Annual Financial Report

of the Government of Canada

Fiscal Year 2002–2003

Canada

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The federal government posted a budgetary surplus of $7.0 billion in 2002–03, marking the sixth consecutive year in which it has recorded a surplus—the last time this occurred was in the period up to 1951–52. As a result of the budgetary surpluses recorded since 1997–98, the federal debt (accumulated deficit) has been reduced by $52.3 billion to $510.6 billion from its peak of $562.9 billion in 1996–97. At the same time, the Government implemented the largest tax cut in Canadian history and invested in the key priorities of Canadians, such as health care, support for low-income families with children, education, and research and development.

Sound financial management played an important role in helping Canada avoid a recession in 2001–2002, despite the global economic downturn. It enabled fiscal and monetary policy to provide timely support to the Canadian economy through lower taxes and interest rates. And according to the Organisation for Economic Co-operation and Development (OECD), Canada was the only Group of Seven (G-7) country to post a surplus in 2002.

Federal debt as a percentage of the economy was just over 44 per cent in 2002–03, a reduction of almost 25 percentage points from its peak of 68.4 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.

Department of Finance Canada   Ministère des Finances Canada

According to the OECD, Canada's net debt burden is now below the G-7 average—well below those in Italy and Japan and in line with those in Germany, France and the United States. Only the United Kingdom has a significantly lower debt burden.

This large reduction in federal debt is important for a variety of reasons. A lower debt burden, resulting from a reduction in interest-bearing debt, means that a smaller portion of the revenue the Government collects from taxpayers must go towards debt-servicing payments, thereby leaving more resources for reducing taxes and funding valued programs and services. A lower debt burden also lessens the exposure of Canada's fiscal situation to economic shocks, especially an increase in interest rates or prolonged slowdowns in economic activity. And a lower debt burden reduces the amount that younger Canadians will have to pay for servicing debt incurred by the generations that preceded them.

The financial data in this report are based, for the first time, on the full accrual basis of accounting. This is a major accomplishment, involving all government departments and agencies. Previously, the Government's financial statements were prepared under modified accrual accounting. Full accrual accounting provides a more comprehensive reporting of assets and liabilities and a more transparent picture of the Government's financial position. It is the accounting standard recommended for senior levels of government in Canada by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and has been strongly recommended by the Auditor General of Canada and the House of Commons Standing Committee on Public Accounts.

The financial data in this report are based on the audited results, which will appear in more detail in the 2003 *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, 2002 to March 31, 2003) and detail the factors affecting these results. In addition, the *Fiscal Reference Tables* publication has been updated to incorporate accrual results for the 1983–84 to 2002–03 period and historical revisions to the *National Economic and Financial Accounts* published by Statistics Canada. These tables are an integral part of this report.

The Honourable John Manley, P.C., M.P.
Deputy Prime Minister and Minister of Finance

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Note to Readers

The financial statements for 2002–03 are presented on the full accrual basis of accounting, replacing the modified accrual standard that had been used since the mid-1980s. The Government first announced its commitment to full accrual accounting in the 1995 budget. The Canadian Institute of Chartered Accountants and the Auditor General of Canada have strongly supported the implementation of full accrual accounting by the Government of Canada. After extensive consultations with the Office of the Auditor General of Canada, the Government felt that it had sufficient assurance as to the reliability of the accrual amounts to implement it in the 2003 budget.

Under full accrual accounting, the Government's financial statements will provide a more comprehensive and up-to-date picture of the Government's financial situation, thereby improving transparency and accountability.

- The Government's balance sheet will provide a more comprehensive picture of the Government's assets and liabilities. For example, the value of the buildings that the Government owns will now appear on its balance sheet, as will its liabilities for cleaning up contamination on its properties.
- The annual budgetary balance will better reflect the impact of economic events and government decisions during the fiscal year. For example, year-to-year changes in recorded tax revenues will more accurately reflect the year-to-year changes in the tax base and tax rates, as these changes will be much less affected by collection and remittance lags.
- The annual budgetary balance will better reflect the impact of government decisions during the fiscal year. In particular, decisions that result in an increase (or decrease) in the Government's liabilities for environmental cleanups in areas of federal jurisdiction, liabilities related to Aboriginal claims, and liabilities for post-employment and retirement benefits for federal employees will be recorded as expenses in the year the decision is made. Under modified accrual accounting, the full costs of some of these decisions would not be recorded in the Government's financial statements until the resulting cash payments were made, which could be many years later.

The Government's previous accounting standard—modified accrual—used a mix of accrual and cash accounting, depending on the type of transaction. In the 2003 budget, and with these financial statements, the Government is extending the use of accrual accounting to all items that were previously recorded on a cash basis. These include:

- *Non-financial assets:* Under modified accrual accounting, the value of the Government's stock of capital assets, such as buildings, vehicles and equipment, was not shown on the balance sheet. Instead the full purchase price of a capital asset was recorded as an expenditure in the year of purchase and therefore had an immediate impact on the budgetary balance in that year. Under full accrual accounting, the value of these assets will now be recorded as a non-financial asset. In addition, the cost of using that asset will be amortized (depreciated) over its estimated useful life according to Generally Accepted Accounting Principles. Similarly, under modified accrual, the cost of an item held in inventory is recognized in the year in which it is purchased while, under full accrual, it is recognized as an expense in the year that it is used.
- *Tax revenues:* Under modified accrual accounting, tax revenues were recorded when they were received, while refunds were recorded in the year in which they were paid. Under full accrual accounting, tax receipts and refunds will generally be recorded in the year in which the taxable activity takes place. Accordingly, a receivable is established for taxes owing and a payable for refunds owing to taxpayers.

- *Liabilities:* Under full accrual accounting, a more comprehensive list of liabilities is recorded on the balance sheet. The Government now includes the estimated cost of environmental cleanups in areas of federal jurisdiction; the value of liabilities related to Aboriginal claims to the extent payment is likely and estimable; increased liabilities for post-employment benefits for federal employees, including workers' compensation and veterans' disability costs; and federal employee retirement costs such as health and dental care.

The Government's fiscal anchor remains the budgetary balance, which will now reflect the impact of the annual changes in the areas described above. Furthermore, prior to the shift to accrual accounting, there was no distinction between net debt and the accumulated deficit, or federal debt, so these terms were used interchangeably. Under full accrual accounting, this is no longer the case. Net debt is the Government's net liabilities excluding the value of its non-financial assets. The accumulated deficit takes into account the value of non-financial assets. The two indicators now represent different measures of the Government's financial position. The federal debt will now represent the accumulation of surpluses and deficits in the past and is the Government's key measure of debt.

