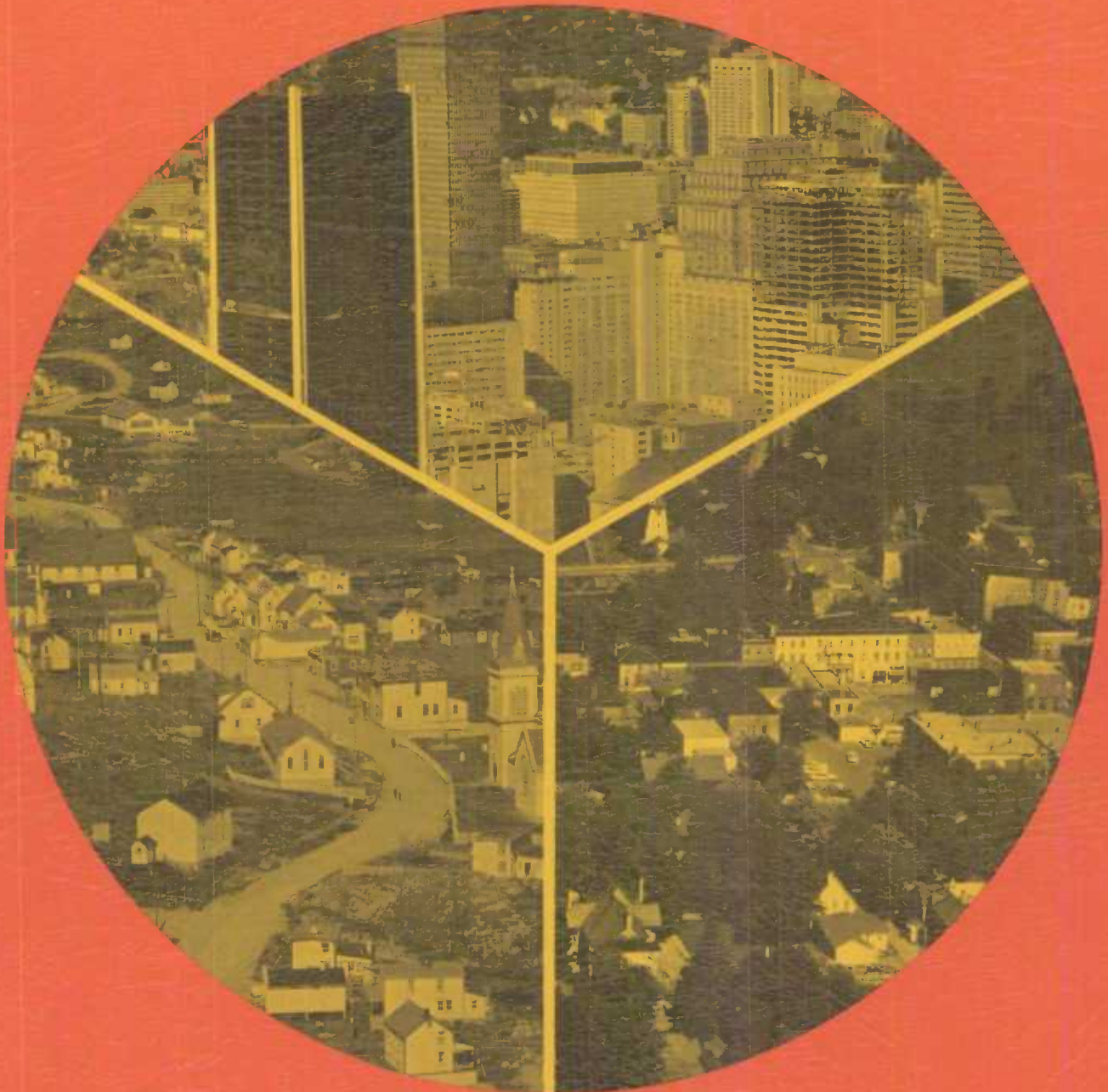


A Financial Information System for Municipalities

VOLUME II — THE CLASSIFICATION SYSTEMS



DOMINION BUREAU OF STATISTICS

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Governments Division

A FINANCIAL INFORMATION SYSTEM
FOR MUNICIPALITIES

VOLUME II

THE CLASSIFICATION SYSTEMS

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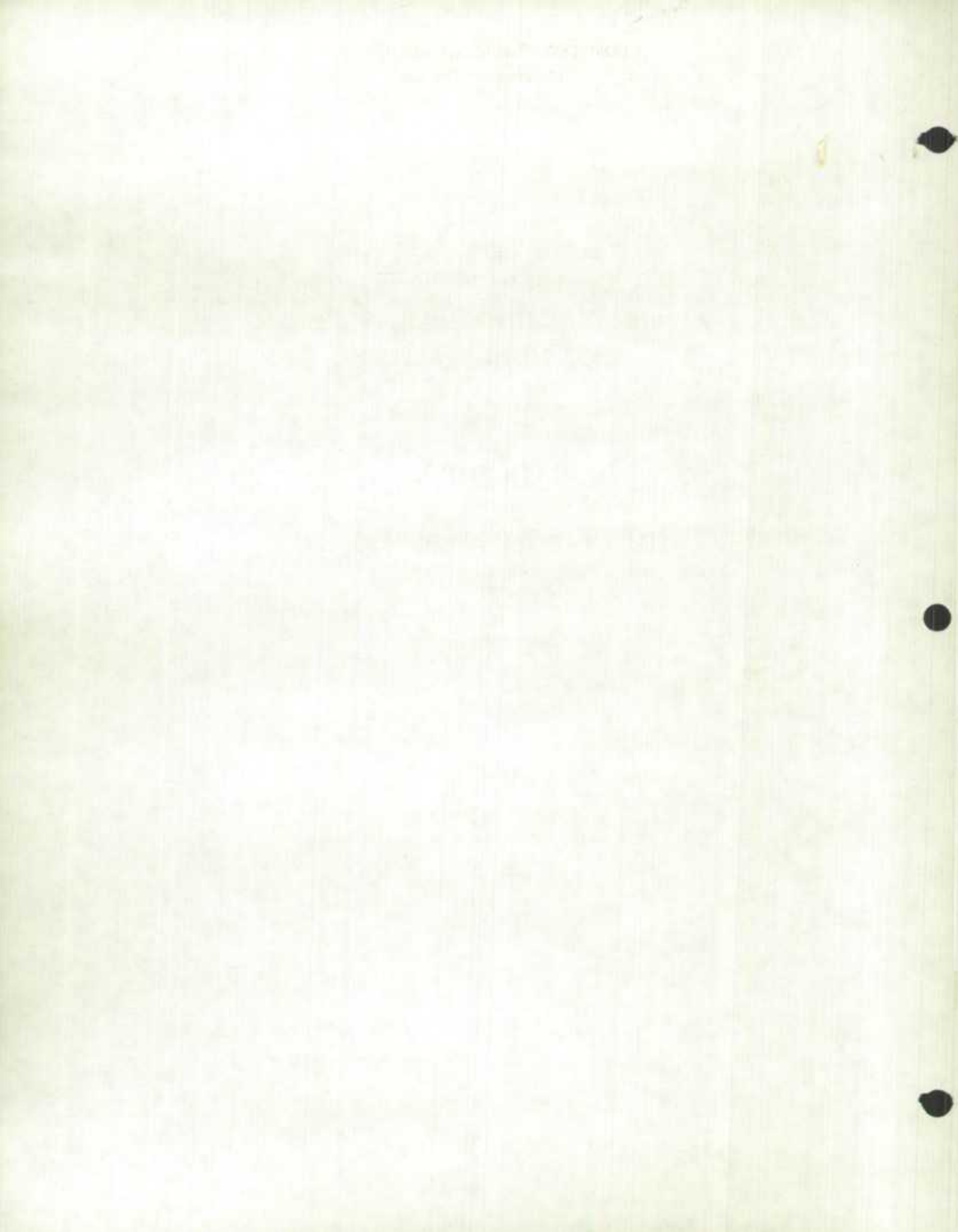


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PART I

Introduction

501 The Classification Systems described in this volume have been designed to present the financial transactions of Canadian municipal governments in forms which meet internal and external requirements for financial information.

502 These requirements are described in some detail in Volume I which also delineates the concepts on which the Classification Systems are based. To recapitulate, the Classification Systems identify:

- (1) the types of revenue raised by, or transferred to, a municipal government;
- (2) the expenditures made by the government on services provided and on economic objects;
- (3) the kinds of assets, liabilities, and equity possessed by the government.

503 The Classification Systems in this volume are designed primarily for use by municipalities. However, since the sum of all services provided by municipalities encompasses almost all the responsibilities assigned to all other local governments, with one major exception – Education – the Classification Systems, or, more precisely, their relevant parts, can be used by most local governments except school authorities.

504 As is implied in the preceding paragraph, each municipality or other local government, in adopting the Classification Systems, will select only those parts of the systems which apply to its particular operations. Within each of the systems it will select the level of classification which is appropriate to identify the detailed information it requires for its own purposes or which is required of it by external authorities. Similarly, where fund accounting is used, only those classifications pertinent to the transactions of an individual fund will be employed for that fund.

505 In some cases, e.g. large municipalities, the detail provided by the Classification Systems may be inadequate for internal purposes. Further levels of progressively finer detail to meet these special situations can be constructed, providing that the basic principle of the construction of the systems is retained (see Volume I, Paragraph 244), that is, that each subordinate level consists of groups of classifications with each group providing finer detail for individual classifications at the next highest level.

506 However, the information requirements of institutions, utilities, and other special-purpose agencies diverge from the general requirements of other local governments to the extent that sub-systems, designed specifically for their requirements, may be needed. Such sub-systems can be developed as the need for them is established.

507 While the Classification Systems described here will facilitate the meeting of all known requirements for financial information from municipal governments, these systems will not meet the internal requirements of such governments in two important areas. These are the identification of financial transactions in terms of geographic sub-areas or locations within the territory of a municipal government, and particularly for expenditures, in terms of administrative responsibility, e.g. departments. Reference should be made to Volume I, Paragraph 266, for information on geographic classification systems. As suggested in Paragraph 134 of the same volume, the problem of identifying administrative responsibility can be solved most simply by re-aligning the existing administrative structure to reflect the Functional Classification System of Expenditures. Where this is felt to be impractical or undesirable, then individual administrative classification systems will have to be operated in parallel with the Classification Systems described here.

PART II

The Framework of the Systems

511 This volume describes five systems for classifying the financial transactions of a municipal government and an auxiliary system for automatically relating expenditures on own-account construction, maintenance and repair to the particular fixed assets involved. Together these five systems provide the following picture, in financial terms, of the activities of a municipal government.

512 Revenue

raised from own sources,
or transfers from outside sources,
used to discharge the **Functions** of the government
through the **Objects** on which expenditures are made,
which continuing process is supported by, and reflected in changes in,
the **Assets**, which the government owns,
against which must be set its **Liabilities**, or debts,
with the net of these two being the **Equity**.

In finer detail the picture is as follows:

513 Revenue

- (a) From own sources:
 - Taxes
 - Grants in lieu of taxes
 - Services provided to other governments
 - Sales of services
 - Other revenue from own sources
- (b) From other sources:
 - Unconditional transfers from other governments
 - Conditional transfers from federal, provincial, or territorial governments or agencies
 - Conditional transfers from other local governments
- (c) Related transactions:
 - Other transfers; collections for other governments

514 Functions of expenditure

- (a) The main functions:
 - Protective services
 - Transportation services

Environmental health services
Public health and welfare services
Environmental development services
Recreation and community services; education
Other services

(b) The support functions:

General government services
Fiscal services

515 Objects of expenditure

(a) Purchases of services and goods:

Personnel
General services
Government services for resale or general supply
Government services for own account
Goods
Fixed assets

(b) Transfers:

Transfer payments
Financial charges

(c) Residual:

Other transactions

516 Assets

Cash
Receivables
Investments
Loans and advances
Tangible assets
Debt charges receivable
Other assets
Deficits

Liabilities

Short-term borrowings
Payables
Long-term debt
Other liabilities
Asset valuation allowances

Equity

Reserves
Equity in fixed assets
Surplus and other equity

Coding

521 From the foregoing it follows that any particular financial transaction of a municipal government has to be classified simultaneously according to several classification systems if the information implicit in it is to be extracted, manipulated, and comprehended. This processing is most easily accomplished by the use of codes rather than names to identify individual classifications. Such codes become essential when automated data processing (ADP) is employed.

522 Since the adoption of the Administrative and Geographic Classification Systems is voluntary and since no standard (i.e. nation-wide) classifications have been developed for these systems, the choice of appropriate codes rests with each government. Similarly, since the structure of funds is only partly mandatory, and the statutory funds vary between the different provinces and territories, the system of coding to be applied to funds is also at the choice of the user.

523 A standard coding system has been applied to the Financial Classification Systems described in this volume, partly for ease of reference and partly as a guide to users of the systems. While the coding system, or the relevant parts of it, can be adopted en bloc, its use is in no sense compulsory.

524 The Revenue, Asset, and Liability and Equity Classification Systems employ a five position coding group and the Expenditure Classification System one of eleven positions. In each of these groups the first position is used for system identification only; i.e. all revenue classifications are identified by a 1, expenditures by a 2, assets by a 3, and liabilities and equity by a 4. In addition, the expenditures group is made up of three parts –

Positions 2 - 5 cover the Functional Classification System,

6 - 9 cover the Object Classification System,

10 - 11 cover the Own Account Construction System.

In effect, therefore, each system uses a four position group except the Own Account Construction System.

525 In the code assigned to each classification, each subordinate level or position is separated from its immediate superior by a period. In addition, each position is usually assigned a single digit code. Further, the digit 0 (zero) is used as a "filler" and has no significance for identification. Thus the code 2.1.2.2.2 on page 25 is made up as follows:

2.0.0.0.0. Nature of transaction
Expenditure
2.1.0.0.0. Function
General government services
2.1.2.0.0. Program
General administrative
2.1.2.2.0. Sub-program
Financial management
2.1.2.2.2. Activity
Accounting

526 The period used to separate each level of identification in a particular code block indicates that, while each position is normally represented by a single code digit, provision should be made, in ADP systems, to accommodate more than one digit at each position. At present two-digit positions are used only in those sections of the Object Classification System which relate to Goods and Fixed Assets. In these cases, the classifications and codes are adopted from the DBS Standard Commodity Classification System¹ and the system employed in classifying private and public investment respectively. However, there are a number of other cases, particularly in classifications involving inter-governmental transactions, where more than nine categories may be involved at one level and a two-digit code may be necessary. Further, the development of the system in the future may require two-digit capacity at a number of positions.

527 In some sub-systems subordinate codes are used to indicate relationships. This is best exemplified in the Revenue Classification System where revenue resulting from the provision of bulk services to other local governments is identified at the second level (third position) by the government served and at the third and fourth levels (fourth and fifth positions) by the type of service (function or functional program) provided, e.g.

Code 1.3.2.4.3 would denote the following:

1. Revenue
3. Sales of services to other governments
2. Municipality of "C" (where this municipality is identified by code 2)
4. Environmental Health Services (function – see p. 26)
- 3 Garbage and waste collection and disposal (functional program – see p. 26).

Translating the above, the code denotes revenue received from another government – in this case, the Municipality of "C" – for providing garbage and waste collection and disposal for that municipality. (Note that the identifying digit denoting expenditures (2) is dropped from the full code for the functional program, i.e. 2.4.3.0.0, as are the last two digits (0.0) denoting sub-program and activity.)

¹ DBS Catalogue Nos. 12-502, 12-515, 12-516.

PART IV

The Revenue Classification System

601 The reader's attention is directed to Volume I, Section E, Paragraphs 251 to 260, which define the term "Revenue" and describe the basic structure of the Revenue Classification System.

602 The paragraphs which follow provide explanations of the principal classifications while the complete system appears at the end of this part.

Taxes

611 General

The principal type of municipal revenue is taxes which are levies by a government for its support, where "support" implies not only the maintenance of the legislative body but also, and especially, the enabling of that body to discharge effectively those of its functions which are of a general good to the whole, or to a defined part, of the particular cadastral area.

612 For municipal revenue purposes, however, this definition is expanded to include special assessments and charges which are levied in some municipalities as a means of financing certain services which, in other municipalities, are met through general tax levies. Thus, all amounts entered on the tax bills which are not clearly non-compulsory, or in respect of which no "special" – as opposed to "general" – privilege or benefit attaches, are to be regarded as tax revenue. In addition, certain levies which are clearly taxes, albeit not necessarily entered on the tax bills, are also treated as tax revenue.

613 Concessions, Rebates and Remissions

Amounts identified as concessions, rebates, and remissions of taxes and charges (where such concessions etc. are legal) should be applied against the amount of the original levies and only the net amount should be entered as tax revenue. This procedure should be followed with respect to taxes, whether or not on the tax bill, and to special assessments and charges on the tax bill.

614 Interest or Discount

Interest or discount granted for prompt payment or prepayment should not be deducted from the amounts of the original levies but should be entered in the records of the municipality as an expenditure, i.e. as "2.8.1.1.5 – Interest or discount on current tax prepayments", since such interest or discount is the cost of having the use of the tax money during the period of prepayment.

615 Joint Levies

Where a tax is levied in part for municipal purposes and in part for purposes of another authority, only the first mentioned part is a proper credit to tax revenue. The latter should be entered under the caption "Collections for other governments". (See also Volume I, Paragraphs 307 and 308 which deal with the problem of segregating own revenue from collections for other governments.)

616 Special Situations

(a) Own Agencies

Where a municipality owns and operates a utility or other undertaking through a separately constituted body which is taxable in the same way as is a privately-owned enterprise, taxes payable by it are to be classified as those in the case of the latter. However, in most cases, municipally owned and operated enterprises will be exempt from taxation but will remit to the parent body some or all of their profits. Such are credits proper to the classification "Transfers from own reserves, funds and agencies" as described in Paragraph 1303.

617 (b) Property of Other Governments

In most cases properties of other governments will be exempt from municipal taxation but grants in lieu of taxes will be receivable in respect of such property. A separate classification is provided for such amounts.

618 Fixed Assessments

Where a fixed amount of tax is levied on criteria other than assessed valuation or some portion thereof, it may be that such tax has application to real property as well as other items. In such cases an appropriate split should be made wherever feasible. Where a split is not feasible, the total amount should be entered as real property tax unless there is reasonable justification for some other treatment.

619 Utility Charges and Arrears

Some municipalities levy, through the tax bill, "special charges" in respect of utilities services. Every effort should be made to exclude such charges from tax revenue and to include them as sales of services revenue. Arrears on utility charges are sometimes entered on the tax bill. These should not be regarded as tax revenue, nor indeed as revenue at all, since they will have been recorded as revenue in the year due.

(Where utility charges have not been treated on the accrual basis, amounts outstanding will be carried as normal accounts receivable and will be brought into revenue when received.)

620 Other Tax Bill Charges

Certain other charges in respect of which a certain special right or privilege or benefit accrues to the payer may be entered on the tax bill as a matter of billing convenience. Such charges are proper credits to classes determined by the nature of the charges, e.g. dog licences – Licences and permits; weedcutting on private property – Sales of services.

621 Land vs. Improvements

Some municipalities show a breakdown of real property tax between land and improvements. This breakdown is useful not only for purposes of the municipality itself but also for analysis of a broader scope. However, the Classification System as presented herein does not provide for this breakdown, but municipalities are encouraged to incorporate further detail. This may be accomplished as follows:

1.1.1.0.0 Real property

1.1.1.1.0 Residential

1.1.1.1.1 Land

1.1.1.1.2 Improvements

1.1.1.2.0 Commercial and industrial

1.1.1.2.1 Land

1.1.1.2.2 Improvements

631 The Tax Classifications

The principal classifications for taxes are:

1.1.0.0.0 Taxes

1.1.1.0.0 Real property

1.1.2.0.0 Special assessments

1.1.3.0.0 Personal property

1.1.4.0.0 Business

1.1.5.0.0 Taxes in lieu of licences and permits

1.1.9.0.0 Other

632 Real Property – Residential, Commercial, Farm

The essential feature of a real property tax is its direct relationship to real or immovable property – land, buildings or other permanent improvements. Taxes on residential, commercial or professional, industrial or farm real property are in most cases established by the application of one or more rates to the assessed valuation of the property or to some portion thereof. The basis of assessment varies widely and the proportion of the assessed valuation which is relevant for taxation purposes may range from nil (i.e. total exemption) to 100 per cent or more. In some cases, taxes on real property are determined on criteria other

than assessed valuations; for instance, tax payable may be a fixed amount or the dollar equivalent of some multiple of area or volume. The criteria on which the amount of tax payable is determined are not necessarily the factors determining whether such amount is a tax on real property. The essential question is: is the amount related directly to the physical real property or to a valuation of it determined for real property taxation purposes?

633 Real Property – Occupancy

The propriety of including occupancy taxes under the heading of “Real property taxes” may be open to question. It might be argued that this tax is in the nature of a poll tax since it is levied upon the householder whether owner or tenant. However, the act of occupancy has meaning only in relation to that which is occupied – which is real property. This tax, therefore, meets the essential criteria of a property tax as stated above – hence its classification under “Real property taxes”.

634 Real Property – Other

Real property taxes not otherwise classified are to be recorded under this miscellaneous heading. For the most part these taxes will include general levies imposed for the provision of specific or general services to limited areas, for example, district or special area levies, village and commissions’ rates, police village levies, village district committee levies. Another type of taxes which would fall under this classification is timber taxes (Alberta). (See also comment under “Special assessments”).

