



Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

4/15 - Sara Powell

Process as one (1) document

one report number → ACCNO

Detailed report - 30 B not printed yet
when B is printed, it will
become part of series -

For now, distribute as is; when B
comes in, add B to series.

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

Summary Report

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

This document is one of four publications produced as a result of the Federal Government Reporting Study. These documents include:

Summary Report (GAO/AFMD-86-30)

Illustrative Annual Financial Report of the United States Government (GAO/AFMD-86-30A)

Illustrative Annual Financial Report of the Government of Canada

Detailed Report (GAO/AFMD-86-30B)

The Detailed Report contains the complete Summary Report, both U.S. and Canadian Illustrative Annual Financial Reports in their entirety, as well as the detailed findings of the project. These documents can be obtained from:

United States:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877, U.S.A.

Canada:

Office of the Auditor General of Canada
11th Floor
West Tower
240 Sparks Street
Ottawa, Canada
K1A 0G6



Kenneth M. Dye
Auditor General of Canada



Charles A. Bowsher
Comptroller General of the United States

International Advisory Group

W.D. Grace

former President of the Canadian Institute of Chartered Accountants

R.V. Hession

Deputy Minister of Supply and Services & Deputy Receiver General for Canada

R. Johnstone

Consul General, Consulate General of Canada, New York

M.H. Rayner

Comptroller General of Canada

L.S. Rosen

Professor of Accounting, York University, Toronto

N.G. Ross

Partner, Coopers & Lybrand, Ottawa

T.K. Shoyama

former Deputy Minister of Finance; Professor, University of Victoria, British Columbia

R.M. Skinner

former Partner (retired), Clarkson Gordon, Toronto

W.R. Sloan

Partner, Arthur Andersen & Co., Ottawa

M.B. Wilk

former Chief Statistician of Canada, Statistics Canada

T.C. Barreux

Vice-President, American Institute of Certified Public Accountants

B.T. Edwards

Partner, Arthur Andersen & Co., Washington, D.C.

E.J. Haller

Partner, Price Waterhouse, Washington, D.C.

M.H. Ives

Vice-Chairman and Director of Research, Governmental Accounting Standards Board

R.K. Mautz

Professor of Accounting, University of Michigan

D.R. McOmber

former Assistant Director for Budget Review, Office of Management and Budget

R.C. Moot

former Assistant Secretary of Defense (Comptroller)

D. Mosso

Member, Financial Accounting Standards Board; former Fiscal Assistant Secretary, Department of the Treasury

G. Murphy

Fiscal Assistant Secretary, Department of the Treasury

A. Schoenhaut

former Executive Secretary, Cost Accounting Standards Board; former Deputy Comptroller, Atomic Energy Commission

E.B. Staats

former Comptroller General of the United States

C.E. Tierney

Partner, Arthur Young and Company, Washington, D.C.

Summary Statement

by the
**Auditor General of Canada
and Comptroller General
of the United States**

Federal Government Activities Affect All of Us

The governments of Canada and the United States are continually involved in financial transactions and commitments amounting to billions of dollars that affect every segment of each nation's economy. Massive federal programs encompass housing, health, education, income security and defence. Finding the money to pay for these programs has an enormous impact on financial markets.

Federal Government Reporting is Important

To a large extent, knowledge about the significance and financial impact of these federal government activities is communicated by information contained in financial reports. Some people have a perception that the variety of ways in which information can be presented in financial reports is an esoteric matter of interest only to accountants and of no great relevance to those who actually make financial decisions. The results of this study clearly show this not to be so; in fact, quite the opposite. Many individuals consulted during the study, including those within and those outside government, not only use federal government financial information, but had many suggestions to enhance the usefulness of the information they are now getting.

The people needing such information include those who have primary responsibility for making and implementing government policies - the legislators and government managers - and those external to the government who are concerned with or affected by its policies - citizens, corporations, lenders,

analysts and the media. The understanding of government activities by any of these groups is significantly affected by the form and content of the government's financial reports.

Legislators and government managers struggle with fundamental questions such as whether proposed spending levels are necessary and affordable in view of resulting deficits and existing liabilities. To assess properly the financial implication of such proposals, they must have a clear and complete picture of where the government stands financially, what financial commitments it already has for the future, and the full cost of proposed programs. Good financial information is needed not only at the program level but also at the overall summary level.

People outside the government also need and use federal government financial information in their day-to-day work. For example, lenders need summary information to help them anticipate government cash requirements and their effects on financial markets. And members of the media need both summary and detailed information to analyse government activities for reporting to the public.

Sound Financial Management Systems are Needed

We believe that the specific information users need, both at the overall summary and detailed program level, can be satisfied. But to do so, the government needs sound financial management systems and procedures and strong internal controls. Such systems and procedures carry their own reward since they foster more efficient and effective management of the sizeable economic resources under the government's control.

Consensus is Needed on What Financial Information Should be Reported

In spite of the real interest in government financial reporting, there has been no consensus on what information federal governments should record and report. Many hypotheses have been put forward but, until recently, there

has been little organized effort to reconcile conflicting views and obtain consensus. The time now seems most appropriate for such an effort.

In Canada, Parliament and the federal government have expressed an interest in making changes to Canada's financial statements that would make them more useful and understandable. Also, the Canadian Institute of Chartered Accountants (CICA) has created a Public Sector Accounting and Auditing Committee. The Committee has defined the primary objective of government financial statements as the communication of "reliable information relevant to the needs of those for whom the statements are prepared in a manner that maximizes its usefulness".

In the United States, many Members of Congress, public and private groups and government executives have expressed a need for improvements in financial management and reporting. In this respect, the General Accounting Office has been seeking to establish integrated budgeting, accounting and reporting systems to produce clear, relevant and timely information so that government programs can be managed most effectively to control costs and produce desired results. In the course of this initiative, providing information to satisfy users' needs is recognized as a basic reason for establishing sound financial systems. Similarly, the U.S. Governmental Accounting Standards Board is working toward identifying users' needs to assist in developing generally accepted accounting principles for state and local governments.

Knowing What Users do With Financial Information Should Help Build Consensus

The similarity of the situations in Canada and the United States led us to initiate this Federal Government Reporting Study (FGRS) as a joint project. The central focus of the study rests on

the belief that the needs of users of federal government financial information should guide the presentation and extent of government financial reporting.

We believe strongly that identifying and understanding users' activities and financial information needs are the starting points for building consensus about the form and content of financial reports. We believe that this consensus, once achieved, can and should extend to other levels of government. Representatives of the CICA Public Sector Accounting and Auditing Committee and the U.S. Governmental Accounting Standards Board have indicated that the FGRS findings will provide useful input to their standard-setting efforts. Accordingly, the essential objectives of FGRS were to identify and understand what financial information about the government users need, and for what activities they need it.

We Now Have an Understanding of Users' Needs

The results of FGRS are described in this report. The study found that users of government financial information had concerns about the information they have been getting, and were able to articulate and describe their needs for information with a fairly direct linkage to their activities. Detailed findings of the study are set out in Chapters One and Two but some highlights are worth mentioning here.

Users Depend on Each Other

The study showed that although the user groups selected did in fact need federal government financial information, they did not always get the information direct from government financial reports. A significant overall finding was that users depend on each other for the communication of financial information about the federal government. Legislators – generally considered to have a primary role in the use of federal government financial information – depend to a considerable extent on the interpretations of information by analysts and the media to provide them with the understanding they need. This also applies to citizens and corporations. Thus, needs of

analysts and the media are considered crucial because, if they are not well served, the understanding of government activities by others will suffer.

Users Need an Annual Financial Report of Government

Perhaps the most significant finding was the prevailing view of user respondents that a comprehensive but concise Annual Financial Report of the federal government would be extremely valuable. They want such a report to provide a broad and complete picture and understanding of the government's many and varied activities and resulting overall financial position, and to serve as a key into the more detailed information the government now provides in other financial documents.

Users See a Need for Integrated Information Systems

Users need a wide variety of financial information at various levels of detail, from summary information about cash requirements to detailed information about the cost of programs. They emphasized the importance, for comparability and credibility, that information reported at every level come from one integrated data base to ensure that detailed information is related easily to summary-level information.

Both External Users and Management Need Cost Information

The most significant potential impact on governmental accounting systems flowing from FGRS is the expressed need of external users for information about physical asset holdings of the government and full program costs. To provide this information would require that the costs (or values) of fixed assets and inventories consumed in government operations be identified as they are used or sold. Because of the impor-

tance of this matter, FGRS included a review to determine whether that same information is needed for management purposes.

The conclusion of this review is that managers do need systems that provide information about physical assets and program costs. In some programs, asset costs are not significant and allocation of such costs to the programs is relatively simple; in other programs, larger systems are needed.

Although the development of systems to provide this information will require an investment of time and money, the need to do so for internal purposes has been widely recognized in both Canada and the United States. To provide the information that external users seek should not impose special, costly systems that are beyond those required for good internal management.

Where We Go From Here

As part of FGRS, illustrative Annual Financial Reports of our respective governments were developed as research and discussion tools. Based on users' responses, reports like these could provide much of the summary-level information users need. In our view, the federal government in each country should move toward developing a comprehensive Annual Financial Report responsive to the users' needs identified in the study.

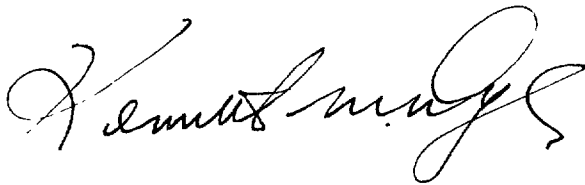
In Canada, the Annual Financial Report could be an official document of the Department of Finance and Treasury Board (Office of the Comptroller General) and become a revised Volume 1 of the Public Accounts or, preferably a new official financial report. In the United States, the Annual Financial Report could, in time, replace the present prototype Consolidated Financial Statements, to become an official document of the U.S. Treasury.

Many unanswered questions still remain. Several major technical issues require further research. For example:

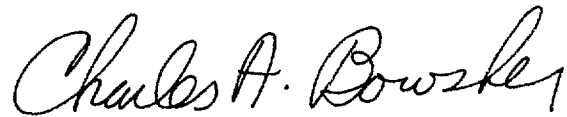
-
- How should fixed assets be defined, valued and depreciated?
 - Should the financial statements of all government majority-owned corporations as well as the central banking system be consolidated with those of the federal government?
 - How should Social Security and the Canada Pension Plan be reported?
 - How should tax expenditures be reported?

Questions such as these will require the co-operative work and consideration of our governments, our professional organizations and our own Offices.

Our common interest is in the development of consistent accounting and reporting standards that are based on users' needs for financial information. Well thought out standards on this basis will have immense value in improving the relevance, comparability and credibility of financial reporting of governments at all levels.



Kenneth M. Dye
Auditor General of Canada



Charles A. Bowsher
Comptroller General of the United States

21 March 1986

Contents

International Advisory Group	ii
Summary Statement	iii
Chapter One	
The Users - Their Activities and General Information Needs	3
Chapter Two	
The Issues - Specific Information Needs of Users	15
Chapter Three	
The Study Approach and Methods	31
The Steering Committee	34
The Core Group	35
Canadian User-Group Experts	36
Core Group Advisers	37
Study Approach and Methods Experts	38
Technical Team	39
Production Team	39

Chapter One

The Users - Their Activities and General Information Needs

User Groups Selected Based on Expected Interest

The important first step of the project was to identify the user groups. A list of potential users was compiled from a review of literature, the experience of the FGRS Core Group members and their advisers, and discussions with other advisers to the study. Users were included if they could reasonably be expected to have an interest in financial information about the federal government. They were combined into six groups to simplify carrying out the research.

The user groups identified were:

- legislative users;
- citizens, the media, policy analysts, special interest groups and other levels of government;
- government planners and managers;
- economists;
- corporate users; and
- lenders, security dealers, and their advisers.

The responses of each individual contacted within each group were carefully analysed to prepare a detailed profile of each group. This chapter describes the groups, the general nature of their main activities and financial information needs, and the inter-relationships among the groups.

Legislators

The legislative users included Members of the House of Commons and Senate in Canada, and Members of the House of Representatives and Senate in the U.S. (hereafter referred to as Members). Also included were intermediary

agents, such as legislative staff and researchers assigned to Members, to a political party or to committees and task forces. Members who are Cabinet Ministers (Canada) were excluded from this group and included in the Government Planners and Managers group.

Citizens, Media, Policy Analysts, Special Interest Groups and Other Levels of Government

This group was somewhat heterogeneous. Analysts included primarily those that work in universities, non-profit research organizations and special interest group organizations such as those representing labour, consumers, physicians, etc. Other levels of government included provincial, state and municipal governments.

Government Planners and Managers

Government planners and managers included Cabinet Ministers or Secretaries and officials of departments, agencies and government-owned corporations. The emphasis in the study of this user group was placed on management's needs for financial information to demonstrate accountability for its responsibilities and on the information it needs to manage. The latter emphasis was narrowly confined to management aspects that would have a direct bearing on issues under consideration in FGRS, rather than seeking to examine all financial information needs for managing government activities. Within these limits, the needs of planners and managers were considered from the perspective of both the central level of government and that of departmental or agency programs.

Economists

In this group the activities and related uses of financial information about the federal government concentrated on macro-economists. In Canada, the activities and needs of central

bankers and those who prepare the National Accounts were also investigated. Micro-economists were included to the extent that they are concerned with the behaviour of the federal government as an economic agent interacting with other agents in the economy.

Corporate Users

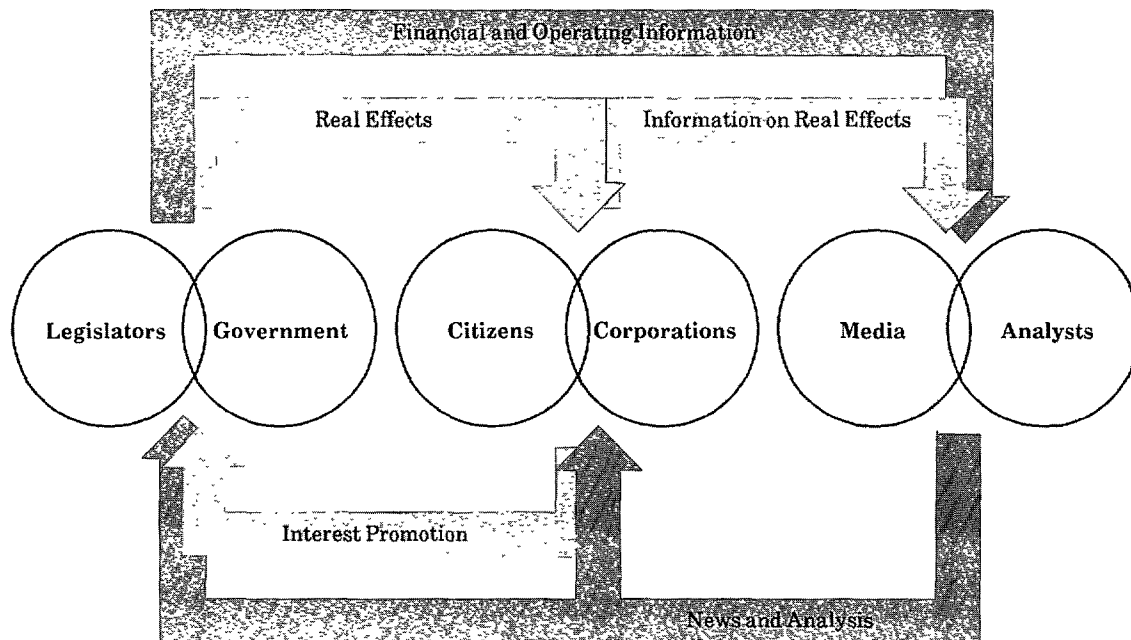
Corporate users included Canadian and U.S. industrial, retail and service corporations and Canadian commercial government-owned

corporations, but excluded financial institutions, which were covered separately. Major industry and small business associations were also included.

Lenders, Security Dealers, and Their Advisers

The primary focus in this area was on those users who analyse financial markets and prepare short - and medium-term market forecasts.

Exhibit 1



Inter-Relationships Among User Groups

An early finding of the study was that user groups varied greatly in their ability to describe their information needs clearly and to relate specific information needs to their specific

activities. They also differed in how they obtained financial information about the federal government. Some user groups seldom used federal government financial reports directly, relying instead on other users to process the information for them. To get a better understanding of the differences and relationships among user groups, the central Core Group integrated the early findings from

all six study areas into a model of user activities and information flows. Exhibit 1 shows this model.

User Groups Fit into Sets

The model organizes the six user groups, by the nature of their activities, into three sets, each set represented by two overlapping circles.

□ First Set: Legislators,

Government Planners and Managers

Users in this set have responsibility, directly or indirectly, for the flow of financial information to other users. They also have responsibility for the real effects - the impact of government activities on people and organizations in society - to which the financial information relates.

□ Second Set: Citizens, Corporations

These are the beneficiaries of federal government operations. Through taxes, they also pay the bills. Other levels of government are not shown on the model. Some are similar to corporations in their use of information; others do extensive economic analysis and have information needs similar to those of the third set of users.

□ Third Set: Media, Analysts

Users in this set are concerned with analysing and disseminating information. Analysts include social policy analysts, economic analysts and the financial market analysts in the lenders' group.

Direct Flow of Information

At the top of the model, the main flow of financial and operating information is shown as going direct from government to the media and analysts. It must be remembered, however, that the reported financial information reflects government activities that have a real impact on citizens and corporations. In various ways, information about these real effects reaches

media and analysts. The latter combine the financial and other information in reports and commentaries that are read by citizens and corporate users, legislators and government planners and managers.

Indirect Flow of Information

Citizens and corporate users, for the most part, do not read the financial reports of the federal government. They have neither the time nor the expertise to analyse such information in terms of its significance in their planning, investing, financing, lending, borrowing, spending and saving activities. They look to analysts in the media, financial institutions, policy institutes, etc., to do such analysis for them.

Canadian legislators, although they are direct users of federal government reports in many of their legislative activities, also rely heavily on the media and outside analysts for reports on the social and economic effects of government activities. They often have difficulty getting access to the federal government's own studies of this type and suffer the same constraints of too little time and a lack of expert knowledge as do the citizens and corporate users. They also point out that, in addition to being a source of information, many reports of the media, analysts and special interest groups demand a political response.

Legislators in the U.S. often turn to professional staff to interpret and analyse financial data in areas of special interest to a Member, but they also rely heavily on the media and outside analysts for interpretation of data outside their own area of specialization.

Most Frequent Direct Users

In considering the study's findings on the information needs of the different user groups, it is important to keep in mind the role played by the media and analysts. They are the most frequent direct users of federal government financial reports, the major source of information about the government for citizens

and corporations, and an important source of information for legislators. Federal government financial reports will serve the needs of legislators, citizens and corporations well only if the needs of the media and analysts are adequately met. By the same token, the media and analysts are the users best able to define clearly the nature of the financial information about government that they need and the characteristics that such information should have to suit their needs best.

The description of user activities and financial information needs in the balance of this chapter is organized to follow the grouping of activities shown in Exhibit 1 because of the common interests of users within these sets.

Legislative Users

Members in Canada Tend to be Knowledgeable Generalists

In a parliamentary democracy such as Canada, the role of individual Members of Parliament or the Senate is to monitor, evaluate, judge and decide on the proposals, policies and actions of "the Government" on behalf of the people they represent. To discharge this responsibility effectively, most Members, according to those we interviewed, do not feel the need to be "experts" in any particular area, although there are some exceptions in the case of Members that have an interest and expertise in a specific program. As one experienced Member put it, it is necessary that they be "knowledgeable generalists". This is a very important point and

holds significant implications for the kinds of information they need and want.

Canadian Members indicated that they realize that most of them will never have the detailed knowledge that government officials have concerning a particular policy, piece of legislation or the operations of existing programs. This is largely true even for those who have a special responsibility to speak in a particular area of public policy. What they need and want is access to consistent and understandable data and information that will assist in identifying the right questions to ask in making their assessments. These questions will in turn help to identify potential or actual problems with regard to policies, legislation or programs.

Need for Key Financial Indicators

Canadian Members expressed a strong desire for summary-level information that will allow them to see trends in key financial indicators (such as level of debt and spending in relation to Gross National Product) and to obtain a broad perspective on a policy or program issue. This is true for both the macro-level (overall spending, taxing and borrowing) of government operations and the operations of a particular department or government-owned corporation. The desire almost always tended to be for information that would enhance their ability to become "knowledgeable generalists", capable of seeing the main issues despite the complexity of the particular subject at hand. They expressed a need for a clear picture of the financial affairs of the government to facilitate the tasks of pursuing accountability and of evaluating the financial effects on society of government actions.

General Qualities of Financial Information

Overall, Canadian Members wanted financial information supplied by government to be consistent (over time and from different sources), easy to obtain, quickly digestible and

easy to understand. This would enable them to make quick use of it with a minimum of introduction and learning, and to avoid being confused by inconsistent information from the variety of sources available. They also need reports and documents that provide summary data in a form that can be used easily and effectively in communicating with constituents and others. Information is needed in a form that leads from the general to more specific levels of detail to facilitate policy discussions. For those interested in investigating a particular issue, program or activity, summary-level financial information should include references to sources of more detailed information on a particular topic.

Legislators Convey Financial Messages to the Public

Communication with the public also requires Members to acquire knowledge of a broad range of information including that relating to aggregate measures of economic performance (such as inflation, employment and unemployment, economic growth, and productivity), levels and distribution of taxation, and spending by government departments, agencies and government-owned corporations to implement various policies and programs. Where possible, the information should be broken down geographically and demographically. Such information and analyses of it would be used directly in communications sent to constituents as well as to others.

Legislative Activities Require Financial Information

The financial information needed by Canadian Members to perform their legislative activities, such as considering and debating policy issues, is similar to that required for their public communication activities. It should be presented in a way that allows them to move easily from summary-level data to the more

detailed accounting of the particular issue of concern. For example, information should allow first an overview and then a more detailed analysis of the activities and performance of individual departments, agencies and government-owned corporations. In addition to information on direct expenditures, Members need information on "tax expenditures", as discussed in Chapter Two, and so-called "credit budget" items such as loan guarantees. Revenue and expenditure figures should also be broken down in ways that permit legislators to make a better assessment of the distributive impact of the government's activities by relating them to various sectors and components of society.

In carrying out their parliamentary activities, Canadian Members want to be able to compare reported actual results with forecasts in the Budget and Estimates (requests for spending authority) and with spending and borrowing limits set by acts of Parliament. It is essential, therefore, that there be consistency in classification and format among the basic financial reports of the government.

Legislators Need Financial Information to Represent Diverse Interests in Society

In addition to representing the interests of people in their ridings or regions, Members in Canada must respond to, and may wish to represent, the interests of other groups in society. Such groups may consist of generalized segments of society, such as the poor or the aged, or of individuals with common interests, such as conservationists. Many types of national and local lobby groups are included. The demands of these groups are often specific and relate to particular aspects of government policy. In representing or in responding to special interests, Members need both summary-level financial information, as background for their consideration of policy proposals, and detailed information, to help them assess the likely costs and benefits of the proposals. They would be

greatly assisted by having available an Annual Financial Report as a source of consistent and comprehensive summary financial data and as a reference document to direct them to sources of more detailed and complete information. Members stated that they would have more confidence in the reliability of such detailed data if it could be easily related and linked to the audited information in an annual summary-level financial report. An Annual Financial Report should therefore be thought of as a basic working tool for Members.

Members of the United States Congress

The government of the United States is characterized by a strong emphasis on the balance of power between the executive, the legislative, and the judicial branches of the government and on the representative role of the Senator or Congressman. Unlike the Canadian House of Commons, the U.S. Congress can and does make policy that the executive branch is expected to carry out. The President's legislative initiatives, if accepted at all by Congress, are almost always modified.

With oversight activities in almost all federal programs, the U.S. Congress has become more and more intimately involved with the workings of the financial management of the federal government and the individual programs.

Views of U.S. legislative users identified during FGRS are summarized below:

Unlike Canadian Members, U.S. Members specialize in and become "experts" in the areas of their particular committee responsibility. For this activity, they and their professional staffs need specialized agency and program financial information on a regular basis, and would use

an Annual Financial Report as a reference document to lead to more detailed or disaggregated information in specific areas.

The public communication, legislative and special interest representative activities of U.S. Members are similar to those of their Canadian counterparts. Accordingly, U.S. Members need similar summary-level information. They would use an Annual Financial Report primarily as a medium for communicating a picture of the totality of the federal government to constituents and others concerned about government finances, and as a means of communicating the federal government's interest in accountability. The current concern with the overall budget deficit highlights the need expressed by some legislators to look more at the full financial picture of the federal government as opposed to segments of it.

U.S. Members also need to see trends and to obtain a broad perspective of total government operations with easy-to-understand information that can be grasped quickly. Accordingly, they want financial information supplied by government to be consistent over time and across activities, easily retrievable and understandable.

Government Planners and Managers

Three of the major activities of government planners and managers were identified as:

- seeking authority for taxing, spending and borrowing;
- managing government programs and activities; and
- demonstrating accountability.

The FGRS review centred on the need for information to demonstrate accountability for the management and use of public resources. In

this regard, five areas were identified in which planners and managers have significant responsibilities. These are to:

- monitor the socio-economic impact of their activities;
- finance the government as an institution;
- comply with legislation, regulations and rules;
- ensure the economical and efficient use of resources; and
- meet legislative objectives of programs.

These five responsibilities create a need for two types of financial information:

- summary information, to be used in assessing socio-economic impact and financial position of the government; and
- detailed disaggregate information, for reporting and measuring compliance, resource management and cost-effectiveness.

Significant aspects of these two major information needs are reviewed below.

An Annual Financial Report Would Increase Credibility of Management and Discipline in Systems

Essentially, government planners and managers have two perspectives on the use of federal financial information. As officials with agency-specific responsibilities, government planners and managers generally need information that is highly specialized and unique to the program being managed or reviewed. An Annual Financial Report with

summary-level financial statements for the entire federal government would have limited use for these activities.

However, as officials with government-wide responsibilities, government planners and managers would use an Annual Financial Report to present an overall picture of the financial health of the government that is not available elsewhere. Such a report would be a useful means for reporting on managers' stewardship of federal resources and on how government operations were financed. It would also provide managers with a general framework to situate their own activities.

A comprehensive, understandable Annual Financial Report would provide evidence of the integrity of the government's management of public resources and increase the credibility of government managers in the public eye. Also the very requirement to produce such a comprehensive document on a consistent basis would foster more rigorous, disciplined financial management systems and practices throughout all levels in government.

The Use of an Annual Financial Report to Demonstrate Compliance is Limited

Managers believe that summary financial reports are not very effective for demonstrating compliance with spending authorities given by legislators, because the authorities are detailed rather than summarized in nature. Even a comparison of planned and actual expenditures is considered to have limited meaning if, as would be the case for a summary report, one is unable to relate the comparison to a detailed description of the purposes of the spending.

Managers believe legislators would rely more on their auditor to report instances of non-compliance with individual authorities than on information in an Annual Financial Report. However, what an Annual Financial Report

both can and should do is provide legislators with a summary of over-expenditure by department or agency, and some form of overall statement from central government Ministers or Secretaries and/or their deputies, wherein they certify that systems of financial management and internal control have been established to provide reasonable assurance that all activities have complied with the relevant authorities.

Government Performance Should be Measured and Reported Consistently

Accountability of government planners and managers is expressed by comparing their performance with legislated objectives and with standards, plans, prior period results, and other organizations. To this end, financial performance measures must be consistent over time and prepared on a basis that permits meaningful comparison with other measures of performance. Comparability with other jurisdictions would be helped by using, where appropriate, accounting principles that are generally accepted for use by other governments and sectors of the economy.

Information is Needed about Both Government Spending and Program Costs

Government planners and managers acknowledge a responsibility to demonstrate their effectiveness in achieving social and economic policy objectives as well as the economy and efficiency with which government programs are carried out. They also see a need to report information on the level of government spending to demonstrate the correlation between government financial activity and short-term economic impact.

To demonstrate the efficiency of their operations and changes in efficiency between years, government managers see a need to report the

full cost of the programs they manage. To ensure its credibility, such cost information should come from the integrated accounting system from which the Annual Financial Report is prepared.

Citizens and Corporations

Citizens and Corporations Try to Anticipate the Impact of Government Operations

Significant activities of these groups relate to the goals of generating income, building savings and improving the standard of living. Their main interest in federal government financial information is in trying to anticipate how the government's past and future actions will affect these goals. Specifically, they plan for the future, invest their resources, finance their expenditures, lend, borrow, spend and save money, and promote their own interests. The citizens, of course, also vote.

Information used in carrying out these activities includes tax rates and forecasts of interest, inflation and exchange rates. Although the preparation of these forecasts requires financial information about the federal government, citizens and corporations do not generally use or refer to government reports themselves. They rely on analyses and reports prepared by other user groups such as the media, economists and financial advisers.

Government Credibility is Clearly Related to Financial Information Reported

Nevertheless, citizens and corporate executives expressed an interest in being informed about the efficiency, effectiveness and propriety of government operations. Corporate leaders in particular expressed a strong desire for comprehensive and rigorous financial reporting as a means of generating confidence in the way

the government is conducting its affairs. This need for information is not clearly related to any specific decisions or activities. But these users emphasize that it does have an important bearing on the government's credibility and their confidence in their country as a good place to invest for the future. It also helps corporate leaders and individuals generally to become knowledgeable, responsible citizens.

Media and Analysts

Media and Analysts are the Biggest Users of Government Financial Reports

These are the most frequent direct users of federal government financial reports. They include members of the media, economists and lenders, together with special interest groups and various other analysts in universities and private institutions. Some use information about the government every day. Apart from those active in the market for government securities, their role is primarily one of analysis and communication, and they are fairly specific in articulating their information needs. Although in this role they are generally not making decisions, their activities and needs are very important because the quality and integrity of their analyses and reports are essential to those who *are* making decisions - legislators, government planners and managers, corporations and citizens.

Their Diverse Information Needs Have Some General Characteristics

The financial information needs of these groups are as diverse as the many different kinds of reports and analyses they prepare. Nevertheless, there are several characteristics that are common to their information needs. A fundamental concern of these groups is to obtain

a clear understanding of government finances and activities at the summary level as an overview and lead-in to detailed analysis. Accordingly, they need financial information organized in successive levels of detail, starting with a succinct overall picture of federal government finances, what it owns and what it owes, where its revenue comes from and how it is spent.

The very diversity of the financial information needs of these direct users requires that financial reports be organized to provide maximum flexibility in the use of the information presented. Summary information should be referenced to supporting detailed information that should be consistent and coherent with aggregate information. Where possible, detailed information should be cross-classified and referenced to other sources of related or more detailed information. A further requirement is that information should be presented objectively, without bias; estimated or projected information should be accompanied by a clear description of the assumptions and methods used in calculating it.

Information is Used for Analysis and Comparison of Variations and Trends

Most analytical work involves investigating relationships between financial information and other economic and social information. It is important to these users, therefore, that financial information on government activities be classified and presented in such a way that it can be related to observed or predicted social and economic effects of the activities.

For analysis of social impact, program efficiency and long-term economic effects, information is needed to show both the acquisition and consumption of resources in the periods that they are acquired and consumed. The cost of long-lived physical assets would be allocated (as depreciation) over the periods in which they provide benefits. For short- and medium-term analyses of financial market and other

economic effects, information is needed on the aggregate cash flows arising from operations and from acquiring and disposing of long-lived physical assets, acquiring and holding investments, and incurring and discharging liabilities.

Analysts often wish to examine trends in reported financial information and compare the trends with related non-financial information or with the performance of other governments. Therefore, they need accounting policies and classifications that remain relatively consistent from period to period. To the extent possible, they need reported information that covers consecutive periods of at least 10 years, in both current and constant dollars. Where accounting changes are made to improve the relevance or reliability of reported information, they need amounts reported for prior periods to be adjusted accordingly.

Information from Different Sources Needs to be Comparable

Much of the analysis carried out by these groups of direct users depends for its rigour on the comparability of forecast financial information with actual financial information, or on the comparability of federal government financial information with financial information on other sectors of the economy, other levels of government or foreign governments. Therefore, they need financial information in government budgets, estimates and historical accounts all prepared in accordance with the same accounting policies and classified in the same manner. To the extent possible, they need accounting policies for the federal government

that will provide comparability with other sectors of the economy and other governments, both domestic and foreign.

Analysts must have a clear understanding of the exact nature of the information they are using to ensure that they are using it meaningfully. To this end, they need a full description of the accounting policies followed in the preparation of financial information and of the nature and effect of changes in the accounting policies from those followed in the prior period.

Users Want a Full Picture of All Activities of All Government Entities

Analysts and members of the media study and report on the size and growth of the federal government and on the scope and influence of its activities. They stressed that, to ensure they have a complete picture, they need a summary financial report that encompasses all activities of the government, including those of its various agencies and government-owned corporations. They find that the abundance of detailed financial data published by the government does not give them a succinct, comprehensive and understandable overall picture. Similarly, the report should provide information on activities that do not necessarily require an outlay of funds, such as tax expenditures, insurance programs and loan guarantees.

Media Have Limited Time for Analysis

A particular concern of members of the media is that financial information be presented in ways that they can readily communicate to their readers, listeners or viewers. For this purpose, they need graphic displays of the relative magnitudes of various activities such as spending, taxation and borrowing, and their trends over of time. This, together with per capita and percentage of Gross National Product displays, helps overcome the communication barrier imposed by large numbers. They also need graphic displays of changes over time in economic indicators that can serve as overall measures of performance or help to explain period-to-period variations in reported financial information.

This chapter has summarized the activities and use of federal government financial information described by the user groups. Chapter Two relates users' needs for information to specific accounting and reporting issues, particularly with respect to an Annual Financial Report.

These chapters are summaries of the detailed findings provided in a complete research report, the Federal Government Reporting Study Detailed Report, also a joint publication of the Office of the Auditor General of Canada and the United States General Accounting Office. The research report sets out in detail the study approach and methods and the individual findings related to all user groups, describing the various activities of each group and their related financial information needs. To gain a full understanding of the findings of each user group and the research methods employed, reference must be made to the supporting details in that publication.

□ □ □ □

Chapter Two

The Issues - Specific Information Needs of Users

The FGRS research effort was carried out in Phases II and III, as described in Chapter Three. In Phase II, the researchers developed a comprehensive picture of the activities and information needs of those groups in society that use financial information about the federal government. The user groups, their activities and the general nature of their information needs were described in the preceding chapter.

Based on the Phase II findings and on generally recognized issues in government financial reporting, the researchers set out, in 16 main questions and a series of sub-questions, the accounting and reporting matters that required more detailed investigation in Phase III. This chapter describes the 16 issues and the results of the Phase III investigation of each. The results described are based on an analysis of detailed reports on each user group that were prepared from a summarization of the comments of individual respondents. An explanation is provided of how each issue has been treated for purposes of developing the Canadian and U.S. Illustrations of an Annual Financial Report.

The research method followed in FGRS was exploratory. Users interviewed or consulted were selected judgementally, as explained in the next chapter. Throughout this chapter, expressions such as "most users", "many users" "some users" or "few users" are used to give an indication of the relative frequency of different responses. In each case, the expression refers

only to the users interviewed or consulted during FGRS and should not be taken as necessarily representative of the entire population of users.

Need for an Annual Financial Report

The need for a concise summary Annual Financial Report was expressed by virtually all users in all user groups. Users believe that such a report would bring together in an easily read and understood format a consistent set of basic data about the federal government to:

- give an overview of the financial position and operating results of the entire government;
- provide a common framework to enhance users' understanding of government operations;
- provide a common data base for analysis and for developing and debating policy positions;
- provide an historical perspective from which to consider future budget and spending proposals;
- assist users in demanding an accountability for actual results by comparison with earlier projections or budget;
- provide a key to matters of interest about which users may want further, more detailed information;
- facilitate the communication of information on government to others (for example, by legislators to their constituents or by media representatives to their audiences); and
- save users the time otherwise needed to search through voluminous reports for desired information about the government and to work out the required reconciliations.

In addition to basic financial information, such as the government's assets, liabilities, revenues, expenses, deficit and borrowing requirements, most users want an annual report to contain other information that increases their understanding of these measures. Supplementary information frequently requested included information on tax expenditures, common measures of the performance of the economy, the effects of

inflation, regional breakdowns of revenues and expenses and government employment. Users recognize that such information can be presented in an Annual Financial Report only in a highly summarized format. Nevertheless, they want the information included to highlight matters that they may wish to examine in more detail, and they want the report to include references to where more detailed information may be obtained.

Many users expressed a desire for extensive use of graphs and charts to permit information to be captured quickly and to be communicated easily to others. They wanted the charts to provide data for 10 years, where possible, and to be accompanied by the numerical values to facilitate analysis of trends.

A small number of U.S. users expressed some concern about an Annual Financial Report. Most of these users supported the concept; however, they did not believe that the government could prepare such a report containing information consistent with other government financial documents because the current accounting systems are not fully integrated. Those who did not support the concept of such a report suggested that the information is available elsewhere such as in the Unified Budget.

In developing the Illustrations of Annual Financial Reports the Core Group attempted to adhere as closely as possible to the needs expressed by users. Generally, where user needs conflicted, the conflicts between users were resolved in favour of the alternative that provided the greater amount of information. Much of the information users want is not now available in government reports in the form desired. In some cases, the information has been reworked by the Core Group to the desired form. Because of constraints of time and cost,

data have not usually been reworked further back than the two previous years. Consequently, a number of displays that are set out to show information for 10 years include values for only 3 years. Certain information not now available from the government's accounting records has been estimated for purposes of preparing the Illustrations. Where information could not readily be estimated, it has been excluded from the reports, and explanations are given about the information that should be provided.

The Illustrations of Annual Financial Reports are intended as examples only, designed to show one way of meeting users' needs. The present government accounting systems are not designed to produce all the information that would be disclosed in such a report. Hence, some figures presented in these Illustrations represent estimates only as to the approximate amounts involved. Readers of this report should not rely on figures in the Illustrations to form opinions or draw conclusions about federal government operations in either Canada or the United States.

Recognition of Physical Assets

Physical assets comprise inventories of goods held for sale or for future consumption, and long-lived or "fixed" assets such as land, buildings and equipment. Under present practice, expenditures on physical assets are accounted for in the same way as other operating expenditures - that is, they are written off when acquired. A possible alternative accounting treatment is to report them as assets when initially acquired (just as investments are treated as assets) and record expense only when they are sold (in the case of certain inventories) or as their benefit is consumed through use. In the case of assets such as buildings and equipment, the measure of benefit consumption is known as depreciation.

Most users wanted physical assets included in reported assets and allocated to expense as they are sold or consumed. Users need this information to get:

-
- a complete picture of financial position, including all the resources available to government;
 - an accurate picture of the size of government;
 - a complete measure of the annual cost of government services;
 - a measure of cost that is useful for analysis of trends and for comparison with measures of output or benefit;
 - an indication of future replacement needs; and
 - a measure of annual deficit that reflects the consumption of resources to finance current operations.

Government physical assets represent infrastructure important to the economy, and information on physical assets is therefore necessary to understand the impact of government on the economy. Some users stressed the importance of information on physical assets in managing the costs of government operations and the discipline that comes from having physical asset and depreciation records integrated into the accounting system. Many users emphasized the importance of having information on both physical asset acquisition and physical asset consumption. If physical assets are reported as assets until sold or consumed, information about both asset acquisition and asset consumption is provided.

Although most users wanted fixed assets reported and depreciated at historical cost, a number of users wanted them reported and depreciated at market values or at estimated replacement cost. In the United States, some users expressed a concern that the financial position and results of operations, particularly as reflected in the deficit, would be presented too negatively if all physical assets were not included and recorded at their estimated

market values. Many of those wanting the information at historical cost appreciated that market values ideally would provide a better measure of financial position and resource consumption, but they were concerned about the possible lack of reliability and accuracy of the estimates required. They suggested that market values be provided as additional information in the notes to the financial statements.

In the Illustrations, inventories are reported in the main financial statements at either their cost or net realizable value, whichever is lower. Fixed assets are reported and depreciated at historical cost. In Canada, information on replacement cost is provided in a note to the financial statements. Fixed assets and depreciation, adjusted for changes in the general purchasing power of the dollar, are included in the reports as supplementary information in the "10-year comparative financial statements in constant dollars".

Review of internal need for cost information. The need for complete information about the consumption of resources, requires the inclusion of fixed assets in reported assets and the allocation of their cost or value to expense as consumed. We refer to such information as "cost information".

FGRS included a review of the utility to government managers of cost information for purposes of sound financial management. In this context "managers" include central government planners and policy makers as well as managers responsible for administering individual programs and activities.

The review comprised an analysis of relevant literature including Canadian government internal guides relating to management information; a General Accounting Office report on managing the cost of government; Canadian and American studies of federal government financial management and other literature dealing with government managers' information needs; interviews with current and former heads and other senior officials of major

U.S. government departments and agencies; and an analysis of views of the former Canadian deputy ministers and retired senior public servants included in the Government Planners and Managers sub-project.

The review clearly demonstrated that cost information – that is, complete information about the consumption of resources – would benefit government managers in all phases of their work, from planning and execution through to evaluation and reporting. A problem that must be recognized is the inadequacy of such information, if it is based only on historical costs, to provide a measure of the periodic consumption of fixed asset values. When resources are consumed, the measurement of real cost must take into consideration not only wear and tear and obsolescence, but also inflation and fluctuations in market conditions. Historical cost is the starting point in recording the value of resources and is normally captured in any accounting system. As time passes, historical cost loses its relevance as a measure of value – either value consumed or value remaining. Measurements such as replacement costs or market values become more important for many of the management activities described below. Nevertheless, historical cost on acquisition is the foundation of any system to account for physical resources and their consumption, and will therefore be available for purposes of external reporting.

If a system of accounting for fixed assets acquired and consumed were implemented, an initial question would be whether effort should be expended to ascertain the historical cost of assets on hand at that time. A possible alternative would be simply to use estimated replacement or market values to begin the system. Either approach would provide information useful for external reporting.

Planning. In planning, government managers need information about the cost or value of available, unconsumed resources in order to make knowledgeable decisions in allocating them to alternative ways of achieving program objectives. These decisions involve comparisons of the value of resources to be consumed in delivering programs with the value of benefits to be achieved from them. Such comparisons also require cost information to analyse alternative ways of achieving the desired benefits economically.

Execution. Many aspects of program execution require complete cost information:

- To carry out operations with due regard to economy requires that the best or most appropriate resources be obtained for the least cost. Without consistent cost information, attention cannot adequately be given to such economy decisions.
- Resources acquired must be properly maintained, safeguarded and controlled. The reporting and regular review of the costs (or values) of available, unconsumed resources and their depletion or consumption over time is an integral part of the management discipline required for this purpose.
- To set an appropriate level of fees for products or services provided internally to other departments or agencies and externally to those outside government, management needs information about the cost of all resources consumed in producing the products or delivering the services.
- To monitor the efficiency of government operations adequately, managers need cost information to compare the cost of outputs over time and with pre-set standards.

Evaluation. The performance of government programs (and program managers) is measured and assessed by reference to more than their economy and efficiency of operations. It is also important to measure and assess the extent to which programs are achieving their objectives,

in terms of effects or benefits realized, and the reasonableness of such achievements in relation to resources consumed. Cost information is required to do this, in addition to many other kinds of information. To be useful in making comparisons, the cost information should be consistent over time and consistent with information provided by other government agencies and other sectors of the economy.

Reporting. As part of the ongoing process of obtaining and using resources to achieve government goals and objectives, managers are well aware of the need to establish and maintain their credibility in the public eye. They do this in many ways, one of the most important of which is by providing financial reports through which they may be held accountable for their actions. Among other things, such reports are needed to show all government assets and liabilities that affect the operations of future periods; the full cost of government activities, particularly those that provide services or products also provided by private industry; the profit or loss for those government activities that are intended to be carried out on the basis of providing a return on investment or recovery of costs; and information to assess whether the value of goods and services provided by government are adequate in relation to the goods and services withdrawn by government from the economy. To provide all this information requires a cost-based, full accrual accounting system.

