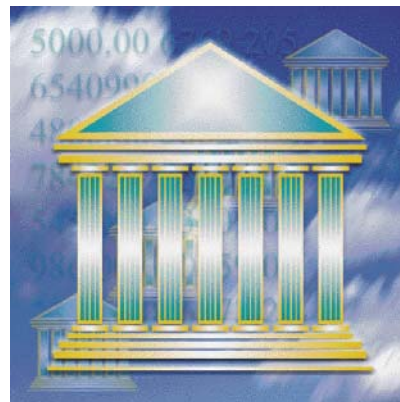




Financial Management System (FMS)

2006



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Statistics Canada
Public Institutions Division

Financial Management System (FMS)

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Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses and governments. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

Preface

This publication is an operations manual for the Financial Management System (FMS) of government statistics. It defines the scope and precise nature of data currently available for government financial transactions and the accounting concepts which underlie that data.

The Financial Management System (FMS) of government statistics comprises financial and employment data on government and government-owned enterprises at the federal, provincial, territorial and local levels. It is the only system which permits inter-provincial or inter-level comparisons on a programmatic basis. As such, it is used as the basis for short-term economic forecasts, detailed comparisons of past activity, and the operation of various federal-provincial financial arrangements including the provincial equalization program. The manual describes the current system. Provision has been made for modification as is required to reflect the changing nature of the universe being described, changes in the underlying concepts and the needs of users.

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Chapter I

Introduction

- 1.01 The Financial Management System (FMS) is an analytical framework designed to produce statistical series which are both consistent and compatible. It encompasses the financial transactions and employment data of the public sector in Canada.
- 1.02 Since government financial reports are based on the organizational structures and on the accounting and reporting practices of individual governments, there is little uniformity. For example, one government may discharge a function through a departmental structure, while another prefers a crown corporation, a board, a commission, or an agency. Also, among governments, similar departmental titles do not necessarily mean similar responsibilities, and an individual government may regard a given operation as falling within one or several functions. Organizational structures change frequently as new programs are introduced, existing ones amended, and responsibilities are assigned or reassigned.
- 1.03 Moreover, governments employ different accounting conventions. Some report on a cash basis, others use the accrual approach, and others use a combination of both approaches. Adjustments can bring data produced under these various conventions to a common basis, but complete conversion to a single accounting base is not possible. Consequently, the FMS accepts the accounting conventions used by individual governments.
- 1.04 Complete intergovernmental comparability of the data presented by the FMS is hindered by several other factors. For example, intergovernmental transactions are not always reported at the same time by both parties involved, and fiscal year-ends may differ. In addition, responsibilities between levels of government are shared differently and varying levels of service is provided. No method exists for adjusting data to account for all discrepancies in service at any level or among levels of government. However, the consolidation convention of the FMS, which allows for the integration of two or more levels of government into a single consolidated unit, considerably reduces the impact of these discrepancies in service. Efforts are continuously directed toward making existing measures more useful through the development of consistent concepts, definitions, classification systems and framework. This publication focuses primarily on those issues.
- 1.05 It is difficult to make year to year intergovernmental comparisons of financial transactions without numerous adjustments to the basic data. The FMS was developed to replace the diverse formats of government financial reports by establishing statistical series that are consistent and allow valid comparisons from the various governments financial and non-financial reports.
- 1.06 The FMS universe goes beyond the entities presented in the Public Accounts (PA) to include other agencies or special funds that perform government functions. Thus the FMS data do not accord exactly with the PA and the equivalent reports published each year by the federal, provincial and territorial governments and by municipalities.
- 1.07 Over the past 65 years Statistics Canada (STC), in cooperation with representatives of all levels of government and with the academic and business communities, has developed the FMS. Throughout the years, the FMS has been continually updated and improved as public sector activities and user requirements for public sector financial and employment data have changed.
- 1.08 The links between the FMS, the Organisation for Economic Co-operation and Development (OECD) Tax Classification, and the Government Finance Statistics (GFS) of the International Monetary Fund (IMF) are also continually strengthened. Closer harmonization in 1997 between the Canadian System of National Accounts (CSNA) and the FMS's classification of government tax revenue data has improved similarity with the OECD's Tax Classification. The functional classification of government expenditures is the main link between the FMS and the GFS.

Both systems classify government expenditures according to the main purpose or function for which the expenditure is made. The FMS utilizes the Canadian functional classification (described in this manual) whereas the IMF utilizes COFOG, which is the Classification of Functions of the Government published by the United Nations (UN). Even though the definitions and content of the main functions of government (e.g., health, social services and education) utilized by both these systems are very close, some differences still exist in a number of functions.

- 1.09 The FMS was described in the first edition of this publication issued in 1972 with amendments in 1974 and 1984. Since then, suggestions for detailed improvements have been received from many sources, and requests for clarification or explanation have disclosed some weaknesses in the original publication and the subsequent sets of amendments.
- 1.10 In addition to the evolution of the FMS, three important events led to the present update of the FMS manual. Firstly, during the 1997 historical revision of the CSNA, the standards used for compiling public sector statistics as presented in the FMS and in the CSNA were further harmonized. This was necessary in order to eliminate some differences in concepts and to facilitate reconciliation with international statistical standards. Secondly, changes were necessary due to the implementation of the public sector universe throughout STC, and the need for expanded classification systems and more flexible procedures. Finally, the evolution of government finance over the last fifteen years has resulted in the incorporation of new types of financial activities and new types of government structures. This edition describes how these changes are dealt with in the FMS.

- 1.11 Chapter II describes the development of the FMS together with the major changes that were implemented during the 1997 historical revision of the CSNA. With the historical revision, the public sector universe was modified substantially and the modifications are described in detail in Chapter III.
- 1.12 Chapter IV provides information about the sources of information used to compile public sector statistics according to the FMS.
- 1.13 Chapter V describes the conventions used in the FMS, particularly the unification and gross conventions. The unification convention was established to ignore the demarcations between the government and its universe and boards, agencies or commissions, and to consolidate the separate entities into a single unit. The gross convention requires that transactions be reported on a gross basis i.e., revenue not to be netted against expenditures (and the opposite) and certain tax credits to be added back to both revenue and expenditures.
- 1.14 In Chapter VI, a complete review of the classification of government revenue by source and expenditures by function is presented while Chapter VII contains information on the conventional accounting nomenclature used for assets and liabilities.
- 1.15 In Chapter VIII, the reader will find a description of the concepts and the methodology used in the preparation of consolidated government revenue, expenditures, assets and liabilities.
- 1.16 The last two chapters deal with government business enterprises and with employment and wages and salaries. Chapter IX is devoted to the conventions and classifications used for the compilation of the government business enterprise (GBE) data while Chapter X focuses on the concepts and definitions applied for the production of statistical data on employment and wages and salaries in the public sector.
- 1.17 The FMS data on public sector activities are stored on the STC Canadian Socio-economic Information Management System (CANSIM) database (see Text table 1). The main results are also available in publications (see Text table 2). Other data can be obtained on request.

Text table 1			
Data produced in conformity with the Financial Management System (FMS)			
	Province and territory	Frequency¹	CANSIM tables
Employment			
Public sector employment, wages and salaries	✓	M	183-0002
Federal government employment, wages and salaries in census metropolitan areas for the month of September		A	183-0003
Department of National Defence, military personnel and wages and salaries	✓	M	183-0004
Federal public sector employment reconciliation of Treasury Board of Canada Secretariat, Public Service Commission of Canada and Statistics Canada statistical universes		A	183-0021
Balance sheets			
Federal government debt		A	385-0010
Balance sheet of federal, provincial and territorial general and local governments	✓	A	385-0014
Net financial debt of federal, provincial and territorial general and local governments	✓	A	385-0017
Federal, provincial and territorial non-autonomous pension plans balance sheet	✓	A	385-0018
Debt guaranteed by provincial and territorial governments	✓	A	385-0026
Canada and Quebec Pension Plans (CPP and QPP) balance sheet		A	385-0019
Reconciliation of federal general government balance sheet from public accounts to the FMS		A	385-0025
Revenue and expenditures			
Federal government revenue and expenditures		A	385-0001
Federal general government revenue and expenditures		A	385-0002
Federal non-autonomous pension plans revenue and expenditures		A	385-0005
Reconciliation of federal government revenue and expenditures from Public Accounts (PA) to the FMS		A	385-0023
Canada Pension Plan (CPP) revenue and expenditures		A	385-0006
Quebec Pension Plan (QPP) revenue and expenditures		A	385-0006
Consolidated federal, provincial, territorial and local government revenue and expenditures	✓	A	385-0001
Provincial and territorial government revenue and expenditures	✓	A	385-0001
Provincial and territorial general government revenue and expenditures	✓	A	385-0002
Provincial and territorial general government capital transfers for debt repayment to other government sub-sectors	✓	A	385-0027
Provincial and territorial non-autonomous pension plans revenue and expenditures	✓	A	385-0005
University and college revenue and expenditures	✓	A	385-0007
Health and social service institutions revenue and expenditures	✓	A	385-0008
Reconciliation of provincial and territorial government revenue and expenditures from budgetary documents to the FMS	✓	A	385-0022
Reconciliation of expenditures of universities and colleges on a FMS basis to expenditures on postsecondary education as per Centre for Education Statistics (CES)	✓	A	385-0021
Local government revenue and expenditures	✓	A	385-0003
Local general government revenue and expenditures	✓	A	385-0004
Local general government revenue and expenditures, current and capital accounts	✓	A	385-0024
School boards revenue and expenditures	✓	A	385-0009
Government Business Enterprises (GBEs)			
Federal government enterprise, balance sheet		A	385-0013
Federal government enterprise finance, unappropriated surplus		A	385-0012
Federal government enterprise finance, income and expenses		A	385-0011
Assets, liabilities and net worth of provincial and territorial government enterprises, by industry	✓	A	385-0016
Income and expenses of provincial, territorial and local government enterprises, by industry	✓	A	385-0015
Control and sale of alcoholic beverages in Canada			
Sales of alcoholic beverages by volume, value and per capita 15 years and over	✓	A	183-0006
Sales of alcoholic beverages by liquor authorities, wineries and breweries	✓	A	183-0015
Imports and exports of alcoholic beverages, by value for Canada and by volume for selected countries	✓	A	183-0016
Net income of provincial and territorial liquor authorities and government revenue from the control and sale of alcoholic beverages	✓	A	183-0017
Volume of sales of alcoholic beverages in litres of absolute alcohol and per capita 15 years and over	✓	A	183-0019
Provincial and territorial retail trade of alcoholic beverages	✓	A	183-0020
Reconciliation of the net income of liquor authorities with the total revenue specifically derived from the control and sale of alcoholic beverages	✓	A	183-0018

1. Frequency: M = Monthly; A = Annual

Text table 2 Publications produced in conformity with the Financial Management System (FMS)		
Catalogue no.	Publication	Frequency
12-589-X	Guide to the Public Sector of Canada	Annual
63-202-X	The Control and Sale of Alcoholic Beverages in Canada	Annual
68-213-S	Public Sector Statistics: Supplement	Annual
68-213-X	Public Sector Statistics	Annual

Chapter II

Historical background

- 2.01 The first formal report on government finance was issued by the Dominion Bureau of Statistics (now Statistics Canada) for the year 1919. The report dealt with municipal statistics for 50 municipalities with populations over 10,000. In the preface to this report, R.H. Coats, Dominion Statistician, wrote: "... the first essential for comparative statistics is the adoption of a uniform system of municipal accounting and reporting. A memorandum outlining a system, and looking to co-operative action between the Dominion Bureau of Statistics and the provincial departments, was drawn up in the Bureau in 1918 and submitted to the provinces. It was recognized, however, that the matter was complex and far reaching in scope, and that definite action would not be feasible without careful discussion of details, such as might take place at a conference of Dominion and provincial officials."
- 2.02 For many years thereafter the Bureau had two goals in the field of public finance, which it pursued simultaneously: (i) the production of a set of consistent and compatible series of financial and employment statistics for all governments in Canada and (ii) the development and implementation of a common accounting and financial reporting system by these governments. Developments in each are discussed separately.
- 2.03 The first Dominion-Provincial Conference on Government Finance Statistics was held in 1933. It asked the Bureau to prepare a standard classification of accounts for use by the provinces. Reporting schedules were devised and work on the development, revision, and improvement of uniform classification systems and reporting forms continued through a series of Dominion-provincial meetings in 1943, 1945, 1947, 1952, 1953, and a series of committee meetings during the period 1954 to 1960. The first conference on municipal statistics took place in 1937 and was followed by others in 1940, 1947, 1948, 1953, 1958, and by a series of seven meetings during the period 1967 to 1970. Annual meetings on municipal statistics began in 1971. Standard reporting schedules for the provinces were issued and revised as appendices to the reports on the meetings. For municipal purposes, a manual of instructions was first issued in 1942 and subsequently revised in 1950 and 1960. A new manual was issued in 1970¹ and this version still serves as the main guide for municipal respondents.
- 2.04 Nevertheless the goal of a uniform system of accounting and financial reporting for all governments in Canada remains as elusive as ever. This is confirmed by an examination of federal and provincial PA and municipal financial statements. Some provinces provide supplementary tables in which the data in their PA are recast into approximations of the FMS framework.

Although the annual reports provided by municipalities to provincial governments are heavily influenced by the same framework, the accounting systems and records from which they are derived remain as individual as ever. This is not surprising given that the primary purpose of such systems and records is to report to the government or council that its financial affairs are being conducted in accordance with the relevant statutes and regulations; in addition the systems and records must clearly relate financial activities to administrative responsibilities. In view of the variety in size, organization and roles of governments in Canada, it is doubtful that a uniform accounting system will ever be instituted.

- 2.05 To provide comparable statistics, Statistics Canada has developed the FMS as the basis for its series on government financial and related statistics. Indeed, the concepts and classifications that governments rejected for their internal purposes are now recognized by these same governments as suitable for their external dealings. This is seen, not only in the secondary reporting formats referred to previously, but also in the selection of the FMS as the most appropriate system for the work of the Tax Structure Committee of the 1960's, the Tri-level Task Force on Public Finance (1974 to 1976), and above all, by its embodiment in the successive Federal-Provincial Fiscal Arrangements Acts.
- 2.06 The modern FMS began with resolutions adopted at the 1933 Dominion-Provincial Conference on Provincial Finance Statistics. These included agreements that "revenue should be primarily classified by source" and that "expenditures should be reported on the basis of the several functions of government." These resolutions confirmed the approach taken by the Dominion Bureau of Statistics in its series on municipal and provincial government finance statistics which commenced with data for 1918 and 1921 respectively.
- 2.07 Statistical systems are constructed to facilitate the analysis of major areas of concern. Over time, the relative importance of topics changes as does the way those topics are perceived. Consequently the classifications used to identify and describe the components of a statistical system must also change.
- 2.08 In its earliest form, prior to World War II, the FMS depicted provincial and local governments as independent entities, but federal activities were not included in the system until 1953. Attention was focused on current spending of own source revenues and on departmental activities. Transactions of special purpose agencies were reflected only to the extent of their net contributions to, or receipts from, their parent governments. Following the conferences of the early 1940's and the work for the Conference on Reconstruction, the government universe was more clearly delineated. A number of administrative and special agencies were included for the first time and a new classification framework was introduced to provide more detailed

1. *A Financial Information System for Municipalities (Catalogue nos. 12-532, 12-533 and 12-534).*

information on government operations. In addition, the concept of "general" revenue and expenditures (i.e., the consolidation of current and capital transactions) was introduced in keeping with the revised concept of the government universe which was comprised of departments and ministries; boards, commissions and agencies performing functions similar to those of departments; agencies engaged in "industrial" or "commercial" type of activities primarily to service the requirements of their own governments; government-owned institutions such as those engaged in education, health or welfare services or the administration of justice; social insurance schemes of a universal nature [Canada Pension Plan (CPP) and Quebec Pension Plan (QPP)]; public service pension plans operated by governments; working capital funds.

- 2.09 Over the following decades interest focused on the development of statistical series embodying the concepts of the FMS. This culminated in the publication of a chapter on government finance in the Historical Statistics of Canada (M.C. Urquhart, Editor, K.A.H. Buckley, Assistant Editor, Cambridge/Macmillan, 1965), and of the publication Historical Review, Financial Statistics of Governments in Canada, 1952-62 [DBS (now SC) Cat. no. 68-503, 1966], the latter being the principal statistics prepared for the Tax Structure Committee. These publications, together with the annual series of FMS statistics for each level of government and for consolidation of all levels, signaled the maturing of the FMS.
- 2.10 At the same time, major changes were occurring in the field of public finance which were to have significant effects on the FMS. Federal, provincial, territorial and local levels of government were beginning to co-operate more and more as joint programs involving varying degrees of participation by two and sometimes all three levels of government were initiated along with programs receiving most of their funding from one level of government with the service being delivered by another. Not all developments, however, were in the direction of increasing co-operation. In 1965, Quebec "opted out" of several joint federal-provincial programs and received federal income tax abatements and other fiscal compensation in lieu of the transfers specific to these programs.
- 2.11 These changes in government operations and relationships resulted in a major shift in emphasis in the FMS. Attention was no longer focused on the activities carried out by a government using its own resources—known as the "net general" approach. Instead the FMS concentrated on the total activities of a government—the "gross general" approach—including activities carried out in co-operation with or on behalf of other governments as well as contributions to other governments to perform activities on its behalf. Thus the focus shifted from the activities directly attributable to a particular government (or group of governments) to the total impact of that government's operations.
- 2.12 At the same time, a comprehensive review of the system's classifications was launched. Earlier reviews had been initiated by Dominion-Provincial Conferences on Provincial Finance Statistics (see paragraph 2.03) which appointed working parties of provincial and federal officials for the purpose. On completion of the task a new conference reviewed the work, modified it where necessary and then promulgated the results. The procedure adopted in 1965 was quite different. The vehicle chosen was the eighth Federal-Provincial Conference on Municipal Finance Statistics held in 1966. These Federal-Provincial conferences were held annually until 1970. The working party consisted of the Governments Division of DBS (later Public Finance Division of STC and now Public Institutions Division of STC). The first session of the conference assigned certain tasks to the working party. The second session reviewed the work and assigned further tasks. In all, the complete review of the classifications and of the reporting formats required seven sessions.
- 2.13 The immediate results of this conference was embodied in "A Financial Information System for Municipalities" (Catalogue nos. 12-532, 12-533 and 12-534, 1970), which described the FMS in terms of municipal finance. This manual provided the impetus for the production, in 1972, of the publication "The Canadian System of Government Financial Management Statistics" (Catalogue no. 68-506, 1972, amended in 1974 and 1984), the first general description of the system.
- 2.14 The use of the FMS in analyzing and describing government financial transactions continued to expand throughout the 1970s. The continuing changes in all aspects of government finance and in types of government organizations created the need for a further updating of the FMS manual. A first draft of a revised edition was circulated within STC as well as to federal, provincial and territorial finance officials in 1980. The revision process lasted four years. At the March 1984 meeting of the Federal-Provincial Committee on Government Statistics (in the same year the committee was re-named "Federal-Provincial Committee on Public Sector Statistics"), formal approval was given to a third draft of the FMS manual. This manual was subsequently published as "The System of Government Financial Management Statistics" (Catalogue no. 68-507).

That latest edition included a more complete statement of the conceptual basis of the FMS and refined a number of definitions—notably that of a government business enterprise. It also expanded the classification system used for revenue and expenditures and modified the economic categories employed for cross classification of expenditures.

- 2.15 Government finance and statistical systems continued to change after the 1984 update of the FMS. With the 1997 historical revision, increased harmony between the FMS and the CSNA and to other statistical systems increased. Better ways to measure the development in government finance have been achieved. Details on changes implemented are presented in Appendix I. The 1999 revision of the manual reflects these achievements by presenting:
- The results of harmonizing the CSNA and FMS concepts which has been implemented to eliminate differences between the two systems and to simplify reconciliation with other statistical systems.
 - The results of implementing, throughout STC, the entire coverage of the Canadian public sector.
 - The development in all aspects of government finance since the last revision of the manual in 1984.

- (d) The incorporation of the harmonized revenue classification resulting from the harmonization of CSNA and FMS concepts.

Major relevant issues encountered during the review process and more particularly during the 1997 historical revision of the CSNA have been discussed at the 1996, 1997 and 1998 meetings of the Federal-Provincial Committee on Public Sector Statistics. Also, STC's experts in the field, met in 1996 and 1997 with federal government officials to discuss a number of topics and to assess the impact of the proposed revisions on the federal-provincial fiscal arrangements.

Chapter III

The statistical coverage of the system

Introduction

- 3.01 In Canada, as in other countries, governments perform an important role in economic affairs. They undertake a wide variety of activities through many different types of agents. Governments are involved in the provision of goods and services whose characteristics make it difficult or impossible to offer through private sector channels. This includes activities such as national defence, justice, civil order and the regulation of economic and social actions. Governments are also involved in the provision of services such as education and health, where public intervention is in the general interest of society, even though such services could be, and often are, also provided by the private sector. As well, governments often engage in commercial activities that are similar to, and in competition, with the private sector. Electric utilities and public transportation services are examples of this involvement.
- 3.02 The FMS is a statistical system designed to portray the functions performed by the entities within the Canadian public sector. Originally limited to selective entities of the public sector, the statistical coverage of the system has expanded over the past decades to improve intergovernmental comparability of the public finance statistics. With the 1997 adoption of a uniform public sector definition throughout STC, the present statistical coverage of the system, as described in the following paragraphs, differs significantly from the one set out in Part III of the 1984 edition of this manual.

The public sector¹

- 3.03 The public sector contains all institutional units controlled and mainly financed by government. Institutional units are economic entities that are capable in their own right, of owning assets, incurring liabilities and engaging in economic activities and transactions with other entities². Control may take the form of full ownership of the institutional unit or a majority holding of the voting shares.

Public sector components

- 3.04 The public sector universe is divided into two components, namely government and GBEs. The primary distinction between institutional units assigned to government and those assigned to GBEs is whether their principal activity is commercial or non-commercial in nature. An institutional unit is considered to be commercial if it is operating in the marketplace at prices which are economically significant. Prices are said to be economically significant when they have a significant influence on the amounts the producers are willing to supply and on the amounts purchasers wish to buy. All non-commercial institutional units controlled by government are classified to the government component while the commercial entities are classified to the GBE component.

Government component

- 3.05 Institutional units in the government component are not-for-profit entities and do not operate in the commercial market. The government component is further categorized into two distinct groups: sovereign and non-sovereign public administrations; and non-commercial, non-profit public institutions.
- (a) **Sovereign and non-sovereign government institutions** – Sovereign and non-sovereign government institutions are entities created and controlled by federal, provincial, territorial and local governments. This covers all ministries, departments and agencies; autonomous organizations, boards, commissions and funds; and the CPP and QPP.
- These government institutions would include agencies created at arms length from government ministries to deliver services on behalf of the government. For example, these entities might provide legal aid services, support film production or provide loans to fishermen.
- (b) **Non-profit public institutions** – Non-profit public institutions are non-commercial, non-profit public entities mainly financed and controlled by sovereign and non-sovereign government institutions. This includes entities such as educational institutions; cultural facilities; hospitals; residential care facilities; and health and social service agencies.

Government component inclusion criteria

- 3.06 There are four criteria used in classifying an entity to the government component of the public sector.

1. Source: *Guide to the Public Sector of Canada, Public Institutions Division, Statistics Canada.*

2. Source: *System of National Accounts 1993, Chapter IV, page 87, paragraph 4.2.*

- (a) ***The entity is non-commercial in nature*** – The principal characteristic of these entities is that the goods and/or services that they produce are generally provided free of charge or at prices that are not economically significant. Individual units within the organization may operate on a cost-recovery basis or charge user fees but, in general, the operations are non-commercial in nature and are chiefly financed by public funds.
- (b) ***The non-commercial entity is entirely owned by a government*** – A government holds a legal deed to the entity's property. The entity's assets therefore revert to the owning government in the event of its liquidation.
- (c) ***The non-commercial entity is controlled by a government*** – Control is determined by examining the proportion of financing provided by government and the degree of accountability for its use. The non-commercial entity's expenditures must be primarily financed (50%) by public funds. It must be accountable to the public or to a government for its use of public funds³. Any one of the following conditions would indicate such accountability:
- the entity's budget is approved by a government or one of its institutions
 - the entity must undergo official audits and report to a government
 - the entity's result of operations and use of resources is reflected in the government's financial accounts
 - the entity's financial accounts are subject to examination by the auditor general
 - the entity's employees negotiate collective agreements with a government
- (d) ***The non-commercial entity's activities are intrinsically governmental*** – There are unique cases where an entity's activities are intrinsically governmental. This would be when the entity performs a regulatory function or provides goods and services only to government.

Government Business Enterprises (GBEs) component

- 3.07 The GBE component of the public sector contains all entities controlled by government; engaged in operations of a commercial nature (charging economically significant prices); and similar in motivation to private business enterprises. They operate in the marketplace, often in active competition with similar organizations in the private sector, producing goods and services for sale on the market at prices which are economically significant.
- 3.08 GBEs are usually established by governments through an act of parliament/legislature or in accordance with existing laws governing incorporation. In some instances, an entity will become part of the public sector through takeover of a private corporation by government; by expropriation, purchase of a controlling portion of voting shares, or other means.

Government Business Enterprise (GBE) component inclusion criteria

- 3.09 A business enterprise is classified as a GBE if it is controlled by a government. Control is defined as the potential to affect the strategic decision-making process of the entity. Such strategic decisions include the acquisition or disposal of assets, the appointment of the chief executive officer, the allocation of resources or the diversification of activities.
- 3.10 To determine if a business enterprise is controlled by a government, one of three conditions must be evident. These conditions are direct control, effective control or indirect control.
- (a) ***Direct Control***
- (i) Direct control of a corporation implies that there exists actual or potential majority voting ownership by a government.
 - (ii) Where there exists irrevocable options, or the right to acquire shares, or convertible debt or equity, exercisable at the discretion of a government, then the calculation of the voting equity of the government is generally made as if the option had been exercised.
 - (iii) A corporation is directly controlled by a government if more than 50% of the voting equity is held directly, other than by way of security only, by or for the benefit of that government.
- (b) ***Effective Control*** – A business enterprise is effectively controlled by a government, if it meets one of these conditions:
- (i) The government holds a significant voting ownership in a public enterprise where significant is taken to mean:
 - the holding is the largest block of voting equity

3. This criterion accords with the underlying principle of the Canadian Institute of Chartered Accountants (CICA) document titled "Public Sector Accounting Statement 4: Defining the Government Reporting Entity, November 1988."

- the holding exceeds 33.3% of the voting equity
- that block is larger than the combined percentage of the next two largest blocks
- (ii) The business enterprise declares that it is effectively controlled by a government.
- (iii) There exists a method or a variety of methods that yield effective control. For example, there could be significant voting ownership of the enterprise; technological agreements; supply controls or contracts; management contracts; interlocking directorships; debt; or convertible debt or equity.

In rare instances, these factors will be insufficient to determine effective control. In these circumstances, the inclusion criteria may be based on related information such as historical precedent.

- (c) **Indirect Control**—A business enterprise is indirectly controlled by a government if that government directly or effectively controls a GBE that in turn directly or effectively controls that enterprise.

In addition to the direct, effective and indirect control criteria, there are other associated factors considered when determining if an entity belongs to the GBE component. These factors are:

- if revenues are not primarily financed by a government, (i.e., not greater than 50%)
- if the entity finances its own capital formation
- if the entity provides goods and/or services to other than a government
- if the net operating surplus is not transferred to a government

Government Business Enterprise (GBE) inclusion criteria – International convention

- 3.11 Certain public sector entities may be classified as GBEs in accordance with international convention. For example, the Bank of Canada is part of the GBE component in keeping with this standard.

Resistance rule

- 3.12 Classification changes to public sector entities from one component to the other are only performed when there has been a permanent shift in the major source of their revenue, evidenced over a period of years.

Public sector sub-components

- 3.13 The government and GBE components are divided into sub-components to study public sector activities at a finer level of detail.
- (a) The government component of the public sector is divided into these sub-components: federal government; the CPP and QPP; provincial and territorial governments; local governments; and First Nations and Inuit governments.
 - (b) The GBE component is presented by level of government: federal; provincial and territorial; local; and First Nations and Inuit.

Federal government

- 3.14 The federal government sub-component contains the sovereign and non-sovereign bodies of federal ministries, departments and agencies; autonomous organizations, boards, commissions and funds; and other instrumentalities. The institutional units in this sub-component are engaged in the implementation of government policy and/or the delivery of government goods and services.
- (a) **Federal general government**—These institutional units are separated into two categories: integrated and unintegrated entities.
 - (i) **Integrated entities**—Integrated entities are institutional units that are embedded in the federal government's budgets and Public Accounts. They do not have separate books of account. Their transactions are consolidated in the government's financial statements. The integrated portion includes federal non-profit public institutions which are embedded in government departments for both their funding and operational control. This includes hospitals operated by the Department of National Defence, Health Canada and Veterans Affairs Canada.
 - (ii) **Unintegrated entities**—Unintegrated entities are the autonomous organizations, boards, commissions and funds as well as non-profit health, education and social institutions, that have separate books of account which are not reflected in detail in the Public Accounts or the budgetary framework of the government's consolidated revenue fund statements.

- (1) Ministries, departments and agencies – These non-commercial entities provide goods and services whose characteristics are such that it is difficult or impossible to offer them through private sector channels. They are engaged in activities undertaken by, and for the benefit of, society, such as justice, civil order and the regulation of economic and social actions.
- (2) Autonomous organizations, boards, commissions and funds – These entities have separate books of account which are not reflected in detail in the PA or in the budgetary framework of the consolidated revenue fund of the government. They do not have the ability to incur profit or loss nor do they operate in the market. Rather, they usually provide a service on behalf of government, a service that has been deemed appropriate to be delivered by an agency that is at arms length from government. For example, these entities might provide legal aid services, support film production or provide loans to fishermen.
- (b) **Non-autonomous pension plans**⁴ – Non-autonomous pension plans are funds established to provide incomes on retirement for specific groups of employees. These non-autonomous pension plans do not constitute separate institutional units. With this type of fund, the employer maintains a special reserve that is segregated from its other reserves. These pension reserves and/or funds are treated as assets that belong to the beneficiaries and not the employer.
- 3.15 **CPP and QPP** – The federal Canada Pension Plan and the province of Quebec Pension Plan comprise the Canada and Quebec Pension Plans sub-component. These pension plans are equivalent social security funds but at different levels of government.
- 3.16 **Provincial and territorial governments** – The provincial and territorial government sub-component contains the sovereign and non-sovereign bodies of provincial or territorial ministries, departments and agencies; autonomous boards, commissions and funds; and autonomous non-commercial, non-profit education, health and social service agencies controlled by a provincial or territorial government. The institutional units in this sub-component are engaged in the implementation of government policy and/or the delivery of government services.
- (a) **Provincial and territorial general governments** – These institutional units are separated into two categories: integrated and unintegrated entities.
- (i) **Integrated entities** – Integrated entities are institutional units that are embedded in the provincial or territorial government's budgets and public accounts. They do not have separate books of account. Their transactions are consolidated in the government's financial statements.
- (ii) **Unintegrated entities** – Unintegrated entities are the autonomous organizations, boards, commissions and funds, as well as non-profit health, education and social institutions, that have separate books of account which are not reflected in detail in the public accounts or the budgetary framework of the government's consolidated revenue fund statements.
- (1) Ministries, departments and agencies – These non-commercial entities provide goods and services whose characteristics are such that it is difficult or impossible to offer them through private sector channels. They are engaged in activities undertaken by, and for the benefit of, society, such as justice, civil order and the regulation of economic and social actions.
- There are some provincial-territorial non-profit public institutions embedded in government departments for both their funding and operational control. However, the majority are autonomous and are listed separately.
- (2) Autonomous organizations, boards, commissions and funds – These entities have separate books of account which are not reflected in detail in the PA or in the budgetary framework of the Consolidated Revenue Fund of the government. They do not have the ability to incur profit or loss nor do they operate in the market. Rather, they usually provide a service on behalf of government, a service that has been deemed appropriate to be delivered by an agency that is at arms length from government. For example, these entities might provide legal aid services, support film production or provide loans to fishermen.
- (b) **Non-autonomous pension plans**⁴ – Non-autonomous pension plans are funds established to provide incomes on retirement for specific groups of employers. These non-autonomous pension plans do not constitute separate institutional units. With this type of fund, the employer maintains a special reserve that is segregated from its other reserves. These pension reserves and/or funds are treated as assets that belong to the beneficiaries and not the employer.
- (c) **Colleges, vocational and trade institutions** – Community colleges and related facilities include all institutions providing post-secondary education apart from universities. Some institutions, such as "Colleges of Applied Arts and Technology"

4. *There are two types of pension plans: autonomous and non-autonomous. The public sector includes only the non-autonomous plans. Statistics Canada defines the autonomous pension plans as follows: funds, which are independent from the employers and employees who created them. These institutional units are organized and directed by private employers or public employers or jointly by employers and their employees. Employees and/or employers make contributions to these funds which engage in financial transactions in the market and invest by acquiring financial and non-financial assets with the view of making a financial gain.*

or Quebec's "Collèges d'enseignement général et professionnel" offer a broad range of post-secondary programs, while others provide training in specific areas such as arts, forestry or agriculture.

Training facilities in hospitals which provide post-secondary instruction at the same level, such as schools of nursing and other health science technologies are in the hospital sub-component.

