Annual Financial Report

of the Government of Canada

Fiscal Year 2000–2001

Canada

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Price: $16.00 (including GST)
(This price includes the *Fiscal Reference Tables*)

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Cat No.: F1-25/2001E
ISBN 0-660-18623-3

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Fiscal Year 2000–2001

A budgetary surplus of $17.1 billion was recorded in 2000-01. This marks the fourth consecutive year in which the federal government has recorded a surplus – the last time this occurred was in the period up to 1951-52. The outcome for 2000-01 was significantly higher than what was expected in the February 2000 budget and October 2000 *Economic Statement and Budget Update*, reflecting substantially stronger economic growth than had been anticipated. Nominal income – the applicable tax base for revenues – advanced by 8.3 per cent in 2000, following a gain of 6.5 per cent in the previous year. With much slower economic growth expected in 2001, surpluses will be correspondingly lower.

As a result of the budgetary surpluses recorded to date, net public debt stood at $547.4 billion on March 31, 2001, down $35.8 billion from its peak of $583.2 billion in 1996-97. This large paydown in net public debt is important for a variety of reasons. Canada's debt level is high, both by historical Canadian and international standards. A high debt burden means that a large portion of the revenue the Government collects from taxpayers must go towards debt-servicing payments rather than to reduce taxes, to fund valued programs and services or to pay down the debt. Reducing the debt burden also lessens the exposure of the fiscal framework to economic shocks, especially an increase in interest rates or prolonged slowdowns in economic activity.

Department of Finance Canada
Ministère des Finances Canada

And a lower debt burden reduces the amount that younger Canadians have to pay for servicing debt incurred by the generations that preceded them. The reduction in debt has resulted in ongoing net interest savings of about $2.5 billion each and every year. This is the real fiscal dividend.

Net public debt as a percentage of the economy is now 51.8 per cent, a reduction of almost 19 percentage points from its peak of 70.7 per cent in 1995-96. On an international basis, Canada has made more progress in reducing its debt burden than any other G-7 country.

The financial data in this report are based on the audited results, which will appear in more detail in the 2001 *Public Accounts of Canada*, scheduled for tabling in the House of Commons this fall. They cover the federal government's spending and revenue performance for the past fiscal year (April 1, 2000 to March 31, 2001) and detail the factors affecting these results. In addition, the *Fiscal Reference Tables* have been updated to incorporate the results for 2000-01 and historical revisions to the National Economic and Financial Accounts published by Statistics Canada. These tables are an integral part of this report.

This is the final year in which the federal government's financial statements will be presented on a modified accrual basis of accounting. For 2001-02 the financial statements will be presented on a full accrual basis of accounting at year-end.

The Honourable Paul Martin, P.C., M.P.
Minister of Finance

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REPORT HIGHLIGHTS

- Budgetary surplus of $17.1 billion in 2000-01, following surpluses of $3.5 billion in 1997-98, $2.9 billion in 1998-99 and $12.3 billion in 1999-2000. The last time the budget was in surplus for four consecutive years was in the period up to 1951-52.
- As a result, net public debt is down $35.8 billion from its peak of $583.2 billion in 1996-97 to stand at $547.4 billion. The net public debt-to-GDP ratio is down to 51.8 per cent from a peak of 70.7 per cent in 1995-96.
- Market debt – the debt issued on credit markets – has declined by $30.4 billion since 1996-97. As a percentage of GDP, the ratio declined to 42.7 per cent, down from the peak of 57.8 per cent in 1995-96. Foreign holdings declined to 20.8 per cent of market debt – its lowest ratio since 1987-88.
- Program spending as a percentage of GDP declined to 11.3 per cent, down from 11.5 per cent in 1999-2000. The final outcome for 2000-01 was $0.4 billion lower than estimated in the October 2000 *Economic Statement and Budget Update*.
- Public debt charges as a percentage of revenues declined to 23.6 per cent in 2000-01, down from its peak of 36 per cent in 1995-96, and is now at its lowest ratio since 1981-82.
- By accounting practices used in most other countries, Canada reported a financial source for the fifth consecutive year – the only G-7 country to do so.

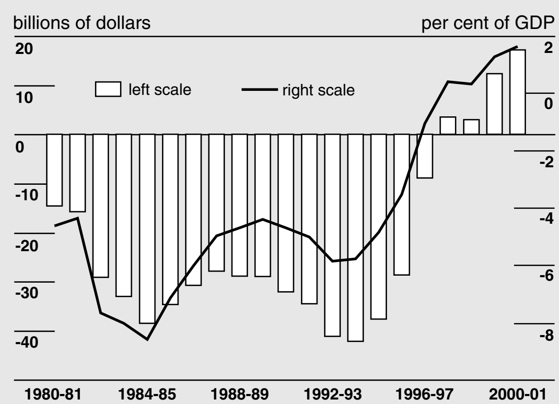
The Budgetary Balance

Economic growth was exceptionally strong in 2000, extending the rapid gains made in 1999. Nominal income – a proxy for the federal tax base – rose by 8.3 per cent, following an increase of 6.5 per cent in 1999. As part of planning for the February 2000 budget, private sector economists had expected nominal income to advance by only 5.7 per cent in 2000. This was revised up to 8.0 per cent in the October 2000 *Economic Statement and Budget Update*.

In the October 2000 *Economic Statement and Budget Update*, the underlying surplus for 2000-01 was revised up to $15.2 billion, reflecting the impact of the much stronger than forecast economic growth on federal revenues. This was after accounting for the costs associated with the September 2000 Agreements on Health Renewal and Early Childhood Development and proposed enhancements to the employment insurance program. These costs amounted to $1.8 billion in 2000-01.

In the October 2000 *Economic Statement and Budget Update*, the Government added a new element to its Debt Repayment Plan. In addition to the practice of setting aside $3 billion as a Contingency Reserve (which, if not needed, is applied to reducing the debt), it indicated that, each fall, it would announce whether a greater amount should be dedicated to that year's debt paydown. With an underlying surplus of $15.2 billion, the Government committed a minimum of $10 billion to debt reduction.

Budgetary Balance



Sources: Public Accounts of Canada and Statistics Canada.

