

Financial Statements of

TRANSPORT CANADA

(Unaudited)

For the year ended March 31, 2012

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, 2012, 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 the 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 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 on-going 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, 2012 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 _____
Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada
August 29, 2012

Original signed by _____
André Morency,
Chief Financial Officer
Ottawa, Canada
August 29, 2012

TRANSPORT CANADA

Statement of Financial Position (*Unaudited*)

As at March 31

(in thousands of dollars)

	2012	2011 Restated (note 19)
Liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 1,356,521	\$ 1,116,733
Vacation pay and compensatory leave	27,573	25,653
Deferred revenue (note 5)	4,236	3,620
Lease obligations for tangible capital assets (note 6)	587,862	605,471
Employee future benefits (note 7)	73,933	92,950
Environmental remediation and contingent liabilities (note 15)	219,566	196,359
Total liabilities	2,269,691	2,040,786
Financial assets		
Due from Consolidated Revenue Fund	1,256,092	1,071,346
Accounts receivable and advances (note 8)	33,316	39,869
Loans receivable (note 9)	1,679	1,646
Rent receivable (note 10)	27,461	34,784
Total gross financial assets	1,318,548	1,147,645
Financial assets held on behalf of Government		
Accounts receivable and advances (note 8)	(13,008)	(15,011)
Loans receivable (note 9)	(1,679)	(1,646)
Total financial assets held on behalf of Government	(14,687)	(16,657)
Total net financial assets	1,303,861	1,130,988
Departmental net debt	965,830	909,798
Non-financial assets		
Prepaid expenses	13,896	2,950
Inventory (note 11)	13,485	12,822
Tangible capital assets (note 12)	2,482,049	2,632,399
Total non-financial assets	2,509,430	2,648,171
Departmental net financial position (note 13)	\$ 1,543,600	\$ 1,738,373

Contractual obligations (note 14) and contingent liabilities (note 15)

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

Original signed by _____
Yaprak Baltacıoğlu,
Deputy Minister
Ottawa, Canada
August 29, 2012

Original signed by _____
André Morency,
Chief Financial Officer
Ottawa, Canada
August 29, 2012

TRANSPORT CANADA

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

For the Year Ended March 31

(in thousands of dollars)

	2012 Planned Results	2012	2011 Restated (note 19)
Expenses			
An Efficient Transportation System	\$ 997,133	\$ 671,210	\$ 673,751
A Safe Transportation System	492,386	481,297	480,123
Internal Services	179,388	279,383	238,250
A Secure Transportation System	88,176	79,624	77,220
A Clean Transportation System	20,411	40,170	85,020
Ship-Source Oil Pollution Fund and other programs (note 13)	1,216	3,470	5,926
Total expenses	1,778,710	1,555,154	1,560,290
Revenues			
Airport rent	274,453	272,996	243,962
Monitoring and enforcement revenues	42,933	40,853	39,141
Aircraft maintenance and flying services	32,855	34,319	35,938
Rentals and concessions	19,231	26,837	28,769
Transport facilities user fees	13,857	15,664	14,356
Pollution control revenues (note 13)	9,752	6,706	9,421
Miscellaneous	1,924	4,537	14,890
Revenues earned on behalf of Government	(311,444)	(313,513)	(295,908)
Total revenues	83,561	88,399	90,569
Net cost from continuing operations	1,695,149	1,466,755	1,469,721
Transferred operations (note 17)			
Expenses	10,537	3,997	11,788
Net cost of transferred operations	10,537	3,997	11,788
Net cost of operations before government funding and transfers	1,705,686	1,470,752	1,481,509
Government funding and transfers			
Net cash provided by Government		1,005,580	1,126,614
Change in due from Consolidated Revenue Fund		184,746	185,886
Services provided without charge by other government departments (note 16)		89,715	87,699
Transfer of assets and liabilities from (to) other government departments (note 17)		(4,062)	-
Net cost of operations after government funding and transfers		194,773	81,310
Departmental net financial position – Beginning of year		1,738,373	1,819,683
Departmental net financial position – End of year		\$ 1,543,600	\$ 1,738,373

Segmented information (note 18)

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)