Trade and vocational institutions, in general, provide programs which prepare the trainee for an occupation where the emphasis is on well defined procedures rather than on the theoretical application of ideas and principles. Although entrance requirements may vary from one institution to the next, high school completion is not usually a prerequisite for admission to programs of this type. With the exception of most apprenticeship and a few pre-employment programs, trade and vocational programs do not exceed one year in duration.

- (d) **Universities** – Universities include all institutions (public and private) providing post-secondary education that have the power to grant degrees. Some of these institutions are called colleges, a few are called institutes or schools. Most offer a broad range of post-secondary programs while a few offer specific courses only, such as theology or divinity. For analytical ease, private universities are part of the public education component.

Entrance requirements may vary from one university to the next, but in general, high school completion is a requirement except for mature students for whom special standards are set. With the exception of some theology or medieval studies courses, pass programs leading to a bachelor's degree require three years and honours programs require four years. Major universities offer post-graduate courses to the masters or doctorate level.

Two or more universities may have a formal relationship set out in a negotiated agreement. Normally, there is a parent university and one or more associated, affiliated or federated university or college in the relationship.

- (e) **Health and social service institutions** – This component contains autonomous public health boards; social service organizations and community boards; and other health and social service organizations that are not embedded in the public accounts of provincial and territorial governments.
- (i) **Health boards** – This sub-component contains all autonomous public health boards that are responsible for delivering health services within a specific geographic area. They have the authority to work with local health providers to create a health care plan for their region; determine priorities in providing health services; allocate resources to hospitals, continuing care facilities, community health services and public health programs within their jurisdiction. They are required to report annually to their respective ministry or Department of Health to account for the utilization of public monies.
 - (ii) **Social service organizations and community boards** – This sub-component contains all autonomous public social service organizations and community boards that have the authority to provide community level child and family services, social programs and other support services directly or in collaboration with local organizations and community groups.
 - (iii) **Other health and social service organizations** – This sub-component contains all other autonomous public health or social service institutions such as hospitals; residential care facilities; and other health and social service institutions that do not fall under the administrative authority of health boards or social service organizations and community boards.

3.17 **Local governments** – The local government sub-component contains the sovereign and non-sovereign bodies of local governments and municipal administrations; autonomous boards, commissions and funds; and autonomous non-commercial, non-profit education institutions. The institutional units in this sub-component are engaged in the implementation of government policy and/or the delivery of government services.

- (a) **Local general governments** – Local general government institutional units are separated into two categories: integrated and unintegrated entities.
- (i) **Integrated entities** – Integrated entities are institutional units that are embedded in the municipal governments annual financial statements. They do not have separate books of account. Their transactions are consolidated in the government's financial statements.
 - (ii) **Unintegrated entities** – Unintegrated entities are the autonomous organizations, boards, commissions and funds as well as non-profit education institutions, that have separate books of account which are not detailed in the municipal governments annual financial statements.
 - (1) **Municipal governments** – The municipal government sub-section contains local governments and municipal administrations engaged in the implementation of government policy and/or the delivery of government services. These services are generally provided to persons residing in the local area, often under authority delegated from the provincial or territorial government.
 - (2) **Autonomous organizations, boards, commissions and funds** – These entities have separate books of account which are not reflected in detail in the annual financial statement of their respective municipal government. They

do not have the ability to incur profit or loss nor do they operate in the market. Rather, they usually provide a service that has been deemed appropriate to be delivered at the local level. Public library boards, conservation authorities and water treatment facilities are an example of these services.

- (b) **School boards**—School boards are local education authorities composed of elected or appointed school trustees which administer local taxation and/or provincial grants under delegated authority from the province or territory in accordance with the Education Act of the jurisdiction where they are located.

3.18 **First Nations and other aboriginal governments**—It is proposed that institutional units for First Nations and other aboriginal governments will be classified in the government component of the public sector. This designation is not yet fully articulated as the operation of moving the First Nations and other aboriginal governments to more independent forms of government is still in process.

3.19 **GBEs⁵**—GBEs produce goods and services for sale in the market place at economically significant prices. They are usually established by governments through an act of parliament or in accordance with existing laws governing incorporation. In some instances, an entity will become part of the public sector through the government's takeover of a private corporation; by expropriation; purchase of a controlling portion of voting shares; or other means.

The GBE component contains all entities that are controlled by a government; engaged in commercial operations; and are similar in motivation to private business enterprises. It is presented by level of government: federal; provincial and territorial; local; and First Nations and Inuit.

3.20 **Federal GBEs**—Federal GBEs are divided into institutional units that are either financial or non-financial in nature.

- (a) **Financial GBEs**—Financial GBEs are engaged in the provision of financial and/or insurance services. They are divided into two sections: monetary authorities and other financial GBEs.
 - (i) **Monetary authorities**—This category exists to facilitate international comparisons. It consists solely of the Bank of Canada and the Exchange Fund Account.
 - (ii) **Other financial GBEs**—This category contains any financial GBE that is not a monetary authority.
- (b) **Non-financial GBEs**—This category contains government controlled entities whose principal activity is the provision of goods and non-financial services to the public.

3.21 **Provincial and territorial GBEs**—Provincial and territorial GBEs are divided into institutional units that are either financial or non-financial in nature.

- (a) **Financial GBEs**—This category contains financial GBEs that are engaged in the provision of financial and/or insurance services.
- (b) **Non-financial GBEs**—This category contains government controlled entities whose principal activity is the provision of goods and non-financial services to the public.

3.22 **Local GBEs**

- (a) **Non-financial GBEs**—This category contains government controlled entities whose principal activity is the provision of goods and non-financial services to the public.

3.23 **First Nations and other aboriginal government GBEs**—This category is not yet completed as the task of classifying the First Nations and other aboriginal governments' business activities is still in process.

3.24 **Relationship of the present coverage of the public sector universe to the previously defined coverage of the "government sector"**—The following are the main universe changes made in the FMS, during the 1997 historical revision:

- (a) The addition to the statistical coverage of entire classes of institutional entities such as colleges, hospitals, residential care facilities, universities, etc. Charts comparing the 1997 coverage of the public sector with the 1984 coverage of the government sector are presented in Appendix II.
- (b) Movements of entities from the government sector to the GBEs sector and the opposite. They include the following: provincial and local housing authorities from the GBEs sector to the government sector and provincial research councils from the government sector to the GBEs sector. A more detailed list of universe changes is presented in Appendix II.

5. Beginning with the 1997 data reference year, the North American Industrial Classification System (NAICS) has replaced the 1980 Standard Industrial Classification (SIC) manual. See Sector 52, "Finance and insurance" for this definition in the NAICS manual.

Chapter IV

Sources of information

Government data

- 4.01 Revenue, expenditures, assets and liabilities of the government component of the public sector form the basis of the statistics produced in accordance with the FMS. The principal sources for these data are the published financial reports of the various governments. While most of the federal, provincial and territorial data are obtained from the public accounts, school board and municipal data are normally obtained from the annual reports issued by provincial and territorial departments of education and of municipal affairs. The latter reports, which aggregate the financial data for all municipalities in a particular province or territory, are used in conjunction with the individual reports of the larger municipalities. Data on some entities are obtained from other divisions of STC. For example, data on hospitals and residential care facilities are obtained from the Health Statistics Division. It is worth noting that the Canadian Institute of Health Information (CIHI) plays a large role in the preparation of hospital statistics. Data on colleges and universities are obtained from Culture, Tourism and the Centre for Education Statistics while data on capital expenditures of school boards are obtained from the Investment and Capital Stock Division. Finally data on current expenditures of school boards are obtained from Culture, Tourism and the Centre for Education Statistics. Further information required to complete coverage of the universe is obtained from financial statements of agencies, boards, commissions or authorities, provincial, territorial and federal departments or ministries or, directly, from the entities concerned.
- 4.02 The annual series on federal, and provincial and territorial government finance estimates are based on the main estimates presented by the governments concerned and on the budget speeches and the budget documents which accompany them. Estimates for the provincial institutions (such as universities, colleges, hospitals, etc.) are derived by using the FMS estimates of the provincial and territorial general government spending on education, health and social services and by projecting previous observations. At the local government level, estimates are derived from a survey of municipalities. Information obtained through the survey, which includes municipal units in all major urban areas and a representative sample of other municipalities, is inflated to produce aggregate data for the municipal component of the local general government universe in each province and territory. Data for other components of the local universe, such as schools, and local boards and commissions are estimated on the basis of information supplied by provincial and territorial government departments and other divisions within STC. Supplementary information is obtained from federal, and provincial and territorial governments' budget speeches and estimates. Details of survey methods are presented in the last part of the publication "Public Sector Statistics" (Catalogue no. 68-213-XIE).
- 4.03 In all instances, various estimating techniques are used to complete essential data. These techniques are explained in the publication "Public Sector Statistics" (Catalogue no. 68-213-XIE).
- 4.04 Data on consolidated government revenue, expenditures, financial assets and liabilities are compiled from the series produced within the Public Institutions Division for each level of government. Additional data used to eliminate some intergovernment transfers, purchase-sale transactions and interest are obtained from the source documents pertaining to each level of government. The consolidation process, as well as the significance of the resulting consolidated data, is depicted in Chapter VIII.
- 4.05 These varied sources of financial data originate from non-standardized accounting systems. Governments employ the cash or accrual conventions, or a combination of these. Under the cash basis of accounting, revenue and expenditures are reflected in the period in which the related cash receipts and disbursements actually occur. However, the accrual basis requires revenue and expenditures to be reflected in the period in which they are deemed to have been earned and incurred. Most GBEs and some special funds use the accrual basis of accounting while most provincial and territorial governments are moving toward adoption of this convention. The cash basis of accounting is restricted to a few government entities. Some governments now use what is generally referred to as the "modified cash basis" of accounting under which transactions during an accounting period are recorded on a cash basis but certain items are accrued at the end of the period. However, there is little uniformity among governments on the items subject to accrual. Thus, while it would be desirable to have all FMS statistics derived from data produced under, or adjusted to, a uniform accounting basis, this is not possible at present.

Government business enterprise data

- 4.06 Revenue, expenditures, assets and liabilities data on federal, provincial and territorial business enterprises required for FMS statistics are obtained from the financial reports of these enterprises. Additional information is obtained from the PA, from reports of the departments through which the enterprises report to their legislature and through direct communication with the enterprises.
- 4.07 While data on local government enterprise finance are not published at present, financial reports of many of these enterprises are being received with those of their parent municipalities. In addition, selected and usually highly aggregated financial data are collected by other divisions of STC such as the Transportation Division (public transit systems) and the Manufacturing, Construction and Energy Division (Hydro-electric and gas distribution). A FMS series on local government business enterprises, incorporating these two sources of information with information obtained by the Public Institutions Division is being developed.

Public sector employment data

4.08 Statistics on federal government departmental employment, and wages and salaries are prepared from electronic files provided by the federal Department of Government Services and Public Works, by the Royal Canadian Mounted Police and from electronic files and print-outs provided by the Department of National Defence. Wages and salaries benchmark data are also obtained from the Income and Expenditure Accounts Division of STC. Employment data on federal special funds are provided in most cases directly by the employing agency while employment data on most federal business enterprises are obtained from Revenue Canada through the Labour Statistics Division of STC.

4.09 The corresponding statistics on provincial and territorial governments and their special funds are based on data prepared by provincial and territorial governments and transmitted to STC in the form of electronic files or questionnaires.

Data on hospitals, colleges, universities, residential care facilities, and other Health and Educational Institutions are obtained from the Labour Statistics Division of STC. Data on government business enterprises are obtained from Revenue Canada through the Labour Statistics Division of STC. Supplementary information is also obtained from the Income and Expenditure Accounts Division of STC.

4.10 Employment and wages and salaries data on local government, (municipalities and school boards) collected through questionnaires, are obtained from the Labour Statistics Division of STC.

4.11 For a detailed description of the concepts of employment, and wages and salaries, as they apply to the entire public sector, see Chapter X of the manual.

Chapter V

Conventions used for government revenue and expenditures

Introduction

- 5.01 Two major conventions have been established within the FMS to achieve its aim of producing financial statistics of government that are consistent, compatible and comparable. These are the "unification" and the "gross" conventions.
- 5.02 According to the "unification convention," the FMS ignores the demarcation between a government and special funds and consolidates the separate reports of their financial transactions into a single set of statistics for the federal and each provincial and territorial government. At the local level, unification is carried a step further. Data for all municipalities, regional municipalities, urban communities and local boards and commissions are consolidated into a single set of statistics for each province or territory to overcome differences in administrative structures. In addition, consolidated statistics are also produced for various components of the public sector. For example:
- Each of the provincial or territorial general governments are consolidated with their education, health, and social services institutions.
 - Each of the provincial or territorial governments are consolidated with the local governments.
 - All three levels of government consolidated together.
- 5.03 The "gross convention," as its name implies, requires that transactions be reported gross, i.e., the netting of expenditures against revenue, and vice versa, be nullified. There are a few exceptions to the gross convention which are described in paragraphs 5.06 to 5.08.
- 5.04 For purposes of government finance statistics, revenue is defined as all monies received (and/or deemed to be received) by government, other than through borrowing or recoveries of previous lending. Expenditures are defined as all monies disbursed (and/or deemed to be disbursed) by government, excluding lending and repayments of loans. More specifically, revenue includes (a) proceeds from taxation (either actually received or deemed to be received on account of certain tax credits, as described in paragraph 5.09) and from the sale of goods (including sales of fixed assets) and services, (b) contributions of employers and employees to universal pension plans (CPP and QPP), to non-autonomous pension plans; and to other social insurance plans operated by the government, (c) transfers from other government sub-sectors and (d) return on investments. On the other hand, expenditures include all outlays made or deemed to be made by government to discharge its functions as described in Chapter VI. These outlays take the form of purchases of goods and services, the acquisition of capital assets and transfer payments and exclude repayments of loans.

Gross revenue and expenditures

- 5.05 To make revenue and expenditures reported by governments conform to the gross convention of the FMS certain categories of transactions require adjustments. These categories and the necessary adjustments are described below.
- 5.06 **Refunds of revenue and refunds of expenditures** – Refunds of revenue result from an excess revenue obtained by overtaxation or an overcharge for a good or service sold while refunds of expenditures result from an overpayment for a good or service purchased or an excessive transfer to a person, a business or another government. These refunds are often inconsistently reported in government source documents. For example, refunds of current year's expenditures are normally netted against the expenditures of the current period while refunds of previous years' expenditures are reported as revenue of the current year. In addition, it is not always clear, from the source documents if the refunds apply to the previous year only or several of the previous years.
- 5.07 Ideally, statistics should reflect the events of the particular time period to which they refer and consequently refunds of prior years which occur within a reference period should be applied to the statistics for those prior periods. Unfortunately, the absence of details (on the split between prior years and current year refunds) in source documents and a revision policy that allows revision of only the most recent four years preclude complete adjustment of prior years' expenditures.
- 5.08 For the reasons given above and in the interest of harmonization between the SNA and FMS, current year and prior years' refunds of revenue and expenditures are considered as revenue and expenditure adjustments of the current year and treated as follows:
- The revenue refunded is omitted from expenditures and netted against the appropriate revenue source.
 - The expenditures refund is omitted from revenue and netted against the relevant expenditure function.

However, exceptionally large refunds of prior years' revenue and expenditures are examined closely before applying the above decision.

- 5.09 **Tax credits** – The application of the gross convention in respect of tax credits depends on the adequacy of the definition of the concept of "tax proceeds." Proceeds of a particular tax should be the amount produced by the multiplication of the base of that tax by the rate of the tax. Tax credits can be grouped under two broad categories, namely (a) refundable tax credits, (b) non-refundable tax credits. Each of the categories is dealt with below.
- (a) The first category called "refundable tax credits" consists of the tax credits aimed at assisting particular groups of individuals such as low and middle income people, pensioners, etc., or at granting incentives to industries. They are more and more frequently granted through the personal and corporation income tax mechanisms rather than the normal budgetary expenditure appropriations. Because they are similar to expenditure programs, a "refund" cheque for the excess credit—the portion remaining after the tax liability is reduced to zero—is issued to the beneficiary.
- The most significant provide tax credits for certain aged persons, tax credits relating to sales taxes, to property taxes and to the cost of living, child tax credits, tax credits for research and development incentives to industries. This category of fiscal compensation is in effect in some provinces and territories, while comparable relief measures are implemented by means of direct transfer payments or subsidies, such as homeowner's subsidies, in other provinces and territories. Clearly, this category of credits affects the normal proceeds of the tax. Accordingly, in order to obtain the full weight of the revenue and expenditures transactions related to such fiscal measures, and to maximize intergovernment comparability, revenue and expenditures are "grossed up" by the amounts of the total refundable tax credits. The same procedure applies to the federal child tax credit and Goods and Services Tax (GST) tax credit.
- (b) The non-refundable tax credits include tax credits that constitute limited tax relief (because the credit is only applicable to reduce the tax liability by a certain percentage or to reduce it to nil) for supporting eligible organizations and industries and tax credits established to avoid double taxation. These tax credits are an integral part of the tax system and contrary to refundable tax credits, they do not constitute a regular government assistance program delivered through the budgetary expenditure appropriations or the income tax mechanism. Various non-refundable tax credits are allowed. For example, the political contribution tax credit, the foreign tax credit established to eliminate or minimize double taxation and dividend tax credits implemented to harmonize the corporation income tax with the personal income tax and minimize double taxation are examples. The non-refundable tax credits are not subject to the gross convention.
- 5.10 **Sales revenue, licences and other charges** – Government derives revenue from the sale of goods and services, and from licences and other charges paid to conduct certain activities. For programs that have identifiable clients, a few governments will permit to deduct the proceeds of these charges from gross expenditures to which they relate. In accordance with the gross convention, this revenue is included in gross revenue, thereby restoring expenditures to a gross basis.
- 5.11 **Cost recoveries under federal and provincial agreements** – In a few provinces, transfers from another level of government are netted out of the expenditures to which they relate in government financial reports. In conformity with the "gross convention," the transfers are included in both revenue and expenditures.
- 5.12 **Dedicated revenue** – A few provinces dedicate a percentage of specific taxes collected from their crown corporations and agencies. Where the amounts of dedicated revenue are not recorded in the source documents, values are added back to gross revenue and expenditures in order to reflect the entire proceeds of the taxes and the full amount of the expenditure transactions.
- 5.13 **Interest on defeased trust funds** – Defeased trust funds represent investments set aside to repay outstanding term debt and related interest payments. These defeased debts have been removed from the balance sheet of government and are considered extinguished for financial reporting purposes. Where defeased debts have taken place, the interest revenue and interest expense related to the investment set aside and debt removed from the balance sheet are added back to gross revenue and expenditures in order to improve intergovernment comparability.
- 5.14 **Interest revenue and expense recovered from other entities** – In some provinces and territories, governments borrow on behalf of government business enterprises, municipalities, school boards, educational institutions, etc. These borrowings translate into higher assets and liabilities in the provincial and territorial balance sheets even though the borrowings including any associated debt charges are completely recoverable from these entities. Where the interest revenue recovered is netted against interest expense in the source documents, interest values are added back to revenue and expenditures to present them on a gross basis.
- 5.15 **Commissions** – Most governments pay commissions to persons or business establishments acting as agents for the collection of various taxes. These commissions are either a percentage of the taxes collected or a flat amount. Where netting has taken place, amounts equivalent to the commissions are added back to gross revenue, on the grounds that government's entitlement is the tax base multiplied by the rate of the tax (see paragraph 5.09). This amount is also added back to expenditures since they are a cost of collecting the taxes.
- 5.16 **Loans treated as expenditures** – Loans, when acknowledged uncollectable by the lending authority (assumed to have been forgiven by mutual agreement), are included in expenditures. The amounts forgiven in the year in respect of loans carrying forgiveness clauses are also included in expenditures. In these cases the original debtor is deemed to have received a transfer in the amount concerned.

- 5.17 **Special cases affecting local government** – While tax revenue at the federal, provincial and territorial levels is reported largely on a cash basis in source documents, property tax revenue of local government is reported on an accrual basis, i.e., the total amount reported and included in revenue is the total assessed regardless of collections. This constitutes an important conceptual difference between the local and the other levels of government but the statistical significance of this difference is inconsequential. In addition, local governments normally treat capital outlays which are financed through the issuance of long-term debt as balance sheet transactions and record the payment of interest on the debt and the repayment of its principal as expenditures. In the FMS, however, local government capital outlays are treated in the same way as those of the federal, and provincial and territorial governments, i.e., as expenditures at the time of purchase, regardless of how they are financed. If capital outlays are financed via borrowing, the interest on related debt is classified as expenditures and retirements of principal are treated as balance sheet transactions.

Intragovernment and intergovernment transactions

- 5.18 Transactions among entities comprising a single government and all transactions among levels of government when combined must be eliminated in order to obtain unduplicated data. The text below describes how transactions occurring within a single government are eliminated and the exception to this elimination convention. The techniques used to eliminate intergovernment transactions are dealt with in Chapter VIII of this manual.

Transactions within an individual government

- 5.19 In accordance with the unification convention, the financial activities of entities within a government, which are reported by that government through individual statements, must be adjusted to eliminate double or multiple counting of transactions. Such adjustments are made at various stages of the compilation process by consolidating, for example, the accounts of departments and special funds. Similar adjustments are made when consolidation of other sets of accounts within the government component of the public sector takes place.

However, all transactions concerning taxes paid between different levels and components of government are not eliminated on consolidation. For example, payroll or sales taxes paid by one level of government to another are not eliminated from the consolidated revenue and expenditures.

With the 1997 historical revision, not all transactions within an individual government are eliminated. For example, the following groups of transactions, previously eliminated to avoid double counting are now included on a gross basis:

- (a) **Supplementary Labour Income (SLI) paid on behalf of one's own employee and to one's own account**, such as a government contributing, as employer, to its own medical care plan or to its own non-autonomous pension plan. As the SLI is a component of Gross Domestic Product (GDP) at factor cost and given the requirement to have the FMS/SNA harmonized, it was agreed to include these payments on a gross basis and not eliminate them as transactions within an individual government.
 - (b) **Consumption taxes levied and paid by the same government**, such as gasoline and sales taxes paid by one department to another department of the same government. In the interest of harmonization between the SNA and FMS, it was agreed to show all consumption taxes on a gross basis and not eliminate them as inter-fund transactions.
 - (c) **Grants in lieu of taxes paid to governments that levy property taxes**. Grants in lieu of taxes paid by federal, and provincial and territorial governments to provincial and local governments are classified as taxes. In the interest of harmonization between the SNA and FMS, it was agreed to show all taxes on a gross basis and not eliminate them as intergovernment transactions.
- 5.20 By eliminating transactions occurring between departments or ministries and all the special funds of a single government, it is possible to produce an "unduplicated" measure of that government's financial activities. To illustrate this process, consider the example of a provincial accommodation and real estate program operated by a government agency and financed in part by rentals. The provincial or territorial government will report its rental payments for office space as a normal expenditure. These rentals, along with those of other customers constitute the rental revenue of the agency. But, for FMS statistics purposes, the agency is not treated as a separate entity. Its operations are, therefore, included with its parent government's overall operations. The government's own rental payments are offset against the corresponding revenue of the agency and the balance is treated as government revenue, while the agency's expenditures are treated as government expenditures. However, as information is not always available on all intragovernmental transactions, elimination of duplication is not fully attained.
- 5.21 Difficulties of elimination also arise when the financial year-end of subordinate entities is not the same as that of their parent government. Here the general practice is to integrate the data of such entities into the government statistics for the fiscal year ended closest to the year-end of their parent government. However, an exception is made in the case of provincial workers' compensation boards and a few corporations of the province of Quebec where the availability of quarterly data allows for conversion of their financial year-end to that of their parent government.

Accounting methods may also vary between a government and its agencies and institutions. As a result, amounts recorded in the parent government's accounts as flows to, or from, its agencies and institutions differ from the records of that agency or

institution. In such cases, government records are substituted for those of the agency or institution. The adjustments resulting from such substitution are outlined in Chapter VIII.

- 5.22 The practice of interdepartmental billing is a fairly common one. Billings not specifically identified in the data source documents, cannot be eliminated and some overstatement of government revenue and expenditures is inevitable. However, the statistical significance of this overstatement is minor.
- 5.23 At the local government level where fund accounting is used extensively, interfunding involves, first, bringing together the transactions of the various funds on an unduplicated basis. Secondly, in order to show the operations of local government within a province on an aggregate basis, the duplicative effects of inter-local government transfers and of inter-local government purchase-sale transactions, where identifiable, are eliminated. Special rules have to be applied to such cases, since data on only one side of the transactions are known in most instances. These rules are spelled out in Chapter VIII.

Intergovernment transfers

- 5.24 A transfer is a conveyance of monies for which the transferor receives no direct benefit.
- 5.25 Financial co-operation among levels of government continued to expand over the last decade. The provincial and territorial governments' desire for increased flexibility, coupled with government concern over deficits has resulted in different intergovernment fiscal arrangements (e.g., Canada Health and Social Transfer (CHST), increased number of transitional payments flowing from higher to lower levels of government and vice versa, etc.) without changing too much the terms relating thereto. Some current federal-provincial transfer arrangements carry terms which, although indicative of intent, do not specify the particular activity to which the transferee must apply the amount concerned. In other cases, terms are inconclusive or subject to differing interpretations. Sometimes the terms seem to be the conditions upon which the transfer is made but it may be that these terms are only the rules to be followed in establishing the amount of the transfer; they do not bind the transferee in any way.
- 5.26 Allocation of transfer payments is made on the basis of real or apparent intent of the transferor. These transfers are referred to as "specific purpose transfers." Transfers which are not allocable to particular functions are set out under the heading "general purpose transfers" specifying the major program pursuant to which they are made.
- 5.27 Theoretically, transfers shown in the transferor's records as amounts paid should be the same as those shown in the transferee's records as amounts received. However, as mentioned in Chapter IV, statistics on each level of government are based on related source documents and precise agreement between amounts reported as paid and as received is not always available. Every effort is made to reconcile differences, but the absence of uniform accounting practices and identical year-ends preclude complete reconciliation. The general rules used to consolidate the accounts of the governments concerned are set out in Chapter VIII.

Intergovernment purchases and sales

- 5.28 There are various purchase-sale transactions which occur among levels of government. The most frequent type comprises the purchase of goods or services by one government from another for resale or distribution to the population or territory under its jurisdiction. In this instance, the purchasing government effectively engages the selling government to provide goods or services that it feels it should, but does not or cannot itself provide.
- 5.29 To obtain unduplicated data within the government universe, all intergovernmental purchase-sale transactions should be eliminated. However, this cannot always be accomplished in practice because of lack of information. Elimination, to the extent possible, is carried out as explained in paragraph 8.05.

Intergovernment interest payments

- 5.30 Governments borrow on behalf of governments (e.g., a provincial government borrowing on behalf of its municipalities) and/or buy bonds of governments (e.g., Canada Pension Plan Investment Fund buying provincial government bonds). Consequently, interest receipts and payments take place between governments. To obtain unduplicated data within the government universe, all intergovernment interest transactions should be eliminated. However, this cannot be done in practice because of lack of information. Elimination, to the extent possible, is carried out as explained in paragraph 8.05.

Intergovernment fiscal arrangements

- 5.31 **Income taxes** – Under the current tax collection agreements, the federal government collects and administers the personal income tax (Quebec excepted), the corporation income tax (Quebec, Ontario and Alberta excepted) and the capital tax (for Nova Scotia and New Brunswick) levied by the provinces and territories and makes monthly remittances to the provinces and territories concerned. For purposes of the FMS, federal personal and corporation income tax revenue is the total of all collections by the federal government less refunds and amounts remitted to the provinces and territories. Personal income tax revenue of the provinces and territories, other than Quebec, corporation income tax revenue, other than Quebec, Ontario and Alberta, and the Nova Scotia and New Brunswick's capital tax revenue, consist of the total amounts received from the federal government. However, since remittances relating to the current taxation year are made on an estimated basis, adjustment

payments (plus or minus) are required. The system takes these adjustments into account in the year in which they are made, (see paragraph 5.07). For provinces collecting their own personal and corporation income taxes and their own capital taxes, the revenue from those sources is accordingly the amount they collect less refunds.

- 5.32 **Federal income tax on preferred share dividends** – Under the Federal-Provincial Fiscal Arrangements Act, the federal government transfers (since 1990/1991) to each province and territory a percentage of the net taxes it collects with respect to preferred share dividends paid by corporations operating in the province and territory.
- 5.33 **Federal income tax on public utilities** – Since 1947 the federal government has transferred to each province and territory amounts equivalent to a certain percentage of the federal income tax collected from non-government utilities operating in the provinces and territories. The federal-provincial agreement on sharing the public utilities income tax proceeds was discontinued in 1995/1996 but transition payments to provinces and territories will continue until 1999/2000. Payments are made under the Public Utilities Income Tax Transfer Act. In the FMS, the full amount collected is shown as federal revenue from corporation income tax and the subsequent flow to the provinces is shown as a transfer on the expenditures side of the federal government and under revenue from general purpose transfers in the provincial and territorial governments' statistics.
- 5.34 **Statutory subsidies** – Under the Constitution Acts, 1867 to 1982, and other constitutional documents together with the following statutes: the Maritime Provinces Additional Subsidies Act; the Provincial Subsidies Act; and the Newfoundland Additional Financial Assistance Act, the federal government provides a source of revenue to the provinces, compensates provinces for revenues lost on joining Confederation; and supports provincial governments and legislatures. In the FMS, the federal payments to the provinces are classified as an expenditure and the provincial receipts therefrom, as an equivalent revenue, both under general purpose transfers.
- 5.35 **Provincial personal income tax revenue guarantee payments** – Under the Federal-Provincial Fiscal Arrangements Act the federal government provides a guarantee that the provinces would not suffer a loss of personal income tax revenue if they adopt income tax acts modeled on the federal income tax acts. Losses would be determined on the basis of specified rates deemed to be equivalent to those levied under their previous acts. The FMS treatment here parallels the statutory subsidies (see paragraph 5.34).
- 5.36 **Fiscal stabilization payments** – Under the Federal-Provincial Fiscal Arrangements Act, the federal government financially assists any provincial government faced with a year-over-year decline in its revenues due to a downturn in its economy. The FMS treatment here parallels the statutory subsidies (see paragraph 5.34).
- 5.37 **Fiscal equalization program entitlements** – Under the Federal-Provincial Fiscal Arrangements Act, the federal government makes equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation. The FMS treatment here parallels the statutory subsidies (see paragraph 5.34).
- 5.38 **Canada Health and Social Transfer (CHST)** – The CHST program was introduced in fiscal year 1996/1997. It replaced federal transfers to provinces and territories for health and post-secondary education, previously provided under the established programs financing, and federal transfers to provinces and territories for social assistance, previously made under the Canada Assistance Plan (CAP). The new block fund (established under the Federal-Provincial Fiscal Arrangements Act) gives provinces and territories enhanced flexibility to design and administer health and social programs in the most efficient way, and to allocate funds according to their own priorities. Again, the FMS treatment here, parallels the statutory subsidies (see paragraph 5.34).
- 5.39 **Territorial Formula Financing (TFF) agreements** – TFF is an annual unconditional transfer from the federal government to territorial governments. This transfer enables territorial governments to provide a range of public services to their residents that is similar to those offered by provincial governments elsewhere, recognizing the higher cost of providing public services in the North. The FMS treatment here, also parallels the statutory subsidies (see paragraph 5.34).
- 5.40 **Collections for other governments** – In some provinces arrangements exist between the provincial government and its municipalities for the collection of property taxes levied by the latter government. In the FMS statistics, the government making the initial collection is regarded as an agent of the other and the amount paid to the second government is included in its revenue. In other words, the treatment here parallels the Federal-Provincial-Territorial Tax Collection Agreements.

Transactions between government and GBEs

- 5.41 Some GBEs do not cover their costs, let alone realize a profit. Thus, one of the common transactions between a government and its business enterprises is the payment by the former of an amount required to write off the deficit of the latter. This is classified as a straight-forward government expenditure under the function to which it relates.
- 5.42 Where a profit is realized by a GBE, the amount included in government revenue is the actual remittance to that government by the enterprise. In the case of liquor boards which perform regulatory functions in addition to commercial activities, proceeds from the discharge of the former are treated as an integral part of government revenue.
- 5.43 Where in a given year a GBE receives from its parent government payments on account of deficits and makes a remittance of profit in that year, the government payments are included in government expenditures and the remitted profits are included in government revenue.

- 5.44 It is a general practice for governments to make loans to their business enterprises and to receive interest payments in respect thereof. Such interest revenue is recorded in the FMS series covering general government revenue under the caption "return on investment."
- 5.45 Similarly, when a government provides financial assistance to a class of industry in which one of its own business enterprises operates and the enterprise qualifies for such assistance, the amount involved is regarded as normal government expenditures.

Chapter VI

Classification of government revenue and expenditures

Introduction

6.01 This chapter provides an in-depth review of the FMS classification used to prepare revenue and expenditures statistics for the government component of the public sector. The next few paragraphs provide an overall view of the classification. This will help understanding how the information is structured in the remainder of the chapter. Some of the changes that were incorporated during the 1997 historical revision are also presented. The FMS distinguishes between two main types of revenue: own source revenue and transfers from other government sub-sectors.