The financial results in this publication are based on the audited results, which will appear in more detail in the 2003 *Public Accounts of Canada*. In completing the audit for 2001–02, certain adjustments have been made to the estimates that appeared in *The Budget Plan 2003*. In Budget 2003, the surplus for 2001–02, on a full accrual basis of accounting, was estimated at $8.2 billion. This was based on preliminary estimates, which had not been audited. The audited results have resulted in a lower surplus for 2001–02—$7.0 billion—primarily due to revisions to the estimates for inventories, veterans' disability liabilities and the allowance for tax receivables. Revised estimates have been prepared going back to 1983–84. These appear in the *Fiscal Reference Tables—October 2003*.

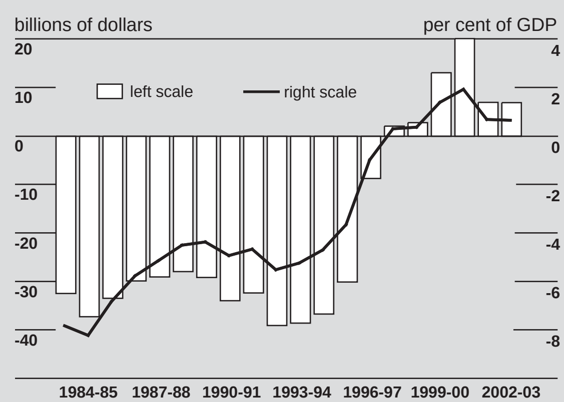
Report Highlights

- On a full accrual basis of accounting, a budgetary surplus of $7.0 billion was achieved in 2002–03. This marks the sixth consecutive year the federal budget has been in surplus.
- The shift to full accrual accounting has also resulted in the surplus for 2001–02 being lowered from $8.9 billion (under the previous basis of accounting) to $7.0 billion. Taken together, federal debt has been reduced by $52.3 billion over the last six years.
- Federal debt stood at $510.6 billion at the end of 2002–03. The federal debt-to-GDP (gross domestic product) ratio is now 44.2 per cent, down sharply from its peak of 68.4 per cent in 1995–96. It is now at its lowest level since 1984–85.
- Market debt—the debt issued on credit markets—as a percentage of GDP has declined to 38.1 per cent from the peak of 57.0 per cent in 1996–97.
- The revenue-to-GDP ratio declined in 2002–03 to 15.4 per cent. It has fallen by about 1½ percentage points since 2000–01, reflecting the impact of the tax reductions announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*.
- Program expenses increased by 6.6 per cent, or $8.3 billion, in 2002–03, of which nearly two-thirds is due to increased transfers to the provinces and territories under the health care agreements reached by first ministers in September 2000 and February 2003. As a percentage of GDP, program expenses increased to 11.5 per cent in 2002–03 from 11.3 per cent in 2001–02—well below the ratio of 15.7 per cent in 1993–94.
- Public debt charges declined by $2.4 billion in 2002–03. As a percentage of revenues, public debt charges were 21 per cent in 2002–03, down from its peak of about 39 per cent in 1990–91. It is now at its lowest level since the late 1970s.

The Budgetary Balance

Sound financial management played an important role in helping Canada avoid a recession in 2001–2002, despite global economic weakness. It enabled fiscal and monetary policy to provide timely support to the Canadian economy through lower taxes and interest rates. The commitment to fiscal discipline allowed Canada to post a budgetary surplus in 2002, while all other G-7 countries recorded deficits. It also helped Canada record the best economic performance among the G-7 countries in 2002. Economic growth in Canada in 2002 rebounded to 3.3 per cent from 1.9 per cent in 2001, primarily due to strong domestic demand, as the external sector remained weak in the face of an uneven global economic recovery. Canada's resilient performance in 2002 reflected strong economic fundamentals, the impact of the year 2000 tax cuts and an increasingly competitive business sector.

Budgetary Balance



Sources: *Public Accounts of Canada* and Statistics Canada.

In the December 2001 and February 2003 budgets, the Government committed to a balanced budget or better for 2002–03. This was after responding to a number of key priorities relating to security in the aftermath of the terrorist attacks of September 11, 2001, and investments in Canada's health care system. In the 2003 budget the Government announced initiatives totalling $6.4 billion for 2002–03, of which $4.7 billion was directed to health care. On a full accrual basis of accounting, the final budgetary surplus for 2002–03 was $7.0 billion, unchanged from the restated surplus for 2001–02.

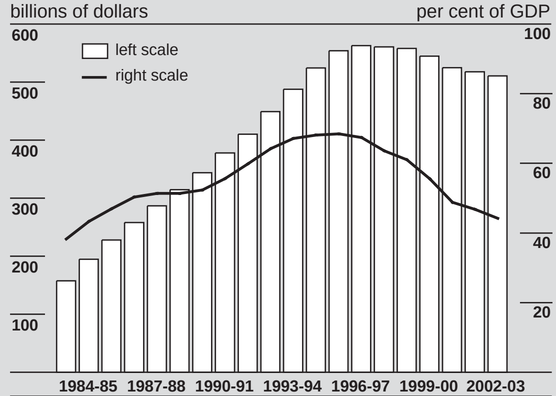
On a full accrual basis of accounting, the budgetary balance went from a deficit of 5.5 per cent of GDP ($38.5 billion) in 1993–94 to six consecutive surpluses over the 1997–98 to 2002–03 period. The 2002–03 surplus was $7.0 billion, or 0.6 per cent of GDP. All of this fiscal improvement since 1993–94 is attributable to the decline in total expenses. As a percentage of GDP, program expenses declined from 15.7 per cent in 1993–94 to 11.5 per cent in 2002–03, and public debt charges fell from 5.5 per cent in 1993–94 to 3.2 per cent in 2002–03.

Federal Debt

The 2002–03 surplus of $7.0 billion brings the federal debt—the accumulation of annual deficits and surpluses—down to $510.6 billion from its peak of $562.9 billion in 1996–97. As a share of GDP, federal debt dropped to 44.2 per cent in 2002–03, down nearly 25 percentage points from the peak of 68.4 per cent in 1995–96. This is the seventh consecutive year in which the federal debt-to-GDP ratio has declined, bringing it to its lowest level since 1984–85.

Federal debt consists of interest-bearing debt and other liabilities, net of financial and non-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. Of the decrease in the federal debt of $7.0 billion in 2002–03, total interest-bearing debt declined by $2.1 billion: market debt declined by $2.5 billion and obligations to pension accounts increased by $0.4 billion. Other liabilities fell by $2.1 billion, while financial assets increased by $1.9 billion and non-financial assets by $0.9 billion.

Federal Debt (Accumulated Deficit)



Sources: *Public Accounts of Canada* and Statistics Canada.