Table 1
Financial Highlights

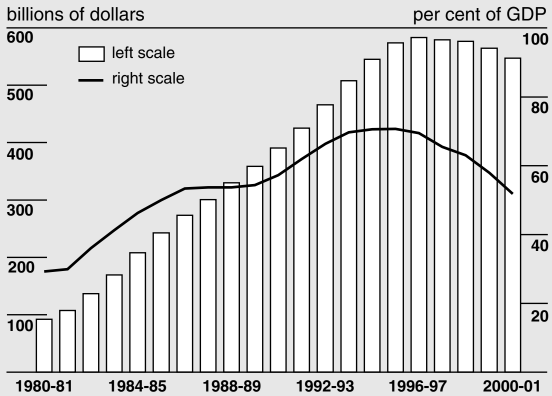
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
				($ billions)				
Budgetary transactions								
Revenues	116.0	123.3	130.3	140.9	153.2	155.7	165.7	178.6
Program spending	-120.0	-118.7	-112.0	-104.8	-108.8	-111.4	-111.8	-119.3
Operating balance	-4.0	4.6	18.3	36.1	44.4	44.3	53.9	59.2
Public debt charges	-38.0	-42.0	-46.9	-45.0	-40.9	-41.4	-41.6	-42.1
Budgetary balance	**-42.0**	**-37.5**	**-28.6**	**-8.9**	**3.5**	**2.9**	**12.3**	**17.1**
Non-budgetary transactions	12.2	11.6	11.4	10.2	9.3	8.6	2.3	1.8
Financial requirements/source (excludes foreign exchange transactions)	-29.9	-25.8	-17.2	1.3	12.7	11.5	14.6	19.0
Foreign exchange transactions	-2.1	-1.4	-4.7	-7.8	-2.2	-5.7	-6.8	-8.8
Total financial requirements/ source	-32.0	-27.3	-21.9	-6.5	10.6	5.8	7.7	10.2
Change in borrowings	31.2	27.0	28.5	7.3	-9.6	-6.9	-4.0	-10.0
Change in cash balances	-0.7	-0.2	6.7	0.8	1.0	-1.1	3.7	0.2
Financial position								
Total liabilities	-546.4	-584.8	-624.7	-640.7	-638.5	-640.3	-638.7	-632.9
Total financial assets	38.2	39.1	50.4	57.5	58.8	63.5	74.2	85.5
Accumulated deficit (net public debt)	-508.2	-545.7	-574.3	-583.2	-579.7	-576.8	-564.5	-547.4
Financial results (% of GDP)								
Budgetary revenues	15.9	16.0	16.0	16.8	17.3	17.0	17.0	16.9
Program spending	16.4	15.4	13.8	12.5	12.3	12.2	11.5	11.3
Public debt charges	5.2	5.4	5.8	5.4	4.6	4.5	4.3	4.0
Budgetary balance	-5.8	-4.8	-3.5	-1.1	0.4	0.3	1.3	1.6
Net public debt	69.7	70.6	70.7	69.5	65.5	63.0	57.9	51.8

The remaining balance of $5.2 billion was allocated as follows: $1.3 billion for relief for higher heating expenses, $1.4 billion for tax reductions effective on January 1, 2001, and $500 million for the Canada Foundation for Innovation, leaving $1.9 billion unallocated, to be used for either further debt reduction, tax cuts or increased spending in priority areas.

In the May 2001 *Economic Update* the Government indicated that the surplus for 2000-01 would be at least $15 billion, based on the financial results available at that time. This outcome included the impact of a number of initiatives undertaken between the October 2000 *Economic Statement and Budget Update* and the end of the 2000-01 fiscal year. These initiatives totalled $2.1 billion and included incremental funding of $750 million for the Canada Foundation for Innovation, $500 million for agricultural assistance, $140 million for Genome Canada and $624 million for defence.

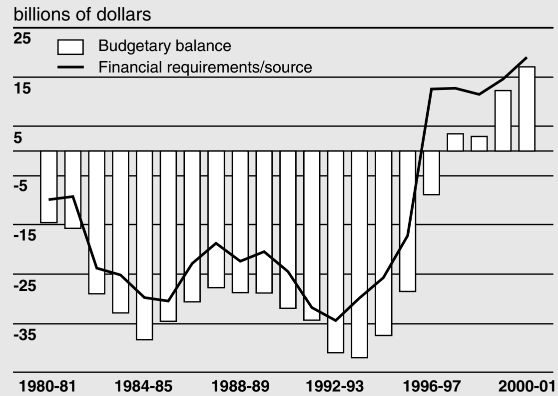
The final budgetary surplus for 2000-01 was $17.1 billion. All of this has been applied to reducing the net public debt. This represents an improvement of $4.8 billion from the surplus recorded in 1999-2000.

Net Public Debt



Sources: Public Accounts of Canada and Statistics Canada.

Budgetary Balance and Financial Requirements/Source



Note: Excludes foreign exchange transactions.
Source: Public Accounts of Canada.

Over the period 1993-94 to 2000-01, the budgetary balance as a percentage of gross domestic product (GDP) went from a deficit of 5.8 per cent of GDP in 1993-94 ($42 billion) to a surplus of 1.6 per cent of GDP in 2000-01 ($17.1 billion). Nearly 70 per cent of this improvement is attributable to the decline in program spending – from 16.4 per cent of GDP in 1993-94 to 11.3 per cent of GDP in 2000-01. Of the remaining improvement, public debt charges declined by 1.2 percentage points, while budgetary revenues increased by 1.0 percentage point. Program spending in 2000-01, at $119.3 billion, was $0.7 billion lower than its level of $120.0 billion in 1993-94.

Net Public Debt

The 2000-01 surplus of $17.1 billion brings the federal government's net public debt – the accumulation of annual deficits and surpluses – down to $547.4 billion from its peak of $583.2 billion in 1996-97. As a share of GDP, the net public debt dropped to 51.8 per cent, down 18.9 percentage points from the peak of 70.7 per cent in 1995-96. This ratio is generally recognized as the most appropriate indicator of the debt burden as it measures debt relative to the ability of the Government and the country's taxpayers to finance it.

This is the fifth consecutive year in which the debt-to-GDP ratio has declined and this is the lowest the ratio has been since 1985-86.

Net public debt consists of interest-bearing debt and other liabilities, net of financial assets. Interest-bearing debt, in turn, consists of unmatured, or market, debt and the Government's obligations to internally held accounts – primarily the liabilities for the federal government employees' pension plans. In 2000-01 market debt declined by $10.0 billion to $446.4 billion, primarily reflecting lower holdings of Treasury bills. This brings the decline in market debt since 1996-97 to $30.4 billion. Total interest-bearing debt was $589.2 billion, down $8.7 billion from 1999-2000, as the decline in market debt was dampened by an increase of $1.3 billion in liabilities to public sector pensions and other accounts.

Financial Requirements/Source

Financial requirements/source measures the difference between cash coming in to the Government and cash going out. Most industrialized countries use a measure comparable to the financial requirements/source as their main measure of the budgetary balance. There was a financial source (excluding foreign exchange transactions) of $19.0 billion in 2000-01 – the fifth consecutive year Canada has recorded a financial source – the only G-7 country to do so.

During the course of the fiscal year, there was a net requirement of $8.8 billion relating to foreign exchange transactions, up from a net requirement of $6.8 billion in 1999-2000. Including this amount, the financial source in total was $10.2 billion, up from a source of $7.7 billion in 1999-2000.

BUDGETARY REVENUES

Table 2 on page 11 shows budgetary revenues on both a budget, or "net," basis and "gross" basis. The net figures reflect the way in which revenues and expenditures are presented to Parliament and in the Government's annual budget. On a gross basis, the tax expenditures netted against revenues are included as part of spending while the items netted against spending are included as part of revenues, thereby increasing both revenues and spending with no impact on the budgetary balance.

Tax expenditures netted against revenues are:

- the Canada Child Tax Benefit;
- the quarterly goods and services tax (GST) credit; and
- repayments of Old Age Security benefits.

Departmental revenues netted against spending are:

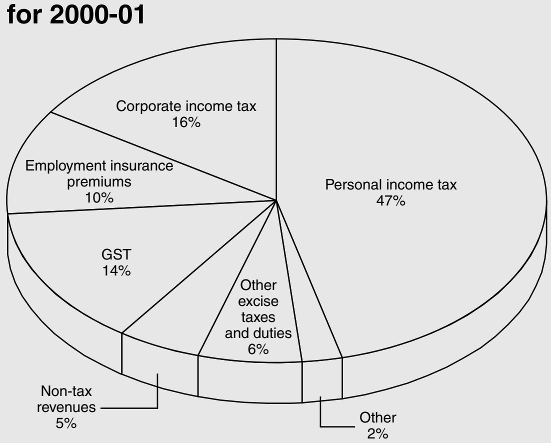
- revenues of consolidated Crown corporations; and
- revenues levied by departments for specific services, such as the costs of policing services in provinces.