Own source revenue is defined as revenue raised by a government from its own imposition of a tax, a licence, a fee or any other charge. Personal income tax, consumption taxes and contributions to social insurance plans are all part of that group. On the other hand, a transfer from another government sub-sector is an amount of money received directly from another party without a direct impost by the receiving party. Transfer payments fall into two categories—general purpose, where no restriction is placed on their use, and specific purpose, where certain conditions must be fulfilled in order to qualify for the transfer which govern the use of the transfer. Equalization payments are classified in the general transfer category while provincial government transfers to assist municipalities in the operation and upgrade of the local road and bridge systems are classified in the specific transfer category.

6.02 In the FMS, revenue are regrouped under broad categories (see Text table 3). Paragraphs 6.06 to 6.16 contain specific information about each of the categories.

6.03 In the FMS, government expenditures are split into 17 expenditure functions. They are described in paragraphs 6.17 to 6.34 of this chapter. Appendix III contains a detailed list of all the revenue sources and expenditure functions of the Canadian FMS. As shown in Text table 4, expenditure functions can be regrouped into three categories.

6.04 The revenue and expenditure structures presented above apply to all government components of the public sector, e.g., institutions that collect taxes and/or other charges and provide government services. In short, the revenue and expenditure structures above apply to the entire public sector, except GBEs.

6.05 During the 1997 historical revision of the CSNA, some components of the revenue and expenditures classification systems were altered. The most significant changes are presented below and a complete list of the changes are shown in Appendix I and in the "1997 historical revision of the CSNA, record of changes in classification of sectors and transactions, concepts and methodology."

Revenue

1. Revenue from fiscal monopolies (liquor and gaming profits) are now considered taxes. They were previously classified under investment income.
2. The category "Privileges, licences and permits" was deleted. Items such as business licences, motor vehicle licences and all local government licences and permits are treated as taxes while most personal paid licences are classified as sales of goods and services.
3. Grants in lieu of taxes, which were treated as transfers are now part of taxes.
4. The category "Natural resource revenue" was deleted. Natural resource royalties are now considered investment income while mining and logging taxes are now allocated to the income taxes category.
5. The tax category "Health and social insurance levies" has been split into two new non-tax categories, namely: "Health insurance premiums" and "Contributions to social insurance plans."

Expenditures

1. The function "Transfers to own enterprises" was deleted. Services previously classified under that heading are now assigned to other functions, as appropriate.
2. A new recreation and culture sub-function called "Broadcasting" was created to include cultural services of the Canadian Broadcasting Corporation (CBC).
3. Evolution in the field of social services has necessitated new sub-groupings of services assigned to the function "Social services."
4. Employer contributions to employee benefit plans (the SLI), the operation and maintenance of government buildings and provision of computer services to various ministries and crown corporations are now assigned to the function to which they relate rather than being totally assigned to the function "General services" per the previous edition of the manual.

Text table 3
Revenue categories¹

Own source revenue	
Tax revenue	Non tax revenue
01.01 Income taxes	01.05 Health insurance premiums
01.02 Consumption taxes	01.06 Contributions to social insurance plans
01.03 Property and related taxes	01.07 Sales of goods and services
01.04 Other taxes	01.08 Investment income
	01.09 Other revenue from own sources
Transfers from other government subsectors	
02 General purpose transfers	
03 Specific purpose transfers	

1. The numbers allocated to revenue categories are those used in other documents, such as the FMS revenue and expenditures classification systems.

5. Grants in lieu of taxes are now functionalized. They were previously considered general purpose transfers.

Revenue

Own source revenue

6.06 Income taxes

- (a) **Personal income tax** – Encompasses general levies on income of individuals and unincorporated businesses as well as special levies on income, such as a surtax that governments charge from time to time. The proceeds from the income tax on capital gains of individuals and unincorporated businesses are included here. Also, refundable personal income tax credits are in this category. Revenue and expenditures are both grossed up by the full amount of the refundable tax credit. A refundable tax credit could be considered as an expenditure program delivered via the tax system. Consequently such a credit reduces the tax liabilities and the portion of the credits remaining, after the tax liabilities are reduced to zero, is refunded to the tax payer. The Ontario sales tax credit represents a good example. Until 1992/1993, the credit was delivered through the budgetary expenditure appropriation called "Sales tax grants to pensioners." After 1992/1993 the Ontario government decided to switch to the income tax mechanism by incorporating the Ontario sales tax credit to deliver the assistance to pensioners.
- (b) **Corporation income tax** – Includes most federal, provincial and territorial taxes on taxable profits of corporations. It also includes special taxes which are occasionally levied on profits of corporations. Corporate Income Tax (CIT) revenues are shown on a gross basis by including the full amount of the CIT refundable tax credits as revenue. An equivalent amount of the refundable tax credit is also shown as an expenditure.
- (c) **Mining and logging taxes** – Accounts for specific taxes which are sometimes levied on profits of natural resource based industries. Also included are refundable tax credits that are grossed up as revenue and expenditures. These taxes were previously classified to natural resource revenue.
- (d) **Taxes on payments to non-residents** – Includes the federal tax withheld at source on payments to non-residents (both individuals and corporations) of dividends, interest, rents, royalties, alimony, managerial fees and amounts arising from trusts and estates as well as withholdings on foreign insurance companies.
- (e) **Other income taxes** – Includes income taxes which cannot be allocated to any of the other categories.

6.07 Consumption taxes

- (a) **General sales tax** – The proceeds of the federal GST and of provincial retail sales taxes are recorded in this category. In April 1996, the federal government reached an agreement with three provinces to harmonize their provincial retail sales taxes with the federal GST (Newfoundland and Labrador, New Brunswick and Nova Scotia). The federal remittances to these provinces for this Harmonized Sales Taxes (HST) are classified under the general sales tax. However, the one time compensation of the federal to the provinces for harmonization is included under general purpose transfers. Where amusement taxes and other specific consumption taxes are reported in the source documents with revenue from the general sales taxes, the proceeds from these specific taxes, e.g., the Ontario amusement tax, are excluded from this category and reported under their appropriate group. Hotel and motel taxes, telecommunications and advertising taxes and the Quebec sales tax on insurance premiums are not part of the general sales tax.

Text table 4 Expenditure functions ¹	
Government expenditure functions	
General government services	11. General government services 12. Protection of persons and property 22. Foreign affairs and international assistance
Community & social services	14. Health 15. Social services 16. Education 21. Housing 18. Environment 19. Recreation and culture 23. Regional planning and development
Economic services and other functions	13. Transportation and communications 17. Resource conservation and industrial development 20. Labour, employment and immigration 24. Research establishments 25. General purpose transfers to other governments 26. Debt charges 27. Other expenditures

1. The numbers allocated to government expenditure functions are those used in other documents, such as the FMS revenue and expenditure classification systems.

- (b) **Alcoholic beverages taxes** – Two sub-groups have been devised:
- (i) **Liquor gallonage taxes** – Encompasses a levy on volume of alcoholic beverages produced.
 - (ii) **Other liquor taxes** – Includes all forms of special levies, excise tax, excise duty or other, imposed on the production and sale of alcoholic beverages. When a general sales tax applies to alcoholic beverages, the related proceeds are classified under the "General sales tax" group. Similarly, customs duties on imported alcoholic beverages are classified under the "Custom duties" heading.
- (c) **Tobacco tax** – Encompasses special levies such as excise tax, excise duty and provincial specific taxes on the production and sale of tobacco products. General sales taxes and customs duties applicable to tobacco products are included under their respective headings.
- (d) **Amusement tax** – Includes tax receipts from admissions to theaters, cinemas, recreational, cultural or other entertainment activities. Taxes levied by provincial and territorial governments on pari-mutuel betting at horse race tracks and on casinos' gaming activities are also included here.
- (e) **Gasoline and motive fuel taxes** – Includes the proceeds of specific taxes on gasoline, on aviation and diesel fuel and on propane or other substances when used as motive fuel.
- (f) **Customs duties** – Applies only to the federal level and take into account the proceeds from levies on commodities imported into Canada such as manufactured goods and food, beverages and tobacco.
- (g) **Remitted liquor profits** – Accounts for total remitted profits of government owned liquor boards. Because government owned liquor boards operate as fiscal monopolies their profits are treated as taxes on products (indirect taxes). They were previously classified as investment income.
- (h) **Remitted gaming profits** – Accounts for total remitted profits of government owned lottery and other gaming corporations. Because government owned lottery and other gaming corporations operate as fiscal monopolies, their profits are considered as taxes on products (indirect taxes). Those amounts were previously classified as investment income.
- (i) **Other consumption taxes** – Three sub-groups have been devised:
- (i) **Air transportation tax** – Accounts for the tax levied by the federal government on the price of air transportation purchased either in Canada or outside the country for the use of air transportation facilities in Canada. This tax was discontinued on November 1, 1998.
 - (ii) **Taxes on meals and hotels** – Includes the proceeds from special taxes on meals and hotel accommodations.

- (iii) **Miscellaneous consumption taxes** – Accounts at the federal level for the yield of special excise levies on jewellery and watches, toilet preparations and an assortment of sundry items and for revenue paid to the federal government from provincial lottery corporations. At the provincial level, it includes the proceeds from special taxes on telecommunications and advertising taxes, computer software, electricity, gas, coal, and fuel oil and on other goods and services as well as the Quebec tax on insurance premiums.

6.08 **Property and related taxes**

(a) **General property taxes**

- (i) **Real property taxes** – In Canada, taxation of real property (land and improvements) is shared by provincial and local governments. The amount shown as revenue from real property taxation by provincial governments is exclusive of amounts collected for and passed on. Local governments' real property taxes include the amount collected for and remitted to local governments as well as the amount they collected themselves. Property owned and occupied by most general governments is exempt from property tax. To compensate a government for the loss of revenue due to the exemption, grants in lieu of taxes are paid by the federal and provincial governments to provincial and local governments levying property taxes. See paragraph 6.08 (a) (iv) below.
- (ii) **Lot levies** – Includes imposts or additional lump sum development charges levied on properties benefiting from local improvements or additional capital facilities. The imposition of these imposts or levies involves an agreement between the developer and the municipality, whereby, the developer is required to pay a levy to the municipality to finance specific services.
- (iii) **Special assessments** – Are levies made by a municipality on a specific group of properties to pay for a service, such as the provision of a sidewalk, supplied to those properties only.
- (iv) **Grants in lieu of taxes** – Includes provincial, territorial and local government revenue from higher levels of government as grants in lieu of property taxes, which are isolated for each level of government concerned. Prior to the 1997 historical revision, this item was classified under general purpose transfers from other levels of government.
- (v) **Miscellaneous general property taxes** – Includes any other general property taxes.

- (b) **Capital taxes** – Includes the taxes levied by federal, provincial and territorial governments on the paid-up capital of corporations.

(c) **Other property-related taxes**

- (i) **Land transfer tax** – Includes the proceeds of levies on the value of property transferred.
- (ii) **Business taxes** – Includes taxes levied on businesses in lieu of, or in addition to, property taxes. Taxes on income or profits of such businesses are classified under income taxes.
- (iii) **Wealth transfer taxes** – Includes succession duties and gift taxes. The federal succession duties and gift taxes were eliminated in 1971 and by mid-1985 all provinces had withdrawn from these fields of taxation. However, governments are still collecting duty related to unsettled cases prior to the taxes being abandoned.
- (iv) **Miscellaneous property-related taxes** – Any other property related taxes.

6.09 **Other taxes** – This category now includes different kinds of licences and permits. During the 1997 historical revision of the CSNA, the FMS adopted the following recommendations of the 1993 SNA:

1. Payments by a household for specific licences such as licences to own or use a vehicle, boat or aircraft, and licences to hunt, shoot or fish are to be treated as taxes. Payments for all type of other licences are to be treated as sales of goods and services.
2. Licences purchased by businesses are to be considered taxes. This "Other taxes" category is divided into four sub-categories:
 - (a) **Payroll taxes** – This revenue sub-category encompasses tax revenues that are collected from employers as a percentage of their payroll. Payroll taxes collected from employees as a percentage of their salaries and wages are classified as personal income taxes. However, those that are designated for social insurance plans are classified as contributions to social insurance plans. In some provinces, the proceeds from these taxes are used to help finance a number of functions while in others they are specifically assigned to health and/or education or to workers training. As of 1998, four provinces were levying a payroll tax, Newfoundland and Labrador, Quebec, Ontario and Manitoba. Employer contributions to CPP, QPP, EI, etc., which to an extent are also based on salaries and wages paid by the employer are found under the category "Contributions to social insurance plans" (see paragraph 6.11).
 - (b) **Motor vehicle licences** – Accounts for the proceeds of registration fees, drivers' licences, permits and other fees relating to the ownership and operation of motor vehicles. These amounts were previously classified to "Privileges, licences, and permits" a category that was eliminated during the 1997 historical revision of the CSNA.

- (c) **Natural resource taxes and licences** – Accounts for the proceeds of taxes levied on private properties and/or production of natural resources. Freehold mineral right tax is classified under this category. This category also includes licence fees paid to be able to conduct activities related to natural resources but excludes activities related to exploration of natural resources.
- (d) **Miscellaneous taxes**
 - (i) **Agricultural insurance premiums** – Includes agricultural insurance premiums levied by most provinces. The proceeds are used specifically to finance crop insurance and farm income stabilization insurance schemes.
 - (ii) **Insurance premium taxes** – Encompasses the proceeds of special taxes levied on gross insurance premium income earned by insurance companies, on life, sickness, accident, fire and other insurance. At the federal level, it includes taxes on certain premiums for insurance contracted outside Canada.
 - (iii) **Hunting and fishing licences, liquor licences and other licences and permits** – Includes licences paid by persons to hunt, shoot or fish; liquor licences to retailers of alcoholic beverages; all business licences other than motor vehicle licences and liquor licences mentioned above. At the local government level, it includes all licences because data limitations prevent any allocation to other revenue categories.
 - (iv) **Business fines and penalties** – Accounts for fines and penalties imposed by tax authorities on overdue taxes by businesses. (See paragraph 6.14 for "Other fines and penalties").
 - (v) **Business donations** – Includes contributions and gifts from businesses.
 - (vi) **Other miscellaneous taxes** – This category brings together the field of taxes not elsewhere specified such as premiums paid by financial corporations to federal and provincial deposit insurance corporations.
- 6.10 **Health and drug insurance premiums** – Includes premiums levied by some provinces and used specifically to finance their hospitalization, medical care and drug insurance programs. This category and the category "Contributions to social insurance plans" described in the next paragraph (6.11) are two new categories resulting from the division of the old category "Health and social insurance levies." To harmonize with the System of National Accounts (SNA), health insurance premiums and contributions to social insurance plans are no longer shown as taxes in the FMS. In the SNA they are presented in separate series.
- 6.11 **Contributions to social insurance plans** – These contributions are broken down into five types of plans. Contributions to social insurance plans are still reported on a gross basis. However, unlike prior to the 1997 historical revision, government's own contributions are not offset against the corresponding revenue of the plans (see Chapter VIII).
 - (a) **Employment Insurance (EI) contributions** – Covers employer and employee contributions toward income maintenance payments under the federal EI program.
 - (b) **Contributions to Workers' Compensation Boards (WCBs)** – Comprises government and non-government employer contributions to provincially-operated workers' compensation schemes. It is worth noting that most general governments act as their own insurers against risks of employee injury in the course of duty and do not contribute to their workers' compensation regular program. However, certain classes of their employees are covered under separate agreement with the boards.
 - (c) **Contributions to non-autonomous pension plans** – Covers employer and employee contributions to non-autonomous pension plans. A non- autonomous pension plan is a plan that is not backed by invested assets. All employer and employee contributions are deposited in the consolidated fund of the government and when pension payments are made, they come out of the consolidated fund. Although the governments do not maintain separate portfolio investments, they do show separate financial statements for the plans. The federal public service superannuation account is considered a non-autonomous pension plan.
 - (d) **Contributions to Canada and Quebec Pension Plans** – This category covers contributions to the CPP by employers and employees outside the province of Quebec and the corresponding contributions to the QPP by employers and employees in Quebec.
 - (e) **Other social insurance plan contributions** – Comprises contributions to social insurance plans not included elsewhere, such as employee contributions to pension plans that are embedded in the budgetary transactions of governments.

Sales of goods and services

- 6.12 As providers of public goods and services, institutions within the government component of the public sector engage in transactions of commercial nature with organizations or individuals in the private sector and with other institutions within the government component. The revenues generated from such transactions are called "Sales of goods and services," are defined as receipts of fees and charges paid in proportion to the cost or distribution of the government goods and services provided to the payer. These revenue sales are broken down into three components, namely:

- (a) **Sales of goods and services to other government sub-sectors** – Includes all sales of goods and services by a government sub-sector to another government sub-sector. For example, the sale of educational services by the provinces and school boards to the federal government or revenue received by provinces from municipalities for provincial police services.
- (b) **Sales of goods and services to own business enterprises** – Includes all sales of goods and services by a government sub-sector to own business enterprises. For example, fees charges to a provincial hydro-electric corporation by its provincial government for guaranteeing its debt.
- (c) **Other sales of goods and services** – Includes all sales of goods and services to persons, businesses, etc. For example, tuition fees charged to students or sale of government statutes to businesses and individuals.

The following is an extensive list of government goods and services sold:

Sales of goods include:

- water, rents on buildings, equipment, etc., land, used buildings, used machinery and equipment, materials and supplies, livestock and animal products, furniture, publications, documents, forms and other printed material

Sales of services include:

- court, and probate fees
- tolls for the use of transportation services and facilities
- concessions and franchises
- fees for the use of dockage or wharfage facilities
- admission fees to government museums, cultural and recreational facilities
- administrative and technical fees (search, certification and registration, assaying, testing and other laboratory fees)
- fees for other services rendered by government officials
- tuitions, correspondence course and examination fees
- amounts charged to patients for services (e.g., private or semi-private accommodations in hospitals and residential care facilities, charges to non-residents of a province, special duty nursing, etc.)
- royalties on books, recordings, films, etc.
- debt guarantee fees charged to government business enterprises, etc.
- sales of natural resources goods and services such as camping fees, crude oil marketing fees, research and mineral analysis fees, etc.
- all personal licences other than licences to own or use vehicles, boats or aircraft and licences to hunt, shoot or fish

The sale and privatization of government business enterprises and government revenue derived from them are not included in this category. Information on such transactions are presented in paragraph 6.13.

6.13 **Investment income** – This category is divided into four sub-categories: natural resource royalties, remitted trading profits, interest income and other investment income.

- (a) **Natural resource royalties** – Includes all royalties on natural resources. Royalties cover leases of land ("Rentals" including rentals and fees, and bonus bids) and royalties paid on extraction. It also includes revenue from the auction of licences for the electro-magnetic spectrum. Prior to the 1997 historical revision the natural resource royalties were included in the "Natural resource revenue" category.
- (b) **Remitted trading profits** – Returns from own enterprises comprise two categories: remitted profits and dividends. Prior to the 1997 historical revision, remittances of profits of provincial liquor boards and lottery and gaming corporations were classified under this category. They are now included in the consumption taxes category [see paragraph 6.07 (g) and (h)]. When a government business enterprise is privatized or when sale of selected facilities of a government business enterprise takes place, the revenue created may be classified in a variety of ways, depending on the nature of the transaction and the entities involved in the transaction.

If a government sells a government business enterprise by disposing of its participation in the capital stock or in other equity of the enterprise, three cases are possible: (1) When the investment is recorded in the government's books, the gain or loss on sale of the securities constitutes a new flow of funds for the government. However, the FMS treats the

value of the gain or loss as a balance sheet adjustment and excludes it from the government revenue. (2) On the other hand, if the investment is recorded on the books of a government business enterprise, the gain or loss on the sale of the investments is classified by the FMS as a revenue (investment income) of the enterprise and the remittances of such gain to the government are considered as government revenue and classified as "Remitted trading profits" under the "Investment income" category. (3) In the case where a production plant or a productive division (a physical asset) of a government owned business enterprise is sold, the gain or loss on the sale of the fixed assets represents a new flow of funds for the government business enterprise but the FMS treats this gain or loss as a balance sheet adjustment and excludes it from the enterprise revenue. However, the remittances of such gain to the government (dividends paid the parent government) are considered by the FMS, as government revenue and classified as "Remitted trading profits" under the "Investment income" category.

- (c) **Interest income** – Includes interest received on loans and investments as well as interest on overdue taxes. Interest received by non-autonomous pension plans on the amount of debt the government is obligated to pay them, are also included here. Based on the FMS practice of showing revenue and expenditures on the gross basis of accounting, interest recovered from crown agencies and other public organizations are included in this category with an equivalent amount shown as interest on public debt on the expenditures side.
- (d) **Other investment income** – Consists of other return on investment not classified elsewhere. Prior to the 1997 historical revision, other investment income included gains or losses on foreign exchange transactions and gains or losses on sale of securities. Those gains or losses are no longer included in any revenue category. They are now part of the financing accounts.

6.14 **Other revenue from own sources**

- (a) **Other fines and penalties** – Comprises personal paid fines and penalties arising from infractions of laws, by-laws and ordinances, whether civil or criminal.
- (b) **Capital transfers from own sources** – Includes cancellation of a liability by a creditor or similar transactions that reduce net debt of the recipient.
- (c) **Other donations** – Includes revenue from fund-raising campaigns and other donations in cash or securities from individuals, businesses, etc.
- (d) **Miscellaneous revenue from own sources** – Provides for revenue not elsewhere classified such as indemnities and recoveries under insurance policies, gifts, contributions from private sources, escheat and forfeitures of election deposits, as well as adjustments resulting from consolidation of two or more components of the public sector (see paragraph 8.05). The gains of the federal government on bullion are also reported here. Prior to the 1997 historical revision, seigniorage were also included in this category. Seigniorage is now excluded from the revenue because it is treated as a liability of the government.

Transfers

General purpose transfers from other government sub-sectors

- 6.15 General purpose transfers are broken down by level of government from which the transfers originate. Transfers from the federal government are compiled as follows:
 - (a) **General purpose capital transfers from federal government** – Includes cancellation of a liability by the federal government or similar transactions that increase the saving of the recipients. Transfers of land or buildings, are not included here, because no payments or receipts occur.
 - (b) **Statutory subsidies** – Includes provincial government revenue received in accordance with the Constitution Act and certain other legislation. The purpose of the program is to provide a source of revenue to the provinces, to compensate provinces for revenues lost on joining Confederation; and to support provincial and territorial governments and legislatures.
 - (c) **Shares of federal taxes on preferred share dividends and on income of certain public utilities** – Since 1990/1991 the federal government shares with the provinces and territories the proceeds from the net taxes that it collects with respect to preferred share dividends paid by corporations. The proceeds are included here. The federal-provincial agreement on sharing the proceeds from the income tax on certain public utilities was discontinued in 1995/1996 but transitional payments to the provinces and territories will continue until 1999/2000.
 - (d) **Tax revenue guarantees** – Represents money given to the provinces under the terms of the Federal-provincial tax revenue guarantee agreement. Under this agreement, the federal government provides a guarantee that the provinces would not suffer a loss of revenue if they adopted their personal income tax acts modeled on the federal tax acts.
 - (e) **Equalization** – Identifies transfers received from the federal government to reduce inter-provincial disparities in per capita fiscal capacity and to bring less endowed provinces up to a specified standards.

- (f) **Canada Health and Social Transfer (CHST)** – Includes payments received under the CHST program which was introduced in 1996/1997. It replaced transfers to the provinces and territories under the Established Programs Financing (EPF) and CAP arrangements. The amounts for the CHST reported by the FMS, are net of the tax abatement (13.5 personal income tax points) allowed in Quebec since 1965.
- (g) **Canada Social Transfer (CST)** – Includes payments under the CST program which was introduced in 2004/2005. The CHST was replaced by the CST and the Canada Health Transfer (CHT) beginning April 1, 2004.
- (h) **Reciprocal taxation** – The reciprocal taxation agreements were nullified by the goods and services tax (GST) legislation, effective January 1, 1991. Provincial governments are not subject to the GST on their purchases, and the federal government is exempt from provincial retail sales taxes. However, eight provinces and the federal government have agreed to pay each other's specific commodity taxes, (e.g., gasoline, tobacco and alcohol taxes) and signed an agreement to waive their right to a refund.
- (i) **Stabilization** – Represents transfers received from the federal government to protect provincial governments from precipitous declines in revenue.
- (j) **Other general purpose transfers from federal government** – Consists of items not classified elsewhere. This includes:
- (i) Transfers from the federal government to territorial governments under the terms of the TFF. This transfer enables territorial governments to provide a range of public services to their residents that are similar to that offered by provincial governments elsewhere. The new agreements that came into effect on April 1, 1999, cover Nunavut, Northwest Territories and Yukon.
 - (ii) The offshore offset payments from the federal government to the provinces under various federal-provincial offshore development agreements.
 - (iii) The one time federal compensation to provinces for their losses of revenue resulting from the harmonization of their retail sales tax with the federal GST.
 - (iv) Any other general purpose transfers from the federal government. At the federal level, it includes amounts equivalent to the proceeds of the 3.0 personal income tax points (granted to Quebec under the Youth Allowances Program). Because the program was abolished, Quebec returns the proceeds of the above tax points to the federal government. The federal-provincial fiscal arrangements are also discussed in paragraphs 5.30 to 5.38.

Specific purpose transfers from other government sub-sectors

- 6.16 Specific purpose transfers are broken down by level of government from which the transfers originate. This group covers transfers that must be applied to particular activities such as: federal transfers to provinces for the improvement of certain highways; provincial transfers to municipalities for sewage and refuse disposal; provincial transfers to education and health institutions to help them finance their operations.

Expenditures

- 6.17 The FMS classifies government expenditures by function. There are 17 functions and 73 sub-functions to which expenditures are allocated in the FMS (see Annex III). An expenditure function is defined as a classification that identifies the principal purpose for which an expenditure is made rather than the activity involved. The following examples illustrate this definition:
- (a) Expenditures on the transport of pupils to and from school are classified as "Education" and not "Transportation"; because the main purpose of the expenditures are to permit pupils to receive educational services.
 - (b) In general, government transfers to universities are of two kinds: transfers for operating and capital expenditures and transfers for research. In the first case, transfers for operations and capital formation are classified to "Education" because the principal purpose of the transfers is to enable universities to provide educational services. In the second case, transfers for research are classified according to the purpose for which research and investigation are made. If the research grants are used by university researchers to improve existing or develop new hospital equipment, the transfer payments are classified to "Health" and not "Education." On the other hand, if the research is devoted to improve methods of instruction, the transfer payments are classified to "Education."
- 6.18 **General government services** – This classification comprises of three sub-functions. They are:
- (a) **Executive and legislature** – Covers identifiable expenditures pertaining to the constitutional, political and law enactment aspects of government activity. At the federal, provincial and territorial levels it includes outlays relating to the governor-general and lieutenant-governors, prime ministers and premiers, cabinet ministers and members of legislative assemblies and their staffs; to the construction, repair, maintenance and upkeep of official residences and legislative building; to elections, referendums and revisions of statutes. At the local level it includes all corresponding expenditure items in respect of elected and appointed officials and their staffs.

- (b) **General administration** – Includes all expenditures on administration that cannot be allocated to more specific functions. It includes outlays for central accounting, auditing, budgeting and staffing; for tax administration and collection, for the administrative costs of servicing the public debt. Prior to the 1997 historical revision, operation and maintenance of government buildings and provision of computer services were included in this sub-function. They are now assigned to the function to which they relate.
- (c) **Other general government services** – Includes expenditures of a general nature which cannot be allocated to the other sub-functions. Included are those in respect of central statistical organizations, intergovernment services, conventions, delegations and public receptions, general accident and damage claims, fire and public liability insurance, court litigations, planning costs for the establishment of a new provincial or territorial government and general purpose grants to organizations and individuals which cannot be more specifically allocated.

Prior to the 1997 historical revision, the government contributions as an employer to employee pension plans were classified to the sub-function "Contributions to pension plans not operated by government and payments under government operated pension plans." Because they are now assigned to the function to which they relate, this sub-function was deleted.

6.19 **Protection of persons and property** – Includes outlays for services provided to ensure the security of persons and property. Protection extends beyond safeguard from external aggression and criminal action; it includes measures to protect the individual from negligence and abuse, and activities to ensure the orderly transaction of affairs of the community. The category is broken down into the following seven sub-functions:

- (a) **National defence** – Includes outlays for the armed forces and military bases and installations; it also covers expenditures related to defence research, military hospitals and colleges and schools located on military bases.
- (b) **Courts of law** – Includes outlays pertaining to the judicial system including the Supreme Court of Canada, Federal Court of Canada, Tax Court of Canada, provincial superior courts which include both a court of general trial jurisdiction and a provincial court of appeal, provincial courts that deal with a broad range of criminal matters, litigation in the area of family law and the civil litigation in which the amount at issue is relatively small. The expenditures of the administrative tribunals which are an integral component of the judicial system are also included. These tribunals deal with labour relations, individual claims of discrimination in areas like employment, housing and access to services and facilities customarily available to the public. This sub-function also includes any expenditures concerning prosecuting, such as outlays for attorneys, coroners, witnesses, jurors, court interpreters and premises used in the judicial process.
- (c) **Correction and rehabilitation services** – Consists of outlays in respect of the incarceration and rehabilitation of individuals convicted of criminal action and sentenced to terms in penitentiaries, jails and other detention establishments. This sub-function also covers expenditures for probation services.
- (d) **Policing** – Includes outlays pertaining to the maintenance of law and order. It comprises expenditures for the establishment, training, operation, maintenance and equipment of police forces; specialized training establishments; transportation, communication and laboratory equipment, as well as weapons and related equipment. It also accounts for expenditures for the purchase of police services from other governments or private agencies, for the custody and detention of arrested persons pending their release on bail or appearance before court of law and for expenditures on forensic science.
- (e) **Firefighting** – Provides for outlays pertaining to the prevention, investigation and extinction of fire, to fire investigation officers, to fire fighting forces, to specialized training establishments, to fire trucks and fire fighting equipment. It also takes into account expenditures on the purchase of firefighting services from other governments or non-government sources.
- (f) **Regulatory measures** – Includes outlays for a wide array of services provided specifically to ensure that the public interest objectives are achieved. Under the sub-function "Regulatory measures" are recorded outlays pertaining to trusteeship services; ombudsmen and adjudicator or referee services; protection of borrowers, consumers and investors; commercial standards and business practices; superintendents of insurance; rent control; human rights; regulation of profession; film censorship; motor vehicle driver licences and highway safety; industrial accident prevention; liquor licensing boards; the registry of land titles; the inspection of buildings; electrical systems, plumbing and gas installations and other systems likely to give rise to safety problems. However, where the purpose of the program is to protect or to foster a particular industry or activity, the cost is classified under the same function as the industry or activity to which it relates. For example, the federal government outlays pertaining to the Canadian Radio-television and Telecommunications Commission (CRTC) are classified under the sub-function "Telecommunications."
- (g) **Other protection of persons and property** – Includes outlays for special actions taken to cope with emergency situations and expenditures for permanent organizations established to deal with such contingencies [e.g., the rescue operations of the Canadian Coast Guard (CCG)]. It also includes expenditures on animal and pest control services and on activities of a protection nature not covered by the other sub-functions.

6.20 **Transportation and communications** – This category is divided into seven sub-functions which cover outlays for all phases of the acquisition, construction, operation and maintenance of the relevant transportation and communications facilities and equipment as well as expenditures pertaining to related engineering and technical surveys. This function now includes the government transfers to own business enterprises engaged in the transportation activities, especially public transit and

railway services which were previously included in the ex-function "Transfers to own enterprises." With the establishment of the Canada Post Corporation in 1981 and the inclusion of the corporation into the government business enterprises universe of the public sector, the operations of the postal services ceased to be classified as government expenditures in the FMS. Consequently, the sub-function "Postal services" was deleted. In addition to these general outlays, each sub-function accounts for particular expenditures as follows:

- (a) **Air transport** – At the federal level, this sub-function reflects expenditures for navigational, air traffic (i.e., transition period payments to NAV Canada) and other related services, operating subsidy payments to regional air carriers and municipal airports, grants to flying clubs and payments for international air navigational services. At the provincial level, it includes assistance to aviation industry, municipal airports and other related services. At the local level, it includes outlays related to municipal airports.
- (b) **Road transport** – Takes into account expenditures on highways, secondary roads, roads to resource areas, boulevards, avenues and streets together with related storm sewers (where separated from sanitary sewers). Expenditures on bridges, over and underpasses and road tunnels incorporated in highways, etc., are also included as well as those ferries, usually operated by highway departments, which form integral parts of road systems. Such ferries are distinguished from major lake and seagoing vessels and their supporting operations which, if not classified as enterprises, are assigned to the sub-function "Water transport." The category also includes the costs of removing snow, debris, leaves and other deposits as well as street lighting, surface sanding and flushing, expenses pertaining to traffic control and parking facilities.
- (c) **Public transit** – Provides for expenditures on planning and research related to public transit systems. Capital and operating subsidies to public transit systems (including rail systems) are included here.
- (d) **Rail transport** – Accounts for expenditures on development, implementation and monitoring of policies and programs related to railway network rationalization and effectiveness. It also includes payments for railway relocation, contributions to railway passenger services infrastructure and to freight movements in certain geographical regions as well as grants for operations of railway facilities to resource areas.
- (e) **Water transport** – Includes expenditures on development, maintenance, operation and control of navigational channels, canals, harbor and wharf facilities, ferries that do not form integral part of road systems, landings and other marine facilities. It also includes the costs of the icebreaking operations of the CCG and certain northern transportation services.
- (f) **Pipelines** – Covers expenditures on the operation, construction, use and maintenance of pipeline as well as grants and contributions to support the operation, construction and maintenance of pipeline systems.
- (g) **Telecommunications** – Includes disbursements for research, planning, coordinating and controlling the development of telecommunication requirements, both domestic and international. Operating expenditures of the CRTC, and other communication systems are also part of this category.
- (h) **Other transportation and communications** – Includes outlays which, although allocated to "Transportation and communications," cannot be further identified as to sub-function or which overlap several sub-functions.