Federal Debt (Accumulated Deficit)

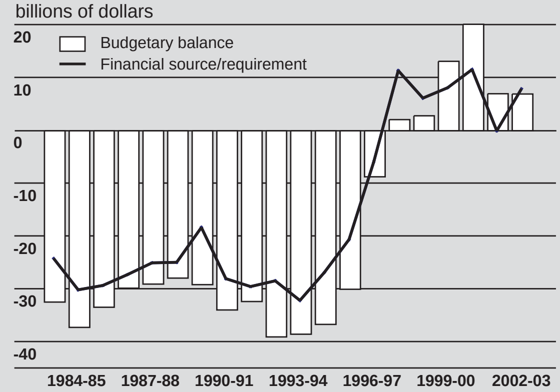
The financial statements of the Government of Canada are now presented on a full accrual basis of accounting. Under the previous accounting standard—modified accrual accounting—net debt and the accumulated deficit were identical. Under the new standard, net debt now includes a comprehensive costing for financial liabilities but excludes non-financial assets. The accumulated deficit includes both. It is the sum of all surpluses and deficits in the past.

Federal debt, referred to in the budget documents and the *Annual Financial Report of the Government of Canada*, is the accumulated deficit. It is the federal government's main measure of debt, as annual changes in this measure determine the budgetary balance.

Financial Source/Requirement

The financial source/requirement measures the difference between cash coming in to the Government and cash going out. There was a financial source of $7.6 billion in 2002–03, compared to a revised financial requirement of $0.3 billion in 2001–02. This turnaround was primarily attributable to swings in the Exchange Fund Account and other accounts.

Budgetary Balance and Financial Source/Requirement



Sources: *Public Accounts of Canada* and Statistics Canada.

Table 1

Financial Highlights[1]

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
			($ billions)			
Budgetary transactions						
Revenues	152.1	156.1	166.1	182.7	171.7	177.6
Expenses						
Program expenses	-106.9	-110.0	-109.6	-118.7	-125.0	-133.3
Public debt charges	-43.1	-43.3	-43.4	-43.9	-39.7	-37.3
Total expenses	-150.0	-153.3	-153.0	-162.6	-164.7	-170.6
Budgetary balance	**2.1**	**2.8**	**13.1**	**20.2**	**7.0**	**7.0**
Non-budgetary transactions	9.0	3.1	-5.3	-8.9	-7.3	0.7
Financial source/requirement	11.1	5.9	7.8	11.3	-0.3	7.6
Net change in financing activities	-9.6	-6.9	-4.0	-10.0	-4.1	-2.5
Net change in cash balances	1.5	-1.0	3.8	1.3	-4.4	5.1
Cash balance at end of period	11.7	10.7	14.5	15.8	11.4	16.5
Financial position						
Total liabilities	713.4	717.7	717.3	715.0	704.3	700.1
Total financial assets	102.5	108.2	120.7	138.7	133.4	135.3
Net debt	610.9	609.5	596.6	576.3	570.9	564.8
Non-financial assets	50.2	51.7	51.8	51.7	53.4	54.2
Federal debt (accumulated deficit)	560.7	557.9	544.7	524.6	517.5	510.6
Financial results (% of GDP)						
Budgetary revenues	17.2	17.1	16.9	17.0	15.5	15.4
Program expenses	12.1	12.0	11.2	11.0	11.3	11.5
Public debt charges	4.9	4.7	4.4	4.1	3.6	3.2
Budgetary balance	0.2	0.3	1.3	1.9	0.6	0.6
Federal debt	63.5	61.0	55.4	48.8	46.7	44.2

[1] Reflects classification changes resulting from the move to full accrual accounting.

Budgetary Revenues

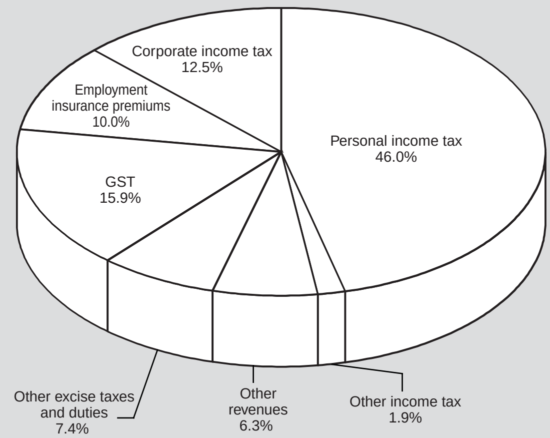
Following a decline of $11.1 billion, or 6.1 per cent, in 2001–02, budgetary revenues increased in 2002–03 by $5.9 billion, or 3.4 per cent. The decline in 2001–02 was primarily attributable to the impact of global economic weakness on the various tax bases, an adjustment relating to refundable taxes withheld from the federal Retirement Compensation Arrangements Account that were previously credited to tax revenues, and the effect of the tax reduction measures announced in the February 2000 budget and October 2000 *Economic Statement and Budget Update*.

Nominal income—the applicable tax base for revenues—advanced by 4.3 per cent in 2002, up from the increase of 3.0 per cent in 2001. The net impact of stronger economic growth in 2002 on revenues was dampened by the incremental impact of the tax reductions introduced in previous budgets, especially the restoration of full indexation of the personal income tax system, increases in the Canada Child Tax Benefit and reductions in the corporate income tax rate. Most of the increase in budgetary revenues resulted from higher excise taxes and duties, particularly goods and services tax (GST) revenues, primarily reflecting strengthened consumer demand.

Personal income tax revenues, the largest component of budgetary revenues, increased by $2.2 billion, or 2.8 per cent, in 2002–03. However, half of this increase is attributable to the one-time adjustment in 2001–02 relating to refundable taxes withheld from the federal Retirement Compensation Arrangements Account. As a result, the underlying increase was only 1.5 per cent. This is broadly in line with the growth of 3.3 per cent in personal income, adjusted for the incremental impact of the tax reduction measures. Personal income growth was impacted in 2002 by lower interest and dividend payments, reflecting the impact of lower interest rates and weakness in the stock market.

Corporate income tax revenues declined by $2.0 billion in 2002–03, or 8.3 per cent, the second consecutive year they have declined. Although corporate profits increased by

Composition of Net Revenues for 2002–03



Source: *Public Accounts of Canada.*

4.3 per cent in 2002, the impact of loss carry-forwards due to the decline in profits in 2001, and a reduction in the corporate tax rate from 27 to 25 per cent effective January 1, 2002, and from 25 to 23 per cent effective January 1, 2003, resulted in a decline in revenues in 2002–03.

Other taxes and duties increased $4.2 billion, or 11.4 per cent.

- GST revenues increased $3.0 billion, or 11.7 per cent. This increase was fuelled primarily by strong growth in consumer demand, especially durable goods and new housing.
- Customs import duties increased $0.2 billion, or 6.0 per cent, reflecting a strong increase in imports subject to tariffs.
- Energy taxes were up 3.0 per cent, while the impact of tobacco excise tax increases in late 2001 and early 2002 account for most of the increase of $0.5 billion, or 13.2 per cent, in other excise taxes and duties. The Air Travellers Security Charge came into effect April 1, 2002. The revenues from this charge are used to fund the new air security initiatives announced in the 2001 budget.