	2012	2011
Net cost of operations after government funding and transfers	\$ 194,773	\$ 81,310
Change due to tangible capital assets		
Acquisition of tangible capital assets	69,478	96,316
Amortization of tangible capital assets	(143,157)	(155,444)
Proceeds from disposal of tangible capital assets	(14,923)	(11,241)
Loss on disposal and write-down of tangible capital assets	(9,835)	(3,884)
Prior years' work-in-progress expensed	(34,784)	(12,813)
Adjustment to tangible capital assets	(10,556)	-
Transfer to other government departments (note 17)	(5,260)	-
Transfer to other government departments (note 12)	(1,313)	-
Other	-	(941)
Total change due to tangible capital assets	(150,350)	(88,007)
Change due to inventories	663	472
Change due to prepaid expenses	10,946	466
Net variation in departmental net debt	56,032	(5,759)
Departmental net debt - Beginning of year	909,798	915,557
Departmental net debt - End of year	\$ 965,830	\$ 909,798

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)

	2012	2011 Restated (note 19)
Operating activities		
Net cost of operations before government funding and transfers	\$ 1,470,752	\$ 1,481,509
Non-cash items:		
Amortization of tangible capital assets (note 12)	(143,157)	(155,444)
Services provided without charge by other departments (note 16)	(89,715)	(87,699)
Loss on disposal and write-down of tangible capital assets	(9,835)	(3,884)
Prior years' work-in-progress expensed	(34,784)	(12,813)
Adjustment to tangible capital assets	(10,556)	-
Adjustments of previous years accounts payable	5,295	10,602
Other	(6,297)	342
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	(4,550)	(6,860)
Increase (decrease) in rents receivable	(7,323)	(7,322)
Increase (decrease) in prepaid expenses	10,946	466
Increase (decrease) in inventory	663	472
Decrease (increase) in accounts payables and accrued liabilities	(239,788)	(158,054)
Decrease (increase) in vacation pay and compensatory leave	(1,920)	(202)
Decrease (increase) in deferred revenue	(616)	73
Decrease (increase) in employee future benefits	19,017	(1,290)
Decrease (increase) in environmental remediation and contingent liabilities	(23,207)	(23,312)
Transfer of liabilities to other government departments	(1,198)	-
Cash used in operating activities	933,727	1,036,584
Capital investing activities		
Acquisitions of tangible capital assets	69,478	96,316
Transfer of tangible capital assets from operations	(311)	(11,887)
Proceeds from disposal of tangible capital assets	(14,923)	(11,241)
Cash used in capital investing activities	54,244	73,188
Financing activities		
Lease payments for tangible capital assets	17,609	16,842
Cash used in financing activities	17,609	16,842
Net cash provided by Government of Canada	\$ 1,005,580	\$ 1,126,614

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, Infrastructure and Communities.

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: establishes marketplace frameworks to govern the economic behaviour of transportation sector organizations; provides leadership for Gateways and Trade Corridors strategies; provides stewardship for federal transportation assets and implements transportation infrastructure projects in partnership with provinces, territories, municipal governments and private sector entities; stimulates innovation.
- *A Clean Transportation System* program: advances the federal government's clean air agenda in the transportation sector and complements other federal programs designed to reduce air emissions for the health of Canadians; helps to protect the marine environment by reducing the pollution of water from transportation sources; fulfills Transport Canada's responsibilities in working towards a cleaner and healthier environment with regard to its own operations.
- *A Safe Transportation System* program: develops transportation safety regulations and oversees their implementation; manages programs to support safety-related investments at small airports, to protect navigable waterways, to certify and license aircrafts, vessels and road vehicles; and provides air transport services to support aviation safety oversight work and federal and municipal clients.
- *A Secure Transportation System* program: develops policies and programs that respond to emerging security risks and keep Canada competitive; develops transportation security regulations and oversees their implementation by industry; and works with international and national partners to advance a shared and effective transportation security agenda.
- 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*.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

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 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 Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2011-2012 Report on Plans and Priorities. The future-oriented financial statements for 2011-2012 have been restated to reflect revenue net of non-respendable amounts. This restatement resulted in a \$311,444,000 increase in net costs of operations before government funding and transfers. The future-oriented financial statements have also been reclassified to conform to the current year presentation.
- (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/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-respendable are not available to discharge Transport Canada's liabilities. While the Deputy Head (DH) is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable 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.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