6.21 **Health** – Includes expenditures made to ensure that necessary health services are available to all citizens. Residential care facilities and other health and social services institutions providing medical care and professional nursing supervision are considered as institutions providing health services while those providing room and board with no or limited medical care and nursing supervision are considered as institutions providing social services (see also paragraph 6.22). Also included are expenditures of hospitals' ancillary enterprises, i.e., entities that exist to provide goods and services to patients, staff and others (food services, parking, etc.). This function is composed of four sub-functions.

- (a) **Hospital care** – Covers outlays in respect of all kinds of hospital services, i.e., those provided by general hospitals, public health clinics, as well as by acute disease, chronic disease, convalescent, isolation and mental hospitals. It also includes expenditures pertaining to nursing schools attached to hospitals. Where nursing schools come under the responsibility of the Department of Education, the related expenditures are allocated to the sub-function "Education – post-secondary." Expenditures of all hospitals (private, public, religious, etc.) are included except for national defence and veterans hospitals whose costs are allocated to the "National defence" and "Veterans benefits" sub-functions respectively.
- (b) **Medical care** – Comprises outlays in respect of general medical care and drug programs as well as outlays incurred for dental and visiting-nurse services and on out-patient care services. It also includes outlays for medical care provided by hospitals, public residential care facilities, WCBs and other public health and social service institutions. Transfers to private residential care facilities and other health and social service institutions to help them finance their medical care activities are included here.
- (c) **Preventive care** – Consists of a wide variety of outlays which are intended to prevent the occurrence of diseases and to mitigate their effect. It covers public health clinics; communicable disease control services, including immunization, treatment, isolation and quarantine outside hospital premises; food and drug inspection services; hospitals which offer preventive services to patients; government establishments (not located in hospitals, e.g., residential care facilities and other health and social services institutions) providing nursing, hygiene and nutrition advisory services, and government

organizations conducting research on the causes and consequences of particular diseases or addictions. Also included are transfers to private facilities providing preventive care, such as private residential care facilities.

- (d) **Other health services** – Includes outlays on clinics for the treatment of retarded or emotionally disturbed persons and on laboratory and diagnostic services, grants to health-oriented organizations, and expenditures on other health-related services such as health department administration, health statistics, staff training and other services of health establishments (e.g., hospitals and other health and social service institutions), ambulance services, medical rehabilitation and indemnities to injured persons and their dependants which cannot be allocated to the other sub-functions. Also included are outlays on protection of health and health inspection, and expenditures of ancillary enterprises of health and social services institutions. Included are the Canada Health Transfer (CHT) payments.

6.22 **Social services** – Covers actions taken by a government, either alone or in co-operation with the citizenry, to offset or to forestall situations where the well-being of individuals or families is threatened by circumstances beyond their control. It goes beyond the concept of welfare which covers assistance (transfers) and services to individuals who are so disadvantaged that the universal social security services are inadequate to provide for their well-being or who fail to qualify for support from those services. The function comprises the following six sub-functions:

- (a) **Social assistance** – Consists of transfer payments, including refundable tax credits, to help individuals and families maintain a socially acceptable level of earnings. Although the workers' compensation benefits, pension plan benefits, veteran's benefits and motor vehicle accident compensations, are considered a form of income assistance, they are reported in separate sub-function (see b, c, d and e below). This sub-function comprises the following programs: the general welfare payments to disadvantaged individuals, the refundable tax credits and rebates for low-and-middle income individuals or families (which are used more and more as instruments of social policy to offset taxation of the elderly and disadvantaged i.e., property and sales tax credits), outlays relating to contributory plans such as the CPP and QPP, and non-contributory plans, such as Old Age Security (including the guaranteed income supplement), family allowance payments and child tax benefits made under federal, provincial and territorial government programs, the employment insurance benefits, the rent supplement, the spouse's allowances and the blind and disabled persons allowances. The administration costs related to those programs are also included.
- (b) **Workers' compensation benefits** – Includes expenditures on administration and benefits, other than rehabilitation and medical care, related to workers' compensation schemes.
- (c) **Pension plan benefits and other expenditures** – Accounts for the following transactions:
- (i) Pensions and other benefits paid under pension schemes that are embedded in the government's budgetary framework (pay as you go plans) such as the Public Service Superannuation Plan of Saskatchewan.
 - (ii) Pension and other benefits paid under the non-autonomous pension schemes, i.e., plans that have full separate accounts within the Consolidated Revenue Fund but are not separate institutional units such as the federal public service superannuation account.
 - (iii) The change in equity of households is the difference between the sum of employee/employer contributions to non-autonomous pension plans plus the investment income of the plans and the benefits paid for the period. The difference is considered household claims on government.
- (d) **Veterans benefits** – Includes pensions, allowances, as well as administrative costs and grants. It also includes outlays pertaining to the administration of veterans' hospitals, to the provision of medical supplies and prosthetic appliances, to the provision of medical, educational and social welfare services and to the forgiveness of loans under the Veterans' Land Act.
- (e) **Motor vehicle accident compensations** – Includes compensations paid to victims of bodily injuries provided for by government automobile insurance plans.
- (f) **Other social services** – Accounts for expenses related to the provision of services to old age, to persons who are unable to lead a normal life due to a physical or mental impairment, to persons temporarily unable to work due to sickness, to households with dependent children, to persons who are survivors of a deceased person (spouse, children, etc.) and to other needy persons. It also includes direct expenditures of public institutions (hospitals, residential care facilities, other health and social services institutions) providing social services and transfers to private organizations (e.g., residential care facilities) providing similar services.

Examples of services mentioned above include the operations of specialized institutions (i.e., residential care facilities) that provide lodging and board to elderly persons, children and families; provision of legal aid; home care services; transport services; services and goods provided to elderly, disabled and survivors to enable them to participate in leisure and cultural and social activities; counseling services; nursery and daycare services; essential goods such as food, clothing, fuel, etc.; rehabilitation services (for alcohol, drug, etc.) and other similar services.

6.23 **Education** – Includes the costs of developing, improving and operating educational systems and the provision of specific education services. Also included are expenditures of colleges and universities' ancillary enterprises, i.e., entities providing

goods and services to students, staff and others (bookstores, food services, residences, parking). It is sub-divided into the following four sub-functions:

- (a) **Elementary and secondary education** – Encompasses outlays for educational services from kindergarten to senior matriculation. It also includes expenditures for technical and vocational training which is provided separately at the secondary school level as well as expenditures for general administration and maintenance of standards, contributions of governments, as employers, to teachers pension plans, support to students, the construction of buildings and the operation of education programs. Also included are expenses for pupil transportation, and for text books, electronics, equipment and supplies used in the education process. Expenditures of schools for the handicapped, schools for Indians and Inuit and transfers to private elementary and secondary schools come are part of this sub-function.
- (b) **Post-secondary education** – Refers to the kind of education generally obtained in universities or in degree and non-degree granting community colleges and specialized educational institutions. Included in these colleges and institutions are teachers' colleges, advanced technical institutes and junior colleges, Collèges d'enseignement général et professionnel (CEGEPs), music conservatories and schools specializing in the instruction and training of artists, and nursing education provided by universities and colleges. This category includes the transfers or direct expenditures for the operations of universities, colleges and institutions providing this kind of education. Also included are bursaries, scholarships and other types of financial assistance to students (loan forgiveness, interest relief, etc.) as well as refundable learning tax credits. Federal government contributions to registered education savings plans are classified here. The particular types of expenditures covered by the sub-function are essentially similar to those referred to in connection with the sub-function "Elementary and secondary."
- (c) **Special retraining services** – Comprises outlays made for the purpose of up-grading the skills of individuals. It includes the cost of courses provided under the Federal Manpower Training Program and the new Labor Market Development Agreement, the purchases of on-the-job training for unemployed insurance recipients, cash allowances or subsidies to workers and persons available for work undergoing training, tax credits intended to encourage systematic employee training by corporations and other similar services. Police training is excluded as it is classified under "Protection of persons and property."
- (d) **Other education** – Covers outlays that either overlap or cannot be allocated to the other sub-functions. It includes the general administration expenses of departments of education, the costs of statistical and research activities pertaining to education and the expenses of apprenticeship training. Payments made by one government to another or to the private sector to encourage proficiency in the official languages are also included, as are costs of special instructional arrangements such as evening classes and correspondence courses. Expenditures of ancillary enterprises of colleges and universities, e.g., bookstores and cafeterias, are included here.

6.24 **Resource conservation and industrial development** – This function includes a wide array of services related to the conservation and development of natural resources and the development and promotion of industries. This function has nine sub-functions:

- (a) **Agriculture** – Covers outlays for drainage and irrigation of farm land; agricultural research and development; agricultural protection and quality control; inspection and veterinary care of farm animals; weed and agricultural product pest control; control, regulation, promotion and marketing of farm production; bonuses, subsidies and tax credits in support of farm production; grants to agriculture and farm-oriented organizations, and soil survey and conservation.
- (b) **Fish and game** – Includes outlays for research in fish and wildlife pathology, control and regulation of fishing and hunting activities, promotion and marketing of sea foods and animal furs, conservation and rehabilitation of fish and game stocks, and financial assistance to commercial fishermen and hunters. Some of the outlays allocated here, such as the remuneration of fish and game wardens, might also be recorded under "recreation and culture – recreation" (see paragraph 6.26 below); in instances of this kind of overlap, however, priority is given to the "fish and game" sub-function.
- (c) **Oil and gas** – Covers outlays for the control and regulation of oil and gas exploration and development, geological and mineralogical survey and research, construction of oil and gas field roads, promotion of oil and gas products, special instruction courses pertaining to oil and gas activities. Outlays incurred by the National Energy Board are included here.
- (d) **Forestry** – Embraces expenditures for the inspection and survey of forest resources, forest ranging and fire control; research into the causes, prevention and cure of tree diseases; construction of logging roads; measurement of forest products; promotion and marketing of forest products; reforestation and grants to forestry-oriented organizations.
- (e) **Mining** – Includes outlays for the control and regulation of mining exploration and development, geological and mineralogical survey and research, mineral testing and assaying, construction of mining roads, promotion of mining products, bonuses, subsidies and tax credits in support of mining activities and special instruction courses pertaining to mining activities.
- (f) **Water power** – Covers expenditures for hydraulic research and survey, control and regulation of dams and other water storage facilities, promotion and planning of hydraulic power installations and flood control measures.
- (g) **Tourism promotion** – Accounts for spending in respect of tourist bureaus, camping sites outside public parks, the improvement and expansion of hotel facilities and the promotion of tourism. It also includes outlays for assistance to convention centres.

- (h) **Trade and industry**—Accounts for expenditures on the promotion, protection and development of general industrial and commercial activities. It includes the expenses of departments or agencies established to serve such purposes as well as grants, subsidies and refundable tax credits made to business concerns to foster them. Examples of services rendered to industries by general government bodies are research in developing industrial products, processes and equipment; technical support for the industrial, scientific and technical development; development and maintenance of industrial parks; registry of companies and other similar services.
- (i) **Other resource conservation and industrial development**—Includes expenditures of a general nature on resource conservation and industrial development and, in particular, the administration expenses of government departments entrusted with responsibilities that straddle more than one sub-function—i.e., the ministries of natural resources' contributions to employee benefits plans which, because of data limitations, cannot be allocated to the other sub-functions.

6.25 **Environment** – While certain components of this function are similar to some sub-functions of "Protection of persons and property" and others with sub-function of "Health," they are grouped in this function through their common aim of ensuring the most favorable environment for people and of minimizing the deleterious effects of modern living on that environment. There are four sub-functions:

- (a) **Water purification and supply, sewage collection and disposal**—Covers outlays for the construction, operation and maintenance of water acquisition, treatment and distribution facilities, of sewage removal and treatment facilities including expenditures on sanitary sewers and combined sanitary-storm sewers (separate storm sewers are classified under "Transportation and communications – Roads," see paragraph 6.20), booster stations, reclamation of sludge areas, and on inspection, cleaning and flushing of sewers. It also covers grants and subsidies in aid of research in this field.
- (b) **Garbage and waste collection and disposal**—Includes outlays for these services as well as expenditures for incinerators, nuisance grounds or dumps for garbage and for waste disposal purposes. Recycling operations are included here.
- (c) **Pollution control**—Provides for expenditures on the prevention of pollution and on obviating its detrimental effects on the environment, but only where such expenditures cannot be allocated to a more specific sub-function, e.g., "Garbage collection and disposal," "Fish and game," or "Recreation," etc. This sub-function accounts for outlays on general research and control activities; it includes grants and subsidies toward the development and use of anti-pollution devices and toward undertakings designed to restore or maintain a healthy environment.
- (d) **Other environmental services** – Encompasses miscellaneous expenditures relating to the "Environment" function which cannot be identified with any specific sub-function or which applies to several sub-functions, e.g., the administrative expenditures of a department of the environment or a government agency engaged in environment activities.

6.26 **Recreation and culture** – The purpose of this function is to portray government participation in the field of leisure either through developing, improving or operating leisure facilities or through assistance payments to individuals and private organizations engaged in promoting leisure activities. The principal sub-functions are "Recreation," and "Culture." These sub-functions, however, are not mutually exclusive; frequently a given set of installations serves both recreation and culture ends. In such cases expenditures are allocated to the sub-function relating to major or predominant use made of the installations. The particular sub-functions are as follows:

- (a) **Recreation** – Is concerned with the provision of sporting and recreational services. It includes outlays on stadiums, community centers, swimming pools, beaches, marinas, golf courses, skating rinks and arenas, amusement parks, exhibition grounds, parks and playgrounds. While expenditures on parks can be a "Resource conservation" function, such expenditures are classified as "Recreation" because of the association of these parks with leisure activity.
- (b) **Culture** – Covers outlays on archives, historic sites, art galleries, museums, libraries, centers for the performing arts, zoos, aquariums, aviaries and planetariums.
- (c) **Broadcasting**—Covers outlays for management, operation and support of broadcasting services associated with education and culture. Because CBC and the provincial and territorial government broadcasting agencies provide education and cultural programming, their activities are included in this sub-function.
- (d) **Other recreation and culture**—Encompasses administrative expenditures of departments and agencies with activities spanning both recreation and culture as well as expenditures on cinematography, amateur sport and miscellaneous services related to recreation and culture. This category includes the video and film production refundable tax credits which are also considered as expenditures within the FMS. (see paragraph 5.09).

6.27 **Labour, employment and immigration** – This function includes outlays related to the development and promotion of labour relations and fair employment conditions, as well as to various immigration programs. The function has three sub-functions:

- (a) **Labour and employment** – Provides for expenditures for labour market research and matters pertaining to employer and employee relations, including the promotion of improved working conditions and the provision of arbitration and conciliation services in collective bargaining. It also covers the expenditures of employment agencies or institutions as well as that pertaining to the application of employment standards and minimum wage laws.

- (b) **Immigration** – Takes account of expenditures on the promotion of immigration, on assistance to immigrants as well as outlays incurred in controlling the entry of individuals into the country.
- (c) **Other labour, employment and immigration** – Includes the administration expenditures of government departments or agencies whose activities straddle the "Labour and employment" and "Immigration" sub-functions. It also includes expenditures for the registration of citizens and the promotion of citizenship-oriented activities.
- 6.28 **Housing** – This function now includes all government outlays on housing with the exception of transfers to individuals made to help alleviate their current rental cost (rent supplement) which are allocated to the sub-function "Social assistance" (see paragraph 6.22 above). It also covers the expenditures of Canada Mortgage and Housing Corporation (CMHC) (which for its housing operations is considered to be a special fund of the federal government) and provincial housing authorities which, prior to the 1997 historical revision, were classified as government business enterprises. The function "Housing" has three sub-functions:
- (a) **Housing operations** – Covers expenditures on additions to and renovation or improvement of the stock of housing which it owns, on the operations and maintenance of rental housing owned by government and on research, general administration and other activities related to housing operations.
- (b) **Housing assistance** – Includes transfers to individuals, groups, corporations and other governments (and their special funds) to assist in providing additions to the existing stocks of housing not owned by the transferring government or to renovate or improve that stocks, to owners of rental accommodation to enable them to provide housing at less than market rates, to qualified persons to assist them to buy homes. It also accounts for other forms of assistance related to housing.
- (c) **Other housing** – Covers outlays that either overlap or cannot be allocated to the other sub-functions.
- 6.29 **Foreign affairs and international assistance** – Provides for expenditures pertaining to the formal relations of Canada with other sovereign states. It accounts for contributions made to foster economic development and to improve social conditions in foreign lands, e.g., the expenditures of the Canadian International Development Agency. Expenditures on trade or immigration promotion abroad and cultural exchange with foreign countries are respectively classified under "Trade and industry," "Immigration" and "Culture."
- 6.30 **Regional planning and development** – Covers expenditures related to community and region development affairs and services. There are three sub-functions under this function:
- (a) **Planning and zoning** – Includes expenditures of planning boards, on research and planning, official plans and the operations of departments and agencies entrusted with matters relating to planning and zoning.
- (b) **Community and regional development** – Accounts for expenditures of departments, agencies and urban communities engaged in urban renewal projects, beautification and land rehabilitation, general land assembly as well as other expenditures specifically related to community and regional development and assistance, e.g., the National Capital Commission, the provincial regional development corporations' expenditures and land claim settlements.
- (c) **Other regional planning and development** – Covers all expenditures which cannot be specifically attributed, such as expenditures for the establishment of standard municipal assessment procedures, approval of municipal budgets and administration of assistance for municipal financing.
- 6.31 **Research establishments** – This function provides for expenditures pertaining to organizations like the National Research Council of Canada and certain provincial research establishments whose prime purpose is pure or applied scientific research and the promotion of developments resulting from such activities. Also included are grants to individuals and non-government establishments engaged in similar types of research as well as refundable tax credits for research and development. It does not cover the expenditures of the Medical Research Council which is allocated to the function "Health."
- 6.32 **General purpose transfers to other government sub-sectors** – As in the case of revenue, intergovernment transfers are classified and specified by the level of government providing the money. The main federal general purpose transfers paid are described in paragraph 6.15. Transfers paid in lieu of property taxes, which prior to the 1997 historical revision, were reported under this caption, are now functionalized. Included in this function is the CHST program which has replaced the EPF and CAP transfers previously classified as specific purpose transfers. Effective April 1, 2004 the CHST was restructured into two new transfers. The CHST was apportioned between the Canada Health Transfer (CHT), supporting provincial and territorial health programs and the Canada Social Transfer (CST), supporting post-secondary education and social programs, including early childhood development and early learning and child care services. The CST is classified as a general purpose transfer while the CHT is classified under the health sub-function "Other health services." Also included is Quebec's transfer to the federal government of the proceeds of the 3.0 personal income tax points granted to Quebec under the old Youth Allowances Program. Specific purpose transfers are not included here. Because they are made on the condition that the recipient carries out specific programs, they are included in the related expenditures function.
- 6.33 **Debt charges** – This category is sub-divided into "Interest" and "Other debt charges." It excludes debt retirement as well as realized and unrealized gains and losses on foreign exchange which are now classified as part of the financing account, and not considered as expenditures.

(a) **Interest** – Includes interest paid in respect of:

- (i) Bank overdrafts, loans and advances, certificates of deposits, bonds and debentures, mortgages, notes.
- (ii) Liabilities to non-autonomous pension plans, e.g., the federal government liabilities to Public Service and Canadian Forces Superannuation Accounts.
- (iii) Other forms of borrowing.

(b) **Other debt charges** – Covers commissions and other charges on sale of securities, net discounts (or the amount thereof amortized) on sale of securities, net premiums (or the amount thereof amortized) on purchase of securities, bank service charges, and other charges pertaining to the servicing of the public debt excluding administrative costs which are classified under "General government services."

6.34 **Other expenditures** – This category provides for expenditures which cannot be allocated to any of the other functions. It is occasionally used in the estimate cycles to include contingency reserves which are there mainly to handle unforeseen changes in the economy. It also includes the balancing adjustments as a result of consolidating components of the public sector. See paragraph 8.05 for details on these consolidation balancing adjustments.

Chapter VII

Government assets and liabilities and source and application of funds

Introduction

7.01 The unification convention, described in paragraph 5.02, and the acceptance of the supplier's basis of accounting, as set out in paragraph 4.05, is of special importance in the application of the FMS to the balance sheet and the statement of source and application of funds. As is the case with revenue and expenditure, the unification convention requires the FMS: to ignore the demarcations between a government and its special funds (boards, agencies and commissions other than GBEs); to consolidate the assets and liabilities in the various sets of accounts of a government and its special funds into a single set of unduplicated data for that government.

The acceptance of the supplier's basis of accounting, which, almost invariably, is some form of the modified cash or accrual basis, is due to a lack of information on which to adjust data to a common basis. Nevertheless, some modifications are made to the supplier's data, particularly in the area of assets and liabilities. For example, most local governments still include fixed assets in their balance sheets and some of these governments also include inventories.

At the local government level the treatment of fixed assets is an outcome of the method of recording debt. Since debentures can only be issued to acquire fixed assets, the resulting purchases are equated with the debt incurred; repayments of the latter result in either a corresponding reduction in fixed assets or an increase in capital surplus. At the provincial level, fixed asset values, where recorded on the balance sheet are less directly related to debt issues; normally such values are set at historic cost. At the federal level, fixed asset values were first recorded on the public accounts balance sheet at March 31, 2003 with the implementation of full accrual accounting. Thus, to achieve consistency for purposes of the FMS, the cost of acquiring fixed assets is treated as expenditure at the time of acquisition and is allocated to the appropriate function. Inventories are treated similarly to achieve consistency among all governments.

7.02 To complete the conversion of government balance sheet data into statistics of financial assets and liabilities, the FMS embodies a number of other conventions, not all of which are universally employed in government accounting. Some examples are following:

- a) Financial assets and liabilities are reported gross, i.e., any netting by government of financial assets against liabilities (or vice versa) is nullified. For example, governments often establish sinking funds consisting of financial assets set aside for the payments of existing liabilities at their maturities. These sinking fund assets, which are commonly deducted from outstanding debt in government financial statements, are included as financial assets in FMS statistics while outstanding debt is reported at the gross amount.

The issue of securities by the government and the purchase of them by one of its investment funds are not netted against government gross securities outstanding.

Netting of valuation allowances such as a provision for doubtful accounts, does not conflict with the gross convention. Such valuation allowances, as their name indicates, are deductions from the stated value of assets to reduce the latter to their estimated realisable value. Netting in this instance does not result in offsetting assets against liabilities or vice versa, as in the treatment of sinking funds by governments; rather it produces a more accurate statement of asset values. Cash is shown gross and outstanding cheques are presented on the liability side.

- (b) In the production of consolidated financial assets and liabilities of the federal, provincial and territorial and local governments, all financial assets of a government component that are liabilities of another government component are eliminated or netted to avoid double counting. A similar process is done in the production of consolidated provincial, territorial and local government financial assets and liabilities by province.

However, the Canada total of consolidated provincial, territorial and local government assets and liabilities does not reflect the elimination or netting of assets and liabilities where an institutional unit of one province or territory invests in the securities/bonds of another province or territory.

Also, the issue of securities/bonds by a particular government and the purchase of them by an investment fund or an agency (institutional unit) of that same government are not eliminated in the production of asset and liability data for that particular general government or government. For example, if the Workers Compensation Board of a province invested in the provincial government bonds of that same province then these are not eliminated in the production of the assets and liabilities for that provincial general government. However, they are eliminated in the production of consolidated assets and liabilities series for more than one level of government.

- (c) Many governments establish reserves for designated future uses. For purposes of the FMS, such reserves are regarded as financial assets in FMS. They are not identified separately from the value of net financial wealth (excess of financial assets over liabilities).

- 7.03 As per conventional accounting, data on financial assets are presented in order of liquidity and highlights the major categories of financial assets and their components, (e.g., debtor, type of security and supplementary information). The framework for the liability data parallels that of the financial asset side. This framework is set out in Appendix IV.

Financial assets

- 7.04 **Cash on hand and on deposit** – Cash and deposits consist of coins; bank notes; money orders; postal notes; cheques; accepted sight drafts; cash in transit; demand, notice and term deposit balances with banks and other financial institutions such as the Alberta Treasury Branches. Term deposits that are cashable on demand are classified under term deposits. This category distinguishes between Canadian and foreign currency. Foreign holdings are shown in Canadian dollar equivalents converted at current closing rate.
- 7.05 **Receivables** – Consists of all claims against debtor arising from the sale of goods and services. Also included are accrued revenue receivable, accrued government grants receivable, and residual interfund and inter-government adjustment that are required on consolidation of receivables (see paragraph 8.07).

There are six kinds of receivables: taxes, interest, trade accounts, from governments, from government business enterprises and from non-government. Where applicable, these are sub-divided by level of government. Taxes include all taxes receivable including arrears. Trade accounts are used for reporting amounts due from the sale of goods and services by governments. Non-government is a residual category for receivables by government from the general public other than taxes, interest and trade accounts.

- 7.06 **Advances** – Consists of loans, advances and other claims that cannot be sold or traded on the market. Governments make funds available directly to other governments, Crown corporations or other entities. The breakdown of this category relates to advances to: government sub-sectors, government business enterprises, individuals, corporations (private enterprises), and others, a residual category. Residual interfund and inter-government adjustments that are required on consolidation of advances are also included here (see paragraph 8.07).
- 7.07 **Securities** – Encompasses the holdings of all securities regardless of whether they are acquired as a consequence of public policy (e.g., to secure loans) or for investment purposes made through investment dealers (market securities). The category also includes some intergovernmental non-marketable securities.

Securities are broken down into domestic and foreign securities and are recorded at cost value. Domestic securities are classified into six categories: treasury bills, short term paper, bonds and debentures, shares, mortgages and agreements for sale and other securities including notes. These are further identified according to the issuer: government sub-sectors, GBEs, corporations and others. Foreign securities are shown in Canadian dollar equivalents converted at the current closing rate.

Shares are classified under the category GBEs only in cases where government owns over 50% of the entity's voting stock (see paragraph 3.10). All other holdings of corporation shares are classified under the sub-caption corporations.

- 7.08 **Other financial assets** – Encompasses financial assets, which cannot be assigned to more specific classification categories. It includes debit balances in suspense accounts and is also used for recording residual interfund and intergovernment adjustments that are required for the consolidation of other financial assets (see paragraph 8.07).

Liabilities

- 7.09 **Bank overdrafts** – Bank overdrafts are an excess of outstanding cheques over bank deposits.
- 7.10 **Payables** – Consists of claims by creditors arising from the purchase of goods and services. Accrued expenditure payable, accrued government grants payables and the residual interfund and intergovernment adjustments that are required on consolidation of payables are also included here. The basic structure of this category parallels the one set out for receivables (see paragraph 7.05). The individual items within the category are self-explanatory.
- 7.11 **Advances** – This heading parallels the corresponding classification on the financial asset side but with a fewer number of sub-categories, reflecting a smaller number of channels used by governments. No issuance of securities are reported in this category. Advances are identifiable as payable in Canadian or foreign currencies.
- 7.12 **Coins in circulation** – They are a liability of the federal government, which backs the value of all coins held by individuals and other sectors of the economy. This liability item of the federal government is not reported in the PA, the figures are obtained from the Royal Canadian Mint. Notes are not reported in this category since they are a liability of the Bank of Canada.
- 7.13 **Treasury bills** – Includes both short and long-term government debt issued. Treasury bills do not pay interest, but are sold at a discount and mature at par (100% of face value).
- 7.14 **Canada bills** – Consists of Government of Canada's short term treasury bills sold strictly in the United States.

- 7.15 **Short term paper** – Consists of short term instruments other than treasury bills and Canada bills that are issued in Canadian and foreign currencies and traded in the money market .
- 7.16 **Savings bonds** – Canada Savings Bonds (CSBs) are recorded at their full par value while the interest accrued appears under the "payables" category. CSBs can be cashed by the owner at any time. They are not transferable and hence not marketable (i.e., they are not traded on bond markets). CSBs do not rise and fall in price and the redemption price of a CSB is the par value plus accrued interest. CSBs can only be purchased by or on behalf of Canadian individuals.
- 7.17 **Bonds and debentures** – Consists of a certificate evidencing a debt on which the issuer promises to pay the holder a specified amount of interest for a specified length of time, and to repay the loan on its maturity. Text table 5 illustrates the major investors (purchasers) of marketable and non-marketable bonds and debentures.

Text table 5 Major purchasers of government bonds		
Federal government bonds	Provincial and territorial government bonds	Local government bonds
Canada Pension Plan	Canada Pension Plan	Not applicable
Provincial and territorial governments	Provincial and territorial governments	Provincial and territorial governments
Government business enterprises	Government business enterprises	Government business enterprises
General public	General public	General public

- 7.18 **Other securities** – Includes securities issued that cannot be classified in the above categories either because of the type of securities involved (e.g., mid and long term notes) or because of lack of precise information in source documents. The securities are identifiable as payable in Canadian and foreign currencies.
- 7.19 **Deposits** – Consists of trust deposits, the deposits of excess working funds of enterprises such as the amounts held by certain provincial governments for the account of their Treasury branches or equivalents, deposits of contractors held against their satisfactory performance of work and other miscellaneous deposits of indeterminate duration. This category is also used to record residual interfund and intergovernmental adjustments that are required on consolidation of "Deposits."
- 7.20 **Liabilities to pension plans** – Consist of the government's obligations as an employer as well as government's obligations toward participants, that is, its obligations as an employer and the share of benefits vested through the contributions of participants and independent employers paid into the Consolidated Revenue Fund. The unfunded portion of trustee and non-trustee pension plans is recorded whether or not the government includes them in its balance sheet. Non-trustee pension plans liabilities are considered unfunded.
- 7.21 **Other liabilities** – This is a residual category for amounts that cannot be reported under a more specific category. As in the case of "Other financial assets" (see paragraph 7.08), this category is also used for recording residual interfund and intergovernmental adjustments that are required for the consolidation of "Other liabilities."
- 7.22 **Net financial wealth/net financial debt (excess of financial assets over liabilities/excess of liabilities over financial assets)** – Represents the accumulated surplus (or deficit) account in the FMS adjusted for the following: (see Appendix IV, Part 3 for the linkage of revenue and expenditures accounts to financing accounts):
- Changes in the classification of entities. For example, when a special fund is reclassified as an enterprise, the difference between financial assets and liabilities attributable to that entity is eliminated from the accumulated surplus or deficit account. The reverse is true when an enterprise is reclassified as a government special fund.
 - Adjustments to transactions of prior years to take into account changes in government accounting policies or practices.
 - Changes in the actuarial value of unfunded liabilities that are accounted for in the balance sheet but not in expenditures.
 - Changes in financial assets and liabilities values due to changes in foreign currency valuation.
 - Changes in allowance for doubtful accounts.

Source and application of funds

- 7.23 The statement of source and application of funds provides a framework for the analysis of the funds available beyond the gross revenue framework and the use of these funds beyond the gross expenditure framework. All such statements, whether on business or on government, are similar in nature. They show the funds available from current operating surplus, from transactions involving increases in liabilities and decreases in assets, and the application of such funds, namely the covering

of current operating deficits, increases in assets and decreases in liabilities. However, in form and detail, statements on government depart from those generally used by businesses. The former are oriented toward the identification of intergovernment transactions, transactions between government and GBEs, other domestic transactions and foreign transactions (see Appendix IV, Part 3).

- 7.24 Since capital revenue and expenditures of government are included in gross revenue and expenditures and thus in the financial management surplus or deficit, they do not form separate items in the source and application of funds statements of government as usually done in similar statements of businesses.
- 7.25 In completing the table of source and application of funds, only net amounts are reported for each item. Thus, if borrowings through bonds and debentures issued are less in the period under review than repayments of earlier similar borrowings, the net excess of repayments only is reported as an application of funds for this category. Conversely, if borrowings are greater than repayments, that excess is reported as a source of funds.
- 7.26 Appendix IV provides for the identification of various types of transactions which give rise to funds and to which application they are applied. These are:
- (a) **FMS surplus or deficit for the period** – Accounts for the FMS surplus or deficit, as defined in paragraph 7.22; this is not to be confused with budgetary surplus and deficit.
 - (b) **Changes in the classification of entities** – Includes the adjustment resulting from such changes, as described in paragraph 7.22 (a).
 - (c) **Changes in accounting policies and practices** – Reflects adjustments as described in paragraph 7.22 (b).
 - (d) **Changes in the actuarial value of unfunded liabilities** – Reflects adjustments as described in paragraph 7.22 (c).
 - (e) **Changes in borrowings** – Provides for the identification of the financial instruments by which government borrowing takes place, namely advances, treasury bills, Canada bills, short term paper, savings bonds, bonds and debentures and other securities. It identifies domestic versus foreign borrowing and it indicates the role of each level of government and its enterprises as suppliers of funds.
 - (f) **Changes in advances and in security holdings** – Accounts for the source and application of funds resulting from the acquisition or the disposal of financial assets through advances, treasury bills, short term paper, bonds, debentures, shares, mortgages and other securities. Due to the importance of transactions among Canadian governments, the breakdown provides for the identification of each level of government and its enterprises in addition to transactions on the domestic and foreign markets.
 - (g) **Changes in other assets and liabilities** – Accounts for changes within the reference period in the other categories of assets and liabilities that represent sources or applications of funds. It includes cash on hand and on deposit, receivables, other financial assets, bank overdrafts, payables, coins in circulation, deposits due, liabilities to pension plans and other liabilities.
 - (h) **Discrepancy** – Theoretically the source and application of funds statement should account for all changes to the balance sheet occurring within an accounting period. In practice this is difficult to achieve within processing time schedules.