Table 2
Revenues

	2001–02	2002–03	Net change	
		($ millions)		(%)
Tax revenues				
Net income tax collections				
Personal income tax	79,501	81,707	2,206	2.8
Corporate income tax	24,242	22,222	-2,020	-8.3
Other income tax revenues	2,925	3,291	366	12.5
Total	106,668	107,220	552	0.5
Other taxes and duties				
Goods and services tax	25,292	28,248	2,956	11.7
Customs import duties	3,040	3,221	181	6.0
Energy taxes	4,848	4,992	144	3.0
Air Travellers Security Charge		421	421	
Other excise taxes and duties	3,953	4,475	522	13.2
Total	37,133	41,357	4,224	11.4
Net tax revenues	**143,801**	**148,577**	**4,776**	**3.3**
Employment insurance premium revenues	17,637	17,870	233	1.3
Net other revenues				
Crown corporation revenues	3,172	3,478	306	9.6
Foreign exchange revenues	2,453	3,379	926	37.7
Other revenues	4,625	4,258	-367	-7.9
Total	10,250	11,115	864	8.4
Net budgetary revenues	**171,688**	**177,561**	**5,873**	**3.4**

Employment insurance premium revenues were up $0.2 billion, or 1.3 per cent, as the reduction in premium rates was more than offset by the increase in the number of people employed and therefore paying premiums. The employee premium rate (per $100 of insurable earnings) was reduced from $2.25 for 2001 to $2.20 for 2002 and to $2.10 for 2003 (with a corresponding decline in the employer rate).

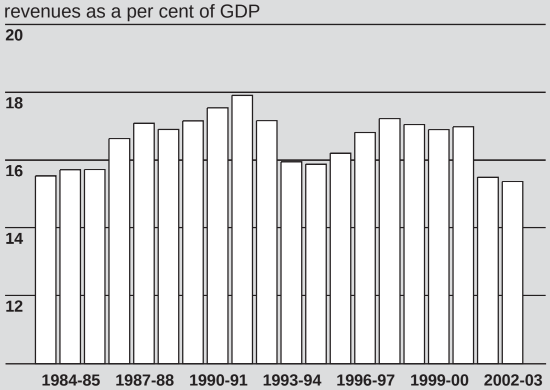
Other revenues consist of net gains/losses from Crown corporations, such as the Bank of Canada, Export Development Canada and Canada Mortgage and Housing Corporation; foreign exchange revenues; and other revenues, primarily revenues from the sales of goods and services. An increase of $0.9 billion, or 8.4 per cent, was recorded in this component, primarily reflecting higher foreign exchange revenues and higher profits from enterprise Crown corporations.

The revenue ratio—budgetary revenues as a percentage of GDP—represents an approximate measure of the overall federal "tax burden" in that it compares the total of all federal revenues collected to the size of the economy. The revenue ratio stood at 15.4 per cent in 2002–03, about 1½ percentage points below the ratio in 2000–01. The decline in the ratio since 2000–01 primarily reflects the impact of the tax reductions announced in the February 2000 budget and the October 2000 *Economic Statement and Budget Update*.

It should be noted that some 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. As a result, 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.

Revenue Ratio

revenues as a per cent of GDP



Sources: Department of Finance and Statistics Canada.

The figures in Table 2 are presented on a "net" basis, reflecting the way in which revenues and expenses are presented to Parliament in the Government's annual budget. In this presentation, the Canada Child Tax Benefit is netted against income tax revenues. Certain departmental revenues, such as the revenues of consolidated Crown corporations and revenues levied by departments for specific services, including the contract costs of policing services in provinces, are netted against expenses. This classification has the effect of reducing both revenues and expenses but has no impact on the budgetary balance. Table 3 shows the impact of "grossing up" budgetary revenues for these adjustments. In 2002–03, they amounted to $12.7 billion, of which $7.8 billion was due to the Canada Child Tax Benefit. As a result, gross budgetary revenues were $190.2 billion in 2002–03, up 3.6 per cent from 2001–02.

Table 3

Gross Budgetary Revenues

	2001–02	2002–03	Net change	
		($ millions)		(%)
Net budgetary revenues	**171,688**	**177,561**	**5,873**	**3.4**
Adjustments				
Canada Child Tax Benefit	7,471	7,823	352	4.7
Revenues netted against program expenses	2,935	3,020	84	2.9
Revenues of consolidated Crown corporations	1,582	1,827	245	15.5
Net adjustment	11,988	12,670	682	5.7
Gross budgetary revenues	**183,676**	**190,232**	**6,556**	**3.6**

Total Expenses

Total expenses consist of two components—public debt charges and program expenses. In 2002–03 total expenses amounted to $170.6 billion, up $5.9 billion, or 3.6 per cent, from 2001–02 (Table 4). Public debt charges declined by $2.4 billion, or 6.0 per cent, while program expenses advanced $8.3 billion, or 6.6 per cent. Of this increase, $5.3 billion, or nearly two-thirds, was due to higher transfers to the provinces under the September 2000 and February 2003 health agreements.

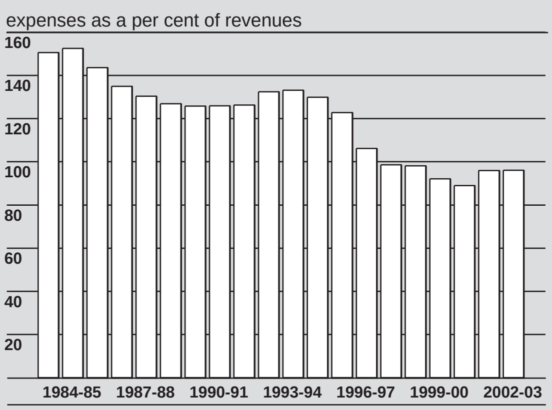
The expense ratio—total expenses as a percentage of net budgetary revenues—stood at 96.1 per cent in 2002–03, up marginally from 2001–02. In 1993–94 the expense ratio stood at 133.2 per cent.

Public debt charges declined by $2.4 billion, or 6.0 per cent, to $37.3 billion in 2002–03, primarily attributable to a decline in the stock of interest-bearing debt and lower average effective interest rates on that debt.

- The average effective interest rate on the Government's interest-bearing debt (unmatured debt and pension liabilities) was 6.2 per cent in 2002–03, compared to 6.4 per cent in 2001–02. The average effective interest rate was 5.3 per cent on unmatured debt and 8.5 per cent on pension and other accounts.
- The stock of total interest-bearing debt declined by $2.1 billion, from $622.9 billion in 2001–02 to $620.8 billion in 2002–03, as the stock of market debt declined by $2.5 billion to $439.8 billion, while liabilities to pension and other accounts increased by $0.4 billion to $181.0 billion.