635 Special Assessments – Real Property

Special assessments or levies on real property are those most commonly referred to as “local improvement” levies, albeit they are sometimes otherwise designated, for instance, **frontage taxes or rates or amounts in lieu thereof** or by more specific titles as in the case of Ontario’s Tile Drainage Act and the Municipal Drainage Act. These levies generally pertain to such factors as water and sewage installations, street paving, sidewalks, and other improvements which enhance the value of the property they service. They are usually entered on the tax bill and may be based on one or several factors such as the assessed valuation of the property, foot-frontage, unit area, etc., but their essential characteristic is that they are levied in respect of a benefit conferred upon particular real property rather than upon real property in general. It is for this reason that they are segregated in the Classification System from general real property taxes. The amount of the levy is usually restricted to the owners’ share of the annual debt charges on debentures issued for local improvement purposes. These comprise interest as well as principal or sinking fund instalments but may, in addition, include an annual maintenance charge.

636 Special Assessments - Other

This classification is provided for the many and varied special charges levied by municipalities in respect of services which are normally met by other municipalities through general taxation. It is especially because of this difference in methods of financing that the special charges are classed under the principal heading of "Taxation". In this way the desirable inter-municipal comparability is realized. Some of the principal services in respect of which special charges are frequently levied are - garbage collection, snow removal, street oiling, flushing, watering and the application of calcium chloride.

637 Taxes - Personal Property

This classification embraces all taxes levied upon personal property regardless of the basis on which such taxes might be calculated. Personal property includes personal and household effects and other chattels, furniture and fixtures, livestock, movable machinery, tools, stock-in-trade, or inventory, whether owned or controlled by an individual or a body corporate, subject however to the basis of the levy.

638 Taxes - Business

Business taxes are distinct from property taxes and licences or permits. They are levied upon the operation of a business enterprise and are payable by the owner or operator. The principal criteria used in determining the amount of this tax are the assessed valuation of the property concerned, the rental value thereof and the physical area or volume or some indicator of the volume of business conducted, e.g. gross turnover. In addition to the usual business taxes, some municipalities also levy business fees at a flat rate. Such levies should be classified as business taxes unless it is apparent that they are in the nature of licence or permit fees.

639 Taxes in Lieu of Licences and Permits

This classification is to accommodate the practice by some municipalities (especially in Newfoundland) of levying taxes in place of the more general practice of requiring the purchase of licences or permits. For inter-provincial analytical comparisons, amounts shown in this classification should be added to those shown under licences and permits.

640 Taxes - Other

(a) Poll. - Poll taxes, where used, are generally specified as special purpose taxes, e.g. for hospital, school or library purposes, and are usually levied only upon male inhabitants who meet certain criteria, but this limitation is not an essential feature of a capitation or head tax. This caption is to be used as required in the General Revenue fund and in special activity funds.

However, where the purpose of the levy is the responsibility of another local authority, the poll tax should not be recorded here since it is then a proper credit to "Collections for other governments". (See also Paragraphs 307 and 308 of Volume I.)

641 (b) Sales. - This caption covers gross sales taxes levied by the municipality, whether on goods or services. While in most cases municipal sales tax will be collected by the municipality, there have been cases in the past where the provincial government assumed this responsibility. The method of collection should not affect the classification. It should be noted that in situations where a municipality withdraws from the sales tax field in return for a provincial grant as compensation therefor, the grant should not be classified as sales tax revenue but as an unconditional transfer received.

642 (c) Amusements. - This caption covers taxes imposed on admissions to places of amusement. Such taxes may be levied directly by a municipality or by provincial statute. In the latter case there may be provision for a sharing of the revenue. Only the municipality's share should be recorded here, subject to the comments in Paragraphs 307 and 308 of Volume I.

643 (d) Other. - This caption provides for the classification of all taxes not elsewhere classified.

Grants in Lieu of Taxes

701 The principal classifications are:

1.2.0.0.0 Grants in Lieu of Taxes

- 1.2.1.0.0 Federal government
- 1.2.2.0.0 Federal government agencies
- 1.2.3.0.0 Provincial or territorial government
- 1.2.4.0.0 Provincial or territorial government agencies
- 1.2.5.0.0 Own agencies
- 1.2.6.0.0 Other local governments
- 1.2.7.0.0 Non-government organizations
- 1.2.9.0.0 Other

702 General

Where property, or the operation of a business undertaking, of the type and character that are generally subject to taxation by a municipality is exempt from taxation because such property is owned, or such undertaking is operated, by a government or its agency or by an organization not subject to taxation, and the owner or operator of that property or business makes payments to the municipality in lieu of taxes, such payments are to be recorded in accordance with the ownership-type classification provided under this caption. (Note that conditional and unconditional transfers from other governments are classified elsewhere.)

703 The identity of each entity from which a municipal government receives a grant in lieu of taxes should be recorded by the municipal government. This identification facilitates the notation of the receipt of all amounts due; in addition, in revealing intergovernmental financial relationships, it permits the proper elimination of amounts concerned in consolidations of the related accounts.

704 Federal Government

Payments in lieu of taxes in respect of federal government establishments are made by several departments and agencies of the federal government. Payments from enterprises which are listed in Appendix A should be excluded from this classification and treated in accordance with the recommendations of Paragraph 705. Payments from all other departments and agencies should be assigned to this classification. These grants might be viewed by a municipality as covering property taxes, real and personal, local improvement or business taxes, licences, fees, etc. or as a combination thereof. However, regardless of the possible interpretation of such grants, the fact of the exemption, whether by tradition or by local by-law, or provincial or federal statute, requires their classification as "grants in lieu of taxes". Care, however, should be exercised not to include under this heading charges from which there is no exemption. The latter should be included in their proper classification as directed by their nature.

705 Federal Government Agencies

While the Federal Financial Administration Act designates federal agencies under three categories, i.e. Departmental Corporations, Agency Corporations and Proprietary Corporations, these can be reduced, for municipal purposes, to two groups: (a) those which comprise an integral part of general government, and (b) government enterprises. Only grants in lieu of taxes from, or on behalf of, government enterprises should be recorded here. A current list of Federal Government enterprises is presented in Appendix A to this volume, and this should be referred to in respect of all federal payments of grants in lieu of taxes.

706 Provincial and Territorial Governments

The comments in Paragraph 704, "Federal Government", apply in these cases also.

707 Provincial and Territorial Government Agencies

As in the case of Paragraph 705, "Federal Government Agencies", above, a current list of entities regarded for statistical purposes as provincial government enterprises is presented in Appendix B to this volume. This list should be referred to in establishing whether a particular grant in lieu of taxes should be classified under this heading or under the "Provincial and Territorial Governments" heading immediately preceding.

708 Own Agencies

This paragraph should be read in conjunction with immediately preceding paragraphs, namely, 704 to 707.

In some provinces the property of utilities or other municipal agencies operating as independent or quasi-independent bodies is wholly or partially exempt from taxation, but such utilities make contributions to the General Fund, either on a voluntary basis or in accordance with an agreement. These may be equal to, greater or less than, the amount of the taxes due but for the exemption. Whatever the amount, if it is in lieu of taxes it should be entered here. It should be noted that transfers of surplus funds to the "General revenue fund" by utilities or "Special activity funds" are classified under "Other transfers" as shown in Paragraph 1303.

709 Other Local Governments

The general aspects of the comments on the immediately preceding headings have equal application here. However, grants in lieu of taxes paid by agencies (e.g. utilities) of other local governments should be treated as if they were received from, or on the account of, that other local government itself. This grouping is suggested because it appears unlikely there will be many instances where agencies of other local governments will be making grants in lieu of taxes on their own account.

710 Non-government Organizations

Few non-government organizations make grants in lieu of taxes; most of these organizations appear to be quasi-government entities such as exhibition associations in some provinces. In other words, grants in lieu of taxes received from bodies which do not definitely fall within the preceding classification captions should be recorded here.

Services Provided to Other Governments

801 Other Governments

Services provided by a municipality to another government will normally be under specific arrangements, e.g. the provision of police or fire protection, the supply of water, treatment of sewage, snow removal, etc. The "other government" will, in most cases, be another municipal government, or a regional government, which decides upon the "bulk" purchase of one or more services. Sales of service to another government as a direct user, e.g. the supply of water or hydro power to government offices, are not to be recorded here, but under "Sales of services".

It is recommended that each "other government" be identified at the third digit in the code. The coding

system provides for the identification of nine such "other governments" within the established 5 digits. Additional code digits can be used if required, as explained in Part III, "Coding" of this volume (see Paragraph 526). In addition, the service provided should be identified by the relevant expenditure function classification.

802 Example

If Municipality A provides fire protection for Municipality L, payments received by A from L for this service would be recorded as follows:

1.3.12.2.4. Fire Protection Service provided to Municipality L

The code 1.3.12.2.4 comprises:

1.3.0.0.0 Revenue — Services provided to other governments

1.3.12.0.0 To Municipality L (assuming L is identified by 12)

1.3.12.2.0 Protective services

1.3.12.2.4 Fire protection

with the last two digits (2.4) identifying the Functional Program Fire Protection (see page 25).

803 Own Funds and Agencies

Payments received by a fund of a municipal government for "bulk" services rendered to other funds or agencies of the same government are not revenue of that fund. While it is convenient to include such receipts in this classification, it is very important that the paying fund or agency be adequately identified along with the function and functional program in respect of which the payment is made. It is only upon such identification that the receipt by one fund can be offset against the expenditure of the other in the process of consolidation.

Sales of Services

901 General

Most municipalities recoup all, or part, of the cost of certain services through charges based on the amount of such service supplied to individuals. Such services are supplied in easily measurable amounts, e.g. water; or are discrete and capable of being costed on an individual basis, e.g. snowplowing. Fees charged for certain purposes, e.g. search fees, are also considered to be sales of services except where the fee confers certain privileges on the payer when it (the fee) is classified as a licence or permit (see below). The individual purchasing the service includes not only the residents of the municipality but also any other person, corporation or government purchasing the service for his or its own use or consumption and not on behalf of others whom the purchaser would otherwise supply from its own resources.

902 Example

As in "Services provided to other governments" above, revenue from "Sales of services" is identified by the expenditures made to produce it, i.e. by the relevant functional classification of expenditure. Thus, for example, revenue from green fees at the municipal golf course would be identified as follows:

1.4.7.1.4 Revenue from Golf Course

where the last three digits (7.1.4) identify the Sub-program "Golf courses" in the Program "Recreation facilities" of the Function "Recreation and cultural services" (see also page 28).

Other Revenue from Own Sources

The principal classifications are:

1001 1.5.0.0.0 Other Revenue from Own Sources

1.5.1.0.0 Licences and permits

1.5.2.0.0 Fines

1.5.3.0.0 Rentals

1.5.4.0.0 Concessions and franchises

1.5.5.0.0 Return on investments

1.5.6.0.0 Penalties and interest on taxes

1.5.7.0.0 Own agencies and funds

1.5.9.0.0 Miscellaneous

1002 Licences and Permits — General

No distinction is made here between licences and permits since both accord authorization, or grant a right or privilege, which is otherwise withheld. The detail breakdown provided for this classification is in general accord with the requirements of municipalities themselves. Most of the classification items in this category are self-explanatory but the following comments may be of value in allocation of revenue on a consistent basis.

1003 Professional Licences

Professional licences are licences which authorize individuals to carry out a profession or trade. They are normally required of such individuals as engineers, lawyers, accountants and auditors, auctioneers, brokers and agents, contractors, elevator operators, motion picture projectionists, photographers, craftsmen, barbers, carpenters, masons, plumbers, etc. Professional licences do not normally authorize the operation of a business and are frequently a condition precedent to the securing of a business licence.

1004 Business Licences

Business licences are authorizations to operate commercial undertakings. They may be required for regulatory or protective reasons, but this need not be the case. In some provinces business licences replace business taxes. Generally, business licences are required of manufacturers, wholesalers, retailers, as well as of service-providing establishments.

1005 Amusement Licences and Permits

The classification "Amusement licences and permits" recognizes the fact that some municipalities licence places of amusement as such, rather than as business. It is suggested that the basis of retaining this sub-heading is not a strong one. Licences issued to places of amusement might well be amalgamated with business licences. On the other hand, there would appear to be some justification for segregating amusement licence revenue relating to special amusement situations from the more general amusement licence revenue. Hence, the recommendation here is that licences issued to regular places of amusement, i.e. those operating more or less on a continuing basis, such as amusement parks, night clubs, hockey arenas, golf courses, theatres, cinemas, etc., be classed as Business Licences, and that the classification "Amusement licences" be reserved for special cases like an annual circus, carnival or fair, or any licence required by an individual or group, club or association upon the rental of an establishment for special occasions.

1006 Taxi Licences, Delivery Vehicle Licences

Both "Taxi licences" and "Delivery vehicle licences" are deemed to be self-explanatory.

1007 Animal Licences

The classification "Animal licences" provides for revenue from the issue of licences or tags in respect of animals. "Dog taxes" or the equivalent are also to be recorded under this caption.

1008 Building Permits

"Building permits" cover revenue from permits authorizing excavating, blasting and other works essential to the construction or erection of buildings. Permits respecting wiring, plumbing, heating, air conditioning, elevators, escalators, etc. are to be included here where these relate to buildings.

1009 Other Construction and Demolition Permits

The caption "Other construction" and "Demolition permits" provides for the classification of revenue respecting all permits relating to construction of other than buildings, e.g. blasting and excavating for sewers, constructing roads, erection of bridges, bleachers, stands, platforms, asphaltting, etc. Demolition or wrecking permit revenue is also to be recorded here. Revenue from permits allowing temporary obstruction of streets or sidewalks during construction or demolition should also be classified here.

1010 Other Licences and Permits

Revenue from all licences and permits not elsewhere classified is to be recorded under this

caption, e.g. from permits for billboards, overhanging signs, street privileges, boat and ferry licences, licences for bicycles, etc.

1021 Fines

Fines are amounts of money payable for an infraction of for and uncontested alleged infraction of law. Court fees and costs, forfeited bail, and fees re impounded animals are all to be treated as fines as are library charges for overdue books. While only one specific classification is provided, other subordinate classifications can be added within the confines of the existing system or through the extension of the system.

Rentals

1031 (a) General. — Rentals are amounts received or receivable for the letting of municipally-owned property. Rental should not be confused with a sale of service. In the latter, the vendor is actively engaged in the realization of the service to another, while in the former, the owner permits the use by another of his ownership-right in the realization of a service. A full list of the rentable items included in the summary categories employed here is given under the Standard Object "Acquisition of new fixed assets" in the Object Classification System of Expenditures.

1032 (b) Engineering structures. — The caption "Engineering structures" embraces a broad range of physical structures or improvements owned by a municipality but made available for use by another.

1033 (c) Buildings. — Revenue from the rental of living accommodation, office, storage or other building space is to be recorded under "Buildings". Also to be included here is the rental which attaches to land on which the building is situated where a breakdown between land and buildings is not feasible. (See also "Land" below.)

1034 (d) Machinery and equipment. — The caption "Machinery and equipment" covers rental of any form or type of machinery and equipment. It is in this connection especially that care needs be exercised in distinguishing between rental and sale of service (see (a) above).

1035 (e) Land. — For the most part, the classification "Land" embraces revenue from the rental of vacant land. However, where a building is situated on the land and is rented therewith, but the rental of this building constitutes only a minor element in the total rental amount, the entire amount should be recorded here.

1036 (f) Other. — The caption "Other" is provided for the recording of any and all rental amounts not elsewhere classified.

Concessions and Franchises

- 1041** (a) **General.** — “Concessions and franchises” are particular privileges or rights granted in respect of municipal functions, activities or responsibilities. Concessions are not easily distinguished from franchises. The latter usually relate to services of a general and a more or less essential nature, while the former pertain generally to service conveniences in respect of which the public has free or at least alternative choices. For classification purposes no distinction need be made.

A fairly common feature of franchise agreements especially, is the provision for payments over and above the agreed upon franchise fee. Any such payment which is clearly not a business tax or licence fee should be recorded here.

- 1042** (b) **Transportation.** — In some municipalities, public transit systems are operated by private concerns under a franchise agreement and franchise fees are clearly creditable to this sub-heading. In addition, however, some municipalities levy “bus mileage fees” on passenger buses operating into and out of the municipality. These fees, which are based on route mileage or seating capacity and are in addition to normal taxes and licences, should also be recorded here.
- 1043** (c) **Parking.** — This caption provides for the recording of parking lot concession fees, whether one or many within the municipality. (Note: Revenue from parking meters and municipally operated parking lots and garages should be shown as “Sales of services” 1.4.3.2.7.)
- 1044** (d) **Garbage collection and disposal.** — In some municipalities, concessions are granted to private individuals or corporations in respect of garbage collection and disposal; the fees payable by the concessionaires are to be classified here.
- 1045** (e) **Electricity, gas, central heating.** — The headings “Electricity production and distribution”, “Gas production and distribution”, and “Central heating production and distribution” provide for franchise fees relating to the supply of these utility services by privately owned concerns.
- 1046** (f) **Other.** — The caption “Other” relates to miscellaneous franchise and concession fees such as those relating to “cablevision”, street vending, private fairs, circuses, cafeteria in municipal buildings. Where significant revenue accrues from any one of such fees, it should be separately identified.

Return on Investments

- 1051** (a) **General.** — This classification provides for the recording of all revenue resulting from investments

regardless of whether the fund in question is the general fund or a special reserve fund although, of course, such revenue should be allocated to the appropriate fund.

- 1052** (b) **Interest.** — Interest is broken down between that earned on investments, i.e. on securities (including discounts on treasury bills) and that earned on loans and advances. The latter will normally be made, if at all, to local boards and commissions and to other municipal funds.

- 1053** (c) **Profit on sale of investments.** — Any and all funds which hold investments will potentially require the sub-heading “Profit on sale of investments”. Profit on the sale of an investment is the excess of the sale price minus selling costs over the valuation of the investment on the balance sheet. Discounts (or the amount thereof amortized) arising from the purchase of securities at less than the redemption price if held to maturity, should be recorded under this caption.

- 1054** (d) **Premiums and exchange.** — Premiums arise where the sale price of a debenture exceeds the par value. This excess may be taken into revenue at the time of sale or it may be amortized over the life of the debenture. The amount of the premium or the amount amortized should be shown under the heading “Premiums and exchange”. Revenues arising from exchange transactions are also to be recorded under this heading. These latter will represent the profit on particular transactions whether relating to dealings in foreign exchange per se or to the sale or redemption of debentures payable in foreign currencies.

- 1055** (e) **Royalties.** — This caption provides for the classification of oil and natural gas and other natural resource royalty revenue.

- 1056** (f) **Other.** — The classification “Other” covers all other investment revenue, e.g. dividends, interest on bank deposits, etc.

1061 Penalties and Interest on Taxes

This classification is applicable to any and all taxes as set out in Paragraph 631. The detail classification need be employed only where it is required for municipal purposes. Penalties will normally apply in respect of delinquent taxes and upon the redemption of property forfeited for the non-payment of property tax. They may be calculated at going rates of interest and, where this is the case, they might be indistinguishable from interest accrued on overdue payments. In this event, pro ration between penalties and interest would be in order where the detail of the classification is used.

1071 Own Agencies and Funds

The concept that monies raised specifically by one entity on behalf of a second entity are deemed to

be revenue of the second as developed in the sections dealing with "Revenue" and "Intergovernmental transactions" in Volume I, implies that the second entity should classify such monies as if it had raised them itself. Thus, for example, a regional government should classify taxes raised specifically on its behalf by its constituent municipalities as taxes and not as transfers from the municipalities. Similarly, if part of a municipality's revenue accrues to it from charges made specifically for it by its subordinate agencies or funds, the municipality should classify such revenue as if it had imposed the charges directly.

This classification is provided to accommodate such revenue which cannot be allocated to any of the other classifications identifying revenue from own sources (see Paragraph 513 "Revenue (a)"). The fund or agency which collected such revenue should be identified to permit consolidation.

Miscellaneous

- 1081 (a) **Commissions.** — Where a municipality serves as a collecting agency for any other body or person and receives a commission on amounts collected, these are credits proper to this caption.
- 1082 (b) **Contributions.** — All gifts from whatever source should be recorded under the heading "Contributions". Gifts are conveyances in the absence of legal obligation.
- 1083 (c) **Other.** — Sundry revenue which cannot be properly classified under any other caption should be recorded under "Other", e.g. profits on disposal of assets whether property acquired for taxes or other. However, where amounts involved are substantial, separate sub-classifications should be established.

Unconditional Transfers

The principal classifications are:

1101 1.6.0.0.0 Unconditional Transfers from Other Governments

- 1.6.1.0.0 Federal government
- 1.6.2.0.0 Provincial or territorial government
- 1.6.3.0.0 Other local governments

1102 General

Unconditional and conditional transfers are defined and described in Section F, "Intergovernmental Financial Transactions", of Volume I which should be read in conjunction with these parts of the Revenue Classification System. The need to identify the transferor is again stressed.

1103 Federal Government

At the time of the preparation of this document, only one case of a federal government unconditional transfer to a municipality is known; thus, this caption will have only very restricted application. It is, however, included in the classification system to facilitate the proper identification of all unconditional transfers if, and when, they arise.

