and write-offs	Closing balance	Opening balance	Amortization	Adjustments (a)	Disposals and write-offs	Closing balance	2015	2014
Land ⁽¹⁾	256,230	1,045	-	(15)	257,260	-	-	-	-	-	257,260	256,230
Buildings ⁽²⁾	977,117	-	8,861	(160,547)	825,431	698,289	20,987	(5)	(156,745)	562,526	262,905	278,827
Works and infrastructure ⁽³⁾	2,733,428	783	34,364	(95,542)	2,673,033	1,943,412	75,262	9	(95,006)	1,923,677	749,356	790,017
Machinery and equipment ⁽⁴⁾	94,447	3,885	(2,539)	(7,449)	88,344	63,019	3,295	(6)	(7,332)	58,976	29,368	31,428
Computer hardware and software	111,158	74	18,496	(151)	129,577	85,066	14,233	-	(144)	99,155	30,422	26,092
Ships and boats	79,438	-	3,254	-	82,692	75,246	277	(100)	-	75,423	7,269	4,192
Aircrafts	163,399	341	1,715	(199)	165,256	121,398	3,804	-	(180)	125,022	40,234	42,001
Motor vehicles	469,459	5,332	(86)	(7,219)	467,486	370,305	11,378	(197)	(5,890)	375,596	91,890	99,154
Leasehold improvements ⁽⁵⁾	27,276	-	799	(823)	27,252	16,275	863	-	(689)	16,449	10,803	11,001
Assets under construction	43,031	113,167	(65,875)	-	90,323	-	-	-	-	-	90,323	43,031
Leased tangible capital asset	818,820	-	-	-	818,820	137,834	8,188	-	-	146,022	672,798	680,986
Total	5,773,803	124,627	(1,011)	(271,945)	5,625,474	3,510,844	138,287	(299)	(265,986)	3,382,846	2,242,628	2,262,959

TRANSPORT CANADA

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

14. Tangible capital assets (cont'd)

(a) Adjustments

Adjustments include assets under construction of \$64,993,607 that were transferred to the other asset categories upon completion and assets under construction of \$655,211 that were expensed.

Adjustments also include a net book value decrease of \$56,538 for tangible capital assets transferred to or from other government departments and agencies as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Transfers of tangible capital assets from (to) other government departments		
From Employment and Social Development Canada	-	31
From National Defence	-	21
From Public Works and Government Services Canada	-	8
To Royal Canadian Mounted Police	(25)	-
To Fisheries and Oceans Canada	(23)	-
To Parks Canada	(9)	-
To Economic Development Agency of Canada for the Regions of Quebec	-	(28)
To Shared Services Canada	-	(19)
Total transfers of tangible capital assets from (to) other government departments	(57)	13

National Airport System assets

Land, buildings, works and infrastructures owned by Transport Canada related to the 23 Canadian airports comprising the National Airport System are included in the table above. Tangible capital assets owned by airport authorities are not reflected in these financial statements.

Transport Canada has leased all of these airports under long-term operating agreements with Canadian Airport Authorities and a municipal government. These agreements are in accordance with the federal *National Airports Policy*, the *Public Accountability Principles for Canadian Airport Authorities* and the *Fundamental Principles for the Creation and Operations of Canadian Airport Authorities*, which, in part, entail the transfer of the management, operations and maintenance of certain airports in Canada to Canadian Airport Authorities.

Transport Canada has the right to terminate the operating agreements and assume the responsibility for the management, operation and maintenance of the airport if the leased airports are not operated in accordance with the terms of the respective operating agreements and the Policies and Principles referred to above.

Values recorded for the National Airport System assets for 23 National Airports are:

- (1) A net book value of \$158,996,495 (\$159,003,633 in 2013-14) included in Land.
- (2) A net book value of \$165,672,754 (\$185,000,635 in 2013-14) included in Building.
- (3) A net book value of \$192,037,984 (\$230,833,974 in 2013-14) included in Works and infrastructure.
- (4) A net book value \$239,034 (\$239,034 in 2013-14) included in Machinery and equipment.
- (5) A net book value of \$251,160 (\$293,020 in 2013-14) included in Leasehold improvements.

TRANSPORT CANADA

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

15. Departmental net financial position

A portion of Transport Canada's net financial position is used for specific purposes and is restricted. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

Transport Canada has two accounts for specified purposes:

(a) The Ship-Source Oil Pollution Fund

The Ship-Source Oil Pollution Fund (Fund) was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the fund administrator, and related oil pollution control expenses, are financed out of the Fund.