The revenue ratio – net budgetary revenues as a percentage of GDP – represents an approximate measure of the overall "tax burden" in that it compares the total of all revenues collected to the size of the economy. The revenue ratio stood at 16.9 per cent in 2000-01, down slightly from 1999-2000. It should be noted that as some important components of income subject to taxation are excluded from the Statistics Canada measure of GDP, such as capital gains and income from trusteed pension plans, this ratio overstates the tax burden. In addition, the sharp rise in capital gains and the growth in income from trusteed pension plans due to the aging of the population distort year-to-year changes in the ratio. Therefore, caution should be exercised in interpreting this ratio.

On a net basis revenues grew strongly in 2000-01 to $178.6 billion, an increase of $12.9 billion, or 7.8 per cent, from 1999-2000. Corporate income taxes accounted for about 40 per cent of this increase.

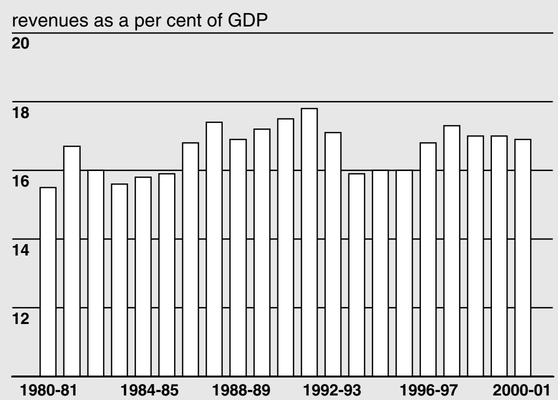
Personal income tax revenues, the largest component of budgetary revenues, were up $2.9 billion, or 3.7 per cent, in 2000-01, primarily reflecting the growth in the economy.

Composition of Net Revenues for 2000-01



Source: Public Accounts of Canada.

Revenue Ratio



Sources: Department of Finance and Statistics Canada.

This increase was substantially below the increase of $6.9 billion recorded in the previous fiscal year and the increase of 6.1 per cent in personal income – the proxy tax base for personal income tax revenues – recorded in 2000.

- However, about $3 billion of the increase reported in 1999-2000 was due to the impact of prior-year adjustments. Gross remittances received include not only federal personal income tax liabilities but also provincial income tax liabilities, as set out under the tax collection agreements with participating provinces, and employee and employer premium contributions for employment insurance and the Canada Pension Plan. On a monthly basis, estimates are made, with adjustments once either preliminary or final data become available from the Canada Customs and Revenue Agency. In 1999-2000 there were large transfers to personal income tax revenues, pertaining to over-estimations of these liabilities for previous fiscal years. There were no significant prior-year adjustments affecting the 2000-01 results.
- Another factor dampening the growth in personal income tax revenues in 2000-01 was an increase of $0.8 billion in the Canada Child Tax Benefit, reflecting enrichments announced in previous budgets.
- Adjusting for the impact of these factors, the underlying increase in personal income tax revenues was 5.3 per cent, slightly below the estimated increase in personal income. Normally, the growth in personal income tax revenues would somewhat exceed the increase in personal income. However, tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*, as part of the Government's Five-Year Tax Reduction Plan, served to reduce the overall increase in personal income tax revenues. These measures included reductions in the tax rates, increases in income thresholds, full restoration of indexation and elimination of the 5-per-cent surtax.

Corporate income tax revenues increased $5.0 billion in 2000-01, or 21.8 per cent. This reflected the continued strong increase in corporate profits, up about 22 per cent in 2000.

Other income tax revenues, which closely mirror corporate profits, were up $0.8 billion, or 23.2 per cent.

Employment insurance premium revenues increased by $0.2 billion, or 1.2 per cent, in 2000-01. This reflected the effect of the strong increase in the number of people employed, largely offset by the reductions in premium rates. The employee premium rate (per $100 of insurable earnings) was reduced from $2.55 for 1999 to $2.40 for 2000 and to $2.25 for 2001 (with a corresponding decline in the employer rate).

Net excise taxes and duties increased $3.2 billion, or 9.8 per cent. However, there were significant variations among the various components.

- GST revenues were up $2.2 billion, or 9.7 per cent, virtually identical to the increase reported in the previous fiscal year. Consumer expenditures continued to grow strongly in 2000.
- Customs import duties increased $0.7 billion, or 33.3 per cent, following two years of decline. This increase reflected the strong advance in imports while the declines in each of the previous two years were primarily due to the reductions in tariffs, as specified under international agreements.
- Other excise taxes and duties were up 4.1 per cent.

Net non-tax revenues increased $0.7 billion, or 7.9 per cent, in 2000-01, primarily reflecting gains from the foreign exchange accounts, Bank of Canada profits and interest on bank balances.

Gross budgetary revenues in 2000-01 were $13.8 billion higher than net budgetary revenues, an increase of $1.5 billion from 1999-2000. This primarily reflected higher Canada Child Tax Benefit payments, attributable to the increase in benefits announced in recent budgets.

Table 2
Budgetary Revenues

	1999-00	2000-01	Net Change	
		($ millions)		(%)
Net income tax collections				
Personal income tax	79,378	82,305	2,927	3.7
Corporate income tax	23,170	28,212	5,042	21.8
Other	3,499	4,312	813	23.2
Total	106,047	114,829	8,782	8.3
Employment insurance premium revenues	18,512	18,731	219	1.2
Net excise taxes and duties				
Goods and services tax (GST)	22,790	24,990	2,200	9.7
Customs import duties	2,105	2,807	702	33.3
Other excise taxes/duties				
Energy taxes	4,757	4,805	48	1.0
Other	3,234	3,514	280	8.7
Total	7,991	8,319	328	4.1
Total	32,886	36,116	3,230	9.8
Net tax revenues	157,445	169,676	12,231	7.8
Net non-tax revenues				
Return on investments	5,251	6,144	893	17.0
Other non-tax revenues	3,012	2,770	-242	-8.0
Total	8,263	8,914	651	7.9
Net budgetary revenues	**165,708**	**178,590**	**12,882**	**7.8**
Adjustments				
Canada Child Tax Benefit	6,000	6,811	811	13.5
Old Age Security benefit repayment	-554	-588	-34	6.2
Quarterly GST credit	2,847	2,901	54	1.9
Revenues netted against expenditures	2,625	2,874	249	9.5
Revenues of consolidated Crown corporations	1,391	1,762	371	26.7
Net adjustment	12,309	13,760	1,451	11.8
Gross budgetary revenues	**178,017**	**192,350**	**14,333**	**8.1**

Budgetary Expenditures

Table 3 on page 16 presents budgetary expenditures on both a gross and net basis. The differences are identical to those between gross and net budgetary revenues.

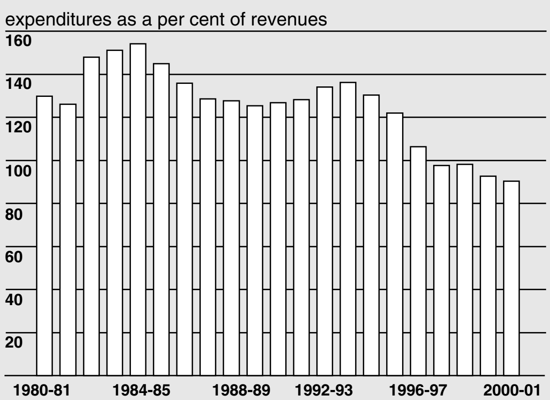
Net budgetary expenditures amounted to $161.4 billion in 2000-01, up $8.0 billion, or 5.2 per cent, from 1999-2000. The expenditure ratio – net budgetary expenditures as a percentage of net budgetary revenues – stood at 90.4 per cent in 2000-01, down from 92.6 per cent in 1999-2000. In 1993-94 the expenditure ratio stood at 136.2 per cent.