Conclusion. The conclusion of this review is that government managers do need cost information in all phases of their work. In some programs, physical asset costs are not

significant and their allocation is relatively simple; in other programs, larger systems are needed that may take some time to develop.

The need to develop systems to provide cost information for sound financial management within government has been widely recognized in both Canada and the United States. To provide the information that external users seek should not impose special, costly systems that are beyond those required for good internal management.

Reporting Entity

Governments carry out many different activities, some in competition with the private sector, and use many different organizational forms. The issue of the reporting entity is twofold: whether the government's summary financial statements should consolidate all activities of government without regard to their nature or how they are organized; or, if not, what activities or organizations should be excluded from the consolidation and what information should be provided in respect of excluded activities or organizations.

The U.S. findings disclosed no significant divergence in users' needs respecting this issue; most users studied in the U.S. wanted all government activities consolidated regardless of the nature of the activities or the organizational form in which they are carried out.

The same agreement does not hold for Canada. Many users in Canada believed that full consolidation is necessary to disclose fully the financial position and borrowing requirements of the government, to assess the socio-economic impact of government activities, and to assess the size and growth of government. Many others, however, saw a fundamental distinction between the commercial and non-commercial operations of government and wanted two separate consolidations - a basic consolidation of "governmental-type" activities, that excludes commercial activities carried out by government-owned business enterprises, and a separate consolidation of those government-owned business enterprises. Most of these users

wanted the government to account for its investment in government business enterprises on an equity basis. On this basis, only the net profits or losses of the business enterprises would be included in the determination of the government's surplus or deficit on operations; their revenues and expenses would not be included.

A few users in Canada saw the central bank - the Bank of Canada - as being a unique institution that should not be consolidated but for which financial information should be disclosed in the government's Annual Financial Report. Others saw the Bank's implementation of monetary policy as being an essential, albeit separately organized, part of the responsibilities of government that should be reflected in the consolidated financial statements.

Many users in Canada also wanted a listing by individual government-owned corporation of summary financial and other data, such as total assets and liabilities, revenues, profit or loss, extent of financial assistance from the government, and number of employees. This information was deemed necessary to assist users to:

- understand the significance of government-owned corporations in the economy;
- assess their operational performance;
- assess the potential implications of their operations on government finances; and
- assess their continuing relevance as instruments of government policy

In the Illustrations, the main financial statements use the broadest consolidation needed by any group of users. The assets, liabilities, revenues and expenses pertaining to all federal government activities, including those carried out by government business

enterprises (and, in Canada, the central bank), are included. In response to the needs of many Canadian users, separate information on government corporations is provided in two ways in the Canadian Illustration. Information on transactions and balances of government corporations with outside parties is provided in various notes to the main financial statements which separately identify the assets, liabilities, revenues and expenses of government corporations.

In addition, the expenses and sales revenues of individual government corporations are set out in the supplementary information detailing government expenses by envelope and program. The supplementary information also includes a list of significant details on individual government corporations, which has been extracted from the corporations' regular accountability reports and so includes transactions and balances with departments and agencies of government.

Actuarial Liabilities for Employee Pensions

The government's liability to certain categories of claim-holders cannot be determined absolutely because of uncertainty about how future events will affect the eventual level of payments required by contract or by law. In some cases, for example employee pension plans and social security plans, the amount of the liability can be estimated using actuarial methods. This section addresses the issue of whether users need government financial statements to include the actuarial liability for employee pension plans. The question of information required in respect of social security programs is discussed in the next section.

With few exceptions, users wanted the federal government's financial statements to include the full actuarially-calculated liability for employee pension plans. Such a reporting was

considered necessary to show the full liabilities of the government and to have all elements of employee remuneration included in program costs.

In the illustrative Annual Financial Reports, the full actuarial liability for employee pension plans has been included in the financial statements, and explanation of the plans and how the liability is calculated is provided in a note to the financial statements.

Ongoing Social Programs

The U.S. and Canadian governments operate, or contribute to, a number of programs under which individuals become entitled to receive payments. These programs may be funded by special taxes or levies, as in the case of U.S. Social Security and the Canada Pension Plan (CPP), or they may be funded from general revenues. The question addressed to users was whether they needed future-oriented information on social programs included in the summary financial statements.

Almost all users were in agreement that future-oriented information was useful. It is needed to assist them in assessing:

- future borrowing requirements and taxation levels and the resulting impact on the economy;
- the long-term viability of social programs; and
- policy options available to control or reduce spending or deficit levels.

Future-oriented information can take the form of an actuarial projection of future benefit payments and future contributions, or the actuarial liability represented by the summation of the present values of the streams of future benefit payments less contributions.

Projected spending levels on other social programs, together with the assumptions used in making the projections, were wanted by most users. Some users, particularly in Canada, felt that the assumptions used in making such projections were likely to be controversial and that including the projections would damage the credibility of the annual report. These users

proposed including past trends only and leaving it to the reader to make the projections. To assist the reader in making projections, some users suggested including demographic information in the report.

In both the U.S. and Canadian Illustrations, 10-year historical trend information, in both current and constant dollars, is shown for major social programs in the 10-year comparative financial statements included as supplementary information. Projected expenditures on social programs, on a budgetary accounting basis, are included in the budget projections in the supplementary information section to the extent such information is available in budget documents.

Determination of actuarial liabilities was considered most useful for those programs like Social Security and CPP where there is an identifiable stream of receipts intended to fund the stream of payments. Many users in the U.S. wanted Social Security included in the financial statements on an actuarial liability basis in order to have a total picture of the government's obligations to pay benefits in the future. Some others did not believe that Social Security should be included as a liability; they viewed it as a commitment to an ongoing social program that should be footnoted rather than shown as a liability. Only a few users in Canada wanted the CPP actuarial liability included in reported liabilities. Some were of the view that reporting receipts and payments for CPP as they occurred was more useful for assessing the government's impact on current economic conditions. Other users in Canada wanted CPP excluded from the reporting entity. They viewed the CPP as a separate activity that the federal government, with the participation of the provinces, administers on behalf of contributors.

Regardless of what accounting approach they felt was appropriate for Social Security and CPP, users wanted full disclosure, in a note to the financial statements or in supplementary data, of significant information such as:

- the amount of the actuarial liability and change during the year (or the effect that accounting for the actuarial liability would

have on the surplus or deficit for the year);
 demographic and economic assumptions used in calculating the actuarial liability; and
 the status of the fund available to meet benefit payments.

FGRS findings do not indicate consensus on how Social Security and the CPP should be reported. The method chosen in the U.S. was to consolidate Social Security in the financial statements by including contributions receivable during the year in tax revenues and by including benefits payable in expenses. In addition, an estimate of the actuarial liability for Social Security is included in the liabilities reported in the financial statements. In Canada, in view of the lack of a consistent preference by users for any one accounting method, and considering the legal and political involvement of the provinces, it was decided to exclude CPP from the consolidated financial statements in the illustrative Annual Financial Report. Detailed information, including the amount of actuarial liabilities and the effects on the deficit of the accounting method chosen, is provided in notes to the financial statements.

Reporting Gold Holdings

Both Canada and the U.S. hold quantities of gold as part of their monetary or foreign exchange reserves. The issue is whether gold holdings should be included in reported assets and, if so, how the gold should be valued.

The issue of how to account for gold holdings was not significant to most users. Of those users expressing an interest, almost all wanted gold included in the financial statements as a financial asset. Users studied in the U.S. wanted gold reported at current market values. Canadian users were divided; most interested users wanted gold reported at current market values, but others wanted gold reported at its official reserve value.

In the illustrative Annual Financial Reports, gold is reported at current market values. The official reserve value of the gold is disclosed in a note to the financial statements.

Accrual of Tax Revenues

Tax revenues are reported by the U.S. and Canadian governments in the period when the taxes are collected or refunds paid. Under the accrual basis, taxes would be reported in the period that the taxpayers' liability to pay the taxes arises. For income taxes, the liability would accrue over the period that taxpayers earn the income that gives rise to their liability.

Almost all users acknowledged that, in concept, accrual information on tax yields is more useful than cash information for economic analysis; it provides more meaningful time series and a more meaningful link to the spending and investing behaviour of individuals and firms. Accrual information is also useful to help forecast cash flows. Some users wanted cash flow information on taxes to assess financing consequences and financial market effects; others wanted it for economic analysis. A number of those users who considered accrued tax revenues to be superior for economic analysis purposes were concerned about the difficulty of calculating accrued tax revenues for self-assessed taxes such as individual and corporation income taxes. Some were of the view that the estimations required in such calculations would result in calculated amounts being so unreliable that they would not be worth the effort of producing them.

Notwithstanding this concern, taxes are reported on the accrual basis in the illustrative Annual Financial Reports to meet the needs expressed by the majority of users. The accruals required can be and even now are calculated. In Canada, estimates of accrued tax yields are made under tax collection arrangements with the provinces for the purpose of remitting their share of tax revenues. In the Illustrations, the accruals for income taxes are based on a

combination of actual assessments rendered and estimates of taxes yet to be assessed. Information is also provided on the balances of taxes receivable and refundable for those users who want to calculate the cash flows pertaining to tax revenues.

Tax Expenditures

Both the U.S. and Canadian tax systems contain special provisions for the taxation of individuals and groups in society based on sources of income, on uses to which income is put or on characteristics of the taxpayers themselves. These selective tax measures take the form of tax exemptions, deductions, credits, reduced tax rates and tax deferrals. Because such tax measures can be used as a substitute for direct expenditures in the pursuit of public policy goals, they are commonly referred to as tax expenditures. The issue is whether the federal government should disclose, in an Annual Financial Report, estimates of revenues foregone as a result of selective tax measures.

The usefulness of information on tax expenditures was stressed by almost all users. It is needed:

- to analyse and describe the total size and scope of government;
- to assess the equity of concessions granted to individuals and groups through the tax system;
- to analyse and describe the allocation of resources to particular uses or policy areas;
- to analyse and describe the impact of federal government policies on social and economic conditions;
- to analyse and describe the impact of tax arrangements on individuals and firms;
- to assess policy choices open to the government in controlling the deficit;
- to determine the comprehensive cost of providing specific services or benefits;
- to provide insight into possible future policy directions and tax changes;
- to forecast tax revenues;

- to assess consequences for cash requirements of changes in tax measures; and
- because tax expenditures can be substituted for direct expenditures, to hold government accountable for the level of spending relative to statutory ceilings or budgeted plans.

Most users wanted the Annual Financial Report to include either a complete listing of tax expenditures or a listing of major tax expenditures with a reference to where further details could be found. Many users wanted tax expenditures displayed in a manner that would permit them to be related readily to direct expenditures in any policy area. Others wanted tax expenditures identified by type of tax, such as individual or corporation income tax or commodity tax.

Some users were of the view that information on tax expenditures should not be included in an Annual Financial Report because its nature was too conjectural. Some went further to criticize the inference of some tax expenditures that everything in society is taxable. Those users favouring the inclusion of tax expenditures suggested that there should be a clear caution to readers concerning the assumptions and limitations inherent in the information and the consequent limitations on how it can be used. Without such a caution, some readers might inappropriately add up tax expenditures to arrive at a false conclusion as to total foregone revenue.

The illustrative Annual Financial Reports include summary information on major tax expenditures as supplementary information. The information has been extracted from official government reports and includes cautions on its use and references to sources of more detailed information.

Budget to Actual

Federal government budget documents contain estimates of revenues and expenditures for the coming year. The issue for FGRS was whether

the Annual Financial Report should include a comparison of the results actually achieved for a year with what was previously estimated.

Most users indicated that they would find useful a comparison of actual to budget. Many users suggested that a multi-year comparison would be more useful than a comparison of one year only. Such a comparison was needed:

- as part of the accountability regime to keep a check on government decision making over time;
- as an indication of policy changes during a period;
- as a measure of how well the government is managing its affairs; and
- as an indication of the reliability of budget estimates as a tool for activities such as economic forecasting.

Users did not agree on whether the comparison of actual to budget should be in the main financial statements or presented as supplementary information. Some users wanted the comparison made on an agency basis rather than a functional or envelope basis; others wanted the comparison made on a more detailed project or program level.

Many users stressed the desirability of having budgets prepared on the same basis as used in the main summary financial statements. Complex reconciliations were seen as confusing to readers and leading to reduced credibility for the annual report. However, revenue and spending forecasts are now presented on a cash or modified cash basis in budget documents; this differs considerably from the accrual basis that users need for historical information as illustrated in the Annual Financial Reports. Until budgets are prepared on the accrual basis,

some form of reconciliation will be needed in the Annual Financial Report in order to compare historical results with budget forecasts and hold the government accountable for its performance.

The illustrative Annual Financial Reports include a multi-year comparison of budgeted revenues and expenditures with the results actually achieved for those years. Also included is a reconciliation for the current year of revenues and *expenditures* on a budget basis, with revenues and *expenses* reported in the illustrative consolidated financial statements. (A description of the budget basis of information and the difference between "expenditures" and "expenses" is included in the subsequent section, "Measures of Deficit".) In Canada, the reconciliation is included in supplementary information; in the U.S. the reconciliation is part of the primary financial statements. The reconciliation is necessarily complex because the illustrative consolidated financial statements incorporate the many changes from present reporting practice that users have indicated they need.

Timeliness of Reports

During Phase II of FGRS, many users expressed dissatisfaction with the timeliness of federal government financial reports. This issue was further investigated in Phase III to determine how soon after the year-end users needed the reports to be available and the frequency of interim reporting that would best suit their needs.

For most users, the utility of information decreased the later it became available. These users were generally willing to sacrifice some accuracy to get more timely information. For purposes of some types of analyses of economic behaviour, the accuracy and consistency of time series were more important than timeliness. A number of analysts were therefore willing to accept reasonable delays necessary to improve the reliability of accounting estimates.

For most users, availability of the Annual Financial Report three or four months after the year-end was adequate. They also required

current information to be available from interim condensed monthly or quarterly reports throughout the year. Some users believed the government should be able to match the corporate sector in producing summary annual reports within one or two months of the year-end. Those using both government annual reports and National Accounts as information sources wanted government quarterly reports to be available when National Accounts reports are available - 60 days after the end of each quarter.

Adjustments for Inflation

Financial statements prepared on an historical cost basis, unadjusted for changes in the purchasing power of the dollar, do not present, in periods of inflation or deflation, a realistic measure of changes in net worth during a period or a meaningful portrayal of trends over several years. Although all users acknowledge the distortions to financial reports caused by inflation, they are not in agreement on how the distortions should be corrected, or even that they should be corrected.

Some users want assets and liabilities reported in the main financial statements at current market values as part of a full current value determination of financial position (net worth) and surplus or deficit (changes in net worth). Most users are concerned that current value accounting requires a degree of estimation that would undermine the usefulness of the figures. They want the main financial statements to be prepared on an historical cost basis without adjustment for changes in the purchasing power of the dollar. Some of these users agree that a 10-year time series of inflation-adjusted information is useful as supplementary information. Users wanting inflation-adjusted information as supplementary information do

not agree on how it should be calculated. All users agree that, if inflation-adjusted information is presented, there should be a clear description of the methodology and the source of indices used as deflators.

In the illustrative Annual Financial Reports, 10-year comparative financial statements in constant dollars are presented as supplementary information. The adjustments to historical dollars used in preparing these financial statements are based on a general purchasing power index as explained in the reports. While the reports contain some information on current market values or estimated replacement values, time constraints and limitations of readily available information did not permit a full illustration of the effect on financial position and results of operations of using full current value accounting.

Measures of Deficit

Financial statements that report activities of an entity for a period customarily come down to a "bottom line" representing the difference between resources obtained or received during a period and resources consumed or spent during the period. Those statements can report all resource inflows and outflows to the entity for the period or just some of them (for example, the statement might be limited to cash inflows and outflows). Users of financial statements seem to want the quick snapshot of results that is provided by the bottom line. The problem is that different users are interested in different indicators of results. Some are interested just in cash inflows and outflows. Others are interested in more complete measures of results of operations showing results in terms of the net position of other assets and liabilities as well as cash.

In government accounting it has been customary to call the bottom line in a statement of operations the "deficit" for the period. The term deficit, however, lacks meaning unless the statement reader knows what it is that is being accounted for. Is it just cash flows or is it

something more? In the course of FGRS, users were asked what definition of "deficit" they would find most relevant.

Almost all users had a need for more than one measure of results. They needed different measures for different analytical purposes. To avoid confusion, users wanted the different measures distinguished by different names and an explanation or reconciliation to show how they are related. Some users in the U.S. wanted it clearly disclosed that the deficit is a result of government policy in that it can be decreased or increased by various changes in policy, such as increasing or decreasing tax revenues and/or expenses.

Following are the measures of results that users indicated would be useful:

□ Deficit (or surplus) on operations. Some were interested in the difference between resources becoming available to the government in the year as a result of operations and resources consumed in operations. The term resources is used broadly here. Thus, a claim for taxes arising during the year would represent a resource coming available from operations. But the collection of that claim and subsequent spending of the money on inventory still held at the end of the year would not represent a consumption of resources, because they have merely changed their form. The consumption of resources would be reported subsequently when the inventory was sold or consumed in the course of government operations. In accounting, the inflow of resources is called revenue and the consumption of resources is called expense. The bottom line - the difference between the two - is often called "deficit (or surplus) from operations".

□ Increase (or decrease) in net debt. Others are interested in restricting the definition of a resource to cash or assets that represent claims to receive cash. Thus cash spent on inventory for consumption or on buildings and equipment

to be used in the government service would be regarded as consumption of resources. In accounting terms, the physical assets would be "written-off" as acquired. Under this basis of accounting, the figure of resource consumption is called "expenditure", not "expense". It is likely that under this basis of accounting, liabilities owing by a government would exceed its recorded resources from operations together with investments so that a net debt position would be shown in the financial statements. The bottom line for a given period on this basis of reporting therefore could be described as "increase (or decrease) in net debt". The deficit that is estimated in Canadian budgets is the forecast increase in net debt in the budgetary period.

□ Total financial requirements.

Governments acquire resources, such as investments, in non-operating transactions as well as in the course of operations. Expenditures on investments are normally treated as assets, not written off when acquired. But the government must find the money to pay for them. Thus its total financial requirements are affected by purchases and sales of investments as well as the net results of operations. Some users are interested in a figure of "total financial requirements", which can be found by adding net outlays for investments to the figure for increase in net debt from operations.

□ Borrowing requirement. Not all the financial requirements of a government must be met by borrowing in the financial markets. A government can draw down its cash balances or use other internal sources of financing. For example, employee pension plans can provide financing in two ways (if the plans are not funded). First, the expense reported by government for pension benefits earned by employees only represents a financial requirement in the more or less distant future. Second, employee contributions to the plan directly reduce the government's external financial requirements if they are directed into the government's cash balances. If total financial requirements are adjusted for such

internal financing, one is left with a bottom line that shows the government's "borrowing requirement" for a period. This measure is often described as the "cash deficit" or "cash requirement". It is approximately equivalent to the deficit measure shown in the U.S. budget.

Each of the above four measures may be derived from the accounting basis used in preparing the financial statements in the illustrative Canadian and U.S. Annual Financial Reports. Each of the four is shown in the statement of financial requirements in the illustrative Canadian financial statements.

Users also like to see to what extent deficit, however measured, has been affected by inflation. One way to accomplish this is to present supplementary information in which the impact of inflation is neutralized by reporting in dollars of constant purchasing power. As discussed in a previous section of this chapter, 10-year comparative statements in constant dollars are provided in the illustrative Annual Financial Reports.

Users of the Annual Financial Reports will continue to use information on the federal government obtained from other sources. The main sources are the budget and the National Accounts. To permit the appropriate use of information from these two other sources, users want the Annual Financial Report to include reconciliations between the consolidated deficit on operations and the deficits reported in the budget and the National Accounts. Reconciliations are included in both the U.S. and the Canadian Illustrations.

Asset Valuation

The federal governments in both Canada and the United States frequently provide assistance through the issue of loans on concessionary terms. Assistance loans to developing countries, for example, are often made for a 50-year term, without interest and with no repayment for the first 10 years. Thus, at the date of issue, the

amounts advanced considerably exceed the asset value received because of these concessionary terms. The question is whether to account for such loans at the time of their issue at their face value or at a discounted value that would approximate their real or fair value.

Most users wanted concessionary loans accounted for at a discounted value in order to have a clear picture of financial position and a true measure of the cost of aid programs. Some users suggested that loans on highly concessionary terms such as described above could be wholly written off to expense when made, with repayments treated as revenues when received.

In the illustrative Annual Financial Reports, concessionary loans are reported at a discounted value with the grant element of such loans included in expense in the year of issue.

Performance Information

The primary function of a summary Annual Financial Report is as an accountability document showing the performance of the government during the year. The issue of performance information was raised with users to determine what other performance information they needed beyond that already implicit in the discussion of other issues, such as the comparison of budget with actual results.

The overall fiscal performance of the government is shown by measures of deficit such as those discussed in a previous section of this chapter. A number of users indicated that these measures would be more meaningful to them if expressed on a per capita basis or as a percentage of Gross National Product. Government planners and managers suggested that, where budgets included economic or financial targets, the annual report could show performance against the targets.

Many users wanted information on performance at the program level; such measures would help them assess the economy, efficiency and effectiveness of government operations. Users generally agreed that a summary Annual

Financial Report was not the appropriate vehicle for such reporting. Space restrictions in an annual report would require a selectivity in reporting program performance that users felt could result in a biased picture of performance. Users did, however, want references in the annual report to where they could obtain detailed information on program performance.

The illustrative Annual Financial Reports include a discussion up front on overall financial results including selected measures on a per capita basis and as a percentage of Gross National Product. Also included in the Reports are references to where a reader may obtain information on performance at the program level.

Disaggregated Information

This issue refers to the nature of classification and level of detail that users would find useful in a summary Annual Financial Report. The type of analysis for which information can be used depends entirely on how it is disaggregated. For example, analysis of regional effects of resource allocation or regional redistributions implicit in the tax system cannot be carried out without disaggregations of revenues and expenses by region. On the other hand, users cautioned that the summary annual report would be valued just because it was brief and did not get the reader bogged down in details; therefore, excessive detail should be avoided. Users would welcome a list of major sources of detailed information about the federal government.

The illustrative reports provide various classifications at a summary level to give readers a picture of the kinds of information available about the federal government. References to sources of more detailed information are also provided.

Two differences between the Canadian and U.S. Illustrations may be of interest. The Canadian Illustration includes as supplementary

information a lengthy schedule setting out expenses and program-related revenues by program. Such information is valued by legislators, policy analysts and other users interested in analysing and commenting on government policy or in assessing the financial implications of possible changes in program delivery. Such a schedule was not considered practical for the U.S. Illustration because of the much larger number of programs in the U.S. system.

The other difference is the display of expense by envelope in the Canadian Illustration. Envelopes are a simplified functional display used for budgeting and resource control purposes in Canada. Most users in Canada want a functional display of expenses, but there is not now a generally accepted definition in use by all levels of government. The envelope display, with the program breakdown referred to above, would probably meet the needs of most users.

Cash and Accrual Information

Federal government budgeting and related reporting of actual results are currently done in the United States on a cash basis and in Canada on a partial accrual basis. An issue often debated in government accounting is whether governments should report on a full accrual basis. Only full accrual provides a measure of the full cost of government operations.

Almost all users wanted accrual accounting for the basic reporting of assets and liabilities and revenues and expenses, as discussed in the previous sections on recognition of physical assets, actuarial liabilities for employee pensions, accrual of tax revenue, and measures of deficit. Most also needed information on cash flows or a reconciliation to show how results on an accrual basis affected the cash position. Such cash information is needed internally for

cash control and financial planning and externally for forecasting borrowing requirements and related financial market effects.

A number of users pointed out the complementary nature of cash and accrual information. If the accounts are maintained on an accrual basis, cash and accrual information is available. The statement of financial requirements can be a bridge between the operating results on an accrual basis and the resulting cash or borrowing requirement. Users studied in the U.S. needed a reconciliation between the cash deficit calculated on a budget basis and the accrual deficit reported in the consolidated financial statements.

The Canadian and U.S. Illustrations are both prepared on a full accrual basis. The Canadian Illustration uses the statement of financial requirements to reconcile the deficit on operations to the resulting borrowing requirement. Similar information is presented somewhat differently in the U.S. Illustration. In addition, the U.S. Illustration reconciles the cash flows on a budget basis with the results of operations in the consolidated financial statements.

Chapter Three

The Study Approach and Methods

General Standards for the Study

FGRS was conducted to identify and understand what financial information about the government users need, and for what activities they need it. The answers to these questions, however, had to be linked with specific proposals for the form and content of government financial reports. To achieve this, the following general guidelines for the study were agreed on:

- Since information needs were examined from a user perspective, they should be expressed in the language of the users.
- Information needs expressed should be linked to specific activities of users to ensure a thorough understanding of the needs and to avoid unsupported demands for free information.
- Notwithstanding the user perspective, the answers should be in a form that will facilitate analysis of the technical accounting and presentation issues.

Choice of Approach to the Study

To a considerable extent, the design of the study was dictated by the circumstances. Although the government publishes a wide variety of financial documents, little was known, before the study, about who uses federal government financial information and for what purposes they use it. Thus a statistical sampling approach was ruled out because of lack of knowledge about the universe of users. Inevitably, the study had to be exploratory in nature.

Accordingly, the design of FGRS was not completely specified at the outset. Rather, it was developed iteratively, one phase at a time, so that the design of each phase built on the knowledge gained and advice received in previous phases. At the completion of each phase, the central FGRS Core Group - senior accountants with a background in federal

government financial reporting drawn from the Canadian Auditor General's Office and the U.S. Comptroller General's Office - summarized and analysed the findings for the purpose of making the necessary "course corrections" and developing a sharper focus and more structured methods for the next phase.

The Four Phases of the Study

As it evolved, there were four overall phases to FGRS:

- Phase I - Planning and Organization - December 1983 to June 1984
- Phase II - First Implementation Phase - July 1984 to February 1985
- Phase III - Second Implementation Phase - March 1985 to June 1985
- Phase IV - Analysis and Reporting - July 1985 to March 1986

Phase I: Planning and Organization

Based on the literature, discussions with advisers and the experience of its members, the Core Group agreed to organize the study around six user groups. These groups were:

- legislators;
- citizens, the media, policy analysts, special interest groups and other levels of government;
- government planners and managers;
- economists;
- corporate users; and
- lenders, security dealers, and their advisers.

This organization of users assumed that although the six user groups shared some interests in common, each could be expected to exhibit some group-specific preferences regarding the content and presentation of federal government financial information. It was further assumed that the range of information needs and preferences in the user universe would be captured within the six user groups.

It was agreed that the Canadian and U.S. Core Group members would work jointly on certain aspects of the study and assume different but

complementary roles for other aspects. In general, the U.S. Group elected to pursue a "top down" and the Canadian Group a "bottom up" approach to their work.

Specifically, the Canadian Group was to begin by having expert representatives of each identified user group explain their activities and needs. This information was later used to develop an illustrative Annual Financial Report. Members of the U.S. Group were to draw on the literature and their own expertise to develop an illustrative Annual Financial Report for subsequent discussion with users.

Jointly, the Core Group identified experts in both countries to serve on an International Advisory Group (IAG) for the study. These 22 advisers included senior government officials, recognized authorities in accounting and auditing, representatives of standard-setting groups, and professional accountants practising in the public sector. Toward the end of Phase I, the IAG was convened for the first time and contributed advice on the design for Phase II.

Phase II: First Implementation Phase

Believing the design of a representative sample to be impossible in view of the paucity of information about the universe of users, the Canadian sub-project experts each identified respondents believed to be highly knowledgeable in their respective user group. Information obtained from this prominent subset of users was expected to cover the range of needs and preferences, as appropriate to first-stage exploratory research, where generalization was not the objective.

The Canadian experts consulted 89 users across the 6 user groups, and an additional 50 citizens in 5 focus group discussions, and prepared reports on the findings for each user group. The U.S. Group and its advisers developed a first draft illustrative U.S. Annual Financial Report, based on their experience during the past several years with the Treasury prototype consolidated financial statements. The

Illustration also reflected the preliminary Canadian Phase II findings as well as a set of assumptions that had survived internal debate and challenge.

In February 1985, the IAG was convened again to review a presentation of the Canadian and U.S. Groups' work and to advise the Core Group on plans for Phase III.

Phase III: Second Implementation Phase

In Phase II the interviews conducted in Canada had been relatively unstructured because of the desire to probe for information. In Phase III, structure was added to allow Canadian and U.S. interview teams to test the Phase II findings and to ensure that all respondents were expressing their opinions and preferences with respect to identified issues. This structure was achieved in two ways:

- Sixteen major questions were identified from the findings of the Phase II interviews. These were focused on information that could be presented in a summary-level Annual Financial Report.
- The Canadian group drafted an illustrative Annual Financial Report designed to satisfy as many as possible of the information needs identified in Phase II.

At the Phase III interviews, all respondents were asked to express an opinion on the potential usefulness of an Annual Financial Report such as was illustrated and to react to the questions on the other 15 issues.

In all, 131 users were consulted in Canada and 125 in the U.S. during Phase III.

At the end of Phase III, the IAG convened in a final meeting with the Core Group to analyse findings and discuss reporting themes and

formats. Discussion focused on the 16 key questions that had provided the structure for Phase III.

Phase IV: Analysis and Reporting

The foundation of the final report consisted of draft reports by each of the experts responsible for a Canadian user group interview program. U.S. findings were integrated with these draft reports to produce draft chapters, each chapter covering a group of users. The Core Group drafted summary chapters and a revised illustrative Annual Financial Report for each country, based on the findings in the integrated chapters on individual user groups. The complete work, including summary and user group chapters and revised Illustrations, was given a final review by the experts responsible for the Canadian interview program and by members of the IAG.

The Steering Committee

K.M. Dye

Auditor General of Canada

C.A. Bowsher

Comptroller General of the United States

D.L. Meyers

Deputy Auditor General of Canada

F.D. Wolf

Director, Accounting and Financial Management
Division, U.S. General Accounting Office

L.K. Osland

former Assistant Auditor General of Canada

B.K. Michelson

Group Director, Accounting and Financial Management
Division, U.S. General Accounting Office

The Core Group

Canadian Group

L.K. Osland
former Assistant Auditor General of Canada

R.C. Thompson
Assistant Auditor General of Canada

H.O. Stebbe
Director, Audit Operations, Office of the Auditor General
of Canada

K.E. Wilson
Analyst, Gross National Product Division, Statistics
Canada

S.J. Lamb
Supervisor, Audit Operations, Office of the Auditor
General of Canada

U.S. Group

B.K. Michelson
Group Director, Accounting and Financial Management
Division, U.S. General Accounting Office

J.M. Kowalski
Accountant, Accounting and Financial Management
Division, U.S. General Accounting Office

L.E. Coleman
Accountant, Accounting and Financial Management
Division, U.S. General Accounting Office

H.A. Coleman
Economist, Office of the Chief Economist, U.S. General
Accounting Office

J.P. Wesberry
former Senior Adviser, Office of International Audit
Organization Liaison, U.S. General Accounting Office

Canadian User-Group Experts

Parliamentarians

J.L. Evans

former Member of Parliament; former Chairman of the House of Commons Standing Committee on Finance, Trade and Economic Affairs

D.J. Hoffman

former Professor of Political Science and Social Science, York University, Toronto

Government Planners and Managers

G.D. Cousineau

former President and Chief Executive Officer of Loto Canada, Inc.; former Chairman and Chief Executive Officer of the Unemployment Insurance Commission; former Deputy Secretary of the Administrative Policy Branch of Treasury Board

J.M. DesRoches

former Deputy Minister of Manpower and Immigration; former Deputy Minister of Supply; former Chief Commissioner and President of the Unemployment Insurance Commission; former President and Director of a number of Crown corporations

Citizens, Media, Policy Analysts, Special Interest Groups and Other Levels of Government

W. Cheveldayoff

former economics reporter and columnist and Parliament Hill correspondent for the *Globe and Mail*

Economists

M.G. Dagenais

Professor of Economics, University of Montreal

K.E. Wilson

Analyst, Gross National Product Division, Statistics Canada

Corporations

J.B. Maxwell

Chairman, Economic Council of Canada; former consulting economist for Coopers & Lybrand; former Director of Policy Analysis, C.D. Howe Institute

Lenders, Security Dealers and Their Advisers

J.E. Toten

former Chief Economist and Vice-President, Planning and Economics, Bank of Montreal; Vice-Chairman, Business and Industry Advisory Committee to the Organization for Economic Co-operation and Development

Core Group Advisers

Canada

S.J. Handfield-Jones

former Assistant Deputy Minister, Fiscal Policy and Economic Analysis, Department of Finance; former Executive Director for Canada of the International Monetary Fund

N.G. Ross

Partner, Coopers & Lybrand, Ottawa

R.M. Skinner

former Partner, Clarkson Gordon, Toronto

W.R. Sloan

Partner, Arthur Andersen & Co.; former Chairman of the Independent Advisory Committee, Office of the Auditor General of Canada

United States

R. Abel

Associate Director, Accounting and Financial Management Division, U.S. General Accounting Office

J.R. Cherbini

Associate Director, Accounting and Financial Management Division, U.S. General Accounting Office

M.T. Hagenstad

Director, Office of Congressional Relations, U.S. General Accounting Office

H.S. Havens

Assistant Comptroller General, U.S. General Accounting Office

A. Schoenhaut

former Executive Secretary, Cost Accounting Standards Board; former Deputy Comptroller, Atomic Energy Commission

L.H. Thompson

Chief Economist, U.S. General Accounting Office

Study Approach and Methods Experts

B.A. Kleindienst

Senior Management Analyst, Research Methods, Office of
Quality Assurance, U.S. General Accounting Office

R.B. Robinson

President of Abt Associates Canada, and Partner, Thorne
Stevenson & Kellogg, Toronto

Technical Team

J. Adamsons
G. Boyd
D. Hackett
J. Kirkpatrick
H. McCandless

Production Team

Production and Publication

N.A. Murphy

Design

L. Price-Bennett

Edit

C. Chabot

G. Desormeaux

L. Johnson

L. Quinty

Typesetting/Graphics

W. Bannister

E. Dowd

C. Fraser

A. Routliffe

C. Swerdfager

G. Wand

J. Whitemarsh

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

**Illustrative Annual Financial Report
of the Government of Canada
1985**

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

This document is one of four publications produced as a result of the Federal Government Reporting Study. These documents include:

Summary Report (GAO/AFMD-86-30)

Illustrative Annual Financial Report of the United States Government (GAO/AFMD-86-30A)

Illustrative Annual Financial Report of the Government of Canada

Detailed Report (GAO/AFMD-86-30B)

The Detailed Report contains the complete Summary Report, both U.S. and Canadian Illustrative Annual Financial Reports in their entirety, as well as the detailed findings of the project. These documents can be obtained from:

United States:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877, U.S.A.

Canada:

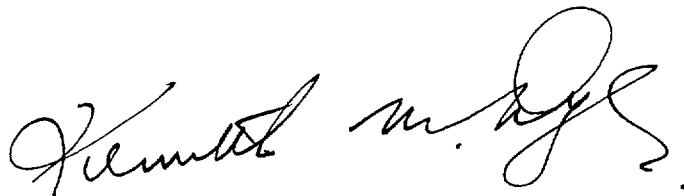
Office of the Auditor General of Canada
11th Floor
West Tower
240 Sparks Street
Ottawa, Canada
K1A 0G6

Caution to Readers

This model Annual Financial Report was prepared by my Office to illustrate findings of the Federal Government Reporting Study, which we conducted jointly with the United States General Accounting Office. The study was carried out to identify and understand what financial information about the government users need, and for what activities they need it.

User groups identified were: parliamentarians; citizens, media, special interest groups, policy analysts and other levels of government; federal government planners and managers; economists; corporations; and lenders. All stated a need for an annual, comprehensive yet succinct financial overview of the federal government. This Illustration is intended as an example of such an overview, to stimulate interest and discussion in ways of meeting users' needs.

The government accounting system at present is not designed to produce all the information that would be disclosed in such a report. Hence, some figures presented in this illustrative report represent estimates only as to the approximate order of magnitude of the amounts in question. Readers should therefore not rely on figures in this report to form opinions or draw conclusions about operations of the Government of Canada.



Kenneth M. Dye, F.C.A.
Auditor General of Canada

Contents

Preface	Cdn 3
Financial Overview	9
Financial Statements	
Statement of Management Responsibility	21
Opinion of the Auditor General	22
Consolidated Statement of Operations	23
Consolidated Statement of Financial Requirements	24
Consolidated Statement of Financial Position	25
Notes to the Consolidated Financial Statements	
1. Significant accounting policies	26
2. Authority for transactions	27
3. Expense under authorities not subject to annual dollar limits	30
4. Tax revenues	31
5. Unemployment insurance	31
6. Sales of goods and services	32
7. Investment income	33
8. Expense by object	33
9. Public debt expense	34
10. Borrowing on financial markets	34
11. Employee pension and retirement plans	36
12. Bank of Canada notes in circulation and amounts owing to depositors	38
13. Accounts payable and other liabilities	39
14. Taxes refundable and receivable	39
15. The Canada Pension Plan	40
16. Loans, investments and advances	42
17. Cash and monetary reserves	43
18. Accounts receivable and other financial assets	43
19. Land, buildings and equipment	44
20. Inventories	45
21. Contingent liabilities and insurance programs	45
22. Contractual commitments	46
23. Subsequent events	47

(over)

Supplementary Information

Ten-year Condensed Financial Statements in Historical and Constant Dollars	Cdn 51
Comparisons of Budget with Actual and Reconciliations with Consolidated Financial Statements	53
Financial Summary of Crown Corporations	56
Personal Income Tax by Income Class and Province	58
Corporate Income Tax by Industrial Sector	59
Tax Expenditures	60
Sales Revenue and Expense by Envelope and Program	63
Spending by Province/Territory	67
Federal Government Employment	71
Ten-year Economic Data for Financial Overview	72
Sources of More Detailed Information	73

Preface

The purpose of this Annual Financial Report is to provide, in a single document, basic financial information that gives a succinct yet comprehensive summary of the financial position and operations of the Government of Canada, and supplementary information of use to the professional analyst of federal financial activities.

The sequence of the Report through its three sections is a progression from overview to greater detail. The **Financial Overview** provides simplified financial statements and related explanatory narrative and graphs together with a brief comment on the economic environment in which the government has been operating. The second section, **Financial Statements**, is somewhat more detailed and technical, and contains the government's audited summary-level financial statements and explanatory notes. It includes the information necessary for a fair presentation of the government's financial position, results of operations and financial requirements. The third section, **Supplementary Information**, contains information designed to satisfy particular needs of a variety of users, and includes 10-year trend data.

The Report differs significantly from existing government financial reporting in two ways. First, the set of entities encompassed by the financial reports, called the reporting entity, comprises not only departments and agencies but also government-owned corporations. Second, the basis of accounting goes beyond the traditional governmental "expenditure-based" accounting to reflect, for each fiscal period, the cost of effort expended by

government and the value of revenue earned. This method of accounting, used in the private sector to match effort with accomplishment, is called the accrual basis.

The reporting entity. The government carries out its various activities in part through departments and agencies and in part through corporations. The financial statements included in the Financial Overview and the main Financial Statements sections of this Report summarize the financial results of the government's activities without regard to the type of entity through which the activities are carried out. This is done by consolidating, in the government's financial statements, the financial statements of majority-owned corporations. In this Report "majority-owned" includes wholly-owned corporations (Crown corporations), corporations in which government has a majority equity interest providing the government full management control, and corporations without share capital for which the government has the right to appoint a majority of directors.

The Bank of Canada is a corporation unique in terms of its function and the control mechanisms under which it operates. It is nonetheless wholly owned by the Crown and has been consolidated in the financial statements (see Note 12 to the financial statements). On the other hand, the Canada Pension Plan, a very large financial undertaking, is regarded by many as a joint federal-provincial endeavour for which the federal government is the administrator. Since effective control of the Plan as a social program does not rest with the federal government, it has not been consolidated in the financial statements (see Note 15).

The accrual concept of accounting. The accrual basis of accounting attempts to recognize the effects of transactions or events at the time when they have their primary economic impact. In the financial statements revenue is reported in each fiscal period as the government earns it or becomes entitled to it. For example, taxes owed to the government but not yet paid by taxpayers are included in

the government's reported assets at year end. Expense is reported as the government incurs the cost of resources used or consumed in the fiscal year, regardless of whether it has been paid for in cash. For long-term physical assets such as buildings or equipment, their acquisition cost is allocated to fiscal periods (depreciated) over their useful life in proportion to the physical using-up or obsolescence of the asset.

A Contents Guide to this Report

For those interested in specific aspects of an annual financial report, the following subject guide may be useful in addition to the main table of contents.

Economic environment. Several key performance indicators for the economy are set out in the Financial Overview and briefly discussed as background for interpreting the federal government's financial results (page 9). Detailed 10-year supporting data are provided in the Supplementary Information section (page 72).

Summary consolidated information on the government's annual operations, financing and year-end financial position. The main figures are given in the opening Highlights section of the Financial Overview (page 9), then in fuller but still simplified form in the following text. The three formal summary-level financial statements for the whole of government, on which the Auditor General reports, are on pages 23 to 25.

Financing the government's annual deficits. In simplified form, the annual operating results are presented and discussed on pages 12 to 14, and the financing sources including the federal government borrowing

requirement on pages 15 and 16. The government's market borrowing is described in Note 10 to the financial statements and the annual debt servicing cost – interest expense – in Note 9.

Information on majority-owned corporations. The notes to the consolidated financial statements provide separate explanatory information for the corporations, where applicable, and the Supplementary Information section provides corporate financial data in three schedules. The first (page 54) provides a breakout of the adjustments required to consolidate corporations in the government's financial statements. The second schedule (page 56) presents selected "highlight" information from the annual reports of all Crown corporations. The third schedule (page 63) shows the individual sales revenues and expenses of the consolidated corporations, grouped with the policy envelope to which they relate.

Comparison of budget with actual. A three-year comparison of financial results forecast in Department of Finance budgets with results actually achieved is presented in two tables, pages 53 and 54. The first table compares budget with actual on the basis used for the budget and the second table on the basis used by Statistics Canada for its National Accounts. These terms are explained in the tables. Actual results reported under each basis are reconciled with the deficit reported in the consolidated financial statements. Page 54 presents a more detailed reconciliation between 1985 financial results on the basis now used in the Public Accounts and financial results shown in the consolidated financial statements.

Revenue. The main revenues of the government as a whole are first described in simplified form on page 12. Details of revenue are set out in Notes 4, 5, 6 and 7. Supplementary information on income tax

revenues is given in the schedules starting at page 58 and details of sales revenues by program are in the schedules starting at page 63.

Parliamentary authority for spending. Spending by federal government departments and agencies is controlled by parliamentary authority, which is explained in Note 2. This note also reconciles the use of parliamentary authorities with the consolidated annual expense reported under the accrual concept.

Expense. The consolidated expenses of the government are classified according to the government's spending policy envelopes (see pages 63 to 66 for composition of envelopes). They are presented first in simplified form (pages 12 and 13) and then more fully in the Consolidated Statement of Operations (page 23). Details of expenses are given in Notes 3, 5, 8 and 9. Supplementary multi-year information includes expense by program (page 63), tax expenditures (page 60), and spending by province and territory (page 67).

Assets and liabilities. The consolidated financial position is summarized in the Financial Overview (pages 16 to 17) and then more fully described in the Consolidated Statement of Financial Position (page 25).

Assets. Cash and monetary reserves shown in the Consolidated Statement of Financial Position, including the government's gold holdings, are described in Note 17, taxes receivable in Note 14, loans, investments and advances in Note 16 and accounts receivable and other financial assets in Note 18. Physical assets – land, buildings, equipment and inventories – are described in Notes 19 and 20.