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

- (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.
 - 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 contributions to the health and dental insurance plans, legal services and worker's 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, 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 Transport Canada's total obligation to the Plan. Transport Canada'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 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 an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- (i) Environmental remediation liabilities – Environmental remediation liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense recorded when the contamination occurs or when Transport Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of Transport Canada's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

TRANSPORT CANADA

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

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

- (j) Inventory – Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventories, other than serialized inventory items, are valued at average cost. Serialized inventory items parts 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 miscellaneous 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 minimal capitalization threshold.

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

Asset Class	Amortization Period
Confederation Bridge	100 years
Buildings and works:	
Buildings	20 to 40 years
Works and Infrastructure	10 to 40 years
Machinery and equipment:	
Machinery and equipment	5 to 20 years
Computer hardware	3 to 5 years
Computer software	3 years
Vehicles:	
Ships and boats	10 to 20 years
Aircraft	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	According to the useful life of the asset if a bargain purchase offer exists or over the term of the lease

Assets under construction are recorded in the applicable capital asset class in the year 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 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.

TRANSPORT CANADA

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

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 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:

	2012	2011
	<i>(in thousands of dollars)</i>	
Net cost of operations before government funding and transfers	\$ 1,470,752	\$ 1,481,509
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(143,157)	(155,444)
Loss on disposal and write-downs of tangible capital assets	(9,835)	(3,884)
Prior years' work-in-progress expensed	(34,784)	(12,813)
Adjustment to tangible capital assets	(10,556)	-
Services provided without charge by other government departments	(89,715)	(87,699)
Increase in vacation pay and compensatory leave *	(2,147)	(202)
Decrease (increase) in employee future benefits *	18,046	(1,290)
Decrease (increase) in environmental remediation and contingent liabilities	(23,207)	(23,312)
Increase in accrued liabilities not charged to authorities	(16,090)	(4,424)
Refund of prior years' expenditures	1,038	2,173
Adjustments of previous years accounts payable	5,295	10,602
Provision for valuation of loans	(794)	(10,322)
Expenditures not affecting authorities (specified purposes)	(3,470)	(5,925)
Other	(1,216)	(3,180)
Total items affecting net cost of operations but not affecting authorities	(310,592)	(295,720)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	69,478	96,316
Transfer of tangible capital assets from operations	(311)	(11,887)
Increase in prepaid expenses	10,946	466
Increase in inventory	663	472
Decrease in lease obligations for tangible capital assets	17,609	16,842
Debt forgiveness relating to the Saint John Harbour Bridge Authority	22,646	-
Total items not affecting net cost of operations but affecting authorities	121,031	102,209
Current year authorities used	\$ 1,281,191	\$ 1,287,998

* Usually these amounts are equal to the amounts found in the Cash Flow Statement as they are normally expensed using a non-budgetary authority. In this case, the difference is due to the transfer of liabilities to other government departments.

TRANSPORT CANADA

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

3. Parliamentary authorities (cont'd)

(b) Authorities provided and used

	2012	2011
	<i>(in thousands of dollars)</i>	
Authorities provided		
Vote 1 – Operating expenditures	\$ 626,321	\$ 672,244
Vote 5 – Capital expenditures	93,858	225,388
Vote 17 – Debt forgiveness	22,646	-
Transfer payments	782,882	909,939
Statutory amounts	167,979	150,325
Total authorities provided	1,693,686	1,957,896
Less:		
Authorities available for future years	-	(4,683)
Lapsed: Operating	(31,605)	(25,276)
Lapsed: Capital	(24,691)	(140,960)
Lapsed: Transfer payments	(356,199)	(498,979)
Current year authorities used	\$ 1,281,191	\$ 1,287,998

4. Accounts payable and accrued liabilities

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

	2012	2011
	<i>(in thousands of dollars)</i>	
Accounts payables - External parties	\$ 1,176,589	\$ 993,742
Accounts payables - Other government departments and agencies	92,133	56,584
Total accounts payable	1,268,722	1,050,326
Accrued salaries	38,790	10,059
Other accrued liabilities	49,009	56,348
Total accrued liabilities	87,799	66,407
Total accounts payable and accrued liabilities	\$ 1,356,521	\$ 1,116,733