The largest component of budgetary expenditures is public debt charges, representing 26 per cent of total expenditures. Public debt charges increased by $0.4 billion, or 1.1 per cent, in 2000-01. They are affected by interest rate changes as well as by the stock and composition of interest-bearing debt.

- The average effective interest rate on the Government's interest-bearing debt (unmatured debt and pension liabilities) was 7.6 per cent in 2000-01, compared to 7.4 per cent in 1999-2000. The average effective interest rate on unmatured debt was 6.9 per cent while that on pension and other accounts was 9.7 per cent.
- The stock of total interest-bearing debt declined by $8.7 billion in 2000-01, from $597.9 billion to $589.2 billion, as the stock of market debt declined by $10.0 billion to $446.4 billion, while liabilities to pension and other accounts increased by $1.3 billion to $142.8 billion. Since 1993-94 the share of market debt has declined by over 4.5 percentage points with a corresponding increase in the liabilities for pension and other accounts. Within market debt, the share of marketable bonds has increased by over 20 percentage points, while that for Treasury bills and Canada Savings Bonds has declined.

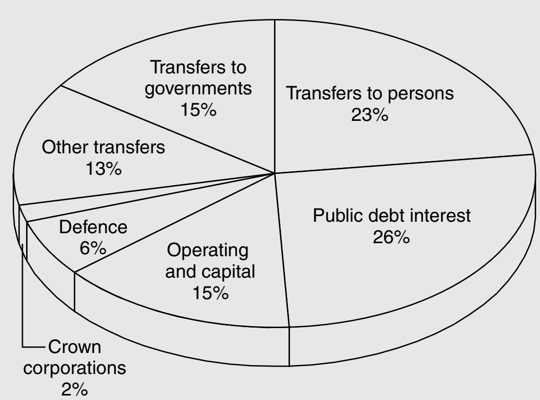
The interest ratio – public debt charges as a percentage of net budgetary revenues – declined from 25.1 per cent in 1999-2000 to 23.6 per cent in 2000-01. This ratio means that, in 2000-01, the Government spent about 24 cents of every revenue dollar on interest on the public debt. This is down from the peak of 36 cents in 1995-96 and is the lowest this ratio has been since 1981-82. This is money that must be paid to meet the Government's obligations on its debt. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.

Expenditure Ratio



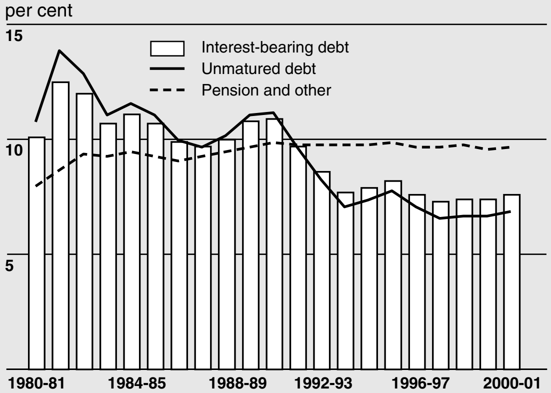
Source: Public Accounts of Canada.

Composition of Net Expenditures for 2000-01



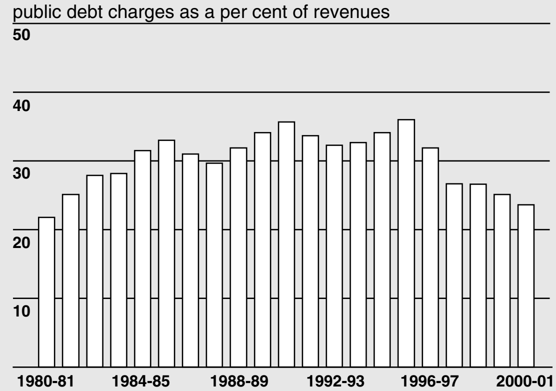
Source: Public Accounts of Canada.

Average Effective Interest Rate on Interest-Bearing Debt



Source: Public Accounts of Canada.

Interest Ratio



Source: Public Accounts of Canada.

It is worth noting that public debt charges are presented on a gross basis. Yet some of the borrowings undertaken by the Government give rise to a corresponding asset – for example, borrowings undertaken for the Exchange Fund Account. These assets earn interest, which are reported as "return on investments" as part of budgetary revenues. Netting these returns would lower public debt charges by $6.1 billion in 2000-01. On this basis, "net" public debt charges would have declined by $0.4 billion between 1999-2000 and 2000-01.

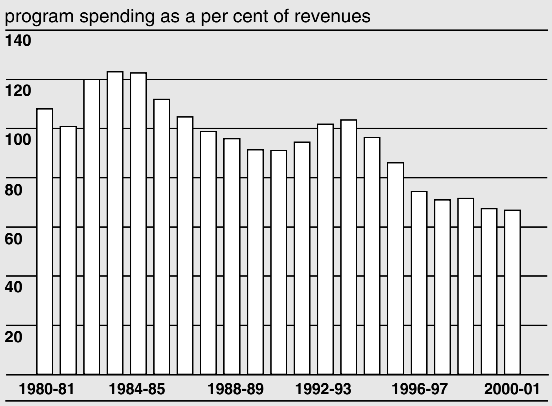
Net program spending – net budgetary expenditures less public debt charges – amounted to $119.3 billion in 2000-01, an increase of $7.6 billion, or 6.8 per cent, from 1999-2000. The program share – net program spending as a percentage of net budgetary revenues – amounted to 66.8 per cent, down slightly from 1999-2000. In 1993-94 the program share was 103.5 per cent.

Within program spending, major transfer payments to persons increased by $2.4 billion, or 7.1 per cent, primarily reflecting the one-time relief payment for heating expenses and higher elderly benefit payments.

- Elderly benefits consist of Old Age Security payments, Guaranteed Income Supplement payments and spouse's allowance payments. Total benefits were up $0.8 billion in 2000-01, reflecting both higher average benefits, which are indexed to inflation, and an increase in the number of recipients.
- Employment insurance benefits increased $0.1 billion in 2000-01. Regular benefit payments were slightly lower, reflecting the decline in the number of unemployed. In contrast, transfers to the provinces under the Labour Market Development Agreements and special benefits, such as sickness, maternity and parental benefits, were higher. In September 2000 the Government announced changes to employment insurance benefits. These changes received Royal Assent in June 2001, retroactive to October 2000. Liabilities associated with these changes also pushed up overall employment insurance benefits.
- In the October 2000 *Economic Statement and Budget Update*, the Government proposed one-time relief for heating expenses for low- and modest-income Canadians. This benefit, which was paid in January 2001, amounted to $1.5 billion.

Major transfer payments to other levels of government include the Canada Health and Social Transfer (CHST), fiscal arrangements (equalization, transfers to the territories, as well as a number of small transfer programs) and Alternative Payments for Standing Programs. Net cash transfers increased by $1.5 billion in 2000-01, or 6.4 per cent.

Program Share



Source: Public Accounts of Canada.