1104 Provincial or Territorial Governments

Provincial tax reduction grants and equalization payments and subsidies are to be classified as "Unconditional transfers".

1105 Other Local Governments

Unconditional transfers between local governments, as distinct from transmissions of taxes, appear to be rare. This classification is provided for any instances of such transfers which may arise.

Conditional Transfers

The principal classifications are:

1201 1.7.0.0.0 Conditional Transfers from Federal, Provincial, or Territorial Governments or Agencies

- 1.7.1.0.0 Federal government
- 1.7.2.0.0 Federal government agency
- 1.7.5.0.0 Provincial or territorial government
- 1.7.6.0.0 Provincial or territorial government agency

1202 General

While the bulk of conditional transfers received by municipalities are from their provincial or territorial governments, provision is made in this and the following main classification to identify the transferring government or agency and the purpose for which the transfer is made. Purpose is identified as in "Services provided to other governments" by the relevant Functional Program.

1203 Federal Government

The principal conditional transfers by the federal government to municipalities currently are in respect of transportation, health, education, urban renewal and housing.

1204 Federal Government Agencies

Actual cases of conditional transfers by federal government agencies (as defined earlier under "Grants in lieu of taxes" and listed in Appendix A to this volume) can not be cited. It is, however, conceivable that such cases do or might exist; for instance, an

agency might wish a municipality to undertake a project of particular value to it and might arrange to make a grant in respect thereof. Such a grant would be a credit proper to this classification.

1205 Provincial or Territorial Government

The functions toward which provincial/territorial governments make conditional transfers to municipalities vary widely from province to province.

1211 1.8.0.0.0 Conditional Transfers from Other Local Governments

These transfers which are identical in nature with those in the preceding classification are classified separately to simplify coding. The explanations furnished for the preceding classification in Paragraphs 1202 to 1205, with suitable modification, apply here.

Other Transactions Akin to Revenue

1301 These classifications are provided to accommodate receipts which, as indicated in Volume I, Paragraphs 254 and 255, are not "revenue" in the strict sense of the term. It is recognized that strict adherence to these recommendations may be difficult or even impossible; reference should be made to the alternative approach outlined in Paragraphs 307 and 308 of Volume I.

The principal classifications are:

1302 1.9.0.0.0 Other Transfers; Collections for Other Governments

- 1.9.1.0.0 Transfers from own reserves and allowances
- 1.9.2.0.0 Transfers from other funds
- 1.9.3.0.0 Transfers from own agencies
- 1.9.8.0.0 Collections for other governments
- 1.9.9.0.0 Other

1303 Transfers from Own Reserves, etc.

As explained in Volume I, Paragraph 252, and in Paragraph 1071 of this volume, transfers to a fund from other funds or agencies of amounts which form part of the revenue of the transferring funds or agencies are not revenue of the receiving fund and are, consequently, to be classified here. Similarly receipt by a fund of amounts, which formed part of its revenue in prior accounting periods but were then segregated into reserves and allowances, are not revenue of the fund when re-transferred to it and are also to be included in this classification. Note that use of surplus from a prior year should also be classified as a transfer from a reserve.

1304 Collections for Other Governments

All amounts which are collected or collectable specifically for other local governments and which can be identified as such should be recorded here. These amounts include taxes collected for school authorities and for regional (or county) governments, and collections for other governments under shared revenue arrangements. Where identification of specific collections for other governments is impracticable, such collections should be included in the municipality's own revenues, as described in Paragraphs 307 and 308 of Volume I.

A SYSTEM OF CLASSIFICATION OF REVENUES BY TYPE

Detailed Classifications

1.1.0.0.0 Taxes

- 1.1.1.0.0 Real property
 - 1.1.1.1.0 Residential
 - 1.1.1.2.0 Commercial and industrial
 - 1.1.1.3.0 Farm
 - 1.1.1.4.0 Occupancy
 - 1.1.1.9.0 Other
- 1.1.2.0.0 Special assessments
 - 1.1.2.1.0 Real property
 - 1.1.2.9.0 Other
- 1.1.3.0.0 Personal property
- 1.1.4.0.0 Business
- 1.1.5.0.0 Taxes in lieu of licences and permits
- 1.1.9.0.0 Other
 - 1.1.9.1.0 Poll
 - 1.1.9.2.0 Sales
 - 1.1.9.3.0 Amusement
 - 1.1.9.9.0 Other

1.2.0.0.0 Grants in Lieu of Taxes

- 1.2.1.0.0 Federal government
- 1.2.2.0.0 Federal government agencies (x)
- 1.2.3.0.0 Provincial or territorial government
- 1.2.4.0.0 Provincial or territorial government agencies (x)
- 1.2.5.0.0 Own agencies (x)
- 1.2.6.0.0 Other local governments (x)
- 1.2.7.0.0 Non-government organizations (x)
- 1.2.9.0.0 Other (x)
 - (x) Specify agency, etc.

1.3.0.0.0 Services Provided to Other Governments

Specify:

- (a) Other government
 - Third position of code } to which service was provided
- (b) Function
 - Fourth position of code } in which expenditures to provide services were classified
 - or Functional program
 - Fourth and fifth positions

1.4.0.0.0 Sales of Services

Specify Function:

- Third position of code } in which expenditures to provide services were classified
- Functional program
- Third and fourth positions
- Functional sub-program
- Third, fourth, and fifth positions

1.5.0.0.0 Other Revenue from Own Sources

- 1.5.1.0.0 Licences and permits
 - 1.5.1.1.0 Professional licences
 - 1.5.1.2.0 Business licences and permits
 - 1.5.1.3.0 Amusement licences and permits
 - 1.5.1.4.0 Taxi licences
 - 1.5.1.5.0 Delivery vehicle licences
 - 1.5.1.6.0 Animal licences
 - 1.5.1.7.0 Building permits
 - 1.5.1.8.0 Other construction and demolition permits
 - 1.5.1.9.0 Other licences and permits
- 1.5.2.0.0 Fines
 - 1.5.2.1.0 Traffic violations
 - 1.5.2.9.0 Other
- 1.5.3.0.0 Rentals
 - 1.5.3.1.0 Engineering structures
 - 1.5.3.2.0 Buildings
 - 1.5.3.4.0 Machinery and equipment
 - 1.5.3.5.0 Land
 - 1.5.3.9.0 Other
- 1.5.4.0.0 Concessions and franchises
 - 1.5.4.1.0 Transportation
 - 1.5.4.2.0 Parking
 - 1.5.4.3.0 Garbage collection and disposal
 - 1.5.4.4.0 Electricity production and distribution
 - 1.5.4.5.0 Gas production and distribution
 - 1.5.4.6.0 Central heating production and distribution
 - 1.5.4.9.0 Other
- 1.5.5.0.0 Return on investments
 - 1.5.5.1.0 Interest on investments
 - 1.5.5.2.0 Interest on loans and advances
 - 1.5.5.3.0 Profit on sale of investments
 - 1.5.5.4.0 Premiums and exchange
 - 1.5.5.5.0 Royalties
 - 1.5.5.9.0 Other
- 1.5.6.0.0 Penalties and interest on taxes
 - 1.5.6.1.0 Penalties
 - 1.5.6.2.0 Interest
- 1.5.7.0.0 Own agencies and funds
 - 1.5.7.1.0 Revenue from agencies } Specify agency or fund using fifth position of code
 - 1.5.7.2.0 Revenue from other funds
 - 1.5.7.9.0 Other
- 1.5.9.0.0 Miscellaneous
 - 1.5.9.1.0 Commissions
 - 1.5.9.2.0 Contributions
 - 1.5.9.9.0 Other

1.6.0.0.0 Unconditional Transfers from Other Governments

- 1.6.1.0.0 Federal government
- 1.6.2.0.0 Provincial or territorial government
- 1.6.3.0.0 Other local governments (x)
 - (x) Specify government by using fourth position of code

1.7.0.0.0 Conditional Transfers from Federal, Provincial, or Territorial Governments or Their Agencies

1.7.1.0.0 Federal government (y)

1.7.2.0.0 Federal government agency (x) (y)

1.7.5.0.0 Provincial or territorial government (y)

1.7.6.0.0 Provincial or territorial government agency (x) (y)

(x) Specify agency - Using third position of code

(y) Specify Function

Using fourth position	} For which transfer is to be expended
or Functional program	
Using fourth and fifth positions	

1.8.0.0.0 Conditional Transfers from Other Local Governments

Specify:

(a) Government

Using third position of code

(b) Function

Using fourth position	} For which transfer is to be expended
or Functional program	
Using fourth and fifth positions	

1.9.0.0.0 Other Transfers, Collections for Other Governments

1.9.1.0.0 Transfers from own reserves and allowances (x)

1.9.2.0.0 Transfers from other funds (x)

1.9.3.0.0 Transfers from own agencies (x)

(x) Specify reserve etc. using fourth position of code

1.9.8.0.0 Collections for other governments

1.9.8.1.0 School authorities (x)

1.9.8.2.0 Regional governments (x)

1.9.8.3.0 Joint boards and commissions (x)

1.9.8.4.0 Other municipalities (x)

1.9.8.9.0 Other local governments (x)

(x) Specify government using fifth position of code

PART V

Expenditure – The Functional Classification System

1. Introduction

2001 General

The reader's attention is directed to Part III, Section E, Paragraphs 261 to 275 of Volume I in which "expenditure" is defined and the basic concepts and structure of the Functional Classification System are described. The system, as described here, is a four-level method of relating municipal government expenditures to the services provided through these expenditures. Each successive level provides greater detail and a government should choose the level most appropriate to the scale of its operation. As with the Revenue System of Classification, the appropriate parts of the system, and the level of detail therein, to be used by a particular government depend on a number of factors which are discussed in Part I of this volume, particularly Paragraphs 504 and 505.

2002 The Four Levels

The primary level of classification is by FUNCTION. Each function comprises a number of PROGRAMS, which in turn are divided into SUB-PROGRAMS. Each sub-program may consist of a number of ACTIVITIES which are the fourth and finest level of detail identified in the system; additional sub-levels to provide further detail can be added as required by individual users providing that the basic pyramidal structure is retained.

2003 Principles of Expenditure Allocation

All expenditures made to provide the services described by a particular function should be allocated to that function. These will normally include such expenditures as salaries, wages, fees, honorariums, allowances, gratuities, employer's contributions to employee pension funds, employer contributions in respect of employee medical and hospital insurance, meals and clothing supplied to employees, general office expenditures, rents, utility services and all incidental expenditures as applicable. All expenditures should be shown in gross amounts.

2004 The Basic Functions

Six basic functions are specifically identified:

- Protective services
- Transportation services
- Environmental health services
- Public health and welfare services
- Environmental development services
- Recreation and community services; Education

2005 Problems of Expenditure Allocation

Three main problems arise in seeking to allocate expenditures to the basic functions, or to their sub-classifications, in accordance with the principles enunciated above:

- (1) the treatment to be accorded where allocation is impractical or impossible;
- (2) the treatment to be accorded to expenditures made to acquire services from other governments in lieu of their provision by a government from its own resources, and to other intergovernmental financial transactions;
- (3) the treatment to be accorded to debt transactions.

"Unallocable" Expenditures

Three different categories of expenditures, which cannot be allocated to the basic functions and their sub-classifications, can be recognised.

2006 (a) Common services. – Certain expenditures are made primarily to operate the government rather than to provide services – i.e. the operation of the governing body, the handling of finance and similar items which are common to or affect all the services provided. Since allocation of such expenditures to the basic functions is both impractical and undesirable, a separate function – General Government Services – has been established for them.

2007 (b) New programs. – Because municipal government is never static but is continually acquiring new responsibilities, it is to be expected that services are now being provided, or will be in the future, which are not identified within the existing functional classification system. In addition, there will be changes in the relative importance of different services already described in the classification system. When a municipal government considers that a new service requires identification in the classification system or that the relative importance of an existing service, as reflected by its present level of identification, has changed, it should so advise the appropriate provincial or territorial government department which, in turn, will inform the Dominion Bureau of Statistics. DBS will then publish an amendment incorporating the changes in the system.

2008 (c) Other services. – Certain municipalities provide services which are not normally under the jurisdiction of their particular class of local government – e.g. some municipalities operate telephone systems. To accommodate such services, an additional function entitled "Other services" has been established.

Intergovernmental Expenditures

- 2009 (a) Reference.** — Reference should be made to the chapter on this subject, Part III F of Volume I, for a detailed explanation of the principles which govern the classification of transactions which involve a government with its own agencies or with other governments.
- 2010 (b) Purchases of goods and services.** — Intergovernmental expenditures are made by a government either to acquire goods and services from another government or to transfer monies to that government. All payments made for goods or services consumed by the purchasing government in discharging a particular function will be classified as expenditures for that function. In addition, all payments made to acquire goods or services for distribution or resale to the citizens or territory of the purchasing government will be classified by the relative functions, providing that the discharge of those particular functions is within the responsibility of the purchasing government.
- 2011 (c) Transfers.** — Monies transferred by one government to another for which there is no direct *quid pro quo* fall into two categories — taxes collected for the receiving government by the paying government, and monies to be used by the receiving government for general or specified purposes. Taxes transmitted by the collecting government to the government for whom they were collected are not considered to be expenditures of the former but are included in the function "Fiscal services" as a matter of convenience. Monies transferred for general purposes, i.e. with no conditions attached to their use by the recipient, are also included in "Fiscal services" as "Unconditional transfers". Finally, monies transferred for specific purposes are included in the same function as "Conditional transfers". (See also Paragraphs 307 and following in Volume I.)
- 2012 (d) "Functionalization" of transfers.** — Some governments maintain that all conditional transfers should be classified by the function for which the transfer was made rather than by segregation in the function "Fiscal services". The presumption is that the particular service to which the transfer relates would have to be supplied by the transferring government if the receiving entity was not there to supply the service.
- 2013** Governments which classify the conditional transfers they make in the functions which describe the purposes for which such transfers are made should identify these transfers to enable their financial operations to be compared and aggregated with those of the majority of governments which do not use this treatment. This identification is most easily made through the use of the Object Classification System where conditional transfers are part of the Reporting Object "Transfers to other governments (Code 7.5.0.0)". Those governments which "functionalize" conditional transfers, but do not use the Object

Classification System, should establish ancillary records to produce the information that would be in the same detail as called for under the Reporting Object "Transfers to other governments".

Debt and Related Expenditures

- 2014 (a) Normal treatment.** — The treatment in the Functional Classification System of expenditures relating to the debts of municipal governments presents a special problem. Most governments at all three levels take the view that their operations can be financed in a number of ways — by taxes or other imposts, by sales of services, by transfers from other governments, by returns on investments, and by borrowing. Thus the costs of borrowing form part of the costs of operating, and expenditures relating to debt are included in the function "Fiscal services".
- 2015 (b) "Functionalization".** — However, some authorities maintain that, since municipal governments normally can incur long-term debt solely to acquire fixed assets, charges relative to such debt should form part of the costs of such assets and should, therefore, be classified in the function, or functions, which the assets serve to discharge. (Under this concept, charges relating to short-term debt should be accorded similar treatment. However, the proponents of this treatment concede that this is usually impractical and recommend the classification of charges relating to short-term debt as "Fiscal services".)

Governments which classify long-term debt charges according to the functions of the related fixed assets should identify these charges in the same way as that recommended for "functionalized" conditional transfers in Paragraph 2015 above, i.e. through the Object Classification System or through ancillary records equivalent to the relevant parts of the Standard Object "Financial charges".

2. The System in Detail

2051 The Functions

In the immediately preceding section, six basic functions, a residual and developmental function, and two administrative functions were enumerated. Thus, there are, in all, nine functions, viz.

1. General government services
2. Protective services
3. Transportation services
4. Environmental health services
5. Public health and welfare services
6. Environmental development services
7. Recreation and cultural services; education
8. Fiscal services
9. Other services

The sub-classifications at the third and fourth levels, the sub-programs and activities, are largely self-explanatory; the notes which follow, therefore, deal principally with the functions and programs.

General Government Services

2101 This function comprises three programs:

2.1.0.0.0 General Government Services

- 2.1.1.0.0 Legislative
- 2.1.2.0.0 General administrative
- 2.1.9.0.0 Other general government services

2102 General

This function, which, as described in Paragraph 2006(a), is designed to classify the expenses of the central administration of a municipal government, corresponds closely with the classification "General government" used in the *1960 Municipal Finance Reporting Manual*. Three programs — Legislative, Administrative, and Other general government services — are identified. Planning, which in the above-mentioned publication was included in the Administrative Program, has now been established as a separate program in the new function "Environmental development services".

Protective Services

2201 This function corresponds closely to its equivalent, "Protection to persons and property", in the *Municipal Finance Reporting Manual*. Six programs are identified:

2.2.0.0.0 Protective Services

- 2.2.1.0.0 Police protection
- 2.2.2.0.0 Law enforcement
- 2.2.3.0.0 Corrections
- 2.2.4.0.0 Fire protection
- 2.2.5.0.0 Emergency measures
- 2.2.9.0.0 Other protection

2202 Changes from Earlier Systems

Emergency Measures replaces the earlier sub-classification "Civil defence" which formed part of the "Miscellaneous" classification. This reflects the change in this program from primary concern with protection against enemy air attack to a wider role of protection against all forms of disaster.

2203 A number of changes from the 1960 Manual have also been made at the sub-program and activity levels. "Street lighting" and "Maintenance of railway crossing signals" have been relocated in the Road Transport Program of Transportation Services. Most expenditures in these categories are now designed to improve road

travel facilities rather than to protect individuals or property from attack, theft, etc. "Public morgue" has been moved to the more appropriate Public Health and Welfare Function (along with "Cemeteries" from the former Recreation and Community Services classification). "Smoke abatement" is now included with other anti-pollution sub-programs in the "Other environmental health" program of the Environmental Health Services Function.

Transportation Services

2301 This function embraces the earlier classification "Public works" but extends beyond it by encompassing also "Street cleaning and flushing", previously under "Sanitation and waste removal"; and "Street lighting" and "Railway crossing signals", previously under "Protection to persons and property". This function is broken down into six functional programs, namely:

2.3.0.0.0 Transportation Services

- 2.3.1.0.0 Common services
- 2.3.2.0.0 Road transport
- 2.3.3.0.0 Air transport
- 2.3.4.0.0 Water transport
- 2.3.5.0.0 Public transit
- 2.3.9.0.0 Other transportation

2302 Common Services

This program embraces only those expenditures which it would be difficult to allocate to specific functional programs. Included here are the overall administrative expenditures related to transportation, and the capital, operating, and maintenance expenditures on general "public works" equipment, such as trucks and automobiles. Charges relative to equipment which is identifiable with particular kinds of transportation services (road, air, water) should be recorded under the appropriate functional program.

2303 Road Transport

Road transport includes administrative expenditures relating to road transport facilities as well as those of parking authorities and traffic consultants. Also, the various engineering aspects, traffic aids and controls, and all phases of construction, operation, and maintenance of transport facilities are charges proper to this caption. Grade crossing eliminations and sidewalks comprise part of this functional program, as do street cleaning and flushing, which embrace dust prevention (by oiling, sprinkling or by the application of calcium chloride), and the removal of storm debris, leaves and other deposits. Storm sewers, where separated from sanitary sewers, are now included in this program rather than in Environmental Health Services as in earlier publications (see also Paragraph 2403).

2304 Air Transport

2305 Water Transport

The comments relative to "Road transport", with the necessary obvious modifications, apply to these two programs.

2306 Public Transit

Most public transit operations are carried on by separate entities which, it is expected, will employ the appropriate parts of the classification systems with any necessary extensions thereto. However, where certain planning and research or other expenditures related to public transit systems are incurred by "general government", such expenditures are a charge proper to this functional program.

2307 Other Transportation

This program embraces all items of expenditure related to services to transportation which are not capable of classification elsewhere.

Environmental Health Services

2401 This function corresponds roughly to the classification in the 1960 Manual designated as "Sanitation and waste removal." It is, however, broader in its scope, notwithstanding the current relegation of street flushing and cleaning to the function of Transportation. There are four functional programs:

2.4.0.0.0 Environmental Health Services

2.4.1.0.0 Water supply

2.4.2.0.0 Sewage collection and disposal

2.4.3.0.0 Garbage and waste collection and disposal

2.4.9.0.0 Other environmental health

The four programs are largely self-explanatory but for greater certainty, in addition to the detailed sub-classifications shown at the end of this part, the following should be noted.

2402 Water Supply

This program embraces the capital, operation and maintenance of plant and equipment expenditures as well as those on materials and supplies and other related expenditures, where water supply is not provided by a separately constituted utility.

2403 Sewage

In addition to items similar to those mentioned in Paragraph 2402, this program includes expenditures on:

- (1) sanitary sewers and combined sanitary-storm sewers (separated storm sewers are classified under "Road transportation" - see Paragraph 2303 above);
- (2) catch basins and manholes;

(3) inspection, cleaning and flushing of sewers;

(4) booster stations;

(5) reclamation of sludge areas.

2404 Garbage

Garbage and waste collection and disposal includes all direct expenditures on this program together with rentals and other expenditures on nuisance grounds or dumps for garbage and waste disposal purposes.

2405 Other

Other environmental health is essentially a new functional program classification designed to embrace the rapidly growing expenditures on control of pollution of all kinds.

Public Health and Welfare Services

2501 General

The two previously separate functions of "Health" and "Welfare" have been grouped together because of the increasing tendency by many governments to regard these functions as closely linked. In addition, because of increased participation by other levels of government, it seems likely that the scale of operations in the provision of these services at the municipal government level, relative to the other functions, will diminish in future.