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, Transport Canada has recorded at March 31, 2012 an obligation for termination benefits for an amount of \$27,703,062 as part of accrued liabilities to reflect the associated 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 stemming from amounts received 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:

	2012	2011 Restated (note 19)
	<i>(in thousands of dollars)</i>	
Shared-cost agreements—Transportation research and development *		
Opening balance	\$ 1,606	\$ 2,374
Amounts received	458	1,006
Revenue recognized	(1,107)	(1,774)
Closing balance	957	1,606
Others (non-specified purpose)		
Opening balance	2,014	1,319
Amounts received	1,454	1,340
Revenue recognized	(189)	(645)
Gross closing balance	3,279	2,014
Total closing balance	\$ 4,236	\$ 3,620

* 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. The major themes include: rail, aviation safety and surface transportation.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

6. 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, 2011 an annual payment in the amount of \$59,075,229 (2010-2011 - \$57,721,021) was made. This payment represents payment of principal in the amount of \$17,608,845 (2010-2011 - \$16,842,083) and interest expense of \$41,466,384 (2010-2011 - \$40,878,938).

Transport Canada has a capital lease obligation of \$587,862,032 as at March 31, 2012 (\$605,470,877 as at March 31, 2011), based on the present value for the future payments using an interest rate of 6.06% (2011 – 6.06%).

The obligations related to the upcoming years include the following:

	2012	2011
	<i>(in thousands of dollars)</i>	
2011-2012	-	\$ 59,075
2012-2013	\$ 60,529	56,650
2013-2014	57,506	57,506
2014-2015	58,375	58,375
2015-2016	59,257	59,257
2016-2017 and thereafter	1,092,141	1,092,141
Total future minimum lease payments	1,327,808	1,383,004
Less: imputed interest (6.06%)	(739,946)	(777,533)
Balance of obligations under leased tangible capital assets	\$ 587,862	\$ 605,471

TRANSPORT CANADA

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

7. Employee future benefits

(a) Pension benefits

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

Both the employees and Transport Canada contribute to the cost of the Plan. The 2011-2012 expense amounts to \$67,442,315 (\$68,256,484 in 2010-2011), which represents approximately 1.8 times (1.9 times in 2010-2011) the contributions by employees.

Transport Canada'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. Information about the severance benefits, measured as at March 31, is as follows:

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 have been 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.

	2012	2011
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation - Beginning of year	\$ 92,950	\$ 91,660
Transferred to other government department, effective November 15, 2011 (note 17)	(971)	-
Subtotal	91,979	91,660
Expense for the year	(10,899)	9,688
Benefits paid during the year	(7,147)	(8,398)
Accrued benefit obligation - End of year	\$ 73,933	\$ 92,950

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

8. Accounts receivable and advances

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

	2012	2011 Restated (note 19)
	<i>(in thousands of dollars)</i>	
Receivables - Other government departments	\$ 13,610	\$ 18,244
Receivables - External parties	22,133	23,581
Employee advances	135	163
Total accounts receivable and advances before allowance for doubtful accounts	35,878	41,988
Allowance for doubtful accounts on receivables from external parties	(2,562)	(2,119)
Gross accounts receivable	33,316	39,869
Accounts receivable held on behalf of Government	(13,008)	(15,011)
Net accounts receivable	\$ 20,308	\$ 24,858

9. Loans receivable

The following table presents details of Transport Canada's loans and transfer payments recoverable balances:

	2012	2011 Restated (note 19)
	<i>(in thousands of dollars)</i>	
Victoria Harbour	\$ 2,280	\$ 2,322
St. Lawrence Seaway Management Corporation	77	77
Saint John Harbour Bridge Authority	-	22,646
Total loans receivable before discount and allowance for uncollectibility on loans	2,357	25,045
Less: Unamortized discount	(678)	(11,664)
Subtotal	1,679	13,381
Less: Allowance for uncollectibility	-	(11,735)
Gross loans receivable	1,679	1,646
Loans receivable held on behalf of Government	\$ (1,679)	\$ (1,646)
Net loans receivable	-	-

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

9. Loans receivable (cont'd)

(i) 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 \$677,578 is recorded to reflect the concessionary nature of the loan (\$753,745 at March 31, 2011). A payment of \$42,720 was received in fiscal year 2011-2012 (\$42,720 in 2010-2011).