Chapter VIII

Consolidated government finance

8.01 Thus far this publication has described the application of the FMS to the production of statistics for a single government. Such a government may comprise a large number of accounting entities as set out in paragraphs 3.14 to 3.17, but for statistical purposes its activities are consolidated to present information as if the government was a single unit.

Beyond the primary consolidations, however, there are a number of other consolidations, which produce useful statistics. For example, because of the numbers and variety of local governments the full range of activities of this level of government within a sub-provincial region or within a province is only apparent when statistics for the many component governments of the region of province under analysis are consolidated. Secondly, there is the uneven delegation by provinces to local governments of provincial responsibilities under the Constitution, which creates noticeable differences in provincial and local government financial statistics. Integration of the two levels into a single consolidated unit provides a valid basis for inter-provincial comparisons. Thirdly, the financial impact of government on the social and economic life of the country can only be measured when data for all three levels are consolidated.

8.02 Intergovernmental transactions vary in form and nature. The most widely known are general and specific purpose transfers, purchase-sale transactions where one government buys goods or services from another government either to use or to distribute or sell to the population under its jurisdiction, as well as borrowing from another government and the payment of related interest.

8.03 It is often difficult or even impossible to match the records of particular intergovernmental transactions in the accounts of the governments involved. These difficulties arise from many causes. The governments concerned may use very different terminology in describing a transaction between them or between them and their components. One government may record it as a single item and the other desegregate it into several transactions. The treatment of the transaction may vary widely due to different accounting systems. Finally, the timing of the recording of the transaction may differ sufficiently for it to be recorded in different reference periods, e.g., the federal government may show a transfer to a province near the close of a fiscal year but the province may not record its receipt until the following year.

8.04 Consequently, procedures have been developed to ensure that consolidated data reflect, as clearly as possible, only those amounts (inflows) received by the consolidated governments from other entities, e.g., the public, business, non-consolidated governments and only those amounts (outflows) disbursed by the consolidated governments to these entities. These criteria also apply to consolidated assets and liabilities.

8.05 These procedures are best illustrated by describing their application to the consolidation of the revenue and expenditures of two governments. There are two cases to be considered. In the first case, where the intergovernmental transaction can be identified in the records of both governments, but the amounts reported differ and cannot be reconciled, the amount recorded by the higher level of government is generally deducted from the combined revenues and the combined expenditures of the two governments. The difference (the lower level value minus the higher level value) is added to the combined "Other revenue" of the two governments. If the above procedures result in negative "Other revenues" for a given consolidation, then an explicit adjustment is made to the "Other expenditures" accounts. In the second case, where the transaction, although obviously intergovernmental, cannot be identified in the records of one of the two governments concerned, the amount identified is deducted from the combined revenues and the combined expenditures of both governments, as in the previous case, but no further adjustments can be made. When large differences result from significant accounting changes, they are shown as a separate line in the consolidated statement.

8.06 However, there are cases where intergovernmental transactions are not recorded as such in source documents; they are lumped together with related transactions occurring with entities outside the government universe. As current example is the payment (or receipt) of interest on intergovernmental loans which is recorded with total interest received or paid. As a result, the consolidated data may, and do, at times contain double counting in spite of all efforts to avoid such duplication. Also, transactions between governments relating to the payment of taxes are not eliminated on consolidation. For example, governments may pay payroll taxes or grants in lieu of property taxes to another government. These transactions are not eliminated on consolidation in order to be consistent with their treatment in the SNA.

8.07 Procedures similar to those for the consolidation of revenue and expenditures are used in the consolidation of assets and liabilities of two or more governments. As with revenue and expenditures, problems of differences or lack of identification in records of transactions among governments also arise. Where related receivables and payable are identifiable but irreconcilable the amounts acknowledged by the higher level of government as payable to the other are deducted from the combined receivables and combined payables. Remaining debit or credit balances in the intergovernmental receivables are transferred to "Other assets" or "Other liabilities." Similarly, where only one side of the transaction can be identified, that amount is deducted from both the combined receivables and combined payables.

8.08 Two additional problems can arise in the consolidation of assets and liabilities. The first occurs when one side of an intergovernmental asset-liability relationship is identified only by level of government, e.g., a province may list among its investments "Municipal debentures" without specifying which municipalities in which provinces issued the debentures. If the assets and liabilities of that province are consolidated with those of its local governments then this investment cannot be

eliminated against the debt of the local governments since part, if not all, of the investment may consist of debentures of municipalities in other provinces which are not consolidated. However, when assets and liabilities of all provinces, territories and their local governments are consolidated, such unspecified investments and debt can be, and are, eliminated from the combined totals of securities held and of debt since they must be included in those totals.

- 8.09 The second problem arises when a government issues a debenture as security for a loan from another government. The loan is recorded as such by the lending government but the security is classified by the borrowing government as debenture debt rather than as a loan payable. Although in such cases the direct linkage between the lender's asset category and the borrower's liability classification is not immediately apparent, a consolidation elimination of loans receivable against debentures payable is made if the necessary information is available.

Chapter IX

Government Business Enterprises (GBEs)

Introduction

- 9.01 The criteria used in establishing which government operations fall into the GBE statistical universe are outlined in paragraphs 3.07 to 3.11 and the sources of data for these enterprises are presented in paragraphs 4.06 and 4.07. Transactions between government and GBEs are described in paragraphs 5.41 to 5.45. This chapter deals with the statistical data published on GBEs.
- 9.02 The development of the FMS has been prompted primarily by the need for a framework for consistent and comparable financial statistics of government. This need arose from the lack of a single system of generally accepted principles of government accounting and financial reporting. Components of the GBE universe, however, (with a few minor exceptions) account for, and report on, their financial transactions in conformity with practices developed by professional accounting associations and, to a lesser extent, by the various industries in which they are evolving. In consequence there appear to be at least three national frameworks under which financial statistics of GBEs can be produced—the SNA, the FMS as it applies to the government universe, and the Generally Accepted Accounting Principles (GAAP) system used for business accounting.
- 9.03 While data for GBEs are incorporated in the various statistical series which together comprise the System of National Accounts, such highly aggregated statistics do not provide the type of information, or the level of detail necessary for analyzing the activities of individual enterprises or groups thereof. Problems of a different kind inhibit the use of the government framework of the FMS for GBE statistics. These problems arise from basic differences in the accounting objectives of the two universes.

Government accounting, whatever specific form it takes, is aimed primarily at presenting a report on stewardship, i.e., what monies did the government collect, who was responsible for spending them and were all expenditures properly authorized; the continued existence of the government is not in question. However, a demonstration of the present and future viability of the business is at the centre of business accounting. Viability is shown by the successful outcome of current operations and the provision of adequate resources for continued operations in the future; in turn, these two criteria imply good stewardship by the managers.

These conceptual differences produce practical problems, a prime example of which is the treatment of transactions affecting fixed assets. Assumption of a continuing existence removes the need for a government to distinguish between items, which will be completely consumed in current activities and those with a useful life extending into the future, i.e., current vs. capital expenditures. Adopting this financial management framework is consequently in direct conflict with the business approach where the separation of current and capital expenditures is of primary importance and where each class of expenditure is treated distinctively. It is worth mentioning, however, that discussions are underway to evaluate the establishment of capital accounts for government.

- 9.04 The conversion of data produced in accordance with GAAP framework is necessary for the non-commercial crown agencies that are classified to the government component of the public sector and which follow business accounting practices. The classification of GBE financial data into the FMS is difficult because GBEs activities cannot be related to government main functions. It can be argued that the consolidation of government and GBE statistics would permit the determination and consequent analysis of financial statistics for what is sometimes called the public sector. The chief object of such analysis, however, is likely to be the relationships of the public sector to the economy as a whole. However, this is better measured through the sectoral approach of the Input-Output, Income and Expenditure Accounts and the Balance of Payments and Financial Flows divisions of the SNA.
- 9.05 As mentioned previously, GBEs adhere closely to business accounting concepts, classifications and conventions. Government financial management terminology is used where it does not conflict with business usage, i.e., in many asset and liability classifications. GBE accounting framework stresses the identification of transactions of enterprises with their parent and other governments and with each other. The following paragraphs highlight the principal components of the enterprise framework.

Income

- 9.06 The income of GBEs is broken down into four categories. The amounts collected by enterprises on behalf of their parent governments, e.g., provincial liquor licences and permits collected by liquor authorities, are excluded from enterprise income (since the GBE is the intermediary for the collection of licenses and permits). Appendix V contains a detailed list of all the income and expense categories of the Canadian FMS.
- (a) **Sales of goods and services**—They are reported net of rebates and discounts. Significant amounts of total sales made to an individual customer or group of customers, e.g., from a provincial power corporation to its municipally owned distributors, are separately identified wherever possible. Sales of goods and services include premiums earned by insurance corporations and exclude rental income. Rental income is included in investment income.

- (b) **Investment income** – It comprises three sub-classifications: interest, rentals and other investment income. Interest, in turn, is classified by origin—government sub-sectors, government business enterprises and other sources. Amounts classified to the first two are further identified by level of government. The sub-classification "Rentals" is self-explanatory while "Other investment income" includes such items as dividends, profits on foreign exchange operations, gain on sale of investments and equity in net income of affiliates.
- (c) **Subsidies** – Covers government assistance to offset certain current expenses or to supplement current revenues. Contributions from governments toward current costs of production (current year operating losses) to encourage certain types of production, to assist producers in areas of special difficulty, to protect producers against declines in the prices of their products or to support socially desirable activities are some examples. Contributions are identified by level of government. Payments in respect of prior year's losses are recorded in the statement of unappropriated surplus.
- (d) **Other income** – Comprises all income not elsewhere classified, not related to income of prior periods and not of capital nature.

Expenses

9.07 GBE expenses comprise five principal categories:

- (a) **Cost of goods and services** – Corresponds to the cost of material, labor, overhead and indirect taxes included in the goods and services sold. The cost includes the following elements:
 - Salaries and wages** – Includes total remuneration to employees for services rendered and the employer's portion of benefits.
 - Materials and other purchases** – Significant amounts of purchases from a single supplier, e.g., by a municipal electric utility from a provincial power corporation, are reported separately where identifiable.
 - Insurance claims** – Paid by insurance corporations.
- (b) **Debt charges** – Payments for the use of funds raised through loans, bonds, short-term paper, notes and other debt instruments. Includes interest and other debt charges. Interest expense is identified in terms of the holders of the debt, i.e., governments, GBEs and others. The first two categories are sub-divided by level of government. Other debt charges are comprised of amortization of bond discount as well as bond issue and redemption charges.
- (c) **Grants in lieu of taxes** – Consists of transfers, mostly to local governments, that GBEs pay in lieu of property taxes.
- (d) **Provision for depreciation and depletion** – Is the accounting process whereby the cost of fixed and wasting assets is systematically allocated to current production operations. This category records the amount reported by the enterprise, regardless of the method of computation.
- (e) **Other expenses** – Includes allowances for doubtful accounts, losses on foreign exchange transactions, provision for estimated liabilities, write-offs, write-downs of fixed assets, inventories and investments and expenses not classified elsewhere.

9.08 **Income tax** – Federal corporation income tax (but not provincial) is payable by federal proprietary corporations; these are identified in Section D of the Financial Administration Act. All other federal, provincial and local enterprises (except subsidiaries of such enterprises) are exempt from federal and provincial corporation income taxes unless they are less than 90% owned by the Crown. Subsidiaries are only exempt if they are owned 100% by enterprises which are themselves exempt.

Unappropriated surplus

9.09 The unappropriated surplus represents the portion of the earned surplus that is not restricted to any particular use. It includes the accumulation of profits or losses incurred (see Appendix V). It also summarizes those transactions which take place in the accounting period under review and which, while not classified as income or expenses (e.g., transfers and dividends declared), affect the surplus of an enterprise but cannot be directly assigned to appropriated or contributed surplus.

Assets, liabilities and net worth

9.10 The balance sheet classifications used for GBE statistics (see Appendix V) follow closely those developed for government statistics, with the modifications required to accommodate those transactions of a business nature which are peculiar to GBEs. The main items introduced are described below whereas those which are used for both government and GBEs have been described previously in Chapter VII.

9.11 On the asset side, the following additions have been made:

- (a) **Cash with provincial and territorial governments** – This sub-category of "Cash on hand and on deposit" accommodates the practice of certain provinces which require their enterprises to deposit funds surplus to immediate requirements with the provincial treasury rather than in banks or other financial institutions.

- (b) **Accrued revenue and prepaid expenses** – This category, particular to business enterprises, is also encountered, to a lesser extent, in the activities of government. No special description is needed since it is self-explanatory.
- (c) **Inventories** – Inventories are tangible property held for sale in the ordinary course of business, in the process of production for such sale, or to be consumed in the production of goods and services for sale. The valuation set by the enterprise is used.

9.12 The items added on the liability side are as follows:

- (a) **Savings deposits** – Identifies liabilities to depositors with provincial financial institutions, such as the "Treasury Branches Deposits Fund of Alberta."
- (b) **Accrued expenses and deferred credits** – This is the counterpart of "Accrued revenue and prepaid expenses" on the asset side of the balance sheet.
- (c) **Minority interest** – The portion of share capital recorded by an enterprise on which minority shareholders have a claim.

9.13 The statement of net worth identifies the capital stock and surplus of enterprises.

- (a) **Capital stock** – Identifies reported ownership, i.e., level of government or GBE and private investors.
- (b) **Surplus** – Comprises: "Unappropriated surplus," "Appropriated surplus" and "Contributed surplus." The nature and determination of "Unappropriated surplus" is described in paragraph 9.09. "Appropriated surplus" identifies the typical reserves established by GBEs (e.g., reserve for contingency and reserve for future expansion). "Contributed surplus" includes the transfer of physical assets and capital contributions provided for acquisitions. "Contributed surplus" further identifies the contributors by level of government, GBE and others.

Chapter X

Public sector employment and wages and salaries

- 10.01 The growth in the size of government since the end of World War II and the labour-intensive nature of most of its operations have resulted in public sector employees forming a significant segment of the labour force while their payrolls have become an important factor in the Canadian economy. Starting with the massive downsizing of government in the mid 1990s, public sector employment as a percentage of total employment is declining. From a high of 24.0% in 1992, it was standing at 18.5% in 2003. Statistics of public sector employment are incorporated in all series describing employment in general and also in the FMS. However, statistics produced in accordance with the latter system differ significantly from those in the more general series.
- 10.02 FMS statistics are focusing on the total number of employees of a particular government, level of government or sub-sector of government and their corresponding wages and salaries. Other systems focus on characteristics such as the hours of work, average earning (hourly and weekly), etc. In addition, most of these statistics are produced on an industrial basis in conformity with the Standard Industrial Classification System (SIC) and soon with North American Industrial Classification System (NAICS). It is most important that these differences be taken into account in any analysis which links FMS employment or earnings statistics, with those in any of the general employment series.
- 10.03 For purposes of the FMS, public sector employment and wages and salaries data seek to report the number of employees within and outside Canada who are full-time, part-time and casual employees who were paid during the year. These figures exclude those persons on strike, on unpaid leave, locally engaged outside Canada, persons on contract as well as member of boards or commissions who are paid on a per diem basis or who receive a nominal honorarium for their services. GBE employees located outside Canada are also excluded.
- 10.04 Wages and salaries include director's fees, bonuses, commissions, gratuities, income in kind, taxable allowances and retroactive wage payments as well as overtime payments and shift premiums. Wages and salaries are estimated on gross basis, that is, before deductions for employees' contribution to income tax, employment insurance or pension plans. Remuneration accumulating over time such as retroactive payments, are accounted for in the month and year in which they are paid. Supplementary income payments, such as employer contributions to pension, medical or similar plans and severance pay are not included.
- 10.05 The FMS's public sector employment and wages and salaries program covers all those establishments within the public sector who reported employment except for First Nations. Public sector data for First Nations are not currently available. We are exploring, in partnership with First Nations governments, methods to include these data.
- 10.06 Ideally, FMS statistics of employment and wages and salaries would be present in combinations of the following characteristics for each level of government:
- employing entity, i.e., departments, special funds, universities, colleges, hospitals and other health and social services institutions and government business enterprises.
 - location, i.e., sub-provincial regions and metropolitan areas.
 - employee type.
 - gender.
 - occupation, including employee classification.
 - function and sub-function of expenditures.
 - industrial group.

In practice, a combination of lack of information and insufficient resources for processing available data has restricted attainment of these ideals to the federal level of government. Even there they have yet to be fully achieved. While some characteristics are and will remain unidentifiable e.g., employees in small municipalities who have multiple responsibilities cannot be classified in terms of a single function, there is a continuing effort to improve the quality and utility of provincial, territorial and local government employment and wages and salaries statistics.

Appendix I

The 1997 historical revision record of decisions – FMS revenue and expenditures

Introduction

Two reports describe the changes made to the classification of the public sector entities, concepts and methodology used in the FMS. The changes were implemented in November 1997 with the release of the CSNA historical series. A number of other decisions designed to enhance harmonization between the CSNA and the FMS were also implemented. These decisions are documented in the following documents:

- (a) The 1997 Historical Revision of the Canadian System of National Accounts (Catalogue no. 13F0031MIE). Record of changes in classification of sectors and transactions, concepts and methodology.
- (b) Remaining Differences between the 1997 Canadian System of National Accounts and the 1993 International System of National Accounts (Catalogue no. 13F0031MIE2000003).

Decisions related to the public sector are described below.

Decisions

1. Federal revenue from provincial lotteries

Issue: How should the revenue paid to the federal government from provincial lottery corporations be treated in the FMS?

Discussion: The federal government receives payments from provincial lottery corporations as a result of a bilateral agreement involving the formers' withdrawal from the lottery field. The agreement requires the provinces, on a combined basis, to make ongoing payments of \$24.0 million in 1979 dollars annually on an inflation adjusted basis (\$49.6 million in 1994/1995). Currently FMS treats this federal revenue in the form of transfers from government business enterprises, with no impact on provincial revenue or expenditures. The amounts have been deducted as an expense in the calculation of net income of lottery corporations by STC.

The payments are made by the lottery corporations on behalf of provincial governments. As such, one option would be to impute a receipt of the money by provincial governments (lottery profits received) and a subsequent transfer to the federal government (how would this be functionalized?). The provincial revenue would then (unless an exception is made, as with other historical FMS changes) have to be included in the revenue for the Fiscal Arrangements Certificate. Another option would be to show only the federal revenue as remitted lottery profits (but the federal government does not have any ownership rights over provincial lottery profits). Still another option would be to include it with either federal other consumption taxes or miscellaneous taxes—the proposal for the SNA is to treat it as miscellaneous indirect taxes.

Decision: Revenue paid to the federal government from provincial lottery corporations will be deemed to be a distribution of the corporations' profits, but treated as federal miscellaneous consumption taxes in the FMS (miscellaneous indirect tax in the SNA), and not disseminated as "Gaming profits" in the way provincial lottery revenue data are disseminated. A separate series should be maintained at the working level.

2. CMHC housing subsidies

Issue: How should the federal government transfers to CMHC for social housing be treated?

Discussion: The SNA will treat the CMHC, which for its housing operations is considered to be a special fund, as an agent of the federal government with respect to its "Minister's office" expenditures. The implications for the FMS to follow this treatment, would be to classify the federal payments as housing expenditures rather than intrasectoral transfers and provincial/local receipts as transfers from the federal government rather than from government business enterprises.

Decision: CMHC will be treated as an agent of the federal government with respect to its Minister's office housing expenditures. These expenditures will then accordingly be classified under the "Housing" function in the FMS. The corresponding revenues of provincial and local housing authorities will be treated as transfers from the federal government rather than as transfers from government business enterprises.

3. Transfers to own enterprises

Issue: Maintain the current function "Transfers to own enterprises" or eliminate it and functionalize its content?

Discussion: The latter would help to ensure that a government's expenditures related to any one function is entirely included in that same function. Interprovincial comparisons of any given function would then be more independent of differing provincial vehicles (e.g., GBE versus general government) for delivering goods and/or services.

Decision: The function "Transfers to own enterprises" will be eliminated and its contents assigned to other functions as appropriate.

4. Operation and maintenance of government buildings

Issue: Should the FMS functionalize the costs of operating and maintaining government buildings or classify them all to one function, such as "General government services"?

Discussion: The 1984 FMS Manual is somewhat vague, but appears to imply that these expenditures should be functionalized. Under the "General government services" function there appears to be the following:

- (b) **Administration** – encompasses all expenditures on administration that cannot be allocated to more specific function. It includes outlays for...the construction, repair and maintenance of multi-purpose public buildings.

Are operation and maintenance costs administrative expenditures? Through omission, are we to conclude that outlays for the construction, repair and maintenance of single-purpose public buildings be allocated to more specific functions? What exactly does maintenance include?

The current FMS practice is to include departmental expenditures on operation and maintenance of buildings largely in "General government services" (Federal, British Columbia, Quebec and Ontario, at least), while corresponding special fund expenditures are functionalized. Typically, governments centralize these expenditures in one department in their financial statements. However, in B.C. and Quebec, the departments also include these in their expenditures. They are paid to special funds (the B.C. Buildings Corporation in B.C. and the Société immobilière in Quebec) and the amounts are removed as intrasectoral payments in the FMS through adjustments. The expenditures of the two special funds are, in turn, classified to "General government services" in the FMS.

What methodology would the FMS use to functionalize these expenditures if that route were decided upon? Barring any other data such as actual costs by department (or even property values by department) from each jurisdiction, an allocator would have to be chosen. While not perfect, wages and salaries by function is one option. To the extent that operating costs are proportional to the size of the building, the size of the building is proportional to the number of employees, and the number of employees is proportional to the wage and salary bill, wages and salaries would be a suitable allocator. Examples of sources of imprecision would be where there are relatively large operating costs where there are few employees and where you have a skewed distribution of employee type (i.e., highly-paid versus low-paid) across buildings and across functions.

For the FMS historical revision, adjustments would have to be made back to 1988/1989, of course, to remove these from "General government services," if a decision to functionalize these expenditures were made. The actual allocation by function would be simplified by the fact that this operation could be combined with the functionalization of SLI. If it were decided that these expenditures would be allocated to "General government services," do we also allocate corresponding expenditures of special funds and other public institutions such as hospitals, universities, colleges and school boards to "General government services"?

Decision: Expenditures for the operation and maintenance of government buildings will be functionalized i.e., assigned to the function to which they relate. If source data do not provide the necessary detail to allow proper functionalization, wages and salaries by function will be used as an allocator instead.

5. Grants in lieu of taxes

Issue: As grants in lieu of taxes are now considered to be part of operating costs and not transfers for SNA, how should they be classified in FMS expenditures?

Discussion: Ideally they should be spread across all functions based on property values associated with the provision of goods and services included in each category (i.e., function and sub-function). A less desirable (but more practical) option would be to functionalize grants in-lieu-of taxes, using the distribution of wages and salaries by sub-function, as is currently done with SLI. Other possibilities include classifying them to "General government services," where other centrally paid expenditures are currently found, or as "Other expenditures." What about special funds and other public institutions such as hospitals, where their grants in lieu of taxes paid may be realistically assigned to the same function as the rest of that institution's expenditures—will grants in-lieu-of taxes be assigned to that same function?

Decision: Grants in lieu of taxes will be assigned to the function to which they relate, using, where available, source data expenditures detail and local government receipt data. Where details do not permit, wages and salaries by function will be used as an allocator.

6. Expenditures of other health and social service institutions

Issue: To which function should expenditures related to other health and social service institutions be assigned? These include the expenditures of the entities (e.g., residential care facilities) themselves as well as government payments to the entities.

Discussion: 1) Currently, provincial government expenditures related to residential care facilities are classified to either "Health" or "Social services" functions, while the expenditures of residential care facilities that are included in municipal government are assigned to "Social services." In some provinces sufficient detail is available to make a distinction between health-related institutions, such as nursing homes, and social service-type institutions, and the expenditures are classified accordingly. More information would have to be obtained to have the same treatment with the other provinces. With a possible future blurring of the distinction between hospitals and other health and social service institutions (which is the rationale for grouping them in the same box in the chart of the Public Sector Universe Chart), it may be desirable to assign the more of the latter's expenditures to "Health." 2) To what extent should government transfers to institutions and the expenditures of institutions themselves be classified to the same function? For example, provincial government transfers to hospitals are currently assigned to "Health." Should the expenditures of hospitals, including debt charges, be then classified exclusively to "Health"?

Decision: 1) Residential care facilities' source data for each province should be used to determine the split between "Health" and "Social services" expenditures of governments for the FMS. 2) Government transfers to other public sector sub-components will be classified to the appropriate function in their entirety. Expenditures of those institutions may be allocated to more than one function as appropriate.

7. General sales taxes

Issue: Should "General sales taxes" include the Nova Scotia cable tax, the Ontario amusement tax, and the Quebec insurance premiums tax as in the SNA?

Discussion: "General sales tax" should include at least the provincial retail sales taxes, the federal goods and services tax and the provincial harmonized sales taxes.

Decision: The series "General sales taxes" will include the provincial retail sales taxes, the federal goods and services tax, the provincial harmonized sales taxes, with adjustments to exclude the Nova Scotia cable tax and the Ontario amusement tax, which will be classified as "Amusement taxes" and the Quebec tax on insurance premiums which will be reported as "Other consumption taxes." The series will exclude tobacco taxes (to be included in "Alcoholic beverages and tobacco taxes") and other sales taxes, such as the hotel and motel taxes, telecommunications and advertising taxes (to be included in "Other consumption taxes").

8. Consumption taxes

Issue: Which taxes should be included in the group "Consumption taxes." Currently it includes general sales taxes, motive fuel taxes, alcoholic beverages and tobacco taxes, customs duties and other. Should liquor and gaming remitted profits be added?

Discussion: Liquor and gaming remitted profits are considered to be indirect taxes levied on final consumption of goods and services.

Decision: Remitted profits of liquor boards and lottery/gaming corporations will be treated as consumption taxes. Adjustments to reclassify associated revenue from licences imposed for regulatory purposes to the category "Miscellaneous taxes" will be made.

9. Employment insurance training expenditures

Issue: Should the federal government's employment insurance account's training expenditures be classified to "Social services" (current classification) or to "Education"?

Discussion: Treating these expenditures, as "Education" would be consistent with other governmental expenditures on general education programs and with the Centre for Education Statistics' definition of education.

Decision: Federal government employment insurance training related expenditures will be classified to "Education" in the FMS.

10. WCB medical aid payments

Issue: Should the WCBs medical aid payments be classified as "Social services" (where they are now) or as "Health?"

Discussion: The 1984 FMS manual states that the "Labour force plans", which is a sub-function of "Social services" includes expenditures on administration and for benefits, other than hospital and medical care, related to unemployment insurance and workers' compensation schemes. Though it does not state where these exceptions should be classified, the implication is that they belong in "Health." Nevertheless, they are now largely classified as "Social services." The intent of the expenditures are undoubtedly for health purposes, although what is termed "Medical aid" in WCB financial statements often includes expenditures such as payments for income assistance and refunds of tuition expenses. The expenditures are like any other payment for health purposes, except that they are financed largely by premiums paid by businesses. The premiums are directly proportional to the degree of risk inherent in any industry and therefore follow a user-pay principle with respect to medical aid costs and possibly encourage businesses to promote safety in the workplace. The method of financing expenditures does not necessarily have anything to do with how the expenditures should be functionalized.

Decision: All medical aid expenditures of WCBs, including those for rehabilitation, will be classified to "Health."

11. Other capital transfers, etc.

Issue: Should the FMS include other capital transfers (i.e., other than capital assistance) as expenditures and, if so, how should they be functionalized? Should the FMS follow the SNA practice and include these only in the derivation of net lending?

Discussion: Other capital transfers include forgiveness of loans and assumption of debt, forgiven by governments, on the assumption that they are being forgiven by mutual agreement. Transfers of non-autonomous pension plan surpluses to households are also included in this other capital transfers.

Decision: Other capital transfers will be included in FMS expenditures and functionalized as appropriate. For example, non-autonomous pension plan surpluses, to be referred to, as "Changes in pension equity of households" will be classified as "Social services" expenditures.

12. Low-income grants for specific purposes

Issue: Should grants to assist individuals to meet a single type of living costs, e.g., rent, health insurance premiums, etc., be classified to "Social services" or the function to which they relate (e.g., "Housing," "Health," etc.)?

Discussion: According to the FMS manual, such program expenditures should not be classified to "Social services," but to the function to which they relate, i.e., "Housing," "Health," etc. The FMS manual does not deal specifically with rental assistance to renters, except to state that "transfers to persons to enable them to rent accommodation, which are included in general assistance payments, are classified to social welfare assistance"; i.e., where data availability is a problem. These types of payments would appear, however, to be more appropriately considered instruments of social policy. The intent is to render a social service rather than promote a particular industry [although rent is debatable, it could be argued that rent supplements (and home buyers assistance) are as much geared towards stimulating the housing market as they are to providing a social service].

Decision: Grants to low-income persons for various purposes that are of a social policy nature will be classified to "Social services." Incentives to persons to purchase homes will be classified to "Housing."

13. Functionalization of the supplementary labour income

Issue: Should employer contributions to the CPP, QPP, other pension plans, employment insurance, and other employee benefits considered as payment for employees' services be functionalized in the FMS according to the same function as the associated wages and salaries, or should they be classified to only one function?

Discussion: The current FMS manual states that government employer contributions to pension plans not operated by government should be classified as "General services." In the interest of the inter-government comparability it was decided to functionalize SLI payments on the same basis as the associated wages and salaries.

Decision: Employer contributions to employee benefit plans, including the CPP, QPP, employment insurance, etc., will be assigned to the function to which they relate.

14. Functionalization of non-autonomous pension plan benefits

Issue: How should non-autonomous pension plan benefits paid to retired persons be classified?

Discussion: Non-autonomous pension plans will now be included as sub-component of government in the FMS. To allocate the benefits paid by non-autonomous pension plans (to retired persons) based on the function to which the corresponding contributions (on behalf of current employees) actually relate would be to double-count expenditures related to pension plans in that same function, as the employer contributions would already be included in that function, in many cases. A consolidation of a given level of government with its corresponding non-autonomous pension plans would not eliminate the contributions as an intrasectoral transaction as they are deemed to be paid to persons as SLI. This would particularly be the case in Quebec, where there are a number of non-autonomous pension plans. If functionalized, one separate sub-function for a number of pension plan benefits could be satisfactory for plans such as those for teachers or police officers, but would not be so for public servant plans, for whom benefits would have to be spread across a number of different functions. An alternative would be to allocate all non-autonomous pension plan benefits paid to one particular function, such as "General services" as expressed in the now-outdated reference in the FMS manual, "Other expenditures," or perhaps a new function.

Decision: Non-autonomous pension plan benefits will be classified to "Social services" under a separate sub-function called "Pension plan benefits and other expenditures".

15. Tax credits and rebates

Issue: Should there continue to be a separate sub-function for tax credits and rebates within the social services function?

Discussion: Property and sales tax credits have been introduced to assist low-income people. Tax credits to corporations are used by governments as incentives to attract industries and to encourage further investment. The number of tax credits and rebates included as expenditures will be reduced as a result of the decision to gross up only those that are refundable. Those that remain could be classified to other social services sub-function, such as "Social assistance."

Decision: Refundable tax credits delivered through the personal income tax system (such as sales and property tax credits) will be classified to "Social services" under the sub-function "Social assistance" with the exception of refundable learning tax credit that will be classified to "Education" while tax credits delivered through the corporate income tax system will be classified to the function to which they relate.

16. Natural resource revenues

Issue: Should the FMS eliminate the series "Natural resource revenues"?

Discussion: A separate series for "Natural resource revenues" in the FMS has been disseminated in previous years due to the importance of natural resources as a source of revenue for a number of governments. In view of FMS/SNA harmonization, the contents of the "Natural resource revenues" series could be classified to other revenue sources such as taxes, investment income or sales of goods and services, in order to produce comparable series.

Decision: "Natural resource revenues" will be redistributed to "Corporation income taxes" (mining and logging taxes), "Miscellaneous taxes" (natural resource taxes), "Investment income" (royalties) or "Sales of goods and services" as appropriate. However, due to its importance for certain provinces and to provide for historical continuity, a series will be maintained as a special aggregate in disseminated data to show the amount of natural resource-related revenue that is included in the primary classification of revenues.

17. Broadcasting

Issue: How should expenditures related to broadcasting be treated in the FMS?

Discussion: The largest impact of this decision will be in relation to federal transfers to the CBC, as the corporation moves from being a government business enterprise, where transfers to it are currently classified to "Transfers to own enterprises" in the FMS, to a special fund. As a special fund, should the expenditures of the corporation now be interpreted as "Recreation and culture," "Industrial development" or "Communications"? Similarly, how should the expenditures of the Ontario Educational Communications Authority (TVOntario) be treated? With its significant education programming, it may be appropriate to leave it as "Education," where it is now. As well, should the current classification as "Telecommunications" expenditures of the CRTC be reconsidered? (This expenditure had, at one time, been treated as "Protection of persons and property"). Internationally, entities such as the CBC fall under "Recreation and culture" because they produce cultural programs.