2502 Need for Detail

However, this increased participation at the federal and provincial levels results in a requirement for greater detail in reporting in these functions at the local level to ensure easy consolidation of data for all three levels of government and hence an accurate assessment of the total effort by government in the various programs, sub-programs and activities. It is recommended, therefore, that identification of expenditures in this function be carried to the activity (fourth) level.

2503 Programs

The function itself comprises four principal and one residual programs:

2.5.0.0.0 Public Health and Welfare Services

2.5.1.0.0 Public health

2.5.2.0.0 Medical care (including care of indigents)

2.5.3.0.0 Hospital care (including care of indigents)

2.5.5.0.0 Other health

2.5.7.0.0 Social welfare

The sub-programs and activities generally explain the differences between the programs. However, the following points should be noted.

2504 Public Health and Environmental Health

"Public health services" consist generally of services relating to the health of individuals as compared with "Environmental health services" which, generally, relate more to the overall health of the community.

2505 Payment of Health Insurance Premiums

The payment of medical and hospital insurance premiums involves only premiums paid on behalf of indigents. Payments on behalf of a government's employee are considered to be part of their remuneration and should be allocated with wages and salaries to the appropriate functions.

2506 Welfare Assistance and Services

"Social welfare assistance" covers payments made to or on behalf of recipients of welfare (excluding health insurance premiums as noted above); "Social welfare services" covers the operation of institutions for the disadvantaged, and assistance to such persons provided by a government through the services of its welfare workers, etc.

Environmental Development Services

2601 General

As its title suggests, this function has been established to group together the various programs undertaken by municipal governments to provide for the physical development of their territories. In the past these programs formed parts of other functions; at the same time their importance relative to the totality of municipal programs was small. The new function recognizes the growth of the importance of these programs as municipal governments become increasingly concerned with the quality of the physical milieu and with the amelioration of the economic situation within that milieu.

2602 Programs

The seven programs which comprise this function are largely self-explanatory, particularly when viewed in the light of their respective sub-programs and activities. The function comprises:

2.6.0.0.0 Environmental Development Services

- 2.6.1.0.0 Environmental planning and zoning
- 2.6.2.0.0 Community development
- 2.6.3.0.0 Housing
- 2.6.4.0.0 Natural resources development
- 2.6.5.0.0 Regional development commissions
- 2.6.6.0.0 Industrial parks and commissions
- 2.6.9.0.0 Other environmental development services

2603 Destruction of Pests and Pest Control

Two points of detail should be noted. The activity "Destruction of pests" in the sub-program "Agriculture" of the Natural Resources Development Program is to be distinguished from "Pest control", part of the "Animal and pest control" sub-program of the "Other protection" program in the function "Protective services". The former should be used to classify expenditures for the destruction of pests which infest crops, prey on herds or flocks and otherwise retard agricultural or other natural resource development. The latter relates to pests which infest dwellings and in other ways detract from domestic or urban amenity.

2604 Public Receptions and Conventions and Delegations

Secondly, the sub-program "Public receptions" in the "Other environmental development services program" is concerned with the provision and promotion of facilities for conventions and the like; while the sub-program "Conventions and delegations" in the program "Other general government services" classifies expenditures on holding or attending conventions and the like.

Recreation and Cultural Services; Education

2701 Whereas the immediately preceding function portrays programs aimed primarily at physical and economic development, this function is concerned with programs of a social and cultural nature. These comprise:

2.7.0.0.0 Recreation and Cultural Services; Education

- 2.7.1.0.0 Recreation facilities
- 2.7.2.0.0 Cultural buildings and facilities
- 2.7.5.0.0 Other recreation and cultural services
- 2.7.7.0.0 Education

2702 Recreation and Cultural Services

The first three programs - Recreation facilities, Cultural buildings and facilities, and Other recreation and cultural services - are substantially as constituted in previous classification systems; however, Cemeteries have now been reclassified under Public health (in "Public health and welfare services"), Markets under Other environmental development services (in "Environmental development services"), and Weigh scales under Other protection (in "Protective services").

2703 Education

The inclusion of "Education" in this function, instead of continuing to classify it as a separate function, reflects the change in thinking already noted in the Revenue Classification System. Apart from school authorities, local governments have little direct

involvement with educational administration and operations; thus, for example, municipalities normally act as agencies for collecting taxes for school authorities and, in certain provinces, as issuers of debentures for those authorities. The only expenditures to be classified in the "Education program", therefore, are direct expenditures made by a local government, other than a school authority, for the education of its own staff, or for the support of private (i.e. non-governmental) educational institutions.

Fiscal Services

2801 This function is provided for the classification of outgoing transactions of a purely financial nature. These transactions are classified as:

2.8.0.0.0 Fiscal Services

- 2.8.1.0.0 Debt charges
- 2.8.2.0.0 Transfers to own reserves, funds and agencies
- 2.8.3.0.0 Unconditional transfers to other governments and their agencies
- 2.8.4.0.0 Conditional transfers to other governments and their agencies
- 2.8.8.0.0 Transmissions of taxes collected for other governments
- 2.8.9.0.0 Other fiscal services

2802 Alternative Treatment

Because of provincial requirements, some governments will not use the programs and sub-programs relating to long-term debt, while others will allocate conditional grants to functions to which they relate rather than segregating them in the program here provided. Governments adopting such procedures should, of course, ensure national compatibility and comparability of their data through the use, in whole or in part, of the Object Classification System as outlined in the sections on "Debt and related expenditures" (Volume II, Paragraph 2017) and "Intergovernmental financial transactions" (Volume I, Part II F and Volume II, Paragraph 2015).

2803 Identification

Generally, the programs and sub-programs within this function are self-explanatory. However, the sub-programs relative to short-term borrowings identify the type of lender, while those relative to long-term debt identify the type of debt in general terms. The sub-programs on "Transfers, conditional grants and transmissions of taxes" require the identification of the recipient and, in the case of "Conditional grants", the Functional program for which the grant is made.

Other Services

2901 This function is both residual and developmental in nature. Certain services, which are normally provided by commercial or provincial authorities or by enterprises established by local governments, occasionally are integrated with the other operations of a municipal government. Many of these services appear in the preceding classifications, e.g. the operation of docks, public transit, airports, water works and the like. This function provides for the classification of similar operations which, however, cannot be classified in other functions. The first four sub-classifications identify services known to be included in the central administration of certain municipalities.

2902 The procedure for incorporating in the system services which are not now identified is described in Paragraph 2007 above. However, pending the issue of an amendment recommending the classification of such services, municipalities should classify these "new" services in this function.

2903 The principal classifications now are:

2.9.0.0.0 Other Services

- 2.9.1.0.0 Gas
- 2.9.2.0.0 Electricity
- 2.9.3.0.0 Steam and central heat
- 2.9.4.0.0 Telephone
- 2.9.9.0.0 Other

A SYSTEM OF CLASSIFICATION OF EXPENDITURES BY FUNCTION

Detailed Classifications

2.1.0.0.0 General Government Services

- 2.1.1.0.0 Legislative
 - 2.1.1.1.0 Head of Council (Mayor, Reeve, Warden)
 - 2.1.1.2.0 Board of Control
 - 2.1.1.3.0 Council (Aldermen, Councillors)
 - 2.1.1.9.0 Other legislative services
- 2.1.2.0.0 General administrative
 - 2.1.2.1.0 Administrative
 - 2.1.2.1.1 Chief Administrator (Commissioner, Manager, Comptroller)
 - 2.1.2.1.2 Municipal clerk
 - 2.1.2.1.3 Personnel
 - 2.1.2.1.4 Office buildings
 - 2.1.2.1.5 Legal services
 - 2.1.2.1.9 Other administrative services
 - 2.1.2.2.0 Financial management
 - 2.1.2.2.1 Administration
 - 2.1.2.2.2 Accounting
 - 2.1.2.2.3 Internal audit
 - 2.1.2.2.4 Budget control
 - 2.1.2.2.5 External audit
 - 2.1.2.2.6 Purchasing
 - 2.1.2.2.7 Debt and sinking fund administration
 - 2.1.2.2.8 Pension fund administration
 - 2.1.2.2.9 Other financial management
 - 2.1.2.3.0 Assessment
 - 2.1.2.3.1 Administration
 - 2.1.2.3.2 Property assessment
 - 2.1.2.3.3 Courts of revision
 - 2.1.2.3.9 Other assessment
 - 2.1.2.4.0 Taxation
 - 2.1.2.4.1 Administration
 - 2.1.2.4.2 Tax billing
 - 2.1.2.4.3 Tax rebates or cancellations
 - 2.1.2.4.4 Maintenance of property acquired for taxes
 - 2.1.2.4.5 Losses on sales of property acquired for taxes
 - 2.1.2.4.9 Other taxation
 - 2.1.2.5.0 Common services
 - 2.1.2.5.1 Multi-purpose buildings
 - 2.1.2.5.9 Other common services
 - 2.1.2.9.0 Other general administrative services
- 2.1.9.0.0 Other general government services
 - 2.1.9.1.0 Elections and referendums
 - 2.1.9.1.1 General elections
 - 2.1.9.1.2 Special elections and referendums
 - 2.1.9.1.9 Other
 - 2.1.9.2.0 Conventions and delegations
 - 2.1.9.3.0 General accident and damage claims and public liability insurance
 - 2.1.9.4.0 Inter-governmental relations
 - 2.1.9.5.0 Grants to organizations and individuals
 - 2.1.9.9.0 Other general services

2.2.0.0.0 Protective Services

- 2.2.1.0.0 Police Protection
 - 2.2.1.1.0 Police Commission
 - 2.2.1.2.0 Administration
 - 2.2.1.2.1 Police Chief
 - 2.2.1.2.3 Employer's liability insurance
 - 2.2.1.2.9 Other
 - 2.2.1.3.0 Crime investigation prevention and protective services
 - 2.2.1.4.0 Traffic activities
 - 2.2.1.5.0 Training
 - 2.2.1.6.0 Police stations and buildings
 - 2.2.1.7.0 Police automotive equipment
 - 2.2.1.8.0 Detention and custody of prisoners
 - 2.2.1.9.0 Other
 - 2.2.2.0.0 Law enforcement
 - 2.2.2.1.0 Administration
 - 2.2.2.2.0 Magistrates' courts
 - 2.2.2.3.0 County courts
 - 2.2.2.4.0 Family and juvenile courts
 - 2.2.2.5.0 Division (small claims) courts
 - 2.2.2.6.0 Prosecuting attorney
 - 2.2.2.7.0 Coroners
 - 2.2.2.8.0 Witnesses, jurors and interpreters
 - 2.2.2.9.0 Other
 - 2.2.3.0.0 Corrections
 - 2.2.3.1.0 Gaols
 - 2.2.3.2.0 Industrial farms
 - 2.2.3.3.0 Juvenile detention homes
 - 2.2.3.4.0 Training schools
 - 2.2.3.5.0 Probations
 - 2.2.3.9.0 Other
 - 2.2.4.0.0 Fire protection
 - 2.2.4.1.0 Administration
 - 2.2.4.1.1 Fire chief
 - 2.2.4.1.2 Employer's liability insurance
 - 2.2.4.1.3 Workmen's compensation and sickness insurance
 - 2.2.4.1.9 Other
 - 2.2.4.2.0 Fire fighting force
 - 2.2.4.3.0 Fire alarm systems
 - 2.2.4.4.0 Fire investigations and prevention
 - 2.2.4.5.0 Water supply and hydrants
 - 2.2.4.6.0 Training
 - 2.2.4.7.0 Fire stations and buildings
 - 2.2.4.8.0 Fire fighting equipment
 - 2.2.4.9.0 Other
 - 2.2.5.0.0 Emergency measures
 - 2.2.5.1.0 Emergency measures organization
 - 2.2.5.2.0 Flood control
 - 2.2.5.3.0 Disaster control
 - 2.2.5.4.0 First aid and ambulance services
 - 2.2.5.9.0 Other

2.2.9.0.0	Other protection
2.2.9.1.0	Consumer, investor and borrower protection
2.2.9.1.1	Weights and measures
2.2.9.1.2	Weigh scales
2.2.9.1.9	Other
2.2.9.2.0	Protective inspection
2.2.9.2.1	Building inspections
2.2.9.2.2	Electrical inspections
2.2.9.2.3	Plumbing inspections
2.2.9.2.4	Gas inspections
2.2.9.2.5	Trench inspections
2.2.9.2.9	Other safety inspections
2.2.9.3.0	Animal and pest control
2.2.9.4.0	Registry office
2.2.9.9.0	Other

2.3.0.0.0 Transportation Services

2.3.1.0.0	Common services
2.3.1.1.0	Administration
2.3.1.1.1	Executive
2.3.1.1.9	Other administration
2.3.1.2.0	Engineering services
2.3.1.3.0	General equipment
2.3.1.4.0	Small tools and equipment
2.3.1.5.0	Workshops, yards and other buildings
2.3.1.6.0	Research, planning and design
2.3.1.7.0	Workmen's compensation
2.3.1.8.0	Liability insurance
2.3.1.9.0	Other
2.3.2.0.0	Road transport
2.3.2.1.0	Administration
2.3.2.2.0	Engineering
2.3.2.2.1	Planning and surveying
2.3.2.2.2	Maintenance engineering
2.3.2.2.3	On site supervision
2.3.2.2.4	Bridge and culvert engineering
2.3.2.2.5	Research, planning and design
2.3.2.2.9	Other
2.3.2.3.0	Roads and streets
2.3.2.3.1	Roadway surfaces
2.3.2.3.2	Road allowances, intersections and approaches
2.3.2.3.3	Sidewalks
2.3.2.3.4	Drainage ditches
2.3.2.3.5	Storm sewers
2.3.2.3.6	Street cleaning and flushing
2.3.2.3.7	Snow and ice removal
2.3.2.3.9	Other
2.3.2.4.0	Bridges, subways, tunnels, grade separations and ferries
2.3.2.4.1	Bridges
2.3.2.4.2	Bridge approaches
2.3.2.4.3	Railway grade crossings
2.3.2.4.4	Railway overpasses or underpasses
2.3.2.4.5	Subways and tunnels
2.3.2.4.6	Grade separations
2.3.2.4.7	Ferries
2.3.2.4.8	Ferry docks and approaches
2.3.2.4.9	Other
2.3.2.5.0	Street lighting

2.3.2.6.0	Traffic services
2.3.2.6.1	Street signs
2.3.2.6.2	Traffic lane marking
2.3.2.6.3	House numbering
2.3.2.6.4	Traffic signals
2.3.2.6.5	Railway crossing signals
2.3.2.6.9	Other
2.3.2.7.0	Parking
2.3.2.7.1	Parking meters (on streets and roads)
2.3.2.7.2	Off street parking
2.3.2.7.9	Other
2.3.2.8.0	Motor vehicle inspections
2.3.2.9.0	Other road transport
2.3.3.0.0	Air transport
2.3.3.1.0	Administration
2.3.3.2.0	Airports
2.3.3.9.0	Other
2.3.4.0.0	Water transport
2.3.4.1.0	Administration
2.3.4.2.0	Docks and port facilities
2.3.4.3.0	Ship canals and channels
2.3.4.9.0	Other
2.3.5.0.0	Public transit
2.3.5.1.0	Research, planning and design
2.3.5.9.0	Other
2.3.9.0.0	Other transportation

2.4.0.0.0 Environmental Health Services

2.4.1.0.0	Water supply
2.4.1.1.0	Administration
2.4.1.2.0	Purification and treatment
2.4.1.3.0	Service of supply
2.4.1.4.0	Transmission and distribution
2.4.1.5.0	Pumping
2.4.1.6.0	Customer billing and collection
2.4.1.9.0	Other water supply
2.4.2.0.0	Sewage collection and disposal
2.4.2.1.0	Administration
2.4.2.2.0	Sewage collection systems
2.4.2.3.0	Sewage lift stations
2.4.2.4.0	Sewage treatment and disposal
2.4.2.5.0	Comfort stations
2.4.2.9.0	Other sewage collection
2.4.3.0.0	Garbage and waste collection and disposal
2.4.3.1.0	Administration
2.4.3.2.0	Garbage and waste collection
2.4.3.3.0	Municipal dumps (land fill)
2.4.3.4.0	Incinerators
2.4.3.9.0	Other garbage disposal
2.4.9.0.0	Other environmental health
2.4.9.1.0	Administration
2.4.9.2.0	Smoke abatement
2.4.9.3.0	Other air pollution control
2.4.9.4.0	Water pollution control
2.4.9.5.0	Other pollution control
2.4.9.6.0	Noise abatement
2.4.9.9.0	Other environmental health

2.5.0.0.0 Public Health and Welfare Services

- 2.5.1.0.0 Public health
 - 2.5.1.1.0 Board of health
 - 2.5.1.2.0 Administration
 - 2.5.1.2.1 Medical health officer
 - 2.5.1.2.9 Other administration
 - 2.5.1.3.0 Health inspection and regulation
 - 2.5.1.4.0 Communicable disease control
 - 2.5.1.4.1 Inoculation, vaccination and immunization
 - 2.5.1.4.2 Quarantines
 - 2.5.1.4.3 Venereal disease clinics
 - 2.5.1.4.9 Other
 - 2.5.1.5.0 Maternal and child health
 - 2.5.1.6.0 Cemeteries and crematoriums
 - 2.5.1.7.0 Morgues
 - 2.5.1.8.0 General public health
 - 2.5.1.8.1 Public health clinics and laboratories
 - 2.5.1.8.2 Nutrition
 - 2.5.1.8.3 Health education
 - 2.5.1.8.4 Mental health
 - 2.5.1.8.5 Occupational health
 - 2.5.1.8.6 Vital statistics
 - 2.5.1.8.9 Other
 - 2.5.1.9.0 Other public health
- 2.5.2.0.0 Medical care (including care of indigents)
 - 2.5.2.1.0 Administration
 - 2.5.2.2.0 Physicians' services
 - 2.5.2.3.0 Dental services
 - 2.5.2.4.0 Nursing services
 - 2.5.2.5.0 Pharmaceutical services
 - 2.5.2.6.0 Medical insurance of indigents
 - 2.5.2.9.0 Other
- 2.5.3.0.0 Hospital care (including care of indigents)
 - 2.5.3.1.0 Administration
 - 2.5.3.2.0 General hospitals
 - 2.5.3.3.0 Allied special hospitals
 - 2.5.3.4.0 Tuberculosis hospitals
 - 2.5.3.5.0 Mental hospitals
 - 2.5.3.6.0 Hospital insurance of indigents
 - 2.5.3.9.0 Other
- 2.5.5.0.0 Other health
- 2.5.7.0.0 Social welfare
 - 2.5.7.1.0 Administration
 - 2.5.7.1.1 Welfare commissioner or administrator
 - 2.5.7.1.9 Other administration
 - 2.5.7.2.0 Social welfare assistance
 - 2.5.7.2.1 Administration
 - 2.5.7.2.2 Aid to aged
 - 2.5.7.2.3 Aid to unemployed
 - 2.5.7.2.4 Aid to handicapped
 - 2.5.7.2.5 Aid to blind
 - 2.5.7.2.6 Aid to one-parent families
 - 2.5.7.2.9 Other
 - 2.5.7.3.0 Social welfare services
 - 2.5.7.3.1 Administration
 - 2.5.7.3.2 Services to aged
 - 2.5.7.3.3 Services to handicapped
 - 2.5.7.3.4 Services to blind

- 2.5.7.3.5 Services to children
- 2.5.7.3.6 Family and marriage counselling
- 2.5.7.3.7 Legal aid
- 2.5.7.3.8 Hostels
- 2.5.7.3.9 Other
- 2.5.7.9.0 Other social welfare

2.6.0.0.0 Environmental Development Services

- 2.6.1.0.0 Environmental planning and zoning
 - 2.6.1.1.0 Planning board
 - 2.6.1.2.0 Administration
 - 2.6.1.2.1 Chief planner
 - 2.6.1.2.9 Other administration
 - 2.6.1.3.0 Research and planning
 - 2.6.1.9.0 Other planning and zoning
- 2.6.2.0.0 Community development
 - 2.6.2.1.0 Administration
 - 2.6.2.2.0 General land assembly
 - 2.6.2.3.0 Urban renewal projects
 - 2.6.2.4.0 Beautification and land rehabilitation
 - 2.6.2.9.0 Other community developments
- 2.6.3.0.0 Housing
 - 2.6.3.1.0 Administration
 - 2.6.3.2.0 Construction
 - 2.6.3.4.0 Operation
 - 2.6.3.9.0 Other
- 2.6.4.0.0 Natural resources development
 - 2.6.4.1.0 Administration
 - 2.6.4.2.0 Agriculture
 - 2.6.4.2.1 Destruction of pests
 - 2.6.4.2.2 Protective inspections
 - 2.6.4.2.3 Weed control
 - 2.6.4.2.4 Drainage
 - 2.6.4.2.5 Assistance to agriculture
 - 2.6.4.2.9 Other
 - 2.6.4.3.0 Water resources and conservation
 - 2.6.4.4.0 Fisheries
 - 2.6.4.5.0 Forests
 - 2.6.4.6.0 Minerals
 - 2.6.4.9.0 Other natural resources development
- 2.6.5.0.0 Regional development commissions
 - 2.6.5.1.0 Administration
 - 2.6.5.2.0 Assistance to regional development
 - 2.6.5.9.0 Other
- 2.6.6.0.0 Industrial parks and commissions
 - 2.6.6.1.0 Administration
 - 2.6.6.1.1 Commission or board
 - 2.6.6.1.2 Commissioner
 - 2.6.6.1.9 Other administration
 - 2.6.6.2.0 Assistance to industrial development
 - 2.6.6.9.0 Other
- 2.6.9.0.0 Other environmental development services
 - 2.6.9.1.0 Tourism
 - 2.6.9.1.1 Tourist bureau
 - 2.6.9.1.2 Tourist camps
 - 2.6.9.1.3 Promotion of tourist attractions
 - 2.6.9.1.9 Other tourism