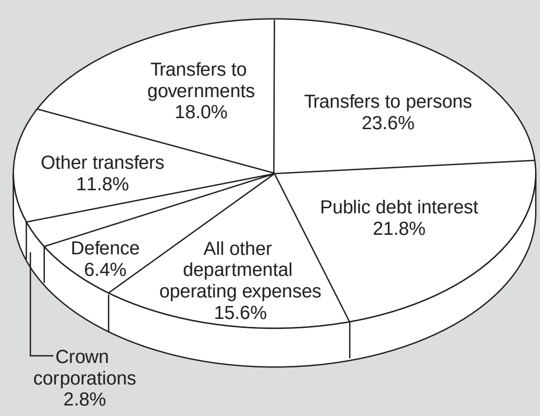
The interest ratio—public debt charges as a percentage of net budgetary revenues—declined from 23.1 per cent in 2001–02 to 21.0 per cent in 2002–03. This ratio means that, in 2002–03, the Government spent 21 cents of every revenue dollar on interest on the public debt. This is down from the peak of 38.7 cents in 1990–91 and is the lowest this ratio has been since the late 1970s. This is money that must be paid to meet the Government's ongoing obligations on its debt. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians.

Expense Ratio



Source: Department of Finance.

Composition of Net Expenses for 2002–03



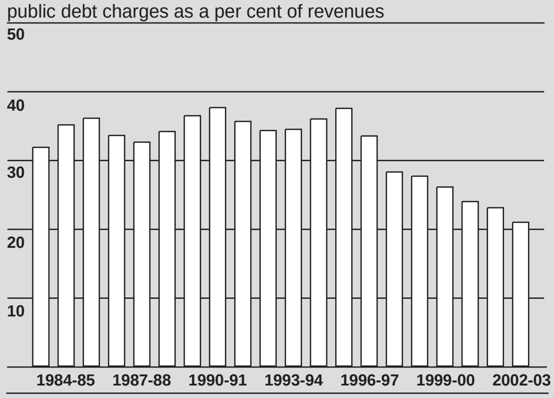
Source: *Public Accounts of Canada.*

Table 4
Total Expenses

	2001–02	2002–03	Net change	
		($ millions)		(%)
Transfer payments				
Major transfers to persons				
Elderly benefits	24,641	25,692	1,051	4.3
Employment insurance benefits	13,726	14,496	770	5.6
Total	38,367	40,188	1,821	4.7
Major transfers to other levels of government				
Canada Health and Social Transfer	17,300	18,600	1,300	7.5
Canada Health and Social Transfer supplement		2,500	2,500	
Diagnostic/Medical Equipment Fund		1,500	1,500	
Fiscal arrangements	11,978	10,366	-1,612	-13.5
Alternative Payments for Standing Programs	-2,662	-2,321	341	-12.8
Total	26,616	30,645	4,029	15.1
Subsidies and other transfers				
Agriculture and Agri-Food	1,897	2,654	757	39.9
Foreign Affairs and International Trade	2,405	2,456	51	2.1
Health Canada	1,617	1,619	2	0.1
Human Resources Development	1,698	1,602	-96	-5.7
Indian Affairs and Northern Development	4,557	4,649	92	2.0
Industry/regional agencies	2,628	2,322	-306	-11.6
Canada Foundation for Innovation		500	500	
Canada Health Infoway		600	600	
Other	3,519	3,674	155	4.4
Total	18,321	20,076	1,755	9.6
Total transfer payments	83,304	90,909	7,605	9.1
Other program expenses				
Crown corporations				
Canada Mortgage and Housing Corporation	1,910	1,979	69	3.6
Canadian Broadcasting Corporation	983	1,047	64	6.5
Other	1,610	1,699	89	5.5
Total	4,503	4,724	221	4.9
Defence	10,032	10,847	815	8.1
All other departments and agencies	27,178	26,843	-336	-1.2
Total other program expenses	41,714	42,414	700	1.7
Net program expenses	**125,018**	**133,323**	**8,305**	**6.6**
Public debt charges	39,651	37,270	-2,381	-6.0
Net expenses	**164,669**	**170,593**	**5,924**	**3.6**

Interest Ratio

public debt charges as a per cent of revenues



Source: Department of Finance.

Program expenses amounted to $133.3 billion in 2002–03, an increase of $8.3 billion, or 6.6 per cent, from 2001–02. Higher entitlements to provinces and territories under the Canada Health and Social Transfer (CHST), coupled with the $1.5-billion transfer to the Diagnostic/Medical Equipment Fund, accounted for nearly two-thirds, or $5.3 billion, of the increase in program expenses.

Major transfer payments to persons increased by $1.8 billion, or 4.7 per cent.

- Elderly benefits consist of Old Age Security, Guaranteed Income Supplement and spouse's allowance payments. Total benefits were up $1.1 billion in 2002–03, reflecting both higher average benefits, which are indexed to inflation, and an increase in the number of recipients.
- Employment insurance benefits increased $0.8 billion in 2002–03. About half of this increase is attributable to increased regular benefit payments, reflecting the deterioration in the labour market and the accompanying increase in the number of unemployed. Most of the remaining increase is due to higher special benefits, in particular the increase in parental benefits, reflecting the doubling of parental leave from six months to one year.

Major transfer payments to other levels of government include the CHST, fiscal arrangements (equalization, transfers to the territories, as well as a number of smaller transfer programs) and Alternative Payments for Standing Programs. Transfers increased by $4.0 billion in 2002–03, or 15.1 per cent.

- 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. As part of the September 2000 and February 2003 health agreements, the federal government legislated an incremental $3.8 billion to be paid in 2002–03—of which $2.5 billion was in the form of a special supplement. An additional $1.5-billion investment was provided to the Diagnostic/Medical Equipment Fund to be used by the provinces and territories in support of specialized staff training and equipment, to improve access to publicly funded diagnostic services.
- Total entitlements under fiscal arrangements decreased by $1.6 billion to $10.4 billion, primarily reflecting lower equalization entitlements. The decline in equalization entitlements in 2002–03 reflects stronger-than-expected economic growth in both 2001 and 2002 in the equalization-receiving provinces relative to the non-equalization-receiving provinces and, hence, a convergence in the estimated provincial fiscal capacity of the equalization-receiving provinces relative to the equalization standard. Under the equalization program, the federal government transfers funds to the less prosperous provinces so that they can provide their residents with public services reasonably comparable to those in other provinces without having to resort to higher-than-average taxation.

- 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.