Additional information regarding the Ship-Source Oil Pollution Fund can be found on the Fund's website.

(b) Fines for Transport of Dangerous Goods

The Fines for Transport of Dangerous Goods account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts under the Act. The balance of the account is used for program funding.

Activities in the accounts are as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
The Ship-Source Oil Pollution Fund – Restricted		
Balance – Beginning of year – Restricted	405,896	399,198
Revenues	5,400	8,967
Expenses	(1,536)	(2,269)
Balance – End of year – Restricted	409,760	405,896
Fines for Transport of Dangerous Goods – Restricted		
Balance – Beginning of year – Restricted	514	616
Revenues	-	10
Expenses	-	(112)
Balance – End of year – Restricted	514	514
Total balance – End of year – Restricted	410,274	406,410
Unrestricted	941,212	951,194
Departmental net financial position – End of year	1,351,486	1,357,604

TRANSPORT CANADA

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

16. Contractual obligations

The nature of Transport Canada's activities can result in some large multi-year contracts and obligations, whereby Transport Canada will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2016	2017	2018	2019	2020 and thereafter	Total
Transfer payments	606,224	118,730	69,981	33,717	62,283	890,935
Other goods and services	79,286	20,098	12,219	10,402	48,528	170,533
Tangible capital assets	7,737	-	-	-	-	7,737
Operating leases	3,508	820	469	357	-	5,154
Total	696,755	139,648	82,669	44,476	110,811	1,074,359

17. Related party transactions

Transport Canada is related as a result of common ownership to all government departments, agencies, and Crown corporations. Transport Canada enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, Transport Canada received common services which were obtained without charge from other government departments as disclosed below. In addition Transport Canada has entered into agreements to administer programs on behalf of the Office of Infrastructure of Canada.

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

During the year, Transport Canada received without charge from certain common service organizations, services related to accommodation, the employer's contribution to the health and dental insurance plans, legal services, and workers' compensation coverage. These services provided without charge have been recorded in Transport Canada's Statement of Operations and Departmental Net Financial Position as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Accommodation	42,357	42,124
Employer's contribution to the health and dental insurance plans	38,078	35,808
Workers' compensation	3,139	3,947
Legal services	4,470	4,842
Total	88,044	86,721

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and for economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and

TRANSPORT CANADA

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

17. Related party transactions (cont'd)

Government Services Canada, information technology infrastructure services provided by Shared Services Canada and audit services provided by the Office of the Auditor General are not included in the Statement of Operations and Departmental Net Financial Position of Transport Canada.

(b) Administration of programs on behalf of other government departments:

(i) Canada Strategic Infrastructure Fund (CSIF) and Border Infrastructure Fund (BIF)

Under a memorandum of understanding signed with the Office of Infrastructure of Canada on January 31, 2003, Transport Canada administers the CSIF and the BIF. During the year, Transport Canada incurred expenses of \$187,610,954 (\$159,447,945 in 2013-14) related to the CSIF, and \$20,863,226 (\$28,196,496 in 2013-14) related to the BIF on behalf of The Office of Infrastructure of Canada. These expenses are reflected in the financial statements of the Office of Infrastructure of Canada and are not recorded in these financial statements.

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with the Office of Infrastructure of Canada on April 25, 2008, Transport Canada administers the BCF. During the year, Transport Canada incurred expenses of \$373,297,646 (\$530,470,766 in 2013-14) related to the BCF on behalf of the Office of Infrastructure of Canada. These expenses are reflected in the financial statements of the Office of Infrastructure of Canada and are not recorded in these financial statements.

(c) Other transactions with related parties

	2015	2014
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	87,989	74,095
Revenues – Other government departments and agencies	39,871	39,432

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

18. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Department. However, it did result in the use of additional spending authorities by the Department of \$15,252,934. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

TRANSPORT CANADA

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

19. Transfers from (to) other government departments

- During the year, tangible capital assets were transferred from (to) other government departments. The transfers were measured at their net book value.
- Effective February 13, 2014, Transport Canada transferred the control and supervision of the portion of its administration costs and functions related to the Unit Responsible for Federal Bridges in the Region of Montreal to the Office of Infrastructure of Canada in accordance with order-in-council OIC-2014-1144. Expenses incurred prior to February 13, 2014 (\$0 in 2014-15 and \$6,756,269 in 2013-14) are presented as transferred operations in the Statement of Operations and Departmental Net Financial Position.