2.6.9.2.0	Public receptions
2.6.9.2.1	Convention facilities
2.6.9.2.2	Promotion of convention facilities
2.6.9.2.9	Other
2.6.9.3.0	Markets
2.6.9.9.0	Other environmental development services

2.7.0.0.0 Recreation and Cultural Services and Education

2.7.1.0.0	Recreation facilities
2.7.1.1.0	Administration
2.7.1.1.1	Recreation commissioner
2.7.1.1.9	Other administration
2.7.1.2.0	Community centres and halls
2.7.1.3.0	Swimming pools, beaches, marinas
2.7.1.4.0	Golf courses
2.7.1.5.0	Skating rinks and arenas
2.7.1.6.0	Amusement parks, exhibitions and fairs
2.7.1.7.0	Stadiums
2.7.1.8.0	Parks and playgrounds
2.7.1.9.0	Other recreation facilities
2.7.2.0.0	Cultural buildings and facilities
2.7.2.1.0	Administration
2.7.2.2.0	Archives
2.7.2.3.0	Historic sites
2.7.2.4.0	Art galleries, museums, planetariums
2.7.2.5.0	Libraries
2.7.2.6.0	Theatres, concert halls, auditoriums
2.7.2.7.0	Zoos, aquariums, aviaries
2.7.2.9.0	Other cultural buildings and facilities
2.7.5.0.0	Other recreation and cultural services
2.7.5.1.0	Film, radio and television
2.7.5.2.0	Physical fitness
2.7.5.9.0	Other services
2.7.7.0.0	Education
2.7.7.1.0	Administration
2.7.7.2.0	Nursery and day schools
2.7.7.3.0	Primary schools
2.7.7.3.1	Primary public schools
2.7.7.3.2	Primary separate schools
2.7.7.3.9	Other primary schools
2.7.7.4.0	Secondary schools
2.7.7.4.1	Secondary academic schools
2.7.7.4.2	Secondary technical schools
2.7.7.4.3	Secondary commercial schools
2.7.7.4.4	Secondary composite schools
2.7.7.4.5	Secondary separate schools
2.7.7.4.9	Other secondary schools
2.7.7.5.0	Post secondary education
2.7.7.5.1	Universities
2.7.7.5.2	Junior colleges
2.7.7.5.3	Colleges of technology
2.7.7.5.9	Other post secondary education
2.7.7.6.0	Adult retraining
2.7.7.9.0	Other education

2.8.0.0.0 Fiscal Services

2.8.1.0.0	Debt charges
2.8.1.1.0	Interest on short-term borrowings
2.8.1.1.1	From financial institutions
2.8.1.1.2	From own funds and agencies
2.8.1.1.3	From other governments
2.8.1.1.4	From others
2.8.1.1.5	Interest or discount on current tax prepayments
2.8.1.1.9	Other short-term interest
2.8.1.2.0	Interest on long-term debt
2.8.1.2.1	On own debentures issued on own behalf
2.8.1.2.2	On own debentures issued on behalf of own agencies
2.8.1.2.3	On own debentures issued on behalf of other governments
2.8.1.2.4	On debentures issued by other governments on behalf of reporting government
2.8.1.2.9	On long-term debt not secured by debentures
2.3.1.3.0	Principal instalments or sinking fund requirements
2.8.1.3.1	For own debentures issued on own behalf
2.8.1.3.2	For own debentures issued on behalf of own agencies
2.8.1.3.3	For own debentures issued on behalf of other governments
2.8.1.3.4	For debentures issued by other governments on behalf of reporting government
2.8.1.3.9	For long-term debt not secured by debentures
2.8.1.9.0	Other debt charges
2.8.1.9.1	Debenture discounts
2.8.1.9.2	Cost of issuing and selling new debentures
2.8.1.9.3	Banking service charges
2.8.1.9.4	Loss on sale of securities purchased as investments
2.8.1.9.5	Loss on foreign exchange
2.8.1.9.9	Other
2.8.2.0.0	Transfers to own reserves, funds and agencies
2.8.2.1.0	Reserves and allowances (specify reserve or allowance)
2.8.2.2.0	Other funds (specify fund)
2.8.2.3.0	Own agencies (specify agency) – Normal
2.8.2.4.0	Own agencies (specify agency) – Extraordinary
2.8.3.0.0	Unconditional transfers to other governments and their agencies – Specify receiving government or agency
2.8.3.1.0	Regional governments
2.8.3.2.0	Joint boards and commissions
2.8.3.3.0	Other municipalities
2.8.3.4.0	Other local governments
2.8.3.5.0	Provincial/territorial governments and agencies
2.8.3.6.0	Federal government and agencies

- 2.8.4.0.0 Conditional transfers to other governments and their agencies
 - Specify
 - (a) Conditions in terms of functional programs for which grants are made
 - (b) Receiving government or agency
- 2.8.8.0.0 Transmissions of taxes collected for other governments - Specify receiving government
 - 2.8.8.1.0 School authorities
 - 2.8.8.2.0 Regional governments
 - 2.8.8.3.0 Joint boards and commissions
 - 2.8.8.4.0 Other governments
- 2.8.9.0.0 Other fiscal services

- 2.9.0.0.0 Other Services
 - 2.9.1.0.0 Gas
 - 2.9.2.0.0 Electricity
 - 2.9.3.0.0 Steam and central heat
 - 2.9.4.0.0 Telephone
 - 2.9.9.0.0 Other

PART VI

Expenditure – The Object Classification System

3001 General

The concepts which underlie the Object Classification System are set out in Section E of Part III of Volume I of this publication. These should be read in conjunction with the following text. The detail Classification System is set out at the end of this part.

Personnel

- 3101** This standard object covers the remuneration of all employees, including members of the council or governing body. All forms of remuneration paid either directly to employees or to others on their behalf (e.g. as fringe benefits) are to be included. Fees paid to consultants should not be included here but classified under Professional and Special Services in the standard object General Services. **Personnel** comprises the following reporting objects:

1.0.0.0 Personnel

- 1.1.0.0 Salaries
- 1.2.0.0 Wages
- 1.3.0.0 Allowances and other benefits
- 1.4.0.0 Employer contributions
- 1.5.0.0 Supplementary benefits
- 1.6.0.0 Removal expenses
- 1.9.0.0 Other personnel

3102 Salaries and Wages

Salaries are defined as the remuneration of employees based on monthly or annual rates of pay; **wages**, on the other hand, are based on hourly, daily or weekly rates. Within these two reporting objects, sub-classification is between full-time and other (i.e. part-time, casual, term and the like); within these two categories there is provision for a further breakdown to identify regular, overtime and retroactive pay. The remaining economic objects – **other salaries** and **other wages** – are provided for such special payments as may be made on retirement, or which cannot be classified elsewhere.

3103 Fringe Benefits

The remaining reporting objects in this standard object – **allowances and other benefits**, **employer contributions**, **supplementary benefits**, **removal expenses** and the repository, **other personnel** – are generally self-explanatory. Two points should be noted. **Death benefit plans in employer contributions** includes employer contributions to Group Life Insurance Schemes. **Removal expenses** are to be distinguished from ordinary travel expenses which should be classified under **transportation and communications** in the standard object general services.

General Services

- 3201** The standard object General Services covers expenditures on a wide range of Economic Objects classified under seven reporting objects as follows:

2.0.0.0 General Services

- 2.1.0.0 Transportation and communications
- 2.2.0.0 Information
- 2.3.0.0 Professional and special services
- 2.4.00 Purchased repair of fixed assets
- 2.5.0.0 Purchased maintenance of fixed assets
- 2.6.0.0 Rental of fixed assets
- 2.9.0.0 Other general services

- 3202** For the most part these seven Reporting Objects will cover the classification of expenditures made to acquire services from the business sector of the economy (in contrast, the Standard Object "Personnel" covers the acquisition of services of persons, employees of the local government, who comprise the private sector of the economy). The Economic Objects delineated for each of the Reporting Objects are generally self-explanatory but attention is drawn to two "special" classification categories, namely:

3203 Training and Education (Code 2.3.4.0)

Only expenditures made to non-government organizations are to be included in this classification. Expenditures made to local schools, to government-owned junior colleges and universities and to other government-owned educational establishments are to be classified under Government Services (see Paragraph 3301), while transfers of monies collected for such institutions are to be classified under Transmissions of taxes (Code 9.8.0.0), or, where this is impractical, to "Transfer payments to other governments" (Code 7.5.0.0).

3204 Purchased Repair of Fixed Assets (Code 2.4.00)

The difficulties which arise in distinguishing between repair and maintenance of an asset are discussed in volume I, Paragraph 232, to which reference should be made. Since repairs are conceived as consuming the same types of services or goods as were used in the original fabrication or construction of the asset and are, therefore, classed for economic study purposes with fabrication and construction, expenditures on repairs should be identified in the same detail as those for the acquisition of fixed assets. **Repairs performed by a local government's own employees are not to be classified here** but rather in terms of the salaries, wages, parts, etc. consumed in making the repairs (see also "Own account construction").

Government Services

3301 General

When a municipal government uses its own resources to provide services – to its own population, to itself, or to others – it can classify, through its accounting records, the objects purchased to provide those services. However, when it purchases such services – from one its own independently-accounting funds or agencies, from another government, or from an agency of another government – the municipal government has no information from which it can classify these expenditures by object.

3302 Classification

Such expenditures are to be classified by one of two special Standard Objects. Expenditures on services acquired in bulk for redistribution are to be classified in the Standard Object **3.0.0.0 Government services – For resale or general supply**. Expenditures on services acquired for use within the municipal government's own organization are to be classified in the Standard Object **4.0.0.0 Government services – For own account**.

3303 Supplying Government

Within each of these Standard Objects, the government supplying the service is to be identified at the Reporting Object level, partly for the convenience of the purchasing government, but also to permit elimination of duplicate expenditures on consolidation of the accounts of supplier and purchaser. As stated above, government in this context includes a government's own independently-accounting funds and agencies and the agencies of other governments.

3304 Service Acquired

Finally, the service acquired is to be identified at the Economic Object and Economic Object Sub-division levels in terms of the Functional Classification System, i.e. by Function and Program. This convention should be used also in cases where a fixed asset or a utility service is acquired from another government; in this way all intergovernmental purchases will be classified homogeneously.

3305 Examples

(1) Purchase of fire protection for a municipal government's territory from the Municipality of X (this municipality is coded 1 in the records of the purchasing government). Classify as:

3.1.2.4 Fire protection (Function 2, Program 4) supplied to the local government by the Municipality of X

(2) Purchase of water for a municipal government's offices from the Water Works of Municipality of Y (coded 2). Classify as:

4.2.4.1 Water (Function 4 Program 1) supplied to the municipal offices by the Municipality of Y's Water Works

(3) Purchase of police building from RCMP (coded 9). Classify as:

4.9.2.1 Police building (Function 2 Program 1) purchased from RCMP

(Note: For finer identification, the third example could be coded 4.9.2.1.7 – Sub-program 7 identifying a police building.)

3306 Note: Only expenditures on services which lie within the responsibility of the reporting government are to be classified in 3.0.0.0 Government services – For resale or general supply. In cases where the authority to supply a particular service within its own area has been transferred from the municipal government to another government, e.g. to a regional government, the municipal government should not classify its contributions to the other government for this service in this Standard Object but in the Reporting Object "7.5.0.0 – Transfers to other governments."

Goods

3501 The standard object Goods comprises seven Reporting Objects, viz.,

5.0.00 Goods

- 5.1.00 Food, feed, beverages, tobacco
- 5.2.00 Crude materials, inedible
- 5.3.00 Fabricated materials, inedible
- 5.4.00 Personal and household goods
- 5.5.0.0 Utilities (non-government)
- 5.6.0.0 Parts and consumable tools
- 5.9.00 Miscellaneous goods

3502 Additional Sub-classifications

Additional detail for the Reporting Objects, except 5.5.0.0 "Utilities (non-government)" and 5.6.0.0 "Parts and Consumable Tools", can be provided through the use of the DBS *Standard Commodity Classification System* (DBS Catalogue Nos. 12-502, 12-515 and 12-516). The five Reporting Objects referred to are equivalent to sections within the Standard Commodity Classification. Each of these sections can be broken down into three levels of progressively finer detail called Divisions, Groups, and Classes. Identification at the division level is equivalent to the economic object level of the Object Classification System, e.g.

5.1.05 Purchase of dairy produce (Division 05 in S.C.C.)

5.3.49 Purchase of asphalt tiles (Division 49 in S.C.C.)

Identification at this level is desirable. An example of identification to the class level of the Standard Commodity Classification is given later in this volume in Paragraph 3953.

3503 Utilities (Non-government)

This Reporting Object is provided for the classification of purchases from utilities which are not government-owned. In most parts of Canada utilities which supply water, electricity, and steam and central heat are government-owned while the reverse is generally true in the case of the supply of gas. Whatever the local situation, expenditures for these particular objects, when the supplier is a government or government agency, are to be classified under "Government services"; conversely, when the supplier is not a government, expenditures are to be allocated to the appropriate economic object in this classification. This distinction is not to be made in classifying expenditures on objects, such as air and rail travel and communications, where the suppliers may be either government or business enterprises.

3504 Parts and Consumable Tools

This reporting object is provided for the classification of expenditures on objects which may be incorporated in, or used in the construction, repair, or maintenance of, fixed assets, but which are not themselves classified as fixed assets. Most commonly these objects lack the durability of fixed assets or, if durable, their individual value may be small.

Fixed Assets

3601 The principal breakdown of the "Fixed asset classification" is:

6.0.00 Fixed Assets

6.1.00 New fixed assets

6.2.00 Used fixed assets

3602 General

A discussion of the accounting and reporting treatment recommended for "Fixed assets" is contained in Volume I, Part IID, to which reference should be made. The detail required for the purposes of national analysis is that given in the listing of Economic Objects at the conclusion of this part. It is probable that in many classifications much greater detail will be required. For example, it may be necessary to identify the cost of an individual asset within a particular group. In such cases additional subordinate levels of classification can be established in ways similar to that exemplified in Volume I, Paragraph 244.

3603 New and Used

New fixed assets purchased should be distinguished from Used fixed assets for economic analysis purposes. The former are additions to the national stock while the latter are already included therein and, from the standpoint of national production, their purchase only records a change in ownership.

3604 Treatment of Imported Fixed Assets

There is one exception to the foregoing. Since any import is an addition to the Canadian stock, all imported "Fixed assets", whether new or used, should be classified as new under Code 6.1.00.

Transfer Payments

3701 Definitions

Economists define a "Transfer" as a payment which is not in exchange for the services of a factor of production, i.e. land, labour, capital, and entrepreneurship. Difficulties in classification in the area of intergovernment payments will be minimized by adherence to the recommendation made earlier in the discussion of the Standard Objects "Government services" (see Paragraphs 3301 to 3306 above). Thus payments to other governments (or within an individual government to its own funds and agencies) for goods, for services to be consumed by the paying government, or for services to be distributed or resold by the paying government are to be classified as purchases of government services; all other payments to other governments, including those for services which the paying government is not currently authorized to provide, are to be classified as "Transfer payments". While there will be many instances where the latter type of inter-government payments will be for particular services and, hence, might be considered as purchases of government services, to treat them as such would be equivalent to the paying government claiming that it has the authority to provide these services when, in fact, it has no such authority. The reader's attention is also directed to the recommendations made for the classification of similar transactions in Paragraphs 2009 to 2013.

3702 Transfer payments are sub-classified as follows:

7.0.0.0 Transfer Payments

7.1.0.0 To persons

7.2.0.0 Subsidies to business

7.3.0.0 Capital assistance to business

7.4.0.0 To own reserves, funds and agencies

7.5.0.0 To other governments

7.9.0.0 Other transfers

3703 Transfer Payments to Persons

This Reporting Object is typified by the payments classified in the Functional Classification System

as "Social welfare assistance", that is payments made to, or on behalf of, the disadvantaged.

3704 Transfer Payments to Business

The Reporting Objects "Transfer payments to business - Subsidies and capital assistance" are provided only for use in provinces where such transfers are legal and are not to be taken as implying general legality. "Subsidies" are transfers towards the current costs of production of business, while "Capital assistance" are transfers towards the capital costs of production.

3705 Transfer Payments to Own Agencies

A distinction is to be made between "normal" contributions, which are made regularly or in accordance with the normal practice of a government, and "extraordinary" contributions, which are made in special circumstances. Thus, if it is the normal practice of a government to contribute towards offsetting the deficits its agencies may incur, the fact that a particular agency incurs deficits only at infrequent intervals would still not mean that contributions in these relatively rare cases should be classified as "extraordinary".

Financial Charges

3801 This Standard Object comprises interest payments, principal instalments and sinking fund requirements and ancillary financial charges, broken down as follows:

8.0.0.0 Financial Charges

- 8.1.0.0 Interest on short-term borrowings
- 8.2.0.0 Interest on long-term debt
- 8.3.0.0 Principal instalments and sinking fund requirements
- 8.9.0.0 Other financial charges

The detail shown in the subordinate classifications reflects that to be shown in the equivalent parts of the Liabilities Classification System which identify debt. This detail is designed to facilitate the automatic production of the type of information required by economists, fiscal policy makers, financial analysts, investment dealers and the like who wish to know the type of instrument issued, whether the debt represents claims by the public and business or only a formalization of intergovernment loans, whether the issuing government is acting on its own behalf or as an agent of others (and vice versa), and whether repayment is to be made in Canadian or foreign currencies.

Other Transactions

3901 The final Standard Object is provided to accommodate expenditures which cannot be classified elsewhere in the System. The principal classifications are:

9.0.0.0 Other Transactions

- 9.1.0.0 Uncollectable accounts
- 9.2.0.0 Refunds of previous years' revenue
- 9.8.0.0 Transmissions of taxes collected for other governments
- 9.9.0.0 Other

OWN ACCOUNT CONSTRUCTION

3951 In addition to purchasing fixed assets and to using the services of contractors to repair and maintain existing fixed assets, municipal governments use their own work forces to construct, repair and maintain fixed assets. These practices have many names; in this publication they are referred to as "Own account construction".

3952 Identification Problems

The importance for economic analysis of identifying all expenditures relating to fixed assets has been stated in Volume I, Part II D. However, while the Object Classification System enables all expenditures relative to capital formation to be identified when these expenditures cover purchases from outside the government sector, it does not permit the identification of capital formation when this results from "Own account construction"; such expenditures would be identified as "Personnel" (the salaries and wages etc. of the employees engaged in the work) and "Goods" (the materials and supplies used).

3953 Own Account Construction Coding System

There is a need, therefore, for some means of supplementing the Object Classification System to permit the identification of expenditures on "Own account construction". While such identification is always possible by manual procedures such as scrutiny of work orders, establishing special subsidiary accounts, etc., it can be easily accomplished by a supplementary coding system when automated data processing is used. The supplementary system consists of a two-position, three-digit code. The first position (one digit) indicates that expenditures in a particular object have also been incorporated in "Own account construction" as follows:

1. Construction of fixed assets
2. Repair of fixed assets
3. Maintenance of fixed assets

The second position (two digits) indicates the type of fixed asset involved in terms of the Economic Object classified in Standard Object 6.0.00 Fixed assets.

3954 Example

Suppose that a municipality decides to use its own work force to repair a swimming pool. As the various expenditures are made on this project they are classified first according to the internal classification system - responsibility centre, fund, geographic location - and then according to the national classification system - function, object, own account construction. Thus the salary of a municipal engineer supervising the project would be coded:

(a) 2-12-04-15-7130-1110-230

The purchase of portland cement for use in the repairs would be coded:

(b) 2-12-04-15-7130-5347-230

These codes break down as follows:

Transaction . . .	2	Expenditure	
Internal	12	Responsibility centre	Imaginary codes used for illustrative purposes only
	04	Fund	
	15	Location	
Functional . . .	7130		
Comprising:			
Function . . .	7000	Recreation and cultural services and education	
Program . . .	7100	Recreation facilities	
Sub-program	7130	Swimming pools and beaches	
Activity . . .	7130	Not specified	

Objects

(a) 1110

Comprising:

Standard . . 1000 Personnel

Reporting . . 1100 Salaries

Economic . . 1110 Salaries - full time - regular

(b) 5347

Comprising:

Standard . . 5000 Goods

Reporting . . 5300 Fabricated materials, inedible

Economic . . 5347 Non-metallic mineral basic products (see note below)

Own account

construction . . 230

Comprising:

Type 2 Repair

Fixed asset . . 30 Swimming pools, etc.