- The CHST – a block-funded transfer – supports health care, post-secondary education, social assistance and social services, including early childhood development. It provides support in the form of cash and tax transfers to the provinces and territories. In the 1999 budget the cash floor was increased from $12.5 billion for 1999-2000 to $13.5 billion for 2000-01. As part of the September 2000 Agreements on Health Renewal and Early Childhood Development, the federal government has legislated $21.1 billion of additional cash to be provided under the CHST over the next five years. In the 1999 and 2000 budgets the Government announced special payments of $3.5 billion and $2.5 billion, respectively, to be paid to a third-party trust to be drawn by the provinces and territories for health care needs over a period of three to four years. These supplements were charged to the 1998-99 and 1999-2000 fiscal years, respectively.
- As part of the September 2000 Agreements on Health Renewal and Early Childhood Development, the federal government provided $1 billion to a third-party trust, which the provinces and territories can use to acquire new medical equipment over a period of two years.
- Total entitlements under fiscal arrangements increased by $2.0 billion, or 18.3 per cent, with equalization accounting for most of the increase. Under the equalization program, the federal government transfers funds to the less prosperous provinces so that they can provide their residents with public services comparable to those in other provinces without having to resort to higher than average taxation. Equalization legislation is renewed every five years. The current legislation, which covers the period 1999-2000 to 2003-04, capped total entitlements in 1999-2000 at $10 billion, with an annual escalator tied to the growth in nominal GDP. In September 2000 the federal government indicated that the cap for 1999-2000 only would be lifted, resulting in an incremental entitlement for that year of about $0.8 billion. Legislation authorizing this payment received Royal Assent in June 2001. Under the Government's accounting rules, this amount was charged to 2000-01.
- The Alternative Payments for Standing Programs represent recoveries of federal tax point abatements under contracting-out arrangements. These arrangements allow provinces to assume the administrative and financial authority for certain federal-provincial programs. In turn, the federal government provides provinces with tax points, the value of which are netted against total entitlements and accordingly recovered from cash transfers. These recoveries reflect the growth in the value of the tax points.

Direct program spending – total program spending less major transfers to persons and other levels of government – consists of subsidies and other transfer payments, expenditures related to Crown corporations, defence spending, and operating and capital expenditures of non-defence departments and agencies. This spending amounted to $57.5 billion in 2000-01, up $3.7 billion, or 6.8 per cent, from 1999-2000.

Within direct program spending:

- Subsidies and other transfer payments increased by $1.7 billion, or 8.6 per cent, primarily reflecting the impact of new initiatives, including:
  - $500 million to the Canada Health Infoway Inc. to accelerate the development and adoption of modern systems of information technology to provide better health care. This investment was part of the September 2000 Agreements on Health Renewal and Early Childhood Development; and
  - $1.25 billion to the Canada Foundation for Innovation to award funds to help post-secondary educational institutions, research hospitals and not-for-profit institutions modernize their research infrastructure and assist in associated operating and maintenance costs. In 1999-2000 the Government provided an additional $900 million. The Government's total transfer to the Canada Foundation for Innovation to date is $3.15 billion.
- Expenditures related to Crown corporations were down slightly. This component includes appropriations to consolidated Crown corporations (those Crown corporations that rely on government funding as their principal source of revenue) and the annual profit and losses for enterprise Crown corporations.
- Operating and capital expenditures include the costs of defence, government administration and delivery of specific services to the public, such as:
  - health care to Aboriginals and veterans;
  - research undertaken by government departments;
  - food inspection;
  - Coast Guard and air and sea rescue;
  - operation of national parks and historic sites;
  - collection of taxes;
  - operation of federal correctional institutions and provision of police services; and
  - administration of programs.
- This spending increased by $2.0 billion, or 6.5 per cent, in 2000-01. Of this amount:
  - Defence spending declined $0.5 billion, primarily attributable to one-time funding provided in 1999-2000 to assist the military in meeting Canada's international commitments.
  - Non-defence departmental operating and capital spending increased $2.5 billion. Most of this increase was attributable to the costs associated with the resumption of collective bargaining after a number of years of wage freezes and incremental funding of about $0.7 billion for operating and capital maintenance. During 1999-2000 the Treasury Board Secretariat conducted a major review of the capacity of a number of government departments to deliver existing programs. This review resulted in increases in funding in a limited number of areas that are regarded as essential to the health and safety of Canadians or critical to sustainability of high-quality public services. Most of this funding was directed to Health Canada, the Royal Canadian Mounted Police, Fisheries and Oceans Canada and the Department of Justice Canada, and to the upgrading and maintenance of federal buildings.

Consistent with the difference between gross and net budgetary revenues, gross budgetary expenditures were $13.8 billion higher than net budgetary expenditures. The differences are described in the section on budgetary revenues.

Table 3
Budgetary Expenditures

	1999-00	2000-01	Net Change	
		($ millions)		(%)
Net major transfers to persons				
Elderly benefits	23,410	24,256	846	3.6
Employment insurance benefits	11,301	11,444	143	1.3
Heating expense relief		1,459	1,459	
Total	34,711	37,159	2,448	7.1
Major transfers to other levels of government				
Canada Health and Social Transfer				
General cash entitlement	12,500	13,500	1,000	8.0
Cash supplement	2,500		-2,500	
Prior-year adjustments	-53		53	
Medical Equipment Fund		1,000	1,000	
Fiscal arrangements	10,721	12,684	1,963	18.3
Alternative Payments for Standing Programs	-2,425	-2,460	-35	1.4
Total	23,243	24,724	1,481	6.4
Net direct program spending				
Subsidies and other transfers				
Agriculture and Agri-food	1,518	1,822	304	20.0
Foreign Affairs and International Trade	2,114	2,358	244	11.5
Health Canada	1,161	1,302	141	12.1
Human Resources Development	2,008	1,995	-13	-0.6
Indian Affairs and Northern Development	4,185	4,448	263	6.3
Industry/regional agencies	2,071	2,079	8	0.4
Veterans Affairs	1,402	1,463	61	4.4
Canada Foundation for Innovation	900	1,250	350	38.9
Canada Health Infoway Inc.		500	500	
Other	4,011	3,827	-184	-4.6
Total	19,370	21,044	1,674	8.6
Crown corporations				
Canada Mortgage and Housing Corporation	1,928	1,906	-23	-1.2
Canadian Broadcasting Corporation	879	902	23	2.6
Other	146	96	-51	-34.6
Total	2,953	2,903	-50	-1.7
Operating and capital expenditures				
Defence	10,201	9,696	-505	-5.0
All other departments	21,285	23,822	2,537	11.9
Total	31,486	33,518	2,032	6.5
Net direct program spending	53,809	57,465	3,656	6.8
Net program spending	**111,763**	**119,348**	**7,585**	**6.8**
Public debt charges	41,647	42,094	447	1.1
Net budgetary expenditures	**153,410**	**161,442**	**8,032**	**5.2**
Adjustments				
Canada Child Tax Benefit	6,000	6,811	811	13.5
Old Age Security benefit repayment	-554	-588	-34	6.2
Quarterly goods and services tax credit	2,847	2,901	54	1.9
Revenues netted against expenditures	2,625	2,874	249	9.5
Revenues of consolidated Crown corporations	1,391	1,762	371	26.7
Net adjustment	12,309	13,760	1,451	11.8
Gross budgetary expenditures	**165,719**	**175,202**	**9,483**	**5.7**

Note: Component totals for 1999-2000 differ from those in the Public Accounts due to reclassification.

THE BUDGETARY BALANCE, FINANCIAL REQUIREMENTS/SOURCE AND DEBT

The budgetary balance is the most comprehensive measure of the federal government's fiscal results. It is presented on a modified accrual basis of accounting, largely recording government liabilities when they are incurred, regardless of when the cash payment is made, and recording tax revenues only when cash is received. The budgetary balance covers only those activities over which the Government has legislative control.