(ii) 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. The remaining loan is secured by title on the property, and has prescribed monthly repayment terms with an annual interest rate of 7%. The mortgagor is in negotiations with Transport Canada and Justice Canada with respect to the loan, which was repayable March 2004.

(iii) Saint John Harbour Bridge Authority

The loan receivable from the Saint John Harbour Bridge Authority consists of consolidated non-interest bearing advances made in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, New Brunswick. The Saint John Harbour Bridge Authority had a debt repayment schedule starting in March 2009 and ending in 2016. In 2011-2012, pursuant to section 24.1 of the *Financial Administration Act*, Her Majesty in right of Canada has forgiven the debts and accrued interest, amounting to \$22,646,108, relating to the Saint John Harbour Bridge.

10. Rent receivable

The National Airport System (NAS) consists of Canadian airports considered essential to air transportation in Canada, including 3 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 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 in fiscal year 2011-2012 (\$7,322,682 in 2010-2011). Rent receivable was \$27,461,214 at March 31, 2012 (\$34,783,895 at March 31, 2011).

11. Inventory

	2012	2011
	<i>(in thousands of dollars)</i>	
Consumable parts	\$ 13,485	\$ 12,822
Total inventory	\$ 13,485	\$ 12,822

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$ 1,101,939 in 2011-2012 (\$1,782,786 in 2010-2011).

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

12. Tangible capital assets

Capital Asset Class (in thousands of dollars)	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	2012	2011
Land ⁽¹⁾	\$ 267,052	\$ 3,561	\$ (22)	\$ (6,307)	\$ 264,284	-	-	-	-	-	\$ 264,284	\$ 267,052
Buildings and works ⁽²⁾	3,782,629	2,453	540	(37,867)	3,747,755	\$ 2,470,346	\$99,057	\$(1,748)	\$(22,567)	\$ 2,545,088	1,202,667	1,312,283
Machinery and equipment ⁽³⁾	184,606	2,218	21,587	(18,812)	189,599	132,463	16,386	(6,130)	(17,644)	125,075	64,524	52,143
Vehicles	743,224	1,573	4,782	(12,067)	737,512	557,289	18,606	34	(10,084)	565,845	171,667	185,935
Leasehold improvements ⁽⁴⁾	26,559	17	1,952	-	28,528	14,405	920	(13)	-	15,312	13,216	12,154
Work-in-progress	97,282	59,656	(88,609)	-	68,329	-	-	-	-	-	68,329	97,282
Confederation Bridge	818,820	-	-	-	818,820	113,270	8,188	-	-	121,458	697,362	705,550
TOTAL	\$ 5,920,172	\$ 69,478	\$ (59,770)	\$ (75,053)	\$ 5,854,827	\$ 3,287,773	\$ 143,157	\$ (7,857)	\$ (50,295)	\$ 3,372,778	\$ 2,482,049	\$ 2,632,399

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

12. Tangible capital assets (cont'd)

(a) Adjustments

This column includes assets under construction of \$50,005,516 that were transferred to the other categories upon completion of the assets, a write-off of tangible capital asset in the category 'Buildings and Works' of \$10,555,906 and adjustments for prior years' work-in-progress expenses of \$34,783,884.

Also included in the adjustments columns:

- Effective April 2011, Transport Canada transferred land and building with a net book value of \$1,338,531 to Public Works and Government Services Canada.
- Effective May 2011, Transport Canada received a boat with a net book value of \$39,000 from Fisheries and Oceans Canada.
- Effective August, 2011, Transport Canada transferred two pieces of informatics equipment with a net book value of \$12,778 to Correctional Services Canada.
- Effective November 15, 2011, Transport Canada transferred equipment, leasehold improvements and work-in-progress with a net book value of \$5,260,147 to Shared Services Canada (refer to note 17 for further detail on the transfer).