Decision: CBC expenditures will be classified to a new "Recreation and culture" sub-function, "Broadcasting." The CRTC expenditures will remain under "Tele-communications." With respect to provincial entities such as TVOntario, and Télé-Québec, their mandate will determine the function to which their expenditures are allocated.

18. Contributions to social insurance plans

Issue: How should employee and/or employer contributions to WCBs, the employment insurance account, the CPP and QPP and non-autonomous pension plans be characterized in the FMS?

Discussion: The current FMS classifies these types of contributions as "Health and social insurance levies" and the values are net of the government contributions (as employer) paid for its own employees (SLI). The 1997 SNA record of decisions maintains that the SNA should continue to show these contributions gross of the government contributions paid for its own employees but that these revenues will no longer be shown as direct taxes, but under a separate category, "Contributions to social insurance plans."

Decision: Harmonize completely with the SNA and: 1) show the contributions gross of the government contributions paid for its own employees; 2) classify the contributions under "Contributions to social insurance plans."

19. General payroll taxes

Issue: Should general payroll taxes be disseminated as a separate series?

Discussion: There are four general payroll taxes currently in existence in the provinces of Newfoundland and Labrador, Quebec, Ontario and Manitoba. These payroll taxes are general in the sense that the funds are not earmarked for a particular purpose, as are payroll taxes such as employment insurance, CPP and QPP or workers' compensation premiums. General payroll taxes in previously published FMS data are found under "Health and social insurance levies" in the case of Quebec (on the grounds that the proceeds are used specifically in financing their hospitalization and medical care programs), and in "Miscellaneous taxes" for the other provinces. Data on these payroll taxes are of great interest to clients and are an important source of revenue to provincial governments, totaling clients and are an important source of revenue to provincial governments, totaling more than \$6 billion in 1995/1996. The series will also now be disseminated separately in the SNA.

Decision: Disseminate general payroll taxes as a separate series in the FMS.

20. Alcoholic beverages and tobacco taxes

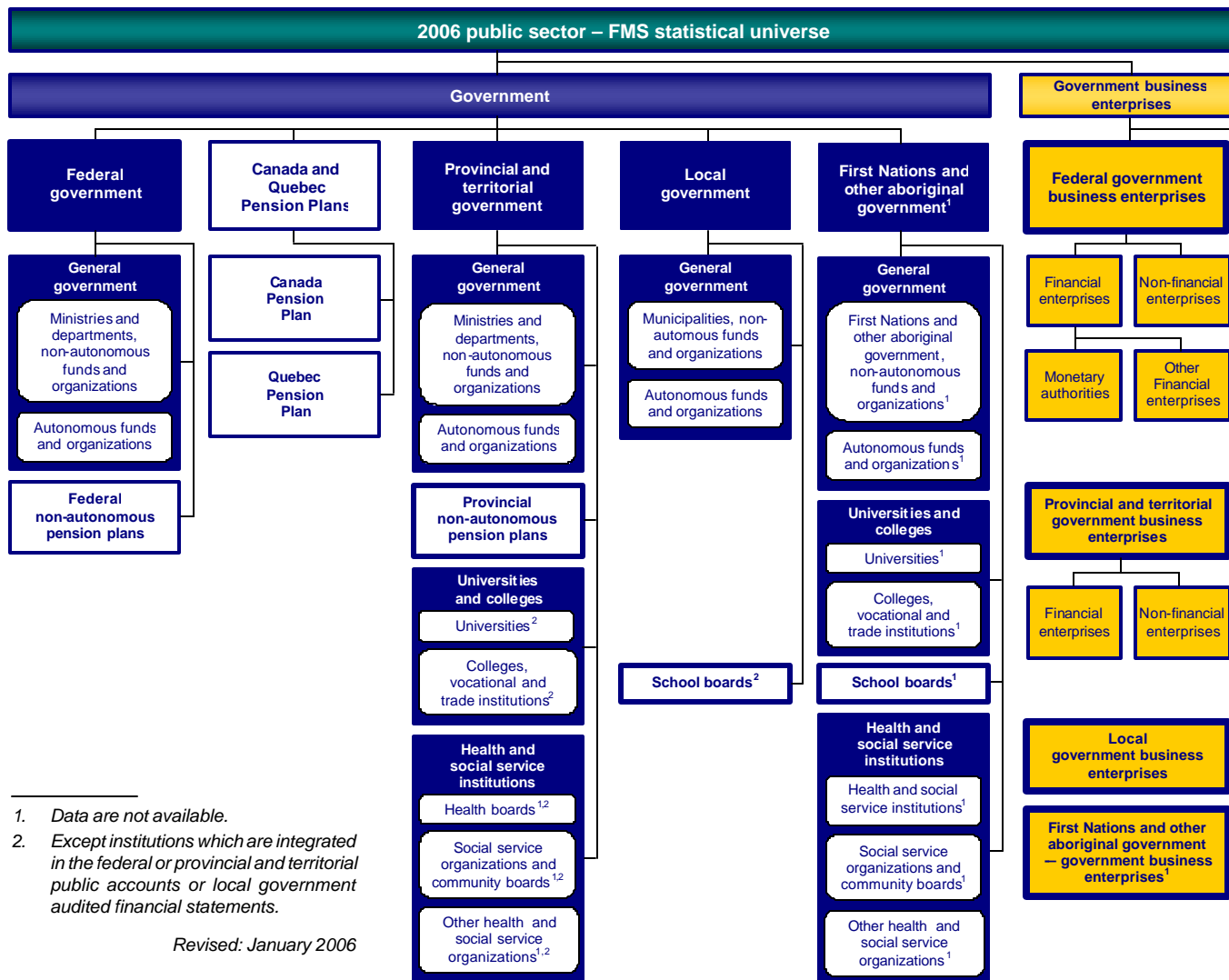
Issue: Should liquor gallonage taxes be added to the FMS series "Alcoholic beverages and tobacco taxes" and should that series be split, and disseminated?

Discussion: These taxes have long been combined in FMS published data. With the addition of the liquor gallonage taxes (\$681 million in 1995/1996) to the alcoholic beverages taxes portion of the series, however, the size of the series would become significantly larger.

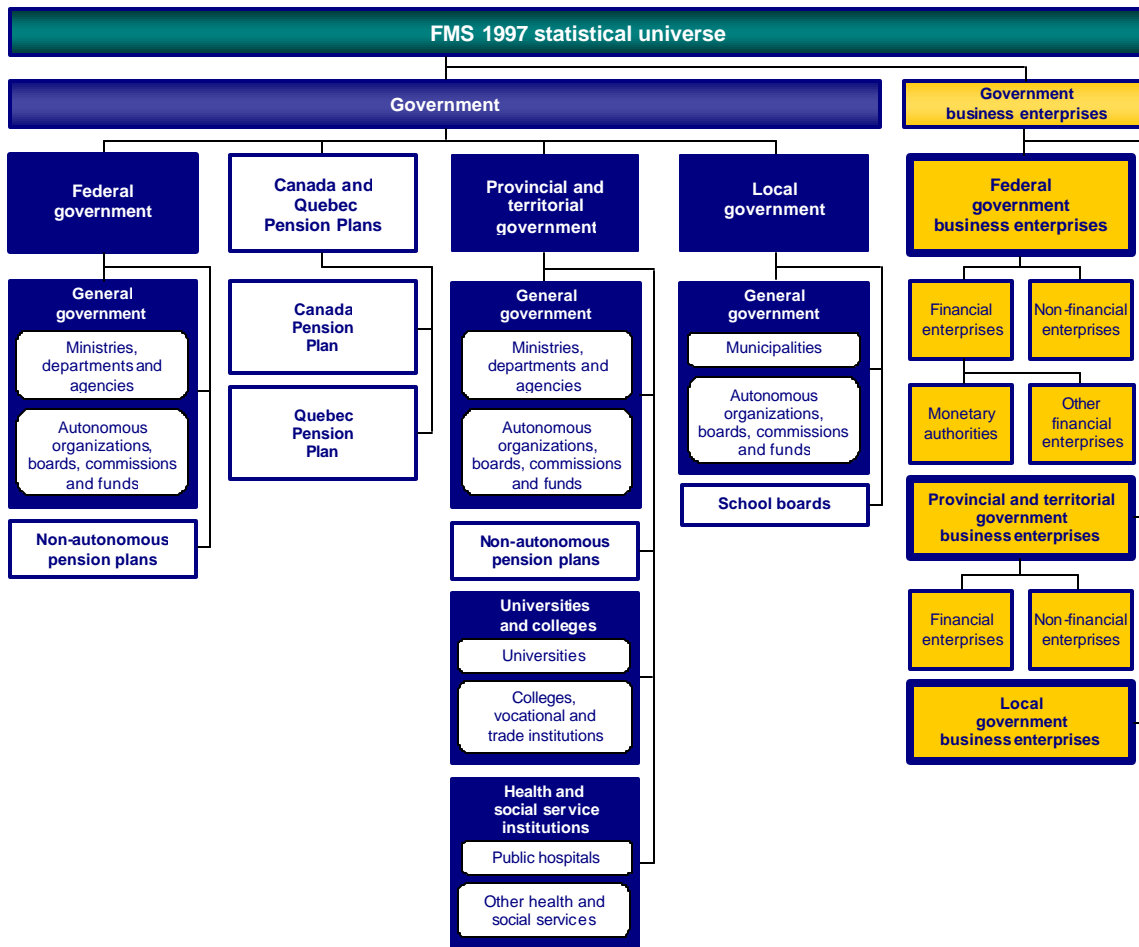
Decision: Separate alcoholic beverage taxes from tobacco taxes in disseminated data. The former will include the Yukon and Prince Edward Island liquor taxes as well as the three provincial liquor gallonage taxes (Newfoundland and Labrador, Quebec and Ontario).

Appendix II

Text table 6



Text table 7



Text table 8
The 1997 list of detailed universe changes in the public sector of Canada

Entities	Previous sector	New sector	Effective date for change
Class decisions			
Newfoundland and Labrador school boards ⁵	Households ¹	Government ²	1961
Non-profit residential care facilities ⁵	Households	Government	1961
Universities ⁵	Households	Government	1961
Proprietary hospitals ⁵	Business ³	Government	1961
Entity decisions			
Federal			
Atomic Energy of Canada	Government	GBE ⁴	1952 ⁶
Canada Eldor Inc.	GBE	Government	1988
Canada Deposit Insurance Corporation	GBE	Government	1967
Canada Place Corporation	Government	GBE	1987
Canadian Broadcasting Corporation	GBE	Government	1961
Canadian Commercial Corporation	GBE	Government	1946 ⁶
Cape Breton Development Corporation	Government	GBE	1967
Jacques Cartier and Champlain Bridges Inc.	GBE	Government	1978
New entity			
Enterprise Cape Breton Corporation	None	Government	1988
Provincial			
Newfoundland and Labrador			
Newfoundland and Labrador Housing Corporation	GBE	Government	1967
Newfoundland Cancer Treatment and Research Foundation	Business	Government	1971
Prince Edward Island			
Prince Edward Island Housing Corporation	GBE	Government	1969
– Local housing authorities	GBE	Government	1969
Nova Scotia			
Nova Scotia Housing Development Corporation	Government	No Change	1981
– Regional housing authorities	Business	Government	1981
Trade Centre Limited	Government	GBE	1984
New Brunswick			
New Brunswick Housing Corporation	GBE	Government	1967
New Brunswick Research and Productivity Council	Government	GBE	1981
Provincial holdings	GBE	Government	1973
Quebec			
Société du Palais des congrès de Montréal	Government ²	GBE ⁴	1983
Société québécoise des transports	GBE	Government	1988
Société d'initiatives agro-alimentaires (SOQUIA)	Government	GBE	1975
– Société québécoise des pêches (consolidated by SOQUIA)			
Société parc-autos du Québec métropolitain	Government	GBE	1980
New entity			
Société du Centre des congrès de Québec	None	GBE	1993
Ontario			
Metropolitan Toronto Convention Centre Corporation	Government	GBE	1984
Ontario Housing Corporation	GBE	Government	1964
– Local housing authorities	GBE	Government	1964

See footnotes at end of table.

Text table 8
The 1997 list of detailed universe changes in the public sector of Canada

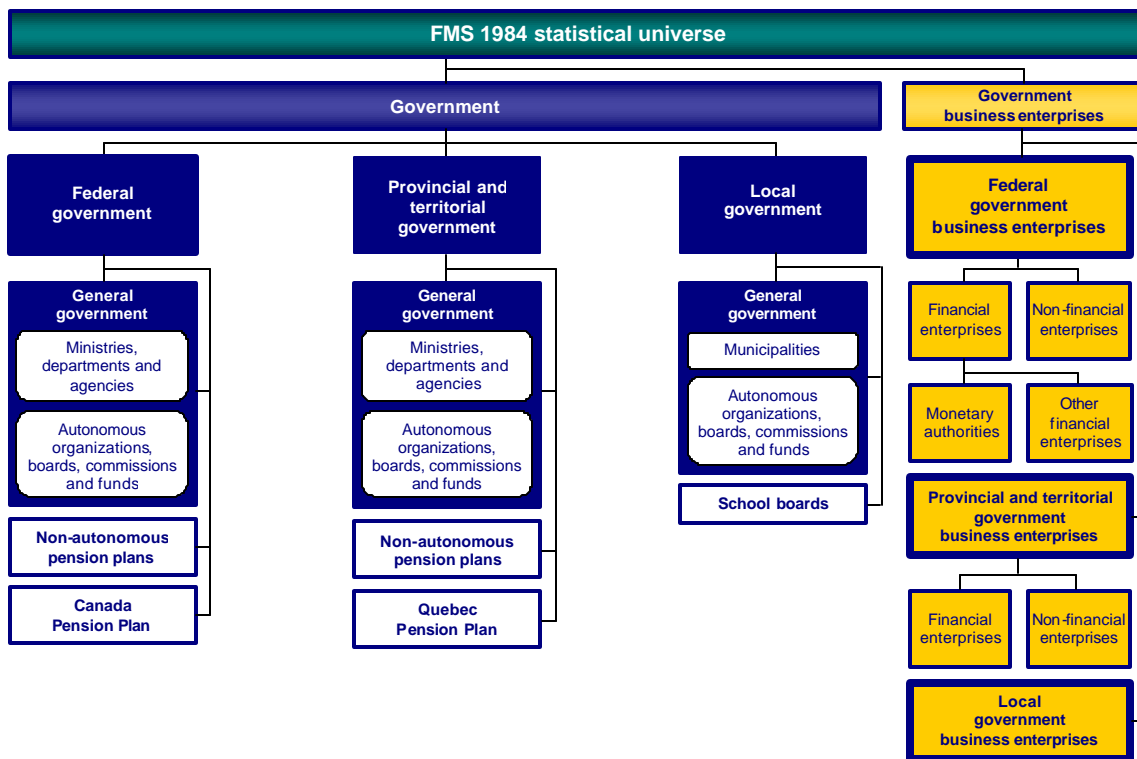
	Previous sector	New sector	Effective date for change
Ontario			
Ontario Place Corporation	Government	GBE	1971
ORTECH Corporation (Ontario)	Government	GBE	1989
Ottawa Congress Centre	Government	GBE	1984
Ontario Cancer Treatment and Research Foundation	Households ¹	Government	1961
Province of Ontario Savings Office	GBE	Government	1961
New entities			
Ontario Casino Corporation	None	GBE	1994
Ontario Clean Water Agency	None	Government	1993
Ontario Financing Authority	None	Government	1993
Ontario Realty Corporation	None	Government	1993
Ontario Training and Adjustment Board	None	Government	1993
Ontario Transportation Capital Corporation	None	Government	1993
Manitoba			
Manitoba Centennial Centre Corporation	Government	GBE	1968
Manitoba Housing and Renewal Corporation	GBE	Government	1967
– Manitoba Municipal Housing Authority	GBE	Government	1967
Manitoba Lotteries Corporation	Government	GBE	1984
North Portage Development Corporation	Government	GBE	1983
Manitoba Cancer Treatment and Research Foundation	Business ³	Government	1980
Saskatchewan			
Sask Sport Inc.	Government	Business	1970
– Sask Sport Distribution Inc.	Government	Business	1970
– Administration Centre for Sports, Culture & Recreation (1989) Inc.	Government	Business	1989
– Western Canada Lottery - Saskatchewan Division Inc.	Government	Business	1970
Saskatchewan Housing Corporation	GBE	Government	1974
– Local housing authorities	GBE	Government	1974
Saskatchewan Research Council	Government	GBE	1988
New entity			
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	None	Government ²	1991
Alberta			
Alberta Social Housing	GBE ⁴	Government	1967
New entities			
ARCA Investments Inc.	None	Business ³	1984
Pension Plan Administration Fund	None	Government	1992
British Columbia			
B.C. Housing Management Commission	GBE	Government	1967
B.C. Pavilion Corporation	Government	GBE	1984
New entity			
B.C. Transportation Financing Authority	None	Government	1993
Yukon			
Yukon Housing Corporation	GBE	Government	1972
– Whitehorse Housing Authority	GBE	Government	1982
Northwest Territories			
Northwest Territories Housing Corporation	GBE	Government	1974
– Local housing organizations	GBE	Government	1974

See footnotes at end of table.

Text table 8 The 1997 list of detailed universe changes in the public sector of Canada			
	Previous sector	New sector	Effective date for change
The following changes apply only to the System of National Accounts:			
Local			
Quebec Offices municipaux d'habitation ⁵	Business	Government	1968
Nothwest Territories Yellowknife education districts 1 and 2	Provincial government	School boards	1989
Sir John Franklin Territorial High School	Provincial government	School boards	1995

1. Householders are not part of the public sector and consequently not covered under the FMS.
2. Government refers to the "government" component of the public sector.
3. Businesses are not part of the public sector and consequently not covered under the FMS.
4. GBE refers to the "Government Business Enterprises (GBEs)" component of the public sector.
5. Data not available for assets and liabilities (FMS).
6. Data have been revised back to 1961.

Text table 9



Appendix III

Classification framework – Revenue and expenditures

Part 1: Government revenue

01 Own source revenue

01.01 Income taxes

- 01.01.01 Personal income taxes – gross
 - 01.01.01.01 Personal income taxes net of refundable tax credits
 - 01.01.01.02 Personal income tax refundable credits
- 01.01.02 Corporation income tax – gross
 - 01.01.02.01 Corporate income taxes net of refundable tax credits
 - 01.01.02.02 Corporation income tax refundable tax credits
- 01.01.03 Mining and logging taxes
 - 01.01.03.01 Mining taxes
 - 01.01.03.02 Logging taxes
 - 01.01.03.99 Other mining and logging taxes
- 01.01.04 Taxes on payments to non-residents
- 01.01.90 Other income taxes

01.02 Consumption taxes

- 01.02.01 General sales tax
- 01.02.02 Alcoholic beverages and tobacco taxes
 - 01.02.02.01 Liquor gallonage taxes
 - 01.02.02.02 Other liquor taxes
 - 01.02.02.03 Tobacco taxes
- 01.02.03 Amusement tax
 - 01.02.03.01 Racetrack betting tax
 - 01.02.03.02 Other amusement taxes
- 01.02.04 Gasoline and motive fuel taxes
 - 01.02.04.01 Taxes on gasoline and aviation fuels
 - 01.02.04.02 Taxes on diesel and railway fuels
 - 01.02.04.03 Taxes on other motive fuels and liquefied petroleum gases
- 01.02.05 Custom duties
- 01.02.06 Remitted liquor profits
- 01.02.07 Remitted gaming profits
 - 01.02.07.01 Profits on lottery ticket sales
 - 01.02.07.02 Profits on other games of chance
- 01.02.90 Other consumption taxes
 - 01.02.90.01 Air transportation tax
 - 01.02.90.02 Taxes on meals and hotels
 - 01.02.90.99 Miscellaneous consumption taxes

01.03 Property and related taxes

- 01.03.01 General property taxes
 - 01.03.01.01 Real property Taxes
 - 01.03.01.02 Lot levies
 - 01.03.01.03 Special assessments
 - 01.03.01.04 Grants in lieu of taxes
 - 01.03.01.04.01 From federal government
 - 01.03.01.04.02 From provincial and territorial government
 - 01.03.01.04.03 From local government
 - 01.03.01.04.04 From colleges
 - 01.03.01.04.05 From universities
 - 01.03.01.04.06 From hospitals
 - 01.03.01.04.07 From federal government business enterprises
 - 01.03.01.04.08 From provincial and territorial government business enterprises
 - 01.03.01.04.09 From local government business enterprises
 - 01.03.01.99 Miscellaneous general property taxes
- 01.03.02 Capital taxes
- 01.03.90 Other property-related taxes

- 01.03.90.01 Land transfer tax
- 01.03.90.02 Business taxes
- 01.03.90.03 Wealth transfer taxes
- 01.03.90.99 Miscellaneous property-related taxes

01.04 Other taxes

- 01.04.01 Payroll taxes
- 01.04.02 Motor vehicle licenses
 - 01.04.02.01 Personal motor vehicle licences
 - 01.04.02.02 Commercial motor vehicle licences
- 01.04.03 Natural resource taxes and licences
 - 01.04.03.01 Natural resource taxes
 - 01.04.03.02 Natural resource licences
- 01.04.90 Miscellaneous taxes
 - 01.04.90.01 Agricultural insurance premiums
 - 01.04.90.02 Insurance premium taxes
 - 01.04.90.03 Hunting and fishing licences
 - 01.04.90.04 Liquor licences
 - 01.04.90.05 Other licences and permits
 - 01.04.90.06 Business fines and penalties
 - 01.04.90.07 Business donations
 - 01.04.90.99 Other miscellaneous taxes

01.05 Health and drug insurance premiums

- 01.05.01 General health insurance premiums
- 01.05.02 Drug plan premiums

01.06 Contributions to social security plans

- 01.06.01 Employment insurance contributions
 - 01.06.01.01 Employment insurance employee contributions
 - 01.06.01.02 Employment insurance employer contributions
- 01.06.02 Contributions to workers' compensation boards
- 01.06.03 Contributions to non-autonomous pension plans
 - 01.06.03.01 Non-Autonomous pension plan employee contributions
 - 01.06.03.02 Non-autonomous pension plan employer contributions
- 01.06.04 Contributions to Canada and Quebec pension plans
 - 01.06.04.01 Universal pension plan employee contributions
 - 01.06.04.02 Universal pension plan employer contributions
 - 01.06.04.99 Other universal pension plan contributions
- 01.06.99 Other social security plan contributions

01.07 Sales of goods and services

- 01.07.01 Sales of goods and services to other government sub-sectors
 - 01.07.01.01 Sales to federal government
 - 01.07.01.01.01 Sales to federal government – Manpower training
 - 01.07.01.01.02 Sales to federal government – Other
 - 01.07.01.02 Sales to provincial and territorial governments
 - 01.07.01.02.01 Sales to own provincial and territorial governments
 - 01.07.01.02.02 Sales to other provincial and territorial governments
 - 01.07.01.03 Sales to colleges, vocational and trade institutions
 - 01.07.01.04 Sales to universities
 - 01.07.01.05 Sales to hospitals
 - 01.07.01.06 Sales to residential care facilities
 - 01.07.01.07 Sales to other health and social service institutions
 - 01.07.01.08 Sales to municipal governments
 - 01.07.01.09 Sales to school boards
 - 01.07.01.10 Sales to Canada Pension Plan
 - 01.07.01.11 Sales to Quebec Pension Plan
- 01.07.02 Sales of goods and services to own business enterprises
 - 01.07.02.01 Debt guarantee fees received from own business enterprises
 - 01.07.02.99 Other sales of goods and services to own business enterprises
- 01.07.03 Other sales of goods and services
 - 01.07.03.01 Sales of natural resources goods and services
 - 01.07.03.02 Licences
 - 01.07.03.03 Concessions and franchises

- 01.07.03.04 Rentals
- 01.07.03.05 Sales of land
- 01.07.03.06 Sales of used machinery and equipment
- 01.07.03.07 Sales of used buildings
- 01.07.03.08 Tuition and school fees
- 01.07.03.09 Water
- 01.07.03.10 Sewer
- 01.07.03.11 Parking
- 01.07.03.12 Garbage
- 01.07.03.13 Special care facilities
- 01.07.03.14 Exhibitions
- 01.07.03.15 Recreation and culture facilities
- 01.07.03.16 Personal auto insurance premiums
- 01.07.03.17 Commercial auto insurance premiums
- 01.07.03.99 Miscellaneous sales of goods and services

01.08 Investment income

- 01.08.01 Natural resource royalties
 - 01.08.01.01 Oil and gas royalties
 - 01.08.01.02 Forestry royalties
 - 01.08.01.03 Mineral royalties
 - 01.08.01.04 Water power royalties
 - 01.08.01.99 Other natural resource royalties
- 01.08.02 Remitted trading profits
- 01.08.03 Interest income
 - 01.08.03.01 Interest income from own enterprises
 - 01.08.03.02 Interest income of non-autonomous pension plans
 - 01.08.03.03 Interest income from federal general government
 - 01.08.03.04 Interest income from provincial and territorial general governments
 - 01.08.03.05 Interest income from colleges, vocational and trade institutions
 - 01.08.03.06 Interest income from universities
 - 01.08.03.07 Interest income from hospitals
 - 01.08.03.08 Interest income from residential care facilities
 - 01.08.03.09 Interest income from other health and social service institutions
 - 01.08.03.10 Interest income from local general governments
 - 01.08.03.11 Interest income from school boards
 - 01.08.03.99 Other interest income
- 01.08.99 Other investment income

01.09 Other revenue from own sources

- 01.09.01 Other fines and penalties
- 01.09.02 Capital transfers from own sources
- 01.09.03 Other donations
- 01.09.99 Miscellaneous revenue from own sources

02 General purpose transfers from other government sub-sectors

02.01 General purpose transfers from federal government

- 02.01.01 General purpose capital transfers from federal government
- 02.01.02 Statutory subsidies
- 02.01.03 Shares of federal taxes
- 02.01.04 Tax revenue guarantees
- 02.01.05 Equalization
- 02.01.06 Canada health and social transfers
- 02.01.07 Reciprocal taxation agreement
- 02.01.08 Stabilization
- 02.01.99 Other general purpose transfers from federal government

02.02 General purpose transfers from provincial and territorial governments

- 02.02.01 General purpose capital transfers from provincial and territorial governments
- 02.02.99 Other general purpose transfers from provincial and territorial governments

02.03 General purpose transfers from colleges, vocational and trade institutions

- 02.03.01 General purpose capital transfers from colleges, vocational and trade institutions
- 02.03.99 Other general purpose transfers from colleges, vocational and trade institutions

02.04 General purpose transfers from universities

- 02.04.01 General purpose capital transfers from universities
- 02.04.99 Other general purpose transfers from universities

02.05 General purpose transfers from hospitals

- 02.05.01 General purpose capital transfers from hospitals
- 02.05.99 Other general purpose transfers from hospitals

02.06 General purpose transfers from residential care facilities

- 02.06.01 General purpose capital transfers from residential care facilities
- 02.06.99 Other general purpose transfers from residential care facilities

02.07 General purpose transfers from other health and social service institutions

- 02.07.01 General purpose capital transfers from other health and social service institutions
- 02.07.99 Other general purpose transfers from other health and social service institutions

02.08 General purpose transfers from local governments

- 02.08.01 General purpose capital transfers from local governments
- 02.08.99 Other general purpose transfers from local governments

02.09 General purpose transfers from school boards

- 02.09.01 General purpose capital transfers from school boards
- 02.09.99 Other general purpose transfers from school boards

03 Specific purpose transfers from other government sub-sectors**03.01 Specific purpose transfers from federal government**

- 03.01.01 Capital assistance from federal government
- 03.01.02 Other specific purpose capital transfers from federal government
 - 03.01.02.01 General government services
 - 03.01.02.02 Protection of persons and property
 - 03.01.02.03 Transportation and communications
 - 03.01.02.04 Health
 - 03.01.02.05 Social services
 - 03.01.02.06 Education
 - 03.01.02.07 Resource conservation and industrial development
 - 03.01.02.08 Environment
 - 03.01.02.09 Recreation and culture
 - 03.01.02.10 Housing
 - 03.01.02.11 Regional planning and development
 - 03.01.02.12 Other expenditures
- 03.01.99 Other specific purpose transfers from federal government
 - 03.01.99.01 General government services
 - 03.01.99.02 Protection of persons and property
 - 03.01.99.03 Transportation and communications
 - 03.01.99.04 Health
 - 03.01.99.05 Social Services
 - 03.01.99.06 Education
 - 03.01.99.07 Resource conservation and industrial development
 - 03.01.99.08 Environment
 - 03.01.99.09 Recreation and culture
 - 03.01.99.10 Housing
 - 03.01.99.11 Regional planning and development
 - 03.01.99.12 Debt charges
 - 03.01.99.13 Other expenditures

03.02 Specific purpose transfers from provincial and territorial governments

- 03.02.01 Capital assistance from provincial and territorial governments
- 03.02.02 Other specific purpose capital transfers from provincial and territorial governments
 - 03.02.02.01 General government services
 - 03.02.02.02 Protection of persons and property
 - 03.02.02.03 Transportation and communications
 - 03.02.02.04 Health
 - 03.02.02.05 Social services
 - 03.02.02.06 Education
 - 03.02.02.07 Resource conservation and industrial development

- 03.02.02.08 Environment
- 03.02.02.09 Recreation and culture
- 03.02.02.10 Housing
- 03.02.02.11 Regional planning and development
- 03.02.02.12 Other expenditures
- 03.02.99 Other specific purpose transfers from provincial and territorial governments
 - 03.02.99.01 General government services
 - 03.02.99.02 Protection of persons and property
 - 03.02.99.03 Transportation and communications
 - 03.02.99.04 Health
 - 03.02.99.05 Social services
 - 03.02.99.06 Education
 - 03.02.99.07 Resource conservation and industrial development
 - 03.02.99.08 Environment
 - 03.02.99.09 Recreation and culture
 - 03.02.99.10 Housing
 - 03.02.99.11 Regional planning and development
 - 03.02.99.12 Debt charges
 - 03.02.99.13 Other Expenditures

03.03 Specific purpose transfers from colleges, vocational and trade institutions

- 03.03.01 Capital assistance from colleges, vocational and trade institutions
- 03.03.02 Other specific purpose capital transfers from colleges, vocational and trade institutions
- 03.03.99 Other specific purpose transfers from colleges, vocational and trade institutions

03.04 Specific purpose transfers from universities

- 03.04.01 Capital assistance from universities
- 03.04.02 Other specific purpose capital transfers from universities
- 03.04.99 Other specific purpose transfers from universities

03.05 Specific purpose transfers from hospitals

- 03.05.01 Capital assistance from hospitals
- 03.05.02 Other specific purpose capital transfers from hospitals
- 03.05.99 Other specific purpose transfers from hospitals

03.06 Specific purpose transfers from residential care facilities

- 03.06.01 Capital assistance from residential care facilities
- 03.06.02 Other specific purpose capital transfers from residential care facilities
- 03.06.99 Other specific purpose transfers from residential care facilities

03.07 Specific purpose transfers from other health and social service institutions

- 03.07.01 Capital assistance from other health and social service institutions
- 03.07.02 Other specific purpose capital transfers from other health and social service institutions
- 03.07.99 Other specific purpose transfers from other health and social service institutions

03.08 Specific purpose transfers from local governments

- 03.08.01 Capital assistance from local governments
- 03.08.02 Other specific purpose capital transfers from local governments
 - 03.08.02.06 Education
- 03.08.99 Other specific purpose transfers from local governments
 - 03.08.99.06 Education

03.09 Specific purpose transfers from school boards

- 03.09.01 Capital assistance from school boards
- 03.09.02 Other specific purpose capital transfers from school boards
- 03.09.99 Other specific purpose transfers from school boards

04 Out-of-scope revenue

04.01 Intrasectoral transactions

- 04.01.01 Revenue received from departments
- 04.01.02 Revenue received from special funds

04.02 Recoveries of expenditures

04.03 Expenditures netted against revenue

- 04.04 Provisions**
- 04.05 Foreign exchange gains/losses**
- 04.06 Sale of investments**
- 04.07 Gains/losses on sale of investments**
 - 04.07.01 Gains/losses on sale of financial investments
 - 04.07.02 Gains/losses on sale of non-financial investments
- 04.08 Loan principal repayments**
- 04.09 Taxes collected on behalf of other levels of government**
 - 04.09.01 Taxes collected on behalf of federal government
 - 04.09.02 Taxes collected on behalf of provincial and territorial governments
 - 04.09.03 Taxes collected on behalf of local governments
 - 04.09.04 Taxes collected on behalf of school boards
- 04.10 Revenue of government business enterprises**
- 04.11 Changes in market value of investments**
- 04.99 Other out-of-scope revenue**

Part 2: Government expenditures

- 11 General government services**
 - 11.01 Executive and legislature**
 - 11.02 General administrative**
 - 11.99 Other general government services**
- 12 Protection of persons and property**
 - 12.01 National defence**
 - 12.02 Courts of law**
 - 12.03 Correction and rehabilitation services**
 - 12.04 Policing**
 - 12.04.01 Policetraining
 - 12.04.99 Other policing
 - 12.05 Firefighting**
 - 12.06 Regulatory measures**
 - 12.99 Other protection of persons and property**
- 13 Transportation and communication**
 - 13.01 Air transport**
 - 13.02 Road transport**
 - 13.02.01 Snow removal
 - 13.02.02 Parking
 - 13.02.99 Other road transport
 - 13.03 Public transit**
 - 13.04 Rail transit**
 - 13.05 Water transit**
 - 13.06 Pipelines**
 - 13.07 Telecommunications**