In contrast, financial requirements/source measures the difference between cash coming in to the Government and cash going out. It differs from the budgetary balance in that it includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, and changes in other financial assets and liabilities. These activities are included as part of non-budgetary transactions. The conversion from modified accrual to cash accounting is also reflected in non-budgetary transactions.

Non-budgetary transactions in 2000-01 resulted in a net source of funds amounting to $1.8 billion, compared to a net source of $2.3 billion in 1999-2000. Among the major components:

- Loans, investments and advances recorded a net requirement of $1.7 billion, primarily due to the federal government reassuming administration of and borrowings for the Canada Student Loans program from the major banks.
- Pensions and other accounts recorded a net source of funds of $1.3 billion, compared to $7.0 billion in 1999-2000. The lower source primarily reflects the reforms of the federal government employees' pension plans, effective April 1, 2001. Employer and employee contributions to the plans are now invested in financial markets, rather than being included as part of non-budgetary transactions. This reduces the non-budgetary source of funds by about $3 billion per year. In addition, a number of Crown corporations, which were members of the public sector pension plans, have set up their own pension plans, thereby resulting in the transfer of the applicable assets to these new plans.
- Other transactions recorded a net source of $2.2 billion, compared to a net requirement of $4.4 billion in 1999-2000.

With a budgetary surplus of $17.1 billion and a net source of funds from non-budgetary transactions of $1.8 billion, there was a financial source, excluding foreign exchange transactions, of $19.0 billion in 2000-01, up from the financial source of $14.6 billion in 1999-2000. This marks the fifth consecutive year in which a financial source has been recorded.

Financial requirements/source includes foreign exchange transactions. Foreign exchange transactions represent all transactions in international reserves held in the Exchange Fund Account. The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. The buying of Canadian dollars represents a source of funds from exchange fund transactions, while the selling of Canadian dollars represents a requirement. Changes in foreign currency liabilities, which are undertaken to change the level of Canada's foreign exchange reserves, also impact on foreign exchange transactions. Taking all of these factors into account, there was a requirement of $8.8 billion in 2000-01, compared to a requirement of $6.8 billion in 1999-2000.

As a result, there was a net financial source – the budgetary surplus plus non-budgetary and foreign exchange transactions – of $10.2 billion in 2000-01, compared to a net financial source of $7.7 billion in 1999-2000.

With this net financial source, the Government retired $10.0 billion of its market debt and increased its cash balances by $0.2 billion. Cash balances at March 31, 2001, stood at $13.2 billion.

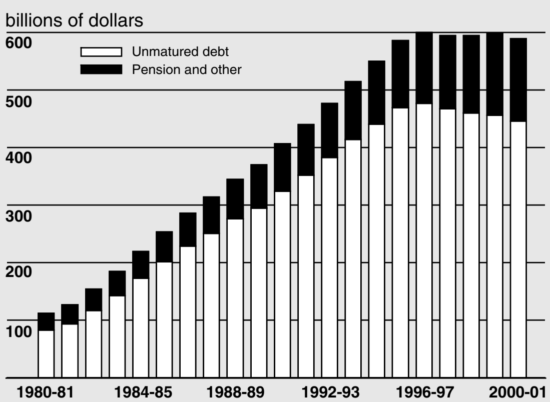
Total liabilities consist of interest-bearing debt and other liabilities. Interest-bearing debt includes market debt and liabilities for pension and other accounts. At March 31, 2001, interest-bearing debt amounted to $589.2 billion, down $8.7 billion from the level a year earlier. Other liabilities, which include accounts payable and accrued liabilities, amounted to $43.6 billion, up $2.9 billion from 1999-2000. As a result, total liabilities, or gross debt, stood at $632.9 billion.

Financial assets consist of cash and accounts receivable, foreign exchange accounts and loans, investments and advances. Capital assets, inventories and net receivables for tax revenues are not currently included, but will be when the Government moves to full accrual accounting at the end of 2001-02. Capital assets and inventories are fully charged to expenditures at the time of acquisition or construction while tax revenues are reported on a cash basis. Financial assets totalled $85.5 billion at March 31, 2001, up $11.3 billion from March 31, 2000, primarily attributable to increased assets in the foreign exchange accounts, as the government continued to increase foreign exchange reserves to be more in line with other comparable countries. The assets in the foreign exchange reserve earn interest, which is reported as part of budgetary revenues. In 2000-01 gross revenue was $2.3 billion, up $0.4 billion from 1999-2000.

As a result, the accumulated deficit, or net public debt, stood at $547.4 billion at March 31, 2001, down $17.1 billion from March 31, 2000, and $35.8 billion below the peak of $583.2 billion at March 31, 1997.

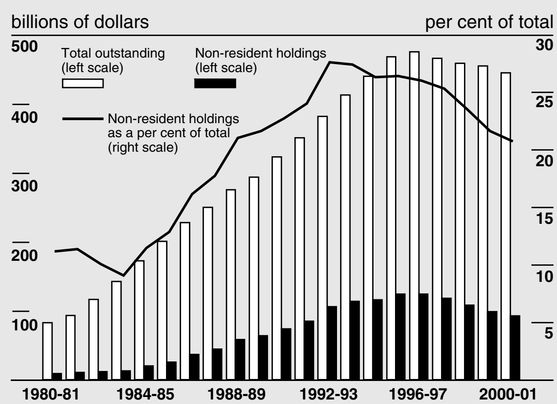
Foreign holdings of the Government of Canada's outstanding market debt are estimated at $97.3 billion at the end of March 2001. This represents 20.8 per cent of the Government's total market debt – the lowest ratio since 1987-88.

Interest-Bearing Debt



Source: Public Accounts of Canada.

Foreign Holdings of Government of Canada Debt



Source: Bank of Canada.

Table 4
Budgetary Balance and Financial Requirements/Source

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
				($ billions)				
Budgetary balance	-42.0	-37.5	-28.6	-8.9	3.5	2.9	12.3	17.1
Non-budgetary transactions								
Loans, investments and advances	0.6	0.3	2.7	0.3	2.0	0.5	-0.3	-1.7
Pensions and other accounts								
Public sector pensions (net)	6.2	6.9	6.8	6.3	3.3	5.0	5.9	0.8
Canada Pension Plan	-0.1	0.7	0.2	0.1	0.5	1.2	0.8	0.2
Other	0.2	1.0	0.6	0.5	0.1	0.9	0.2	0.3
Total	6.2	8.7	7.6	6.9	3.8	7.0	7.0	1.3
Other transactions	5.4	2.6	1.1	3.0	3.4	1.1	-4.4	2.2
Total	12.2	11.6	11.4	10.2	9.3	8.6	2.3	1.8
Financial requirements/source (excluding foreign exchange transactions)	-29.9	-25.8	-17.2	1.3	12.7	11.5	14.6	19.0
Foreign exchange transactions	-2.1	-1.4	-4.7	-7.8	-2.2	-5.7	-6.8	-8.8
Financial balance	-32.0	-27.3	-21.9	-6.5	10.6	5.8	7.7	10.2
Change in borrowings	31.2	27.0	28.5	7.3	-9.6	-6.9	-4.0	-10.0
Change in cash balances	-0.7	-0.2	6.7	0.8	1.0	-1.1	3.7	0.2
Cash in bank (March 31)	2.1	1.9	8.6	9.4	10.4	9.3	13.0	13.2

Table 5
Outstanding Debt at Year-End

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
				($ billions)				
Interest-bearing debt								
Unmatured debt	414.0	441.0	469.5	476.9	467.3	460.4	456.4	446.4
Pension and other accounts	100.5	109.2	116.9	123.7	127.5	134.6	141.5	142.8
Total	514.5	550.2	586.4	600.6	594.8	595.0	597.9	589.2
Other liabilities	31.9	34.6	38.3	40.1	43.7	45.3	40.7	43.6
Total liabilities (gross debt)	546.4	584.8	624.7	640.7	638.5	640.3	638.7	632.9
Financial assets	38.2	39.1	50.4	57.5	58.8	63.5	74.2	85.5
Accumulated deficit (net public debt)	508.2	545.7	574.3	583.2	579.7	576.8	564.5	547.4

Comparison of Actual Budgetary Outcomes to October 2000 *Economic Statement and Budget Update* Estimates

This section compares the actual outcome for the major components of the budgetary balance for 2000-01 with the estimates presented in the October 2000 *Economic Statement and Budget Update*.