National Airport System assets

The National Airport System (NAS) assets recorded above consist of the land, buildings, works and infrastructures of 23 Canadian airports.

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, entails 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.

Value recorded for the National Airport System (NAS) assets:

- ⁽¹⁾ Includes land for 23 National Airports with a net book value of \$167,546,503 (2011 - \$173,666,412).
- ⁽²⁾ Includes building and works for 23 National Airports with a net book value of \$552,013,147 (2011 - \$618,026,245).
- ⁽³⁾ Includes machinery and equipment for 23 National Airports with a net book value of \$497,439 (2011 - \$559,544).
- ⁽⁴⁾ Includes leasehold improvements for 23 National Airports with a net book value of \$376,740 (2011 - \$418,600).

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

13. Departmental net financial position

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

(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. Activity in the account is as follows:

(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 to be used for program funding. Activity in the account is as follows:

	2012	2011
	<i>(in thousands of dollars)</i>	
(a) Ship-source Oil Pollution - Restricted:		
Balance - Beginning of year - Restricted	\$ 392,525	\$ 388,871
Revenues	6,706	9,389
Expenses	(3,437)	(5,735)
Balance - End of year - Restricted	395,794	392,525
(b) Fines for Transport of Dangerous Goods - Restricted:		
Balance - Beginning of year - Restricted	659	818
Revenues	-	32
Expenses	(33)	(191)
Balance - End of year - Restricted	626	659
Balance - End of year - Restricted	396,420	393,184
Unrestricted	1,147,180	1,345,189
Departmental net financial position - End of year	\$ 1,543,600	\$ 1,738,373

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

14. 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>	2013	2014	2015	2016	2017 and thereafter	Total by category
Transfer payments	\$ 481,608	\$ 271,756	\$ 92,070	\$ 37,886	\$ 66,608	\$ 949,928
Tangible capital assets	2,417	240	240	-	-	2,897
Other goods and services	38,899	7,390	5,470	4,786	65,630	122,175
Software maintenance agreements	347	-	-	-	-	347
Operating leases	2,079	1,277	-	-	-	3,356
Building retrofits	805	-	-	-	-	805
Total by year	\$ 526,155	\$ 280,663	\$ 97,780	\$ 42,672	\$ 132,238	\$ 1,079,508

15. Environmental remediation and contingent liabilities

Environmental remediation and contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

(a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Transport Canada is obligated or likely to be obligated to incur such costs. Transport Canada has identified approximately 320 sites (406 sites in 2010-2011) where such action is possible and for which a liability of \$156,065,875 for 102 sites (\$164,678,256 for 114 sites in 2010-2011) has been recorded in accrued liabilities. Transport Canada has estimated additional clean-up costs of \$16,554,703 for 12 sites (\$16,545,936 for 18 sites in 2010-2011) that are not accrued, as these are not considered likely to be incurred at this time. Transport Canada's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by Transport Canada in the year in which they become likely and are reasonably estimable.

(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 \$63,500,000 has been recorded in the financial statements as of March 31, 2012 (\$31,680,677 in 2010-2011). This amount includes \$33,000,000.00 which was accrued at the request of the Receiver General/Office of the Comptroller General/Office of the Auditor General in August 2012 as a subsequent event. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$5,925,208 at March 31, 2012 (\$8,000,208 in 2010-2011).

TRANSPORT CANADA

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

16. 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.

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

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

	2012	2011
	<i>(in thousands of dollars)</i>	
Accommodation	\$ 39,716	\$ 38,244
Employer's contribution to the health and dental insurance plans	39,593	38,146
Worker's compensation	3,109	3,197
Legal services	7,297	8,112
Total	\$ 89,715	\$ 87,699

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and 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 Government Services Canada and audit services provided by the Office of the Auditor General are not included in Transport Canada's Statement of Operations and Departmental Net Financial Position.

