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Guide to the Public Sector of Canada



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Guide to the Public Sector of Canada

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Note of appreciation

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

Preface

Over the past 35 years, total government outlays in the Canadian economy amounted to approximately 40% of the Gross Domestic Product (GDP) and public sector employment comprised approximately 20% of total employment in the country.

Due to the importance of the public sector in Canada and its ramifications in a number of domains, it is essential that the public sector universe be clearly defined and documented. This guide defines the public sector statistical universe and describes its components.

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Chapter 1

1 Introduction

In Canada, as in other modern societies, governments perform an important role in economic affairs. They undertake a wide variety of activities through many different types of agents. Governments are involved in the provision of goods and services whose characteristics are such that it is often difficult or impossible to offer them through private sector channels. This includes activities such as national defence, justice, civil order and the regulation of economic and social actions.

Governments are also involved in the provision of services such as education and health, where public intervention is in the general interest of society, even though such services could be, and often are, also provided by the private sector. As well, governments often engage in commercial activities that are similar to and in competition with the private sector. Electric utilities and public transportation services are examples of this involvement.

To study the impact of public bodies on the economy, it is essential to have a precise definition of the entities that comprise the public sector universe. The **Guide to the Public Sector of Canada** presents the criteria utilized to determine the entities that are in the public sector. It also delineates the structures used to categorize these data for statistical purposes. This universe provides the framework to observe the extent of governments' involvement in the production of goods and services in the Canadian economy.

The criteria used to define the public sector are based on principles embodied by the Canadian System of National Accounts (CSNA) at Statistics Canada. The CSNA is an accounting framework which classifies entities by economic sector. The Canadian System of National Accounts (CSNA) generally harmonizes their concepts with the International Standard System of National Accounts, (also referred to as SNA 2008, a joint publication of the Commission of the European Communities (CEC), International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD), United Nations (UN) and World Bank).

In order to measure the public sector, an up-to-date profile of the public sector universe is required. The public sector includes all government controlled entities such as ministries, departments, funds, organizations, and business enterprises which political authorities at all levels use to implement their social and economic policies. Statistics Canada's Public Institutions Division profiles and classifies public sector entities.

Within Statistics Canada, various classification systems are applied to the statistical units that comprise the public sector universe. For example, in Public Institutions Division, the revenue and expenditures of government units are classified according to the **Financial Management System (FMS)**. In the Canadian System of National Accounts (CSNA), financial data are classified by institutional sector and economic activity to measure the Gross Domestic Product (GDP). The public sector statistical universe is also used to delineate public versus private sector involvement in a number of important areas of study. A few examples are Statistics Canada's monthly, "Labour Force Survey" and the annual "Private and Public Investment Intentions" program. Public sector statistics that are produced from the application of the various Statistics Canada classification systems are disseminated nationally and are reported to the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) for incorporation into their statistical programs.

Chapter 2

2 The nature of government

In Canada, the national government is a sovereign government empowered to create the administrations and organizations necessary to conduct the affairs of State.

Government is comprised of

- those bodies declared as governments in Constitution Acts from 1867 to 1982, specifically, the federal and provincial governments
- those bodies established by constitutional governments which are declared as governments or which function as such, specifically, territorial and municipal governments, local school authorities and other special purpose bodies
- entities controlled by any of the foregoing.

These organizations may be categorized into two distinct groups: sovereign and non-sovereign entities.

2.1 Sovereign entities

The sovereign entities group contains the federal, provincial, territorial, and local governments. Sovereign governments create Crown and non-Crown corporations to serve the public, "Crown" referring to Her Majesty in right of Canada. Crown corporations are legally distinct sovereign entities that are wholly owned by a government, managed by a board of directors, and operate autonomously. The enabling legislation for each parent Crown Corporation decrees its status, mandate, powers and operational accountability. Crown corporations may deliver non-profit services that are characteristic of government organizations but more often, they are profit-oriented, competing in the market place with other providers of similar goods and services.