Liabilities. The liabilities of the government as central banker are set out in Note 12. Taxes refundable are shown in Note 14. The

government's pension liabilities as employer are explained in Note 11. Details of issued debt are given in Note 10. Accounts payable and other liabilities are shown in Note 13.

Government's financial commitments. Legislated ongoing programs (Note 3) represent policy commitment, subject to Parliament altering the legislation. Potential liabilities that are contingent on certain events are set out in Note 21, which includes a description of the insurance liability for major insurance programs operated by Crown corporations. Contractual commitments are explained in Note 22.

Financial Overview

Financial Overview

This section provides a consolidated financial picture of the government's operations and financial requirements for the fiscal year ended March 31, 1985 and its financial position at the year end. It includes not only

departments and agencies but also those corporations in which the government has a majority ownership interest. Comparative figures are given for the previous two fiscal years.

Financial Highlights

	1985	(\$ billions) 1984	1983
Results of operations			
Revenue	98.6	90.2	86.8
Expense	131.9	120.9	111.2
Deficit on operations	33.3	30.7	24.4
Net new borrowing on financial markets	33.9	27.2	29.1
Financial position at year end			
Total liabilities	285.5	244.9	211.1
Total assets	115.4	108.1	104.9
Accumulated deficit	170.1	136.8	106.2

Economic Environment

As background for interpreting the financial information in this overview, recent patterns in several dimensions of the national economy are set out in the following graphs and commentary. All information is for the 12-month periods ending on March 31 of the year shown. A table of the values shown in the graphs is included as supplementary information on page 72 of this Report.

Note: Government decisions both influence and are influenced by the Canadian economy. As a result, financial results for the government should be interpreted in light of recent trends and events in the economy. To help readers assess what government can reasonably be held accountable for, cause-effect linkages between the Canadian economy and federal government financial performance could be included in a government Annual Financial Report. The government is the appropriate author of this information. Accordingly, FGRS has made no attempt to set out causal linkages between the economic data presented in this section and the summary financial results.

Graph 1
Growth in real output

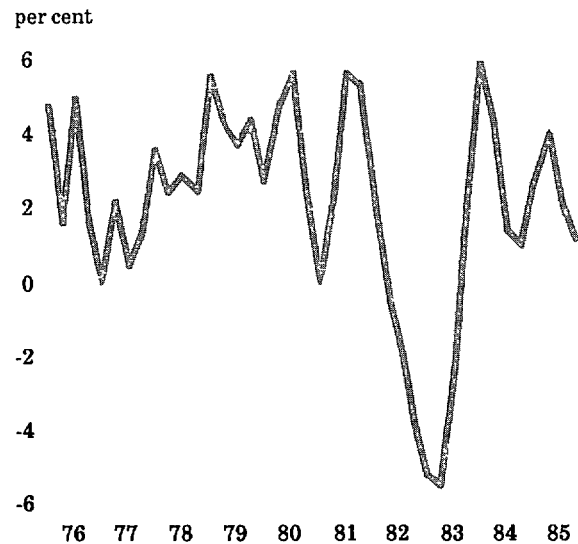


Quarter over preceding quarter percentage change in real gross national product, expressed as annual rates using seasonally adjusted data.

Source: Statistics Canada, National Income and Expenditure Accounts, catalogue 13-001.

Real output. One of the most important indicators of the productive health of the economy is the growth in real output – the value of all goods and services produced in the economy, adjusted for inflation. Graph 1 shows the rate of growth in real output (Gross National Product) over the past 10 fiscal years, including its significant decline during the recession in 1982 and 1983 and its subsequent recovery. Average real growth was 4.3% in fiscal 1985 compared to 6.1% in 1984.

Graph 2
Growth in employment

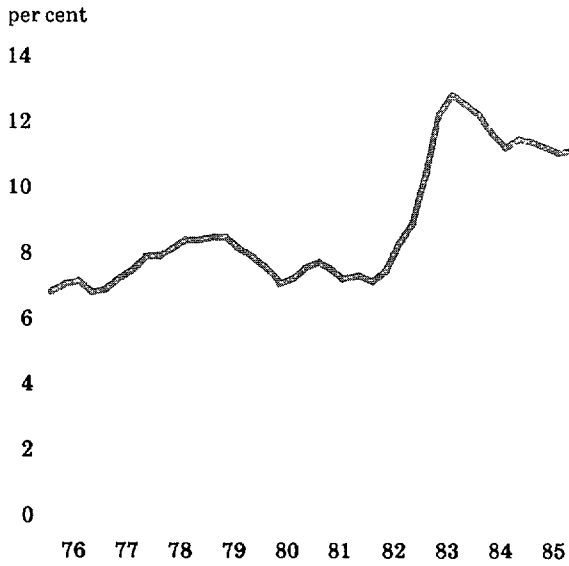


Quarter over preceding quarter percentage change in total number of persons employed, expressed as annual rates using seasonally adjusted data.

Source: Statistics Canada, The Labour Force, catalogue 71-001.

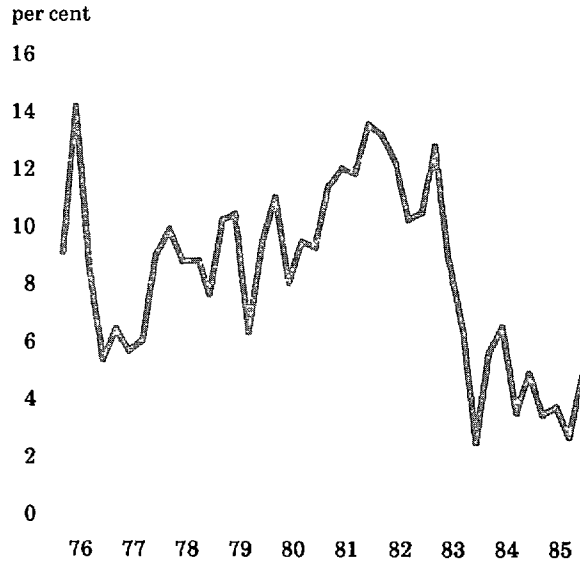
Employment. A central element of an economy's health is its ability to generate jobs for those coming into the labour force. Graph 2 shows the growth in employment over the last 10 years. Average employment growth was 2.4% in fiscal 1985 compared to 3.1% in 1984. Despite the gains in employment since the recession, the rate of unemployment remains high, as shown on Graph 3. The average rate of unemployment in fiscal 1985 was 11.2% compared to 11.6% in 1984. The number of persons in the labour force over the last 10 years, both employed and unemployed, is set out in the Supplementary Information section, page 72.

Graph 3
Unemployment rate



Quarterly unemployment rate, seasonally adjusted data.
Source: Statistics Canada, The Labour Force, catalogue 71-001.

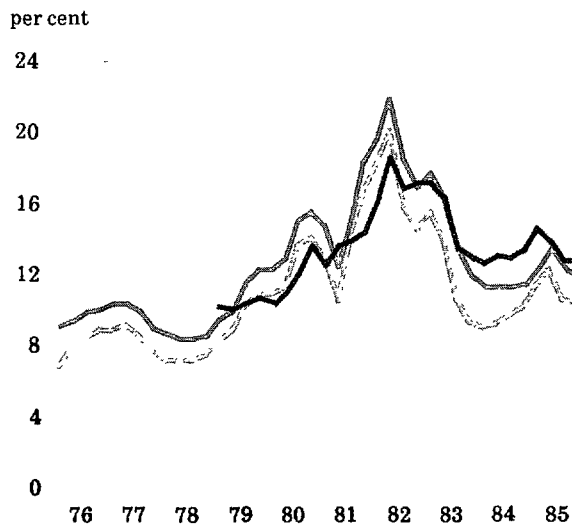
Graph 4
Rate of inflation



Quarter over preceding quarter percentage change in the Consumer Price Index, expressed as annual rates.
Source: Statistics Canada, Consumer Prices and Price Indexes, catalogue 62-010.

Inflation. The rate of inflation experienced over the last 10 years is shown in Graph 4. The average rate during fiscal 1985 was 3.7% compared to 5.2% for 1984. In the Supplementary Information section of this Report (page 51), the government's condensed financial statements for the last 10 years have been stated in both historical and constant dollars to show the effects of inflation.

Graph 5
Interest rates



Quarterly average of month-end rates for three selected interest rates:

- Yield on Government of Canada 3-month treasury bills
- Chartered banks' rate on prime business loans
- Weighted average yield on long-term corporate bonds (not available on a comparable basis 1976-1978).

Source: Bank of Canada Review.

Interest rates. Interest rates are a measure of the cost of capital needed by business and governments to finance productive output. Graph 5 shows the quarterly average interest rates over the last 10 years of three types of frequent borrowing in the economy. Average rates in fiscal 1985 were marginally above levels in 1984.

Annual Operations

Revenue. The government's three sources of revenue are taxes, sales of goods and services (mainly those of the majority-owned corporations) and income from investments. These are shown in Table 1.

The principal increases in tax revenue were in personal income tax (7% over 1984), corporate income tax (26%) and sales tax (16%). Revenue from petroleum-related taxes and charges increased by 11%.

Of the total 1985 revenue of \$98.6 billion, the operations of majority-owned corporations represented \$25.9 billion or 26%.

Expense. The government spends money to provide Canadians with a variety of services, assistance and support, under programs aimed at social development and economic and regional development. The government also spends money on defence and to service its public debt, to assist provinces under various fiscal arrangement programs, to maintain a presence in and assist other nations through external affairs and aid, and to serve Parliament and provide the many services that are needed for the day-to-day operations of government. These main spending policy sectors are called "envelopes".

Consolidated expenses of the government are shown in Table 2 under each of the spending policy envelopes. Expenses of each majority-owned corporation are included in the envelope to which its activity relates. Expenses of 1984 and 1983 are stated according to current envelope compositions, set out in supplementary information on pages 63 to 66.

Of the total 1985 expense of \$131.9 billion, the operations of majority-owned corporations represented \$31.2 billion or 24%.

Table 3 shows the percentage of total expense represented by each spending envelope.

Table 1
Revenue by source

	(\$ billions)				
	1985	<i>Increase over 1984</i>	1984	<i>Increase over 1983</i>	1983
		%		%	
Taxes	70.7	11	63.9	7	59.9
Sales of goods and services	25.7	9	23.6	10	21.4
Investment income	3.1	3	3.0	-3	3.1
Change in market value of gold	-0.9	-200	-0.3	-113	2.4
Total	<u>98.6</u>	9	<u>90.2</u>	4	<u>86.8</u>

Table 2
Expense by envelope

	(\$ billions)				
	1985	<i>Increase over 1984</i>	1984	<i>Increase over 1983</i>	1983
		%		%	
Social development	53.1	7	49.7	13	43.9
Economic and regional development	34.7	9	31.7	3	30.9
Parliament and services to government	6.2	-3	6.4	16	5.5
Defence	7.2	-1	7.3	3	7.1
External affairs and aid	2.6	13	2.3	9	2.1
Fiscal arrangements	6.0		6.0	7	5.6
Public debt	<u>22.1</u>	26	<u>17.5</u>	8	<u>16.1</u>
Total	<u>131.9</u>	9	<u>120.9</u>	9	<u>111.2</u>

Table 3
Envelopes as a percentage of total expense

	1985	1984	1983
	%	%	%
Social development	40	41	39
Economic and regional development	26	26	28
Parliament and services to government	5	5	5
Defence	5	6	6
External affairs and aid	2	2	2
Fiscal arrangements	5	5	5
Public debt	<u>17</u>	<u>15</u>	<u>15</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

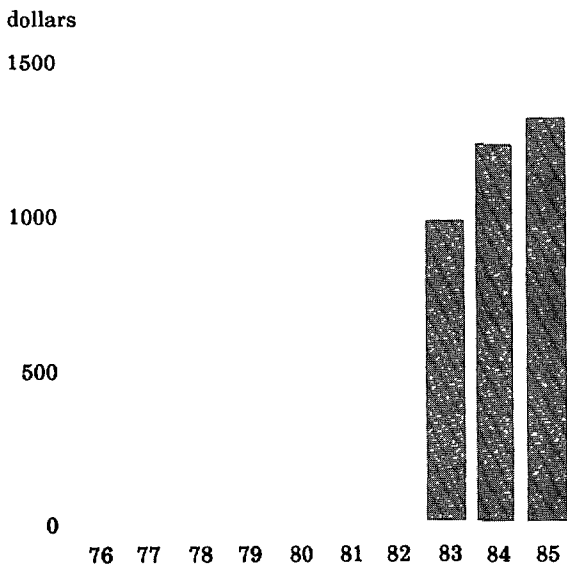
Table 4
Annual deficit

	1985	<i>Increase over 1984</i> %	1984	<i>Increase over 1983</i> %	1983
Revenue	98.6	9	90.2	4	86.8
Expense	131.9	9	120.9	9	111.2
Deficit on operations	33.3	8	30.7	26	24.4

Deficit. The annual deficit on operations, the excess of expenses over revenues, is shown in Table 4.

The deficit for fiscal 1985 of \$33.3 billion represents a \$2.6 billion increase over 1984. The level of annual expense relative to revenue has reached the point where revenue would have to increase at a rate 3% higher than the current growth rate of expense just to hold the annual deficit at the 1985 level.

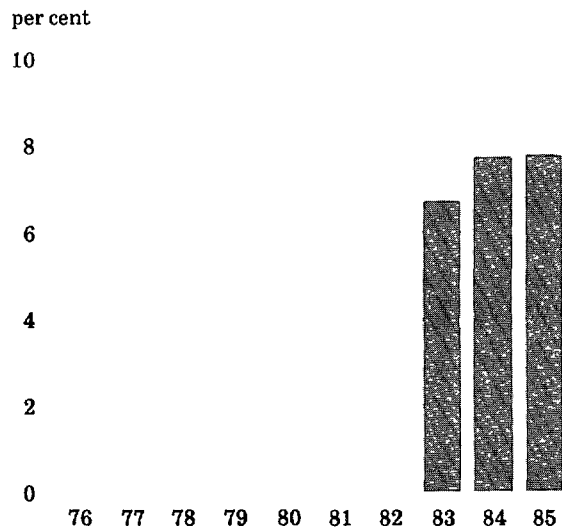
Graph 6
Annual deficit per capita



Information is not readily available for years ended prior to March 31, 1983.
Source: Population estimates at April 1, per Bank of Canada Review.

Graphs 6 and 7 show the trends of the government's deficit on operations on a per capita basis and as a percentage of Gross National Product (GNP). The per capita information takes into account the effects of population changes for assessing financial results over time. Percentage-of-GNP information recognizes the increasing size of the Canadian economy and at the same time avoids some of the distorting effects of inflation in analysing trends over time. Both measures are useful for comparisons with other countries.

Graph 7
Annual deficit as a percentage of GNP



Information is not readily available for years ended prior to March 31, 1983.

Source: GNP for fiscal years ended March 31, unadjusted for inflation, per National Income and Expenditure Accounts, Statistics Canada, catalogue 13-001.

Financial Requirements

The government needs cash for three basic purposes: financing current operations, acquiring physical assets and making loans, investments and advances. Any excess of expense over revenue must be financed by some form of borrowing and/or by using up the government's own cash and monetary reserves.

Table 5
Financial requirements and borrowing

	1985	(\$ billions) 1984	1983
Deficit on operations	33.3	30.7	24.4
Add: Net increase in physical assets	4.9	3.7	2.8
Net loans, investments and advances	<u>1.1</u>	<u>0.9</u>	<u>2.1</u>
Total financial requirements	39.3	35.3	29.3
Less: Financed from internal sources	<u>5.4</u>	<u>8.1</u>	<u>0.2</u>
Net new borrowing on financial markets	<u>33.9</u>	<u>27.2</u>	<u>29.1</u>

As Table 5 shows, in addition to having to finance the deficit on operations for fiscal 1985, the government also increased its net stock of physical assets by \$4.9 billion and its loans, investments and advances by \$1.1 billion. This was a total financial requirement of \$39.3 billion, an 11% increase over 1984.

Some of the financial requirements were met from internal sources, principally an increase of \$3.6 billion in the liability for employee pension and retirement plans. However, the

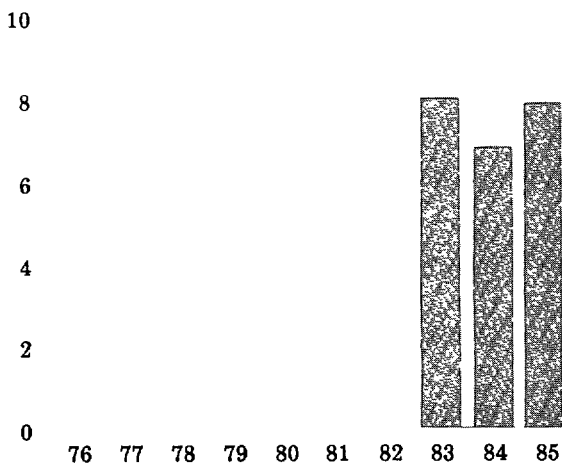
Table 5 summarizes, for the past three years, how the government's overall financial requirements arose, the extent to which they were met by internal financing and the amount borrowed on financial markets. The amounts include the financial and borrowing requirements of majority-owned corporations.

bulk of financial requirements was met by borrowing on financial markets. Net new market borrowing in 1985 was \$33.9 billion, an increase of \$6.7 billion or 25% over 1984. Most borrowing was in Canadian dollars, with only 13% of net new borrowing being in foreign currencies. Approximately 8% of total market borrowing was done by majority-owned corporations.

Graphs 8 and 9 show the trends in federal government net new market borrowing as a percentage of Gross National Product and as a

Graph 8
Net new borrowing as a percentage of GNP

per cent



Information is not readily available for years ended prior to March 31, 1983.

Source: GNP for fiscal years ended March 31, unadjusted for inflation, per National Income and Expenditure Accounts, Statistics Canada, catalogue 13-001.

Financial Position

Table 6 summarizes the government's financial position at March 31 – the liabilities it owes and the assets it owns, including assets

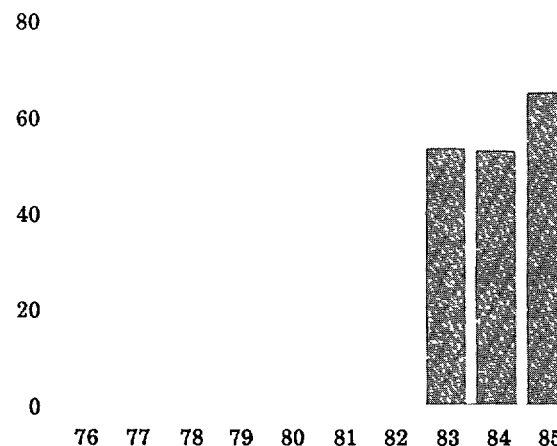
Table 6
Financial position

	1985	(\$ billions) 1984	1983
Liabilities			
Amounts borrowed on financial markets	182.5	148.6	121.4
Other liabilities	103.0	96.3	89.7
Total liabilities	285.5	244.9	211.1
Less: Financial assets	68.3	65.9	66.5
Net debt	217.2	179.0	144.6
Less: Physical assets	47.1	42.2	38.4
Accumulated deficit	170.1	136.8	106.2

percentage of all net new Canadian security issues placed in Canada and abroad.

Graph 9
Net new borrowing as a percentage of total net new security issues placed in Canada and abroad

per cent



Information is not readily available for years ended prior to March 31, 1983.

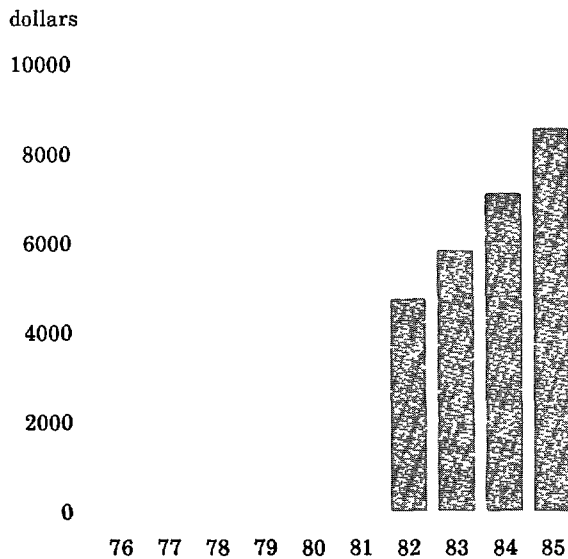
Source: Net new security issues placed in Canada and abroad for fiscal years ended March 31, per Bank of Canada Review.

and liabilities of majority-owned corporations. The accumulated deficit is the difference between total assets and total liabilities.

Included in the amounts shown in Table 6 are assets and liabilities of majority-owned corporations comprising, for 1985, \$44.7 billion in liabilities, \$34.2 billion in financial assets and \$25.1 billion in physical assets.

Mainly as a result of borrowing on financial markets to finance the operating deficit for the year, the government's total liabilities rose to \$285.5 billion at the end of the 1985 fiscal year. This was a \$40.6 billion or 17% increase from a year earlier. However, since financial assets also rose, net debt (total liabilities less financial assets) rose a smaller amount, \$38.2

Graph 10
Net debt per capita



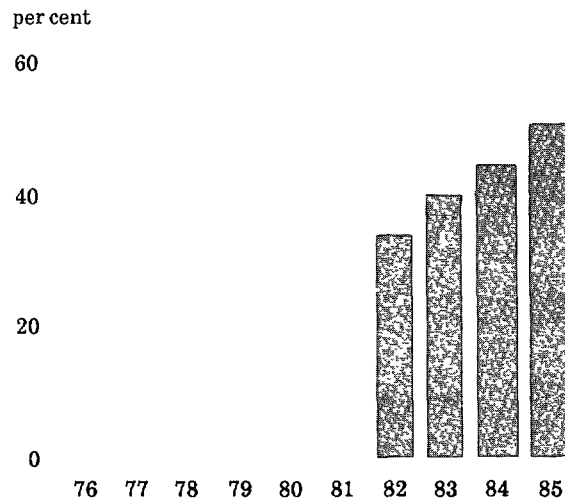
Information is not readily available for years ended prior to March 31, 1982.

Source: Population estimates at April 1, per Bank of Canada Review.

billion. Net debt at March 31, 1985 was \$217.2 billion, or \$8,600 per capita.

Net debt is one figure used by analysts and others in assessing a government's ability to maintain interest and principal payments on issued debt or take on more debt. It takes account of the "cushion" provided by financial assets, which generally are more easily converted to cash for servicing debt than are physical assets. Graphs 10 and 11 show net debt of the federal government expressed both on a per capita basis and as a percentage of Gross National Product (GNP).

Graph 11
Net debt as a percentage of GNP



Information is not readily available for years ended prior to March 31, 1982.

Source: GNP for fiscal years ended March 31, unadjusted for inflation, per National Income and Expenditure Accounts, Statistics Canada, catalogue 13-001.

At March 31, 1985 the government had contingent liabilities of \$7.2 billion, including \$500 million of contingent liabilities of majority-owned corporations, arising out of pending litigation and loan guarantees. The government also had insurance in force under a number of insurance programs, as explained in Note 21 to the financial statements.

Financial Statements

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the consolidated financial statements rests with the government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada, in compliance with governing legislation. The financial statements are prepared on a full accrual basis of accounting. Where necessary, the information included in these financial statements is based on the government's best estimates and judgement, taking into account materiality of the amounts. The government is satisfied that the financial statements present fairly, in all material respects, Canada's financial position at March 31, 1985 and results of operations and financial requirements for the year then ended, in accordance with the stated accounting policies which are consistent with the principles recommended by the Canadian Institute of Chartered Accountants for financial reporting by governments in Canada.

To fulfil its accounting and reporting responsibilities, the government maintains systems of financial management and internal control that give due consideration to costs, benefits and risks and that provide reasonable assurance that transactions are within the authority set by Parliament, properly authorized within government, executed in accordance with prescribed regulations, and properly recorded to maintain accountability of public money and safeguard the assets and properties of Canada under government administration. The Receiver General maintains the accounts of Canada, a centralized record of the government's financial transactions, and obtains additional information as required from departments, agencies and government-owned corporations to meet accounting and reporting requirements.

The Auditor General of Canada provides for Parliament an independent opinion on the consolidated financial statements prepared by the government. His duties in that respect are set out in section 6 of the Auditor General Act, which states in part that the Auditor General "shall express his opinion as to whether [the financial statements] present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have".

*Comptroller General
of Canada*

*Deputy Minister of
Finance*

*Deputy Receiver
General for Canada*

Ottawa, Canada
June 30, 1985

Opinion of the Auditor General on the Consolidated Financial Statements of the Government of Canada

I have examined the consolidated statement of financial position of the Government of Canada at March 31, 1985 and the consolidated statements of financial requirements and operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary to enable me to report as required by section 6 of the Auditor General Act.

In my opinion, these consolidated financial statements present fairly the financial position of the Government of Canada at March 31, 1985 and the financial requirements and results of operations for the year then ended in accordance with the stated accounting policies of the government applied on a basis consistent with that of the preceding year. The government's accounting policies are consistent with the principles recommended by the Canadian Institute of Chartered Accountants for financial reporting by governments in Canada.

Ottawa, Canada
June 30, 1985

Auditor General of Canada

Government of Canada Consolidated Statement of Operations
For the year ended March 31, 1985

	(\$ millions)		
	1985	1984	1983
Revenue			
Taxes (Note 4)			
Personal income tax	30,765	28,783	28,189
Corporate income tax	9,988	7,920	6,692
Unemployment insurance contributions (Note 5)	7,777	7,465	5,039
Sales tax	7,966	6,886	5,902
Customs import duties	3,796	3,380	2,831
Energy taxes	6,788	6,101	7,954
Other taxes	3,666	3,353	3,287
<i>Total taxes</i>	<i>70,746</i>	<i>63,888</i>	<i>59,894</i>
Sales of goods and services (Note 6)	25,653	23,633	21,441
Investment income (Note 7)	3,132	3,029	3,085
Change in market value of gold (Note 17)	(942)	(349)	2,368
Total revenue	98,589	90,201	86,788
Expense by envelope (Note 8)			
Social development			
Unemployment insurance benefits (Note 5)	10,049	9,816	9,677
Old age security, guaranteed income supplement and spouse's allowances (Note 3)	11,418	10,406	9,642
Family allowances (Note 3)	2,418	2,327	2,231
Child tax credit (Note 3)	1,525	1,491	1,527
Hospital insurance and medical care contributions (Note 3)	6,330	5,564	4,060
Canada Assistance Plan payments (Note 3)	3,635	3,288	2,832
Education support payments (Note 3)	2,265	2,065	1,532
Housing	2,087	1,935	1,445
Justice and legal	2,106	2,140	1,980
Other	11,213	10,601	8,959
<i>Total social development</i>	<i>53,046</i>	<i>49,633</i>	<i>43,885</i>
Economic and regional development	34,655	31,742	30,884
Parliament and services to government	6,226	6,415	5,469
Defence	7,243	7,328	7,118
External affairs and aid	2,635	2,318	2,128
Fiscal arrangements	5,977	5,975	5,581
Public debt (Note 9)	22,080	17,457	16,104
Total expense	131,862	120,868	111,169
Deficit on operations	33,273	30,667	24,381

Government of Canada Consolidated Statement of Financial Requirements
For the year ended March 31, 1985

	(\$ millions)		
	1985	1984	1983
Deficit on operations	33,273	30,667	24,381
Net additions to physical assets	7,318	5,918	4,819
Less: Depreciation	2,450	2,204	1,984
Increase in net debt	38,141	34,381	27,216
Net additions to loans, investments and advances	1,285	1,154	2,205
Less: Provision for losses	141	216	126
Total financial requirements	39,285	35,319	29,295
Financing from internal sources			
Employee pension and retirement plans	3,575	5,606	4,698
Bank of Canada notes in circulation and amounts due depositors	573	163	188
Other liabilities less other financial assets	143	613	(1,418)
Cash and monetary reserves	1,105	1,747	(3,268)
<i>Total internal financing</i>	<i>5,396</i>	<i>8,129</i>	<i>200</i>
Net new borrowing on financial markets	33,889	27,190	29,095

Government of Canada Consolidated Statement of Financial Position
March 31, 1985

	1985	(\$ millions) 1984	1983
Liabilities			
Borrowing on financial markets (Note 10)	182,549	148,660	121,470
Employee pension and retirement plans (Note 11)	55,561	51,986	46,380
Bank of Canada notes in circulation and amounts owing to depositors (Note 12)	16,946	16,373	16,210
Accounts payable (Note 13)	10,160	8,928	6,960
Taxes refundable (Note 14)	8,280	8,703	9,874
The Canada Pension Plan (Note 15)	1,707	1,496	1,344
Other liabilities (Note 13)	10,269	8,723	8,824
Total liabilities	285,472	244,869	211,062
Financial assets			
Loans, investments and advances (Note 16)	29,907	28,763	27,825
Cash and monetary reserves (Note 17)	19,074	20,179	21,926
Taxes receivable (Note 14)	11,616	10,743	10,917
Accounts receivable (Note 18)	6,100	4,915	4,881
Other financial assets (Note 18)	1,625	1,260	885
Total financial assets	68,322	65,860	66,434
Net debt	217,150	179,009	144,628
Physical assets			
Land, buildings and equipment (Note 19)	43,426	38,671	34,641
Inventories (Note 20)	3,614	3,501	3,817
Total physical assets	47,040	42,172	38,458
Accumulated deficit	170,110	136,837	106,170

Contingent liabilities and insurance programs (Note 21)

On behalf of the Government:

*Comptroller General
of Canada*

*Deputy Minister of
Finance*

*Deputy Receiver
General for Canada*

June 30, 1985

Notes to the Consolidated Financial Statements

1. Significant accounting policies

Government of Canada as an accounting entity

All activities carried out by departments and agencies and by corporations in which the government owns a majority of the shares carrying the right to elect a majority of the members of the board of directors are consolidated in these financial statements. Also consolidated are corporations without share capital for which the government has the right to appoint a majority of the members of the board of directors. The Canada Pension Plan is not consolidated in these financial statements.

Basis of consolidation

All transactions of a financing nature between departments, agencies and consolidated corporations have been eliminated on consolidation. Such transactions include inter-entity lending and borrowing and related interest charges, accrual of federal income tax by consolidated corporations, and provision of direct financial assistance by one entity to another.

Inter-entity purchases and sales in the normal course of business have been treated as cost transfers within government; such purchases have not been eliminated and sales proceeds have been treated as a reduction of expense of the entity providing the goods or services.

Basis of accounting

Transactions are recorded in the accounts and reported in the financial statements on the accrual basis described below.

Revenue recognition. Revenues are recognized in the fiscal year when the events to which they relate occur.

Personal and corporate income taxes are estimates of the revenue yield to the government from taxable income earned by

taxpayers during the fiscal year. Provisions required during the year for uncollectible taxes receivable are offset against related tax revenues.

Sales of goods and services and investment income are recognized in the fiscal year in which they are earned.

Note: For purposes of this Illustration, sales revenue and investment income of departments and agencies are recognized when cash is received because information is not readily available to show such revenues in the fiscal year in which they are earned.

Expense recognition. Expenses are recognized in the fiscal year in which economic resources are consumed, and include an estimate of depreciation on long-lived assets.

Note: For purposes of this Illustration, inventories of departments and agencies are included in expense when acquired because information is not readily available to determine year-end stocks and the allocation of cost to periods when they are used or consumed.

Allocation of interest

Interest on debt is not allocated to programs of departments, agencies or corporations.

Loans, investments and advances

Investments in corporations over which the government exercises significant influence but owns less than a majority of the shares are accounted for on the equity basis, which takes into the government's investment income the portion of the corporation's annual income or loss represented by the percentage of the corporation's equity shares held by the government.

All other investments, together with loans and advances, are recorded at cost and are written down to reflect any loss in value that is other

Notes to the Consolidated Financial Statements

than a temporary decline. Loss provisions required during the year are offset against investment income.

Land, buildings and equipment

Land, buildings and equipment are reported at their acquisition cost. Buildings under capital lease are reported as assets – with the corresponding obligation included in other liabilities – at the lower of the present value of future lease payments and the fair market value of the leased property. Assets acquired without consideration are reported at their estimated fair market value at the date of acquisition.

The cost of buildings and equipment is allocated to the fiscal years in which the assets are used by depreciating them over their estimated service lives using the straight-line method.

Note: For purposes of this Illustration, land acquired by departments and agencies prior to 1950 and assets acquired by departments and agencies without consideration have been excluded from the financial statements because information respecting their cost and fair market values is not readily available.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Translation of foreign currency transactions

Foreign currency transactions are translated and recorded in Canadian currency equivalents at the exchange rates prevailing at the transaction dates.

Assets and liabilities resulting from foreign currency transactions are reported at year-end closing rates of exchange. Net gains or losses

on assets are included in investment income, while net gains or losses on liabilities are included in public debt expense.

Employee pensions

The government provides pensions indexed to the cost of living for substantially all employees of departments, agencies and wholly-owned corporations, including members of the Canadian Forces and the Royal Canadian Mounted Police. Except for the funded pension plans of some wholly-owned corporations, the government does not maintain a separate fund to provide for benefit payments on retirement. Employer and employee contributions are credited to a liability account to which benefit payments are charged. The liability account is also credited with imputed interest which is included in public debt expense. The balance of the account is adjusted at the end of each fiscal year to the actuarial present value of the government's liability for benefit payments. The amount of the adjustment is included in expense and allocated to government programs based on their proportionate share of total pensionable salaries and wages for the year.

2. Authority for transactions

Taxes can be raised and moneys can be borrowed only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending or for loans, investments and advances must be authorized by Parliament.

The amount of taxes accruing to the government under authorities of Parliament is set out in the Consolidated Statement of Operations, and additional information is provided in Note 4. The government's use of borrowing authorities is set out in Note 10. Information on authority granted by Parliament for spending and for loans, investments and advances is set out below.

Authority for spending on operations.

Most government spending is under authorities that do not impose an annual limit

Notes to the Consolidated Financial Statements

on the amount that may be spent. Spending is authorized by reference to statutory formulae or criteria and the authorities usually continue from year to year until changed or rescinded by an act of Parliament. Other spending is under authorities that establish a dollar limit on the amount that may be spent. Usually, the balances of such authorities unspent at the end of a year lapse. Some authorities continue from year to year and

some authorize the spending, within a program, of defined categories of revenue generated by the program.

The following table shows the spending authority available during 1985 and reconciles the amount spent to the total expense reported in the Consolidated Statement of Operations.

	Authority available in 1985	(\$ millions) Spent	Available for future years
Authorities that impose a dollar limit			
Lapsing (not available for future years)	41,235	38,592	
Non-lapsing	<u>916</u>	<u>(15)</u>	<u>931</u>
Total	<u>42,151</u>	38,577	
Authorities that do not impose a ceiling		<u>61,677</u>	Note
Total spent under authorities of Parliament		100,254	
Add or (deduct):			
Provision for valuation		800	
Excess of expenses of consolidated corporations over assistance payments and loss provisions		23,788	
Excess of unemployment insurance benefits and expense over the government's statutory contribution to the Unemployment Insurance Account		8,014	
Grossing up of netted expenditures			
- Child tax credit		1,525	
- Petroleum compensation charge		2,208	
- Other revenues		1,536	
Reduction of employee pension expense arising from full actuarial valuation of the pension liability		(894)	
Excess of net additions to departmental physical assets over depreciation expense		(3,319)	
Interest paid on government debt held by the Bank of Canada and other consolidated corporations		(2,071)	
Other differences not itemized		<u>21</u>	
Expense, Consolidated Statement of Operations		<u>131,862</u>	

Note: As explained above, these authorities are available for spending in future years without specified limit as to amount. Note 3 provides further details on spending under these authorities, calculated on the basis used in preparing these consolidated financial statements.

Notes to the Consolidated Financial Statements

Details of individual amounts spent during 1985 in excess of dollar limits established by Parliament are set out below.

	<u>Authority</u>	<u>Used</u>	<u>Overspent</u>
	\$	\$	\$
Indian and Inuit affairs, grants and contributions	1,151,595,873	1,154,310,548	2,714,675
Law Reform Commission of Canada	4,811,000	4,814,187	3,187
Defence services, capital expenditures	2,549,539,194	2,567,283,971	17,744,777
Health protection, capital expenditures	10,998,000	11,321,470	323,470
Fitness and amateur sport, operating expenditures	9,008,951	9,009,369	418
Canadian Intergovernmental Conference Secretariat	2,258,000	2,279,619	21,619
Total overspent			<u>20,808,146</u>

Authority for loans, investments and advances. These authorities limit the amount of loans, investments or advances that may be made. Unused authority may lapse at the end of a year or may continue from year to year. Non-lapsing authorities often limit only the total of loans that may be outstanding at any one time; thus principal repaid may be

reloaned. The following table shows the authority available for loans, investments and advances during 1985 and reconciles the authority used during the year to the net additions to loans, investments and advances reported in the Consolidated Statement of Financial Requirements.

	<u>Authority available</u>	(\$ millions) <u>Used</u>	<u>Available for future years</u>
Lapsing (not available for future years)	604	530	
Non-lapsing	<u>28,786</u>	<u>352</u>	<u>28,434</u>
Total	<u>29,390</u>	882	
Add or (deduct):			
Repayment of loans under authorities that do not authorize spending of repayments		(872)	
Increase in the excess of loans, investments and advances held by consolidated corporations over the government's net recorded investment in the corporations		1,775	
Other adjustments		<u>(500)</u>	
Net additions to loans, investments and advances, Consolidated Statement of Financial Requirements		<u>1,285</u>	

Notes to the Consolidated Financial Statements

3. Expense under authorities not subject to annual dollar limits

This note contains a summary of major items of expense that are authorized by Parliament

under spending authorities that do not impose an annual ceiling, as explained in Note 2. Expenses are shown under the envelopes to which they relate.

	(\$ millions)		
	1985	1984	1983
Social development			
Old age security	8,216	7,649	7,005
Guaranteed income supplement	2,953	2,524	2,416
Spouse's allowance	249	233	221
Family allowance	2,418	2,327	2,231
Child tax credit	1,525	1,491	1,527
Unemployment insurance (Note 5)	10,049	9,816	9,677
Contributions to provinces for hospital insurance, medical care and extended health care	6,330	5,564	4,060
Payments to provinces under the Canada Assistance Plan	3,635	3,288	2,832
Payments to provinces for post-secondary education	2,265	2,065	1,532
	<u>37,640</u>	<u>34,957</u>	<u>31,501</u>
Fiscal arrangements			
Payments to provinces for fiscal equalization	5,395	5,358	5,267
Public debt expense (Note 9)	20,359	16,089	14,789
	<u>63,394</u>	<u>56,404</u>	<u>51,557</u>
Total of major items of expense not subject to an annual limit			

The basic old age security pension is a monthly benefit paid to persons aged 65 and over. The maximum monthly benefits were \$276.54 at April 1, 1985 for a population of 2,569,000 pensioners.

The guaranteed income supplement may be received by old age security pensioners, depending on maximum income limitations. Entitlements vary according to marital status and spouse's entitlement to other pensions. In March 1985, 1,297,000 pensioners received an average supplement of \$209.72.

Family allowances are paid to parents or guardians on behalf of children under age 18. Special allowances are also paid to welfare agencies or government departments and institutions in respect of children they maintain. The federal monthly payments for family allowances and for special allowances

were \$31.33 and \$46.74 respectively for fiscal 1985. In March 1985 there were 3,635,000 families and agencies receiving an average of \$57.16 on behalf of 6,586,000 children.

The child tax credit is available to persons receiving family allowance, depending on maximum income limitations, to supplement family allowance for children under age 18. The basic amount of the 1985 child tax credit is \$367.00 per child.

Hospital insurance and medical care include all necessary hospital services and surgical-dental services that must be provided in a hospital. The extended health care services assist in the development of such services as nursing home intermediate care, adult residential care, the health aspects of home care and certain ambulatory care services. The federal government reimburses the provinces and territories for a portion of the

Notes to the Consolidated Financial Statements

costs they incur in providing these services. These contributions are calculated on a pre-determined formula.

Payments under the Canada Assistance Plan provide social assistance to persons in need and welfare services to persons in need or likely to become in need if they do not receive such services. The federal government reimburses the provinces for 50% of the costs they incur in providing these services.

Post-secondary education is a program of unconditional transfer payments to provincial and territorial governments, with entitlements determined by statutory formula.

Fiscal equalization is also a program of unconditional transfer payments made to

fiscally disadvantaged provinces. Provincial equalization entitlements are determined by statutory formula.

4. Tax revenues

Taxes are assessed and collected under authority of acts of Parliament. The government also assesses and collects certain taxes on behalf of provinces; these taxes are excluded from tax revenues reported in the Consolidated Statement of Operations.

Parliament has granted authority to the government to remit (i.e. waive) taxes otherwise payable, where such remission is in the public interest. The total taxes remitted in 1985 were \$882 million (\$837 million in 1984 and \$780 million in 1983).

Details of Energy taxes and Other taxes are provided in the following table.

	1985	(\$ millions) 1984	1983
Energy taxes			
Petroleum and gas revenue tax	2,565	2,124	1,934
Petroleum compensation charge	2,321	1,876	2,848
Canadian ownership special charge	837	844	878
Natural gas and gas liquids tax	(16)	524	1,264
Oil export charge	677	347	622
Gasoline excise tax	404	386	408
Total energy taxes	<u>6,788</u>	<u>6,101</u>	<u>7,954</u>
Other taxes			
Non-resident income tax	1,021	908	998
Excise duties	1,462	1,356	1,274
Other excise taxes	1,076	963	883
Miscellaneous taxes	107	126	132
Total other taxes	<u>3,666</u>	<u>3,353</u>	<u>3,287</u>

5. Unemployment insurance

The unemployment insurance program is a compulsory, contributory social insurance program that provides temporary income support to unemployed workers while they seek employment or while they are unable to work because of sickness, disability,

pregnancy or adoption. Contributions received, benefits paid and administrative expenses are fully consolidated in these financial statements. The accounting for these transactions is done through the Unemployment Insurance Account, for which separate audited financial statements are prepared as of December 31 and included in Section 8 of Volume I of the Public Accounts of Canada.

Notes to the Consolidated Financial Statements

The following table shows the transactions in the Unemployment Insurance Account for the fiscal year ended March 31 and the

accumulated deficiency in the Account at March 31.

	(\$ millions)		
	1985	1984	1983
Revenue			
Employee and employer contributions	7,777	7,465	5,039
Statutory contribution from the Government of Canada	2,788	2,714	2,034
Investment income	2	1	2
	<u>10,567</u>	<u>10,180</u>	<u>7,075</u>
Expense			
Benefits ⁽¹⁾	9,890	9,676	9,563
Administrative expense	912	846	791
Interest expense	741	117	10
	<u>11,543</u>	<u>10,639</u>	<u>10,364</u>
Deficiency for the year	976	459	3,289
Accumulated deficiency at the beginning of the year	4,101	3,642	353
Accumulated deficiency at the end of the year	<u>5,077</u>	<u>4,101</u>	<u>3,642</u>

(1) Benefits charged to the Account do not include benefit payments to fishermen of \$159 million in 1985 (\$140 million in 1984 and \$114 million in 1983).

The Unemployment Insurance Act stipulates that the program is designed to recover administrative expenses and the cost of paying benefits, less the portion financed by statutory contribution from the Government of Canada, through employer and employee contributions. Under the Act, any deficiency in contributions is to be taken into account in setting future contribution rates.

Employee contributions at April 1, 1985 were 2.35% of earnings up to the designated weekly maximum insurable earnings of \$460. Employers pay contributions at 1.4 times the employee rate. Unemployment benefits, calculated for the most part at 60% of the claimant's average weekly insurable earnings, were paid to 3,200,000 claimants during calendar year 1984.

