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## **STATEMENT OF CASH FLOWS**

**FOR THE INITIAL YEAR ENDED MARCH 31, 2017**

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	<b>2017</b>
<b>OPERATING TRANSACTIONS</b>	
Excess of revenue over expenses	<b>\$ 8,283,561</b>
	<b>8,283,561</b>
<b>Net change in non-cash working capital items:</b>	
Account receivable	<b>(3,370,300)</b>
Accounts payable and accrued liabilities	<b>7,737</b>
Due to the Ship-source Oil Pollution Fund	<b>32,531</b>
	<b>4,953,529</b>
<b>INCREASE IN BALANCE OF ACCOUNT WITH RECEIVER GENERAL FOR CANADA</b>	<b>4,953,529</b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>-</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 4,953,529</b>

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# FUND FOR RAILWAY ACCIDENTS INVOLVING DESIGNATED GOODS

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

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### 1. GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Fund for Railway Accidents involving Designated Goods (the Fund) was created on June 18, 2016 under the *Safe and Accountable Rail Act* (the Act). The Act amends the *Canada Transportation Act*.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements are prepared in accordance with Treasury Board accounting policies which are consistent with Public Sector Accounting Standards.

#### **Accounting estimates**

The preparation of financial statements in accordance with Treasury Board Secretariat accounting policies, which are consistent with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses for the periods covered. The primary estimate relate to the valuation of provision for claims under review when such claims are received. Actual amounts could differ from the estimates.

#### **Revenue recognition**

The levy income is recognized when earned.

### 3. BALANCE OF THE ACCOUNT WITH RECEIVER GENERAL FOR CANADA

The cash balance of the Fund is held within the Consolidated Specified Purpose Accounts of the Government of Canada. Public Works and Government Services Canada acts as the custodian of this cash balance and Transport Canada records the various transactions on behalf of the Fund. Once the agreement will be signed between Transport Canada and Department of Finance, Interest will be credited to the account in accordance with the provisions of the MLA at a rate based on a 5-year Government of Canada bond interest rate. The agreement should be signed during the fiscal year 2017-2018.

### 4. FINANCIAL INSTRUMENT

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund's main credit risks relate to its accounts receivable.

The Fund continuously reviews the financial situation of its clients and establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. 100% of the accounts receivable is to be received from two railway companies. The Fund considers that no risk arises from that situation.

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### 5. RELATED PARTY TRANSACTIONS

The Fund is related, as a component of the accounting framework of the Government of Canada, to all Government of Canada departments, agencies and Crown Corporations.

During the year, the Fund paid to the Ship-Source Oil Pollution Fund an amount of \$32,531 (2016 : - \$) for its share of the following operating expenses:

	<b>2017</b>
Rent	\$ 11,838
Administrative services, salaries and office expenses	20,693
	<b>\$ 32,531</b>

### 6. CONTINGENCIES

In the normal course of its operations, the Fund may receive information about incidents that have occurred but for which no claims have been received. It is not possible for the Fund to determine the likelihood of a claim for any of these reported incidents. The Fund is also not able to assess the financial value of any such claims should they materialize. No provision related to these incidents is recognized in the financial statements. A provision is recognized when a claim is effectively received.

As of April 1, 2017, the Minister of Transport has the statutory power to impose a levy of \$1.69 for the fiscal year 2017-2018 (2016-2017: \$1.67) per metric tonne of crude oil carried by a federally regulated railway in Canada. The levy is indexed annually to Inflation and Consumer Price Index.

### 7. BUDGET

The Fund for Railway Accidents involving Designated Goods does not prepare an annual budget due to the nature of its operations.