Under the Debt Repayment Plan, the fiscal target for each year is based on:

- Using the average of private sector economic forecasts for budget-planning purposes.
- Including an annual Contingency Reserve to cover risks arising from unpredictable events and unavoidable inaccuracies in the economic and fiscal models used to translate the economic assumptions into detailed budget forecasts. It is not a source of funding for new policy initiatives. If not needed, it is used to pay down the public debt. For 2000-01 the Contingency Reserve was set at $3.0 billion.
- Adding an extra degree of economic prudence to provide further assurance against falling back into deficit. In the 2000 budget this economic prudence was set at $1 billion for 2000-01.

In the October 2000 *Economic Statement and Budget Update*, the Government added a new element to its Debt Repayment Plan. Each fall it will announce whether a greater amount should be dedicated to that year's debt paydown. The Government committed to a budgetary surplus of at least $10 billion for 2000-01.

Economic growth for 2000 was significantly stronger than expected at the time of the 2000 budget. Nominal income growth, based on the average of private sector forecasts, was projected at 5.7 per cent for 2000. For the October 2000 *Economic Statement and Budget Update*, this was revised up to 8.0 per cent. Preliminary estimates from Statistics Canada, which were released in late May 2000, suggest that nominal income growth in 2000 averaged 8.3 per cent.

In the October 2000 *Economic Statement and Budget Update*, the fiscal surplus for 2000-01 was estimated at $11.9 billion, of which at least $10 billion was earmarked for debt paydown. The final outcome was $5.2 billion higher, all of which was used for debt paydown.

Budgetary revenues were $4.9 billion higher. Non-tax revenues were $1.7 billion higher, primarily reflecting higher revenues on foreign exchange account transactions. Excise taxes and duties were $1.7 billion higher than expected, primarily reflecting much stronger than anticipated customs import duties. Personal income tax revenues were $0.9 billion higher while other income tax was up $0.8 billion.

Program spending was $0.4 billion lower than estimated in the October 2000 *Economic Statement and Budget Update*, despite the announcement of $2.1 billion of new initiatives, including incremental funding for the Canada Foundation for Innovation, agriculture assistance and defence. The impact of these initiatives was more than offset by lower direct program spending, reflecting higher than expected net gains from enterprise Crown corporations, unamortized pension estimation adjustments associated with several Crown corporations implementing their own pension plans, and higher lapses of appropriations associated with the timing of the federal election. Public debt charges were $0.1 billion lower than estimated.

Table 6

Comparison of Actual Budgetary Outcomes to October 2000 *Economic Statement and Budget Update* Estimates

	Actual	Estimate	Change
		($ billions)	
Budgetary revenues			
Personal income tax	82.3	81.4	0.9
Corporate income tax	28.2	28.5	-0.3
Other income tax	4.3	3.5	0.8
Employment insurance premium revenues	18.7	18.7	0.0
Goods and services tax	25.0	24.2	0.8
Customs import duties	2.8	2.1	0.7
Other excise taxes/duties	8.3	8.1	0.2
Non-tax revenue	8.9	7.2	1.7
Total	178.6	173.7	4.9
Program spending			
Major transfers to persons			
Elderly benefits	24.3	24.3	0.0
Employment insurance benefits	11.4	11.6	-0.2
Heating expense relief	1.5	1.3	0.1
Major transfers to other levels of government			
Canada Health and Social Transfer	14.5	14.5	0.0
Fiscal arrangements	12.7	12.1	0.6
Alternative Payments for Standing Programs	-2.5	-2.4	-0.1
Direct program spending			
Subsidies and other transfers	21.0	20.6	0.4
Crown corporation expenditures	2.9	4.1	-1.2
Defence	9.7	9.4	0.3
All other program spending	23.8	24.3	-0.5
Total	119.3	119.7	-0.4
Public debt charges	42.1	42.2	-0.1
Budgetary balance	**17.1**	**11.9**	**5.2**

REPORT OF THE AUDITOR GENERAL ON THE CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the Minister of Finance:

The accompanying condensed statements of revenues, expenditures and accumulated deficit, assets and liabilities and changes in financial position are derived from the complete financial statements of the Government of Canada as at March 31, 2001, and for the year then ended on which I expressed an opinion without reservation in my Report to the House of Commons dated July 23, 2001.

My Report drew two matters to Parliament's attention: a concern my Office has raised before about the Employment Insurance Account, and the recording of transfers to foundations. For more complete information, readers should refer to my Report, which will be included in Volume I of the 2001 *Public Accounts of Canada*, expected to be tabled in the House of Commons later this year.

The fair summarization of the complete financial statements is the responsibility of the Government. My responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In my opinion, the accompanying condensed financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

Since these are condensed financial statements, readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Government's financial position, results of operations and changes in financial position, reference should be made to the related complete financial statements, which will also be included in Volume I of the 2001 *Public Accounts of Canada*.

Sheila Fraser, FCA
Auditor General of Canada

Sheila Fraser

Ottawa, Canada
July 23, 2001

CONDENSED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these condensed financial statements is to provide an overview of the financial affairs and resources for which the Government is responsible under authority granted by Parliament. Responsibility for the integrity and objectivity of these statements rests with the Government.

These financial statements are extracted and condensed from the audited financial statements included in Section 1 of Volume I of the 2001 *Public Accounts of Canada*, which are expected to be tabled in Parliament later this year. As these condensed financial statements are, by their nature, summarized, they do not include all disclosure required for financial reporting by governments in Canada. Readers interested in the disclosure of more detailed data should refer to the audited financial statements in the Public Accounts.