6. Sales of goods and services

	(\$ millions)		
	1985	1984	1983
Departments and agencies	2,167	2,027	1,866
Consolidated corporations	23,486	21,606	19,575
Total	<u>25,653</u>	<u>23,633</u>	<u>21,441</u>
Total, by envelope			
Social development	1,020	903	859
Economic and regional development	20,971	19,320	17,343
Parliament and services to government	3,344	3,057	2,885
Defence	283	321	327
External affairs and aid	35	32	27
	<u>25,653</u>	<u>23,633</u>	<u>21,441</u>

Notes to the Consolidated Financial Statements

7. Investment income

	(\$ millions)		
	1985	1984	1983
Departments and agencies			
Interest on cash balances	243	395	433
Interest on loans and advances	257	260	227
Income on monetary reserves	215	308	410
Income (loss) from investments in non-consolidated corporations accounted for by the equity method	24	(71)	(138)
Other	39	41	49
	778	933	981
Less: Provision for losses	55	68	32
	<u>723</u>	<u>865</u>	<u>949</u>
Consolidated corporations			
Interest income	2,485	2,280	2,179
Other	10	32	51
	2,495	2,312	2,230
Less: Provision for losses	86	148	94
	<u>2,409</u>	<u>2,164</u>	<u>2,136</u>
Total	<u>3,132</u>	<u>3,029</u>	<u>3,085</u>

8. Expense by object

	(\$ millions)		
	1985	1984	1983
Departments and agencies			
Salaries, wages and benefits	12,014	13,688	12,238
Purchased goods and services	7,129	7,008	6,424
Depreciation	1,243	1,095	988
Interest and borrowing costs	20,359	16,089	14,789
Grants, contributions and other transfer payments	59,943	54,101	49,296
	<u>100,688</u>	<u>91,981</u>	<u>83,735</u>
Consolidated corporations			
Salaries, wages, benefits and purchased goods and services	26,439	24,441	23,436
Depreciation	1,207	1,109	996
Interest and borrowing costs	1,721	1,368	1,315
Grants, contributions and other transfer payments	1,807	1,969	1,687
	<u>31,174</u>	<u>28,887</u>	<u>27,434</u>
Total	<u>131,862</u>	<u>120,868</u>	<u>111,169</u>

Notes to the Consolidated Financial Statements

9. Public debt expense

	1985	(\$ millions) 1984	1983
Departments and agencies			
Interest on financial market borrowing			
Marketable bonds	7,740	6,409	5,471
Canada savings bonds	4,818	4,377	4,848
Treasury bills	5,216	3,351	2,948
Notes and loans payable	411	227	282
	<u>18,185</u>	<u>14,364</u>	<u>13,549</u>
Less: interest on government securities held by consolidated corporations	2,071	1,980	2,031
	<u>16,114</u>	<u>12,384</u>	<u>11,518</u>
Employee pension and retirement plans	3,734	3,267	2,889
Other interest and borrowing costs	511	438	382
	<u>20,359</u>	<u>16,089</u>	<u>14,789</u>
Consolidated corporations			
Interest and borrowing costs	1,721	1,368	1,315
Total	<u><u>22,080</u></u>	<u><u>17,457</u></u>	<u><u>16,104</u></u>

10. Borrowing on financial markets

The four tables presented in this note summarize

different aspects of the government's liability from borrowing on financial markets.

Table 1: Debt issues by type

	(\$ millions)					
	1985		1984		1983	
	Amount	Average rate	Amount	Average rate	Amount	Average rate
Departments and agencies						
Marketable bonds	71,373	11.76	58,994	11.55	51,713	11.18
Canada savings bonds	41,960	11.25	38,204	9.85	32,641	12.00
Treasury bills	52,300	10.89	41,700	9.94	29,125	10.15
Notes and loans payable	5,943	9.86	3,039	10.43	1,825	10.19
	<u>171,576</u>	11.30	<u>141,937</u>	10.59	<u>115,304</u>	11.14
Consolidated corporations						
Marketable bonds	2,063	11.78	2,006	11.42	1,801	11.66
Notes and loans payable	16,898	10.82	14,292	10.74	12,784	10.54
	<u>18,961</u>	10.93	<u>16,298</u>	10.82	<u>14,585</u>	10.68
Total debt issued, at face value	190,537	11.26	158,235	10.61	129,889	11.09
Add or (deduct):						
Unamortized premium or discount	(1,444)		(1,050)		(722)	
Matured debt and accrued interest	11,256		9,962		8,678	
Government debt held by the Bank of Canada	(16,999)		(17,373)		(15,510)	
Other internal holdings	(801)		(1,114)		(865)	
Total debt issued, Consolidated Statement of Financial Position	<u><u>182,549</u></u>		<u><u>148,660</u></u>		<u><u>121,470</u></u>	

Notes to the Consolidated Financial Statements

Table 2: Debt issues by type and maturity, at face value

(\$ millions)

	Departments and agencies				Total	Consolidated corporations	Total
	Marketable bonds	Canada savings bonds ⁽¹⁾	Treasury bills	Notes & loans payable			
1986	5,399	3,621	52,300	1,909	63,229	7,946	71,175
1987	6,643	2,421		211	9,275	1,073	10,348
1988	6,640	1,362		1,182	9,184	1,702	10,886
1989	1,988	7,756		852	10,596	1,761	12,357
1990	5,764	6,943		840	13,547	1,196	14,743
1991-1995	17,904	19,857		759	38,520	3,963	42,483
1996-2000	5,359			190	5,549	643	6,192
2001-2005	16,576				16,576	412	16,988
2006-	5,100				5,100	265	5,365
Total	<u>71,373</u>	<u>41,960</u>	<u>52,300</u>	<u>5,943</u>	<u>171,576</u>	<u>18,961</u>	<u>190,537</u>

⁽¹⁾ Canada savings bonds are included in this table at their fixed dates of maturity although they are redeemable on demand by the holder.

Table 3: Debt issued in foreign currencies, at face value

(\$ millions)

	1985			Total 1984	Total 1983
	United States dollars	Other currencies	Total		
Departments and agencies	6,065	1,995	8,060	5,222	5,234
Consolidated corporations	10,163	940	11,103	9,425	8,435
Total	<u>16,228</u>	<u>2,935</u>	<u>19,163</u>	<u>14,647</u>	<u>13,669</u>

Borrowing authority. The government can borrow only as authorized by acts of Parliament. Borrowing authority acts provide authority for the net amount of new security issues less redemptions during a fiscal year. The authorities lapse at the end of the year except for amounts specifically carried forward to the next fiscal year. Parliament has also provided a continuing authority to the government under section 39 of the Financial Administration Act to borrow, for periods not

exceeding six months, such amounts as are deemed necessary to meet lawfully authorized disbursements.

Crown corporations (corporations wholly owned by the Crown) that are agents of Her Majesty also may borrow only as authorized by acts of Parliament. Such acts usually place a ceiling on the amount of borrowing that can be outstanding at any one time. Non-agent Crown corporations can borrow without specific parliamentary authority. Non-agent borrowings are sometimes guaranteed by the government with the authority of Parliament.

Notes to the Consolidated Financial Statements

Table 4 shows the borrowing authority available and the use of the authority for the year ended March 31, 1985, and reconciles the

use of borrowing authority to the borrowing requirement reported in the Consolidated Statement of Financial Requirements.

Table 4: Borrowing authority

	(\$ millions)		
	<u>Borrowing authority available</u>	<u>Used</u>	<u>Available for future years</u>
Authorities that impose a ceiling			
Borrowing authority acts	31,850	27,513	2,000
Agent Crown corporation acts	<u> *</u>	<u>2,193</u>	<u> *</u>
Total	<u> </u>	29,706	<u> </u>
Section 39, Financial Administration Act		<u>2,006</u>	
Total use of authorities		31,712	
Add or (deduct):			
Net new borrowing by non-agent Crown corporations		598	
Increase in matured debt and accrued interest		1,294	
Decrease in internal holdings of government debt		687	
Increase in net unamortized discount		(394)	
Other adjustments		<u> (8)</u>	
Net new borrowing on financial markets, Consolidated Statement of Financial Requirements		<u>33,889</u>	

* Information on the status of agent Crown corporation borrowing authorities is not readily available as at March 31, 1985. The estimate for authority used is new borrowings net of repayments and excludes borrowings by agent Crown corporations from the Consolidated Revenue Fund.

11. Employee pension and retirement plans

The government provides pensions indexed to the cost of living for its employees, including members of the Canadian Forces, the Royal Canadian Mounted Police (RCMP), and employees of wholly-owned corporations. Most pension plans for these employees are not funded and are provided under authority of the Public Service Superannuation Act, the Canadian Forces Superannuation Act, the RCMP Superannuation Act, and the Supplementary Retirement Benefits Act. Employees of some wholly-owned corporations are covered by the Public Service Superannuation Act. Certain wholly-owned corporations have established their own funded pension plans.

The liability for employee pension and retirement plans and the transactions during the year in plans operated by departments and agencies are analysed in the following tables.

Notes to the Consolidated Financial Statements

Liabilities	(\$ millions)		
	1985	1984	1983
Departments and agencies			
Public service (covers employees of departments, agencies and most corporations)	32,442	30,265	26,249
Canadian Forces	18,447	17,410	16,262
RCMP	2,491	2,276	2,023
	53,380	49,951	44,534
Severance pay benefits	1,651	1,529	1,379
	55,031	51,480	45,913
Consolidated corporations	530	506	467
Total	<u>55,561</u>	<u>51,986</u>	<u>46,380</u>

Transactions during the year in pension plans operated by departments and agencies	(\$ millions)		
	1985	1984	1983
Amounts charged to expense			
Employer contributions	1,592	1,478	1,336
Actuarial adjustments	(891)	1,530	1,063
Interest	3,734	3,267	2,889
Total charged to expense	4,435	6,275	5,288
Employee contributions	794	758	711
	5,229	7,033	5,999
Deduct:			
Payment of pensions	1,735	1,565	1,415
Return of contributions and transfers	65	51	53
	1,800	1,616	1,468
Increase in liability during year	3,429	5,417	4,531
Pension liability, beginning of year	49,951	44,534	40,003
Pension liability, end of year	<u>53,380</u>	<u>49,951</u>	<u>44,534</u>

The liability shown for pension plans operated by departments and agencies is the actuarial present value of the projected benefit obligation.

The economic assumptions used in calculating this liability are an interest rate of 6.5%, an inflation rate of 3.0%, and a rate of increase in future compensation levels of 5.5%. These assumptions can have a significant effect on reported amounts. To illustrate, increasing (or decreasing) the interest rate assumption by 1%, leaving the other assumptions unchanged,

would have decreased (or increased) the total pension liability at March 31, 1985 by \$ * million and the net annual charge to expense by \$ * million. Increasing (or decreasing) the assumption for rate of increase in future compensation levels by 1% would have increased (or decreased) the total liability at March 31, 1985 by \$ * million and the net annual charge to expense by \$ * million.

* Information not readily available.

Notes to the Consolidated Financial Statements

12. Bank of Canada notes in circulation and amounts owing to depositors

The Bank of Canada is wholly owned by the government and fully consolidated in these financial statements. Audited financial statements of the Bank are included in its separate annual report, and reproduced in Volume III of the Public Accounts of Canada.

As part of its responsibility for Canadian monetary policy, including control of the money supply, the Bank of Canada issues bank notes (paper currency), holds reserve deposits of chartered banks and invests in interest-bearing debt of the government. The Bank's net revenue, composed of return on investments less operating expenses, is paid to the government each year.

A significant amount of the government's interest-bearing debt is held by the Bank as an investment. In reality, the government owes this debt to itself by virtue of owning the Bank. On consolidation of the Bank's figures with those of the government:

- The Bank's holdings of government securities reduce the consolidated figure of borrowing on financial markets.
- The Bank's return on those holdings reduces the figure of public debt expense.
- The Bank's operating expenses are included in the Parliament and services to government envelope.

Non-interest-bearing bank notes and amounts owing to depositors outside the consolidated group of corporations are included in liabilities, as summarized below.

	1985	(\$ millions) 1984	1983
Bank of Canada notes in circulation (paper currency)	13,727	12,528	11,563
Amounts owing to chartered banks and other depositors	3,219	3,845	4,647
	<u>16,946</u>	<u>16,373</u>	<u>16,210</u>

Notes to the Consolidated Financial Statements

13. Accounts payable and other liabilities

	(\$ millions)		
	1985	1984	1983
Accounts payable			
Departments and agencies	5,922	4,632	3,186
Consolidated corporations	4,238	4,296	3,774
Total	<u>10,160</u>	<u>8,928</u>	<u>6,960</u>
Other liabilities			
Departments and agencies			
Government annuities	1,095	1,124	1,150
Deposit and trust accounts	1,159	890	693
Provincial income tax collected but not yet paid to provinces	967	384	604
Demand notes payable to international financial institutions	1,196	1,153	1,099
Amounts owing on acquisition of Special Drawing Rights, an international currency	1,056	1,058	1,040
Capitalized lease obligations	450	392	309
Other	715	608	852
	<u>6,638</u>	<u>5,609</u>	<u>5,747</u>
Consolidated corporations			
Allowance for claims under insurance programs (Note 21)	1,111	515	351
Minority interest in consolidated corporations	178	426	571
Capitalized lease obligations	379	378	437
Other	1,963	1,795	1,718
	<u>3,631</u>	<u>3,114</u>	<u>3,077</u>
Total	<u>10,269</u>	<u>8,723</u>	<u>8,824</u>

14. Taxes refundable and receivable

	(\$ millions)		
	1985	1984	1983
Taxes refundable			
Personal income tax	7,244	7,680	7,972
Corporate income tax	1,036	1,023	1,902
	<u>8,280</u>	<u>8,703</u>	<u>9,874</u>
Taxes receivable			
Personal income tax	7,963	8,309	8,600
Corporate income tax	2,853	1,852	1,896
Sales tax	1,204	967	741
Energy taxes	729	627	444
	<u>12,749</u>	<u>11,755</u>	<u>11,681</u>
Less: Allowance for uncollectible accounts	1,133	1,012	764
	<u>11,616</u>	<u>10,743</u>	<u>10,917</u>

A provision for uncollectible tax accounts of \$277 million for 1985 (\$357 million for 1984 and \$220 million for 1983) has been offset against tax revenues.

Notes to the Consolidated Financial Statements

15. The Canada Pension Plan

The Canada Pension Plan (CPP) is a compulsory, contributory social insurance plan that enables members of the labour force to acquire and retain protection for themselves and their families against loss of income due to retirement, disability or death. The Canada Pension Plan was introduced in 1966 and covers all of Canada except the province of Quebec which has its own plan, the Quebec Pension Plan.

Contributions received, benefits paid and administrative expenses are recorded in the Canada Pension Plan Account. Authority to pay benefits is limited to the balance in the Account. Surplus funds are invested in provincial and federal securities and recorded

in the CPP Investment Fund. The amount each province is entitled to borrow is determined by the amount of contributions coming from its residents. Separate audited financial statements of the Account and Fund are prepared at March 31 annually and included in Section 8 of Volume I of the Public Accounts of Canada. These separate financial statements are not consolidated with those of the government because CPP is regarded as a joint undertaking with the provinces rather than a program of the federal government.

The balances of federal government accounts relating to the Canada Pension Plan are included in the Consolidated Statement of Financial Position under liabilities.

	(\$ millions)		
	1985	1984	1983
Balance shown on Consolidated Statement of Financial Position			
Year-end balance in CPP Account	29,056	26,612	24,108
Less: Provincial government securities in CPP Investment Fund	27,349	25,116	22,764
Net liability per statement	<u>1,707</u>	<u>1,496</u>	<u>1,344</u>
Balance in the CPP Account			
Revenues			
Contributions	3,879	3,716	3,446
Interest on investments	2,889	2,534	2,236
	<u>6,768</u>	<u>6,250</u>	<u>5,682</u>
Expenses			
Benefit payments	4,224	3,657	3,036
Administration	100	89	85
	<u>4,324</u>	<u>3,746</u>	<u>3,121</u>
Excess of revenues over expenses	2,444	2,504	2,561
Account balance at beginning of year	26,612	24,108	21,547
Account balance at end of year	<u>29,056</u>	<u>26,612</u>	<u>24,108</u>
Balance in CPP Investment Fund			
Provincial government securities			
Newfoundland	570	523	472
Nova Scotia	1,078	993	902
Prince Edward Island	120	109	98
New Brunswick	819	752	681
Quebec	110	104	99
Ontario	14,634	13,501	12,300
Manitoba	1,559	1,439	1,313
Saskatchewan	1,240	1,136	1,027
Alberta	3,053	2,748	2,436
British Columbia	4,166	3,811	3,436
	27,349	25,116	22,764
Securities of the federal government	205	189	171
Fund balance, end of year	<u>27,554</u>	<u>25,305</u>	<u>22,935</u>

Notes to the Consolidated Financial Statements

Securities purchased by the Fund in 1985 earned interest at a weighted average rate of 13.00% (11.60% in 1984; 14.67% in 1983).

For purposes of certain analyses some users of the government's consolidated financial statements regard CPP as a federal government social program rather than a joint

undertaking with the provinces. As a federal government program, contributions and investment income would flow into the Consolidated Revenue Fund as annual revenue; benefit payments would be an expense. The effect on the consolidated financial statements of reporting CPP in this manner is set out below.

	(\$ millions)			Accumulated deficit
	Annual deficit on operations			
	1985	1984	1983	
As reported	33,273	30,667	24,381	170,110
Deduct excess of CPP revenues over expenses	<u>2,444</u>	<u>2,504</u>	<u>2,561</u>	<u>29,056</u>
As adjusted	<u>30,829</u>	<u>28,163</u>	<u>21,820</u>	<u>141,054</u>

The Canada Pension Plan is not designed to be fully funded. However, if the Plan were to be fully funded, the government estimates that an additional amount of \$215 billion would have been required in the CPP Fund at December 31, 1984 to pay future benefits of all contributors and pensioners in the Plan at that time (\$208 billion additional in 1983; \$191 billion in 1982). Assumptions used in making this estimate of the liability include an interest rate of 6.5%, an inflation rate of 3.5%, and an annual increase in average earnings of 5.0%.

These assumptions can have a significant effect on the amount estimated. To illustrate, increasing (or decreasing) the interest rate by 1%, with the other assumptions remaining

unchanged, would have decreased (or increased) the estimated liability at December 31, 1984 by \$ * billion. Increasing (or decreasing) the assumption for annual increase in average earnings by 1% would have increased (or decreased) the estimated liability at December 31, 1984 by \$ * billion.

For purposes of certain analyses, some users may wish to adjust the government's consolidated financial statements to include the estimated liability for CPP described above. If CPP is regarded as a federal government social program, as illustrated in the preceding table, the further effect of including the estimated liability in the consolidated financial statements would be as set out below.

	(\$ millions)			Accumulated deficit
	Annual deficit on operations			
	1985	1984	1983	
As shown in preceding table	30,829	28,163	21,820	141,054
Add actuarial estimate of additional CPP liability	<u>7,000</u>	<u>17,000</u>	<u>57,000⁽¹⁾</u>	<u>215,000</u>
Adjusted	<u>37,829</u>	<u>45,163</u>	<u>78,820</u>	<u>356,054</u>

⁽¹⁾ Includes adjustment of prior year estimates.

* Information not readily available.

Notes to the Consolidated Financial Statements

Employee and employer contributions at April 1, 1985 were each 1.8% of the employee's earnings up to a maximum annual contribution for each of \$379.80. The government estimates, on the same actuarial basis used for the full-funding estimate, that if contribution rates remain at the present levels, the Canada Pension Plan Account and Fund will be exhausted by the year 2004. In order to maintain benefit payments, the combined employee-employer contribution

rate would have to increase from 3.6% to 6.1% in 2004 and then slowly rise to a relatively stable rate of between 10% and 11% by the year 2030.

Retirement pensions and survivor and disability benefits were paid to a total of 1,723,000 beneficiaries at April 1, 1985, and the maximum retirement pension was \$435.42 per month.

16. Loans, investments and advances

	1985	(\$ millions) 1984	1983
Departments and agencies			
Loans and advances			
National governments	2,174	2,150	2,108
Provincial and territorial governments	1,147	1,213	1,249
Other	1,017	881	793
	<u>4,338</u>	<u>4,244</u>	<u>4,150</u>
Investments			
Subscriptions to capital of international development banks and agencies	625	535	447
Corporations accounted for by the equity method			
Canada Development Corporation	529	512	590
Other	262	147	130
	<u>5,754</u>	<u>5,438</u>	<u>5,317</u>
Less: Allowance for losses	397	342	274
	<u>5,357</u>	<u>5,096</u>	<u>5,043</u>
Consolidated corporations			
Loans and advances			
Export development	6,065	5,386	4,637
Farmers	4,993	4,917	4,292
Housing and community services	10,100	10,140	10,189
Small business	1,589	1,663	1,895
Other	1,346	1,217	1,245
	<u>24,093</u>	<u>23,323</u>	<u>22,258</u>
Investments	850	755	861
	<u>24,943</u>	<u>24,078</u>	<u>23,119</u>
Less: Allowance for losses	393	411	337
	<u>24,550</u>	<u>23,667</u>	<u>22,782</u>
Total	<u>29,907</u>	<u>28,763</u>	<u>27,825</u>

The government has made loans to developing countries without interest or at low rates of interest. It has also subscribed to special development funds of international financial institutions that make loans on similar

concessionary terms. At March 31, 1985, loans to developing countries with a face value of \$3,080 million (\$2,879 million in 1984 and \$2,698 million in 1983) were included in loans to national governments at a discounted value of \$867 million (\$814 million in 1984 and \$758 million in 1983). Subscriptions to special development funds with a face value of \$3,086

Notes to the Consolidated Financial Statements

million at March 31, 1985 (\$2,754 million in 1984 and \$2,453 million in 1983) are included in subscriptions to capital of international development banks and agencies at nil value (nil in 1984 and in 1983).

The amount of benefit conferred by the concessionary terms of these loans and subscriptions during 1985 of \$533 million (\$483 million in 1984 and \$529 million in 1983) is included in expense of the External affairs and aid envelope.

17. Cash and monetary reserves

The monetary reserves are used to aid in the control and protection of the value of the Canadian dollar in international trading. They represent assets of the government

available for financing Canada's balance-of-payments deficit or for influencing the exchange rate of Canada's dollar and are reported here translated into Canadian dollars at year-end closing rates of exchange. For the most part, monetary reserve assets are held in the Exchange Fund Account whose separate financial statements are fully consolidated in these financial statements, and are included in Section 10 of Volume I of the Public Accounts of Canada.

At March 31, 1985, the government held 20.14 million fine ounces of gold (20.17 million in 1984 and 20.21 million in 1983) having a market value of \$448.97 per fine ounce (\$495.76 in 1984 and \$513.09 in 1983).

	1985	(\$ millions) 1984	1983
Departments and agencies			
Monetary reserves			
US dollar deposits and short-term securities	3,188	2,343	3,430
Other foreign currency deposits	37	314	331
Gold, at 35 SDRs per fine ounce	953	959	944
Special Drawing Rights (SDRs), an international currency	47	73	119
Reserve position - International Monetary Fund	915	972	436
Total monetary reserves, at official value	5,140	4,661	5,260
Add adjustment of gold to market value	8,089	9,040	9,426
Total monetary reserves, at market value	13,229	13,701	14,686
Operating cash balances	3,928	4,421	4,284
	17,157	18,122	18,970
Consolidated corporations			
Operating cash balances and short-term securities	1,917	2,057	2,956
Total	19,074	20,179	21,926

18. Accounts receivable and other financial assets

Accounts receivable. The accounts receivable of departments, agencies and

corporations are shown net of an allowance for doubtful accounts and comprise primarily trade receivables arising from sales of goods and services.

	1985	(\$ millions) 1984	1983
Departments and agencies	*	*	*
Consolidated corporations	6,100	4,915	4,881
Total	6,100	4,915	4,881

Notes to the Consolidated Financial Statements

Other financial assets. Other financial assets of corporations, departments and agencies comprise prepaid expenses, deferred

charges and amounts receivable other than trade receivables.

	(\$ millions)		
	1985	1984	1983
Departments and agencies	*	*	*
Consolidated corporations	<u>1,625</u>	<u>1,260</u>	<u>885</u>
Total	<u><u>1,625</u></u>	<u><u>1,260</u></u>	<u><u>885</u></u>

* At the present time, departments and agencies keep only memorandum records of accounts receivable and other financial assets. These records are not maintained in a uniform manner and cannot be readily integrated into the accounts. Therefore, the financial statements in this illustrative Annual Financial Report reflect no values for the accounts receivable and other financial assets of departments and agencies.

19. Land, buildings and equipment

Land, buildings and equipment consist of real and personal property with a useful life of two years or more, and include the types of assets listed in the following table. Military assets include machinery and equipment, aircraft,

ships, vehicles and weapons systems. The columns to the right of the asset description provide historical cost information. The column to the left of the description shows estimates of how much it would cost to replace the assets on hand at March 31, 1985 less an allowance for accumulated depreciation.

1985 Estimated replacement cost net of accumulated depreciation	(\$ millions)				
	Cost	1985 Accumulated depreciation	Net	1984 Net	1983 Net
Departments and agencies					
Land	763		763	706	599
Buildings	10,890	3,423	7,467	6,758	6,250
* Works	5,520	2,194	3,326	2,929	2,645
Machinery and equipment	3,716	1,210	2,506	2,135	1,877
Aircraft and ships	1,048	228	820	519	429
Vehicles	164	77	87	77	75
Military assets	10,012	3,034	6,978	5,504	4,365
	<u>32,113</u>	<u>10,166</u>	<u>21,947</u>	<u>18,628</u>	<u>16,240</u>
Consolidated corporations					
	<u>30,160</u>	<u>8,681</u>	<u>21,479</u>	<u>20,043</u>	<u>18,401</u>
Total	<u><u>62,273</u></u>	<u><u>18,847</u></u>	<u><u>43,426</u></u>	<u><u>38,671</u></u>	<u><u>34,641</u></u>

* Information to estimate the replacement cost of fixed assets at March 31, 1985 was not available.

Included in amounts reported above are assets held under capital lease having a net value for departments and agencies of \$411 million at March 31, 1985 (\$358 million in 1984 and \$281 million in 1983) and for consolidated

corporations of \$257 million at March 31, 1985 (\$283 million in 1984 and \$318 million in 1983).

Depreciation of assets of departments and agencies is charged to expense on a straight-line basis to allocate acquisition cost over their estimated useful lives, which are:

Notes to the Consolidated Financial Statements

Buildings	50 years
Works	30 years
Machinery and equipment	20 years
Aircraft and ships	25 years
Vehicles	4 years

These estimates of useful life have also been used for the depreciation of military assets.

Some corporations report assets by line of business; others report assets by type. Accordingly, at this time it is not possible to provide the same analysis for corporate assets as has been provided for departments and agencies. Depreciation on corporate assets is calculated over their estimated useful lives, on a basis that results in the best approximation of the cost from using them in each period.

20. Inventories

	(\$ millions)		
	1985	1984	1983
Departments and agencies			
Goods held for sale			
Materials and supplies			
	*	*	*
Consolidated corporations			
Goods held for sale	2,947	2,838	3,082
Materials and supplies	667	663	735
	<u>3,614</u>	<u>3,501</u>	<u>3,817</u>
Total	<u>3,614</u>	<u>3,501</u>	<u>3,817</u>

* At the present time, departments and agencies charge inventory acquisitions to expense. Information to estimate the value of their inventories at March 31, 1985 was not readily available.

21. Contingent liabilities and insurance programs

Contingent liabilities. Contingent liabilities are potential liabilities which may become

actual should a certain event or events occur. They arise from the government providing a variety of loan guarantees and from pending and threatened litigation.

	(\$ millions)		
	1985	1984	1983
Departments and agencies			
Guarantees for borrowing by:			
Students (for higher education)	1,575	1,218	980
Small businesses	454	427	304
Farmers	236	205	238
The native Indian and Inuit communities	202	123	90
Others	400	204	227
Other guarantees	150	125	1
	<u>3,017</u>	<u>2,302</u>	<u>1,840</u>
Pending and threatened litigation	<u>3,724</u>	<u>2,859</u>	<u>2,316</u>
	<u>6,741</u>	<u>5,161</u>	<u>4,156</u>
Consolidated corporations			
Guarantees of corporations' borrowing	270	275	538
Conditional repurchase agreements for aircraft sales	87	87	104
Pending and threatened litigation	126	141	112
Other	2	2	14
	<u>485</u>	<u>505</u>	<u>768</u>
Total	<u>7,226</u>	<u>5,666</u>	<u>4,924</u>

Notes to the Consolidated Financial Statements

Insurance programs. The government, both directly and through its corporations, operates a number of insurance programs. The total insurance in force as of March 31 and the

allowance for claims included in the Consolidated Statement of Financial Position at that date are summarized below.

	(\$ millions)					
	1985		1984		1983	
	Insurance in force	Allowance for claims	Insurance in force	Allowance for claims	Insurance in force	Allowance for claims
Departments and agencies						
Insurance provided to:						
Corporations against accidents at nuclear installations	699	1	699	1	699	1
Fishermen against abnormal fleet losses	358	4	306	6	*	7
Businesses for export of goods	410		423		440	
Provinces in respect of crop insurance plans	*	170	*	150	*	133
Total departments and agencies (included in other liabilities in Note 13)		175		157		141
Consolidated corporations						
Insurance provided to:						
Mortgagors against loss	39,500	957	34,474	493	29,647	335
Bank depositors against loss	172,615	130	161,547		151,818	
Businesses for export of goods	2,309	24	2,132	22	1,824	16
Total corporations (included in other liabilities in Note 13)		1,111		515		351
Total allowance for claims		<u>1,286</u>		<u>672</u>		<u>492</u>

* Information not readily available.

22. Contractual commitments

Operating leases. Minimum annual future payments under operating leases in effect at

March 31, 1985 with future payments in excess of \$1 million are summarized in the following table.

	(\$ millions)		
	Departments and agencies	Consolidated corporations	Total
Minimum annual payments in fiscal years ended March 31:			
1986		368	
1987	*	312	
1988		249	
1989		177	
1990		137	
Remaining years		878	
Total minimum future payments		<u>2,121</u>	

Notes to the Consolidated Financial Statements

Other contractual commitments

	<u>Departments and agencies</u>	(\$ millions) <u>Consolidated corporations</u>	<u>Total</u>
Construction or acquisition of fixed assets		681	
Loans and guarantees	*	4,102	
Purchases and other commitments	<u> </u>	<u>1,714</u>	<u> </u>
	<u> </u>	<u>6,497</u>	<u> </u>

* Information is not readily available on contractual commitments of departments and agencies.

23. Subsequent events

No events are known to have occurred after March 31, 1985 up to June 30, 1985, the date of this report, that will have a significant effect on the assets and liabilities or future operations of the government.

Supplementary Information

Government of Canada Ten-year Condensed Financial Statements

– in historical dollars –

	1976	1977	1978	1979	(\$ millions) 1980	1981	1982	1983	1984	1985
Consolidated Statement of Operations and Financial Requirements										
Revenue										
Taxes								59,894	63,888	70,746
Sales of goods and services								21,441	23,633	25,653
Investment income								3,085	3,029	3,132
Change in market value of gold								2,368	(349)	(942)
Total revenue								<u>86,788</u>	<u>90,201</u>	<u>98,589</u>
Expense by envelope										
Social development										
Unemployment insurance benefits								9,677	9,816	10,049
Old age security, guaranteed income supplement and spouse's allowances								9,642	10,406	11,418
Family allowances								2,231	2,327	2,418
Child tax credit								1,527	1,491	1,525
Hospital insurance and medical care contributions								4,060	5,564	6,330
Canada Assistance Plan payments								2,832	3,288	3,635
Education support payments								1,532	2,065	2,265
Housing								1,445	1,935	2,087
Justice and legal								1,980	2,140	2,106
Other								8,959	10,601	11,213
<i>Total social development</i>								<i>43,885</i>	<i>49,633</i>	<i>53,046</i>
Economic and regional development								30,884	31,742	34,655
Parliament and services to government								5,469	6,415	6,226
Defence								7,118	7,328	7,243
External affairs and aid								2,128	2,318	2,635
Fiscal arrangements								5,581	5,975	5,977
Public debt								16,104	17,457	22,080
Total expense								<u>111,169</u>	<u>120,868</u>	<u>131,862</u>
Deficit on operations								<u>24,381</u>	<u>30,667</u>	<u>33,273</u>
Other financial requirements										
Net increase in physical assets								2,835	3,714	4,868
Net loans, investments and advances								2,079	938	1,144
Total financial requirements								<u>29,295</u>	<u>35,319</u>	<u>39,285</u>
Financing from internal sources								200	8,129	5,396
Net new borrowing on financial markets								<u>29,095</u>	<u>27,190</u>	<u>33,889</u>
Consolidated Statement of Financial Position										
Borrowing on financial markets								121,470	148,660	182,549
Other liabilities								<u>89,592</u>	<u>96,209</u>	<u>102,923</u>
Total liabilities								<u>211,062</u>	<u>244,869</u>	<u>285,472</u>
Financial assets								<u>66,434</u>	<u>65,860</u>	<u>68,322</u>
Net debt								<u>144,628</u>	<u>179,009</u>	<u>217,150</u>
Physical assets								<u>38,458</u>	<u>42,172</u>	<u>47,040</u>
Accumulated deficit								<u>106,170</u>	<u>136,837</u>	<u>170,110</u>

Information for the years 1976 to 1982 is not readily available for purposes of this illustration

Government of Canada Ten-year Condensed Financial Statements

– restated for general price-level changes
to March 31, 1985 dollars –

The purpose of restating historical cost to account for changes in the general purchasing power of the dollar is to make the data more comparable between years. Historical dollars

are restated at their equivalent March 31, 1985 level of purchasing power using the Consumer Price Index. Fixed assets are restated in March 31, 1985 dollars based on their year of acquisition. Depreciation included in the expense envelopes is calculated on the restated fixed asset values.

	1976	1977	1978	(\$ millions - constant dollars)			1982	1983	1984	1985
				1979	1980	1981				
Consolidated Statement of Operations and Financial Requirements										
Revenue										
Taxes								65,014	66,260	70,746
Sales of goods and services								23,274	24,510	25,653
Investment income								3,349	3,141	3,132
Change in market value of gold								1,944	(863)	(1,313)
Total revenue								93,581	93,048	98,218
Expense by envelope										
Social development										
Unemployment insurance benefits								10,504	10,181	10,049
Old age security, guaranteed income supplement and spouse's allowances								10,466	10,792	11,418
Family allowances								2,422	2,413	2,418
Child tax credit								1,658	1,546	1,525
Hospital insurance and medical care contributions								4,407	5,771	6,330
Canada Assistance Plan payments								3,074	3,410	3,635
Education support payments								1,663	2,142	2,265
Housing								1,570	2,009	2,089
Justice and legal								2,202	2,272	2,160
Other								9,929	11,199	11,417
<i>Total social development</i>								<i>47,895</i>	<i>51,735</i>	<i>53,306</i>
Economic and regional development								34,709	34,153	35,808
Parliament and services to government								6,342	7,064	6,632
Defence								8,187	8,026	7,644
External affairs and aid								2,320	2,414	2,646
Fiscal arrangements								6,058	6,197	5,977
Public debt								17,481	18,105	22,080
Total expense								122,992	127,694	134,093
Deficit before general price-level gain								29,411	34,646	35,875
General price-level gain								9,440	6,287	5,271
Deficit on operations								19,971	28,359	30,604
Other financial requirements										
Net increase in physical assets								366	305	890
Net loans, investments and advances								239	(373)	76
Total financial requirements								20,576	28,291	31,570
Financing from internal sources								(3,765)	5,966	3,201
Net new borrowing on financial markets								24,341	22,325	28,369
Consolidated Statement of Financial Position										
Borrowing on financial markets								131,855	154,180	182,549
Other liabilities								97,251	99,781	102,923
Total liabilities								229,106	253,961	285,472
Financial assets								72,114	68,305	68,322
Net debt								156,992	185,656	217,150
Physical assets								76,209	76,514	77,404
Accumulated deficit								80,783	109,142	139,746

Information for the years 1976 to 1982
is not readily available for purposes
of this illustration

Comparisons of Budget with Actual and Reconciliations

- budget basis -

The government prepares its budget and spending estimates for Parliament on an accounting basis different from that used in preparing the consolidated financial statements presented in this Report. The principal displays in the budget are prepared on a modified cash basis (budget basis). This is also the basis now used in the Public Accounts of Canada in accounting for spending under authorities of Parliament as explained

in Note 2 to the consolidated financial statements. The following table compares budgeted with actual results on the budget basis for the latest three fiscal years and presents forecast results for the subsequent two fiscal years. At the bottom of the table is a reconciliation of the actual deficits on a budget basis with the deficits reported in the Consolidated Statement of Operations. A more detailed reconciliation for 1985 is presented on page 54 of this Report.

	1983		1984		1985		1986	1987
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget
(\$ millions)								
Revenue								
Taxes								
Personal income tax	26,775	26,330	29,000	26,967	32,310	29,254	32,370	36,490
Corporate income tax	8,320	7,139	7,788	7,286	9,806	9,379	10,995	11,920
Sales tax	6,310	5,894	6,410	6,660	7,315	7,729	9,085	10,565
Customs import duties	3,045	2,831	2,705	3,380	3,600	3,796	3,940	3,835
Energy taxes	5,820	4,913	3,415	4,036	3,945	4,209	3,620	2,795
Other taxes	3,080	3,089	3,445	3,145	3,800	3,440	4,015	4,270
<i>Total taxes</i>	<i>53,350</i>	<i>50,196</i>	<i>52,763</i>	<i>51,474</i>	<i>61,276</i>	<i>57,807</i>	<i>64,025</i>	<i>69,875</i>
Non-tax revenue	6,090	5,816	5,855	5,657	6,050	6,330	7,220	7,075
Total revenue	59,440	56,012	58,618	57,131	67,326	64,137	71,245	76,950
Expenditure by envelope								
Social development								
Unemployment insurance		2,034		2,714	2,709	2,788	2,755	2,925
Old age security, guaranteed income supplement and spouse's allowances		9,643		10,406	11,584	11,418	12,465	12,985
Family allowances		2,231		2,326	2,429	2,418	2,490	2,500
Established programs financing		5,737		7,816	7,535	8,822	8,940	9,805
Canada Assistance Plan		2,832		3,288	3,696	3,635	4,015	4,195
Other		10,919		12,350	13,745	13,632	14,360	14,325
<i>Total social development</i>		<i>33,396</i>		<i>38,900</i>	<i>41,698</i>	<i>42,713</i>	<i>45,025</i>	<i>46,735</i>
Economic and regional development		10,598		12,327	14,383	13,827	12,150	9,865
Parliament and services to government		3,154		3,628	4,463	4,035	3,840	3,615
Defence		6,992		7,972	8,782	8,926	9,385	10,105
External affairs and aid		1,568		1,764	2,196	2,117	2,315	2,635
Fiscal arrangements		5,597		5,878	5,920	6,085	5,945	6,190
Public debt		16,971		18,146	20,350	22,551	25,955	28,865
Reserves net of estimated lapse		1,725		300	(866)	800	385	1,680
Total expenditure	78,100	80,001	89,818	88,915	96,926	101,054	105,000	109,690
Deficit (budget basis)	18,660	23,989	31,200	31,784	29,600	36,917	33,755	32,740
Reconciliation with consolidated deficit on operations								
Deficit, as above		23,989		31,784		36,917		
Add or (deduct) net adjustments to								
Consolidate majority-owned corporations		(1,034)		54		(613)		
Consolidate the Unemployment Insurance Account		3,401		436		991		
Capitalize fixed assets		(1,490)		(2,305)		(3,260)		
Consolidate the Exchange Fund Account, with gold at market value		(1,966)		632		1,141		
Accrue tax revenues		207		(1,467)		(1,011)		
Report full actuarial liability for employee pension plans		1,076		1,585		(894)		
Other, not itemized		198		(62)		2		
Deficit, Consolidated Statement of Operations		24,381		30,667		33,273		

Source: Budgeted amounts for 1983 are taken from the June 1982 budget, for 1984 from the April 1983 budget, for 1985 from the February 1984 budget and for 1986 and 1987 from the May 1985 budget. Revenue budgeted for 1983 has been adjusted to include Canadian Ownership Charges of \$890 million in Energy taxes.

* Details of budgeted expenditures by envelope are not available for 1983 and 1984.

Comparisons of Budget with Actual and Reconciliations

- National Accounts basis -

A supplementary display of the budget on a "National Accounts basis" is included in the budget documents. This is the basis of accounting used by Statistics Canada for the federal government sector of the National Income and Expenditure Accounts, a series of reports containing financial information used extensively for economic analysis. The following table compares budgeted with actual results for the latest three fiscal years

and presents forecast results for the subsequent two fiscal years. The table shows both dissaving (the difference between revenue and expense) and deficit for each year, the difference being the net increase in physical assets. Because the National Accounts basis of determining dissaving is very similar to the basis on which deficit is determined in the Consolidated Statement of Operations, it is these two amounts that are reconciled at the bottom of the table.

	1983		1984		1985		1986	1987
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget
(\$ millions)								
Revenue								
Direct taxes, persons	33,824	33,209	38,160	35,713	43,080	38,023	43,845	48,185
Direct taxes, corporations	9,839	9,472	8,965	10,844	12,101	11,937	13,200	13,440
Direct taxes, non-residents	1,130	1,116	1,185	1,051	1,210	1,170	1,355	1,360
Indirect taxes	18,233	16,609	15,230	16,555	17,695	18,486	18,270	19,250
Other current transfers from persons	24	15	24	24	24	24	30	30
Investment income	6,677	6,110	7,136	6,716	7,005	7,853	8,590	8,725
Total revenue	69,727	66,531	70,700	70,903	81,115	77,493	85,290	90,990
Expense by type								
Current goods and services	18,680	19,222	21,415	20,387	22,900	22,433	23,050	23,940
Transfer payments to persons	25,236	26,005	30,030	28,361	30,740	30,521	32,305	33,530
Subsidies	6,526	5,830	5,690	5,873	6,180	7,762	5,535	4,235
Capital assistance	4,041	3,122	4,390	2,975	4,010	3,131	2,955	1,965
Current transfers to non-residents	975	1,069	1,200	1,275	1,270	1,539	1,520	1,570
Public debt interest	17,705	16,821	17,630	18,072	20,100	22,401	25,790	28,805
Transfers to other levels of government	15,747	16,109	17,750	18,532	19,470	20,361	20,940	21,925
Total expense	88,910	88,178	98,105	95,175	104,670	108,148	112,095	115,970
Dissaving	19,183	21,647	27,405	24,572	23,555	30,655	26,805	24,980
Add gross capital formation	1,690	1,387	1,995	1,887	2,780	2,852	2,135	2,020
Less capital consumption allowances	(1,073)	(1,049)	(1,200)	(1,176)	(1,335)	(1,299)	(1,405)	(1,525)
Deficit (National Accounts basis)	19,800	21,985	28,200	25,283	25,000	32,208	27,535	25,475
Reconciliation with consolidated deficit on operations								
Dissaving, as above		21,647		24,572		30,655		
Add or (deduct) net adjustments to								
Consolidate government business enterprises		802		(138)		(335)		
Consolidate the Exchange Fund Account, with gold at market value		(1,966)		632		1,141		
Report and depreciate all fixed assets, including military assets, at cost		(1,152)		(1,594)		(1,707)		
Accrue personal income taxes		(333)		(325)		16		
Modify the accrual for corporate income taxes		846		800		(616)		
Report full actuarial liability and related expense for employee pension plans		4,681		5,567		3,579		
Other, not itemized		(144)		1,153		540		
Deficit, Consolidated Statement of Operations		24,381		30,667		33,273		

Source Budgeted amounts for 1983 are taken from the June 1982 budget, for 1984 from the April 1983 budget, for 1985 from the February 1984 budget and for 1986 and 1987 from the May 1985 budget

Reconciliation of Existing Public Accounts with Consolidated Financial Statements Year ended March 31, 1985

The following table reconciles the consolidated financial statements of the Government of Canada with financial statements that are now included in the Public Accounts of Canada.