13.99 Other transportation and communication

14 Health

14.01 Hospital care

- 14.01.01 Medical training
- 14.01.99 Other hospital care

14.02 Medical care

14.03 Preventive care

14.99 Other health services

15 Social services

15.01 Social assistance

- 15.01.01 Income maintenance
- 15.01.02 Other social assistance
 - 15.01.02.01 Social security
 - 15.01.02.02 Family allowances
 - 15.01.02.03 Miscellaneous social assistance

15.02 Workers' compensation benefits

15.03 Employee pension plan benefits and changes in equity

- 15.03.01 Employee pension plan benefits and other expenditures
- 15.03.02 Changes in pension equity of households

15.04 Veterans' benefits

15.05 Motor vehicle accident compensation

15.90 Other social services

- 15.90.01 Daycare
- 15.90.02 Other social protection plans
- 15.90.03 Legal aid
- 15.90.99 Miscellaneous social services

16 Education

16.01 Elementary and secondary education

- 16.01.01 Administration
- 16.01.02 Education proper
- 16.01.03 Support to students
- 16.01.04 Subsidiary services
- 16.01.99 Other elementary and secondary education

16.02 Post-secondary education

- 16.02.01 Universities
 - 16.02.01.01 Administration
 - 16.02.01.02 Education proper
 - 16.02.01.03 Support to students
 - 16.02.01.99 Other university education
- 16.02.02 Colleges, vocation and trade institutions
 - 16.02.02.01 Administration
 - 16.02.02.02 Education proper
 - 16.02.02.03 Support to students
 - 16.02.02.99 Other college, vocational and trade institutions education

16.03 Special retraining services

- 16.03.01 Administration
- 16.03.02 Retraining proper
- 16.03.03 Support to students
- 16.03.04 Subsidiary services
- 16.03.99 Other special retraining services

16.90 Other education

- 16.90.01 Administration
- 16.90.02 Education proper
- 16.90.03 Language training
- 16.90.04 Special schools
- 16.90.99 Other miscellaneous education

17 Resource conservation and industrial development**17.01 Agriculture****17.02 Fish and game****17.03 Oil and gas****17.04 Forestry****17.05 Mining****17.06 Water power****17.07 Tourism promotion****17.08 Trade and industry****17.99 Other resource conservation and industrial development****18 Environment****18.01 Water purification and supply, sewage collection and disposal**

- 18.01.01 Water purification and supply
- 18.01.02 Sewage collection and disposal
- 18.01.99 Other water purification and supply, sewage collection and disposal

18.02 Garbage and waste collection and disposal**18.03 Pollution control****18.99 Other environmental services****19 Recreation and culture****19.01 Recreation****19.02 Culture**

- 19.02.01 Libraries
- 19.02.02 Art galleries and museums
- 19.02.99 Other culture

19.03 Broadcasting**19.99 Other recreation and culture****20 Labour, employment and immigration****20.01 Labour and employment****20.02 Immigration****20.99 Other labour, employment and immigration****21 Housing****21.01 Housing operations****21.02 Housing assistance****21.99 Other housing services****22 Foreign affairs and international assistance****22.01 International aid**

- 22.99 Other foreign affairs and international assistance**
- 23 Regional planning and development**
 - 23.01 Planning and zoning**
 - 23.02 Community and regional development**
 - 23.99 Other regional planning and development**
- 24 Research establishments**
- 25 General purpose transfers to other government sub-sectors**
 - 25.01 General purpose transfers to the federal government**
 - 25.02 General purpose transfers to provincial and territorial governments**
 - 25.02.01 Statutory subsidies
 - 25.02.02 Shares of federal taxes
 - 25.02.03 Tax revenue Guarantees
 - 25.02.04 Equalization
 - 25.02.05 Canada health and social transfer
 - 25.02.06 Reciprocal taxation agreement
 - 25.02.07 Stabilization
 - 25.02.99 Other general purpose transfers to provincial and territorial governments
 - 25.03 General purpose transfers to municipal governments**
- 26 Debt charges**
 - 26.01 Interest due to borrowing on behalf of special funds**
 - 26.02 Interest due to borrowing on behalf of government business enterprises**
 - 26.03 Interest due to borrowing on behalf of colleges, vocational and trade institutions**
 - 26.04 Interest due to borrowing on behalf of universities**
 - 26.05 Interest due to borrowing on behalf of hospitals**
 - 26.06 Interest due to borrowing on behalf of residential care facilities**
 - 26.07 Interest due to borrowing on behalf of other health and social service institutions**
 - 26.08 Interest due to borrowing on behalf of local governments**
 - 26.09 Interest due to borrowing on behalf of school boards**
 - 26.90 Other interest expense**
 - 26.99 Other debt charges**
- 27 Other expenditures n.e.s.**
- 28 Out-of-scope expenditures**
 - 28.01 Intrasectoral transactions**
 - 28.01.01 Payments to departments
 - 28.01.02 Payments to special funds
 - 28.02 Revenue netted against expenditures**
 - 28.02.01 Sales of goods and services revenue netted against expenditures
 - 28.02.02 Transfers from federal government netted against expenditures
 - 28.02.99 Other revenue netted against expenditures
 - 28.03 Revenue refunds presented as expenditures**
 - 28.04 Loans and advances**
 - 28.05 Purchase of equity**
 - 28.06 Foreign exchange losses**

28.07 Debt retirement**28.08 Provisional charges**

- 28.08.01 Depreciation and amortization of fixed assets
- 28.08.02 Depletion of natural resources
- 28.08.03 Amortization of early retirement expenses
- 28.08.99 Other provisional charges

28.09 Taxes remitted to other government sub-sectors

- 28.09.01 Taxes remitted to federal government
- 28.09.02 Taxes remitted to provincial and territorial governments
- 28.09.03 Taxes remitted to local governments
- 28.09.04 Taxes remitted to school boards
- 28.09.99 Taxes remitted to other government sector entities

28.10 Expenditures of government business enterprises**28.90 Miscellaneous out-of-scope expenditures****28.99 Other out-of-scope expenditures**

Appendix IV

Classification framework – Balance sheets

Part 1: Government financial assets

01 Cash on hand and on deposit

01.01 Canadian currency

- 01.01.01 Cash on hand and in chartered banks
- 01.01.02 Cash in government business financial enterprises
- 01.01.99 Cash in other financial institutions

01.90 Foreign currencies

02 Receivables

02.01 Taxes

02.02 Interest receivable from:

- 02.02.01 Governments sub-sectors
 - 02.02.01.01 Federal government
 - 02.02.01.02 Federal non-autonomous pension plans
 - 02.02.01.03 Canada Pension Plan
 - 02.02.01.04 Quebec Pension Plan
 - 02.02.01.05 Provincial and territorial governments
 - 02.02.01.05.01 Own provincial and territorial governments
 - 02.02.01.05.02 Other provincial and territorial governments
 - 02.02.01.06 Provincial and territorial non-autonomous pension plans
 - 02.02.01.07 Colleges, vocational and trade institutions
 - 02.02.01.08 Universities
 - 02.02.01.09 Hospitals
 - 02.02.01.10 Residential care facilities
 - 02.02.01.11 Other health and social services institutions
 - 02.02.01.12 Municipal governments
 - 02.02.01.12.01 Own municipal governments
 - 02.02.01.12.02 Other municipal governments
 - 02.02.01.90 School boards
 - 02.02.01.90.01 Own school boards
 - 02.02.01.90.02 Other school boards
- 02.02.90 Others

02.03 Trade accounts

02.04 Transfer payments and other claims receivable from:

- 02.04.01 Governments sub-sectors
 - 02.04.01.01 Federal government
 - 02.04.01.02 Federal non-autonomous pension plans
 - 02.04.01.03 Canada Pension Plan
 - 02.04.01.04 Quebec Pension Plan
 - 02.04.01.05 Provincial and territorial governments
 - 02.04.01.05.01 Own provincial and territorial governments
 - 02.04.01.05.02 Other provincial and territorial governments
 - 02.04.01.06 Provincial and territorial non-autonomous pension plans
 - 02.04.01.07 Colleges, vocational and trade institutions
 - 02.04.01.08 Universities
 - 02.04.01.09 Hospitals
 - 02.04.01.10 Residential care facilities
 - 02.04.01.11 Other health and social service institutions
 - 02.04.01.12 Municipal governments
 - 02.04.01.12.01 Own municipal governments
 - 02.04.01.12.02 Other municipal governments
 - 02.04.01.90 School boards

- 02.04.01.90.01 Own school boards
- 02.04.01.90.02 Other school boards
- 02.04.02 Government business enterprises
 - 02.04.02.01 Federal government business enterprises
 - 02.04.02.02 Provincial and territorial government business enterprises
 - 02.04.02.90 Local government business enterprises

02.90 Other receivables**03 Advanceto:****03.01 Governmentsub-sectors**

- 03.01.01 Federal government
- 03.01.02 Federal non-autonomous pension plans
- 03.01.03 Canada Pension Plan
- 03.01.04 Quebec Pension Plan
- 03.01.05 Provincial and territorial governments
 - 03.01.05.01 Own provincial and territorial governments
 - 03.01.05.02 Other provincial and territorial governments
- 03.01.06 Provincial and territorial non-autonomous pension plans
- 03.01.07 Colleges, vocational and trade institutions
- 03.01.08 Universities
- 03.01.09 Hospitals
- 03.01.10 Residential care facilities
- 03.01.11 Other health and social service institutions
- 03.01.12 Municipal governments
 - 03.01.12.01 Own municipal governments
 - 03.01.12.02 Other municipal governments
- 03.01.90 School boards
 - 03.01.90.01 Own school boards
 - 03.01.90.02 Other school boards
- 03.02 Government business enterprises
 - 03.02.01 Federal government business enterprises
 - 03.02.02 Provincial and territorial government business enterprises
 - 03.02.09 Local government business enterprises

03.03 Individuals**03.04 Corporations****03.90 Others****04 Securities****04.01 Treasury bills issued by:**

- 04.01.01 Governmentsub-sectors
 - 04.01.01.01 Federal government
 - 04.01.01.90 Provincial and territorial governments
 - 04.01.01.90.01 Own provincial and territorial governments
 - 04.01.01.90.02 Other provincial and territorial governments
- 04.01.90 Others

04.02 Short term paper issued by:

- 04.02.01 Governmentsub-sectors
 - 04.02.01.01 Federal government
 - 04.02.01.02 Provincial and territorial governments
 - 04.02.01.02.01 Own provincial and territorial governments
 - 04.02.01.02.02 Other provincial and territorial governments
 - 04.02.01.90 Municipal governments
 - 04.02.01.90.01 Own municipal governments
 - 04.02.01.90.02 Other municipal governments
- 04.02.90 Others
 - 04.02.90.01 Domestic short term paper
 - 04.02.90.99 Foreign short term paper

04.03 Bonds issued by:

- 04.03.01 Governmentsub-sectors

- 04.03.01.01 Federal government
- 04.03.01.02 Provincial and territorial governments
 - 04.03.01.02.01.01 Market bonds
 - 04.03.01.02.01.02 Non-market bonds
 - 04.03.01.02.02 Other provincial and territorial governments
 - 04.03.01.02.02.01 Market bonds
 - 04.03.01.02.02.02 Non-market bonds
- 04.03.01.03 Colleges, vocational and trade institutions
 - 04.03.01.03.01 Own colleges, vocational and trade institutions
 - 04.03.01.03.01.01 Market bonds
 - 04.03.01.03.01.02 Non-market bonds
 - 04.03.01.03.02 Other colleges, vocational and trade institutions
 - 04.03.01.03.02.01 Market bonds
 - 04.03.01.03.02.02 Non-market bonds
- 04.03.01.04 Universities
 - 04.03.01.04.01 Own universities
 - 04.03.01.04.01.01 Market bonds
 - 04.03.01.04.01.02 Non-market bonds
 - 04.03.01.04.02 Other universities
 - 04.03.01.04.02.01 Market bonds
 - 04.03.01.04.02.02 Non-market bonds
- 04.03.01.05 Hospitals
 - 04.03.01.05.01 Own hospitals
 - 04.03.01.05.01.01 Market bonds
 - 04.03.01.05.01.02 Non-market bonds
 - 04.03.01.05.02 Other hospitals
 - 04.03.01.05.02.01 Market bonds
 - 04.03.01.05.02.02 Non-market bonds
- 04.03.01.06 Residential care facilities
 - 04.03.01.06.01 Own residential care facilities
 - 04.03.01.06.01.01 Market bonds
 - 04.03.01.06.01.02 Non-market bonds
 - 04.03.01.06.02 Other residential care facilities
 - 04.03.01.06.02.01 Market bonds
 - 04.03.01.06.02.02 Non-market bonds
- 04.03.01.07 Other health and social service institutions
 - 04.03.01.07.01 Own "other health and social service institutions"
 - 04.03.01.07.01.01 Market bonds
 - 04.03.01.07.01.02 Non-market bonds
 - 04.03.01.07.02 Other "other health and social service institutions"
 - 04.03.01.07.02.01 Market bonds
 - 04.03.01.07.02.02 Non-market bonds
- 04.03.01.08 Municipal governments
 - 04.03.01.08.01 Own municipal governments
 - 04.03.01.08.01.01 Market bonds
 - 04.03.01.08.01.02 Non-market bonds
 - 04.03.01.08.02 Other municipal governments
 - 04.03.01.08.02.01 Market bonds
 - 04.03.01.08.02.02 Non-market bonds
- 04.03.01.90 School boards
 - 04.03.01.90.01 Own school boards
 - 04.03.01.90.01.01 Market bonds
 - 04.03.01.90.01.02 Non-market bonds
 - 04.03.01.90.02 Other school boards
 - 04.03.01.90.02.01 Market bonds
 - 04.03.01.90.02.02 Non-market bonds
- 04.03.02 Government business enterprises
 - 04.03.02.01 Federal government business enterprises
 - 04.03.02.02 Provincial and territorial government business enterprises
 - 04.03.02.02.01 Market bonds
 - 04.03.02.02.02 Non-market bonds
 - 04.03.02.90 Local government business enterprises
 - 04.03.02.90.01 Market bonds
 - 04.03.02.90.02 Non-market bonds

- 04.03.03 Corporations
 - 04.03.03.01 Domestic bonds
 - 04.03.03.01.01 Market bonds
 - 04.03.03.01.02 Non-market bonds
 - 04.03.03.90 Foreign bonds
- 04.03.90 Others
 - 04.03.90.01 Domestic bonds
 - 04.03.90.99 Foreign bonds

04.04 Shares issued by:

- 04.04.01 Government business enterprises
 - 04.04.01.01 Federal government business enterprises
 - 04.04.01.02 Provincial and territorial government business enterprises
 - 04.04.01.90 Local government business enterprises
- 04.04.90 Corporations
 - 04.04.90.01 Domestic shares
 - 04.04.90.99 Foreign shares

04.05 Mortgages and agreements for sale

- 04.05.01 National housing act mortgages
- 04.05.90 Others

04.06 Other securities issued by:

- 04.06.01 Government sub-sectors
 - 04.06.01.01 Federal government
 - 04.06.01.02 Provincial and territorial governments
 - 04.06.01.02.01 Own Provincial and territorial Governments
 - 04.06.01.02.02 Other provincial and territorial Governments
 - 04.06.01.03 Colleges, vocational and trade institutions
 - 04.06.01.04 Universities
 - 04.06.01.05 Hospitals
 - 04.06.01.06 Residential care facilities
 - 04.06.01.07 Other health and social service institutions
 - 04.06.01.08 Municipal governments
 - 04.06.01.08.01 Own municipal governments
 - 04.06.01.08.02 Other municipal governments
 - 04.06.01.90 School boards
 - 04.06.01.90.01 Own school boards
 - 04.06.01.90.02 Other school boards
- 04.06.02 Government business enterprises
 - 04.06.02.01 Federal government business enterprises
 - 04.06.02.02 Provincial and territorial government business enterprises
 - 04.06.02.90 Local government business enterprises
- 04.06.03 Corporations
 - 04.06.03.01 Domestic securities
 - 04.06.03.01.01 Market securities
 - 04.06.03.01.99 Non-market securities
 - 04.06.03.99 Foreign securities
- 04.06.90 Others
 - 04.06.90.01 Domestic securities
 - 04.06.90.99 Foreign securities

05 Other financial assets due by:**05.01 Government sub-sectors**

- 05.01.01 Federal government
- 05.01.02 Federal non-autonomous pension plans
- 05.01.03 Canada Pension Plan
- 05.01.04 Quebec Pension Plan
- 05.01.05 Provincial and territorial governments
 - 05.01.05.01 Own provincial and territorial governments
 - 05.01.05.02 Other provincial and territorial governments
- 05.01.06 Provincial and territorial non-autonomous pension plans
- 05.01.07 Colleges, vocational and trade institutions
- 05.01.08 Universities

- 05.01.09 Hospitals
- 05.01.10 Residential care facilities
- 05.01.11 Other health and social service institutions
- 05.01.12 Municipal governments
 - 05.01.12.01 Own municipal governments
 - 05.01.12.02 Other municipal governments
- 05.01.90 School boards
 - 05.01.90.01 Own school boards
 - 05.01.90.02 Other school boards

05.02 Government business enterprises

- 05.02.01 Federal government business enterprises
- 05.02.02 Provincial and territorial government business enterprises
- 05.02.90 Local government business enterprises

05.03 Corporations

05.99 Others

Part 2: Government liabilities

06 Bank overdrafts

07 Payables

07.01 Matured securities outstanding

07.02 Interest payable to:

- 07.02.01 Government sub-sectors
 - 07.02.01.01 Federal government
 - 07.02.01.02 Federal government non-autonomous pension plans
 - 07.02.01.03 Canada Pension Plan
 - 07.02.01.04 Quebec Pension Plan
 - 07.02.01.05 Provincial and territorial governments
 - 07.02.01.05.01 Own provincial and territorial governments
 - 07.02.01.05.02 Other provincial and territorial governments
 - 07.02.01.06 Provincial and territorial non-autonomous pension plans
 - 07.02.01.07 Colleges, vocational and trade institutions
 - 07.02.01.08 Universities
 - 07.02.01.09 Hospitals
 - 07.02.01.10 Residential care facilities
 - 07.02.01.11 Other health and social Service institutions
 - 07.02.01.12 Municipal governments
 - 07.02.01.12.01 Own municipal governments
 - 07.02.01.12.02 Other municipal governments
 - 07.02.01.90 School boards
 - 07.02.01.90.01 Own school boards
 - 07.02.01.90.02 Other school boards
- 07.02.90 Others

07.03 Trade accounts

07.90 Other accounts payable to:

- 07.90.01 Government sub-sectors
 - 07.90.01.01 Federal government
 - 07.90.01.02 Federal non-autonomous pension plans
 - 07.90.01.03 Canada Pension Plan
 - 07.90.01.04 Quebec Pension Plan
 - 07.90.01.05 Provincial and territorial governments
 - 07.90.01.05.01 Own provincial and territorial governments
 - 07.90.01.05.02 Other provincial and territorial governments
 - 07.90.01.06 Provincial and territorial non-autonomous pension plans
 - 07.90.01.07 Colleges, vocational and trade institutions
 - 07.90.01.08 Universities

- 07.90.01.09 Hospitals
- 07.90.01.10 Residential care facilities
- 07.90.01.11 Other health and social service institutions
- 07.90.01.12 Municipal governments
 - 07.90.01.12.01 Own municipal governments
 - 07.90.01.12.02 Other municipal governments
- 07.90.01.90 School boards
 - 07.90.01.90.01 Own school boards
 - 07.90.01.90.02 Other school boards
- 07.90.02 Government business enterprises
 - 07.90.02.01 Federal government business enterprises
 - 07.90.02.02 Provincial and territorial government business enterprises
 - 07.90.02.90 Local government business enterprises
- 07.90.90 Others

08 Advances from:**08.01 Governments sub-sectors**

- 08.01.01 Federal government
- 08.01.02 Canada Pension Plan
- 08.01.03 Quebec Pension Plan
- 08.01.04 Provincial and territorial governments
 - 08.01.04.01 Own provincial and territorial governments
 - 08.01.04.02 Other provincial and territorial governments
- 08.01.05 Colleges, vocational and trade institutions
- 08.01.06 Universities
- 08.01.07 Hospitals
- 08.01.08 Residential care facilities
- 08.01.09 Other health and social service institutions
- 08.01.10 Municipal governments
 - 08.01.10.01 Own municipal governments
 - 08.01.10.02 Other municipal governments
- 08.01.90 School boards
 - 08.01.90.01 Own school boards
 - 08.01.90.02 Other school boards

08.02 Government business enterprises

- 08.02.01 Federal government business enterprises
- 08.02.02 Provincial and territorial government business enterprises
- 08.02.90 Local government business enterprises

08.03 Chartered banks

- 08.03.01 Canadian currency
- 08.03.90 Foreign currencies

08.90 Others

- 08.90.01 Canadian currency
- 08.90.90 Foreign currencies

09 Coins in circulation**10 Treasury bills issued to:****10.01 Governments sub-sectors**

- 10.01.01 Federal government
- 10.01.90 Provincial and territorial governments
 - 10.01.90.01 Own provincial and territorial governments
 - 10.01.90.02 Other provincial and territorial governments

10.99 Others**11 Canada bills****12 Short term paper****12.01 Canadian currency****12.90 Foreign currencies**

13 Savings bonds

14 Bonds issued to:

14.01 Government sub-sectors

- 14.01.01 Federal government
- 14.01.02 Canada Pension Plan investment fund
- 14.01.90 Provincial and territorial governments
 - 14.01.90.01 Own provincial and territorial governments
 - 14.01.90.02 Other provincial and territorial governments

14.02 Government business enterprises

- 14.02.01 Federal government business enterprises
- 14.02.02 Provincial and territorial government business enterprises
- 14.02.90 Local government business enterprises

14.03 Trusteed pension plans

14.90 Others

- 14.90.01 Canadian currency
- 14.90.02 US currency
- 14.90.90 Other foreign currencies

15 Other securities issued to:

15.01 Government sub-sectors

- 15.01.01 Federal government
- 15.01.90 Provincial and territorial governments
 - 15.01.90.01 Own provincial and territorial governments
 - 15.01.90.02 Other provincial and territorial governments

15.02 Government business enterprises

- 15.02.01 Federal government business enterprises
- 15.02.02 Provincial and territorial government business enterprises
- 15.02.90 Local government business enterprises

15.90 Others

- 15.90.01 Canadian currency
- 15.90.90 Foreign currencies

16 Deposits due to:

16.01 Government sub-sectors

- 16.01.01 Federal government
- 16.01.02 Federal non-autonomous pension plans
- 16.01.03 Canada Pension Plan
- 16.01.04 Quebec Pension Plan
- 16.01.05 Provincial and territorial governments
 - 16.01.05.01 Own provincial and territorial governments
 - 16.01.05.02 Other provincial and territorial governments
- 16.01.06 Provincial and territorial non-autonomous pension plans
- 16.01.07 Colleges, vocational and trade institutions
- 16.01.08 Universities
- 16.01.09 Hospitals
- 16.01.10 Residential care facilities
- 16.01.11 Other health and social Service institutions
- 16.01.12 Municipal governments
 - 16.01.12.01 Own municipal governments
 - 16.01.12.02 Other municipal governments
- 16.01.90 School boards
 - 16.01.90.01 Own school boards
 - 16.01.90.02 Other school boards

16.02 Government business enterprises

- 16.02.01 Federal government business enterprises
- 16.02.02 Provincial and territorial government business enterprises
- 16.02.90 Local government business enterprises

16.90 Others**17 Liabilities to pension plans****17.01 Autonomous pension plans – recorded****17.02 Autonomous pension plans – not recorded****17.03 Non-autonomous pension plans – recorded****17.90 Non-autonomous pension plans – not recorded****18 Other liabilities due to:****18.01 Government sub-sectors**

- 18.01.01 Federal government
- 18.01.02 Federal non-autonomous pension plans
- 18.01.03 Canada Pension Plans
- 18.01.04 Quebec Pension Plans
- 18.01.05 Provincial and territorial governments
 - 18.01.05.01 Own provincial and territorial governments
 - 18.01.05.02 Other provincial and territorial governments
- 18.01.06 Provincial and territorial non-autonomous pension plans
- 18.01.07 Colleges, vocational and trade institutions
- 18.01.08 Universities
- 18.01.09 Hospitals
- 18.01.10 Residential care facilities
- 18.01.11 Other health and social service institutions
- 18.01.12 Municipal governments
 - 18.01.12.01 Own municipal governments
 - 18.01.12.02 Other municipal governments
- 18.01.90 School boards
 - 18.01.90.01 Own school boards
 - 18.01.90.02 Other school boards

18.02 Government business enterprises

- 18.02.01 Federal government business enterprises
- 18.02.02 Provincial and territorial government business enterprises
- 18.02.90 Local government business enterprises

18.90 Others

- 18.90.01 Pension liabilities – recorded
- 18.90.02 Pension liabilities – not recorded
- 18.90.90 Other

Part 3: Government source and application of funds**01 Financial management surplus or deficit for the period****02 Changes in the classification of government entities****03 Changes in accounting policies and practice****04 Changes in the actuarial value of unfunded liabilities****05 Changes in borrowings****05.01 Advances from:**

- 05.01.01 Government sub-sectors
 - 05.01.01.01 Federal government
 - 05.01.01.02 Provincial and territorial governments
 - 05.01.01.90 Other sub-sectors
- 05.01.02 Government business enterprises
 - 05.01.02.01 Federal government business enterprises
 - 05.01.02.02 Provincial and territorial government business enterprises
 - 05.01.02.90 Local government business enterprises

- 05.01.90 Others
 - 05.01.90.01 Canadian currency
 - 05.01.90.90 Foreign currencies

05.02 Treasury bills

05.03 Canada bills

05.04 Short term paper

05.05 Savings bonds

05.06 Bonds issued to:

- 05.06.01 Government sub-sectors
 - 05.06.01.01 Federal government
 - 05.06.01.02 Canada Pension Plan investment funds
 - 05.06.01.90 Provincial and territorial governments
- 05.06.02 Government business enterprises
 - 05.06.02.01 Federal government business enterprises
 - 05.06.02.02 Provincial and territorial government business enterprises
 - 05.06.02.90 Local government business enterprises
- 05.06.90 Others
 - 05.06.90.01 Canadian currency
 - 05.06.90.90 Foreign currencies

05.07 Other securities

- 05.07.01 Canadian currency
- 05.07.90 Foreign currencies

06 Changes in advances to:

06.01 Government sub-sectors

- 06.01.01 Federal government
- 06.01.02 Federal non-autonomous pension plans
- 06.01.03 Canada Pension Plan
- 06.01.04 Quebec Pension Plan
- 06.01.05 Provincial and territorial governments
 - 06.01.05.01 Own provincial and territorial governments
 - 06.01.05.02 Other provincial and territorial governments
- 06.01.06 Provincial and territorial non-autonomous pension plans
- 06.01.07 Colleges, vocational and trade institutions
- 06.01.08 Universities
- 06.01.09 Hospitals
- 06.01.10 Residential care facilities
- 06.01.11 Other health and social service institutions
- 06.01.12 Municipal governments
 - 06.01.12.01 Own municipal governments
 - 06.01.12.02 Other municipal governments
- 06.01.13 School boards
 - 06.01.13.01 Own school boards
 - 06.01.13.02 Other school boards

06.02 Government business enterprises

- 06.02.01 Federal government business enterprises
- 06.02.02 Provincial and territorial government business enterprises
- 06.02.90 Local government business enterprises

06.90 Others

07 Changes in security holdings

07.01 Government sub-sectors

- 07.01.01 Federal government
- 07.01.02 Federal non-autonomous pension plans
- 07.01.03 Canada Pension Plan
- 07.01.04 Quebec Pension Plan
- 07.01.05 Provincial and territorial governments

- 07.01.05.01 Own provincial and territorial governments
- 07.01.05.02 Other provincial and territorial governments
- 07.01.06 Provincial and territorial non-autonomous pension plans
- 07.01.07 Colleges, vocational and trade institutions
- 07.01.08 Universities
- 07.01.09 Hospitals
- 07.01.10 Residential care facilities
- 07.01.11 Other health and social service institutions
- 07.01.12 Municipal governments
 - 07.01.12.01 Own municipal governments
 - 07.01.12.02 Other municipal governments
- 07.01.90 School boards
 - 07.01.90.01 Own school boards
 - 07.01.90.02 Other school boards

07.02 Government business enterprises

- 07.02.01 Federal government business enterprises
- 07.02.02 Provincial and territorial government business enterprises
- 07.02.90 Local government business enterprises

07.03 Others**08 Changes in other assets and liabilities****08.01 Cash on hand and on deposit****08.02 Receivables****08.03 Other financial assets****08.04 Bank overdrafts****08.05 Payables****08.06 Coins in circulation****08.07 Deposits due****08.08 Liabilities to pension plans****08.09 Other liabilities****09 Discrepancy**

Appendix V

Classification framework – Government Business Enterprises (GBEs)

Part 1: Government business enterprises income and expenses

01 Income

01.01 Sales of goods and services

- 01.01.01 Sales of goods and services
- 01.01.90 Underwriting revenue
 - 01.01.90.01 Net premiums written during period
 - 01.01.90.02 Increase (decrease) in unearned premiums
 - 01.01.90.03 Net premiums earned
 - 01.01.90.99 Others

01.02 Investment income

- 01.02.01 Interest from:
 - 01.02.01.01 Government sub-sectors
 - 01.02.01.01.01 Federal government
 - 01.02.01.01.02 Provincial and territorial governments
 - 01.02.01.01.90 Local governments
 - 01.02.01.02 Government business enterprises
 - 01.02.01.02.01 Federal government business enterprises
 - 01.02.01.02.02 Provincial and territorial government business enterprises
 - 01.02.01.02.90 Local government business enterprises
 - 01.02.01.03 Others
 - 01.02.01.03.01 Bank and term deposits
 - 01.02.01.03.02 Bonds, loans and mortgages
 - 01.02.01.03.99 Others
- 01.02.02 Rentals
- 01.02.03 Others investment income
 - 01.02.03.01 Dividends
 - 01.02.03.02 Foreign income
 - 01.02.03.02.01 Dividends
 - 01.02.03.02.99 Interest
 - 01.02.03.03 Gains on sale of investments
 - 01.02.03.04 Amortization of unrealized foreign exchange gains
 - 01.02.03.05 Equity in net income of subsidiaries and/or affiliates
 - 01.02.03.99 Other investment income

01.03 Subsidies from:

- 01.03.01 Government sub-sectors
 - 01.03.01.01 Federal government
 - 01.03.01.02 Provincial and territorial governments
 - 01.03.01.90 Local governments
- 01.03.02 Government business enterprises
 - 01.03.02.01 Federal government business enterprises

01.04 Other income

- 01.04.01 Commissions
- 01.04.02 Extraordinary gain
- 01.04.99 Other income

02 Expenses

02.01 Cost of goods and services including salaries and wages

- 02.01.01 Cost of materials and other purchases
- 02.01.02 Indirect taxes
 - 02.01.02.01 Property taxes – Business
 - 02.01.02.02 Other fees and licences for which no goods or services are received from federal, provincial, territorial and local governments
 - 02.01.02.03 Ontario employer health tax
 - 02.01.02.04 Quebec employer health tax

- 02.01.02.05 Manitoba levy for health and education and the Newfoundland and Labrador payroll tax
- 02.01.02.90 Provincial capital tax
- 02.01.03 Salaries and wages
 - 02.01.03.01 Salaries and wages
 - 02.01.03.90 Employer portion of benefits
- 02.01.04 Insurance claims and expenses
 - 02.01.04.01 Net claims and adjustment expenses incurred
 - 02.01.04.99 Commissions

02.02 Debt charges

- 02.02.01 Interest to:
 - 02.02.01.01 Government sub-sectors
 - 02.02.01.01.01 Federal government
 - 02.02.01.01.02 Provincial and territorial governments
 - 02.02.01.01.90 Local governments
 - 02.02.01.02 Government business enterprises
 - 02.02.01.02.01 Federal government business enterprises
 - 02.02.01.02.02 Provincial and territorial government business enterprises
 - 02.02.01.02.90 Local government business enterprises
 - 02.02.01.90 Others
- 02.02.02 Other debt charges
 - 02.02.02.01 Amortization of bond discount
 - 02.02.02.99 Bond issue and redemption charges

02.03 Grants in lieu of taxes**02.04 Provision for depreciation and depletion****02.05 Other expenses**

- 02.05.01 Amortization
 - 02.05.01.01 Unrealized foreign exchange losses
 - 02.05.01.02 Intangible assets
 - 02.05.01.03 Deferred charges
 - 02.05.01.90 Tooling and special tooling costs
- 02.05.02 Write-offs and write-downs
- 02.05.03 Equity in losses of subsidiaries and/or affiliates
- 02.05.04 Provision for:
 - 02.05.04.01 Estimated liabilities
 - 02.05.04.02 Future losses on investments, loans and other assets
 - 02.05.04.03 Fixed assets removal costs
 - 02.05.04.04 Site restoration
 - 02.05.04.05 Generation equalization adjustment
 - 02.05.04.99 Bad debts
- 02.05.05 Losses on sale of investments
- 02.05.06 Extraordinary loss
- 02.05.07 Other expenses
- 02.05.90 Other expenses not applicable for SNA profits