(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 Infrastructure Canada on January 31, 2003, Transport Canada administers the Canada Strategic Infrastructure Fund (CSIF) and the Border Infrastructure Fund (BIF). During the year, Transport Canada incurred expenses of \$120,100,719 (\$217,079,438 in 2010-2011) related to CSIF and \$35,026,220 (\$67,783,158 in 2010-2011) related to BIF on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

(ii) Building Canada Fund (BCF)

Under a memorandum of understanding signed with Infrastructure Canada on April 25, 2008, Transport Canada administers the Building Canada Fund (BCF). During the year, Transport Canada incurred expenses of \$635,288,639 (\$286,443,112 in 2010-2011) related to BCF on behalf of Infrastructure Canada. These expenses are reflected in the financial statements of Infrastructure Canada and are not recorded in these financial statements.

TRANSPORT CANADA

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

16. Related party transactions (cont'd)

(c) Other transactions with related parties

	2012	2011
	<i>(in thousands of dollars)</i>	
Expenses – Other government departments and agencies	\$ 73,623	\$ 96,522
Revenues – Other government departments and agencies	42,750	47,157

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

17. Transfers from / to other government departments

Effective November 15, 2011, Transport Canada transferred responsibility for providing email, network and data centre services to Shared Services Canada in accordance with an Order-in Council (P.C. 2011-1297), including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, Transport Canada transferred the following assets and liabilities related to the responsibility of providing email, network and data centre services to Shared Services Canada on November 15, 2011:

	<i>(in thousands of dollars)</i>
Assets:	
Tangible capital assets (net book value) (note 12)	\$ 5,260
Total assets transferred	<u>5,260</u>
Liabilities:	
Vacation pay and compensatory leave	227
Employee future benefits (note 7)	971
Total liabilities transferred	<u>1,198</u>
Adjustment to the departmental net financial position	<u><u>\$ 4,062</u></u>

In addition, the 2011 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present the revenues and expenses of the transferred operations.

During the transition period from November 15, 2011 to March 31, 2012, Transport Canada continued to administer the transferred activities on behalf of Shared Services Canada. The administered expenses amounted to \$12,544,608 and the administrated capital expenditures amounted to \$5,202,080, for the year. These amounts are not recorded in these financial statements.

An amount of 3,997,400 is included in the *Statement of Operations and Departmental Net Financial Position* which represents the operating results prior to the Order-in-Council date of the transferred operations as a result of government reorganization.

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

18. Segmented Information

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

Expenses <i>(in thousands of dollars)</i>	An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil pollution fund and other programs	2012 Total	2011 Total Restated (note 19)
Transfer payments								
Other levels of governments within Canada	\$ 193,047	\$ 32,181	-	-	\$ 447	-	\$ 225,675	\$ 235,716
Industry	82,440	6,742	-	\$1,125	856	-	91,163	102,185
Non-profit organizations	29,365	4,198	\$17	-	(11)	-	33,569	4,981
Individuals	454	175	-	-	(55)	-	574	519
Other Countries and International Organizations	99	162	-	-	-	-	261	102
Total transfer payments	305,405	43,458	17	1,125	1,237	-	351,242	343,503
Operating expenses								
Salaries and employee benefits	48,381	312,108	157,264	58,906	17,926	-	594,585	566,317
Professional and special services	32,515	32,733	69,703	6,691	12,098	-	153,740	190,182
Amortization of tangible capital assets	117,399	13,221	10,666	1,301	(262)	-	142,325	154,194
Equipment repair and maintenance	25,395	20,112	22,253	2,549	2,034	-	72,343	55,428
Management fees for operation and maintenance of the Seaway	69,387	-	-	-	-	-	69,387	68,425
Interest on capital lease	42,119	-	-	-	-	-	42,119	41,466
Accommodation (note 16)	3,325	20,533	10,402	4,195	1,262	-	39,717	38,244
Travel and relocation	2,324	18,262	2,245	3,361	967	-	27,159	33,653
Utilities, materials and supplies	3,203	13,553	1,839	336	204	-	19,135	19,596
Net loss on disposal of tangible capital assets	15,193	(2,435)	(3,207)	280	4	-	9,835	3,884
Rentals	462	3,460	4,010	210	136	-	8,278	6,339
Payments in lieu of taxes	5,031	1,190	594	10	-	-	6,825	6,889
Damage and other claims against the Crown	-	5,535	62	1	-	-	5,598	3,466
Pollution control (note 13)	-	-	-	-	-	\$ 3,470	3,470	5,926
Postage	117	1,583	528	223	39	-	2,490	3,085
Information services – communications	343	1,186	699	131	107	-	2,466	5,133
Other	417	(4,475)	1,946	139	4,394	-	2,421	10,364
Telecommunications	194	1,273	362	166	24	-	2,019	4,196
Total operating expenses	365,805	437,839	279,366	78,499	38,933	3,470	1,203,912	1,216,787
Total expenses	\$ 671,210	\$ 481,297	\$ 279,383	\$ 79,624	\$ 40,170	\$ 3,470	\$ 1,555,154	\$ 1,560,290