The impact of transfers from (to) other government departments to the departmental net financial position is as follows:

	2015	2014
	<i>(in thousands of dollars)</i>	
Assets		
Tangible capital assets transferred from (to) other government departments (Note 14)	(57)	13
Liabilities		
Accounts payable to external parties transferred to the Office of Infrastructure of Canada	-	285
Accounts payable to other government departments and agencies transferred to the Office of Infrastructure of Canada	-	100
Accrued salaries transferred to the Office of Infrastructure of Canada	-	75
Total liabilities transferred to other government departments	-	460
Adjustment to the departmental net financial position	(57)	473

20. Segmented information

Presentation by segment is based on Transport Canada's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

20. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	2015 Total	2014 Total
Transfer payments							
Other levels of government within Canada	435,913	5,363	-	-	-	441,276	227,690
Industry	20,620	1,281	-	4,200	-	26,101	219,861
Non-profit organizations	111,368	7,473	-	5,996	-	124,837	15,963
Other countries and international organizations	317	15	-	-	-	332	436
Individuals	(24)	178	-	27	-	181	426
Total transfer payments	568,194	14,310	-	10,223	-	592,727	464,376
Operating expenses							
Salaries and employee benefits	49,332	353,530	120,399	29,515	-	552,776	510,126
Amortization of tangible capital assets	114,169	16,030	7,286	802	-	138,287	148,828
Professional and special services	46,125	33,305	31,701	27,092	-	138,223	106,533
Management fees for operation and maintenance of the St. Lawrence Seaway	114,198	-	-	-	-	114,198	110,198
Accommodation (Note 17)	3,858	26,172	10,096	2,231	-	42,357	42,124
Interest and inflation adjustment on capital lease payments (Note 7)	41,293	-	-	-	-	41,293	41,608
Claims and litigation (Note 9b)	-	-	38,468	-	-	38,468	(210)
Equipment repair and maintenance	7,772	15,874	5,350	6,014	-	35,010	35,937
Travel and relocation	2,106	23,250	2,146	1,512	-	29,014	21,969
Utilities, materials and supplies	3,736	11,169	1,095	122	-	16,122	14,056
Payments in lieu of property taxes	5,381	1,269	622	-	-	7,272	7,385
Rentals	443	4,055	2,496	219	-	7,213	7,374
Other	14	(39)	3,865	330	-	4,170	2,660
Information services – communications	929	1,452	587	151	-	3,119	3,069
Postage	81	1,596	434	18	-	2,129	2,141
Net loss on disposal of tangible capital assets	3,416	(558)	(1,331)	177	-	1,704	9,784
Pollution control (Note 15)	-	-	-	-	1,536	1,536	2,381
Damage and other claims against the Crown	694	309	-	3	-	1,006	1,904
Telecommunications	21	339	141	1	-	502	384
Expenses incurred on behalf of Government	-	-	-	-	(1,536)	(1,536)	(2,381)
Total operating expenses	393,568	487,753	223,355	68,187	-	1,172,863	1,065,870
Total expenses	961,762	502,063	223,355	78,410	-	1,765,590	1,530,246

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

20. Segmented information (cont'd)

<i>(in thousands of dollars)</i>	An Efficient Transportation System	A Safe and Secure Transportation System	Internal Services	A Clean Transportation System	Ship-source Oil Pollution Fund and other programs	2015 Total	2014 Total
Revenues							
Airport rent	312,711	-	-	-	-	312,711	294,368
Monitoring and enforcement revenues	20,618	25,035	856	-	-	46,509	45,980
Aircraft maintenance and flying services	-	29,086	-	-	-	29,086	30,685
Rentals and concessions	13,881	276	13,887	-	-	28,044	27,912
Transport facilities user fees	15,341	444	-	-	-	15,785	15,591
Other	1,476	4,141	322	-	-	5,939	2,091
Pollution control revenues (Note 15)	-	-	-	-	5,400	5,400	8,977
Revenues earned on behalf of Government	(334,481)	63	(14,271)	-	(5,400)	(354,089)	(337,712)
Total revenues	29,546	59,045	794	-	-	89,385	87,892
Net cost from continuing operations	932,216	443,018	222,561	78,410	-	1,676,205	1,442,354

21. Comparative information

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