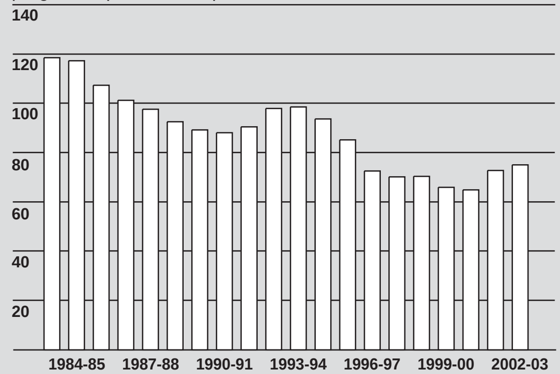
Subsidies and other transfers advanced by $1.8 billion, or 9.6 per cent. Most of this increase is attributable to increased funding to the Canada Foundation for Innovation ($500 million) and Canada Health Infoway ($600 million), as announced in the February 2003 budget. Liabilities relating to agricultural assistance were up strongly, primarily for crop insurance.

Other program expenses—total program expenses less transfers—consist of expenses related to Crown corporations, and operating expenses of departments and agencies, including National Defence. These expenses amounted to $42.4 billion in 2002–03, up $0.7 billion, or 1.7 per cent, from 2001–02. Within this component:

- Expenses related to Crown corporations were up by $0.2 billion to $4.7 billion in 2002–03. This component includes appropriations to consolidated Crown corporations (those Crown corporations that rely on government funding as their principal source of revenue).

Program Share

program expenses as a per cent of revenues



Source: Department of Finance.

- Defence expenses increased $0.8 billion, or 8.1 per cent, primarily reflecting incremental funding provided in the 2001 and 2003 budgets.
- All other departmental and agency expenses decreased by $0.3 billion, or 1.2 per cent, in 2002–03, as the 2001–02 results were affected by the inclusion of a number of large one-time liabilities.

The program share—program expenses as a percentage of budgetary revenues—amounted to 75.1 per cent, up from 72.7 per cent 2001–02. In 1993–94 the program share was 98.6 per cent.

The above numbers are presented on a “net” basis, as discussed in the previous section, “Budgetary Revenues.” Gross expenses are $12.7 billion higher than net expenses, as shown in Table 5.

Table 5

Gross Expenses

	2001–02	2002–03	Net change	
		($ millions)		(%)
Net expenses	**164,669**	**170,593**	**5,924**	**3.6**
Adjustments				
Canada Child Tax Benefit	7,471	7,823	352	4.7
Revenues netted against expenses	2,936	3,020	84	2.9
Revenues of consolidated Crown corporations	1,582	1,827	245	15.5
Net adjustment	11,988	12,670	682	5.7
Gross expenses	**176,657**	**183,263**	**6,606**	**3.7**

The Budgetary Balance, Financial Source/Requirement and Debt

The budgetary balance is the most comprehensive measure of the federal government's fiscal results. It is presented on a full accrual basis of accounting, recording government liabilities when they are incurred, regardless of when the cash payment is made, and recording tax revenues only when cash is received.

In contrast, the financial source/requirement 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, foreign exchange activities, and changes in other financial assets, liabilities and non-financial assets. These activities are included as part of non-budgetary transactions. The conversion from full accrual to cash accounting is also reflected in non-budgetary transactions. Non-budgetary transactions in 2002–03 resulted in a net source of funds amounting to $0.7 billion, compared to a revised net requirement of $7.3 billion in 2001–02. The improvement reflects a turnaround in foreign exchange activities and in the pension and other accounts, along with a lower requirement in accounts payable, receivable, accruals and allowances. With the shift to full accrual accounting, a number of classification changes have been incorporated, whereby foreign exchange activities are now part of non-budgetary transactions.

With a budgetary surplus of $7.0 billion and a source of funds from non-budgetary transactions of $0.7 billion, there was a financial source of $7.6 billion in 2002–03, up from the revised financial requirement of $0.3 billion in 2001–02.

With this financial source, the Government retired $2.5 billion of its market debt and increased its cash balances by $5.1 billion. Cash balances at March 31, 2003, stood at $16.5 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, 2003, interest-bearing debt amounted to $620.8 billion, down $2.1 billion from a year earlier. Other liabilities, which include accounts payable and accrued liabilities, amounted to $79.4 billion, down $2.1 billion from 2001–02. As a result, total liabilities stood at $700.1 billion.

Financial assets consist of cash and accounts receivable, including tax receivables; foreign exchange accounts; and loans, investments and advances. Financial assets totalled $135.3 billion at March 31, 2003, up $1.9 billion from March 31, 2002. As a result, net debt stood at $564.8 billion at March 31, 2003, down $6.1 billion from March 31, 2002, and $47.5 billion below the peak of $612.3 billion at March 31, 1997.

Table 6

Budgetary Balance, Financial Source/Requirement and Net Financing Activities

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
			($ billions)			
Surplus for the year	**2.1**	**2.8**	**13.1**	**20.2**	**7.0**	**7.0**
Non-budgetary transactions						
Pension and other accounts						
Public sector pensions (net)	3.3	5.0	5.9	0.8	-2.3	-1.2
Canada Pension Plan	0.5	1.2	0.8	0.2	0.4	0.3
Other	0.3	1.4	0.5	1.9	0.9	1.3
Total	4.1	7.6	7.2	2.9	-1.0	0.4
Capital investing activities	-3.0	-3.7	-2.5	-2.0	-4.4	-4.8
Other investing activities	4.9	2.9	2.7	1.0	1.9	0.8
Other activities						
Accounts payable, receivable, accruals and allowances	2.8	-0.3	-8.1	-4.4	-4.6	-2.2
Foreign exchange activities	-2.2	-5.7	-6.8	-8.8	-1.8	3.1
Amortization of tangible capital assets	2.3	2.3	2.3	2.3	2.6	3.3
Total other activities	3.0	-3.7	-12.7	-10.8	-3.8	4.2
Total non-budgetary transactions	9.0	3.1	-5.3	-8.9	-7.3	0.7
Financial source/requirement	**11.1**	**5.9**	**7.8**	**11.3**	**-0.3**	**7.6**
Net change in financing activities						
Marketable bonds	15.8	9.6	-0.9	1.0	-1.1	-5.6
Treasury bills	-23.1	-15.4	2.9	-11.2	5.5	10.4
Canada Savings Bonds	-2.7	-2.1	-1.2	-0.4	-2.3	-1.4
Other	0.5	1.0	-4.9	0.5	-6.2	-5.9
Total	-9.6	-6.9	-4.0	-10.0	-4.1	-2.5
Change in cash balances	1.5	-1.0	3.8	1.3	-4.4	5.1
Cash in bank (March 31)	11.7	10.7	14.5	15.8	11.4	16.5

With the implementation of full accrual accounting, the Government is now including the value of its non-financial assets, such as capital assets and inventories, on its balance sheet. At March 31, 2003, non-financial assets amounted to $54.2 billion, up $0.8 billion from a year earlier. As a result, the federal debt (accumulated deficit) stood at $510.6 billion at March 31, 2003, down a total of $52.3 billion from its peak in 1996–97.