For these latter financial statements, corporations in which the government has a majority interest are treated as outside parties so that the amounts shown in the first column of the table include transactions and balances of the government with the corporations but exclude transactions and balances of the corporations with third parties. The

Comparisons of Budget with Actual and Reconciliations

consolidating adjustments in respect of majority-owned corporations eliminate these transactions and balances with the government and substitute those with third parties. The effect is to gross up revenues, expenses, assets and liabilities already partly reflected in the government's accounts through recording of transfers of profits, assistance payments and the government's investment in the corporations. Note that the consolidating adjustments do not represent the

combined operating results, financial requirements and financial position of the corporations. The adjustments are shown in three columns: Bank of Canada, other business enterprises and other enterprises. The distinction between business enterprises and other enterprises is based on the classification used by Statistics Canada in the National Income and Expenditure Accounts. A listing of the corporations is provided in the table beginning on page 56.

	(\$ millions)						
	Addition or (deduction)						
	Public Accounts basis	Accrue tax revenues	Capitalize fixed assets	Consolidate LI Account and other adjustments	Consolidate majority-owned corporations		Consolidated financial statements
Business enterprises					Other enterprises		
				Bank of Canada		Other	
Statement of Operations and Financial Requirements							
Revenue							
Taxes	57,807	929		12,089		(79)	70,746
Sales of goods and services	1,128			1,040		22,392	25,653
Investment income	5,202			(944)	(1,852)	765	3,132
Change in market value of gold				(942)			(942)
Total revenue	64,137	929		11,193	(1,852)	23,078	98,589
Expense by envelope							
Social development							
Unemployment insurance benefits	2,788			7,261			10,049
Old age security, guaranteed income supplement and spouse's allowances	11,418						11,418
Family allowances	2,418						2,418
Child tax credit		(82)		1,607			1,525
Hospital insurance and medical care contributions	6,330						6,330
Canada Assistance Plan payments	3,635						3,635
Education support payments	2,265						2,265
Housing	1,965					125	2,087
Justice and legal	1,901		(156)	361			2,106
Other	9,993		(139)	1,124		198	11,213
Total social development	42,713	(82)	(295)	10,350		323	53,046
Economic and regional development							
Parliament and services to government	13,827		(895)	3,126		17,517	34,655
Defence	4,035		(506)	(637)	129	3,295	6,226
External affairs and aid	8,926		(1,564)	(96)		(23)	7,243
Fiscal arrangements	2,117		(44)	560			2,635
Public debt	6,085			(108)			5,977
Provision for valuation	22,551		44	(165)	(1,989)	1,639	22,080
	800			(597)		(176)	(27)
Total expense	101,054	(82)	(3,260)	12,433	(1,860)	22,575	131,862
Deficit on operations							
Net increase in physical assets	36,917	(1,011)	(3,260)	1,240	(8)	(503)	(102)
Net loans, investments and advances			3,318		10	1,425	115
	(510)			(121)	255	1,509	11
Total financial requirements	36,407	(1,011)	58	1,119	257	2,431	39,285
Financing from internal sources	5,816	(1,011)	58	1,119	(117)	(501)	32
Net new borrowing on financial markets	30,591				374	2,932	(8)
Statement of Financial Position							
Borrowing on financial markets	181,850				(16,999)	17,683	15
Other liabilities	50,784	7,664	450	19,685	16,946	6,973	421
Total liabilities	232,634	7,664	450	19,685	(53)	24,656	436
Financial assets	41,186	11,616	4,140	4,140	349	10,214	817
Net debt	191,448	(3,952)	450	15,545	(402)	14,442	(381)
Physical assets			21,946		96	23,953	1,045
Accumulated deficit	191,448	(3,952)	(21,496)	15,545	(498)	(9,511)	(1,426)

Financial Summary of Crown Corporations

The following table presents information on Crown corporations from their consolidated financial statements for their latest financial year ended prior to or on March 31, 1985. The corporations are listed alphabetically in two classes: government business enterprises, and other government enterprises. Government business enterprises are those federal government corporations that Statistics Canada includes in the business sector of the economy in the National Accounts. Other government enterprises are those federal government corporations that are included by Statistics Canada in the government sector.

The financial figures in the table include transactions and balances with the federal government. Significant federal government assistance payments included in reported income (or applied to reduce the reported loss) and any significant balances owing to or from the federal government are shown in the table.

Changes are percentage changes from the previous year. Amounts are not entered in the % change column where the organization was not in existence for all of the prior year or where the comparative figure for the prior year was nil.

-
- (1) Substantially all the revenue of the Bank consists of interest on securities of the federal government. The net income of the Bank is transferred to the government.
 - (2) Prior to 1984, CN Marine Inc. was consolidated with Canadian National Railway System. Employment figures are included with the Canadian National Railway System.
 - (3) Employment figures include CN Marine Inc.
 - (4) Employment figures for Canetech Inc. are included with Petro-Canada.
 - (5) Information is for the year ended April 30, 1985.
 - (6) Financial statements not available.
 - (7) Does not include casual or part-time employees.
 - (8) Employment figures for the Jacques Cartier and Champlain Bridges Inc. and for the Seaway International Bridge Corporation, Ltd. are included with the St. Lawrence Seaway Authority.

Financial Summary of Crown Corporations

	(\$ millions)										
	Year end	Assets		Liabilities		Revenue		Income or loss (-) before income taxes		Government assistance included in income	Number of employees ⁽⁷⁾
		Total	Owing from government	Total	Owing to government	Amount	% change	Amount	% change		
Government business enterprises											
Air Canada	Dec 31	2,513		2,000	228	2,572	9	11			21,800
Bank of Canada ⁽¹⁾	Dec 31	18,934	17,590	18,904	68	1,982	6	1,852	6		2,129
CN Marine Inc. ⁽²⁾	Dec 31	363		81		209	5	21	6	164	
Canada Deposit Insurance Corporation	Dec 31	1,360		2,232		179	38	-533	7		16
Canada Development Investment Corporation	Dec 31	679		1,387		84	192	-216	62		9,287
Canada Mortgage and Housing Corporation	Dec 31	10,276	22	10,226	9,990	929	1	73	-18	1,700	3,700
Canada Post Corporation	Dec 31	245	82	140	104	48	-68	4	-72		517
Canada Ports Corporation	Mar 31	2,370	4	769	32	2,500	4	395	-32	226	62,477
Canadian Arsenal Limited	Mar 31	126	21	74	38	105	7	11	-32		750
Canadian Broadcasting Corporation	Mar 31	691	11	278	33	1,037	12	-16	-269	808	11,200
Canadian Commercial Corporation	Mar 31	381	10	345	3	720	10	4	2	18	120
Canadian National (West Indies) Steamships Ltd	Dec 31	1		nil		nil		nil			nil
Canadian National Railway System ⁽³⁾	Dec 31	7,467		4,142	274	4,973	12	220	14	81	66,234
Canadian Patents and Development Limited	Mar 31	1		1		2	nil	-1	-84		27
Canadian Saltfish Corporation	Mar 31	15		18	12	61	43	-4	26		53
Canadian Wheat Board, The	Jul 31	5,030		5,030		4,974	16	nil			532
Canertech Inc. ⁽⁴⁾	Dec 31	22	3	38	32	2		-10			
Export Development Corporation	Dec 31	6,611	5	5,757	284	678	16	6	228		577
Farm Credit Corporation	Mar 31	4,940		4,811	4,218	528	8	-30	46		635
Federal Business Development Bank	Mar 31	1,566	87	1,864	271	222	-9	-5	93	24	1,280
Freshwater Fish Marketing Corporation ⁽⁵⁾	Apr 30	25		23	13	42	-6	nil			410
Halifax Port Corporation	Dec 31	58	12	36	31	8		1			55
Jacques Cartier and Champlain Bridges Inc. The ⁽⁶⁾	Mar 31	27		113	111	7	7	-5	-17		
Loto Canada Inc.	Mar 31	nil		nil		1	-25	1	43		nil
Montreal Port Corporation	Dec 31	237	106	259	239	68		27			700
Northern Canada Power Commission	Mar 31	268	12	253	241	88	7	6	nil		325
Northern Transportation Company Limited	Dec 31	75		37	28	41	-9	2	-29		564
Petro-Canada ⁽⁸⁾	Dec 31	9,055		4,479	1,608	4,991	20	510	83		6,697
Port of Quebec Corporation	Dec 31	84	37	4		11		5			123
Prince Rupert Port Corporation	Dec 31	80	6	90	88	6		1			12
Royal Canadian Mint	Dec 31	72	3	71	60	674	35	11	44		641
Seaway International Bridge Corporation, Ltd. The ⁽⁹⁾	Mar 31	nil		nil		1	3	nil			
St. Lawrence Seaway Authority, The ⁽¹⁰⁾	Mar 31	669	50	236	210	71	10	-2			1,142
Teleglobe Canada	Dec 31	575		212	57	186		68			1,298
Uranium Canada, Limited	Dec 31	nil		nil		nil		nil			nil
VIA Rail Canada Inc.	Dec 31	750	114	141		599	-7	3	-12	398	3,653
Vancouver Port Corporation	Dec 31	221	38	122	108	99		17			230
Total government business enterprises		75,787	18,213	63,673	18,381	28,698		1,637		3,419	197,184
Other government enterprises											
Atlantic Pilotage Authority	Dec 31	2		2		6	7	nil			82
Atomic Energy of Canada Limited	Mar 31	1,226		1,077	720	340	-21	10	9	206	6,767
Canada Council	Mar 31	129		28		87	11	1	186	73	231
Canada Harbour Place Corporation	Mar 31	88	19	12		nil		nil			57
Canada Lands Company (Le Vieux-Port de Montreal) Limited	Mar 31	6	2	6	1	1					17
Canada Lands Company (Mirabel) Limited ⁽¹¹⁾	Mar 31										60
Canada Lands Company (Vieux-Port de Quebec) Inc. ⁽¹²⁾	Mar 31										50
Canada Museums Construction Corporation Inc.	Mar 31	50		5		nil		nil			32
Canadian Dairy Commission	Jul 31	304	74	318	180	570	-15	-21	-189	314	78
Canadian Film Development Corporation	Mar 31	12	6	4		2	228	-45	-256		43
Canadian Institute for International Peace and Security	Mar 31	1	1			2		1		2	9
Canadian Livestock Feed Board	Mar 31	3	2	2		nil		-18	-8		25
Canadian Sports Pool Corporation	Mar 31	8		4		56		5		47	1
Canagrex	Mar 31	2		nil		6		2		5	1
Cape Breton Development Corporation	Mar 31	397		62	13	165	14	-52	44		3,582
Defence Construction (1951) Limited	Mar 31	1		7		nil		-14	-3		200
Great Lakes Pilotage Authority, Ltd.	Dec 31	4		4		11	8	-1	-16		148
Harbourfront Corporation	Mar 31	18	10	8		30	38	2	-37	21	230
International Centre for Ocean Development ⁽¹³⁾	Mar 31										
International Development Research Centre	Mar 31	20		12		85	20	nil		81	451
Laurentian Pilotage Authority	Dec 31	5		5		26	7	-1	-59		312
Mingan Associates, Ltd. ⁽¹⁴⁾	Dec 31										
National Arts Centre Corporation	Mar 31	14		14	10	13	3	-16	-11		429
National Capital Commission	Mar 31	429		51	26	108	13	11		97	850
Pacific Pilotage Authority	Dec 31	4		2		20	6	nil			152
Pêcheries Canada Inc.	Dec 31	21		9		19		-16			528
Societa a responsabilita limitata Immobiliare San Sebastiano ⁽¹⁵⁾	Mar 31										
St. Anthony Fisheries Limited ⁽¹⁶⁾	Feb 28										
Standards Council of Canada	Mar 31	5		1		1	24	-6	1		75
Total other government enterprises		2,749	114	1,633	950	1,548		-158		846	14,410
Total Crown corporations		78,536	18,327	65,306	19,331	30,246		1,479		4,265	211,594

Personal Income Tax by Income Class and Province

Personal Income Tax by Income Class

This table shows the revenues raised and number of tax returns filed by taxpayers having "total income" within the range indicated. Revenue is expressed in millions of dollars; number of tax returns filed in thousands. All information is on a calendar-

year basis; accordingly revenue is not equal to personal income tax revenue shown in the consolidated financial statements, which are prepared on a March 31 fiscal-year basis. The number of tax returns filed in each income class in each year includes the number of returns filed having no taxable income.

Income class	Unit	(Calendar Year)							
		1976	1977	1978	1979	1980	1981	1982	1983
Under \$6,000	\$ millions	119	66	14	25	17	7	2	4
Returns filed	thousands	4,680	4,190	5,316	5,087	4,564	4,191	3,917	3,872
\$6,000 - \$9,999	\$ millions	1,294	992	677	707	610	479	378	269
Returns filed	thousands	2,497	2,631	2,580	2,452	2,291	2,219	2,134	2,143
\$10,000 - \$15,999	\$ millions	3,814	3,199	2,830	2,989	2,916	2,673	2,229	1,895
Returns filed	thousands	2,901	2,926	3,003	3,025	2,966	2,924	2,749	2,664
\$16,000 - \$24,999	\$ millions	4,300	4,613	5,024	5,704	6,370	6,408	5,951	5,508
Returns filed	thousands	1,678	2,084	2,404	2,706	2,961	3,088	3,061	2,998
\$25,000 - \$49,999	\$ millions	2,664	3,035	3,850	5,184	7,492	10,389	12,498	13,207
Returns filed	thousands	510	667	898	1,250	1,737	2,417	2,922	3,144
\$50,000 - \$99,999	\$ millions	1,006	989	1,147	1,450	2,256	3,082	3,909	4,092
Returns filed	thousands	65	75	101	134	206	285	370	406
\$100,000 - \$249,999 ⁽¹⁾	\$ millions	611	564	662	959	1,481	1,355	1,676	1,781
Returns filed	thousands	12	13	18	28	40	49	59	67
\$250,000 and over ⁽²⁾	\$ millions	-	-	-	-	-	535	1,021	921
Returns filed	thousands	-	-	-	-	-	6	9	9
Totals									
All income levels	\$ millions	13,808	13,458	14,204	17,018	21,142	24,928	27,664	27,677
Returns filed with taxable income	thousands	8,807	8,765	8,813	9,466	9,907	10,430	10,428	10,202
Returns filed with no taxable income	thousands	3,536	3,821	5,507	5,216	4,858	4,749	4,793	5,101
Total returns filed	thousands	12,343	12,586	14,320	14,682	14,765	15,179	15,221	15,303

(1) In 1980 and prior years this income level includes amounts of \$100,000 and over

(2) These amounts are included in the \$100,000 - \$249,999 income class prior to 1981

All information in this table is taken from annual publications of Revenue Canada "Taxation Statistics" (commonly referred to as the Green Books). As these publications are published two years after completion of the fiscal year, the information is not available for the calendar years 1984 and 1985

Personal Income Tax by Income Class and Province

Personal Income Tax by Province

This table shows the federal revenues raised and number of tax returns filed, by province. Revenue is expressed in millions of dollars; number of tax returns filed in thousands. All

information is on a calendar-year basis and accordingly revenue shown is not equal to amounts reported in the consolidated financial statements which are prepared on a March 31 fiscal-year basis.

		(Calendar years)							
	Unit	1976	1977	1978	1979	1980	1981	1982	1983
Newfoundland	\$ millions	195	180	179	230	258	305	344	336
Returns filed	thousands	219	226	285	292	294	296	335	306
Prince Edward Island	\$ millions	36	35	37	46	50	59	68	71
Returns filed	thousands	53	56	65	65	67	67	68	70
Nova Scotia	\$ millions	353	332	357	430	486	583	650	698
Returns filed	thousands	386	398	472	478	485	493	495	503
New Brunswick	\$ millions	264	248	262	318	356	423	481	496
Returns filed	thousands	319	324	382	390	391	395	397	408
Quebec	\$ millions	2,606	2,750	2,874	3,416	5,113	5,627	5,998	5,995
Returns filed	thousands	3,026	3,072	3,592	3,650	3,705	3,783	3,780	3,812
Ontario	\$ millions	5,995	5,734	5,997	7,065	8,138	9,592	10,810	11,091
Returns filed	thousands	4,909	4,995	5,510	5,643	5,466	5,562	5,611	5,672
Manitoba	\$ millions	530	492	505	595	695	818	951	934
Returns filed	thousands	589	598	664	668	674	686	698	703
Saskatchewan	\$ millions	491	431	455	563	656	866	955	959
Returns filed	thousands	442	433	527	536	553	565	571	585
Alberta	\$ millions	1,358	1,343	1,500	1,925	2,401	3,103	3,579	3,345
Returns filed	thousands	986	1,035	1,191	1,268	1,354	1,446	1,450	1,436
British Columbia	\$ millions	1,885	1,805	1,939	2,319	2,874	3,416	3,667	3,588
Returns filed	thousands	1,360	1,394	1,572	1,631	1,712	1,821	1,753	1,744
Yukon Territory	\$ millions	24	28	31	34	28	35	32	30
Returns filed	thousands	12	13	14	14	15	15	14	13
Northwest Territories	\$ millions	35	43	30	34	37	48	61	63
Returns filed	thousands	19	21	23	23	24	26	26	27
Total Provinces/Territories	\$ millions	13,772	13,421	14,166	16,975	21,092	24,875	27,596	27,606
Returns filed	thousands	12,320	12,565	14,297	14,658	14,740	15,155	15,198	15,279
Non-residents	\$ millions	36	37	38	43	49	53	69	72
Returns filed	thousands	23	21	23	24	25	25	23	24

All information in this table is taken from annual publications of Revenue Canada - Taxation entitled "Taxation Statistics" (commonly referred to as the Green Books). As these publications are published two years after completion of the fiscal year, the information is not available for the calendar years 1984 and 1985.

Corporate Income Tax by Industrial Sector

Amounts shown as revenue in this table are on a calendar-year basis and are thus not equal to amounts shown in the Government of Canada's

consolidated financial statements which are prepared on a March 31 fiscal year basis.

	(Calendar years - \$ millions)							
	1975	1976	1977	1978	1979	1980	1981	1982
Agriculture, forestry and fishing	30	32	34	40	62	77	72	69
Mining	698	700	852	779	1,132	1,516	1,314	1,495
Manufacturing	1,805	1,650	1,504	1,796	2,374	2,898	2,549	1,573
Construction	239	232	211	228	213	262	317	325
Transportation, communication and other utilities	329	330	411	519	559	546	664	823
Wholesale trade	553	483	406	499	653	779	805	609
Retail trade	320	310	258	311	398	468	475	386
Finance	908	846	827	828	751	995	1,221	1,241
Services	277	304	312	370	426	546	644	631
Total	5,159	4,887	4,815	5,370	6,568	8,087	8,061	7,152

Information in this table is taken from a publication of Statistics Canada entitled "Corporation Taxation Statistics", which is available in August of the third calendar year following the year for which information is reported.

Tax Expenditures

The federal income and commodity tax systems are used for two distinct purposes. First, the tax systems are the primary vehicles for raising revenue. Second, they are used to pursue economic, social or other government objectives by creating exceptions to the normal provisions to provide incentives or relief. These exceptions, termed "selective tax measures" by the Department of Finance, are more commonly called tax expenditures and include, for example, incentives to invest in particular assets or to increase exports. Other measures are designed to produce greater equity, such as the age exemption. They take the form of exemptions (income excluded from taxable income), allowances (amounts deducted from gross income to arrive at taxable income), tax rate reductions, and tax credits. The effect of a tax expenditure is tax revenue foregone.

Tax expenditures over \$100 million annually are set out in the following schedule and are grouped according to the spending envelope to which they relate. More information on tax expenditures is contained in the Department's 1985 publication "Account of the Cost of Selective Tax Measures", from which the figures in the schedule were drawn. The following cautions on interpreting amounts in the table are based on that document.

Cautions

The estimated values shown in the table may have significant error as measures of foregone revenue. For example:

- Each tax provision is considered in isolation for estimation purposes. No attempt has been made to estimate the effect of taxpayers rearranging their affairs to lessen the impact if a particular tax measure were removed. The resulting revenue gain would thus be less than the estimates in the tables.
- Removal of a major tax expenditure might in fact have a negative impact on outputs and incomes in the economy, producing less additional tax revenue in total than the estimates in the table would suggest.
- The elements in the table are not additive: they cannot be added together to produce a total foregone revenue amount because removal of provisions would cause interactions of effects, with unpredictable total net effect, and because estimates are lacking for some individual tax expenditures.
- Tax expenditures may have a greater effect than direct aid in the form of grants, because selective measures directly increase after-tax income and grants would normally be taxed or would reduce deductible expense.
- The inclusion of certain items as tax expenditures may be debated, and constraints on data quality prevent accurate estimations of revenue foregone.

Tax Expenditures

Selective Tax Measures (Tax Expenditures) by Envelope*

	(Taxation Year - \$ millions)				
	1979	1980	1981	1982	1983
Social Development					
Personal Income Tax					
1) Non-taxation of employer-paid premiums for private health insurance and group term life insurance	190	225	300	350	400
2) \$1,000 pension income deduction	105	125	140	140	150
3) Age exemption	215	310	390	450	500
4) Tax advantage on savings in registered pension plans and registered retirement savings plans	2,950	3,450	3,950	4,600	4,900
5) Marital exemption	1,015	1,055	1,115	1,220	1,385
6) Exemption for wholly dependent children	660	680	745	890	940
7) Child care expense deduction	50	55	65	75	110
8) Non-taxation of workers' compensation payments	150	205	250	300	250
9) Non-taxation of realized capital gains on owner occupied residences					
a) half taxation	640	640	360	n a	n a
b) full taxation	1,350	1,350	760	n a	n a
10) Registered home ownership savings plan deduction	95	100	100	105	125
11) Non-taxation of various homeowner grants	-	-	-	90	140
12) Deductibility of charitable donations	360	405	460	485	515
13) Non-taxation of lottery and gambling winnings					
a) government lotteries	135	150	150	175	215
b) racetrack betting	220	245	255	260	250
14) Transfer of spouse's federal tax reduction		-	-	325	325
Commodity Taxes					
1) Exemption of drugs	70	80	95	105	120
2) Exemption of food and non alcoholic beverages	1,800	2,000	2,265	2,450	2,580
3) Exemption of home-heating fuels and electricity	325	385	470	570	590
4) Exemption of clothing and footwear	525	575	640	665	705
5) Reduced sales tax rate on building materials	395	415	480	405	430
6) Exemption of construction equipment	80	90	105	105	105
7) Exemption of newspaper and magazine production	135	150	175	185	200
Economic and Regional Development					
Personal Income Tax					
1) Investment tax credit on farming and fishing investments	80	100	140	130	100
2) \$1,000 investment income deduction	620	740	905	950	835
3) Non-taxation of investment income on life insurance policies	185	215	230	270	290
4) Non-taxation of half of capital gains income realized after 1971	570	750	570	265	440
5) Tax deferral available from income averaging annuity contracts	330	370	295	-	-
6) Dividend gross-up and tax credit	690	860	1,075	1,140	785
Corporate Income Tax					
1) Excess of tax depreciation over book depreciation	2,090	2,280	2,215	n a	n a
2) Inventory allowance	585	495	500	520	n a
3) Capital gains					
a) Exemption of 1/2 of post-1971 capital gains	355	525	800	480	n a
b) Exemption of pre-1971 capital gains	1,430	1,075	2,820	n a	n a
4) Additional scientific and research deduction	25	70	100	105	n a
5) Patronage dividend deduction by credit unions and co-operatives	165	265	255	n a	n a
6) Small business deduction	1,065	1,310	1,250	1,370	n a
7) Investment tax credit	430	490	445	330	n a
8) Exemption from withholding tax for interest on long term corporate securities	105	145	250	335	n a
9) Exemption from withholding tax for interest on foreign currency deposits	570	790	1,675	1,490	n a
10) Refundable Part I Tax on investment income of private corporations	165	210	270	315	n a
11) 33 1/3% earned depletion allowance and fast write off of development and exploration expense	1,150	1,425	1,210	n a	n a
12) Resource allowance in lieu of deductibility of provincial royalties	(265)	(330)	(450)	n a	n a
13) Excess bad debt deduction and contingency reserves for chartered banks	80	110	200	(115)	n a
14) Small Business (Development) Bonds		2	75	145	n a
15) Manufacturing and processing deduction	485	480	425	330	n a
16) Investment tax credit applicable to scientific and research expenditures	75	90	110	95	n a
Commodity Taxes					
1) Exemption of non-manufacturing commercial uses of fuel and electricity	220	245	315	380	400
2) Exemption of services from the sales tax base	4,590	5,190	5,925	6,450	7,065
3) Exemption from special excise tax on gasoline for commercial users	140	135	115	110	95
4) Exemption of transportation equipment	260	250	310	220	235

* Includes only those tax measures for which amounts in excess of \$100 million were estimated
n a = estimates not available
Dashes in columns indicate items not applicable in that year

(over)

Tax Expenditures

	(Taxation Year - \$ millions)				
	1979	1980	1981	1982	1983
Fiscal Arrangements					
<u>Personal Income Tax</u>					
1) Income tax abatement to Quebec for contracting out of the shared-cost programs	830	955	1,095	1,140	1,140
2) Transfers of income tax "room" to provinces in respect of shared cost programs	3,115	3,660	4,320	4,675	4,650
<u>Corporate Income Tax</u>					
1) Transfer of income tax "room" to provinces in respect of shared-cost programs	240	275	270	240	n a
Items not identified with a functional category					
<u>Personal Income Tax</u>					
1) Basic personal exemption	4,925	5,620	6,500	7,675	8,100
2) Federal tax reduction	2,260	2,575	2,830	2,515	2,500
3) Employment expense deduction	635	685	720	780	1,070
4) Deductibility of Unemployment Insurance					
a) employee contributions	235	260	395	410	610
b) employer contributions	325	360	555	575	850
5) Deductibility of Canada and Quebec Pension Plan contributions					
a) employee share	300	340	400	450	480
b) employer share	300	340	400	450	480
6) General averaging for individuals	255	350	415		
<u>Corporate Income Tax</u>					
1) Exemption from withholding tax for interest on Government of Canada debt	95	130	160	185	n a
2) Exemption from withholding tax for interest on provincial direct and guaranteed debt	220	255	315	415	n a

Note: 1983 is the latest information available. Prior to 1979 the basis used to include information and the methodology were sufficiently different to make figures for those years not comparable.

* Includes only those tax measures for which amounts in excess of \$100 million were estimated.
n a = estimates not available.
Dashes in columns indicate items not applicable in that year.

Sales Revenue and Expense by Envelope and Program

The following table sets out for each envelope the sales revenue and expense of the programs and consolidated corporations related to that envelope. Sales revenue consists of sales of goods and services by departments, agencies and corporations and includes costs recovered from outside parties, rental income and other miscellaneous revenues but excludes all tax revenues and investment income. Interest

expense, whether incurred by departments or corporations, is included in the public debt envelope. Transfer payments included in expense are payments such as grants and contributions that are made without expectation of receiving goods or services of equal value. They include payments to individuals of unemployment insurance benefits.

Envelope Department Program or corporation	1983		Transfer payments included in expense	(\$ millions) 1984		Transfer payments included in expense	1985		Transfer payments included in expense
	Sales revenue	Expense		Sales revenue	Expense		Sales revenue	Expense	
Social Development									
Communications									
Department Culture		30	22		29	21		30	25
Canada Council		70	60		78	66		82	70
Canadian Broadcasting Corporation	166	890		188	980		224	1,101	
Canadian Film Development Corporation		5			14		1	46	
Canadian Radio-television and Telecommunications Commission	21	25		22	29		27	27	
National Arts Centre Corporation	11	27		12	27		12	28	
National Film Board	8	62		7	72		6	65	
National Library	1	35		1	42		1	38	
National Museums of Canada	1	76	9	1	89	11	1	85	9
Public Archives	1	35			41	1		34	
Department and Immigration									
Department Administration	1	8			13			8	
Canada Employment and Immigration Commission									
Administration		34			66			34	
Employment and insurance	1	11,875	10,437	2	12,571	10,923	3	12,826	11,268
Immigration	2	129	28	4	146	28	3	138	33
Annuities	1	4		2	4		1	3	
Immigration Appeal Board		4			5			5	
Environment									
Administration		50			58			52	
Environmental services	7	371	47	9	402	29	7	391	46
Parks Canada	22	277	2	20	316	4	22	295	1
Indian Affairs and Northern Development									
Administration		58			65		1	58	
Indian and Inuit affairs	2	1,163	710	3	1,415	921	3	1,537	1,203
Northern affairs	8	471	390	8	589	498	12	637	549
Native claims		6	6		20	20		63	63
Northern Canada Power Commission	69	44		72	44		77	58	
Justice									
Department		108	38		126	39		140	57
Canadian Human Rights Commission		7			9		1	9	
Commissioner for Federal Judicial Affairs	2	79	13	3	96	14	3	89	15
Federal Court of Canada		9			11			11	
Law Reform Commission of Canada		4			6			5	
Offices of the Information and Privacy Commissioners					1			3	
Supreme Court of Canada		7	1		9			10	1
Tax Court of Canada		3			3			4	
Labour									
Canada Mortgage and Housing Corporation	57	1,445	1,287	86	1,934	1,506	91	2,087	1,331
Canadian Centre for Occupational Health and Safety		5	5		5	5		6	2
National Health and Welfare									
Administration	2	46	3	2	55	3	1	51	3
Health and social services		7,057	7,020		9,028	8,986		10,280	10,243
Medical services	26	290	38	38	343	53	29	362	64
Health protection	6	110	1	6	130	1	6	118	1
Income security	31	13,530	13,399	25	14,372	14,224	36	15,503	15,362
XV Olympic winter games		2			28	26		38	36
Fitness and amateur sport	32	60	51	34	60	50	35	66	55
Canadian Sports Pool Corporation								51	
Loto Canada Inc.	1			1			1		
Medical Research Council		114	111		141	137		157	153
Secretary of State									
Administration and regional operations		36	3		39			37	
Official languages	1	295	198		307	197		321	227
Education support	5	1,664	1,657	6	2,234	2,224	8	2,468	2,457
Citizenship and culture	1	125	89	2	191	148	2	204	162
Advisory Council on the Status of Women		2			2			2	
Social Sciences and Humanities Research Council		57	51		61	54		63	57
Status of Women - Office of the Coordinator		1			2			3	

(over)

Sales Revenue and Expense by Envelope and Program

Envelope Department Program or corporation	(\$ millions)								
	1983			1984			1985		
	Sales revenue	Expense	Transfer payments included in expense	Sales revenue	Expense	Transfer payments included in expense	Sales revenue	Expense	Transfer payments included in expense
Social Development		5			8			3	
Solicitor General									
Administration		24	4		33	9		42	18
Correctional Service	18	557	1	17	663	1	22	646	
National Parole Board		15			17			15	
Royal Canadian Mounted Police	332	1,144	12	319	1,145	13	365	1,119	13
Supply and Services									
Canadian Unity Information Office	1	23			21			13	
Veterans Affairs									
Veterans affairs	21	687	415	12	761	454	18	782	490
War Veterans Allowance Board		1			2			1	
Pensions	1	619	599	1	669	646	1	691	670
Bureau of Pensions Advocates		5			6			5	
Total Social Development	859	43,885	36,707	903	49,633	41,312	1,020	53,046	44,684
Economic and Regional Development									
Agriculture									
Administration		50			63			59	
Agri-food development	20	447	198	22	622	293	56	750	435
Agri-food regulation and inspection	19	212	2	21	242	4	20	221	7
Canadian Forestry Service		1			1			106	66
Canadian Grain Commission	34	38		37	44		35	38	
Canadian Dairy Commission	481	824	257	663	932	304	560	927	298
Canadian Livestock Feed Board		16	14		18	16		18	17
Canagrev					1			3	
Farm Credit Corporation	2	28		2	30		1	30	
Communications (excluding Culture)	20	166	22	27	187	19	41	173	20
Consumer and Corporate Affairs Department	30	177	40	34	295	125	34	204	58
Restrictive Trade Practices Commission		2			2			1	
Standards Council of Canada		6		1	7			6	
Economic and Regional Development		13			24			9	
Energy, Mines and Resources Administration		23		3	29			28	
Energy	14	4,623	4,502	16	4,001	3,863	20	5,453	5,317
Minerals and earth sciences	6	260	5	6	299	4	6	311	8
Atomic Energy Control Board	1	18			23			21	
Atomic Energy of Canada Limited	362	694		334	724		257	585	
Canertech Inc.	3	12		5	12			12	
National Energy Board	1	253	230	1	161	132	1	295	269
Petro Canada	2,710	3,142		4,081	4,218		4,842	4,873	
Environment Forestry		148	85		194	110		64	25
External Affairs									
Grains and oilseeds	83	47	43	68	25	22	63	254	251
Export market development		16	16		27	27		33	33
Canadian Commercial Corporation	504	520		651	668		717	735	
Export Development Corporation	38	45	12	49	51		46	34	
The Canadian Wheat Board	5,413	5,423		5,353	5,403		5,362	5,381	
Fisheries and Oceans Department	20	455	11	18	555	28	21	555	34
Canadian Saltfish Corporation	50	48		40	45		58	60	
Freshwater Fish Marketing Corporation	39	36		45	43		42	41	
Pecheries Canada Ltd							20	41	
St. Anthony Fisheries Limited	10	10							
Labour Department	18	81	15	16	112	35	16	117	54
Canada Labour Relations Board		6			7			7	
Regional Industrial Expansion Department	2	986	599	2	1,049	800	4	1,112	857
Canada Development Investment Corporation	809	2,177		661	1,017		714	722	
Canadian Patents and Development Limited	1	1		2	2		2	2	
Cape Breton Development Corporation Limited	172	254	5	142	236	5	162	232	4
Federal Business Development Bank	3	96		3	92		4	88	
Foreign Investment Review Agency		7			8			7	
Teleglobe Canada	172	99		199	139		218	142	
Science and Technology Ministry of State		11	2		14	2		8	2
National Research Council of Canada									
Scientific and industrial research	6	303	75	3	356	91	2	371	108
Scientific and technical information	3	21		1	23		3	25	
Natural Sciences and Engineering Research Council		245	238		283	274		310	300
Science Council of Canada		5			6			5	

Sales Revenue and Expense by Envelope and Program

Envelope Department Program or corporation	(\$ millions)								
	1983			1984			1985		
	Sales revenue	Expense	Transfer payments included in expense	Sales revenue	Expense	Transfer payments included in expense	Sales revenue	Expense	Transfer payments included in expense
Supply and Services									
Unsolicited proposals for research and development		24			23			15	
Transport									
Administration	3	152	1	3	175	1	4	180	2
Marine	23	423	1	23	520	1	34	555	1
Air	267	879	25	274	1,025	35	303	1,003	44
Surface		247	221	1	545	369	2	227	218
Air Canada	2,286	2,243		2,303	2,245		2,525	2,462	
Atlantic Pilotage Authority	5	5		5	5		6	6	
Canadian Ports Corporation	191	199		129	145		40	75	
Canadian Aviation Safety Board								5	
Canadian National Railways	3,186	3,649		3,602	3,617		4,122	4,127	
Canadian Transport Commission		196	155		213	163		343	296
CN Marine Inc.							47	191	
Great Lakes Pilotage Authority	10	10		10	10		11	12	
Halifax Port Corporation							10	9	
Laurentian Pilotage Authority	23	24		24	25		25	27	
Montreal Port Corporation				47	35		63	47	
Northern Pipeline Agency	7	7		6	6		3	3	
Northern Transportation Company Limited	47	41		45	41		41	38	
Office of the Grain Transportation Agency Administrator								1	
Pacific Pilotage Authority	16	15		19	18		20	20	
Port of Quebec Corporation							10	8	
Prince Rupert Port Corporation							9	8	
The Jacques Cartier and Champlain Bridges Inc.	6	11		6	10		7	12	
The Seaway International Bridge Corporation Inc.	1	1		1	1		1	1	
The St. Lawrence Seaway Authority	52	62		59	68		64	76	
Vancouver Port Corporation				63	55		96	84	
VIA Rail Canada Inc.	174	651		194	670		201	651	
Total Economic and Regional Development	17,343	30,884	6,774	19,320	31,742	6,723	20,971	34,655	8,724
Parliament and Services to Government									
Finance									
Financial and economic policies (excluding development assistance)	67	83		78	82		141	92	
Canadian Import Tribunal		2			2			2	
Inspector General of Banks	1	1		1	2		2		
Auditor General		40			47			42	1
Bank of Canada		108			117			123	
Canada Deposit Insurance Corporation	15	1		51	591		54	490	
Insurance	11	15		13	17		13	14	
Tariff Board		3			3			3	
Governor General		8			9			9	
National Revenue									
Customs and Excise	15	426		19	508		20	458	
Taxation	42	712		45	846		48	780	
Canada Post Corporation	1,865	2,426		1,993	2,462		2,082	2,704	
Parliament									
The Senate		24	1		31	1		32	1
House of Commons		169	1		190	1		175	1
Library of Parliament		10			12			11	
Privy Council									
Department	2	44	4	2	59	6	2	55	1
Canadian Intergovernmental Conference Secretariat	1	2		1	2		1	3	
Chief Electoral Officer		10			8			93	15
Commissioner of Official Languages		8			11			10	
Economic Council of Canada		9			10			9	
Public Service Staff Relations Board		9			11			10	
Public Works									
Administration	2	60			73			65	
Professional and technical services	13	75		156	232		10	75	
Accommodation	133	140		100	98		138	109	
Marine	2	49	1	1	21		2	18	
Transportation and other engineering		40			41			41	
Land management and development	6	12	3	17	28	17	19	24	14
Municipal grants - administration	17	2		24	3		25	4	
Canada Lands Company (Mirabel) Limited		10			11			9	
Canada Lands Company (Vieux Port de Montreal) Limited		7			13			32	
Canada Lands Company (Vieux Port de Quebec) Inc.		19			31			26	
Harbourfront Corporation	4	11		8	18		10	28	
National Capital Commission	7	73	9	9	78	9	10	78	8
Secretary of State									
Public Service Commission	1	129		1	147		2	129	
Supply and Services									
Supply, excluding unsolicited proposals for research and development	47	27		46	69		111	58	1
Services	1			13			9		
Canadian Arsenals Limited	2	2		2	2		2	2	
Royal Canadian Mint	628	609		473	468		638	615	
Statistics Canada	1	210		1	252	1	3	229	

(over)

Sales Revenue and Expense by Envelope and Program

Envelope Department Program or corporation	1983		1984		1985	
	Sales revenue	Expense included in Transfer payments	Sales revenue	Expense included in Transfer payments	Sales revenue	Expense included in Transfer payments
Treasury Board	2	65	2	74	2	65
Comptroller General		12		13		12
Overallocation of overhead and other adjustments		(93)		(27)		(619)
Total Parliament and Services to Government	2,885	5,469	20	3,057	36	3,344
Defence						
National Defence	327	7,107	321	7,315	355	7,229
Defence services		11		13		14
Defence Construction (1951) Limited	327	7,118	321	7,328	355	7,243
Total Defence	327	7,118	321	7,328	355	7,243
External Affairs						
External Affairs and Aid	26	596	30	657	34	671
Canadian interests abroad		2		4		10
World exhibitions		1,304		1,455		1,699
Canadian International Development Research Agency		59		70		84
International Development Research Centre		3		3		3
International Joint Commission	1		1		1	
Finance						
Finance and economic policies - development assistance	164	164	129	129	129	168
Total External Affairs and Aid	27	2,128	32	2,318	35	2,635
Fiscal Arrangements						
Fiscal Arrangements	5,374	5,374	5,744	5,744	5,704	5,704
Finance Fiscal transfer payments		207		231		273
Public Works Municipal grants		5,581		5,975		5,977
Total Fiscal Arrangements	5,374	5,581	5,744	5,975	5,704	5,977
Public Debt						
Public Debt	14,789	1,315	16,089	1,368	20,359	1,721
Consolidated corporations		16,104		17,457		22,080
Total Public Debt	14,789	1,315	16,089	1,368	20,359	1,721
Total all envelopes	21,441	111,169	29,633	120,868	29,633	131,862

Spending by Province/Territory

The following schedules 1-9 summarize, for each of the past 10 fiscal years, federal government spending by province and territory for significant ongoing programs. Amounts shown in the schedules represent payments to either governments or residents of the regions specified. With the exception of unemployment insurance benefit payments

and child tax credits, which are presented on a calendar-year basis, all spending is on a March 31 fiscal-year basis. Schedule 10 shows estimates of population by province and territory as of April 1 for the past 10 fiscal years to provide a comparison with the federal government spending schedules.

Schedule 1 Health Care Services

	(\$ millions)							
	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	67	88	103	110	117	101	146	162
Prince Edward Island	13	18	22	24	25	23	31	35
Nova Scotia	104	132	152	164	172	159	218	245
New Brunswick	81	107	127	135	142	128	179	198
Quebec	633	801	842	831	886	814	1,257	1,429
Ontario	1,014	1,286	1,448	1,540	1,660	1,573	2,091	2,293
Manitoba	130	163	187	201	207	196	253	309
Saskatchewan	114	148	174	185	197	194	269	305
Alberta	228	268	297	326	383	384	431	565
British Columbia	269	348	425	453	463	473	674	770
Northwest Territories	5	7	7	8	8	11	10	13
Yukon Territory	2	3	3	3	4	4	5	6
Total	<u>2,660</u>	<u>3,369</u>	<u>3,787</u>	<u>3,980</u>	<u>4,264</u>	<u>4,060</u>	<u>5,564</u>	<u>6,330</u>

Under the established programs financing arrangements in Part VI of the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977, contributions to provinces and territories for

health care services began in April 1977. Thus the information above is for 8 years rather than 10. For further explanation of health care services, refer to Note 3 to the consolidated financial statements.

Schedule 2 Fiscal Equalization

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	202	242	278	342	340	387	467	535	494	533
Prince Edward Island	51	64	67	69	80	90	111	124	127	129
Nova Scotia	296	308	392	381	418	454	554	617	607	623
New Brunswick	216	233	285	328	379	333	438	546	517	531
Quebec	1,103	1,409	1,385	1,358	1,707	1,849	2,399	3,082	3,135	3,101
Ontario	197	382	239	34	-	-	-	-	-	-
Manitoba	178	214	245	238	366	404	405	480	478	478
Saskatchewan	66	(13)	26	81	31	73	104	(117)	-	-
Alberta	44	77	68	16	-	-	-	-	-	-
British Columbia	42	124	61	31	-	-	-	-	-	-
Total	<u>2,395</u>	<u>3,040</u>	<u>3,046</u>	<u>2,878</u>	<u>3,321</u>	<u>3,590</u>	<u>4,478</u>	<u>5,267</u>	<u>5,358</u>	<u>5,395</u>

For the years 1976 to 1979 inclusive, fiscal equalization was not disclosed separately in the Public Accounts. The amounts in these years represent the sum of tax equalization, provincial tax revenue guarantee and a portion of federal tax under Part IX of the Income Tax Act. The negative fiscal

equalization in 1977 and 1983 for the province of Saskatchewan represents adjustments for payments made in previous years. Fiscal equalization applies only to the 10 provinces and not the territories. For a brief explanation of fiscal equalization, see Note 3 to the consolidated financial statements.

Spending by Province/Territory

Schedule 3 Canada Assistance Plan

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	37	40	40	40	43	53	59	66	71	74
Prince Edward Island	9	11	7	10	10	12	16	18	17	18
Nova Scotia	41	47	48	47	54	60	71	86	93	105
New Brunswick	50	67	51	61	66	78	90	108	112	126
Quebec	-	2	-	445	497	587	679	808	1,044	1,148
Ontario	378	409	396	417	473	533	619	742	831	944
Manitoba	47	53	55	58	60	69	85	92	109	132
Saskatchewan	42	63	56	58	60	72	87	120	142	143
Alberta	91	107	115	116	127	155	240	306	326	334
British Columbia	185	185	199	204	256	314	341	474	531	599
Northwest Territories	5	4	5	8	6	7	9	10	10	10
Yukon Territory	1	1	1	1	1	1	2	2	2	2
Total	<u>886</u>	<u>989</u>	<u>973</u>	<u>1,465</u>	<u>1,653</u>	<u>1,941</u>	<u>2,298</u>	<u>2,832</u>	<u>3,288</u>	<u>3,635</u>

For a brief explanation of the Canada Assistance Plan, see Note 3 to the consolidated financial statements.