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

18. Segmented Information (cont'd)

Revenues <i>(in thousands of dollars)</i>	An Efficient Transportation System	A Safe Transportation System	Internal Services	A Secure Transportation System	A Clean Transportation System	Ship-Source Oil pollution fund and other programs	2012 Total	2011 Total Restated (note 19)
Sales of goods and services								
Airport rent	\$ 272,996	-	-	-	-	-	\$ 272,996	\$ 243,962
Monitoring and enforcement revenues	17,094	\$ 22,535	\$ 1,052	\$ 172	-	-	40,853	39,141
Aircraft maintenance and flying services	-	34,319	-	-	-	-	34,319	35,938
Rentals and concessions	14,269	415	12,153	-	-	-	26,837	28,769
Transport facilities user fees	15,331	333	-	-	-	-	15,664	14,356
Pollution control revenues (note 13)	-	-	-	-	-	\$ 6,706	6,706	9,421
Miscellaneous	3,705	448	384	-	-	-	4,537	14,890
Revenues earned on behalf of Government	(293,076)	(1,137)	(12,452)	(142)	-	(6,706)	(313,513)	(295,908)
Total revenues	30,319	56,913	1,137	30	-	-	88,399	90,569
Net cost from continuing operations	\$ 640,891	\$ 424,384	\$ 278,246	\$ 79,594	\$ 40,170	\$ 3,470	\$ 1,466,755	\$ 1,469,721

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

19. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the Transport Canada financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-2011 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, Transport Canada now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. The effect of this change was to increase the net cost of operations after government funding and transfers by \$313,512,655 for 2012 (\$295,908,011 for 2011) and to decrease total financial assets by \$18,387,037 for 2012 (\$21,469,705 for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are now recognized in the Statement of Operations and Departmental Net Financial Position below “Net cost of operations before government funding and transfers”. In previous years, Transport Canada recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$1,276,442,629 for 2012 (\$1,394,618,969 for 2011).

<i>(in thousands of dollars)</i>	2011 As previously stated	Effect of changes	2011 Restated
Statement of Financial Position:			
Liabilities held on behalf of Government	-	-	-
Assets held on behalf of Government	-	\$(16,657)	\$(16,657)
Departmental net financial position (note 20)	\$1,755,030	(16,657)	1,738,373
Statement of Operations and Departmental Net Financial Position:			
Revenues	386,477	(295,908)	90,569
Government funding and transfers			
Net cash provided by Government	-	1,126,614	1,126,614
Change in due from Consolidated Revenue Fund	-	185,886	185,886
Services provided without charge by other government departments	-	87,699	87,699
Transfer of assets and liabilities from (to) other government departments (note 17)	-	-	-

TRANSPORT CANADA

Notes to the Financial Statements (*Unaudited*)

For the Year Ended March 31

20. Correction of error

Following the adoption of a new accounting policy on transfer payments, a prepaid expense has been recorded for 2010-2011. Here is a restatement of 2010-2011 comparative data following the implementation of this policy:

<i>(in thousands of dollars)</i>	2011 As previously stated	Effect of changes	2011 Restated
Statement of Financial Position:			
Prepaid expenses	\$ 2,015	\$ 935	\$ 2,950
Departmental net financial position	1,754,095	935	1,755,030
Statement of Change in Departmental Net Debt			
Change due to prepaid expenses	(469)	935	466
Statement of Cash Flow			
Increase (decrease) in prepaid expenses	(469)	935	466
Parliamentary authorities			
(a) Reconciliation of net cost of operations to current year authorities used:			
Increase (decrease) in prepaid expenses	(469)	935	466

21. Comparative information

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