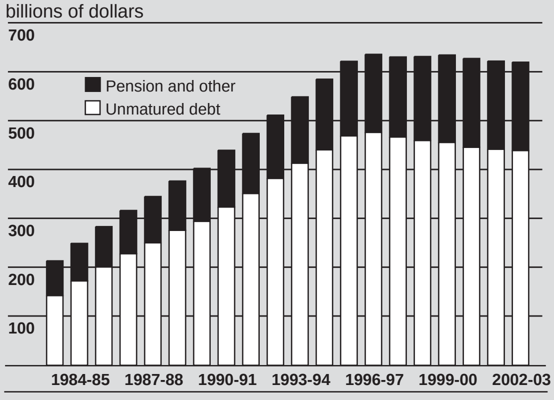
Foreign holdings of the Government of Canada's outstanding market debt are estimated at $84.7 billion at the end of March 2003. This represents 19.3 per cent of the Government's total market debt.

Table 7

Outstanding Debt at Year-End

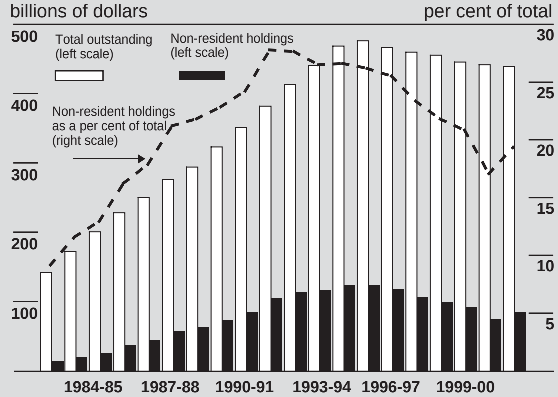
	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03
			($ billions)			
Liabilities						
Accounts payable and accrued liabilities	82.2	85.8	82.2	87.0	81.5	79.4
Interest-bearing debt						
Unmatured debt	467.3	460.4	456.4	446.4	442.3	439.8
Pension and other accounts	163.9	171.5	178.7	181.6	180.6	181.0
Total	631.2	631.9	635.1	628.0	622.9	620.8
Total liabilities	713.4	717.7	717.3	715.0	704.3	700.1
Financial assets						
Cash and accounts receivable	55.2	55.9	61.0	67.0	59.8	62.6
Foreign exchange accounts	29.0	34.7	41.5	50.3	52.0	49.0
Loans, investments and advances	18.4	17.6	18.2	21.4	21.6	23.7
Total financial assets	102.5	108.2	120.7	138.7	133.4	135.3
Net debt	**610.9**	**609.5**	**596.6**	**576.3**	**570.9**	**564.8**
Non-financial assets						
Tangible capital assets	43.3	44.6	44.6	44.2	45.7	47.0
Inventories	6.0	6.1	6.3	6.6	6.4	6.1
Prepaid expenses	0.9	0.9	0.9	0.9	1.2	1.1
Total non-financial assets	50.2	51.7	51.8	51.7	53.4	54.2
Federal debt (accumulated deficit)	**560.7**	**557.9**	**544.7**	**524.6**	**517.5**	**510.6**

Interest-Bearing Debt



Source: *Public Accounts of Canada.*

Foreign Holdings of Government of Canada Market Debt



Source: Bank of Canada.

Comparison of Actual Budgetary Outcomes to Budget Estimates

This section compares the actual outcome for the major components of the budgetary balance for 2002–03 to the estimates presented in the February 2003 budget. As the estimates contained in the December 2001 budget for 2002–03 were not presented on a full accrual basis, no attempt will be made to provide a reconciliation to those estimates.

The Government targeted a balanced budget for 2002–03 in the February 2003 budget. 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 2002–03 the Contingency Reserve was set at $3 billion in the February 2003 budget.
- Adding an extra degree of economic prudence to provide further assurance against falling back into deficit. No additional prudence was added in the February 2003 budget for 2002–03, given that the fiscal year was nearly over.

After accounting for the fiscal impact of the new spending initiatives and tax cuts, the February 2003 budget estimated a balanced budget or better in 2002–03. This target was backed by the normal $3-billion Contingency Reserve.

On a full accrual basis of accounting, the final audited budgetary surplus for 2002–03 was $7.0 billion. This improvement is primarily attributable to one-time factors affecting program expenses. Within program expenses, all other expenses were $2.5 billion lower than estimated in the February 2003 budget, primarily reflecting one-time adjustments to allowances for loans to foreign countries, and revisions to the accrual adjustments. Entitlements under the fiscal arrangements programs, primarily equalization entitlements, were also lower than estimated at the time of the 2003 budget. Data revisions since the budget indicated a narrowing of fiscal disparities between the equalization- and non-equalization-receiving provinces, which resulted in lower equalization entitlements for both 2001–02 and 2002–03. The downward adjustment in 2002–03, therefore, incorporates both the prior-year revisions as well as those in 2002–03. In addition, employment insurance benefits were $0.5 billion lower than expected, while elderly benefits were $0.1 billion lower.

In contrast, budgetary revenues were $1.2 billion lower than estimated in the February 2003 budget, primarily attributable to lower-than-expected personal income tax revenues. Offsetting some of this decline were higher net gains from enterprise Crown corporations and exchange fund activities. Public debt charges were marginally lower than expected.

Table 8

Comparison of Actual Outcomes to February 2003 Budget

	Actual	2003 budget	Difference
		($ billions)	
Budgetary revenues			
Personal income tax	81.7	84.2	-2.5
Corporate income tax	22.2	21.9	0.3
Other income tax	3.3	2.9	0.4
Excise taxes and duties	41.4	41.6	-0.2
Employment insurance premium revenues	17.9	18.3	-0.4
Non-tax revenue	11.1	9.8	1.3
Total	177.6	178.7	-1.2
Program expenses			
Major transfers to persons			
Elderly benefits	25.7	25.8	-0.1
Employment insurance benefits	14.5	15.0	-0.5
Major transfers to other levels of government			
Canada Health and Social Transfer	22.6	22.6	0.0
Fiscal arrangements	10.4	12.7	-2.4
Alternative Payments for Standing Programs	-2.3	-2.5	0.2
All other expenses	62.5	65.0	-2.5
Total	133.3	138.6	-5.2
Public debt charges	37.3	37.2	0.1
Budgetary outcome/estimate	**7.0**	**3.0**	**4.0**

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 operations and accumulated deficit, financial position, change in net debt and cash flow are derived from the complete financial statements of the Government of Canada as at March 31, 2003, and for the year then ended on which I expressed an opinion without reservation in my Report to the House of Commons dated September 29, 2003.