Schedule 4 Post-secondary Education

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	5	7	27	36	42	45	46	39	56	60
Prince Edward Island	1	2	5	8	9	10	10	9	12	13
Nova Scotia	27	21	42	52	61	70	69	62	83	90
New Brunswick	6	9	34	44	51	55	56	50	68	74
Quebec	241	336	312	336	335	325	330	281	444	464
Ontario	168	190	386	506	578	627	641	608	790	837
Manitoba	18	19	56	73	85	84	81	77	96	115
Saskatchewan	12	15	46	65	70	78	78	78	104	115
Alberta	43	39	61	93	115	113	128	143	151	202
British Columbia	14	11	127	150	170	194	184	179	255	289
Northwest Territories	-	-	2	3	3	3	3	4	4	4
Yukon Territory	-	-	1	1	1	1	2	2	2	2
Total	<u>535</u>	<u>649</u>	<u>1,099</u>	<u>1,367</u>	<u>1,520</u>	<u>1,605</u>	<u>1,628</u>	<u>1,532</u>	<u>2,065</u>	<u>2,265</u>

For a brief explanation of post-secondary education payments, see Note 3 to the consolidated financial statements.

Schedule 5 Unemployment Insurance Benefits

	(Calendar year - \$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	
Newfoundland		182	216	250	230	262	289	379	455	493
Prince Edward Island		32	38	45	43	46	52	68	81	97
Nova Scotia		152	193	215	190	207	233	348	394	413
New Brunswick		180	221	247	224	248	280	383	443	488
Quebec	1,242	1,478	1,690	1,497	1,586	1,790	2,859	3,016	2,983	
Ontario	919	1,009	1,153	1,009	1,220	1,240	2,347	2,830	2,485	
Manitoba	70	99	130	105	115	135	247	307	292	
Saskatchewan	52	71	89	72	78	93	167	216	238	
Alberta	87	114	143	120	138	168	488	899	912	
British Columbia	403	447	530	444	421	464	1,146	1,385	1,425	
Northwest Territories	3	4	6	5	4	5	7	14	14	
Yukon Territory	7	7	8	7	6	7	14	20	17	
Outside Canada	3	3	2	1	1	1	2	2	2	
Total	<u>3,332</u>	<u>3,900</u>	<u>4,508</u>	<u>3,947</u>	<u>4,332</u>	<u>4,757</u>	<u>8,455</u>	<u>10,062</u>	<u>9,859</u>	

For a brief explanation of unemployment insurance operations, see Note 5 to the consolidated financial statements. The

information above is on a calendar-year basis, while transactions in the Unemployment Insurance Account set out in Note 5 are on a fiscal-year basis.

Spending by Province/Territory

Schedule 6 Canada Pension Plan

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	12	16	21	26	32	39	49	61	75	87
Prince Edward Island	4	5	6	8	10	12	14	18	21	24
Nova Scotia	33	47	59	73	88	106	129	158	189	217
New Brunswick	21	30	38	48	59	72	88	108	131	149
Quebec	3	3	4	5	7	9	10	13	16	18
Ontario	314	447	566	706	858	1,054	1,285	1,581	1,893	2,189
Manitoba	38	52	66	84	100	123	149	183	219	250
Saskatchewan	29	42	55	71	85	105	128	159	191	221
Alberta	49	68	88	111	135	166	204	256	312	365
British Columbia	85	122	155	195	247	308	380	474	579	669
Northwest Territories	-	-	-	-	1	1	1	2	2	2
Yukon Territory	-	1	1	1	1	1	2	2	2	2
Outside Canada	-	-	-	-	12	14	17	21	27	31
Total	588	833	1,059	1,328	1,635	2,010	2,456	3,036	3,657	4,224

For a brief explanation of Canada Pension Plan operations, see Note 15 to the consolidated financial statements.

Schedule 7 Family Allowances

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	60	61	65	64	53	57	61	66	69	70
Prince Edward Island	11	11	12	12	10	10	11	12	13	13
Nova Scotia	74	74	79	77	64	68	74	80	83	87
New Brunswick	63	65	69	67	56	59	64	70	73	75
Quebec	528	527	567	561	452	474	513	574	586	598
Ontario	686	694	740	727	601	645	700	763	800	837
Manitoba	87	88	94	92	75	81	88	96	101	106
Saskatchewan	82	83	89	88	73	80	88	96	102	108
Alberta	161	168	184	185	156	173	195	223	236	246
British Columbia	199	201	215	212	179	197	218	241	254	267
Northwest Territories	5	6	6	6	5	5	6	7	7	8
Yukon Territory	2	2	2	2	2	2	2	3	3	3
Total	1,958	1,980	2,122	2,093	1,726	1,851	2,020	2,231	2,327	2,418

For a brief explanation of family allowances, see Note 3 to the consolidated financial statements.

Schedule 8 Old Age Security Payments, Guaranteed Income Supplement, Spouse's Allowance

	(\$ millions)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	85	98	108	123	144	171	200	225	245	269
Prince Edward Island	30	33	36	40	46	54	62	69	74	80
Nova Scotia	170	192	209	236	271	320	371	416	448	488
New Brunswick	129	147	161	181	209	247	287	324	350	382
Quebec	1,000	1,134	1,245	1,402	1,626	1,927	2,246	2,538	2,733	2,987
Ontario	1,369	1,536	1,687	1,914	2,192	2,548	2,940	3,296	3,555	3,901
Manitoba	214	240	261	293	333	388	445	494	530	580
Saskatchewan	206	230	250	279	319	371	427	474	510	557
Alberta	270	306	334	376	430	502	578	648	702	777
British Columbia	457	517	565	641	743	880	1,017	1,142	1,239	1,367
Northwest Territories	3	3	3	4	4	5	6	7	7	8
Yukon Territory	1	1	2	2	2	3	3	3	3	4
Outside Canada	-	-	-	-	1	2	3	6	10	18
Total	3,934	4,437	4,861	5,491	6,320	7,418	8,585	9,642	10,406	11,418

For a brief explanation of old age security and guaranteed income supplement payments, see Note 3 to the consolidated financial statements.

Spending by Province/Territory

Schedule 9 Child Tax Credit

	(Calendar year - \$ millions)					
	1978	1979	1980	1981	1982	1983
Newfoundland	35	38	41	39	56	50
Prince Edward Island	6	6	8	8	10	9
Nova Scotia	40	42	44	48	64	57
New Brunswick	35	37	41	42	60	54
Quebec	249	257	273	300	413	386
Ontario	277	306	329	343	485	487
Manitoba	45	48	52	54	77	67
Saskatchewan	41	44	50	50	69	67
Alberta	64	68	81	81	125	122
British Columbia	78	82	89	98	147	140
Northwest Territories	2	3	3	3	5	5
Yukon Territory	1	1	1	1	1	1
Outside Canada	1	1	1	2	2	2
Total	<u>874</u>	<u>933</u>	<u>1,013</u>	<u>1,069</u>	<u>1,514</u>	<u>1,447</u>

The child tax credit was introduced in August 1978. Entitlements are claimed on personal tax returns. Claims are paid either by reducing the applicant's tax liability for the year or, if no liability exists, by issuing a cheque. These tax reductions and direct payments are, in substance, social assistance program expenditures and are therefore reported in this section and excluded from the section on tax expenditures (page 60).

The above information is set out in Taxation Statistics, a publication of Revenue Canada-Taxation. This report is published two years after completion of the calendar year, therefore the information for the years 1984 and 1985 is not available at this time. Further information is in Note 3 to the consolidated financial statements. The above information is on a calendar-year basis whereas amounts shown in Note 3 are on a fiscal-year basis.

Schedule 10 Population by Province and Territory

	(thousands of persons)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Newfoundland	556	559	561	563	565	567	568	575	578	580
Prince Edward Island	118	119	121	122	123	122	122	124	125	127
Nova Scotia	828	833	836	841	844	847	851	860	870	880
New Brunswick	676	683	688	691	694	696	698	706	713	718
Quebec	6,225	6,275	6,294	6,328	6,374	6,427	6,471	6,502	6,533	6,572
Ontario	8,250	8,336	8,425	8,489	8,555	8,612	8,698	8,807	8,926	9,048
Manitoba	1,020	1,026	1,031	1,028	1,024	1,024	1,033	1,045	1,056	1,068
Saskatchewan	919	933	942	949	958	966	977	991	1,006	1,018
Alberta	1,828	1,901	1,972	2,042	2,128	2,226	2,306	2,344	2,341	2,344
British Columbia	2,462	2,493	2,535	2,582	2,654	2,733	2,784	2,815	2,858	2,889
Northwest Territories	42	43	43	44	44	46	47	48	50	51
Yukon Territory	22	22	23	22	22	23	24	22	22	23
Total	<u>22,946</u>	<u>23,223</u>	<u>23,471</u>	<u>23,701</u>	<u>23,985</u>	<u>24,289</u>	<u>24,579</u>	<u>24,839</u>	<u>25,078</u>	<u>25,318</u>

These estimates of population are as of April 1 of the year indicated and are taken from Statistics Canada, Quarterly Estimates of Population for Canada, the Provinces and the Territories, Catalogue 91-001.

Federal Government Employment

	(thousands of persons)									
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Employed										
Departments and agencies	258.9	266.9	275.0	262.0	255.2	263.5	266.9	274.2	274.4	274.9
Military	79.9	80.6	81.0	81.0	80.8	82.2	84.2	83.5	86.4	84.9
RCMP	15.9	16.4	17.1	17.4	17.1	17.7	18.2	18.6	18.8	18.6
Government business enterprises	192.5	198.2	210.5	219.1	224.4	219.9	217.2	205.3	205.8	211.8
Total employed	<u>547.2</u>	<u>562.1</u>	<u>583.6</u>	<u>579.5</u>	<u>577.5</u>	<u>583.3</u>	<u>586.5</u>	<u>581.6</u>	<u>585.4</u>	<u>590.2</u>
Percentage of total Canadian employment	5.78	5.89	5.92	5.64	5.43	5.30	5.42	5.50	5.38	5.29

The above employment data have been derived from the Statistics Canada publication, Federal Government Employment, Catalogue 72-004. Some government corporations have been regrouped to make the classification, "Government business enterprises", consistent with the list on page 56 of this Report. Employees of other government enterprises are included above in the data for departments and agencies.

Number of persons employed includes casual and part-time employees on hand at March 31 and so is not comparable with the employment data on page 56 which include only full-time, continuing employees.

Ten-year Economic Data for Financial Overview

	(Fiscal years ended March 31)									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Real GNP (Graph 1)										
Quarter over preceding quarter % change expressed at annual rates - seasonally adjusted										
1	1.99	6.93	1.53	3.62	1.14	-3.89	4.04	-4.27	7.25	2.97
2	4.69	-2.33	3.77	5.16	3.34	0.90	-3.99	-2.75	7.51	6.67
3	4.19	1.10	3.59	1.88	0.61	6.82	-3.08	-3.64	5.35	3.44
4	13.61	2.71	3.57	5.20	2.81	8.78	-8.78	8.38	4.13	4.24
Value (1971 \$ billions)	114.5	120.3	122.9	127.7	130.9	132.4	135.3	129.7	136.4	142.6
Source: Statistics Canada, National Income and Expenditure Accounts, Cat. 13-001										
Employment										
Growth in employment (Graph 2)										
Quarter over preceding quarter % change expressed at annual rates - seasonally adjusted										
1	4.74	0.06	3.55	5.51	2.69	-0.02	1.89	-5.32	5.86	2.60
2	1.62	2.10	2.43	4.28	4.77	2.15	-0.57	-5.58	4.29	3.88
3	4.95	0.45	2.85	3.66	5.59	5.61	-2.13	-2.21	1.36	1.97
4	1.60	1.31	2.43	4.37	2.44	5.36	-4.19	2.35	0.97	1.14
Unemployment rate (Graph 3)										
Quarterly rate, seasonally adjusted										
1	6.83	6.97	7.90	8.43	7.57	7.70	7.10	10.40	12.20	11.37
2	7.00	7.20	8.23	8.43	7.10	7.43	7.37	12.17	11.60	11.20
3	7.13	7.43	8.37	8.10	7.20	7.20	8.30	12.80	11.13	11.13
4	6.87	7.90	8.40	7.87	7.53	7.33	8.87	12.47	11.43	11.13
The labour force - March each year (thousands)										
Employed - March each year	10,138	10,370	10,778	11,140	11,503	11,873	11,921	12,091	12,290	12,570
Unemployed - March each year	9,467	9,540	9,864	10,275	10,643	10,997	10,816	10,581	10,878	11,165
Source: Statistics Canada, The Labour Force, Cat. 71-001										
Inflation rate (Graph 4)										
Quarter over preceding quarter % change Consumer Price Index - expressed at annual rates										
1	9.06	6.44	9.89	10.27	11.04	11.40	13.15	12.82	5.69	3.47
2	14.14	5.67	8.81	10.41	8.07	11.91	12.28	8.89	6.57	3.77
3	8.56	6.03	8.82	6.37	9.48	11.89	10.21	6.56	3.54	2.74
4	5.38	9.01	7.63	9.42	9.26	13.59	10.51	2.48	4.89	4.82
CPI - average level for fiscal year	59.77	63.90	69.33	75.56	82.54	91.51	102.75	112.82	118.71	123.43
Source: Statistics Canada, The Consumer Prices and Price Indexes, Cat. 62-010										
Quarterly average interest rates (Graph 5)										
Three-month treasury bills										
1	6.90	8.97	7.23	8.22	10.81	12.37	18.20	15.50	9.18	11.33
2	7.91	9.10	7.13	8.88	11.44	10.50	20.15	13.89	9.27	12.29
3	8.44	8.58	7.22	10.22	13.63	14.21	15.81	10.58	9.48	10.59
4	8.82	7.74	7.39	10.86	14.10	16.71	14.59	9.33	10.03	10.39
Chartered bank prime rate										
1	9.00	10.25	8.58	9.25	12.00	14.58	19.25	17.42	11.00	12.00
2	9.25	10.25	8.25	9.75	12.67	12.25	21.67	16.08	11.00	13.17
3	9.75	9.75	8.25	11.33	14.92	14.92	18.17	13.08	11.00	11.92
4	9.92	8.92	8.42	12.00	15.25	18.08	16.67	11.67	11.17	11.42
Long-term corporate bond yield										
1				10.02	10.39	12.37	16.00	17.07	12.33	14.44
2	n a	n a	n a	9.96	10.84	13.47	18.36	16.03	12.90	13.63
3				10.35	11.91	13.85	16.65	13.36	12.75	12.60
4				10.55	13.43	14.27	16.97	13.00	13.31	12.53

Source: Bank of Canada Review, Selected Canadian and international interest rates including bond yields and interest arbitrage

n a = not available

Sources of More Detailed Information

The Estimates of the Government of Canada

The government's spending Estimates for the fiscal year commencing April 1 are presented to the House of Commons in February. They comprise three parts:

Part I: The government expenditure plan

an overview of total government spending (one volume).

Part II: The Main Estimates

an outline of spending according to departments, agencies and programs, with the proposed wording of the conditions governing spending that Parliament will be asked to approve in the form of appropriation acts (one volume). Supplementary Estimates are tabled as required during the fiscal year.

Part III: Departmental expenditure plans

additional detail on each department and its programs, primarily intended to describe the results expected for the money to be spent (one volume for each department or agency).

In addition, a *Guide to the Estimates of the Government of Canada* is published. It provides assistance in understanding and locating information contained in the Estimates with particular emphasis on new information and how it can be used to increase the government's accountability to Parliament for its performance against plans.

These publications are available from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa, K1A 0S9. Parts I and II of the Estimates cost

\$15.00 in Canada (\$18.00 for other countries). The *Guide to the Estimates* costs \$3.00 in Canada (\$3.60 for other countries). The price of individual volumes of the Part IIIs varies from \$3.00 to \$12.00 depending on the department.

The Public Accounts of Canada

The *Public Accounts of Canada*, the government's annual financial report to Parliament for the fiscal year ended March 31, are usually tabled in late October or November each year. They are issued in three volumes:

Volume I: Summary Report and Financial Statements

a survey of the transactions for the year including summary statements;

the financial statements of the Government of Canada on which the Auditor General has expressed an opinion, namely the statements of:

- transactions,
- revenue and expenditure,
- accumulated deficit,
- assets and liabilities, and
- use of appropriations

together with related notes;

the observations by the Auditor General on the financial statements of Canada;

analyses of outlays and appropriations;

analyses of budgetary revenue and expenditure and of asset and liability accounts;

statements required by the Financial Administration Act to be published in the Public Accounts; and

various other schedules and statements.

Sources of More Detailed Information

Volume II: Details of Expenditures and Revenues

□ details of the financial operations of the government, segregated by department, with a primary focus on expenditure and to a lesser extent revenue.

Volume III: Annual Report to Parliament on Crown Corporations and other Corporate Interests of Canada.

□ includes the audited financial statements of individual Crown corporations.

The Public Accounts are available from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa K1A 0S9. Volume I costs \$9.50 in Canada (\$11.40 in other countries), Volume II costs \$25.00 in Canada (\$30.00 in other countries) and Volume III costs \$8.00 in Canada (\$9.60 in other countries).

Statements of Financial Operations

This publication contains monthly cash receipt and cash payment figures for the Government of Canada. These statements are prepared from the accounts of Canada but are essentially unadjusted at month end. They are published soon after the end of each month, and may be obtained from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa K1A 0S9. They are also published in *The Canada Gazette*, Part I.

The Budget Papers

The government usually presents a budget at least once every year, though the timing varies. The background and implications of any new tax proposals are contained in the budget papers. The budget papers include the budget speech, the budget in brief, the fiscal plan, specific tax proposals and other background information. The budget is available free from the Distribution Centre, Department of Finance, Lower Level, Place Bell Canada, 160 Elgin, Ottawa, K1A 0G5.

Economic Review

This is an annual general review of economic events, including a compendium of analytical statistics, produced by the Department of Finance. It is published every April and is available for \$10.50 a copy (\$12.60 outside Canada) from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa, K1A 0S9.

Bank of Canada Review

This publication contains economic analyses including charts and statistics. It is published monthly. Subscriptions cost \$10.00 per annum (\$12.00 outside Canada) and are available from the Bank of Canada Review, Public Information Division, Secretary's Department, Bank of Canada, Ottawa, K1A 0G9.

Also available from the Bank of Canada are *Weekly Financial Statistics* (banking statistics) and *Summary of Government of Canada Direct and Guaranteed Securities and Loans* (as of January 1st of each year). These publications are free of charge.

Taxation Statistics

This publication provides a detailed analysis of personal tax revenues by various categories (e.g., occupation, income, sex). There is a two-year lag in the information it presents (information for the 1983 calendar year is available in the 1985 edition). This publication costs \$12.00 in Canada (\$14.40 for other countries) and is available from the Government Publishing Centre, Supply and Services Canada, Ottawa K1A 0S9.

System of National Accounts

The *National income and expenditure accounts* (Statistics Canada catalogue 13-001) is a quarterly publication containing gross national product and income and outlay accounts for all sectors of the economy. It is available from Statistics Canada, Publications Sales and Services, Ottawa, K1A 0T6, for \$15.00 a copy or \$60.00 a year. The annual version of this publication (catalogue 13-201) contains information spanning a 15-year period and costs \$30.00 a year.

Sources of More Detailed Information

Also available from Statistics Canada are the quarterly *Financial Flow Accounts* (Catalogue 13-002), which present changes in financial assets and liabilities and period-end stocks, and the annual *Provincial economic accounts: experimental data* (Catalogue 13-213), which provide gross domestic product by province and personal and government sector income and outlay accounts by province. The *Financial Flow Accounts* cost \$35.00 a copy or \$140.00 a year, and the *Provincial economic accounts* costs \$30.00 a year. (For further information consult the *Statistics Canada Catalogue*).

CANSIM

Statistics Canada also produces a computerized data base, the Canadian Socio-Economic Information Management System (CANSIM). It includes the system of national accounts, financial management statistics and Bank of Canada statistics. The CANSIM Summary Reference Index summarizes the contents of the CANSIM Main Base by subject and source. It provides a key to the CANSIM, Main Base Services Directory (available on computer printouts), and is the first step in identifying availability of data on the CANSIM system.

Government of Canada publications including those of Statistics Canada may also be purchased from local authorized bookstore agents and other bookstores or may be consulted in libraries.

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

**Illustrative Annual Financial Report
of the Government of the United States
1984**

Federal Government Reporting Study

A Joint Study by
the Office of the Auditor General of Canada
and
the United States General Accounting Office

This document is one of four publications produced as a result of the Federal Government Reporting Study. These documents include:

Summary Report (GAO/AFMD-86-30)

Illustrative Annual Financial Report of the United States Government (GAO/AFMD-86-30A) ✓

Illustrative Annual Financial Report of the Government of Canada ✓

Detailed Report (GAO/AFMD-86-30B)

The Detailed Report contains the complete Summary Report, both U.S. and Canadian Illustrative Annual Financial Reports in their entirety, as well as the detailed findings of the project. These documents can be obtained from:

United States:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877, U.S.A.

Canada:

Office of the Auditor General of Canada
11th Floor
West Tower
240 Sparks Street
Ottawa, Canada
K1A 0G6

Introduction

This document was prepared as a result of the Federal Government Reporting Study, a research project conducted jointly by the U.S. General Accounting Office (GAO) and the Office of the Auditor General of Canada. The project was carried out to identify the information needs of users of federal government financial information. The purpose of this document is to illustrate possible formats and disclosures in response to users' needs for a summary level financial report. This document is intended to be used for discussion purposes only. Information may not always be accurate or complete. Reports and statements of government officials are illustrative and are not the actual statements of the cited officials. We encourage your comments on the format and contents of this illustration.

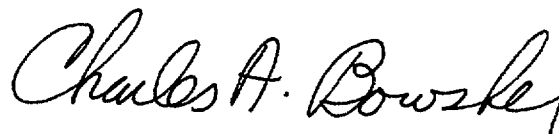
This is the fiscal year 1984 illustrative annual financial report of the United States government. Though the federal government publishes many reports of financial information about its diverse functions, programs, and activities, none of them portrays the U.S. government as a single financial entity measuring financial position and operations, in a manner familiar to financial statement users.

This illustrative annual financial report, similar to those issued by many state and local governments and business entities, contains consolidated financial statements of the U.S. government. It also contains graphics of financial highlights, supplemental information not usually considered within the framework of summary financial statements, and a list of sources of more detailed information.

Many unanswered questions still remain. The Federal Government Reporting Study surfaced major accounting issues which will need to be resolved to determine how best to report such issues in financial statements. These issues include:

- How should fixed assets be defined, valued, and depreciated?
- Should the financial statements of the central banking system be consolidated with those of the federal government?
- How should social security be reported?
- How should tax expenditures be reported?

Special task forces of GAO staff and consultants from the accounting profession and government have been established to help resolve these and other issues to improve the financial reporting of the federal government.



Comptroller General
of the United States

March 21, 1986

Contents

Possible Transmittal Letter by the President	USA 3
Financial Highlights	5
Consolidated Financial Statements	19
Supplemental Information	47
Sources of More Detailed Information	57

Possible Transmittal Letter by the President

To the Congress of the United States
and the Public

This is the annual financial report of the United States government. It presents the financial position and results of operations of the components of the United States government consolidated into a single report. It does not replace, but supplements other budget and accounting information by providing an overall picture of the financial condition of the U.S. government in a single document.

Like business firms and households, governments can live within their means or they can become overextended and have difficulty paying the bills. Unless all of the financial transactions and events affecting a governmental entity are recorded, sorted out between what is applicable to current operations and what to future operations, and brought together in a reasonably simple accounting report, the average citizen, or even the financial expert, cannot hope to make an informed judgment about the financial health of the government. The purpose of this report is to facilitate such judgments.

Traditional governmental financial reports seldom provide a simple overview of what a government owns and what it owes or an explanation of how it got where it is. They concentrate primarily on the matter of compliance with specific legislative authorizations. Compliance reporting is an essential function of governmental accounting and nothing in this report is intended to substitute for it. But events of the last few years, particularly the rising and seemingly uncontrollable federal deficits and the financial crises in major cities and states, point to the need for a new perspective – one that looks at a government as a total financial entity and describes its financial condition in plain language and plain accounting.

The administration is committed to improving the federal government's financial management systems. By focusing federal attention on standard financial structures, new technology, and internal controls, the federal government has charted a new course towards cost effective operations. Toward this end, the Department of the Treasury will complete the development of a fully automated financial reporting network that will integrate the results of agency operations into comprehensive governmentwide reports. These reports will provide timely and meaningful financial information to a broad spectrum of users in the public and private sectors. This annual financial report is one result of improved financial management and reporting systems that the administration is committed to achieve.

The President of the United States

Washington, D.C.
December 31, 1984

Financial Highlights

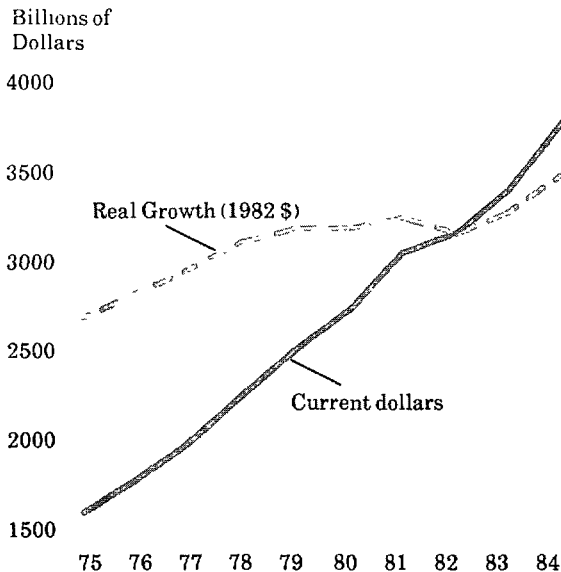
Economic Trends	USA 6
The Federal Budget	8
Revenues and Expenses	10
Per Capita Information	13
Assets and Liabilities	14

Economic Trends

Federal government finances are sensitive to changes in the economy. Tax revenues depend on the size of personal and corporate incomes; expenditures under many of the entitlement programs are indexed to changes in consumer prices; changes in unemployment cause changes in outlays under other entitlement programs; and changes in interest rates alter the amount that the government must pay to service the national debt. Thus, an understanding of what has occurred in the economy will help to better understand federal financial information.

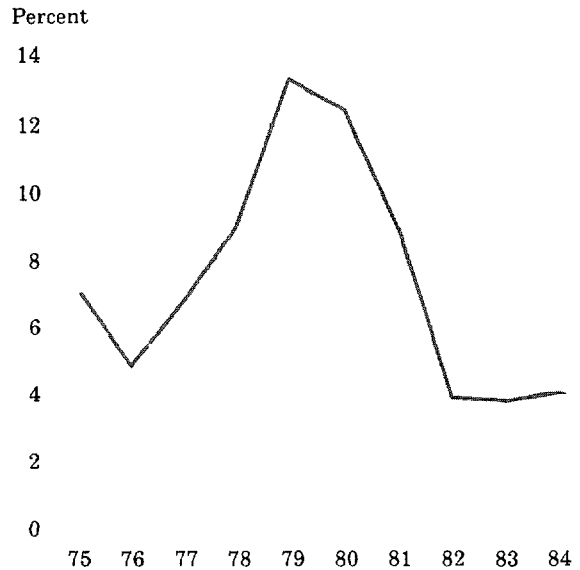
Real (inflation adjusted) gross national product grew by 6.5 percent in 1984. This represents the highest annual real growth rate experienced in over 30 years, and continues the recovery from the 1982 recession. Price levels rose 4 percent during 1984, a rate similar to that experienced in 1983. Inflation in the past two years has been lower than in any of the previous twelve years. In 1984, current dollar GNP reached \$3.77 trillion

Gross National Product



Source: Economic Report of the President, February 1986.

Inflation Rates

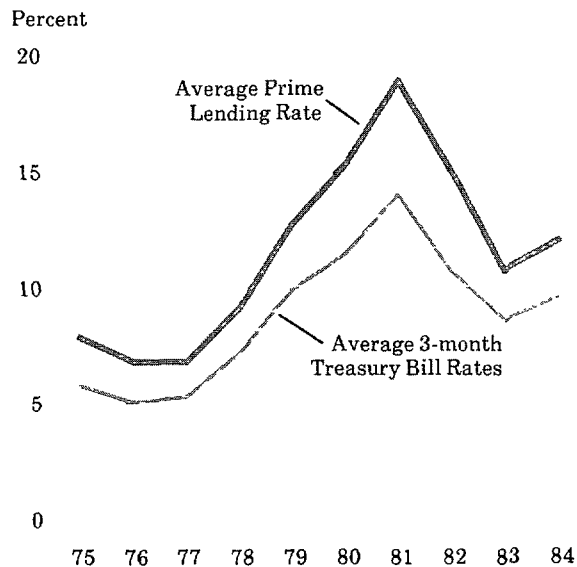


Source: Survey of Current Business, July 1985
Bureau of Economic Analysis,
Department of Commerce.

Consumer Prices. Consumer prices increased 4 percent between December 1983 and December 1984. Although slightly higher than the increase for 1983 (3.8 percent) and 1982 (3.9 percent), this represents a continuation of relatively modest inflation. Consumer prices rose by more than 4 percent in every year from 1975 through 1981, in most years by a substantial margin. The largest increase was 13.3 percent between December 1978 and December 1979.

Economic Trends

Interest Rates

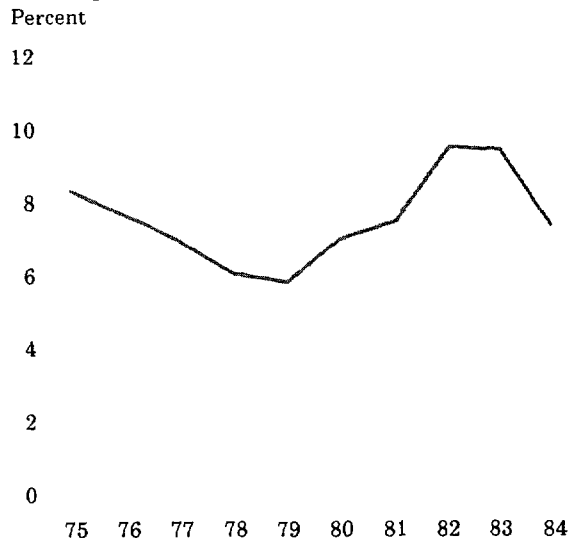


Source: Survey of Current Business, July 1985
Bureau of Economic Analysis,
Department of Commerce

Interest Rates. During 1982 and 1983, average interest rates declined dramatically. In part because of the rapid growth in real GNP, average interest rates rose slightly in 1984. At the end of 1984, the bank prime lending rate was about 11 percent and the 3-month Treasury Bill rate stood at 8.2 percent. By comparison, these rates were as high as 21.5 percent and 15.7 percent respectively at the end of 1980.

Unemployment. As a result of the rapid growth in real GNP, unemployment continued to decline in 1984. Over the full year, the unemployment rate averaged 7.4 percent, down from an average of 9.5 percent in both 1982 and 1983. The December 1984 unemployment rate was 7.1 percent, as compared to a peak monthly unemployment rate of 9.7 percent experienced at the end of 1982. Civilian employment increased by about 7 million between December 1982 and December 1984.

Average Annual Unemployment Rate

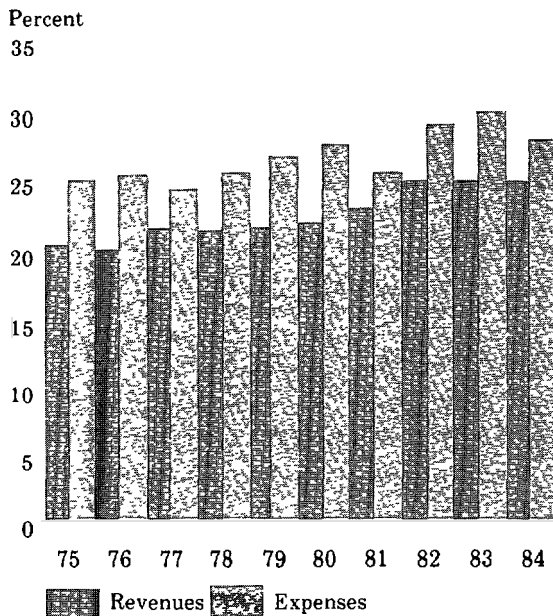


Source: Survey of Current Business, July 1985,
Bureau of Economic Analysis,
Department of Commerce.

The Federal Budget

Federal revenues and expenses represent a substantial part of the total GNP and any changes therein can have a significant impact on the economy. The magnitude of federal revenue and expense figures as a percentage of GNP has increased during the past decade. In 1984, federal revenues were about 23 percent of GNP and expenses were about 28 percent of GNP resulting in a deficit equal to about 5 percent of GNP.

Revenues and Expenses as a Percentage of GNP



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

Over the last several years, federal budgetary deficits have increased significantly and have become a matter of considerable national concern. The increase in budgetary deficits has been particularly significant during the past 5-6 years.

The following graph provides a comparison of the traditional budgetary deficit measure with alternative possible deficit measures. While the traditional budgetary measure indicates a \$185 billion deficit for 1984, the deficit

computed on an accrual basis amounted to \$215 billion. The accrual method has been adopted as the basis for accounting principles to be followed by the federal government. These principles have been used in preparing the accompanying primary financial statements. For further comparison, the graph also shows the national income and product accounts deficit.

For a further discussion of these different deficit measures and their reconciliation, see page 54.

National Deficit



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury, and the Budget of the United States Government, FY 1986.

Legend: Accrual (thick solid line), Budget (thin solid line), National income and product accounts (dashed line)

Note: The accrual basis deficit is the excess of expenses (recorded when goods and services are consumed rather than when cash is disbursed) over revenues (recorded when earned rather than when cash is received).

The budget deficit is the excess of outlays over receipts measured primarily on a cash received and paid basis.

The national income and product accounts deficit is the excess of expenditures over receipts that reflects the net contribution to total product by all government agencies where transactions are recorded at the time of their impact on outputs.

The Federal Budget

Federal Participation in Domestic Credit Markets

Percent

100

75

50

25

0

75 76 77 78 79 80 81 82 83 84

Source: Consolidated Financial Statements of the
United States Government, FY 1975 to 1984,
Department of the Treasury.

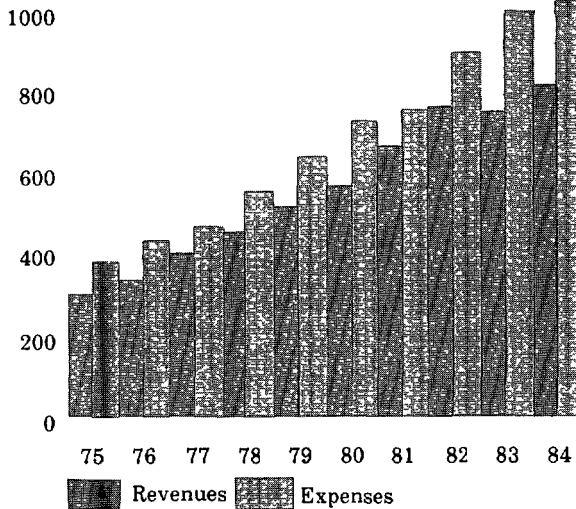
The magnitude of the federal deficit has resulted in a significant increase in the participation of the federal government in the financial markets as a substantial borrower. The scale of this participation has significantly grown during the 5 years preceding 1983, when this trend was reversed due to the growth in nonfederal borrowing. The federal borrowing in 1984 accounted for 26.3 percent of total U.S. borrowing.

Revenues and Expenses

In 1984, government revenues increased \$70 billion to \$831 billion. Expenses increased \$37 billion to \$1,031 billion. The excess of expenses over revenues decreased by \$17 billion in 1984 over that of 1983. A more detailed analysis of revenues and expenses for the past 10 fiscal years is shown on page 50.

Revenues and Expenses

Billions of
Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

During 1984, revenue from individual income taxes increased slightly by 2.4 percent, social insurance taxes increased 15.7 percent, and revenues from government business-type operations increased 5.3 percent.

	1984	1983	Net change (billions)
Individual Income Taxes	\$296	\$289	\$ 7
Social Insurance Taxes	242	209	33
Revenues from Government Business-Type Operations	160	152	8

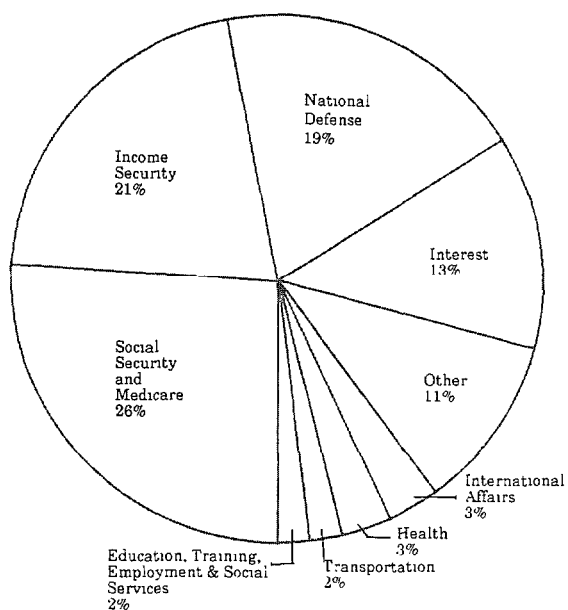
During 1984, social security and medicare expense decreased 4 percent while income security expense decreased 8 percent. National defense during the year was up 12 percent and interest expense on the national debt increased 19 percent.

	1984	1983	Net change (billions)
Social Security and Medicare	\$267	\$278	\$(11)
Income Security	219	238	(19)
National Defense	194	173	21
Interest	129	108	21

Revenues and Expenses

The major part of 1984 expenses went towards social security and medicare (26 percent) and income security (21 percent). The percentage spent on national defense was 19 percent while the percentage used to service the national debt through interest expense was 13 percent.

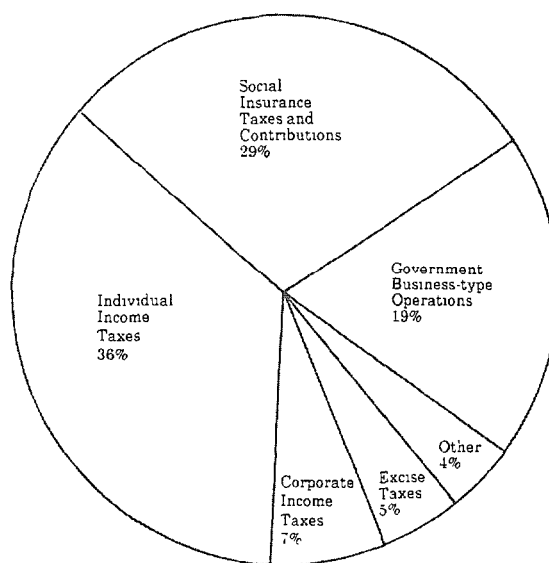
Expenses



Source: Consolidated Financial Statements of the United States Government, FY 1984, Department of Treasury.

Individual income taxes represented the largest source of revenues in 1984 (36 percent) while social insurance taxes and contributions amounted to 29 percent. Revenues generated through government business-type operations amounted to 19 percent.

Revenues



Source: Consolidated Financial Statements of the United States Government, FY 1984, Department of Treasury.

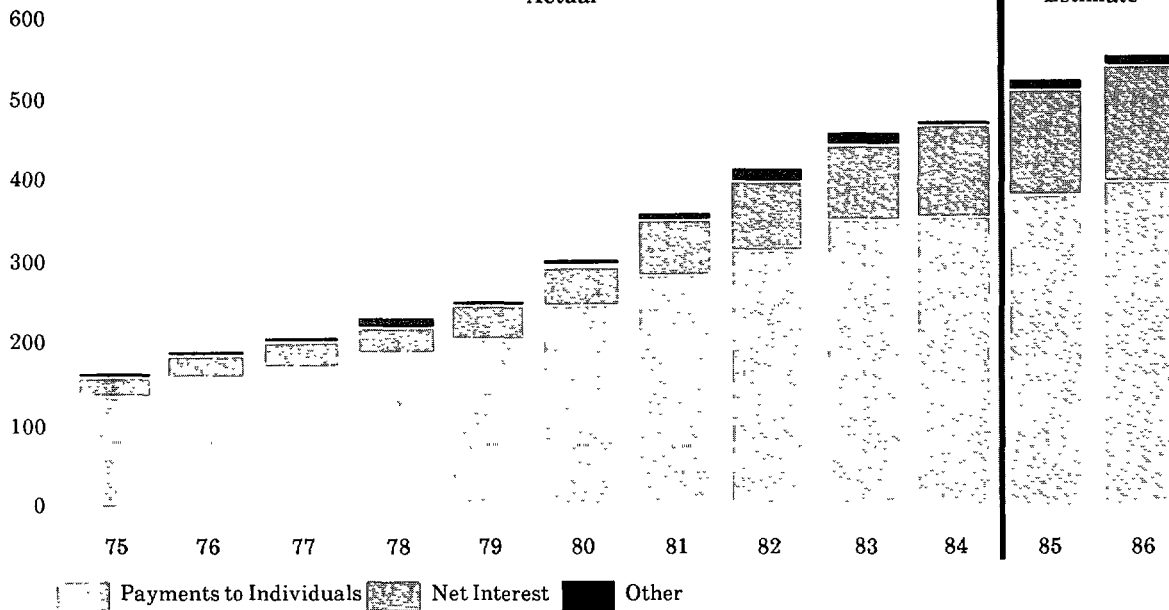
Revenues and Expenses

A significant amount of U.S. government spending is fixed by law. During 1984, this amount was \$479 billion of which \$357 billion was for payments to individuals under such

programs as social security, medicare, medicaid, federal retirement, etc. A more detailed analysis of these costs for fiscal years 1983 and 1984 is on page 34.

Spending for Open-ended Programs and Fixed Costs

Billions of Dollars



Source: Budget of the United States Government - FY 1986.

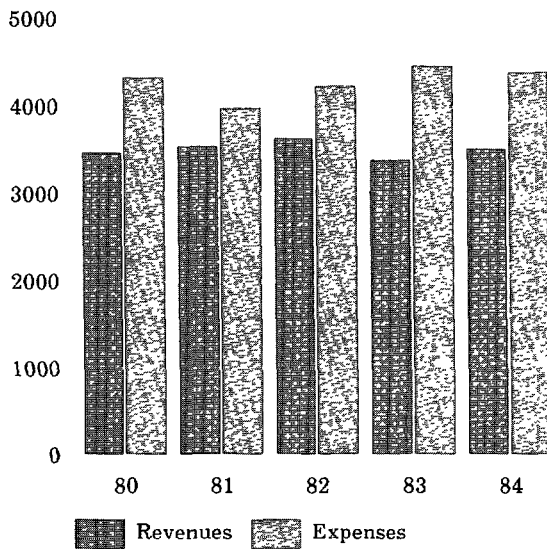
Per Capita Information

The significance of the economic impact of the federal activities may be better illustrated by expressing the relevant basic data on a per capita basis. In order to provide a valid comparison, all the data is expressed in terms of constant 1984 dollars. On that basis, there has been no significant change in the per

capita revenue and expense figures over the past 5 years. At the same time, however, a perceptible increase in per capita borrowing and total liabilities occurred in 1983 and 1984. This increase reflects the increased federal borrowing brought about by the sustained federal deficits over the last few years.