Note. In the Economic Object Code 5347, the final two digits - 47 - are the code for the Division "Non-metallic Mineral Basic Products" in the DBS Standard Commodity Classification System. Further detail within this System is provided by group and, within groups, by class. Thus the full code - 47504 - would identify:

Division . . 47 Non-metallic mineral basic products

Group . . . 5 Cement and concrete basic products

Class . . . 04 Portland cement, standard

ECONOMIC OBJECTS

1.0.0.0 Personnel	2.1.3.9	Other communication services (messengers, etc.)
1.1.0.0 Salaries	2.1.9.0	Other transportation and communications
1.1.1.0 Salaries - full time - regular	2.2.0.0	Information
1.1.2.0 Salaries - full time - overtime	2.2.1.0	Advertising
1.1.3.0 Salaries - full time - retroactive	2.2.1.1	Newspaper advertising
1.1.4.0 Salaries - other - regular	2.2.1.2	Radio advertising
1.1.5.0 Salaries - other - overtime	2.2.1.3	Television advertising
1.1.6.0 Salaries - other - retroactive	2.2.1.9	Other advertising
1.1.9.0 Other salaries	2.2.2.0	Publications
1.2.0.0 Wages	2.2.2.1	Departmental publications
1.2.1.0 Wages - full time - regular	2.2.2.9	Other publications
1.2.2.0 Wages - full time - overtime	2.2.9.0	Other information
1.2.3.0 Wages - full time - retroactive	2.3.0.0	Professional and special services
1.2.4.0 Wages - other - regular	2.3.1.0	Accounting and auditing services
1.2.5.0 Wages - other - overtime	2.3.2.0	Legal services
1.2.6.0 Wages - other - retroactive	2.3.3.0	Engineering and scientific services
1.2.9.0 Other wages	2.3.4.0	Training and education
1.3.0.0 Allowances and other benefits	2.3.4.1	Elementary and secondary education
1.4.0.0 Employer contributions	2.3.4.2	Post secondary
1.4.1.0 Pensions - current	2.3.4.3	Vocational
1.4.2.0 Pension - actuarial deficit	2.3.4.4	Technical training for employees
1.4.3.0 Canada or Quebec Pension Plan	2.3.4.9	Other training and education
1.4.4.0 Unemployment insurance	2.3.5.0	Health services
1.4.5.0 Hospital and health insurance	2.3.5.1	Physicians services
1.4.6.0 Medical insurance plans	2.3.5.2	Dental services
1.4.7.0 Death benefit plans	2.3.5.3	Nursing services
1.4.8.0 Workmen's compensation	2.3.5.4	Pharmacists services
1.4.9.0 Other employer contributions	2.3.5.5	Hospital services
1.5.0.0 Supplementary benefits	2.3.5.9	Other health services
1.5.1.0 Free board and lodging	2.3.6.0	Welfare services
1.5.9.0 Other supplementary benefits	2.3.6.1	Services to the aged
1.6.0.0 Removal expenses	2.3.6.2	Services to the unemployed
1.9.0.0 Other personnel	2.3.6.3	Services to handicapped
	2.3.6.4	Services to the blind
	2.3.6.5	Services to children
	2.3.6.6	Legal aid
	2.3.6.9	Other welfare services
2.0.0.0 General Services	2.3.7.0	Protection services
2.1.0.0 Transportation and communications	2.3.7.1	Police
2.1.1.0 Travel (transportation of people)	2.3.7.2	Fire
2.1.1.1 Travel - Air	2.3.7.3	Public liability insurance
2.1.1.2 Travel - Rail	2.3.7.4	Fidelity insurance
2.1.1.3 Travel - Road - Public carrier	2.3.7.5	Fire insurance
2.1.1.4 Travel - Road - Government-owned vehicle	2.3.7.6	Insurance on automotive equipment
2.1.1.5 Travel - Road - Rented vehicle	2.3.7.9	Other protection
2.1.1.6 Travel - Accommodation	2.3.9.0	Other professional and special services
2.1.1.7 Travel - Food	2.3.9.1	Date processing services
2.1.1.9 Travel - Other	2.3.9.2	Management and financial consultants and contract research
2.1.2.0 Postage, freight, express and cartage (transportation of things)	2.3.9.3	Real estate services (management, appraisal, etc.)
2.1.2.1 Postage		
2.1.2.2 Freight, express and cartage		
2.1.2.9 Other costs of transportation of goods		
2.1.3.0 Communications		
2.1.3.1 Telephone		
2.1.3.2 Telegraph, telex and wireless communications		

2.3.9.4	Public receptions				Parks and recreation facilities
2.3.9.5	Memberships in trade, professional and other associations	2.4.29			Park systems, landscaping, sodding, etc.
2.3.9.6	Photography	2.4.30			Swimming pools, tennis courts, golf courses and other outdoor recreation facilities
2.3.9.7	Laundries, cleaners and pressers				Other engineering construction
2.3.9.8	Storage and warehousing	2.4.31			Rail trackage, sidings, spurs, turntables
2.3.9.9	Other business services	2.4.32			Pipelines (excluding sewer and water)
2.4.00	Purchased repair of fixed assets	2.4.34			Other engineering structures, including research and development works
	Marine works				Buildings
2.4.01	Docks, wharves, piers, breakwaters				Administrative
2.4.02	Retaining walls, embankments				Office buildings
2.4.03	Canals and waterways	2.4.35			Operational
2.4.04	Dredging and pile driving				Factories, plants, workshops
2.4.05	Other marine construction including aids to navigation	2.4.36			Warehouses, storehouses, refrigerated storage, silos, bulk storage, vaults, etc.
	Roads, streets, parking lots	2.4.37			Garages and service stations
2.4.06	Hard surfaced or paved	2.4.38			Farm buildings excluding farmhouses (2.4.45)
2.4.07	Gravel, dirt, clay and other surfaces	2.4.39			Broadcasting, relay and booster stations, telephone exchanges
2.4.08	Sidewalks, paths	2.4.40			Aeroplane hangars
2.4.09	Aids to highway transportation (signs, guard-rails, snowfences etc. except lighting 2.4.27)	2.4.41			Institutional
	Bridges and tunnels	2.4.42			Schools and other educational buildings
2.4.10	Bridges, trestles, culverts, overpasses, viaducts, etc.	2.4.43			Hospitals, sanatoriums, clinics, first aid stations, etc.
2.4.11	Tunnels and subways	2.4.44			Other institutional buildings (courthouses, gaols, libraries, homes for the aged, etc.)
	Airfields (excluding buildings)				Residential
2.4.12	Aerodromes, landing grounds, runways, tarmac and aids to navigation	2.4.45			Residential housing
	Drainage, water supply and storage, sewage disposal	2.4.46			Other buildings
2.4.13	Dykes	2.4.47			Hotels, clubs, restaurants, cafeterias, tourist cabins
2.4.14	Tile drains, drainage ditches, storm sewers	2.4.48			Stores, retail and wholesale
2.4.15	Irrigation and land reclamation projects	2.4.49			Theatres, arenas, amusement and recreation buildings
2.4.16	Water storage tanks				Other buildings
2.4.17	Water pumping stations and filtration plants	2.4.50			Machinery
2.4.18	Water mains, hydrants and services	2.4.51			General purpose industrial machinery
2.4.19	Dams and reservoirs (except Hydro 2.4.24)	2.4.52			Conveying, elevating, and materials handling equipment
2.4.20	Sanitary sewers	2.4.53			Construction and maintenance machinery and equipment
2.4.21	Sewage treatment and disposal	2.4.54			Agricultural machinery and implements (except tractors)
	Garbage disposal	2.4.55			Tractors
2.4.22	Incinerators				Other
2.4.23	Land fill works				Transportation and communication equipment
	Electric power, telephone and telegraph				Railway rolling stock
2.4.24	Electric power generating plants including water conveying and controlling structures (hydro dams, etc.)	2.4.56			Road motor vehicles
2.4.25	Transformers and switching stations	2.4.57			Ships and boats
2.4.26	Power transmission and distribution lines, overhead and underground	2.4.58			Aircraft
2.4.27	Street lighting (standards, brackets, luminaires, etc.)	2.4.59			Miscellaneous vehicles
2.4.28	Telephone and telegraph lines, underground and marine cables	2.4.60			Rubber tires and tubes
		2.4.61			Communication and related equipment
		2.4.62			Other
		2.4.63			

	Other equipment and tools
2.4.64	Heating, air conditioning and refrigeration equipment
2.4.65	Cooking equipment for food
2.4.66	Plumbing equipment and fittings
2.4.67	Electric lighting, distribution and control equipment
2.4.68	Other electric equipment and supplies
2.4.69	Measuring, controlling, laboratory, medical and optical instruments, apparatus and accessories
2.4.70	X-Ray and related equipment
2.4.71	Safety and sanitation equipment, alarm and signal systems
2.4.72	Service industry equipment (including vending machines)
2.4.73	Furniture and fixtures (except household)
2.4.74	Hand tools
2.4.75	Other equipment (including parking meters)
2.4.76	Office machines and equipment (except computers)
2.4.77	House furnishings
2.4.78	Miscellaneous equipment
2.4.79	Computers
2.4.80	Other
2.5.0.0	Purchased maintenance of fixed assets
2.5.1.0	Engineering structures
2.5.1.1	Marine works
2.5.1.2	Roads, streets and parking lots
2.5.1.3	Bridges and tunnels
2.5.1.4	Airfields
2.5.1.5	Garbage dumps and incinerators
2.5.1.6	Electric power, telephone or telegraph engineering structures
2.5.1.7	Parks and recreation facilities
2.5.1.9	Other engineering structures
2.5.2.0	Buildings
2.5.2.1	Office buildings
2.5.2.2	Operational buildings
2.5.2.3	Institutional buildings
2.5.2.4	Residential buildings
2.5.2.9	Other buildings
2.5.3.0	Machinery and equipment
2.5.3.1	Machinery
2.5.3.2	Transportation and communications equipment
2.5.3.3	Other equipment and tools
2.5.3.4	Computers
2.5.3.9	Other machinery and equipment
2.5.4.0	Land
2.5.9.0	Other purchased maintenance
2.6.0.0	Rentals of fixed assets
2.6.1.0	Buildings
2.6.2.0	Machinery and equipment (except computers)
2.6.3.0	Computers

2.6.4.0	Land
2.6.9.0	Other rentals
2.9.0.0	Other general services

3.0.0.0 Government Services – For Resale or General Supply

Indicate:

- (1) Supplier – i.e. own fund or agency or other government – second digit
- (2) Service supplied by function or functional program – third and fourth digits

4.0.0.0 Government Services – For Own Account

Indicate:

- (1) Supplier – i.e. own fund or agency or other government – second digit
- (2) Service supplied by function or functional program – third and fourth digits

5.0.00 Goods

5.1.00	Food, feed, beverages and tobacco
5.2.00	Crude materials – Inedible
5.3.00	Fabricated materials – Inedible

5.4.00 Personal and household goods

For details in above Economic Objects use:

S.C.C.¹ Divisions:

1 - 19
20 - 29
30 - 49
78 - 83,85,86

5.5.0.0 Utilities (non-government)

5.5.1.0	Water
5.5.2.0	Gas
5.5.3.0	Electricity
5.5.4.0	Steam and central heat
5.5.9.0	Other

5.6.0.0 Parts and consumable tools

5.6.1.0	Machinery parts
5.6.2.0	Transportation and communication equipment parts
5.6.3.0	Other parts
5.6.4.0	Consumable tools

5.9.00 Miscellaneous goods

For details of Miscellaneous goods use:

Fixed assets Economic Object code:

50 - 55
56 - 63
64 - 99

S.C.C.¹ Divisions:

87 - 96

¹ DBS Standard Commodity Classification.

6.0.00	Fixed Assets	6.-30	Swimming pools, tennis courts, golf courses and other outdoor recreation facilities
6.1.00	New fixed assets		
6.2.00	Used fixed assets		Other engineering construction
	In both classifications specify Economic Objects as shown below - e.g.:	6.-31	Rail trackage, sidings, spurs, turntables
	6.1.57 New road motor vehicles	6.-32	Pipelines (excluding sewer and water)
	6.2.57 Used road motor vehicles	6.-33	Memorials, monuments, statues, cemeteries
		6.-34	Other engineering structures, including research and development works
	Marine works		Buildings
6.-01	Docks, wharves, piers, breakwaters		Administrative
6.-02	Retaining walls, embankments	6.-35	Office buildings
6.-03	Canals and waterways		Operational
6.-04	Dredging and pile driving	6.-36	Factories, plants, workshops
6.-05	Other marine construction including aids to navigation	6.-37	Warehouses, storehouses, refrigerated storage, silos, bulk storage, vaults, etc.
	Roads, streets, parking lots	6.-38	Garages and service stations
6.-06	Hard surfaced or paved	6.-39	Farm buildings excluding farmhouses (6.-45)
6.-07	Gravel, dirt, clay and other surfaces	6.-40	Broadcasting, relay and booster stations, telephone exchanges
6.-08	Sidewalks, paths		Aeroplane hangars
6.-09	Aids to highway transportation (signs, guard-rails, snowfences, etc. except lighting)	6.-41	
	Bridges and tunnels		Institutional
6.-10	Bridges, trestles, culverts, overpasses, viaducts, etc.	6.-42	Schools and other educational buildings
6.-11	Tunnels and subways	6.-43	Hospitals, sanatoriums, clinics, first aid stations, etc.
	Airfields (excluding buildings)	6.-44	Other institutional buildings (courthouses, gaols, libraries, homes for the aged, etc.)
6.-12	Aerodromes, landing grounds, runways, tarmac and aids to navigation		Residential
	Drainage, water supply and storage, sewage disposal	6.-45	Residential housing
6.-13	Dykes		Other buildings
6.-14	Tile drains, drainage ditches, storm sewers	6.-46	Hotels, clubs, restaurants, cafeterias, tourist cabins
6.-15	Irrigation and land reclamation projects	6.-47	Stores, retail and wholesale
6.-16	Water storage tanks	6.-48	Theatres, arenas, amusement and recreation buildings
6.-17	Water pumping stations and filtration plants	6.-49	Other buildings
6.-18	Water mains, hydrants and services		Machinery
6.-19	Dams and reservoirs (except hydro 6.-24)	6.-50	General purpose industrial machinery
6.-20	Sanitary sewers	6.-51	Conveying, elevating, and materials handling equipment
6.-21	Sewage treatment and disposal	6.-52	Construction and maintenance machinery and equipment
	Garbage disposal	6.-53	Agricultural machinery and implements (except tractors)
6.-22	Incinerators	6.-54	Tractors
6.-23	Land fill works	6.-55	Other
	Electric power, telephone and telegraph		Transportation and communication equipment
6.-24	Electric power generating plants including water conveying and controlling structures (hydro dams, etc.)	6.-56	Railway rolling stock
6.-25	Transformers and switching stations	6.-57	Road motor vehicles
6.-26	Power transmission and distribution lines, overhead and underground	6.-58	Ships and boats
6.-27	Street lighting (standards, brackets, luminaires, etc.)	6.-59	Aircraft
6.-28	Telephone and telegraph lines, underground and marine cables	6.-60	Miscellaneous vehicles
	Parks and recreation facilities	6.-61	Rubber tires and tubes
6.-29	Park systems, landscaping, sodding, etc.	6.-62	Communication and related equipment
		6.-63	Other

Other equipment and tools

- 6.-64 Heating, air conditioning and refrigeration equipment
- 6.-65 Cooking equipment for food
- 6.-66 Plumbing equipment and fittings
- 6.-67 Electric lighting, distribution and control equipment
- 6.-68 Other electric equipment and supplies
- 6.-69 Measuring, controlling, laboratory, medical and optical instruments, apparatus and accessories
- 6.-70 X-Ray and related equipment
- 6.-71 Safety and sanitation equipment, alarm and signal systems
- 6.-72 Service industry equipment (including vending machines)
- 6.-73 Furniture and fixtures (except household)
- 6.-74 Hand tools
- 6.-75 Other equipment (including parking meters)
- 6.-76 Office machines and equipment (except computers)
- 6.-77 House furnishings
- 6.-78 Miscellaneous equipment
- 6.-79 Computers
- 6.-99 Other

7.0.0.0 Transfer Payments

- 7.1.0.0 Transfers to persons
 - 7.1.1.0 Assistance to aged
 - 7.1.2.0 Assistance to unemployed
 - 7.1.3.0 Assistance to handicapped
 - 7.1.4.0 Assistance to blind
 - 7.1.5.0 Assistance to one-parent families
 - 7.1.6.0 Grants to charitable organizations
 - 7.1.7.0 Grants to universities and other post-secondary educational institutions
 - 7.1.9.0 Other transfers to persons
- 7.2.0.0 Transfer payments to business – Subsidies
 - 7.2.1.0 Rebates of taxes on fixed assessments
 - 7.2.9.0 Other business subsidies
- 7.3.0.0 Transfer payments to business – Capital assistance
 - 7.3.1.0 Net loss on industrial sites (cost less sale price)
 - 7.3.9.0 Other business capital assistance
- 7.4.0.0 Transfers to own reserves, funds, and agencies
 - 7.4.1.0 Reserves and allowances (specify reserve or allowance)
 - 7.4.2.0 Other funds (specify fund)
 - 7.4.3.0 Own agencies (specify agency) – Normal
 - 7.4.4.0 Own agencies (specify agency) – Extraordinary
- 7.5.0.0 Transfers to other governments – Specify
 - 7.5.1.0 School authorities
 - 7.5.2.0 Regional governments
 - 7.5.3.0 Joint boards and commissions
 - 7.5.4.0 Other municipalities
 - 7.5.5.0 Provincial governments and agencies
 - 7.5.6.0 Federal government and agencies
 - 7.5.9.0 Other
- 7.9.0.0 Other transfers

8.0.0.0 Financial Charges

- 8.1.0.0 Interest on short-term borrowings
 - 8.1.1.0 From chartered banks
 - 8.1.2.0 From other financial institutions
 - 8.1.3.0 From own funds (specify fund)
 - 8.1.4.0 From own agencies (specify agency)
 - 8.1.5.0 From other local governments (specify government)
 - 8.1.6.0 From provincial/territorial government
 - 8.1.7.0 From federal government
 - 8.1.9.0 From others
- 8.2.0.0 Interest on long-term debt
 - 8.2.1.0 On debentures issued by reporting government to the federal government or its agencies
 - 8.2.1.1 On own behalf
 - 8.2.1.2 On behalf of own agencies (specify agency)
 - 8.2.1.3 On behalf of other local governments (specify government)
 - 8.2.2.0 On debentures issued by reporting government to the provincial/territorial government or its agencies
 - 8.2.2.1 On own behalf
 - 8.2.2.2 On behalf of own agencies (specify agency)
 - 8.2.2.3 On behalf of other local governments (specify government)
 - 8.2.3.0 On other debentures issued (guaranteed by province/territory)
 - By reporting government:
 - On own behalf:
 - 8.2.3.1 In Canadian currency
 - 8.2.3.2 In foreign currency
 - On behalf of own agencies (specify agency):
 - 8.2.3.3 In Canadian currency
 - 8.2.3.4 In foreign currency
 - On behalf of other local governments (specify government):
 - 8.2.3.5 In Canadian currency
 - 8.2.3.6 In foreign currency
 - By other local governments (specify government) on behalf of reporting government:
 - 8.2.3.7 In Canadian currency
 - 8.2.3.8 In foreign currency
 - On other debentures issued (not guaranteed):
 - By reporting government:
 - On own behalf:
 - 8.2.4.1 In Canadian currency
 - 8.2.4.2 In foreign currency
 - On behalf of own agencies (specify agency):
 - 8.2.4.3 In Canadian currency
 - 8.2.4.4 In foreign currency
 - On behalf of other local government (specify government):
 - 8.2.4.5 In Canadian currency
 - 8.2.4.6 In foreign currency

By other local government (specify government) on behalf of reporting government:		On behalf of own agencies (specify agency):	
8.2.4.7	In Canadian currency	8.3.4.3	In Canadian currency
8.2.4.8	In foreign currency	8.3.4.4	In foreign currency
8.2.5.0	On long-term debt not secured by debentures	On behalf of other local governments (specify government):	
8.2.5.1	From chartered banks	8.3.4.5	In Canadian currency
8.2.5.2	From other financial institutions	8.3.4.6	In foreign currency
8.2.5.3	From other local governments	By other local government (specify government) on behalf of reporting government:	
8.2.5.4	From provincial/territorial government	In Canadian currency	
8.2.5.5	From federal government	In foreign currency	
8.2.5.9	From others	8.3.4.7	In Canadian currency
8.3.0.0	Principal instalments or sinking fund requirements	8.3.4.8	In foreign currency
8.3.1.0	For debentures issued by reporting government to the federal government or its agencies	8.3.5.0	For long-term debt not secured by debentures
8.3.1.1	On own behalf	8.3.5.1	From chartered banks
8.3.1.2	On behalf of own agencies (specify agency)	8.3.5.2	From other financial institutions
8.3.1.3	On behalf of other local governments (specify government)	8.3.5.3	From other local governments
8.3.2.0	For debentures issued by reporting government to the provincial/territorial government or its agencies	8.3.5.4	From provincial/territorial government
8.3.2.1	On own behalf	8.3.5.5	From federal government
8.3.2.2	On behalf of own agencies (specify agency)	8.3.5.9	From others
8.3.2.3	On behalf of other local governments (specify government)	8.9.0.0	Other financial charges
8.3.3.0	For other debentures issued (guaranteed by province/territory)	8.9.1.0	Debenture discount
By reporting government:		8.9.2.0	Cost of issuing and selling new debentures
On own behalf:		8.9.3.0	Banking service charges
8.3.3.1	In Canadian currency	8.9.4.0	Loss on sale of investments
8.3.3.2	In foreign currency	8.9.5.0	Loss on foreign exchange
On behalf of own agencies (specify agency):		8.9.9.0	Other
8.3.3.3	In Canadian currency	9.0.0.0 Other Transactions	
8.3.3.4	In foreign currency	9.1.0.0	Uncollectable accounts
On behalf of other local governments (specify government):		9.1.1.0	Taxes
8.3.3.5	In Canadian currency	9.1.9.0	Other
8.3.3.6	In foreign currency	9.2.0.0	Refunds of previous years' revenue (specify)
By other local governments (specify government) on behalf of reporting government:		9.8.0.0	Transmissions of taxes collected for other governments
8.3.3.7	In Canadian currency	9.8.1.0	School authorities (x)
8.3.3.8	In foreign currency	9.8.2.0	Regional governments (x)
8.3.4.0	For other debentures issued (not guaranteed)	9.8.3.0	Joint boards and commissions (x)
By reporting government:		9.8.4.0	Other local governments (x)
On own behalf:		9.8.9.0	Other governments (x)
8.3.4.1	In Canadian currency	(x) Specify government at fourth position of code	
8.3.4.2	In foreign currency	9.9.0.0	Other

THE ASSET CLASSIFICATION SYSTEM

1. Introduction

4001 The "things of value owned" by a local government consist either of tangibles or of claims against others or against resources it expects to acquire in the future. The classification system of assets identifies the types of tangibles and of claims, and, in addition, the entities against which the claims exist.