Table 7

Government of Canada
Condensed Statement of Revenues, Expenditures and Accumulated Deficit for the Year Ended March 31, 2001

	2001	2000
	($ millions)	
Revenues		
Tax revenues		
Income tax	121,052	111,493
Excise taxes and duties	39,017	35,733
Employment insurance premiums	18,731	18,512
	178,800	165,738
Non-tax revenues	13,550	12,279
Total gross revenues	***192,350***	***178,017***
Amounts deducted to arrive at net revenues	13,760	12,309
Total net revenues	***178,590***	***165,708***
Expenditures		
Transfer payments		
Old Age Security and related payments	23,667	22,856
Other levels of government	23,724	23,243
Employment insurance benefits	11,444	11,301
Other transfer payments	33,216	27,382
	92,051	84,782
Crown corporation expenditures	4,665	4,344
Other program expenditures	36,392	34,946
Total gross program expenditures	***133,108***	***124,072***
Amounts deducted to arrive at net program expenditures	13,760	12,309
Total net program expenditures	***119,348***	***111,763***
Interest on debt	42,094	41,647
Total net expenditures	***161,442***	***153,410***
Surplus for the year	**17,148**	**12,298**
Accumulated deficit at beginning of year	564,526	576,824
Accumulated deficit at end of year	**547,378**	**564,526**

Table 8

Government of Canada
Condensed Statement of Assets and Liabilities
as at March 31, 2001

	2001	2000
	($ millions)	
Liabilities		
Payables, accruals and allowances		
Accounts payable and accruals	34,135	28,904
Allowances for guarantees and employee benefits	9,509	11,844
Total	43,644	40,748
Interest-bearing debt		
Unmatured debt		
Marketable bonds	294,973	293,927
Treasury bills	88,700	99,850
Canada savings and Canada premium bonds	26,099	26,489
Non-marketable bonds and notes	3,473	3,552
Total payable in Canadian currency	413,245	423,818
Payable in foreign currencies	33,158	32,588
Total	446,403	456,406
Pension and other accounts		
Public sector pensions	129,185	128,346
Due to Canada Pension Plan	6,391	6,217
Other	7,253	6,963
Total	142,829	141,526
Total interest-bearing debt	*589,232*	597,932
Total liabilities	***632,876***	***638,680***
Assets		
Cash and accounts receivable		
Cash	15,594	14,511
Accounts receivable	3,592	3,805
Total	19,186	18,316
Foreign exchange accounts	50,270	41,494
Loans, investments and advances		
Enterprise Crown corporations and other government business enterprises	10,085	10,562
National governments and international organizations	7,541	7,316
Other	6,901	5,619
Total	24,527	23,497
Less allowance for valuation	8,485	9,153
Total	16,042	14,344
Total assets	***85,498***	***74,154***
Accumulated deficit	**547,378**	**564,526**

Table 9

Government of Canada
Condensed Statement of Changes in Financial Position
for the Year Ended March 31, 2001

	2001	2000
	($ millions)	
Cash provided by operating activities		
Surplus for the year	17,148	12,298
Add expenditures not requiring cash	5,273	8,324
	22,421	20,622
Net payments from pension and other accounts	(7,111)	(4,010)
Net change in receivables, payables and accruals	4,960	(3,337)
	20,270	13,275
Cash (used for) provided by investing activities		
Net (increase) decrease in loans, investments and advances	(408)	1,390
Cash used for foreign exchange activities		
Net increase (decrease) in foreign currency borrowings	570	(3,412)
Net increase in foreign exchange accounts	(8,776)	(6,826)
	(8,206)	(10,238)
Net cash generated before financing activities	***11,656***	***4,427***
Cash used for financing activities		
Net decrease in Canadian currency borrowings	10,573	609
Net increase in cash	**1,083**	**3,818**
Cash at beginning of year	14,511	10,693
Cash at end of year	***15,594***	***14,511***

Notes to the Condensed Financial Statements

Significant Accounting Policies

The Government of Canada reporting entity includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all these entities are consolidated in these statements, except for enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities. These corporations are reported as investments at their original cost adjusted by an allowance for valuation to reflect their annual profits or losses. The Canada Pension Plan is excluded from the reporting entity as it is under the joint control of the Government and participating provinces.

The Government basically accounts for transactions on an accrual basis. Two notable exceptions are tax revenues and related refunds, which are generally accounted for on a cash basis; and capital assets, which are fully charged to expenditures at the time of acquisition or construction.

As a consequence, the only assets recorded on the Condensed Statement of Assets and Liabilities are financial assets, as they can provide resources to discharge liabilities or finance future operations. Assets are recorded at the lower of cost or net realizable value. Liabilities are recorded on an accrual basis with public sector pension and severance liabilities being determined on an actuarial basis. Valuation allowances are established for loan guarantees, concessionary and sovereign loans, and other obligations.

Some amounts in these statements are based on estimates and assumptions made by the Government. By their nature, such estimates are subject to measurement uncertainty, although all of them are believed to be reasonable.

Comparative figures for 2000 have been reclassified to conform to the current year's presentation.

Reporting of Revenues and Expenditures on a Gross Basis

Detailed amounts on the Condensed Statement of Revenues, Expenditures and Accumulated Deficit are presented on a gross basis only. Gross revenues include revenues of consolidated Crown corporations, and revenues of government departments, agencies and funds which, on the net basis, are deducted from expenditures for budget and parliamentary authority purposes. Gross expenditures include expenditures determined through the tax system, such as child tax benefits and quarterly GST credits, that are deducted from revenues on the net basis.

Contractual Commitments

Contractual commitments that will materially affect the level of future expenditures include transfer payment agreements, benefit plans for veterans and others, capital asset acquisitions and other purchases, operating and capital leases, and funding of international organizations. At March 31, 2001, contractual commitments amounted to approximately $37 billion ($33 billion in 2000).

Contingent Liabilities

Contingent or potential liabilities that may become actual liabilities in future years include: guarantees by the Government; callable share capital in international organizations; claims and pending and threatened litigation; and environmental contingencies. Contingent liabilities related to guarantees by the Government and to international organizations amount to $72 billion ($67 billion in 2000).

The total amount claimed against the Government for other claims and pending and threatened litigation but not assessed is not determinable. However, there are over $200 billion for Aboriginal and comprehensive land claims. The Government is confident that the ultimate settlement for these contingent liabilities will be for amounts significantly lower than those being disclosed.

Insurance in force relating to self-sustaining insurance programs operated for the Government by three enterprise Crown corporations amounted to approximately $586 billion ($555 billion in 2000). The Government expects that it will not incur any costs to cover the claims for these programs.

Changes in Accounting Policies in 2002

The Government intends to change its basis of accounting from the current modified accrual basis to the full accrual basis for the preparation of its financial statements. The main changes will include the recording of capital assets as non-financial assets on the Statement of Assets and Liabilities and the recording of tax revenues on the accrual basis.

These changes will be done without restatement of the financial statements of 2001, but will require the restatement of the opening balance of the accumulated deficit of the Government as of April 1, 2001.

Other Sources of Information

The Public Accounts of Canada

The *Public Accounts of Canada*, as required under section 64(1) of the Financial Administration Act, are tabled in the fall of each year by the President of the Treasury Board. This report is presented in two volumes:

- Volume I contains the Government's audited financial statements and supporting schedules and information; and
- Volume II contains details of financial operations by ministry (Part I) and additional information and analyses (Part II).

The Budget

The budget, usually introduced in February, presents the Government's overall fiscal plan, incorporating revenue projections and spending plans, which combine to determine the resulting budgetary balance. The budget also introduces proposals for changes in taxation.

The Fiscal Monitor

This monthly newsletter produced by the Department of Finance highlights the financial results of the Government together with the reasons underlying major variances.

Debt Management Strategy

This report is tabled annually in Parliament. It provides information on the federal government's debt management strategy for the coming fiscal year.

The Debt Management Report

This annual document provides an accounting of the key elements of federal debt strategy and describes various strategic and operational aspects of the Government's debt program and cash management activities over the past fiscal year.

The Estimates

Each year the Government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament. The Estimates are tabled in the House of Commons by the President of the Treasury Board and consists of three parts:

Part I – The Government Expenditure Plan provides an overview of federal spending and summarizes the relationship of the key elements of the Main Estimates to the Expenditure Plan set out in the budget.

Part II – The Main Estimates directly support the Appropriations Act.

Part III – Departmental Expenditure Plans, which consist of two components – Reports on Plans and Priorities and Departmental Performance Reports.