Per Capita Revenues and Expenses in Constant 1984 Dollars

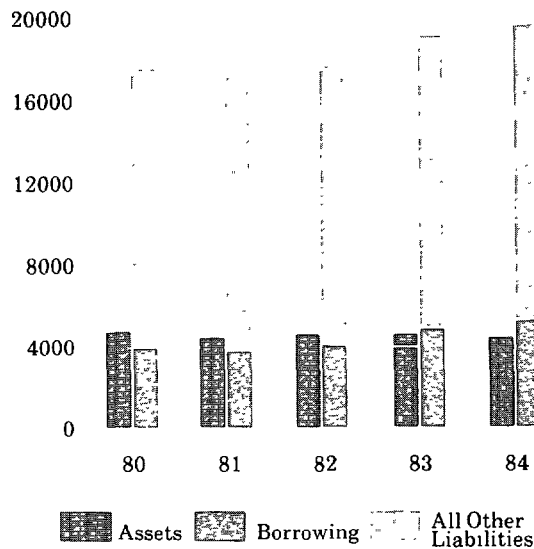
Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1980 to 1984, Department of the Treasury.

Per Capita Assets and Liabilities in Constant 1984 Dollars

Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1980 to 1984, Department of the Treasury.

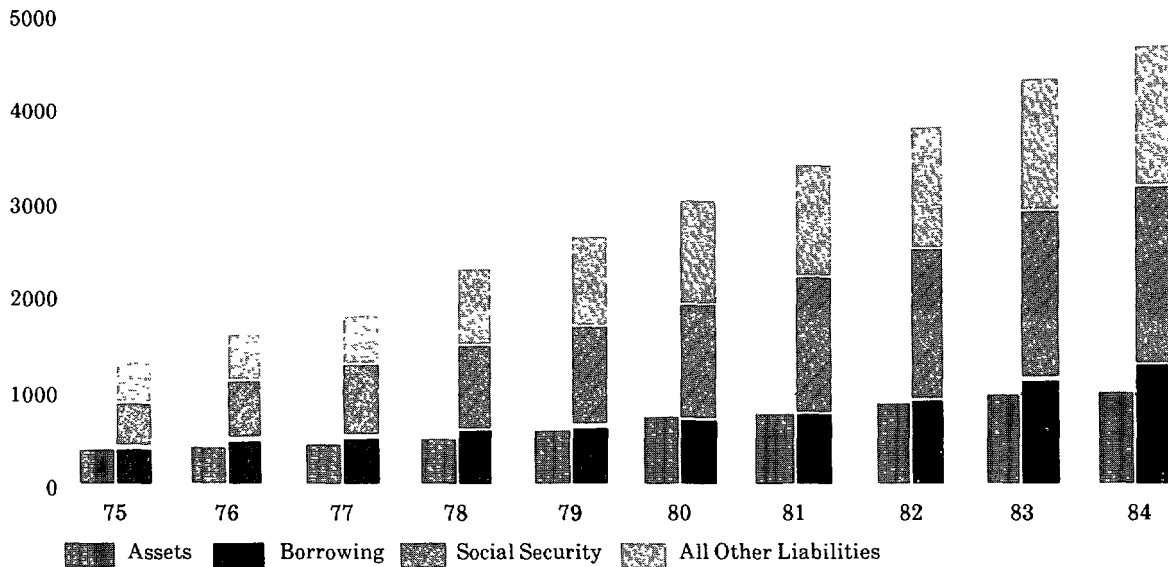
Assets and Liabilities

A government's assets in excess of liabilities, when added to current revenue sources, results in resources available to finance and operate current and future governmental programs. A deficit, on the other hand, requires the allocation of resources to debts incurred for prior program costs.

Asset and Liability Growth. Although assets for the federal government have grown from almost \$400 billion in 1975 to in excess of \$1 trillion in 1984, liabilities have more than tripled since 1975 when they amounted to approximately \$1.3 trillion to where they now represent future obligations of over \$4.7 trillion.

Federal Government Assets and Liabilities

Billions of Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

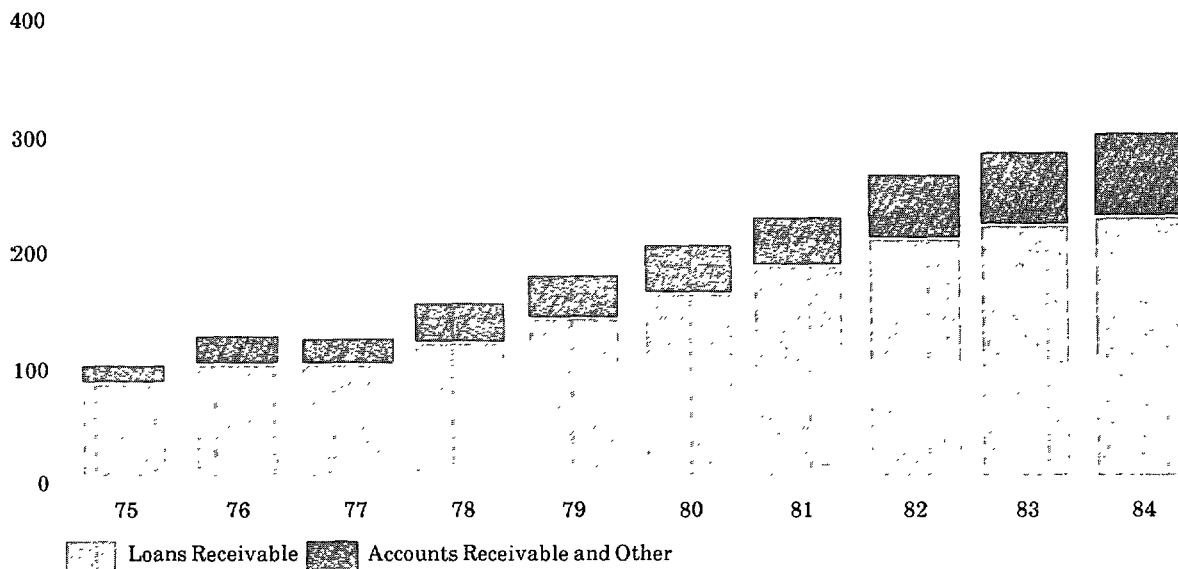
Assets and Liabilities

Accounts and Loans Receivable. Accounts and loans receivable consume an ever increasing share of the federal government's available resources. In 1975, loans receivable and other accounts receivable represented

\$100 billion, approximately 25 percent of total assets. In 1984, however, loans and accounts receivable had increased to \$300 billion or 30 percent of total assets.

Accounts and Loans Receivable

Billions of
Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

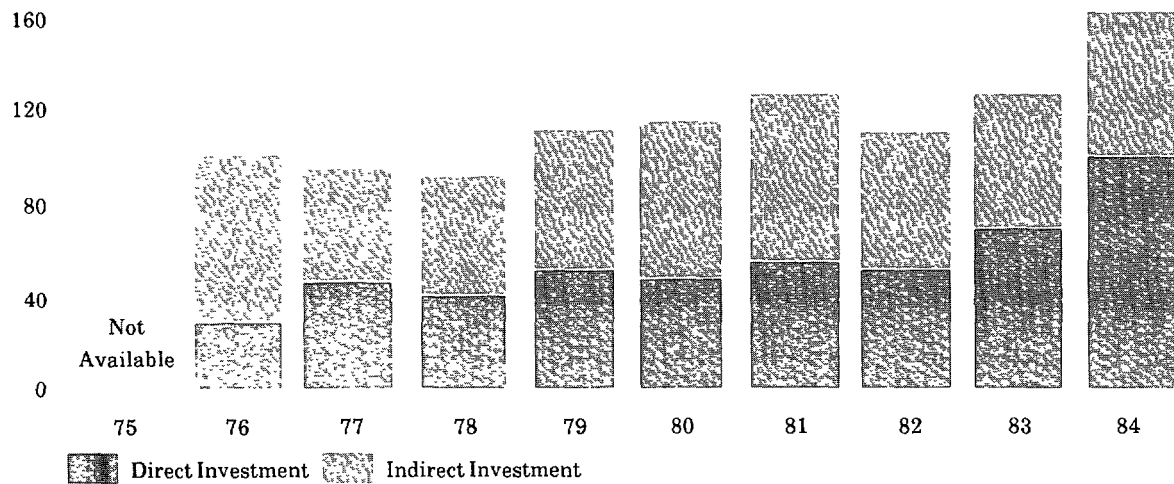
Assets and Liabilities

Capital Assets. The federal government in 1984 spent a total of \$163 billion to purchase capital assets such as land, buildings, and equipment. Of that amount \$63 billion or 38 percent of the total outlay was made through indirect investments of capital grants to state and local governments as well as to some entities of the private sector. The net book

value, representing the cost of land, buildings and equipment less estimated accumulated depreciation, amounted to over \$310 billion as of the end of the federal government's 1984 fiscal year. This direct investment represented about one-third of the total assets as of September 30, 1984.

Capital Asset Additions

Billions of
Dollars
200



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

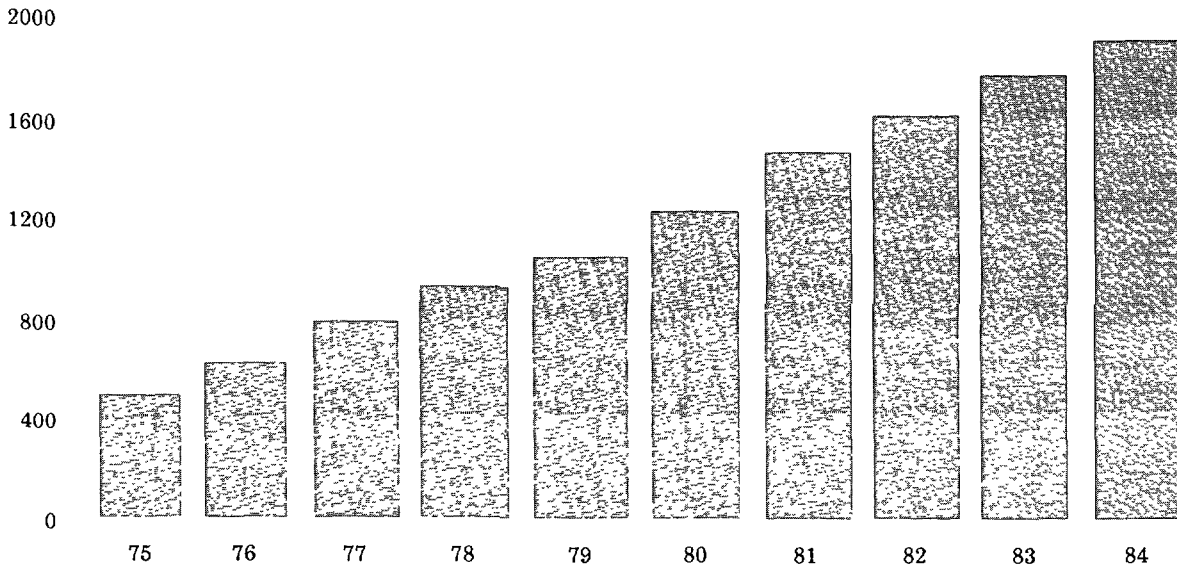
Assets and Liabilities

Social Security. The single largest liability of the federal government representing approximately 40 percent of total liabilities is the actuarial liability for social security benefits. This liability is based on the present value of the projected excess of benefits to be paid over contributions from present participants and their employees for the next 75 years. As the chart indicates the actuarial liability for social security benefits has increased from approximately \$500 billion in 1975 to \$1.9 trillion in 1984.

Note: As mentioned in the summary report, the nature of social security is perhaps the most contentious issue in federal financial reporting and requires further study. It has been reported as a liability in this illustration in line with prior practice and users' needs as expressed in this research project.

Actuarial Liability for Social Security

Billions of
Dollars



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

Assets and Liabilities

Guarantee and Insurance Programs. Over a period of many years the federal government has acted as an insurer or guarantor of many businesses and individuals. One of the most significant programs in this government activity is insuring bank and saving and loan deposits of the millions of individuals and businesses that place their trust in our banking system. As of September 30, 1984, the federal government had underwritten deposit insurance totalling over \$2 trillion. Other guarantee and insurance programs include:

Housing	\$212 billion
Farm ownership and rural development	\$72 billion
Veterans benefits	\$57 billion
Federal Emergency Management agency insurance	\$147 billion
Department of Transportation insurance program	\$223 billion

Although the increase in these guarantee and insurance programs over the last ten years has been gradual, the magnitude continues to represent a significant commitment to the public. Without such insurance and guarantee programs many individuals and businesses would not otherwise be able to obtain credit or protect themselves from catastrophic losses. In 1975, these programs insured or guaranteed approximately \$1.7 trillion in outstanding risks. Today, that program has doubled to \$3.3 trillion.

Estimated liabilities based on prior losses incurred and estimates of current risk exposure for each program amounted to \$3.5 billion or approximately one-tenth of one percent in 1984. It is obvious the leverage aspect of these programs is extremely beneficial to many segments of the national economy.

Guarantee and Insurance Programs

Billions of Dollars

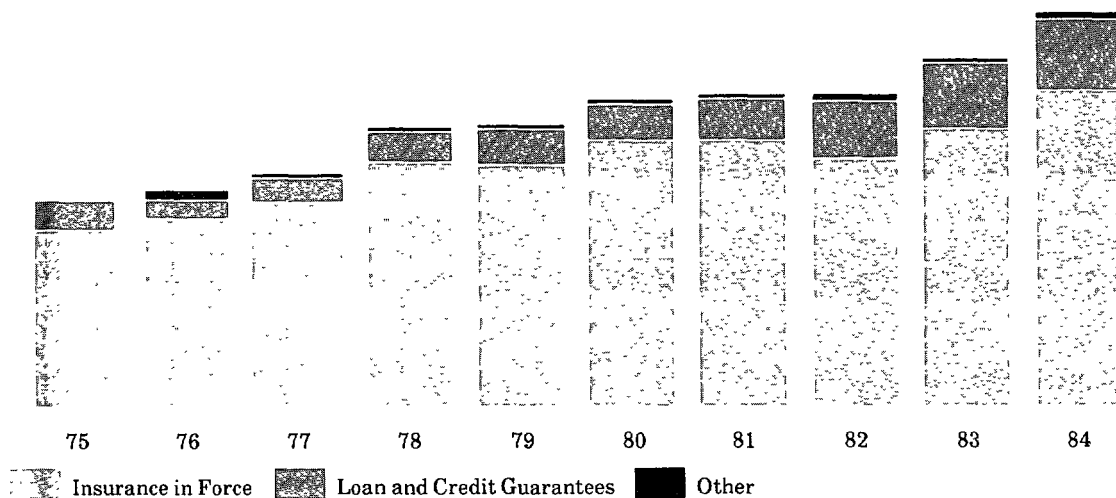
4000

3000

2000

1000

0



Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury.

Consolidated Financial Statements

Illustrative Executive Statement of Responsibility	USA 21
Illustrative Comptroller General's Report	22
Illustrative Comptroller General's Report on Internal Controls	23
Introduction to Financial Statements	25
Consolidated Statement of Operations for the Years Ended September 30, 1984 and 1983	26
Consolidated Statement of Outlays and Receipts and Reconciliation of Budget and Accrual Bases for the Years Ended September 30, 1984 and 1983	28
Consolidated Statement of Financial Position as of September 30, 1984 and 1983	30
Consolidated Statement of Changes in Financial Position for the Years Ended September 30, 1984 and 1983	31
Notes to Financial Statements	32

.....

Illustrative Executive Statement of Responsibility

These financial statements and the notes thereto have been prepared by the Department of the Treasury under authority of 31 U.S.C. 3513 and are in accordance with generally accepted accounting principles for federal agencies consistently applied in all material respects. They reflect estimates by management where necessary. Managers of federal agencies are responsible for all financial data, audited or unaudited, included in this report. All financial data presented here are consistent with agency records and reports. It is also consistent with, but supplementary to, the data included in the Budget of the United States Government and accompanying documents.

The financial statements have been audited by the Comptroller General of the United States, whose report appears within this annual report. His responsibility with respect to this annual report is to examine the financial statements of the United States Government in accordance with generally accepted government auditing standards and to provide an opinion as to whether management's financial statements, taken as a whole, present fairly the U.S. government's financial position and results of operations in conformity with generally accepted accounting principles for federal agencies consistently applied.

In order to gather financial data and safeguard assets, the U.S. government establishes accounting and reporting systems supported by internal controls. Internal controls are maintained to provide reasonable assurance that (1) obligations and costs comply with applicable law; (2) all assets are safeguarded against waste, loss, unauthorized use and misappropriation; and (3) revenues and expenditures are recorded and accounted for properly so that reliable financial and statistical reports may be prepared and accountability of assets may be maintained. Reasonable assurance in internal control systems results in a satisfactory level of confidence considering costs, benefits, and risks.

An important element of such systems is the internal audit function which is performed by the departmental inspectors general or agency internal auditors who are required by law and regulations to comply with generally accepted government auditing standards. In response to recommendations from the inspectors general, internal auditors, and the General Accounting Office, as well as in light of changes in conditions and operations, managers review and modify systems of accounting and internal control.

Heads of executive agencies are legally required (31 U.S.C. 3512) to annually evaluate their systems of internal control and accounting and report to the President and the Congress as to whether those systems comply with standards set by the Comptroller General. The law requires that such reports be available to the public.

The Secretary of the Treasury

Director, Office of Management and Budget

Washington, D.C.
December 31, 1984

Illustrative Comptroller General's Report

To the President of the Senate and the
Speaker of the House of Representatives

The General Accounting Office has examined the consolidated statement of financial position of the United States Government as of September 30, 1984 and 1983, and the related consolidated statements of (1) operations, (2) outlays and receipts and reconciliation of budget and accrual bases, and (3) changes in financial position for the years then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Loans receivable include a significant amount of loans which are in arrears, have had payment dates rescheduled, or are outstanding to obligors with financial difficulties. The financial statements do not provide reasonable costs for estimated losses that are likely to be sustained due to the uncollectibility of a significant portion of the loans receivable outstanding, which in our opinion, should be provided to conform to generally accepted accounting principles. If these losses were provided for, loans receivable would be reduced by \$xxx billion to \$xxx billion and expenses would be increased by \$xxx billion to \$xxx billion.

Also, as explained in note 8 to the financial statements, the federal government has liabilities for insurance programs and guaranteed loans which, in our opinion, are understated based on the current risk exposure for many of these programs. If the increased amounts had been included, the liability would be \$xxx billion, an increase of \$xxx billion and expenses would increase by \$xxx billion to \$xxx billion. In our opinion, generally accepted accounting principles require that the additional liability resulting from increased risk be included in the financial statements.

(Other qualifications may arise.)

In our opinion, except for the effects of the matters just discussed, the consolidated financial statements referred to above present fairly the financial position of the United States Government as of September 30, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles for federal agencies applied on a consistent basis.

Comptroller General
of the United States

Washington, D.C.
December 31, 1984

Illustrative Comptroller General's Report on Internal Controls

To the President of the Senate and the
Speaker of the House of Representatives

As part of our examination of the United States government's consolidated financial statements for the years ended September 30, 1984 and 1983, we made a study and evaluation of the systems of internal accounting control to the extent we considered necessary to evaluate the systems as required by generally accepted government auditing standards. In addition, we selectively reviewed the procedures employed by the major federal agencies to comply with the Federal Managers' Financial Integrity Act of 1982 (Act), (31 U.S.C. 3512) which requires that agency heads prepare annual reports to the President and the Congress on whether their internal control systems fully comply with the Act's requirements. These requirements are that the systems be established in accordance with standards prescribed by the Comptroller General and provide *reasonable assurance* that the objectives of the act are attained. This report pertains only to our study and evaluation of the systems of internal control for the year ended September 30, 1984.

Managers of the United States government agencies are responsible for establishing and maintaining systems of internal accounting control. In fulfilling this responsibility, managers must assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that

- obligations and costs comply with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts, reliable financial statements in accordance with generally accepted accounting principles for federal agencies, and statistical reports, and to maintain accountability of the assets.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate

Our study and evaluation as well as the agencies' individual reports required by the Act disclosed widespread and often long-standing material weaknesses in agency internal controls resulting in wasteful spending, poor management, and losses involving billion of dollars of federal funds. These weaknesses have also made outright fraud more feasible.

Corrective action is required in:

- Financial management and accounting systems
- Procurement
- Property management
- Cash management
- Grant, loan, and debt collection management
- Automated data processing
- Personnel and organizational management
- Eligibility and entitlement determinations

(over)

Our examination was made at 23 agencies which account for over 95 percent of all government expenditures. We issued individual reports to each of these agencies. The systems of internal accounting control that we identified and the material weaknesses disclosed are set forth in the separate reports. We examined all of the identified systems of internal accounting control.

Agencies have corrected many material weaknesses and have extensive efforts underway to further strengthen their internal controls. These long-term efforts will require agency managers to closely oversee these efforts to ensure that they are successfully implemented.

These weaknesses were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the 1984 financial statements, and this report does not affect our report on these financial statements.

Comptroller General
of the United States

Washington, D C.
December 31, 1984

Introduction to Financial Statements

In their broadest sense, financial statements are a means to represent an organization and its activities in financial terms. They are particularly useful when they faithfully and consistently portray an organization's financial activities over long periods of time.

Traditionally, the government has used three primary ways to portray its activities – the obligation, cash, and accrual bases. Generally, the obligation basis measures the resources officially committed to carry out government programs, the cash basis measures the current cash inflows and outflows, whereas the accrual basis measures the total economic resources available to the government and the liabilities incurred but not yet paid. These three means of portraying the government are important and tell the reader different but complementary things about the government. (See page 48 for a description of different accounting bases).

The financial statements in this report include:

- the statement of operations, on an accrual basis, showing the cost of goods and services consumed in carrying out authorized programs during the year less revenues generated from taxes and other sources;
- the statement of outlays and receipts and reconciliation of budget and accrual bases, which is on a modified cash basis, reflecting

the amounts paid for goods and services in carrying out authorized programs during the year less amounts received from taxpayers and other sources;

- the statement of financial position showing debts for past operations that will require payment from future resources less those resources owned which are available to pay debts or provide future public services; and
- the statement of changes in financial position identifying resources used during the year to provide for operations and acquisitions of property and inventories as well as sources of financing made available for operations and acquisitions.

**United States Government Consolidated Statement of Operations
for the Years Ended September 30, 1984 and 1983**

	<u>1984</u>	<u>1983</u> (billions)	Net <u>change</u>
Expenses by function (note 2)			
National defense	\$ 194	\$ 173	\$ 21
Social security and medicare			
Social security (note 4)	187	202	(15)
Medicare	80	76	4
Interest	129	108	21
Income security			
Employee pension and retirement plans (note 5)	104	98	6
Veterans compensation (note 6)	13	37	(24)
Social insurance	14	16	(2)
Other	88	87	1
Health	28	26	2
International affairs	26	24	2
General government	26	18	8
Education, training, employment, and social services	25	23	2
Transportation	25	20	5
Agriculture	17	17	0
Natural resources and environment	15	14	1
General purpose fiscal assistance	13	13	0
Veterans benefits and services	12	9	3
Energy	12	11	1
Community and regional development	8	5	3
General science, space, and technology	8	7	1
Administration of justice	5	5	0
Commerce and housing credit	2	5	(3)
Total expenses	<u>1,031</u>	<u>994</u>	<u>37</u>
Revenues by source			
Levied under the government's sovereign power			
Individual income taxes	296	289	7
Corporate income taxes	62	39	23
Social insurance taxes and contributions	242	209	33
Excise taxes	37	35	2
Estate and gift taxes	6	6	-
Customs duties	11	9	2
Other	17	22	(5)
	<u>671</u>	<u>609</u>	<u>62</u>

	<u>1984</u>	<u>1983</u> (billions)	<u>Net change</u>
Earned through government business-type operations			
Sale of goods and services	34	37	(3)
Interest	45	51	(6)
Other	<u>81</u>	<u>64</u>	<u>17</u>
	<u>160</u>	<u>152</u>	<u>8</u>
Total revenues	<u>831</u>	<u>761</u>	<u>70</u>
Excess of expenses over revenues before revaluation of gold to market	200	233	(33)
Unrealized loss (gain) on revaluation of gold to market (note 9)	<u>15</u>	<u>(1)</u>	<u>16</u>
Excess of expenses over revenues	<u><u>\$ 215</u></u>	<u><u>\$ 232</u></u>	<u><u>\$ (17)</u></u>

The accompanying notes are an integral part of this statement.

**United States Government Consolidated Statement of Outlays and
Receipts and Reconciliation of Budget and Accrual Bases
for the Years Ended September 30, 1984 and 1983**

	1984			1983		
	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u> (billions)	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Budget outlays by function:						
Social security and medicare	\$ xxx	\$ xxx	\$ 236	\$ xxx	\$ xxx	\$ 223
National defense	xxx	xxx	227	xxx	xxx	210
Income security	xxx	xxx	113	xxx	xxx	123
Net interest	xxx	xxx	111	xxx	xxx	90
Health	xxx	xxx	30	xxx	xxx	28
Education, training, employment, and social service	xxx	xxx	27	xxx	xxx	27
Veterans benefits and services	xxx	xxx	25	xxx	xxx	25
Transportation	xxx	xxx	24	xxx	xxx	21
International affairs	xxx	xxx	16	xxx	xxx	12
Agriculture	xxx	xxx	14	xxx	xxx	23
Natural resources and environment	xxx	xxx	13	xxx	xxx	13
General science, space, and technology	xxx	xxx	8	xxx	xxx	8
Community and regional development	xxx	xxx	8	xxx	xxx	8
Energy	xxx	xxx	7	xxx	xxx	9
Commerce and housing credit	xxx	xxx	7	xxx	xxx	7
General purpose fiscal assistance	xxx	xxx	7	xxx	xxx	6
Administration of justice	xxx	xxx	6	xxx	xxx	5
General government	xxx	xxx	5	xxx	xxx	5
Undistributed offsetting receipts	xxx	xxx	(32)	xxx	xxx	(34)
Total budget outlays	<u>xxx</u>	<u>xxx</u>	<u>852</u>	<u>xxx</u>	<u>xxx</u>	<u>809</u>
Budget receipts by source:						
Individual income taxes	xxx	xxx	296	xxx	xxx	289
Corporation income taxes	xxx	xxx	58	xxx	xxx	37
Social insurance taxes and contributions	xxx	xxx	242	xxx	xxx	209
Excise taxes	xxx	xxx	37	xxx	xxx	35
Estate and gift taxes	xxx	xxx	6	xxx	xxx	6
Customs duties	xxx	xxx	11	xxx	xxx	9
Miscellaneous receipts	xxx	xxx	17	xxx	xxx	16
Total budget receipts	<u>xxx</u>	<u>xxx</u>	<u>667</u>	<u>xxx</u>	<u>xxx</u>	<u>601</u>
Budget deficit (cash basis), Including off-budget entities	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ 185</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ 208</u>

	<u>1984</u> <u>Actual</u>	(billions)	<u>1983</u> <u>Actual</u>
Budget deficit (cash basis), including off-budget entities (brought forward from previous page)	\$ 185		\$ 208
Reconciliation to the accrual basis:			
Noncash provisions for retirement and disability benefits	61		80
Depreciation	38		23
Increase (decrease) in contingent liabilities for guarantee and insurance programs	1		(1)
Capital outlays	(102)		(91)
Net loan disbursements	(6)		(15)
Seigniorage	(1)		(1)
Net effect of other accrual adjustments	24		30
Unrealized loss (gain) on revaluation of gold	<u>15</u>		<u>(1)</u>
Excess of expenses over revenues (accrual basis)	<u>\$ 215</u>		<u>\$ 232</u>

The accompanying notes are an integral part of this statement.

United States Government Consolidated Statement of Financial Position
as of September 30, 1984 and 1983

	<u>1984</u>	<u>1983</u> (billions)	Net <u>Change</u>
Liabilities			
Borrowing from the public (note 7)	\$ 1,299	\$ 1,130	\$ 169
Social security (note 4)	1,912	1,778	134
Employee pension and retirement plans (note 5)	1,037	975	62
Disability plans, federal employees and veterans (note 6)	233	234	(1)
Accounts payable	162	144	18
Other liabilities	90	85	5
Liabilities for guarantee and insurance programs (note 8)	3	2	1
Total liabilities	<u>4,736</u>	<u>4,348</u>	<u>388</u>
Financial assets			
Cash and monetary reserves (note 9)	152	174	(22)
Accounts and taxes receivable (note 10)	62	57	5
Loans and advances (note 11)	239	229	10
Deferred charges and other assets	100	86	14
Total financial assets	<u>553</u>	<u>546</u>	<u>7</u>
Excess of liabilities over financial assets to be financed through future taxes and other sources	<u>4,183</u>	<u>3,802</u>	<u>381</u>
Physical assets			
Land, buildings and equipment (at cost less accumulated depreciation) (note 12)	312	288	24
Inventories (note 13)	151	143	8
Total physical assets	<u>463</u>	<u>431</u>	<u>32</u>
Excess of Liabilities over Total Assets (note 14)	<u>\$ 3,720</u>	<u>\$ 3,371</u>	<u>\$ 349</u>

The accompanying notes are an integral part of this statement.

**United States Government Consolidated Statement of Changes
in Financial Position**
for the Years Ended September 30, 1984 and 1983

	<u>1984</u>	<u>1983</u>
	(billions)	
Financial resources applied		
Cash applied to:		
Operating expenses	\$ 1,031	\$ 994
Deduct items not requiring cash in current period:		
Depreciation	(38)	(23)
Increase in employee pension, retirement, and disability plan liabilities	(61)	(80)
Increase in other liabilities	(24)	(30)
Total cash applied to operating expenses	<u>908</u>	<u>861</u>
Purchase of fixed assets	100	70
Increase in inventories	8	19
Increase in receivables	29	36
Unrealized loss (gain) on revaluation of gold	15	(1)
Total	<u>1,060</u>	<u>985</u>
Financial resources provided		
Cash provided by:		
Operating revenues	<u>831</u>	<u>761</u>
Total cash provided by operating revenues	831	761
Borrowings from the public (net) (Borrowings were \$634 billion for 1984 (\$595 billion in 1983) and repayments were \$465 billion for 1984 (\$383 billion in 1983))	169	212
Sale of fixed assets	<u>38</u>	<u>22</u>
Total	<u>1,038</u>	<u>995</u>
Increase (decrease) in cash and monetary reserves	<u>\$ (22)</u>	<u>\$ 10</u>

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Principal Financial Statements

The principal financial statements of the United States government are:

- Consolidated Statement of Operations
- Consolidated Statement of Outlays and Receipts and Reconciliation of Budget and Accrual Bases.
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Financial Position

Reporting Entity

The financial statements comprise all departments, independent agencies, and other governmental units of the executive branch, the legislative and judicial branches, and federally-owned government corporations. Interdepartmental and/or interagency transactions and balances are eliminated.

Agencies such as the U.S. Postal Service and the Federal Financing Bank, classified as off-budget (not included in calculating the budget surplus or deficit), have also been included in

the statements because they are wholly owned and are clearly within the scope of government operations. Government-sponsored enterprises such as the federal land banks are excluded because they are privately owned.

The Federal Reserve Banks are excluded from the consolidated statements because they operate independently from the U.S. government and are owned by member banks through issuance of stock. However, there is a close relationship between the Federal Reserve Banks and the U.S. Treasury. Approximately 94 percent of the banks' earnings are from interest payments on U.S. government securities. In turn, the banks transfer to the Treasury their current income net of expenses, assessments, dividends, and additions to surplus. The Federal Reserve Banks' adjusted net income for fiscal years 1984 and 1983 was estimated to be \$16.1 billion and \$14.9 billion respectively, of which an estimated \$15.6 billion and \$14.5 billion were transferred to the Treasury. If the Federal Reserve Banks were included in the consolidated statement of financial position as of September 30, 1984 and 1983, the effect would be as follows:

	1984	1983
	(billions)	
Increase total assets	\$ 39	\$ 33
Reduce federal debt	\$ (155)	\$ (155)
Eliminate gold certificate liability	(11)	(11)
Add Federal Reserve Notes (net)	160	148
Add deposits of member banks	24	21
Increase other liability accounts	18	27
	36	30
Reduce excess liabilities over assets	3	3
	\$ 39	\$ 33

Notes to Financial Statements

Basis of Accounting

The consolidated statements of operations, financial position, and changes in financial position are prepared in accordance with generally accepted accounting principles for federal agencies on the accrual basis which recognizes the financial effect of transactions as they occur rather than as cash is received or paid.

The statement of outlays and receipts and reconciliation of budget and accrual bases is prepared on a modified cash basis which

generally measures economic events on the basis of cash receipts and disbursements.

The remaining notes apply to the three aforementioned accrual based financial statements.

Changes in Accounting and Reporting Practices

Changes in significant accounting and reporting practices are applied retroactively. No significant changes have occurred during the year.

2. Summary of Expenses by Object, Agency, and Type

	1984	1983 (billions)	Net Change
Expenses by object			
Casualty insurance and indemnities	\$ 275	\$ 182	\$ 93
Vendor services and supplies	192	211	(19)
Grants, subsidies, and contributions	186	245	(59)
Interest	129	108	21
Pensions and health and life insurance	115	133	(18)
Salaries and employee benefits	96	91	5
Depreciation	38	24	14
Total	\$ 1,031	\$ 994	\$ 37
Expenses by agency			
Legislative branch	\$ 1	\$ 1	\$ -
Judicial branch	1	1	-
Executive branch			
Office of the President	18	20	(2)
Departments			
Defense	295	253	42
Health and Human Services	241	226	15
Independent agencies	161	172	(11)
Treasury: interest	129	108	21
other	8	8	-
Agriculture	52	68	(16)
Transportation	37	32	5
Housing and Urban Development	24	28	(4)
Labor	20	32	(12)
Energy	14	14	-
Education	13	12	1
Interior	10	10	-
Justice	3	4	(1)
State	2	2	-
Commerce	2	3	(1)
Total	\$ 1,031	\$ 994	\$ 37

Notes to Financial Statements

	<u>1984</u>	<u>1983</u> (billions)	<u>Net change</u>
Expenses by type			
Transfer payments			
To persons	\$ 345	\$ 339	\$ 6
To state and local governments	93	87	6
To others	9	7	2
Interest	129	108	21
Operations			
Defense	194	173	21
Nondefense	261	280	(19)
Total	<u>\$ 1,031</u>	<u>\$ 994</u>	<u>\$ 37</u>

3. Open-ended Programs and Fixed Costs

Many federal programs are carried out under on-going or open ended legislation which requires yearly spending until the legislative

mandate is changed. Listed below are the programs conducted under on-going legislation and the amounts spent for fiscal years 1984 and 1983.

	<u>1984</u>	<u>1983</u> (billions)	<u>Net change</u>
Payments to individuals			
Social security and railroad retirement	\$ 179	\$ 172	\$ 7
Medicare and Medicaid	80	74	6
Federal employees retirement and insurance	49	47	2
Public-assistance-related programs	21	21	-
Unemployment assistance	17	30	(13)
Assistance to students	5	4	1
Food and nutrition assistance	3	3	1
All other	3	3	-
Subtotal	<u>357</u>	<u>354</u>	<u>3</u>
Net interest	111	90	21
General revenue sharing	5	5	-
Other open-ended programs and fixed costs	6	17	(11)
Total	<u>\$ 479</u>	<u>\$ 466</u>	<u>\$ 13</u>

Notes to Financial Statements

4. Social Security

Social security provides monthly benefits to retired and disabled workers and their spouses and children and to survivors of insured workers. The program is financed primarily by payroll taxes on employers, employees, and self-employed individuals.

The social security expense (\$187 billion in 1984) in the statement of operations is based on the benefits paid during the year. The number of recipients in September 1984 was 36 million.

The social security liability in the statement of financial position is an actuarially determined amount. It is based on the present value of the projected excess of benefits to be paid over contributions from present participants and their employers for the next 75 years. In determining this amount, the following actuarial assumptions are used:

Interest rate	6.08%
Inflation rate	4%
Rate of annual salary increase	5.5%

5. Employee Pension and Retirement Plans

The federal government has a large variety of employee pension and retirement plans. Pension expense for all federal pension plans was \$104 billion for 1984 and \$98 billion for 1983.

The actuarial present value of accumulated plan benefits for Civil Service and Military Retirement plans was \$959 billion for 1984. This is the amount that is reported on the statement of financial position and was calculated in accordance with instructions developed jointly by the General Accounting Office and the Office of Management and Budget under the provisions of Public Law 95-595.

The projected excess liability is determined annually. Any increase is allocated over a 30-year period. This allocated amount (\$321 billion in 1984) is recorded as a liability and the additional expense over benefits paid during the year (noncash provision) is recorded directly in the excess of liabilities over assets rather than in the statement of operations. The noncash provision in 1984 is \$134 billion. The accumulated noncash provision recorded as a liability as of September 30, 1984, was \$1,912 billion.

Congress and the trustees of the fund compute the social security liability on a different basis. They assume that workers entering the labor force in the future will be covered by the program and will be contributing to the fund when they enter the labor force. Based on this assumption, the actuarial amounts (in billions) would be:

Actuarial liabilities	\$11,656
Actuarial assets	11,693
Actuarial surplus	<u>\$ 37</u>

The actuarial accrued liability for Civil Service and Military Retirement plans was \$1,196 billion for 1984. The actuarial accrued liability includes benefits anticipated to accrue in the future whereas the actuarial present value of accumulated benefits includes benefits up to the report date only.

Notes to Financial Statements

The federal pension and retirement plan benefits as of the 1984 plan year-end are as follows:

	Civil Service	Military Retirement	Total Civil Service and Military Retirement	All Other Federal Plans	Total
Number of participants	4,821,000	4,620,326	9,441,326	xxx	xxx
Actuarial present value of accumulated benefits	(billions)				
Vested	\$ 504	\$ 362	\$ 866	\$ xxx	\$ xxx
Nonvested	33	60	93	xxx	xxx
Total	<u>\$ 537</u>	<u>\$ 422</u>	<u>\$ 959</u>	<u>\$ 78</u>	<u>\$ 1,037</u>
Actuarial accrued liability	\$ 667	\$ 529	\$1,196	\$ xxx	\$ xxx
Less net assets available for plan benefits	<u>125</u>	<u>-</u>	<u>125</u>	<u>xxx</u>	<u>xxx</u>
Unfunded actuarial accrued liability	<u>\$ 542</u>	<u>\$ 529</u>	<u>\$ 1,071</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

The Civil Service and Military Retirement systems are the largest federal pension plans. They cover most federal employees and represent a major portion of the total unfunded liability for all federal pension plans reported under Public Law 95-595.

The Civil Service Retirement System is funded through a trust fund. The Congress is considering legislation to create a new supplemental Civil Service retirement system for all federal civilian employees hired after December 31, 1983, who are now covered by social security. Presently, post-1983 federal employees are also temporarily covered by the current Civil Service System until April 30, 1986, without making a full contribution to the system under the Federal Employee's Retirement Contribution Adjustment Act of 1983 and subsequent amendments. The Act must be extended or replaced by a new system at that time.

The Military Retirement System, in 1984, was funded on a "pay-as-you-go" basis. However, the Department of Defense Appropriations Act for fiscal year 1984 (Public Law 98-94),

provided for the establishment of a fund starting October 1, 1984, to finance the Military Retirement System.

In determining the actuarial present value of accumulated plan benefits, the following assumptions are used:

	Civil Service	Military Retirement
Interest rate	6.5%	6.6%
Inflation rate	5%	5%

In determining the unfunded actuarial accrued liability, it is assumed that salaries will increase annually at a rate of 5.5 percent for the Civil Service Retirement System and 6.2 percent for the Military Retirement System.

In addition to providing pension benefits, the federal government provides a portion of the premium for certain health care and life insurance benefits for retired employees. Most federal employees may become eligible for those benefits if they reach normal retirement age while working for the government. The

Notes to Financial Statements

government's portion of the premium for life insurance is prefunded and recognized as an expense during the employee's active work life. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees - the total cost of which was

\$0.28 billion for 1984. The government recognizes the cost of providing health care benefits by expensing the annual insurance premiums, which are based on benefits paid during the year. The cost for health benefits for retired civilian annuitants was \$1.4 billion for 1984.

6. Disability Plans, Employees and Veterans

The liability for the disability plans breaks down as follows:

	<u>Veterans</u>	<u>Civilians</u> (billions)	<u>Total</u>
Liability as of September 30, 1983	\$ 223	\$ 11	\$ 234
Add: Accruals	xxx	xxx	xxx
Deduct: Benefits paid	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Liability as of September 30, 1984	<u>\$ 222</u>	<u>\$ 11</u>	<u>\$ 233</u>

Veterans compensation represents the present value of projected annual benefit payments. Civilian compensation represents the estimated future costs for approved cases filed under the Federal Employees Compensation Act.

In determining these liabilities the following assumptions were used:

Interest rate:	xx%
Inflation rate:	xx%
Rate of annual increase in average benefits:	xx%

Notes to Financial Statements

7. Borrowing from the Public

Federal debt is valued at market when issued and shown net of unamortized premiums and discounts. As of September 30, 1984, intragovernmental holdings of \$264 billion

(\$241 billion in 1983) are excluded from consolidated net borrowings of \$1,299 billion (\$1,130 billion in 1983). The increase in total federal debt from September 30, 1983, to September 30, 1984, is as follows:

End of fiscal year	Net Borrowing from the Public			Statutory Debt Ceiling
	Domestic	Foreign	Total	
1984	\$ 1,124	\$ 175	\$ 1,299	\$ 1,573
1983	970	160	1,130	1,389
Net increase	\$ 154	\$ 15	\$ 169	\$ 184

Foreign holdings of the federal debt have been increasing dramatically starting in 1970. In that year, foreign holdings amounted to \$14 billion as compared to \$175 billion in 1984 or an increase of \$161 billion.

Federal debt maturity as of September 30, 1984, is as follows:

	Average interest rate (%)	Maturity					Over 20 years or various
		Total debt	Within 1 year	1-5 years	5-10 years	10-20 years	
		(billions)					
<i>Marketable</i>							
Bills	11.069	\$ 345	\$ 345	\$ -	\$ -	\$ -	\$ -
Notes	11.047	661	167	400	94	-	-
Bonds	10.748	153	1	2	32	118	-
Subtotal	11.362	1,159	513	402	126	118	-
<i>Non-marketable</i>	7.583	124	7	10	10	-	97
<i>Agency securities and other</i>	6.198	16	(a)	1	2	-	13
Total		\$ 1,299	\$ 520	\$ 413	\$ 138	\$ 118	\$ 110

(a) Less than \$100 million.

Notes to Financial Statements

8. Liabilities for Guarantee and Insurance Programs

The U.S. government guarantees loans by nongovernment enterprises to businesses and individuals. These guarantees become liabilities of the government when it is probable that the government will be required to honor its guarantees and the amount of the losses can be reasonably estimated. Loan guarantees in force as of September 30, 1984, were \$615 billion and as of September 30, 1983, were \$556 billion.

Several U.S. government agencies insure businesses and individuals against various types of risks. The amount of insurance coverage in force was \$2,637 billion as of September 30, 1984, and \$2,331 billion as of September 30, 1983.

Estimated liabilities are based on prior losses incurred and management's knowledge of its current risk exposure for each program.

	September 30, 1984		September 30, 1983	
	Total outstanding	Estimated liabilities (billions)	Total outstanding	Estimated liabilities
<i>Guarantee and Insurance Programs</i>				
<i>Government loan and credit guarantees</i>				
Housing	\$ 212	\$ 0.2	\$ 205	\$ 0.2
Export-Import Bank of the United States	6	-	7	-
Business loan and investment fund	11	0.3	10	0.2
Farm ownership	27	0.2	25	0.2
Rural development	45	0.2	43	0.2
Shipbuilding and operations	8	-	8	-
Transportation	2	-	3	-
Veterans' benefits	57	-	54	-
Education	37	-	19	-
Other	210	(a)	182	(a)
Total guarantees	615	0.9	556	0.8
<i>Insurance in force</i>				
Federal Deposit Insurance Corp.	1,323	1.8	1,198	0.9
Federal Savings and Loan Insurance Corp.	751	-	602	-
Federal Emergency Management Agency	147	-	111	-
Nuclear Regulatory Commission	68	-	68	-
National Credit Union Administration	75	-	79	-
Veterans Administration	29	0.1	28	0.1
Department of Transportation	223	-	231	-
Other	21	0.7	14	0.6
Total insurance	2,637	2.6	2,331	1.6
<i>Unadjudicated Claims and Other Contingencies</i>	64	(a)	61	(a)
Total	\$ 3,316		\$ 2,948	
Total liabilities		\$ 3.5		\$ 2.4

(a) Less than \$100 million.