4002 Eight principal types of assets are described in the system. These are – Cash, receivables, investments, loans and advances, tangible assets, debt charges receivable, other assets, and deficits. The system provides for two subsidiary levels of identification; each, in turn, provides increasingly finer detail. Further, a fourth level identifies the entity against which claims are held. In certain instances this level is free for identifying other needed information. These detailed classifications are set out at the end of this part.

4003 While the classifications of assets depicted here use terms which, for the most part, are familiar in local government finance and are similar to those found in the *Municipal Finance Reporting Manual (1960)* and similar publications, it should be noted that the amount of detail recommended for incorporation in municipal government financial records considerably exceeds that recommended in earlier DBS publications.

2. Fixed Assets

4011 Valuation Methods

The alternative methods open to municipal governments for recording the values they assign to their fixed assets are described in Volume I, Part D. The Asset Classification System, and that for Liabilities and Equity, accommodates the four principal methods, i.e. valuation at historic cost, at the amount of related debt outstanding, at nominal value, and at nil value. A brief description of the classifications involved in the use of each method follows.

4012 Valuation at Historic Cost

The cost of each newly acquired fixed asset is classified, under the principal classification "Tangible assets", in the sub-classification "Fixed assets". Outstanding debt relative to the acquisition of the asset is classified in the Liability Classification "Payables – Long-term debt" (also, possibly, in "Short-term borrowings".) The excess of recorded value over outstanding related debt is classified in the Equity Classification "Equity in fixed assets". Progressive reductions in outstanding debt are offset by equal increments in "Equity in fixed assets".

4013 Valuation at Related Debt Outstanding

The debt incurred relative to the acquisition of a fixed asset is classified as in the preceding paragraph to "Payables – Long-term debt" and/or "Short-term borrowings". An amount equal to total debt outstanding relating to the particular asset is classified to "Tangible assets – Fixed assets". Progressive reductions in outstanding debt are balanced by progressive reductions in the value recorded in "Tangible assets – Fixed assets."

4014 Valuation at Nominal Value

The nominal value assigned to a fixed asset is classified in "Tangible assets – Fixed assets" and an equal offset is classified in "Equity in fixed assets". The related outstanding debt is classified as in the previous method described in Paragraphs 4011 and 4012. An amount equal to the total of debt outstanding relative to fixed assets is classified under "Debt charges recoverable" in "For debentures issued to acquire fixed assets which are recorded at nominal values" and, where necessary, in "Other debt charges recoverable" preferably in a sub-classification to be entitled "For borrowings, other than debentures, relative to the acquisition of fixed assets which are recorded at nominal values". Successive reductions in outstanding debt are balanced by successive reductions in the appropriate classifications under "Debt charges recoverable".

4015 Valuation at Nil Value

The treatment is the same as that outlined in the preceding Paragraph 4013 except that no amounts are classified under "Tangible assets – Fixed assets" and "Equity in fixed assets" and in the sub-classifications in "Debt charges recoverable" "nil" is substituted for "nominal".

3. The Asset Classifications

Cash on Hand and Deposit

4101 The principal classifications are:

3.1.0.0.0 Cash on Hand and Deposit

Canadian currency only

3.1.1.0.0 Cash on hand

3.1.2.0.0 Cash in chartered banks

3.1.3.0.0 Cash in other financial institutions

Foreign currencies

3.1.3.0.0 Foreign currencies

4102 Detail

The detailed classifications shown under these principal classifications at the end of this part identify information required for national purposes; individual municipal governments and provincial governments will probably require much greater detail for identification and internal control purposes.

4103 Financial Institutions

Cash on deposit with chartered banks should be classified separately from cash on deposit with other financial institutions. (Other financial institutions comprise such entities as Trust Companies, Credit Unions, Caisses Populaires, Province of Alberta Treasury Branches, and similar depositories.)

4104 Types of Deposit

Since most term deposits are now available on demand without penalty, apart from loss of interest, there may seem to be little need to segregate the various types of deposit. However, since this differentiation is required for monetary analyses, deposits in chartered banks or other financial institutions should be classified, at least, into demand, term, and other deposits.

4105 Foreign Currencies

While few municipal governments will hold foreign currencies in significant amounts or for appreciable periods of time, any holdings of such currencies should be classified separately and the type of currency and method of valuation (rate of exchange) should be identified.

Receivables

4201 Three main classes of receivables are identified - Taxes, Inter-governmental receivables (excluding Inter-governmental trade accounts), and Other receivables. These three classes are broken down into nine classifications, as follows:

3.2.0.0.0 Receivables

- 3.2.1.0.0 Taxes
- 3.2.2.0.0 Due from federal government and its agencies
- 3.2.3.0.0 Due from provincial or territorial government and its agencies
- 3.2.4.0.0 Due from hospitals
- 3.2.5.0.0 Due from other local governments
- 3.2.6.0.0 Due from own funds and agencies
- 3.2.7.0.0 Trade accounts
- 3.2.8.0.0 Accrued receivables
- 3.2.9.0.0 Other receivables

4202 Taxes

Wherever possible the components of this classification - Taxes, penalties and interest on taxes, tax sale certificates and tax arrears agreements - should be separately identified.

4203 Inter-governmental Receivables (Excluding Trade Accounts)

A "Trade account receivable" is an amount claimed against a customer for goods or services sold to him in the ordinary course of business. Trade accounts are to be excluded from this group of classifications which applies to other intergovernmental financial transactions as defined in Part F of Volume I. The main classifications here segregate receivables due from the federal government and its agencies (2.2), provincial/territorial governments and their agencies (2.3), hospitals (2.4), other local governments (2.5), and own funds and agencies (2.6). **Hospitals** are segregated since these are deemed by international agreement to be a separate sub-sector of government for purposes of the National Accounts. Within each of these classifications, the sub-classifications are self-explanatory. Where indicated, the individual debtor government or agency should be identified.

4204 Other Receivables

Trade accounts receivable (2.7) have been defined above. The sub-classifications identify the type of debtor. Accrued receivables (2.8) is a classification provided for governments wishing to identify these apart from current receivables. Other receivables (2.9) is a residual classification.

Investments

4301 For most municipal governments, the only significant investments will be those of temporarily surplus monies, where the investment will be short-term in nature, and of monies in trust and reserve funds, where long-term investments are more common. Because information on the full detail of its investment portfolio is needed by a municipal government, and because information on the sources of monies available for investment and on all kinds of investments held by investors is extremely important in financial flows studies, considerable detail is provided in the main and sub-classifications. This detail is self-explanatory.

4302 The principal classifications are:

3.3.0.0.0 Investments

- 3.3.1.0.0 Federal government and its agencies
- 3.3.2.0.0 Provincial or territorial government and its agencies
- 3.3.3.0.0 Hospitals
- 3.3.4.0.0 Other local governments and their agencies
- 3.3.5.0.0 Own municipality
- 3.3.6.0.0 Own agencies
- 3.3.7.0.0 Corporations
- 3.3.8.0.0 Mortgages (except NHA) and agreements for sale
- 3.3.9.0.0 Other investments

Loans and Advances

- 4401 Technically a "loan" transaction is one which imposes upon the borrower an obligation to repay the amount concerned, whereas an "advance" transaction requires merely a proper accounting for the amounts advanced. However, these criteria are frequently difficult to apply and no distinction between the two is required in this principal classification. The main classifications are:

3.4.0.0.0 Loans and Advances

- 3.4.1.0.0 Short-term (original term of one year or less)
3.4.2.0.0 Long-term

The main and sub-classifications distinguish between short-term (original term of one year or less) and long-term and identify the borrower or recipient of the advance.

Tangible Assets

4501 Tangible Assets

Together with cash on hand this principal classification identifies the tangible "things of value owned" by governments. Four main classifications and a residual - 5.9 Other tangible assets - are identified, as follows:

3.5.0.0.0 Tangible Assets

- 3.5.1.0.0 Inventories
3.5.2.0.0 Temporary acquisitions of fixed assets
3.5.3.0.0 Fixed assets
3.5.4.0.0 Works in progress
3.5.9.0.0 Other tangible assets

4502 Inventories

For municipal governments, inventories are defined as items which are to be currently consumed in the provision of services. Because of the very great variety of such items, no sub-classifications are provided here. It is recommended, however, that individual governments use the *DBS Standard Commodity Classification System* (Catalogue No. 12-502) as a base for their own sub-classifications.

4503 Temporary Acquisitions of Fixed Assets

This main classification is provided for fixed assets acquired by a municipal government but which are not intended for retention. The commonest forms of these, as the sub-classifications indicate, will be property acquired for taxes and held pending disposal. Property acquired by expropriation but surplus to actual requirements should also be classified here.

4504 Fixed Assets

Methods of valuing the fixed assets of municipal governments are discussed in Part D of Volume I, and

the mechanics of classification for each method are described in Section 2 of this part, Paragraphs 4011 to 4014. This main classification and its sub-classifications are provided for governments valuing fixed assets at historic cost, or at other than nil values. (A nominal value - e.g. \$1 - would, of course, also be classified here.) Further detail below the sub-classification level can be obtained by using the Economic Objects shown in the Object Classification System for the Standard Object "Fixed assets".

4505 Works in Progress

This classification is provided for segregating, where desired, assets under construction from those whose construction is complete. The sub-classifications, except for "Land" are identical with those of the foregoing main classification "5.3 Fixed assets" as is the recommended method of providing details below the sub-classification level.

Debt Charges Recoverable

4601 The main classifications are:

3.6.0.0.0 Debt Charges Recoverable

- 3.6.1.0.0 For debentures issued on behalf of own agencies
3.6.2.0.0 For debentures issued on behalf of other local governments
3.6.3.0.0 For debentures issued to acquire fixed assets which are recorded at nominal values
3.6.9.0.0 Other debt charges recoverable

4602 Debt Charges Recoverable from Others

This principal classification serves two purposes. First, the two main classifications, "6.1 For debentures issued on behalf of own agencies", and "6.2 For debentures issued on behalf of other local governments", identify the amounts to be recovered from a government's own agencies and from other governments for debentures issued on their behalf by the reporting government. In other words, it provides the offsets which permit the division of total debenture debt of a government into debt of the government and debt incurred on behalf of - and recoverable from - others.

4603 Debt Charges Relative to Fixed Assets

Secondly, where a government assigns nominal or nil values to its fixed assets, the classification "6.3 For debentures issued to acquire fixed assets which are recorded at nominal values" provides the offset to that debt which is provided by the value of fixed assets, less equity therein, when the historic cost method of valuation is used or the value assigned to the fixed assets when this is equivalent to the related debt outstanding. Reference should be made to Part D of Volume I and to Section 2 of this part, Paragraphs 4011 to 4014.

Other Assets

4701 This is a miscellaneous classification comprising:

3.7.0.0.0 Other Assets

- 3.7.1.0.0 Prepaid expenses
- 3.7.2.0.0 Deferred charges
- 3.7.3.0.0 Trust and other deposits
- 3.7.9.0.0 Other assets

4702 Trust and Other Deposits

This classification is provided for cases where the assets relative to these items are segregated, for example within the general fund, but are not separated into special funds.

Deficits

4901 Deficits

While deficits are not assets, they do represent claims on resources to be acquired in the future and

are, therefore, appropriately classified here. The main classifications are:

3.9.0.0.0 Deficits

- 3.9.1.0.0 Deferred recoveries of extraordinary expenditures
- 3.9.9.0.0 Other deficits

4902 Deferred Recoveries

Normally, municipal governments are expected to operate without incurring deficits or surpluses. As a consequence, any deficit resulting from one year's operations has to be recovered in the following year, and any surplus similarly liquidated. However, in some provinces and in exceptional circumstances municipal governments may be permitted to spread the recovery over several years of deficits which resulted from extraordinary expenditures which the municipalities were obliged to make. This classification, "Deferred recoveries of extraordinary expenditures", is provided for such instances; it is not to be construed as implying general legality for such deferrals.

THE ASSET CLASSIFICATION SYSTEM

Detailed Classification

3.1.0.0.0 Cash on Hand and on Deposit

Canadian currency only

- 3.1.1.0.0 Cash on hand
- 3.1.2.0.0 Cash in chartered banks
 - 3.1.2.1.0 Demand deposits
 - 3.1.2.2.0 Term deposits
 - 3.1.2.9.0 Other deposits
- 3.1.3.0.0 Cash in other financial institutions
 - 3.1.3.1.0 Demand deposits
 - 3.1.3.2.0 Term deposits
 - 3.1.3.9.0 Other deposits

Foreign currencies

- 3.1.9.1.0 Foreign currencies on hand (x)
- 3.1.9.2.0 Foreign currencies in chartered banks (x)
- 3.1.9.3.0 Foreign currencies in other financial institutions (x)
- (x) Specify currency and method of valuation

3.2.0.0.0 Receivables

- 3.2.1.0.0 Taxes
 - 3.2.1.1.0 Taxes
 - 3.2.1.2.0 Penalties and interest on taxes
 - 3.2.1.3.0 Tax sale certificates
 - 3.2.1.4.0 Tax arrears agreements
 - 3.2.1.9.0 Other

Inter-governmental receivables (excluding trade accounts)

- 3.2.2.0.0 Due from federal government and its agencies
 - 3.2.2.1.0 Grants in lieu of taxes (government)
 - 3.2.2.2.0 Unconditional transfers (government)
 - 3.2.2.3.0 Conditional transfers (government)
 - 3.2.2.4.0 Other transfers (government)
 - 3.2.2.5.0 Grants in lieu of taxes (agencies x)
 - 3.2.2.9.0 Other transfers (agencies x)
 - (x) Specify agency using fifth position of code

- 3.2.3.0.0 Due from provincial or territorial government and its agencies
 - 3.2.3.1.0 Grants in lieu of taxes (province/territory)
 - 3.2.3.2.0 Unconditional transfers (province/territory)
 - 3.2.3.3.0 Conditional transfers (province/territory)
 - 3.2.3.4.0 Other transfers (province/territory)
 - 3.2.3.5.0 Grants in lieu of taxes (agencies x)
 - 3.2.3.9.0 Other transfers (agencies x)
 - (x) Specify agency using fifth position of code

- 3.2.4.0.0 Due from hospitals (x)
 - 3.2.4.1.0 Current instalments of debentures
 - 3.2.4.9.0 Other
 - (x) Specify hospital using fifth position of code

- 3.2.5.0.0 Due from other local governments (x)
 - 3.2.5.1.0 Grants in lieu of taxes
 - 3.2.5.2.0 Recoveries for governmental services provided
 - 3.2.5.3.0 Current instalments of debentures
 - 3.2.5.9.0 Other

(x) Specify government using fifth position of code

- 3.2.6.0.0 Due from own funds and agencies (x)
 - 3.2.6.1.0 Due from own funds
 - 3.2.6.2.0 Due from own agencies
 - (x) Specify fund or agency using fifth position of code

Other receivables:

- 3.2.7.0.0 Trade accounts
 - 3.2.7.1.0 Due from persons
 - 3.2.7.2.0 Due from business
 - 3.2.7.3.0 Due from federal government
 - 3.2.7.4.0 Due from federal government agencies
 - 3.2.7.5.0 Due from provincial or territorial government
 - 3.2.7.6.0 Due from provincial or territorial government agencies
 - 3.2.7.7.0 Due from hospitals
 - 3.2.7.8.0 Due from other local governments
 - 3.2.7.9.0 Due from own agencies

- 3.2.8.0.0 Accrued receivables (x)
- (x) Specify using fourth position of code

- 3.2.9.0.0 Other receivables

3.3.0.0.0 Investments

- 3.3.1.0.0 Federal government and its agencies
 - 3.3.1.1.0 Treasury bills (Canada)
 - 3.3.1.2.0 Canada savings bonds
 - 3.3.1.3.0 Other Canada bonds
 - 3.3.1.4.0 Other federal government securities
 - 3.3.1.5.0 Guaranteed bonds or debentures of federal agencies
 - 3.3.1.6.0 Non-guaranteed bonds or debentures of federal agencies
 - 3.3.1.7.0 Capital stock of federal agencies
 - 3.3.1.8.0 National Housing Act mortgages
 - 3.3.1.9.0 Other securities of federal agencies

- 3.3.2.0.0 Provincial or territorial government and its agencies
 - 3.3.2.1.0 Treasury bills or notes (government)
 - 3.3.2.2.0 Savings bonds (government)
 - 3.3.2.3.0 Other bonds (government)
 - 3.3.2.4.0 Other securities (government)
 - 3.3.2.5.0 Bonds and debentures (agency) - Guaranteed
 - 3.3.2.6.0 Bonds and debentures (agency) - Non-guaranteed
 - 3.3.2.7.0 Capital stock (agency)
 - 3.3.2.9.0 Other securities (agency)

3.3.3.0.0 Hospitals
 3.3.3.1.0 Notes – Guaranteed by provincial or territorial government or its agencies
 3.3.3.2.0 Notes – Other
 3.3.3.3.0 Debentures – Guaranteed by provincial or territorial government or its agencies
 3.3.3.4.0 Debentures – Other
 3.3.3.9.0 Other securities
 3.3.4.0.0 Other local governments and their agencies
 3.3.4.1.0 Notes – Guaranteed by provincial or territorial government or its agencies
 3.3.4.2.0 Notes – Other
 3.3.4.3.0 Debentures – Guaranteed by provincial or territorial government or its agencies
 3.3.4.4.0 Debentures – Other
 3.3.4.5.0 Capital stock of agencies
 3.3.4.9.0 Other securities
 3.3.5.0.0 Own municipality
 3.3.5.1.0 Notes – Guaranteed by provincial or territorial government or its agencies
 3.3.5.2.0 Notes – Other
 3.3.5.3.0 Debentures – Guaranteed by provincial or territorial government or its agencies
 3.3.5.4.0 Debentures – Other
 3.3.5.9.0 Other securities
 3.3.6.0.0 Own agencies
 3.3.6.1.0 Notes – Guaranteed by provincial or territorial government or its agencies
 3.3.6.2.0 Notes – Other
 3.3.6.3.0 Debentures – Guaranteed by provincial or territorial government or its agencies
 3.3.6.4.0 Debentures – Other
 3.3.6.5.0 Capital stock
 3.3.6.9.0 Other securities
 3.3.7.0.0 Corporations
 3.3.7.1.0 Notes and other short-term paper – Sales finance companies
 3.3.7.2.0 Notes and other short-term paper – Financial corporations
 3.3.7.3.0 Notes and other short-term paper – Non-financial corporations
 3.3.7.4.0 Bonds and debentures – Financial corporations
 3.3.7.5.0 Bonds and debentures – Non-financial corporations
 3.3.7.6.0 Shares – Preferred and common – Financial corporations
 3.3.7.7.0 Shares – Preferred and common – Non-financial corporations
 3.3.7.9.0 Other securities
 3.3.8.0.0 Mortgages (except NHA) and agreements for sale
 3.3.8.1.0 Mortgages (except NHA see 3.3.1.8.0)
 3.3.8.2.0 Agreements for sale
 3.3.8.9.0 Other
 3.3.9.0.0 Other investments

3.4.0.0.0 Loans and Advances

3.4.1.0.0 Short-term (original term of one year or less)
 3.4.1.1.0 Due from – Own funds (x)
 3.4.1.2.0 Due from – Own agencies (x)
 3.4.1.3.0 Due from – Other local governments
 3.4.1.4.0 Due from – Hospitals
 3.4.1.5.0 Due from – Business
 3.4.1.6.0 Due from – Persons
 3.4.1.9.0 Due from – Other
 (x) Specify fund or agency using fifth position of code
 3.4.2.0.0 Long-term
 3.4.2.1.0 Due from – Own agencies (x)
 3.4.2.2.0 Due from – Other local governments
 3.4.2.3.0 Due from – Hospitals
 3.4.2.4.0 Due from – Business
 3.4.2.5.0 Due from – Persons
 3.4.2.9.0 Due from – Other
 (x) Specify agency using fifth position of code

3.5.0.0.0 Tangible Assets

3.5.1.0.0 Inventories
 3.5.2.0.0 Temporary acquisitions of fixed assets
 3.5.2.1.0 Fixed assets acquired for taxes and subject to redemption
 3.5.2.2.0 Fixed assets acquired for taxes and deeded to the municipality
 3.5.2.9.0 Other fixed assets held pending disposal
 3.5.3.0.0 Fixed assets
 3.5.3.1.0 Engineering structures
 3.5.3.2.0 Buildings
 3.5.3.3.0 Machinery and equipment
 3.5.3.4.0 Land
 3.5.3.9.0 Other
 3.5.4.0.0 Works in progress
 3.5.4.1.0 Engineering structures
 3.5.4.2.0 Buildings
 3.5.4.3.0 Machinery and equipment
 3.5.4.9.0 Other
 3.5.9.0.0 Other tangible assets

3.6.0.0.0 Debt Charges Recoverable

3.6.1.0.0 For debentures issued on behalf of own agencies (x)
 3.6.2.0.0 For debentures issued on behalf of other local governments (x)
 3.6.3.0.0 For debentures issued to acquire fixed assets which are recorded at nominal values
 3.6.9.0.0 Other debt charges recoverable
 (x) Specify agency or government using fourth position of code

3.7.0.0.0 Other Assets

- 3.7.1.0.0** Prepaid expenses
- 3.7.2.0.0** Deferred charges
 - 3.7.2.1.0** Unamortized expenses for debenture issues
 - 3.7.2.2.0** Unamortized discount on debentures
 - 3.7.2.9.0** Other deferred charges
- 3.7.3.0.0** Trust and other deposits (x)
(x) Specify using fourth position of code
- 3.7.9.0.0** Other assets

3.9.0.0.0 Deficits

- 3.9.1.0.0** Deferred recoveries of extraordinary expenditures
- 3.9.9.0.0** Other deficits

PART VIII

The Liability and Equity Classifications

1. Introduction

5001 The Liability Classifications

These classifications are the counterparts of the asset classifications relating to claims against others since they identify claims against the reporting government. There are four such main classifications – Short-term borrowings, payables, long-term debt, and other liabilities. The fifth main classification – Asset valuation allowances – provides for the classification of deductions from the value of certain assets where the value on realization is expected to be less than the stated value.