My Report drew two matters I have raised before to Parliament's attention: a concern 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 2003 *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 cash flow, reference should be made to the related complete financial statements, which will also be included in Volume I of the 2003 *Public Accounts of Canada*.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
September 29, 2003

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 2 of Volume I of the 2003 *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 9

Government of Canada
Condensed Statement of Operations and Accumulated Deficit
for the Year Ended March 31, 2003

	2003		Restated 2002
	Budget[1]	Actual	Actual
		($ millions)	
Revenues			
Income tax	117,000	115,043	114,139
Other taxes and duties	41,600	41,357	37,133
Employment insurance premiums	18,300	17,870	17,637
Other revenues	14,200	15,962	14,767
Total revenues	***191,100***	***190,232***	***183,676***
Expenses			
Transfer payments			
Old Age Security and related payments	25,800	25,692	24,641
Other levels of government	32,800	30,645	26,616
Employment insurance benefits	15,000	14,496	13,726
Other transfer payments	28,000	27,899	25,792
	101,600	98,732	90,775
Other program expenses	49,400	47,261	46,231
Total program expenses	***151,000***	***145,993***	***137,006***
Interest on debt	37,100	37,270	39,651
Total expenses	***188,100***	***183,263***	***176,657***
Annual surplus	**3,000**[2]	**6,969**	**7,019**
Accumulated deficit, beginning of year—previously reported		517,545	545,396
Changes in accounting policies (see note 2 on page 28)			20,832
Accumulated deficit, beginning of year—restated		517,545	524,564
Accumulated deficit, end of year		**510,576**	**517,545**

1 Derived from Budget 2003 and adjusted to a gross basis.

2 In Budget 2003 the surplus for the year is equivalent to the Contingency Reserve.

Table 10

Government of Canada
Condensed Statement of Financial Position
as at March 31, 2003

	2003	Restated 2002
	($ millions)	
Liabilities		
Accounts payable and accrued liabilities	79,384	81,453
Interest-bearing debt		
Unmatured debt		
Payable in Canadian currency	418,611	415,239
Payable in foreign currencies	21,141	27,032
Total	439,752	442,271
Pension and other liabilities		
Public sector pensions	125,708	126,921
Other employee and veteran future benefits	38,844	38,280
Other	16,452	15,417
Total	181,004	180,618
Total interest-bearing debt	*620,756*	*622,889*
Total liabilities	***700,140***	***704,342***
Financial assets		
Cash and accounts receivable	62,626	59,833
Foreign exchange accounts	48,950	52,046
Loans, investments and advances		
Enterprise Crown corporations and other government business enterprises	14,555	13,688
Other	18,631	17,355
Allowance for valuation	(9,438)	(9,487)
Total loans, investments and advances	*23,748*	*21,556*
Total financial assets	***135,324***	***133,435***
Net debt	***564,816***	***570,907***
Non-financial assets		
Tangible capital assets	47,034	45,724
Other	7,206	7,638
Total non-financial assets	***54,240***	***53,362***
Accumulated deficit	**510,576**	**517,545**

Table 11

Government of Canada Condensed Statement of Change in Net Debt for the Year Ended March 31, 2003

	2003		Restated 2002
	Budget[1]	Actual	Actual
		($ millions)	
Net debt, beginning of year—previously reported	570,900	570,907	545,396
Changes in accounting policies (see note 2 on page 28)			30,909
Net debt, beginning of year—restated	**570,900**	**570,907**	**576,305**
Change in net debt during the year			
Annual surplus	(3,000)	(6,969)	(7,019)
Acquisition of tangible capital assets	4,400	5,051	4,485
Amortization of tangible capital assets	(3,000)	(3,341)	(2,583)
Other		(832)	(281)
Net decrease in net debt	(1,600)	(6,091)	(5,398)
Net debt, end of year	**569,300**	**564,816**	**570,907**

[1] Derived from Budget 2003.

Table 12

Government of Canada Condensed Statement of Cash Flow for the Year Ended March 31, 2003

	2003	Restated 2002
	($ millions)	
Cash provided by operating activities		
Annual surplus	6,969	7,019
Items not affecting cash	4,620	(4,831)
	11,589	**2,188**
Cash used for capital investment activities	**(4,763)**	**(4,429)**
Cash provided by investing activities	**819**	**1,932**
Total cash generated (required) before financing activities	***7,645***	***(309)***
Cash provided by (used for) financing activities		
Net increase in Canadian currency borrowings	3,372	1,994
Net decrease in foreign currency borrowings	(5,891)	(6,126)
	(2,519)	**(4,132)**
Net increase (decrease) in cash	**5,126**	**(4,441)**
Cash at beginning of year	11,360	15,801
Cash at end of year	**16,486**	**11,360**

Notes to the Condensed Financial Statements

1. 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 under the modified equity basis of accounting. 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 accounts for transactions on an accrual basis. Financial assets recorded on the Condensed Statement of Financial Position can provide resources to discharge liabilities or finance future operations and are recorded at the lower of cost or net realizable value. Non-financial assets cannot normally be converted into cash to finance future operations without disrupting government operations; they are recorded at cost less accumulated amortization. Liabilities are recorded at the estimated amount ultimately payable, with public sector pension and other employee and veteran future benefits 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 2002 have been reclassified to conform to the current year's presentation.

2. Changes in Accounting Policies

In 2003 the Government changed its basis of accounting from modified accrual to full accrual. These changes have been applied retroactively, with restatement of the 2002 financial statements. The nature of the changes and their effect on the 2002 opening accumulated deficit and net debt are as follows:

	Accumulated deficit	Net debt
	($ millions)	
Tangible capital assets	-42,785	1,429
Other employee and veteran future benefits	34,466	34,466
Tax revenues	-11,024	-11,024
Other liabilities	10,008	10,008
Inventories and prepaid expenses	-7,527	
Investments in enterprise Crown corporations	-3,970	-3,970
Total effect	-20,832	30,909

The Government also adopted a new financial statement format to reflect the full accrual basis of accounting and introduced a new Statement of Change in Net Debt.

3. Contractual Commitments

Contractual commitments that will materially affect the level of future expenses include transfer payment agreements, acquisitions of goods and services, operating leases and funding of international organizations. At March 31, 2003, contractual commitments amounted to approximately $33 billion ($30 billion in 2002).

4. Contingent Liabilities

Contingent liabilities related to guarantees by the Government and international organizations amount to $75 billion ($77 billion in 2002). There are thousands of claims and pending and threatened litigation cases against the Government; the total amount claimed in these instances is significant but the final outcome is not determinable. Insurance in force relating to self-sustaining insurance programs operated by three enterprise Crown corporations amounted to approximately $646 billion ($615 billion in 2002). The Government expects that it will not incur any costs to cover insurance claims under these programs.

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.

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.