Note: The estimated liabilities of \$3.5 billion at September 30, 1984 (\$2.4 billion at September 30, 1983) are believed to be understated as reported by GAO.

Notes to Financial Statements

9. Cash and Monetary Reserves

	1984	1983
	(billions)	
<i>Cash</i>		
Operating cash in the Treasury	\$ 30	\$ 37
Cash held outside U.S. Treasury	6	7
Other U.S. Treasury monetary assets	1	2
Convertible foreign currency (market)	7	8
	<u>44</u>	<u>54</u>
<i>Monetary reserves</i>		
Gold (market)	91	106
Special drawing rights	5	5
Reserve - International Monetary Fund	12	9
	<u>108</u>	<u>120</u>
Total cash and monetary reserves	<u>\$ 152</u>	<u>\$ 174</u>

Gold stock was 263 million ounces as of September 30, 1984 and 1983. For calculating the value of gold in the financial statements, gold is valued at market. The market value of gold was \$344.90 and \$401.90 per ounce at

September 30, 1984 and 1983, respectively. For issuance of gold certificates to the Federal Reserve System, gold is monetized at the statutory price (official rate established by the Congress) of \$42.22 per ounce.

10. Accounts and Taxes Receivable

Tax revenues are recognized on the accrual basis. Receivables represent amounts assessed but not yet collected. They are

reduced by amounts collected but not yet due which may be refundable. Delinquent taxes represent amounts 90 days past due less an allowance for uncollectible amounts.

	1984	1983
	(billions)	
<i>Taxes receivable</i>		
Delinquent taxes (net)	\$ 26	\$ 20
Corporate taxes	4	5
Total taxes receivable	<u>30</u>	<u>25</u>
<i>Other accounts receivable</i>		
Total accounts and taxes receivable	<u>\$ 62</u>	<u>\$ 57</u>

Notes to Financial Statements

11. Loans and Advances

Loans receivable, net of allowances for losses on collection, are stated at their estimated realizable value. Interest rates and loan repayment terms vary considerably for outstanding loans with rates ranging from zero to 17.86 percent and terms from as short as 5 days to well over 35 years.

The subsidy element in concessionary loans (those with below market interest rates) is included in expense in the year the loans are made (\$xxx million in 1984 and \$xxx million in 1983).

Loans outstanding by major classes of borrowers (at market and below) are summarized below.

	1984			1983		
	Total	At market	Below market	Total	At market	Below market
	(billions)					
<i>Loans</i>						
Corporations	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Individuals	xxx	xxx	xxx	xxx	xxx	xxx
Other countries	xxx	xxx	xxx	xxx	xxx	xxx
State and local governments	xxx	xxx	xxx	xxx	xxx	xxx
	261	xxx	xxx	254	xxx	xxx
Less - allowance for losses	32	xxx	xxx	33	xxx	xxx
Loans receivable (net)	229	\$ xxx	\$ xxx	221	\$ xxx	\$ xxx
Advances	10			8		
Loans and advances	\$ 239			\$ 229		

The following table shows amounts scheduled for collection as of September 30, 1984.

	Total	1985	1986	1987	1988	1989	1990 - 1994	1995 & beyond
	(billions)							
<i>Loans</i>								
Corporations	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Individuals	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other countries	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
State and local governments	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total	\$ 261	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

12. Land, Buildings, and Equipment Direct Investments

Land, buildings, and equipment consist of real and personal property with a useful life of 2 years or more and a cost of \$5,000 or greater. Land, buildings, and equipment acquired by the U.S. government are valued at the acquisition cost when purchased or

constructed. Land, buildings, and equipment donated, exchanged, bequeathed, forfeited, or judicially received are recorded as estimated by the General Services Administration at amounts the U.S. government would have paid if purchased at the date of acquisition.

Pending study of valuation methods, the Outer Continental Shelf and other offshore land, and the 670 million acres of public domain land, have not been included in the following

Notes to Financial Statements

schedule. The Continental Shelf currently generates about \$7 billion annually in rent and royalty revenue. Public domain land generates \$xx annually.

Land, buildings, and equipment (at cost) are as follows:

	1984			1983		
	Total	DOD ^(a)	Other Agencies	Total	DOD ^(a)	Other Agencies
	(billions)					
Buildings, structures, and facilities	\$ 137	\$ 58	\$ 79	\$ 140	\$ 57	\$ 83
Military hardware	330	330	-	292	292	-
Equipment	89	55	34	82	50	32
Construction in process	37	xx	xx	37	xx	xx
Leasehold improvements	2	xx	xx	2	xx	xx
Other	6	xx	xx	5	x	x
Total	601	xxx	xxx	558	xxx	xxx
Accumulated depreciation	(299)	(xxx)	(xxx)	(280)	(xxx)	(xxx)
Net depreciable assets	302	xxx	xxx	278	xxx	xxx
Land	10	xx	xx	10	xx	xx
	<u>\$ 312</u>	<u>\$ xxx</u>	<u>\$ xxx</u>	<u>\$ 288</u>	<u>\$ xxx</u>	<u>\$ xxx</u>

(a) Department of Defense

The major components of military hardware and equipment are summarized below and

include only depreciable property currently in use or in usable condition.

	1984	1983
	(billions)	
Military hardware		
Aircraft and related equipment	\$ 140	\$ 129
Ships and service craft	90	79
Combat and tactical vehicles	68	56
Missiles and related equipment	27	23
Other	5	5
Total	<u>\$ 330</u>	<u>\$ 292</u>
Equipment		
Department of Defense		
Industrial plant equipment	\$ 21	\$ 20
Communications and electronics	4	3
Other	30	27
Total	<u>55</u>	<u>50</u>
Other agencies	34	32
Total	<u>\$ 89</u>	<u>\$ 82</u>

Notes to Financial Statements

Depreciation is calculated over the asset's useful life on a straight-line basis. The useful lives generally applied to each classification of asset are as follows:

Buildings, structures, and facilities	50 years
Ships and service crafts	30 years
Industrial plant equipment	20 years
Other depreciable assets	10 years

Amortization of leasehold improvements is based on their useful life or the unexpired term of the lease, whichever is shorter.

Indirect Investments and Capital Grants

In addition to direct investments in capital assets, the U.S. government makes money available in the form of grants to state and local governments and the private sector for investments in infrastructure and other capital assets. The additions to nonfederal economic resources during fiscal years 1984 and 1983 were as follows.

	1984	1983
	(billions)	
Additions to state, local and private assets		
Community and regional development	\$ 5	\$ 5
Environment	3	3
Transportation		
Highways and mass transit	13	11
Other transportation	1	1
Total additions to assets	<u>\$ 22</u>	<u>\$ 20</u>
Other developmental expenditures		
Agriculture	\$ 1	\$ 1
Conservation	5	3
Economic development	(a)	(a)
Education	13	13
Education-income support	5	4
Environment	1	1
Health	6	5
Science and engineering	6	5
Training	3	4
Transportation	(a)	(a)
Other	1	1
Total developmental expenditures	<u>\$ 41</u>	<u>\$ 37</u>

(a) Less than \$500 million

Notes to Financial Statements

13. Inventories

Inventories include nondepreciable personal property and are generally stated at the lower

of cost or market. The weapons stockpile is excluded from the financial statements because it is classified information.

	1984			1983		
	Total	DOD ^(a)	Other Agencies	Total	DOD ^(a)	Other Agencies
			(billions)			
Goods for sale	\$ 36	\$ xxx	\$ xx	\$ 45	\$ xx	\$ xx
Work in process	2	xxx	xx	2	xx	xx
Raw materials	16	xx	xx	14	xx	xx
Materials and supplies for government use	81	xx	xx	67	xx	xx
Stockpiled materials and commodities	16	xx	xx	15	xx	xx
Total inventories	<u>\$ 151</u>	<u>\$ 109</u>	<u>\$ 42</u>	<u>\$ 143</u>	<u>\$ 102</u>	<u>\$ 41</u>

(a) Department of Defense

14. Excess of Liabilities over Total Assets

The excess of liabilities over total assets represents, at one point in time and under current federal law and regulation, the future resources required to support the debts from past operations. The federal government's sovereign power provides it numerous alternatives to fund operations or meet liabilities when due, and thus continue as a going concern. For example, it can increase or

decrease tax revenues, spending, and the federal debt as well as influence monetary policy. It can also reduce or eliminate programs or extend them over a longer period of time. Exercising any combination of these alternatives can result in either an increase or a decrease in the excess of liabilities over total assets.

Changes in the excess of liabilities over total assets for 1984 and 1983 are as follows:

	1984	1983
	(billions)	
Excess liabilities over total assets, beginning of the period	\$ 3,371	\$ 2,977
Excess expenses over revenues current period	215	232
Current noncash provision for social security (see note 4)	133	162
Excess liabilities over total assets end of the period	<u>\$ 3,720</u>	<u>\$ 3,371</u>

Notes to Financial Statements

15. Commitments

Commitments under long-term contracts and for undelivered orders are as follows.

	<u>1984</u>	<u>1983</u>
	(billions)	
Long-term contracts		
Department of Defense	\$ 8	\$ 16
Tennessee Valley Authority	8	8
GSA building construction	3	3
National Credit Union	8	a
Other	2	2
Total long-term contracts	<u>29</u>	<u>29</u>
Undelivered orders		
Legislative branch	(a)	(a)
Judicial branch	(a)	(a)
Executive Office of the President	(a)	(a)
Funds appropriated to the President	32	33
Defense	89	67
Education	9	8
Health and Human Services	23	15
Housing and Urban Development	248	203
Transportation	32	29
Environmental Protection Agency	10	10
Other agencies	37	35
Off-budget agencies	5	5
Total undelivered orders	<u>485</u>	<u>405</u>
Total commitments	<u>\$ 514</u>	<u>\$ 434</u>

(a) Less than \$100 million

Supplemental Information

Explanation of the Different Bases of Federal Government Accounting	USA 48
Ten-Year Summary of Accrual Based Financial Statements in Historical Dollars	50
Ten-Year Summary of Accrual Based Financial Statements Restated for General Price-Level Changes (Restated to September 30, 1984, Dollars)	51
Summary of Budget Obligations by Agency for the Fiscal Year Ended September 30, 1984	52
Budget Outlays by Function and Budget Receipts by Source for Fiscal Years Ended September 30, 1984 to 1989	53
Reconciliation of Deficit Measures	54
Effect of Individual and Corporate Tax Benefits on Federal Revenues	55
Summary of Total Personal Income Taxes Paid by Income Levels of Taxpayers	56
U.S. Government Employment	56

Explanation of the Different Bases of Federal Government Accounting

Financial information quantifies or measures economic events. Generally, economic events can be measured on three bases – obligation, cash, or accrual. The budget is on an obligation and cash basis. The consolidated financial statements of operations, financial position, and changes in financial position in this annual report are on an accrual basis. A consolidated statement of outlays (payments) and receipts is also presented and includes a reconciliation to the accrual basis.

Budgetary Accounting

Obligation basis – On an obligation basis, an economic event is measured when resources become "obligated" or officially committed to carry out government programs. Obligations occur when placing orders, awarding contracts, and engaging in other activities that will require either immediate or future outlays of cash. The obligation basis is applicable only to spending or expenditures and its primary purpose is to control spending authority. It is not used in recognizing revenue.

Cash basis – On a cash basis, economic events are generally measured on the basis of cash flow. Revenues are recognized when cash is collected and expenditures are recognized when checks are issued or cash disbursed. Such payments are called outlays. Generally, results of operations are computed as the difference between cash received and

disbursed, exclusive of most debt transactions. The purpose of this basis is to show the government's cash transactions.

Accrual Accounting

Accrual basis – On an accrual basis, the effect of financial transactions is recognized as they occur rather than when obligations are incurred or when cash is received or paid. Revenues are recognized when earned, assets when acquired, and costs when resources are consumed. For example, inventory items are recognized as assets when acquired and as program costs when used. Also accrual-based program costs reflect the cost of donated services, pension benefits as they are earned, costs paid for by other appropriations, depreciation, accrued annual leave, or any other unfunded costs. The purpose of accrual accounting is to show the value of resources consumed and earned and the total impact of prior transactions on existing and future resources.

The chart on the next page shows economic events of revenue and spending and at what points those economic events are measured by the different accounting bases.

National Income and Product Accounts

Although not considered an accounting basis, the so-called national income and product accounts (NIPA) maintained by the Department of Commerce, Bureau of Economic Analysis, is used to report data about the U.S. economy. The Bureau provides this data by adjusting the financial information received from the budgetary accounting systems of all departments and agencies. A reconciliation of the NIPA with the budgetary and accrual bases is shown on page 54.

Explanation of the Different Bases of Federal Government Accounting

Measurement of Economic Events

Economic Event	Accounting Bases		
	Obligation	Cash	Accrual
<i>Revenues</i>			
Taxation	Not applicable	Recorded when cash is collected ^(a)	Recorded when taxes are due
Business-type Operations	Not applicable	Recorded when cash is received ^(b)	Recorded when goods are delivered to customer or services are performed
<i>Spending</i>			
Acquisition of goods and services:			
Fixed assets and materials	Recorded when order is issued, contract awarded, etc.	Recorded when paid	Recorded as asset when received
Services	Recorded when order is issued, contract awarded, etc.	Recorded when paid	Recorded as expense or cost when performed
Use of fixed assets (depreciation)	Not recognized	Not recognized	Recorded as expense or cost when depreciated
Use of materials	Not recognized	Not recognized	Recorded as expense or cost when consumed

Fully integrated financial management and accounting systems capture, maintain and analyze, and summarize and report financial data on each of these three bases.

(a) Shown as receipts for budget presentation.

(b) Netted against outlays for budget presentation.

Ten-Year Summary of Accrual Based Financial Statements

- in historical dollars -

	As of September 30									
	1984	1983	1982	1981	1980	1979	1978	1977	1976	As of June 30, 1975
Financial Position	(billions)									
Liabilities										
Domestic borrowing	\$ 1,124.0	\$ 969.8	\$ 772.2	\$ 648.9	\$ 582.5	\$ 514.3	\$ 485.7	\$ 453.1	\$ 425.0	\$ 327.8
Foreign borrowing	175.5	160.0	146.6	135.5	126.4	125.1	121.0	95.5	69.8	66.6
Pension, retirement, and disability plans	3,181.8	2,987.5	2,745.9	2,474.8	2,205.5	1,896.2	1,646.4	1,211.1	1,010.5	891.4
Other	285.3	231.1	200.9	187.7	167.5	146.2	125.5	113.5	133.9	109.7
Total liabilities	4,736.6	4,348.4	3,865.6	3,446.9	3,081.9	2,681.8	2,378.6	1,873.2	1,639.2	1,335.5
Financial Assets										
Cash and monetary reserves	152.4	174.3	165.2	162.9	220.5	143.0	94.9	74.3	61.8	63.2
Receivables (net of allowances)	301.4	285.9	267.3	229.6	207.3	178.1	156.9	127.1	126.5	101.3
Deferred charges and other assets	99.6	86.1	68.7	49.8	32.5	28.0	24.4	23.5	20.2	16.7
Total financial assets	553.4	546.3	501.2	442.3	460.3	349.1	276.2	224.9	208.5	181.2
Excess of Liabilities Over Financial Assets	4,183.2	3,802.1	3,364.4	3,004.6	2,621.6	2,332.7	2,102.4	1,648.3	1,430.7	1,154.3
Physical Assets										
Land, buildings and equipment (at cost less accumulated depreciation)	312.1	287.9	263.3	237.3	207.7	181.5	170.3	164.4	147.9	156.4
Inventories (at cost)	151.4	143.5	124.5	113.7	88.1	74.6	67.9	76.9	77.2	57.5
Total physical assets	463.5	431.4	387.8	351.0	295.8	256.1	238.2	241.3	225.1	207.9
Excess of Liabilities Over Total Assets	\$ 3,719.7	\$ 3,370.7	\$ 2,976.6	\$ 2,653.6	\$ 2,325.8	\$ 2,076.6	\$ 1,864.2	\$ 1,407.0	\$ 1,205.6	\$ 946.4
	For Years Ended September 30									
	1984	1983	1982	1981	1980	1979	1978	1977	1976	At June 30, 1975
Operations	(billions)									
Expenses										
Interest	\$ 129.0	\$ 108.4	\$ 97.7	\$ 78.4	\$ 59.9	\$ 48.3	\$ 39.2	\$ 41.9	\$ 37.1	\$ 32.7
Operations: Defense	194.1	173.3	171.1	120.2	110.1	99.8	90.4	90.8	83.1	73.3
Non-Defense	261.4	280.3	225.4	188.5	219.8	214.4	166.4	97.2	93.4	75.5
Transfer Payments: Persons	344.5	338.7	315.3	291.2	246.2	205.0	181.8	169.6	158.7	146.0
State and local governments	93.2	85.3	84.4	87.9	88.7	80.5	77.3	67.5	61.1	54.6
Other	8.4	7.0	6.3	5.6	5.3	4.2	3.8	3.6	3.2	3.1
Total expenses	1,030.6	993.0	900.2	771.8	730.0	652.2	558.9	470.6	436.6	385.2
Revenues										
Taxes										
Individual	296.0	288.9	298.1	285.6	244.1	217.8	181.0	156.7	131.6	122.4
Corporate	62.3	39.1	53.2	58.7	63.9	68.4	70.5	54.3	39.7	37.4
Social insurance	241.9	209.0	201.1	186.4	160.7	141.6	123.4	108.7	92.7	86.4
Other	71.2	71.7	79.7	72.5	53.0	42.8	39.3	40.4	36.1	34.6
Nontax	159.1	151.7	140.7	82.3	65.9	58.8	53.6	57.4	48.7	40.5
Total revenues	830.5	760.4	772.8	685.5	587.6	529.4	467.8	417.5	348.8	321.3
Excess of expenses over revenues before revaluation of gold to market	200.1	232.6	127.4	86.3	142.4	122.8	91.1	53.1	87.8	63.9
Unrealized loss (gain) on revaluation of gold to market	15.0	(0.6)	9.0	63.1	(73.0)	(44.4)	(17.8)	(10.7)	14.0	(6.2)
Excess of Expenses Over Revenues	\$ 215.1	\$ 232.0	\$ 136.4	\$ 149.4	\$ 69.4	\$ 78.4	\$ 73.3	\$ 42.4	\$ 101.8	\$ 57.7

Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury

Ten-Year Summary of Accrual Based Financial Statements

– restated for general price-level changes
(restated to September 30, 1984, dollars) –

The purpose of these schedules is to compare
summary financial data for 10 years by
restating historical values to account for

changes in the general purchasing power of the
dollar. This method provides better
comparability between years, since all dollars
are equivalent to the current level of
purchasing power.

	As of September 30									
	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
	(billions)									
Financial Position										
Liabilities										
Domestic borrowing	\$ 1,124.0	\$ 1,010.2	\$ 832.0	\$ 750.9	\$ 748.2	\$ 750.4	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Foreign borrowing	175.5	166.6	157.9	156.8	162.4	182.5	xxx	xxx	xxx	xxx
Pension, retirement, and disability plans	3,181.8	3,110.0	2,958.5	2,863.8	2,832.9	2,766.8	xxx	xxx	xxx	xxx
Other	262.7	249.9	227.3	227.5	222.9	220.6	xxx	xxx	xxx	xxx
Total liabilities	4,744.0	4,536.7	4,175.7	3,999.0	3,966.4	3,920.3	xxxx	xxxx	xxxx	xxxx
Financial Assets										
Cash and monetary reserves	152.4	181.4	178.0	188.5	283.2	208.7	xxx	xxx	xxx	xxx
Receivables (net of allowances)	301.4	297.6	288.0	265.7	265.3	259.9	xxx	xxx	xxx	xxx
Deferred charges and other assets	112.2	103.2	90.5	74.4	54.1	53.0	xxx	xxx	xxx	xxx
Total financial assets	566.0	582.2	556.5	528.6	603.6	521.6	xxxx	xxxx	xxxx	xxxx
Excess of Liabilities Over Financial Assets	4,178.0	3,954.5	3,619.2	3,470.4	3,362.8	3,398.7	xxxx	xxxx	xxxx	xxxx
Physical Assets										
Land, buildings and equipment (at cost less accumulated depreciation)	371.6	376.4	386.1	382.3	359.9	354.4	xxxx	xxxx	xxxx	xxxx
Inventories (at cost)	160.2	157.2	145.3	136.7	117.1	125.8	xxxx	xxxx	xxxx	xxxx
Total physical assets	531.8	533.6	531.4	519.0	477.0	480.2	xxxx	xxxx	xxxx	xxxx
Excess of Liabilities Over Total Assets	\$ 3,646.2	\$ 3,420.9	\$ 3,087.8	\$ 2,951.4	\$ 2,885.8	\$ 2,918.5	\$ xxxx	\$ xxxx	\$ xxxx	\$ xxxx
For Years Ended September 30										
	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
	(billions)									
Operations										
Expenses										
Interest	\$ 131.1	\$ 114.5	\$ 107.7	\$ 94.3	\$ 79.5	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
Operations, Defense	197.2	183.2	188.7	144.5	147.3	xxx	xxx	xxx	xxx	xxx
Non-Defense	265.6	296.2	248.6	226.7	294.0	xxx	xxx	xxx	xxx	xxx
Transfer Payments	350.0	357.9	347.8	350.1	329.3	xxx	xxx	xxx	xxx	xxx
Persons										
State and local governments	94.7	91.2	93.1	105.6	118.6	xxx	xxx	xxx	xxx	xxx
Other	8.5	7.4	7.0	6.7	7.1	xx	xx	xx	xx	xx
Total expenses	1,047.1	1,050.4	992.9	927.9	975.8	xxx	xxx	xxx	xxx	xxx
Revenues										
Taxes										
Individual	300.7	305.2	328.8	343.3	326.5	xxx	xxx	xxx	xxx	xxx
Corporate	63.3	41.3	58.7	70.6	85.5	xxx	xxx	xxx	xxx	xxx
Social insurance	245.8	220.8	221.8	224.1	215.0	xxx	xxx	xxx	xxx	xxx
Other	72.3	75.8	87.9	87.1	70.9	xxx	xxx	xxx	xxx	xxx
Nontax	161.6	160.2	155.2	98.9	88.2	xxx	xxx	xxx	xxx	xxx
Total revenues	843.7	803.3	852.4	824.0	786.1	xxx	xxx	xxx	xxx	xxx
Excess of expenses over revenues before revaluation of gold to market and general price level gain	203.4	247.1	140.5	103.9	189.7	xxx	xxx	xxx	xxx	xxx
Unrealized loss (gain) on revaluation of gold to market	15.0	(0.6)	9.7	73.0	(93.8)	xxx	xxx	xxx	xxx	xxx
General price-level gain	164.4	99.2	194.9	336.8	388.1	xxx	xxx	xxx	xxx	xxx
Excess of Expenses Over Revenues	\$ 54.0	\$ 147.3	\$ (44.7)	\$ (159.9)	\$ (292.2)	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx

Source: Consolidated Financial Statements of the United States Government, FY 1975 to 1984, Department of the Treasury

Summary of Budget Obligations by Agency^(a)

for the Fiscal Year Ended September 30, 1984

Federal agencies control spending on an obligations basis. An obligation is an official commitment to spend funds in carrying out

government programs. The authority given to an agency to obligate funds can be in three forms: appropriations, contract authority, and authority to borrow.

Agency	Prior years unobligated authority	New authority granted	Total authority available	Net obligations incurred	Lapses, recessions, adjustments	Authority remaining unobligated
(billions)						
Legislative branch	\$ 0.3	\$ 1.8	\$ 2.1	\$ 1.6	\$ 0.1	\$ 0.4
Judicial branch	0.1	0.9	1.0	0.9	0	0.1
Office of the President	26.3	15.7	42.0	11.8	(.8)	31.0
Agriculture	2.6	31.2	33.8	28.9	1.5	3.4
Commerce	0.4	2.0	2.4	2.0	0	0.4
Defense	44.1	277.4	321.5	266.5	2.9	52.1
Education	2.5	15.4	17.9	16.4	.3	1.2
Energy	2.0	10.5	12.5	10.0	.4	2.1
Health and Human Services	40.4	299.4	339.8	293.4	(.1)	46.5
Housing and Urban Development	60.4	17.9	78.3	19.5	1.2	57.6
Interior	2.1	4.9	7.0	5.2	0	1.8
Justice	0.3	3.5	3.8	3.3	1	0.4
Labor	10.3	34.8	45.1	26.8	(.1)	18.4
State	1.8	3.0	4.8	2.5	0	2.3
Transportation	9.3	28.6	37.9	27.4	(.2)	10.7
Treasury	30.4	161.9	192.3	148.5	15.5	28.3
Independent Agencies	150.2	93.2	243.4	79.5	3	163.6
Undistributed offsetting receipts	-	(82.3)	(52.3)	(52.3)	-	-
Total	\$ 383.5	\$ 949.8	\$ 1,333.3	\$ 891.9	\$ 21.1	\$ 420.3

(a) Does not include off-budget entities such as the U.S. Postal Service and the Federal Financing Bank.
Source: Summary tables, Budget of the United States Government, FY 1986

Budget Outlays by Function and Budget Receipts by Source

for Fiscal Years Ended September 30, 1984 to 1989

	Actual	Estimates				
	1984	1985	1986	1987	1988	1989
		(billions)				
Budget outlays by function						
Administration of justice	\$ 5.7	\$ 6.7	\$ 6.6	\$ 6.6	\$ 6.7	\$ 6.8
Agriculture	13.6	20.0	12.6	9.0	8.3	4.6
Allowances for civilian pay raises and contingencies	-	1.1	.4	.7	1.8	2.9
Commerce and housing credit	6.9	6.0	2.2	(1.2)	(1.8)	(3.3)
Community and regional development	7.7	8.6	7.3	6.2	5.7	5.4
Education, training, employment, and social service	27.5	30.4	29.3	27.8	27.6	27.8
Energy	7.1	8.2	4.7	4.1	3.1	2.7
General government	5.1	5.8	4.8	4.9	5.0	5.0
General science, space, and technology	8.3	8.7	9.3	9.4	9.6	10.3
General purpose fiscal assistance	6.8	6.6	2.8	1.7	1.7	1.8
Health	30.4	33.9	34.9	35.7	37.3	39.0
Income security	112.7	127.2	115.8	118.9	123.4	127.2
Net interest	111.1	130.4	142.5	152.9	159.2	147.6
International affairs	15.9	19.6	18.3	16.9	15.8	14.8
National defense	227.4	253.9	285.7	321.2	358.3	392.2
Natural resources and environment	12.6	13.0	11.9	10.9	10.8	10.6
Social Security and Medicare	235.8	257.4	269.4	288.1	309.4	331.8
Transportation	23.7	27.0	25.9	24.6	24.2	24.4
Veterans benefits and services	25.5	26.9	26.8	26.9	27.7	27.9
Undistributed offsetting receipts	(32.0)	(32.3)	(37.5)	(38.7)	(39.0)	(42.1)
Total budget outlays	851.8	959.1	973.7	1,026.6	1,094.8	1,137.4
Budget receipts by source						
Individual income taxes	296.0	329.7	358.9	392.4	433.6	475.4
Corporation income taxes	57.5	66.4	74.2	87.5	99.0	106.7
Social insurance taxes and contributions	241.5	268.4	289.4	309.5	346.5	376.5
Excise taxes	37.4	37.0	35.0	35.0	33.6	33.1
Estate and gift taxes	6.0	5.6	5.3	5.0	4.7	4.7
Customs duties	11.1	11.8	12.3	12.8	13.4	14.0
Miscellaneous receipts	17.0	18.0	18.6	19.5	19.6	19.5
Total budget receipts	666.5	736.9	793.7	861.7	950.4	1,029.9
Budget deficit, including off-budget entities	\$ 185.3	\$ 222.2	\$ 180.0	\$ 164.9	\$ 144.4	\$ 107.5

The above outlay projections include many programs that are fixed by law which makes spending mandatory. The following table lists the projected outlays for those programs that can be terminated only if laws are changed.

	Actual	Estimates				
	1984	1985	1986	1987	1988	1989
		(billions)				
Open-ended programs and fixed costs						
Payments for individuals						
Social security and railroad retirement	\$ 179.3	\$ 192.0	\$ 203.4	\$ xxx	\$ xxx	\$ xxx
Federal employees retirement and insurance	49.0	49.8	54.1	xxx	xxx	xxx
Unemployment assistance	16.9	15.4	14.8	xxx	xxx	xxx
Assistance to students	4.8	4.9	4.6	xxx	xxx	xxx
Food and nutrition assistance	3.6	3.9	4.1	xxx	xxx	xxx
All other	2.9	2.9	2.9	xxx	xxx	xxx
Medicare and Medicaid	79.9	91.9	96.8	xxx	xxx	xxx
Public-assistance-related programs	21.0	21.9	22.4	xxx	xxx	xxx
Subtotal	357.4	382.7	403.1	xxx	xxx	xxx
Net interest	111.1	130.4	142.9	xxx	xxx	xxx
General revenue sharing	4.6	4.6	4.6	xxx	xxx	xxx
Other open-ended programs and fixed costs	5.7	11.4	8.3	xxx	xxx	xxx
Total	\$ 478.8	\$ 529.1	\$ 558.9	\$ xxx	\$ xxx	\$ xxx

Source: Budget of the United States Government, FY 1986

Reconciliation of Deficit Measures

Government deficits are measured in three ways – the excess of expenses over revenues as shown on the Consolidated Statement of Operations, the unified budget deficit, and the national income and product accounts deficit. A short description of each follows:

□ **Excess of Expenses Over Revenues** – The excess of expenses over revenues where both expenses and revenues are recorded as they accrue (i.e., as expenses are incurred and revenues are earned) rather than when dollars are actually spent or received. This deficit reflects the combined activities of all on- and off-budget U.S. government entities.

□ **Budget Deficit** – The excess of outlays over receipts where both outlays and receipts are generally recorded when payments are made or cash is received. Off-budget entities are included.

□ **National Income and Product Accounts Deficit** – The excess of expenditures over receipts that reflects the net contribution to total product by all on- and off-budget U.S. government agencies where transactions are recorded at the time of their impact on outputs. This excludes financial transactions that reflect only a change in the ownership of assets.

The following schedule provides a reconciliation of these three deficit measures. Grossing and netting differences (e.g., contributions to U.S. government employees' retirement funds and budgetary collections arising from the Outer Continental Shelf leases) are not explicitly shown because they affect receipts and outlays by equal amounts and thus do not affect deficit totals.

	1984	1983
	(billions)	
Excess of Expenses over Revenues	\$215.1	\$232.0
Less:		
Increase in actuarial liabilities for pension, retirement, and disability plans	60.9	79.9
Depreciation	37.8	23.4
Contingent liabilities for guarantees and insurance programs	1.1	(0.6)
Other accrual adjustments	24.1	28.5
Unrealized loss (gain) on gold revaluation	15.0	(0.6)
Plus:		
Capital outlays	102.3	90.5
Net loan disbursements	6.3	15.3
Seigniorage	0.5	0.5
Budget Deficit	185.3	207.7
Less:		
Coverage differences (outlays)		
Geographic ^(a)	5.0	4.9
Other	0.2	0.3
Financial transactions (outlays)		
Net lending ^(b)	18.2	14.5
Other	(0.1)	(0.3)
Net purchases of land (outlays)		
Outer Continental Shelf	(3.5)	(7.5)
Other	0.1	0.1
Timing differences		
Corporate income tax ^(c)	(1.5)	3.3
Federal and state unemployment insurance taxes	(0.4)	1.5
Withheld personal income taxes and Social Security contributions	0.2	0.1
Excise taxes	(0.7)	0.9
Other receipts	-	0.5
Plus:		
Coverage differences (receipts)	1.8	1.4
Timing differences		
Purchases of goods and services ^(d)	2.2	0.8
Other outlays	(1.7)	(2.3)
Net miscellaneous	0.2	-
National Income and Product Accounts Deficit	\$170.3	\$189.3

(a) The budget includes receipts from and payments to persons and local governments in Puerto Rico, the Virgin Islands, and other U.S. territories; the national income and product accounts exclude such transactions.

(b) Loans less repayments by agencies such as the Farmers Home Administration and the Government National Mortgage Association.

(c) Taxes paid by corporations are recorded on an accrual basis (i.e., when profits are earned) in the national income and product accounts, and on a cash collection (i.e., when paid) basis in the unified budget.

(d) Timing differences primarily reflect the fact that defense goods are recorded in the budget at the time of cash outlays, including advance payments made prior to production and progress payments, whereas in the national income and product accounts, payments for defense goods are recorded at the time of delivery.

Effect of Individual and Corporate Tax Benefits on Federal Revenues

The following table is designed to show the revenue losses attributable to tax law provisions that allow special exclusions, exemptions, or deductions from gross income or provide special credits, tax rates, or deferrals. The schedule shows the approximate cost of tax benefits.

It should be noted that the effect on revenues of adding or deleting a particular tax benefit

would not be the same as the dollar amount currently associated with the benefit. Consequently, it is not possible to say what effects of increasing or decreasing selected benefits would be without considering a number of variables.

Some minor distortions may have occurred since data presented have been condensed for purposes of this report.

	Estimated amount of revenue loss	
	1984	1983
	(billions)	
Income exclusion		
Capital gains at death	\$ 3.9	\$ 3.5
Disability and retirement benefits (social security and private)	82.8	84.7
Education allowances (scholarships and GI benefits)	1.2	1.1
Foreign earnings and investment incentives (income earned abroad)	1.3	1.3
Interest and dividends (state and local bonds and debt, and life insurance)	19.9	22.1
Medical care and insurance (employer premiums paid)	19.1	15.3
Payroll benefits and allowances (group life, accident, and unemployment insurance)	4.8	4.7
Other (age 55 or over credit on home sales)	5.7	5.1
Income deferrals		
Interest on U.S. savings bonds	7	6
Real estate (home sales)	1.7	1.3
Foreign earnings (domestic international sales corporations)	1.2	1.5
Other deferrals		
Taxes (shipping companies)	(a)	(a)
Deductions and credit		
Agriculture related (capital outlays and gains on certain income)	1.2	1.2
Contributions (charitable and political)	13.2	12.4
Earned income	6.5	3.5
Employee stock ownership plans (funded through investment and tax credits)	1.4	1.3
Excess bad debt reserves (financial institutions)	6	4
Exemptions (credit unions)	.2	1
Foreign earnings (corporations doing business in U.S. possessions)	1.3	1.4
Interest (mortgage and consumer)	35.4	30.0
Investments (commercial capital gains, credits, other investment incentives, construction period interest, and expensing developmental costs)	49.5	42.0
Medical	3.2	3.4
Mining and timber (capital gains treatment of royalties and certain income)	3.7	5.7
Old-age, disability, and other personal exemptions	3.8	3.7
Other (deductions of motor carrier rights, certain adoption expenses, and energy credit for intercity buses)	3.4	3.5
Property damages and losses (casualty losses)	.4	5
State and local property tax and other taxes	29.7	26.1
Work incentives (employment credits under work programs) and dependent care	2.2	2.1
Accelerated depreciation (rental housing, buildings other than rental housing, and machinery and equipment)	21.1	11.9

(a) Less than \$100 million

Source: Budget of the United States Government, Fiscal Years 1986 and 1985

Summary of Total Personal Income Taxes Paid by Income Levels of Taxpayers

	Unit of measure	1984 ^(a)	1983	1982	1981	1980	1979	1978
Under \$6,000	billions	-	\$1.0	\$1.2	\$1.3	\$1.2	\$1.4	\$1.6
Number of taxpayers	thousands	-	9,347	6,844	7,089	18,343	19,340	22,284
\$6,000 - \$9,999	billions	-	\$5.1	\$5.8	\$6.7	\$7.1	\$7.5	\$7.9
Number of taxpayers	thousands	-	13,128	10,629	11,346	14,363	15,451	15,153
\$10,000 - \$15,999	billions	-	\$13.2	\$18.9	\$21.1	\$21.1	\$20.9	\$21.4
Number of taxpayers	thousands	-	16,242	16,194	16,108	16,617	16,796	16,694
\$16,000 - \$24,999	billions	-	\$36.9	\$39.6	\$45.6	\$45.4	\$44.3	\$44.5
Number of taxpayers	thousands	-	17,160	16,547	17,494	17,784	17,977	17,503
\$25,000 - \$49,999	billions	-	\$107.0	\$112.3	\$115.0	\$96.3	\$78.4	\$64.7
Number of taxpayers	thousands	-	22,916	21,972	20,498	17,707	14,962	11,911
\$50,000 - \$99,999	billions	-	\$53.9	\$50.5	\$51.5	\$39.3	\$29.7	\$24.3
Number of taxpayers	thousands	-	4,418	3,733	3,450	2,530	1,878	1,468
\$100,000 - \$999,000	billions	-	\$45.1	\$41.8	\$39.5	\$33.8	\$27.7	\$22.0
Number of taxpayers	thousands	-	818	726	657	542	442	352
\$1 million and over	billions	-	\$10.2	\$6.9	\$5.0	\$4.1	\$4.0	\$2.1
Number of taxpayers	thousands	-	11	8	5	4	4	2

(a) Not available

Source: Consolidated Financial Statements of the United States Government, FY 1978-1984, Department of the Treasury

U.S. Government Employment

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
	(millions of persons)									
Military	1.7	2.2	2.2	2.1	2.1	2.1	2.2	2.1	2.1	2.1
Civilian	2.8	2.8	2.7	2.8	2.8	2.8	2.8	2.7	2.7	2.7
Total	4.5	5.0	4.9	4.9	4.9	4.9	5.0	4.8	4.8	4.8
Percent of total US employment	4.0	4.4	4.4	4.6	5.0	5.0	5.3	5.3	5.6	5.8

Source: Consolidated Financial Statements of the United States Government, FY 1978-1984, Department of Treasury.

Information on compensation levels for U.S. government employees can be obtained from the Office of Personnel Management.

Sources of More Detailed Information

Primary Budget Documents Prepared by the Executive Branch	USA 58
U.S. National Income and Product Accounts	59
Primary Reports Prepared by the Department of the Treasury	59
Primary Budget Documents Prepared by the Congressional Budget Office	60
Other Information	61

Sources of More Detailed Information

All of the documents listed below, except where noted, can be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Primary Budget Documents Prepared by the Executive Branch

The United States Budget in Brief – This report contains a more concise, less technical overview of the budget. Summary and historic tables on the federal budget and debt are also provided, together with graphic displays. This report is annual and costs \$2.50 per copy.

Budget of the United States Government – This report contains an overview of the President's budget proposals and includes explanations of spending programs and estimated receipts. It also contains a description of the budget system and various summary tables on the budget as a whole. This report is annual and costs \$13 per copy.

Budget of the United States Government, Appendix – This report contains detailed information on the various appropriations and funds which constitute the budget, including for each agency: the proposed text of appropriation language, budget schedules for each account, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of

agencies, and schedules of permanent staff positions. The Appendix also includes supplemental proposals for the current year and new legislative proposals. This report is annual and costs \$19 per copy.

Special Analyses, Budget of the United States Government – This report contains special analyses that are designed to highlight special program areas or provide other significant presentations of federal budget data. It also includes analytical information about government finances and operations as a whole and how they affect the economy; governmentwide program and financial information for federal education, manpower, health, income security, civil rights, and crime reduction programs; trends and developments in the areas of research and development, environmental protection, and federal aid to state and local governments. This report is annual and costs \$8 per copy.

Historical Tables, Budget of the United States Government – This report provides data on budget receipts, outlays, surpluses or deficits, and federal debt covering extended time periods, in some cases from 1940-1990. The tables include various aggregations of budget components in current prices, constant prices, and as percentages of the budget totals and of the gross national product. The document includes, for example, (1) data on receipts by major source from 1940 to 1990, and (2) the federal debt from 1940 to 1990. These data series are comparable over time because data from prior years have been restructured, where necessary, to be consistent with current budget concepts and presentations. This report is annual and costs \$9.

Sources of More Detailed Information

U.S. National Income and Product Accounts

Survey of Current Business - This report is published monthly by the Department of Commerce. Each year, the July issue gives summary and detailed information on the following: national income and product, personal income and outlays, government receipts and expenditures, foreign transactions, and gross savings and investments. A 1-year subscription costs \$30; a single copy, \$4.75.

Primary Reports Prepared by the Department of the Treasury

U.S. Government Annual Report and Appendix - The Annual Report and Appendix is the official publication of receipts and outlays of the U.S. government. Receipts are accounted for on a collections basis and outlays on a check issued and cash payments basis (cash basis) except for interest on the public debt and related public issues, which are on an accrual basis. The Annual Report summarizes the government's cash basis financial position and results of operations. The Appendix, which contains the details of the information in the Annual Report, has three parts. Part I consists of a summary statement of the federal government's general ledger account balances. Part II contains the details of internal revenue, customs, and miscellaneous receipts. Part III contains the detailed tabulation of outlay accounts which are arranged according to general, specific, revolving, management, and trust funds. This report is free.

Treasury Bulletin - This quarterly report provides information and statistics on U.S. government domestic financial operations, foreign investments and debts, cash management, and debt collection, as well as special reports on various trust funds. A 1-year subscription is \$20; a single copy, \$5.50.

Monthly Treasury Statement of Receipts and Outlays of the U.S. Government - This report presents monthly receipts and expenditures of U.S. government departments and agencies as well as cumulative totals at the end of each month. Subscription price is \$27 per year. No single copies are sold.

Daily Treasury Statement - This statement is published each working day of the federal government. It provides data on the cash and debt operations of the Treasury. Subscription price is \$110 per year.

Monthly Statement of the Public Debt of the United States - This publication provides detailed information on the public debt. It is available for \$25 per year.

Sources of More Detailed Information

Primary Budget Documents Prepared by the Congressional Budget Office

An Analysis of the President's Budgetary Proposals for Fiscal Year 19XX - This report contains analyses of the President's budget for the upcoming fiscal year. The report discusses the economic outlook and the assumptions used for the President's budget. This report also includes a preliminary re-estimate of the budgetary impact of the administration's proposals, using economic assumptions and technical estimating methods. This report may be obtained free from Publications, U.S. Congressional Budget Office, House Annex 2, Washington, D.C. 20515.

An Analysis of the President's Credit Budget for Fiscal Year 19XX - This report presents a baseline credit budget projection of the U.S. government's direct and guaranteed lending activities, as well as a re-estimate of the President's credit budget proposals based on refined assumptions as a result of the passage of time. This report may be obtained free from Publications, U.S. Congressional Budget Office, House Annex 2, Washington, D.C. 20515.

Sources of More Detailed Information

Other Information

Consolidated Federal Funds Report (CFFR) – The CFFR is an annual compilation of federal expenditures (or obligations incurred) by geographic area. Its broad expenditure categories are grants, procurement, salaries and wages, direct payments to individuals, loans, and insurance. Also, defense and nondefense spending are available for many categories. Most data are presented by states and by county areas and

some data (grant awards, procurement, and selected loan and insurance programs) are available for all cities and townships in the nation. Volume I of the CFFR contains information by county areas and costs \$4.50. Volume II contains information on subcounty areas and costs \$18.

Agency Information – For more detailed information than just enumerated, the following may be obtained from the sources indicated.

Information	Source
Expense cross-classified by agency by object; program by object; agency by state; type by state	Individual agencies
Revenue cross-classified by individual income tax by state; corporate income tax by state	Internal Revenue Service
Performance measures for government programs	Responsible agency