03 Net income (loss) before provision for income tax**04 Provision for income tax****04.01 Current****04.90 Deferred****05 Net income (loss) after provision for income tax****06 Interest capitalized****Part 2: Government business enterprises unappropriated surplus****07 Balance at the beginning of the year****07.01 Additions**

- 07.01.01 Net income (loss) for the year after provision for income tax
- 07.01.02 Net profit (loss) on sale or disposal of fixed assets
- 07.01.03 Recoveries of losses from:
 - 07.01.03.01 Government sub-sectors
 - 07.01.03.01.01 Federal government
 - 07.01.03.01.02 Provincial and territorial governments
 - 07.01.03.01.90 Local governments
 - 07.01.03.02 Government business enterprises
 - 07.01.03.02.01 Federal government business enterprises
 - 07.01.03.02.02 Provincial and territorial government business enterprises
 - 07.01.03.02.90 Local government business enterprises
 - 07.01.03.90 Others
- 07.01.04 Transfers from appropriated surplus
- 07.01.05 Transfers from contributed surplus
- 07.01.90 Other adjustments

07.02 Deductions

- 07.02.01 Profits remitted (including dividend paid) to:
 - 07.02.01.01 Government sub-sectors
 - 07.02.01.01.01 Federal government
 - 07.02.01.01.02 Provincial and territorial governments
 - 07.02.01.01.90 Local governments
 - 07.02.01.02 Government business enterprises
 - 07.02.01.02.01 Federal government business enterprises
 - 07.02.01.02.02 Provincial and territorial government business enterprises
 - 07.02.01.02.90 Local government business enterprises
 - 07.02.01.90 Others
- 07.02.02 Transfers to appropriated surplus
- 07.02.03 Transfers to contributed surplus
- 07.02.90 Other adjustments

07 Balance at the end of the year**Part 3: Government business enterprises assets****08 Assets****08.01 Financial assets**

- 08.01.01 Cash on hand and on deposit
 - 08.01.01.01 Canadian currency
 - 08.01.01.01.01 Cash on hand
 - 08.01.01.01.02 Cash in chartered banks
 - 08.01.01.01.03 Cash with provincial and territorial governments
 - 08.01.01.01.99 Cash in other financial institutions
 - 08.01.01.02 Foreign currencies
- 08.01.02 Receivables
 - 08.01.02.01 Trade accounts
 - 08.01.02.02 Government sub-sectors
 - 08.01.02.02.01 Federal government
 - 08.01.02.02.02 Provincial and territorial governments
 - 08.01.02.02.90 Local governments
 - 08.01.02.03 Government business enterprises
 - 08.01.02.03.01 Federal government business enterprises
 - 08.01.02.03.02 Provincial and territorial government business enterprises
 - 08.01.02.03.90 Local government business enterprises
 - 08.01.02.04 Others
- 08.01.03 Accrued revenue and prepaid expenses
- 08.01.04 Advances to:
 - 08.01.04.01 Government sub-sectors
 - 08.01.04.01.01 Federal government
 - 08.01.04.01.02 Provincial and territorial governments
 - 08.01.04.01.90 Local governments
 - 08.01.04.02 Government business enterprises

	08.01.04.02.01	Federal government business enterprises
	08.01.04.02.02	Provincial and territorial government business enterprises
	08.01.04.02.90	Local government business enterprises
08.01.04.03		Corporations (private enterprises)
08.01.04.04		Others
08.01.05		Securities
08.01.05.01		Treasury bills
	08.01.05.01.01	Federal government
	08.01.05.01.90	Provincial and territorial governments
08.01.05.02		Bonds issued by:
	08.01.05.02.01	Government sub-sectors
	08.01.05.02.01.01	Federal government
	08.01.05.02.01.02	Provincial and territorial governments
	08.01.05.02.01.90	Local governments
	08.01.05.02.02	Government business enterprises
	08.01.05.02.02.01	Federal government business enterprises
	08.01.05.02.02.02	Provincial and territorial government business enterprises
	08.01.05.02.02.90	Local government business enterprises
	08.01.05.02.03	Corporations
	08.01.05.02.04	Others
08.01.05.03		Shares
	08.01.05.03.01	Government business enterprises
	08.01.05.03.01.01	Federal government business enterprises – Shares of Subsidiaries
	08.01.05.03.01.02	Federal government business enterprises – Other Investments
	08.01.05.03.01.03	Provincial and territorial government business enterprises – Shares of Subsidiaries
	08.01.05.03.01.04	Provincial and territorial government business enterprises – Other Investments
	08.01.05.03.01.05	Local government business enterprises – shares of subsidiaries
	08.01.05.03.01.90	Local government business enterprises – Other Investments
	08.01.05.03.02	Corporations
	08.01.05.03.03	Accumulated earnings less dividends received
08.01.05.04		Mortgages and agreements for sale
	08.01.05.04.01	National housing act mortgages
	08.01.05.04.90	Others
08.01.05.05		Foreign securities
	08.01.05.05.01	Shares at cost
	08.01.05.05.02	Loans and advances
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Appendix VI

Glossary of acronyms

CANSIM	Canadian Socio-economic Information Management System
CAP	Canada Assistance Plan
CBC	Canadian Broadcasting Corporation
CCG	Canadian Coast Guard
CÉGEP	Collège d'enseignement général et professionnel
CHST	Canada Health and Social Transfer
CIHI	Canadian Institute of Health Information
CMHC	Canada Mortgage and Housing Corporation
COFOG	Classification of Functions of the Government
CPP	Canada Pension Plan
CRTC	Canadian Radio-television and Telecom-munications Commission
CSB	Canada Savings Bonds
CSNA	Canadian System of National Accounts
EI	Employment Insurance
EPF	Established Programs Financing
FMS	Financial Management System
GAAP	Generally Accepted Accounting Principles
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GST	Goods and Services Tax
HST	Harmonized Sales Tax
IMF	International Monetary Fund
NAICS	North American Industrial Classification System
OECD	Organisation for Economic Co-operation and Development
PA	Public Accounts
QPP	Quebec Pension Plan
SIC	Standard Industrial Classification System

SLI	Supplementary Labour Income
SNA	System of National Accounts
STC	Statistics Canada
TTF	Territorial Formula Financing
UN	United Nations
WCB	Workers' Compensation Board

Appendix VII

Glossary of terms

Public sector statistics

Accounting

The systematic recording, presentation, and interpretation of the financial facts of an **enterprise** in such a manner as to permit effective management and provide the required information in reports and statements. The reports are intended both for the enterprise itself and outside parties. See **accrual accounting**, **cash accounting**, and **modified cash accounting**. Also, see **flow**.

Accrual accounting recognizes **revenue** and **expenditures** to be reflected in the accounts in the period in which they are deemed to have been earned and incurred whether or not the related cash receipts and disbursements occur in the same period.

Cash accounting requires **revenue** and **expenditures** to be reflected in the accounts only when the related cash receipts and disbursements occur.

Modified cash accounting uses the cash accounting convention during an accounting period but accrues certain items at the end of the period, e.g., trade accounts, **transfers**, and in some cases, taxes. It is used principally by the federal, provincial, and territorial governments but there is no uniformity on the items subject to accrual. Also, see **gross convention**.

Accrual accounting

See **accounting**.

Asset

Economic resources owned by an entity from which future economic benefits may be obtained.

Financial asset: An asset of a financial nature, for example, cash, receivables and securities.

Fixed asset: Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly or continuously in other processes of production for more than one year.

Tangible fixed assets: are non-financial produced assets that consist of dwellings; other buildings and structures; machine and equipment and cultivated assets.

Tangible non-produced assets: are natural assets - land, subsoil assets, non-cultivated biological resources, and water resources - over which ownership may be established and transferred.

Non-financial asset: Any asset other than a financial asset. Non-financial assets consist of fixed assets, inventories, valuables, and non-produced assets. Most non-financial assets provide benefits either through their use in the production of goods and services or in the form of property income.

Non-produced, non-financial assets: Examples are intangibles such as patents, copyrights, trademarks, and franchises and tangible assets such as embassy land.

Asset backed securities

See **securities**.

Autonomous pension fund:

See **pension fund**.

Balance sheet

A concise financial statement of **financial assets**, **liabilities**, and **equity** at a particular point in time, usually at the end of the fiscal year.

Bonds, debentures, notes

These are **debt securities** issued by borrowers to finance their operations. They are sold to investors with the promise that they will be repaid with interest by the end of a specific period. The following marketable and non-marketable **securities** issued in Canadian or foreign currency exists within the public sector context:

Canada bonds: Direct bonds of the federal government (of which, Canada Savings Bonds) and guaranteed federal enterprise bonds.

Municipal bonds: Direct bonds or debentures of municipalities and guaranteed municipal enterprise bonds.

Other bonds: Bonds issued by Canadian corporations, hospitals and non-profit institutions, as well as non-guaranteed bonds of **Government Business Enterprises (GBEs)**. Also included are asset-backed securities.

Provincial bonds: Direct bonds of provincial governments (of which, provincial savings bonds) and guaranteed provincial enterprise bonds.

Budgetary unit

See **institutional unit**.

Canada and Quebec Pension Plans

See **social security scheme**.

Capital tax

A tax levied on the values of the assets or net worth of institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts *inter vivos*, or other transfers. See **tax**.

Capital transfer

See **transfer**.

Cash accounting

See **accounting**.

Consolidated government

Consolidated government is the general term used for the consolidation of the data of the federal government, the provincial, territorial, and local governments and of the Canada and Quebec pension plans. This entails combining the financial accounts of units within a government, or combining the financial accounts of different levels of governments (federal, provincial, territorial, or local) to yield aggregate unduplicated financial statistics. See **consolidation**.

Consolidation

A method of presenting data for a set of units as if they constituted a single unit. All transactions and debtor-creditor relationships among the units being consolidated are matched and eliminated. See **consolidated government**.

Contingent liability

See **liability**.

Corporation

A legal entity created for the purpose of producing goods or services for the market that may be a source of profit or other financial gain to its owners. A corporation is collectively owned by shareholders who have the authority to appoint directors responsible for its general management.

Public corporation: A corporation owned or controlled by government units. See **Government Business Enterprises (GBEs)**.

Quasi-corporation: Quasi-corporations are unincorporated **enterprises** that function as if they were corporations, and which have complete sets of accounts, including balance sheets.

Current transfer

See **transfer**.

Debentures

See **bonds, debentures, notes**.

Debt

Any liability that requires a payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future.

Gross government debt: The total **liability** of the government.

Guaranteed debt: The borrowings issued by agencies outside government (e.g., **Government Business Enterprises (GBEs)**) and guaranteed by a government.

Net financial debt: The excess of **liabilities** over **financial assets**.

Deficit

Excess of **expenditures** over **revenue**.

Defined-benefit scheme

See **pension fund**.

Employee

Any person drawing pay for services rendered or for paid absence, and for whom the employer is required to provide a Canada Revenue Agency T-4 Supplementary Form. Excluded are self-employed consultants as well as the employees of firms doing business under contract.

Full-time employee: Any employee who normally works the scheduled hours in the standard work week of the **establishment**.

Part-time employee: An employee whose assigned hours of work are less than the scheduled hours of work in the standard work week of the **establishment**.

Salaried employee: Any employee whose basic remuneration is a fixed amount based on weekly, monthly, or annual rates. See **employment**.

Employment

Employment is a measure of the number of individuals who work within a given industry. In other words, employment refers to the number of persons drawing pay for services rendered or for paid absences, regardless whether employed on a full time, part-time or on a temporary basis. See **employee**.

Enterprise

See *institutional unit*.

Equity

Equity comprises common and preferred **shares** (stocks), which represent a share in the ownership of the company. In addition, the following are also considered as equity: depository receipts, most units of **mutual funds**, **income trusts**, and **warrants**.

Establishment

See *institutional unit*.

Expenditure

Total expense plus the net acquisition of non-financial assets.

Expense

A transaction that results in a decrease in **net worth**.

Extra-budgetary unit

See *institutional unit*.

Federal government

See *government*.

Federal government sub-sector

See *sub-sector*.

Financial asset

See *asset*.

Financial businesses

See *sector*.

Financial flows

See *flow*.

Financial instruments

Financial instruments encompass **securities** (generally marketable) and other financial instruments (generally non-marketable).

Financial Management System (FMS)

The Financial Management System (FMS) is a conceptual and analytical accounting framework designed to produce statistical series that are both consistent and compatible. It encompasses the financial transactions and employment data of the public sector in Canada. In its broad outline, the Financial Management System (FMS) bears a close relationship to the international standard as described in the 2001 International Monetary Fund manual (IMF publication: Government Finance Statistics Manual, GFS 2001).

Financial transaction

See *transaction*.

Fixed asset

See *asset*.

Flow

The monetary expression of an economic action engaged in by a unit or another event affecting the economic status of the unit. It reflects the creation, transformation, exchange, transfer, or extinction of economic value. It involves a change in the volume, composition, or value of a unit's assets, liabilities, and *net worth*. Every flow is classified either as a transaction or as another economic flow.

Financial flows: Financial flows record the movement of assets and liabilities between two periods.

Full-time employee

See *employee*.

Functional classification

The classification used to identify the purpose, or socioeconomic objective, for which an expense was incurred or a non-financial asset was acquired.

Fund

An organization established to administer and manage a sum of money or other resources set aside for a specific purpose.

Mutual fund: A diversified portfolio of *securities* invested on behalf of a group of investors and professionally managed. Individual investors own a percentage of the value of the fund represented by the number of units they purchased and thus share in any gains or losses of the fund. Depending on the objectives of a fund, its assets can include *equity*, *debt* or other financial instruments.

Segregated fund: Segregated funds are a type of annuity that is similar to a mutual fund, and is an insurance product and offered only by insurance companies. Also, see *equity*.

Sinking fund: A fund established for the redemption of *bonds and debentures*.

Special fund: An agency created by individual governments or by a number of governments acting jointly that is a specialized extension of departmental organizations. Also, see *pension fund*.

Government

The public authorities of a country and their agencies, which are entities established through political processes that exercise legislative, judicial, and executive authority within a territorial area. The principal economic functions of a government are (1) to assume responsibility for the provision of goods and services to the community on a non-market basis, either for collective or individual consumption, and (2) to redistribute income and wealth by means of transfer payments. An additional characteristic of government is that these activities must be financed primarily by taxation or other compulsory transfers.

Federal government: The government whose political authority extends over the entire territory of the country. The central government can impose taxes on all resident citizens and resident institutional units and on non-resident units engaged in economic activities within the country. Typically, it is responsible for providing collective services for the community as a whole, such as national defence. In addition, it may provide services for the benefit of individual households, such as health and education, and it may make transfers to other institutional units.

Local government: A government whose legislative, judicial, and executive authority is restricted to the smallest geographic areas distinguished for administrative and political purposes. Such governments may or may not be entitled to levy taxes on resident citizens and resident institutional units or economic activities taking place in their areas.

Provincial and territorial government: The government whose legislative, judicial, and executive authority extends over the entire territory of a jurisdiction, which is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. The authority of a provincial or territorial government does not extend over other provinces or territories. A provincial or territorial government usually has the fiscal authority to levy taxes on resident citizens and resident institutional units that are resident in or engage in economic activities in its area of competence.

Government Business Enterprises (GBEs)

Government Business Enterprises are government controlled, public financial and non-financial **corporations** engaged in commercial operations involving the sale of goods and services to the public in the market place.

Government sector

See **sector**.

Government sector unit

See **institutional unit**.

Government unit

See **institutional unit**.

Grant

A non-compulsory **transfer** from one government unit or international organization to a second government unit or international organization.

Capital grant: A non-compulsory **transfer** from one government unit or international organization to a second government unit or international organization in the form of cash that the recipient is expected or required to use to acquire an asset or assets other than inventories and cash.

Current grant: A non-compulsory **transfer** from one government unit or international organization to a second government unit or international organization made for purposes of current expense. It is not linked to or conditional on the acquisition of an asset by the recipient. Also, any grant that is not a capital grant is included.

Gross convention

Gross convention is an accounting concept/standard, which requires that all **assets** and **liabilities** are shown gross without netting any related asset or liability. It also requires **revenue** and **expenditures** to be shown excluding repayments, discounts, refunds, and rebates.

Guaranteed debt

See **debt**.

Households sector

See **sector**.

Income trust

An investment trust that holds **assets** which are income producing. The income is passed on to the unit holders. Some of the most popular income trusts are Real Estate Investment Trusts (REITs) and Natural Resource Trusts. The main attraction of income trusts is their ability to generate constant cash flows for investors. Also, see **equity**.
Institutional unit

An economic entity that is capable, in its own right, of owning **assets**, incurring **liabilities**, and engaging in economic activities and in transactions with other entities.

Budgetary unit: A unit financed by the legislative budget of its government.

Enterprise: An institutional unit producing goods and services. An enterprise may be a corporation, a quasi-corporation, a non-profit institution, or an unincorporated enterprise.

Establishment: An enterprise or a unit of an enterprise for which the business maintains accounting records from which it is possible to assemble all the data elements required to compile the full structure of the gross value of production (total sales or shipments, and inventories), the cost of materials and services, and labour and capital used in production.

Extra-budgetary unit: A government unit not financed by the legislative budget of the controlling government.

Government sector unit: A government unit or a non-market, non-profit institution controlled and mainly financed by government units.

Government unit: An institutional unit that carries out the functions of government as its primary activity.

Interest on the public debt

Interest payments on *liabilities* of the *government sector*.

Liability

Obligations of an entity from past transactions, which may result in the transfer of *financial assets* or provision of services.

Contingent liability: A potential liability, which may become an actual liability when one or more future events occur or fail to occur.

Local government

See *government*.

Local government sub-sector

See *sub-sector*.

Military pay and allowances

Consists of pay and allowance payments to members of the Armed Forces serving in Canada or abroad. See *wages and salaries*.

Modified cash accounting

See *accounting*.

Mutual fund

See *fund*.

Net financial debt

See *debt*.

Net financial wealth

The excess of financial assets over liabilities.

Net worth

The total value of all assets minus the total value of all liabilities.

Non-autonomous pension fund

See *pension fund*.

Non-financial asset

See *asset*.

Non-financial businesses

See *sector*.

Non-produced, non-financial assets

See *asset*.

Non-profit institution

A legal or social entity created for the purpose of producing or distributing goods and services, but that is not capable of being a source of income, profit, or other financial gain for the institutional units that established, control, or financed it.

Non-profit institutions serving households sector

See *sector*.

Non-resident

A person or business is said to be a non-resident of a country if they have a centre of economic activity that is outside the country. See *resident*.

Notes

See *bonds, debentures, notes*.

Part-time employee

See *employee*.

Pension fund

A fund established for the purpose of providing benefits on retirement for specific groups of workers, dependents, and other beneficiaries. A pension fund can be a separate *institutional unit* (an autonomous pension fund) or the *assets, liabilities, transactions, and other events* of the pension fund may be included among the corresponding items of the employer operating the scheme (a non-autonomous pension fund).

Autonomous pension fund: Autonomous pension funds are separate institutional units established for purposes of providing incomes on retirement for specific groups of employees and which are organized, and directed, by a private or public employer or jointly by the employer and its employees.

Non-autonomous pension fund: Non-autonomous pension plans are funds established to provide incomes on retirement for specific groups of employees. These non-autonomous pension plans do not constitute separate institutional units. With this type of fund, the employer maintains a special reserve that is segregated from its other reserves. These pension reserves and/or funds are treated as *assets* that belong to the beneficiaries and not the employer.

Defined-benefit scheme: A retirement scheme in which the benefits are guaranteed by the employer. The amounts of the benefits usually are determined by a formula based on the participants' length of service and salary.

Privatization

The disposal to private owners by a government unit of the controlling equity of a public corporation.

Provincial and territorial government

See *government*.

Provincial and territorial government sub-sector

See *sub-sector*.

Public corporation

See *corporation*.

Public sector

See *sector*.

Quasi-corporation

See *corporation*.

Resident

A person or business is said to be a resident of a country if they have a centre of economic activity as evidenced by the location of a person's principal residence and where they produce, invest, and earn revenues.

Revenue

A transaction that results in an increase in net worth.

Royalties

Royalties is the term often used to describe either the regular payments made by the lessees of subsoil assets to the owners of the assets or the payments made by units using processes or producing products covered by patents.

Salaried employee

See *employee*.

Salaries and wages

See *wages and salaries*.

Sector

A group of resident *institutional units* that have similar objectives.

Business sector: That part of the domestic economy made up of *corporations* and *quasi-corporations* (both financial and non-financial), unincorporated businesses, and *Government Business Enterprises (GBEs)* as well as certain non-profit institutions engaged in market production such as airport and seaway transportation authorities. The sector is made up of establishments that produce goods and services for sale in the market at a price, which has significant influence on the amounts that producers are willing to supply or on the amounts purchasers wish to buy.

Financial businesses: consists of all corporations, quasi-corporations, and market non-profit institutions principally engaged in financial intermediation or in auxiliary financial activities closely related to financial intermediation.

Non-financial businesses: consists of all resident *institutional units* created for the purpose of producing goods and non-financial services for the market.

Government sector: consists of all resident *government units* and all resident non-market, non-profit institutions that are controlled and mainly financed by resident government units. Economic activities of governments are shown in the government

sector and consist of operations of the **federal government** (including defence), the **provincial and territorial governments**, **local (municipal) governments**, universities, colleges, vocational and trade schools, publicly funded hospitals and residential care facilities, and publicly funded schools and school boards. **Government Business Enterprises (GBEs)** are part of the **business sector**.

Public sector: consists of all units of the government sector plus all public financial and non-financial corporations classified to the **business sector**.

Households sector: consists of all resident households.

Non-profit institutions serving households sector: consists of all resident non-market, non-profit institutions, except those controlled and mainly financed by government.

Non-resident sector: A person or business is said to be a non-resident of a country if they have a centre of economic activity that is outside the country. Also, see **resident**.

Securities

Financial instruments that are marketable, such as publicly traded stocks, **bonds**, money market securities and other financial instruments.

Asset backed securities: A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities. As an investor, asset-backed securities are an alternative to investing in corporate debt.

Segregated funds

See **fund**.

Shares

Financial instrument consisting of common and preferred shares (including term preferred shares and mutual fund shares), plus contributed surplus.

Short-term paper

Marketable financial instrument comprising:

Government of Canada short-term paper: Treasury bills, which are notes of original term to maturity of less than one year, issued at a discount and sold at auction every week; also includes Canada bills issued in foreign currency.

Other short-term paper: Notes of original term to maturity of one year or less, issued at a discount by a variety of financial and non-financial institutions; includes provincial and municipal Treasury bills as well as asset-backed securities.

Sinking fund

See **fund**.

Social security scheme

Social security schemes are schemes imposed and controlled by **government units** for the purpose of providing social benefits to members of the community as a whole, or of particular sections of the community.

Social security fund: A government unit devoted to the operation of one or more social security schemes. To satisfy the general requirements of an **institutional unit**, the fund must be separately organized from the other activities of government units, hold its **assets** and **liabilities** separately, and engage in financial transactions on its own account. The **Canada and Quebec Pension Plans**, which were established in 1966, are social security funds that comprise a distinct sub-sector of the government sector.

Special fund

See **fund**.

Stocks

See *shares*.

Sub-sector

A group of institutional units that are all members of the same sector.

Federal government sub-sector: The group of units consisting of all government units belonging to the *federal government* and all non-market, non-profit institutions controlled and mainly financed by the federal government.

Local government sub-sector: The group of units consisting of all government units belonging to a *local government* and all non-market, non-profit institutions controlled and mainly financed by a local government.

Provincial and territorial government sub-sector: The group of units consisting of all government units belonging to a *provincial or territorial government* and all non-market, non-profit institutions controlled and mainly financed by a provincial or territorial government.

Subsidiary

Business entity that has more than 50% of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) owned by another business entity.

Subsidy

An unrequited payment by a government unit to an enterprise based on the level of its production activities or the quantities or values of goods or services it produces, sells, exports, or imports. Subsidies may be designed to influence levels of production, the prices at which outputs are sold, or the remuneration of the enterprises. Included are transfers to public corporations and other enterprises that are intended to compensate for operating losses.

Supplementary labour income

Employers' social contributions, either compulsory or voluntary. Includes retirement allowances and contributions to employment insurance, the *Canada and Quebec Pension Plans*, other pension plans, workers' compensation, Medicare, dental plans, short- and long-term disability insurance, etc. See *wages and salaries*.

Surplus

An excess of revenue over expenditures.

Tangible assets

See *fixed asset*.

Tax

A compulsory *transfer* to the *government sector*. Certain compulsory transfers, such as fines, penalties, and social security contributions, are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative taxes.

Capital tax: A tax levied on the values of the *assets* or *net worth of institutional units* or on the values of assets transferred between institutional units as a result of legacies, gifts *inter vivos*, or other transfers.

Tax assessment: An estimate, made by the taxpayer or the tax authority, of tax due.

Tax credit: An amount deductible from the tax that otherwise would be payable.

Tax liability: The amount of tax owed by a taxpayer.

Tax refund: Repayment by the tax authority of tax overpayments.

Withholding taxes: Taxes withheld by the Government of Canada on selected income and service payments to non-residents, or withheld by foreign governments on selected income and service payments to **Canadian residents**.

Tax credit

See **tax**.

Tax liability

See **tax**.

Tax refund

See **tax**.

Transaction

An interaction between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

Financial transaction: A transaction involving the acquisition or disposal of a financial asset.

Transfer

A transaction in which one unit provides a good, service, asset, or labour to a second unit without receiving simultaneously a good, service, asset, or labour of any value in return.

Capital transfer: A transfer of a non-cash **asset**, the cancellation of a liability by mutual agreement between the creditor and debtor, the transfer of cash that was raised by disposing of an asset, the transfer of cash that the recipient is expected or required to use for the acquisition of an asset, or the assumption by the one unit of a **debt** of the other unit. In each case, inventories are excluded.

Unit

See **institutional unit**.

Wages and salaries

Wages and salaries include directors' fees, bonuses, commissions, gratuities, income in kind, taxable allowances, and retroactive wage payments. Wages and salaries are estimated on a gross basis, that is, before deductions for employees' contributions to income tax, unemployment insurance, or pension plans. Wages and salaries accumulating over time, for example, retroactive payments, are accounted for in the month and year in which they are paid. Supplementary labour income, such as employer contributions to pension, medical or similar plans are not included.

Warrant

A warrant, like an option, gives the holder the right but not the obligation to buy an underlying security at a certain price, quantity, and future time. However, unlike an option, an instrument of the stock exchange, a warrant is issued by a company. The security represented in the warrant (usually share equity) is delivered by the issuing company instead of an investor holding the shares. Also, see **equity**.

Withholding taxes

See **tax**.

Appendix VIII

Related products

Selected publications from Statistics Canada

12-589-X	Guide to the Public Sector of Canada
63-202-X	The Control and Sale of Alcoholic Beverages in Canada
68-213-S	Public Sector Statistics: Supplement
68-213-X	Public Sector Statistics

Selected CANSIM tables from Statistics Canada

183-0002	Public sector employment, wages and salaries
183-0003	Federal government employment, wages and salaries in census metropolitan areas for the month of September
183-0004	Department of National Defence, military personnel and wages and salaries
183-0006	Sales of alcoholic beverages by volume, value and per capita 15 years and over, fiscal years ended March 31
183-0015	Sales of alcoholic beverages of liquor authorities, wineries and breweries, by value and volume, fiscal years ended March 31
183-0016	Imports and exports of alcoholic beverages, by value and volume for selected countries, fiscal years ended March 31
183-0017	Net income of provincial and territorial liquor authorities and government revenue from the control and sale of alcoholic beverages, fiscal years ended March 31
183-0018	Reconciliation of net income of liquor authorities with total revenue specifically derived from the control and sale of alcoholic beverages, fiscal years ended March 31
183-0019	Volume of sales of alcoholic beverages in litres of absolute alcohol and per capita 15 years and over, fiscal years ended March 31
183-0020	Provincial and territorial retail trade of alcoholic beverages, fiscal years ended March 31
183-0021	Federal public sector employment - Reconciliation of TBC, PSC and STC statistical universes, as at December 31
385-0001	Consolidated federal, provincial, territorial and local government revenue and expenditures, for fiscal year ending March 31
385-0002	Federal, provincial and territorial general government revenue and expenditures, for fiscal year ending March 31
385-0003	Local government revenue and expenditures, year ending December 31
385-0004	Local general government revenue and expenditures, year ending December 31
385-0005	Federal, provincial and territorial non-autonomous pension plans, revenue and expenditures, for fiscal year ending March 31
385-0006	Canada and Quebec Pension Plans revenue and expenditures, for fiscal year ending March 31
385-0007	University and college revenue and expenditures, for fiscal year ending March 31

385-0008	Health and social service institutions revenue and expenditures, for fiscal year ending March 31
385-0009	School board revenue and expenditures, year ending December 31
385-0010	Federal government debt, for fiscal year ending March 31
385-0011	Federal government enterprise finance, income and expenses, year ending December 31
385-0012	Federal government enterprise finance, unappropriated surplus, year ending December 31
385-0013	Federal government enterprise finance, balance sheet, year ending December 31
385-0014	Balance sheet of federal, provincial and territorial general and local governments
385-0015	Income and expenses of provincial, territorial and local government enterprises, by industry
385-0016	Assets, liabilities and net worth of provincial and territorial government enterprises, by industry, year ending January 1
385-0017	Net financial debt of federal, provincial and territorial general and local governments
385-0018	Federal, provincial and territorial non-autonomous pension plans balance sheet, for fiscal year ending March 31
385-0019	Canada and Quebec Pension Plans (CPP and QPP) balance sheet, for fiscal year ending March 31
385-0021	Reconciliation of expenditures of universities and colleges on a Financial Management System (FMS) basis to expenditures on postsecondary education as per Centre for Education Statistics (CES), for fiscal year ending March 31
385-0022	Reconciliation of provincial and territorial government revenue and expenditures from budgetary documents to the Financial Management System (FMS), for fiscal year ending March 31
385-0023	Reconciliation of federal government revenue and expenditures from public accounts to the Financial Management Systems (FMS), for fiscal year ending March 31
385-0024	Local general government revenue and expenditures, current and capital accounts, year ending December 31
385-0025	Reconciliation of federal general government balance sheet from public accounts to the Financial Management System (FMS), as at March 31
385-0026	Debt guaranteed by provincial and territorial governments
385-0027	Provincial and territorial general government capital transfers for debt repayment to other government sub-sectors

Selected surveys from Statistics Canada

1709	Local Government Assets and Liabilities
1709	Federal Government Assets and Liabilities
1713	Federal Government Employment and Payroll
1735	Federal Government Finance - Estimates and Actual Data
1735	Provincial Government Revenue and Expenditure - Estimates and Actual Data
1709	Provincial Government Assets, Liabilities, Sources and Application of Funds
1730	Provincial Government Business Enterprise Finance

1726	Control and Sale of Alcoholic Beverages in Canada
1713	Provincial and Territorial Government Employment and Payroll Survey
1730	Federal Government Business Enterprise Finance
1735	Local Government Revenue and Expenditure - Financial Management System Basis - ActualData
1735	Local Government Revenue and Expenditure - Financial Management System Basis - PreliminaryData
1735	Consolidated Government Revenue and Expenditure

Selected tables of Canadian statistics from Statistics Canada

- *Consolidated federal, provincial and territorial general and local governments, financial assets and liabilities*
- *Federal general government, financial assets and liabilities*
- *Provincial and territorial general governments, financial assets and liabilities*
- *Provincial and territorial general governments, financial assets and liabilities, by province and territory*
- *Local governments, financial assets and liabilities*
- *Local governments, financial assets and liabilities, by province and territory*
- *Consolidated provincial and territorial general and local governments, financial assets and liabilities*
- *Federal government net financial debt*
- *Public sector employees, wages and salaries*
- *Federal government employment, wages and salaries, by census metropolitan areas*
- *Federal general government revenue and expenditures*
- *Provincial and territorial general government revenue and expenditures*
- *Provincial and territorial general government revenue and expenditures, by province and territory*
- *Non-autonomous federal pension plans revenue and expenditures*
- *Provincial non-autonomous pension plans revenue and expenditures*
- *Reconciliation of federal government revenue and expenditures from Public Accounts to Statistics Canada's Financial Management System*
- *University and college revenue, by province and territory*
- *Universities and colleges revenue and expenditures*
- *Health and social service institutions revenue and expenditures*
- *Universities and colleges revenue and expenditures, by province and territory*
- *Health and social service institutions revenue and expenditures, by province and territory*
- *Reconciliation of provincial and territorial government revenue and expenditures from budgetary documents to Statistics Canada's Financial Management System*

- *Military personnel and pay*
- *School boards revenue and expenditures*
- *School boards revenue and expenditures, by province and territory*
- *Local general government revenue and expenditures*
- *Local general government revenue and expenditures, by province and territory*
- *Local government revenue and expenditures*
- *Local government revenue and expenditures, by province and territory*
- *Consolidated federal, provincial, territorial and local government revenue and expenditures*
- *Consolidated government revenue and expenditures*
- *Federal government revenue and expenditures*
- *Consolidated provincial, territorial and local government revenue and expenditures*
- *Consolidated provincial, territorial and local government revenue and expenditures, by province and territory*
- *Provincial and territorial government revenue and expenditures*
- *Provincial and territorial government revenue and expenditures, by province and territory*