5002 Equity

The introduction of the term “Equity” into government balance sheet accounts represents a departure from previous practice which included such accounts in “Liabilities”. While the three principal Equity Classifications – Reserves, Equity in fixed assets, and Surplus and other equity – correspond only in part to equity accounts in business accounting, they differ sufficiently from liabilities to be distinguished therefrom. The use of the term “Equity” is recommended in preference to “Other credits” which is sometimes applied to this group of accounts.

5003 Detail Requirements

As with the Asset Classification System, there is a close resemblance between the Liability and Equity Classification System and the breakdown of these items contained in the *Municipal Finance Reporting Manual (1960)*. However, those familiar with the earlier System will find much additional detail contained in the current classifications which are shown in full at the end of this Part.

2. The Classifications

Short-term Borrowings

5101 The principal classifications are:

4.1.0.0.0 Short-term Borrowings

- 4.1.1.0.0 From chartered banks
- 4.1.2.0.0 From other financial institutions
- 4.1.3.0.0 From own funds
- 4.1.4.0.0 From own agencies
- 4.1.5.0.0 From other local governments
- 4.1.6.0.0 From provincial or territorial government or its agencies
- 4.1.7.0.0 From federal government or its agencies
- 4.1.9.0.0 Other short-term borrowings

5102 Short-term Borrowings – General

Borrowings with an original term of one year or less are to be classified by type of lender. Some

difficulty may arise from the practice of certain lenders of setting a one-year term on a loan but on the understanding that it will be renewed for further periods. Such borrowings should be classified as “short-term” since the lender, by the terms of the loan, retains the right to redeem it at the end of one year.

5103 From Financial Institutions

Short-term borrowings from chartered banks and those from other financial institutions should be segregated into two classes, namely, those for current and those for capital purposes.

5104 From Own Funds and Agencies

Borrowings from within a government's own organization or from other governments should be identified by the lender and, where required, by the purpose of the loan.

Payables

5201 This principal classification closely resembles the Asset Classification 2. Receivables, and the notes on that classification in Paragraphs 4201 to 4204 should be applied, with the necessary changes, to this classification except as noted in paragraph 5202. The principal classifications are:

4.2.0.0.0 Payables

Inter- and intra-governmental (excluding trade accounts)

- 4.2.1.0.0 Federal
- 4.2.2.0.0 Provincial or territorial
- 4.2.3.0.0 Other local governments
- 4.2.4.0.0 Own funds and agencies

Other payables

- 4.2.5.0.0 Trade accounts
- 4.2.6.0.0 Debenture instalments – Current
- 4.2.7.0.0 Accrued payables
- 4.2.9.0.0 Other payables

5202 Debenture Instalments – Current

Long-term debt comprises all borrowings with an original term to maturity of over one year. If, for any reason, repayment of long-term debt is not made on the due date, principal or interest outstanding on matured debt should be allocated to this classification. While the time table for the retirement of all of a municipal government's outstanding long-term debt is important to that government and to many other analysts of municipal finance, information on amounts that will become due for repayment within one year is particularly important in financial flows analysis. This information can be conveyed by transferring amounts

of long-term debt, with remaining terms to maturity of one year or less, from their original classifications to this classification at the time when the balance of their remaining terms becomes less than one year. Where this is impracticable, the same information should be indicated in the balance sheet or its supporting schedules.

Long-term Debt

5301 The greater part of municipal government long-term debt consists of debentures. The Classification System provides for the essential identification of this debt by specific or general creditor, by "benefactor" of the debenture issue, and by "guarantee" conditions of the issue. The system also provides for the classification of long-term debt not secured by debenture. In this latter case the breakdown required is the same as that called for in the major sub-classifications under "1. Short-term Borrowings" (see Paragraph 5201 above and the detailed classifications at the end of this Part). The treatment of long-term debt, which has matured or is within one year of maturity is discussed in Paragraph 5202.

5302 The principal classifications are:

4.3.0.0.0 Long-term Debt

- 4.3.1.0.0 Debentures issued to the Federal Government or its agencies
- 4.3.2.0.0 Debentures issued to the Provincial or Territorial Government or its agencies
- 4.3.3.0.0 Other debentures issued (guaranteed by province or territory)
- 4.3.4.0.0 Other debentures issued (not guaranteed by province or territory)
- 4.3.5.0.0 Long-term borrowings not secured by debentures
- 4.3.9.0.0 Other long-term debt

5303 Debentures Issued to Other Governments

An increasing number of municipal debenture issues are placed entirely with the federal and provincial/territorial governments or their agencies. This is for two reasons. In certain cases, the debentures are, in effect, notes securing long-term loans made by the other levels of government. In other cases a central agency (usually provincial) has been established to which municipal governments sell their issues; the agency is usually financed partly by transfers from the provincial government but mainly by the sale of large issues on the open market at more favourable rates of interest than individual municipal governments can obtain.

5304 The first two main classifications identify municipal debentures issued to the federal government or its agencies (3.1) or to the provincial/territorial government or its agencies (3.2). Within each of these main classifications, debentures are classified as those the

reporting government issues on its own behalf, those it issues on behalf of its own agencies, and those it issues on behalf of other local governments. In the two latter cases the agency or other local government is to be identified.

5305 Other Debentures

Other debentures, i.e. those sold on the open market, are first segregated into those bearing a provincial/territorial guarantee (3.3) and those not guaranteed (3.4). "Guarantee" signifies a warranty for payment (of either principal, or interest, or both) made by the province or territory. This segregation is necessary in order to effect true consolidations through the elimination of possible double counting. Within the two main classifications the following characteristics are identified:

- (a) On whose behalf the issue is made -- the reporting government, its agencies, or other local governments, or by other local governments on behalf of the reporting government;
- (b) Whether the issue is made in Canadian or foreign currency.

5306 Other Long-term Debt

This is a residual classification.

Other Liabilities

5401 This principal classification identifies various types of deferred revenue and other miscellaneous liabilities. The principal classifications, which are self-explanatory, are:

4.4.0.0.0 Other liabilities

- 4.4.1.0.0 Debenture levies in advance of maturity
- 4.4.2.0.0 Prepayments of taxes
- 4.4.3.0.0 Unexpended special assessments
- 4.4.4.0.0 Unamortized premium on debentures
- 4.4.5.0.0 Other revenue deferrals
- 4.4.6.0.0 Trust and deposit liabilities
- 4.4.9.0.0 Other liabilities

Asset Valuation Allowances

5501 Allowances and Reserves

Although the term "Reserve" has been widely used in the past to describe the main classifications within this principal classification, there are significant differences between allowances and reserves. As already stated (see Paragraph 5001), an allowance is a deduction from the stated value of an asset to reduce this to its realizable value; a reserve is an amount appropriated at the discretion of management, or as required by statute, regulation, or by trust indenture or other agreement, for purposes other than meeting a known or admitted liability or contingency or a decline in value which has already occurred.

5502 The principal classifications are:

4.5.0.0.0 **Asset valuation allowances**

- 4.5.1.0.0 For uncollectible taxes
- 4.5.2.0.0 For other doubtful receivables
- 4.5.3.0.0 For loss on disposal of temporarily acquired fixed assets
- 4.5.4.0.0 For loss on sale of investments
- 4.5.5.0.0 For loss on foreign exchange
- 4.5.9.0.0 Other allowances

5503 These allowances proceed from the past experience of a municipal government that certain claims it held against others were not received in full, that certain things it owned realized, when disposed of, less than their stated values, and that, in transactions involving foreign currencies, it incurred certain losses. The asset valuation allowances take these losses into the accounts as soon as it becomes reasonably certain that they will eventually have to be incurred.

Reserves

5601 Reserves are defined in the preceding Paragraph 5501. The main classifications, which are self-explanatory, are:

4.6.0.0.0 **Reserves**

- 4.6.1.0.0 For working funds
- 4.6.2.0.0 For future expenditures
- 4.6.3.0.0 For undetermined future losses on assets
- 4.6.4.0.0 For contingencies
- 4.6.9.0.0 Other reserves

5602 N.B.

It must be emphasized that for municipal governments the kind and size of reserves, and whether or not particular assets must be set aside for reserves, are frequently subject to provincial or territorial regulation; the existence of a classification of reserve in this system is not to be construed as sanctioning its use by a particular municipal government.

Equity in Fixed Assets

5701 This principal classification,

4.7.0.0.0 **Equity in fixed assets,**

identifies "Investment in capital assets", the term used in the *Municipal Finance Reporting Manual (1960)*. The classification identifies the difference (excess) between the valuation assigned to fixed assets and the outstanding debt that was incurred for their acquisition. Reference should be made to Part D "Fixed assets" in Volume I and particularly to Paragraphs 4011 to 4014 on fixed asset valuation in this volume.

Surplus

5901 This principal classification

4.9.0.0.0 **Surplus and other equity**

identifies any surplus or related unappropriated equity which a municipal government may legally accumulate or which it may hold temporarily.

THE LIABILITY AND EQUITY CLASSIFICATION SYSTEM

Detailed Classification

4.1.0.0.0	Short-term Borrowings (Original term of one year or less)	4.2.6.0.0	Debenture instalments - Current
4.1.1.0.0	From chartered banks	4.2.6.1.0	Matured principal and interest outstanding
4.1.1.1.0	For current purposes	4.2.6.2.0	Unmatured debentures issued on own behalf
4.1.1.2.0	For capital purposes	4.2.6.3.0	Unmatured debentures issued on behalf of own agencies
4.1.2.0.0	From other financial institutions	4.2.6.4.0	Unmatured debentures issued on behalf of other local governments
4.1.2.1.0	For current purposes	4.2.6.5.0	Unmatured debentures issued on behalf of reporting government by other governments
4.1.2.2.0	For capital purposes	4.2.6.9.0	Other
4.1.3.0.0	From own funds (x)	4.2.7.0.0	Accrued payables - Specify
4.1.4.0.0	From own agencies (x)	4.2.9.0.0	Other payables
4.1.5.0.0	From other local governments (x)		
4.1.6.0.0	From provincial or territorial government or its agencies (x)	4.3.0.0.0	Long-term Debt
4.1.7.0.0	From federal government or its agencies (x)	4.3.1.0.0	Debentures issued by reporting government to the federal government or its agencies
4.1.9.0.0	Other temporary borrowings	4.3.1.1.0	On own behalf
	(x) Specify fund, agency or government using fourth position of code, and, where required, purpose using fifth position of code.	4.3.1.2.0	On behalf of own agencies (x)
		4.3.1.3.0	On behalf of other local governments (x)
		4.3.1.9.0	Other
4.2.0.0.0	Payables	4.3.2.0.0	Debentures issued by reporting government to the provincial or territorial government or its agencies
	Inter- and intra-governmental (excluding trade accounts)	4.3.2.1.0	On own behalf
4.2.1.0.0	Federal	4.3.2.2.0	On behalf of own agencies (x)
4.2.1.1.0	Federal government	4.3.2.3.0	On behalf of other local governments (x)
4.2.1.2.0	Federal government agency (x)	4.3.2.9.0	Other
4.2.2.0.0	Provincial or territorial		(x) Specify agency or government using fifth position of code
4.2.2.1.0	Provincial or territorial government	4.3.3.0.0	Other debentures issued (guaranteed by province or territory)
4.2.2.2.0	Provincial or territorial government agency (x)		By reporting government:
4.2.3.0.0	Other local governments (x)		On own behalf:
4.2.3.1.0	Grants in lieu of taxes	4.3.3.1.0	In Canadian currency
4.2.3.2.0	Due for governmental services received	4.3.3.2.0	In foreign currency
4.2.3.9.0	Other		On behalf of own agencies:
	(x) Specify agency or government using fifth position of code	4.3.3.3.0	In Canadian currency (x)
4.2.4.0.0	Own funds and agencies (x)	4.3.3.4.0	In foreign currency (x)
4.2.4.1.0	Due to own funds		On behalf of other local governments:
4.2.4.2.0	Due to own agencies	4.3.3.5.0	In Canadian currency (x)
4.2.4.9.0	Other	4.3.3.6.0	In foreign currency (x)
	(x) Specify fund or agency using fifth position of code.		By other governments on behalf of reporting government:
	Other payables	4.3.3.7.0	In Canadian currency (x)
4.2.5.0.0	Trade accounts	4.3.3.8.0	In foreign currency (x)
4.2.5.1.0	Persons	4.3.4.0.0	Other debentures issued (not guaranteed by province or territory)
4.2.5.2.0	Business		By reporting government:
4.2.5.3.0	Own agencies		On own behalf:
4.2.5.4.0	Other local governments	4.3.4.1.0	In Canadian currency
4.2.5.5.0	Provincial or territorial government or its agencies	4.3.4.2.0	In foreign currency
4.2.5.6.0	Federal government or its agencies		On behalf of own agencies:
4.2.5.9.0	Other	4.3.4.3.0	In Canadian currency (x)
		4.3.4.4.0	In foreign currency (x)

On behalf of other local governments:		4.4.5.0.0	Other revenue deferrals
4.3.4.5.0	In Canadian currency (x)	4.4.6.0.0	Trust and deposit liabilities – Specify
4.3.4.6.0	In foreign currency (x)	4.4.9.0.0	Other liabilities
By other governments on behalf of reporting government:		4.5.0.0.0	Asset Valuation Allowances
4.3.4.7.0	In Canadian currency (x)	4.5.1.0.0	For uncollectible taxes
4.3.4.8.0	In foreign currency (x)	4.5.2.0.0	For other doubtful receivables
4.3.5.0.0	Long-term borrowings not secured by debentures	4.5.3.0.0	For loss on disposal of temporarily acquired fixed assets
4.3.5.1.0	Due to chartered banks	4.5.4.0.0	For loss on sale of investments
4.3.5.2.0	Due to other financial institutions	4.5.5.0.0	For loss on foreign exchange
4.3.5.3.0	Due to own funds (x)	4.5.9.0.0	Other allowances
4.3.5.4.0	Due to own agencies (x)	4.6.0.0.0	Reserves
4.3.5.5.0	Due to other local governments (x)	4.6.1.0.0	For working funds
4.3.5.6.0	Due to provincial or territorial government or its agencies (x)	4.6.2.0.0	For future expenditures
4.3.5.7.0	Due to federal government or its agencies (x)	4.6.3.0.0	For undetermined future losses on assets
4.3.5.9.0	Other	4.6.4.0.0	For contingencies
	(x) Specify fund, agency or government using fifth position of code	4.6.9.0.0	Other reserves
4.3.9.0.0	Other long-term debt	4.7.0.0.0	Equity in Fixed Assets
4.4.0.0.0	Other Liabilities	4.9.0.0.0	Surplus and Other Equity – Specify
4.4.1.0.0	Debenture levies in advance of maturity		
4.4.2.0.0	Prepayments of taxes		
4.4.3.0.0	Unexpended special assessments		
4.4.4.0.0	Unamortized premium on debentures		

APPENDIX A

Federal Government Enterprises

Air Canada	Eldorado Nuclear Limited
Bank of Canada	Export Development Corporation
Canada Deposit Insurance Corporation	Farm Credit Corporation
Canadian Arsenals Limited	Industrial Development Bank
Canadian Broadcasting Corporation	National Harbours Board
Canadian Commercial Corporation	Newfoundland Car Ferry
Canadian Government Elevators	Northern Canada Power Commission
Canadian National Railway System	Northern Transportation Company Limited
Canadian National (West Indies) Steamships Limited	Polymer Corporation Limited
Canadian Overseas Telecommunications Corporation	Prince Edward Island Car Ferry
Canadian Patents and Development Limited	Royal Canadian Mint
The Canadian Wheat Board	The St. Lawrence Seaway Authority
Central Mortgage and Housing Corporation	The Seaway International Bridge Corporation Limited
Crown Assets Disposal Corporation	Yarmouth — Bar Harbour Ferry
Eldorado Aviation Limited	

APPENDIX B

Provincial and Territorial Government Enterprises

Newfoundland

Board of Liquor Control
Board of Trustees, Power Distribution Districts of Northeast Newfoundland, South Newfoundland, West Newfoundland, and Labrador.
Elizabeth Towers Limited (subsidiary of St. John's Housing Corporation).
Harmon Corporation
Hotel Buildings Limited
Marystown Shipyard Construction Limited.
Newfoundland and Labrador Housing Corporation
Newfoundland and Labrador Power Commission
Newfoundland and Labrador Rural Electricity Authority
Newfoundland Fibreply Limited
Northern Labrador Services Division
St. John's Housing Corporation

Prince Edward Island

Industrial Enterprises Incorporated
Prince Edward Island Industrial Corporation
Prince Edward Island Liquor Control Commission

Nova Scotia

Cape Breton Heavy Water Limited (subsidiary of Deuterium of Canada Limited)
Deuterium of Canada Limited (subsidiary of Industrial Estates Limited)
Digby Pines Hotel
Halifax - Dartmouth Bridge Commission
Industrial Estates Limited
Keltic Lodge
Nova Scotia Liquor Commission
Nova Scotia Power Commission
Springhill Development Corporation (subsidiary of Industrial Estates Limited)
Sydney Steel Corporation (SYSCO)

New Brunswick

New Brunswick Development Corporation
New Brunswick Electric Power Commission
New Brunswick Housing Corporation
New Brunswick Liquor Control Commission
Westmorland Fertilizer Limited (subsidiary of New Brunswick Development Corporation)

Quebec

Quebec Autoroutes Authority
Quebec Deposit and Investment Fund
Quebec Hydro-Electric Commission (Hydro-Quebec)
Quebec Liquor Board
Quebec Mining Exploration Company (SOQUEM)
Quebec Sugar Refinery

Ontario

Hydro-Electric Power Commission of Ontario
Liquor Control Board of Ontario
Ontario Food Terminal Board
Ontario Housing Corporation
Ontario Northland Transportation Commission
Ontario Stock Yards Board
Ontario Water Resources Commission
Province of Ontario Savings Office
Star Transfer Limited (subsidiary of Ontario Northland Transportation Commission)

Manitoba

Liquor Control Commission of Manitoba
Manitoba Agricultural Credit Corporation
Manitoba Development Fund
Manitoba Farm Loans Association
Manitoba Housing and Renewal Corporation
Manitoba Hydro-Electric Board
Manitoba Telephone System
Manitoba Water Supply Board

Saskatchewan

Estevan Brick Limited
Province of Saskatchewan Liquor Board
Liquor Licensing Commission
Saskatchewan Economic Development Corporation
Saskatchewan Forest Products
Saskatchewan Fur Marketing Service
Saskatchewan Government Insurance Office
Saskatchewan Government Printing Company
Saskatchewan Government Telephones
Saskatchewan Minerals
Saskatchewan Power Corporation
Saskatchewan Transportation Company
Saskatchewan Water Supply Board

Alberta

Alberta Commercial Corporation
Alberta Government Telephones Commission

Alberta Housing and Renewal Corporation
Alberta Industrial Corporation
Alberta Investment Fund
Alberta Liquor Control Board
Bow River Irrigation District
Treasury Branches

British Columbia

British Columbia Hydro and Power Authority
Liquor Control Board of British Columbia
Pacific Great Eastern Railway Company

Yukon

Liquor Control Authority

Northwest Territories

Liquor Control Authority

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