2.2 Non-sovereign entities

Sovereign governments also create non-sovereign entities to carry out government policy and provide services that benefit the general public. These non-profit entities are created under specific government legislation that describes their status, purpose, and operational accountability. They are not legally constituted under federal or provincial business corporation acts. The non-sovereign entities group contains these types of entities:

- **non-autonomous funds and organizations** that operate within government ministries, departments, and administrations
- **other autonomous funds and organizations** that operate independently to provide goods and/or services to the public such as national museums, transportation safety organizations, public housing authorities, and workers' compensation boards
- **non-profit public institutions** that are controlled by sovereign governments. They provide direct services to individuals whereas other government entities provide services that collectively benefit all constituents. The non-profit public institutions group contains entities such as public universities, colleges, hospitals, and residential care facilities.

As an alternative to creating publicly funded organizations, governments enter into partnerships with privately owned organizations to deliver services to society. **Public-private partnerships** are an example of this type of arrangement whereby a government contracts with a privately owned organization to provide the means to realize large scale projects such as roads, bridges, utilities or communication networks. (See Appendix A for more information about public-private partnerships.)

Chapter 3

3 Economic sectors in Canada

In the Canadian System of National Accounts (CSNA), the total economy of Canada is divided into six mutually exclusive sectors that categorize all resident economic units. They are the

1. Non-financial corporations sector
2. Financial corporations sector
3. Government sector
4. Households sector
5. Non-profit institutions serving households sector
6. Unincorporated business sector.

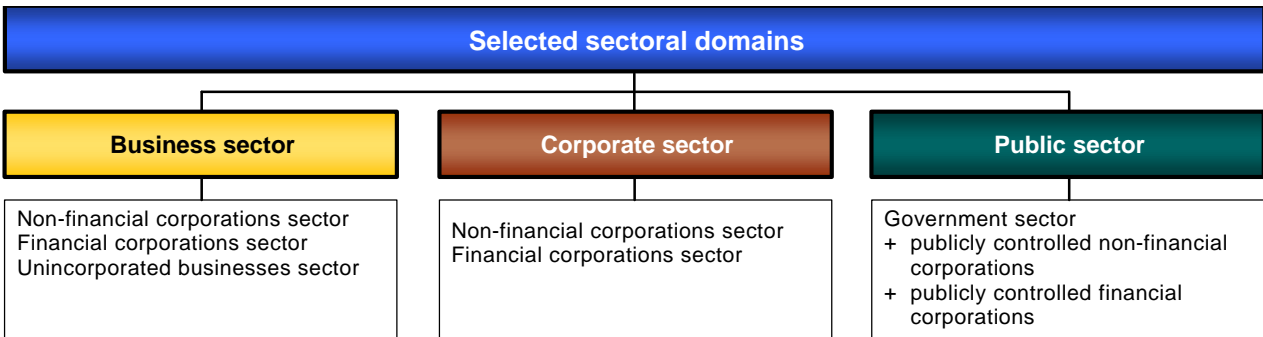
Each sector aggregates a specific type of economic activity for statistical measurement. As well, the sectors are partitioned into sub-sectors, components and sub-components in order to isolate and group units of similar behaviour. Using the financial corporations sector as an example, one stream of activity is followed through finer levels of segregation.

Sector:	Financial corporations
Sub-sector:	Other depository corporations
Component:	Near banks
Sub-components:	Credit unions and Caisses populaires Trust companies, mortgage and loan companies

A complete list of the Canadian System of National Accounts' (CSNA) classification of units by sector can be found in Appendix B.

Economic units with similar characteristics are also grouped to form broader statistical aggregations. For example, units in the non-financial corporations sector, the financial corporations sector and the unincorporated business sector are combined to form the **Business Sector**. Another grouping combines units in the non-financial corporations sector and the financial corporations sector to form the **Corporate Sector**. All government controlled units are combined to form the **Public Sector**. This aggregation is composed of government sector units and all publicly controlled non-financial and financial corporations (government business enterprises).

Chart 3.1 Selected sectoral domains



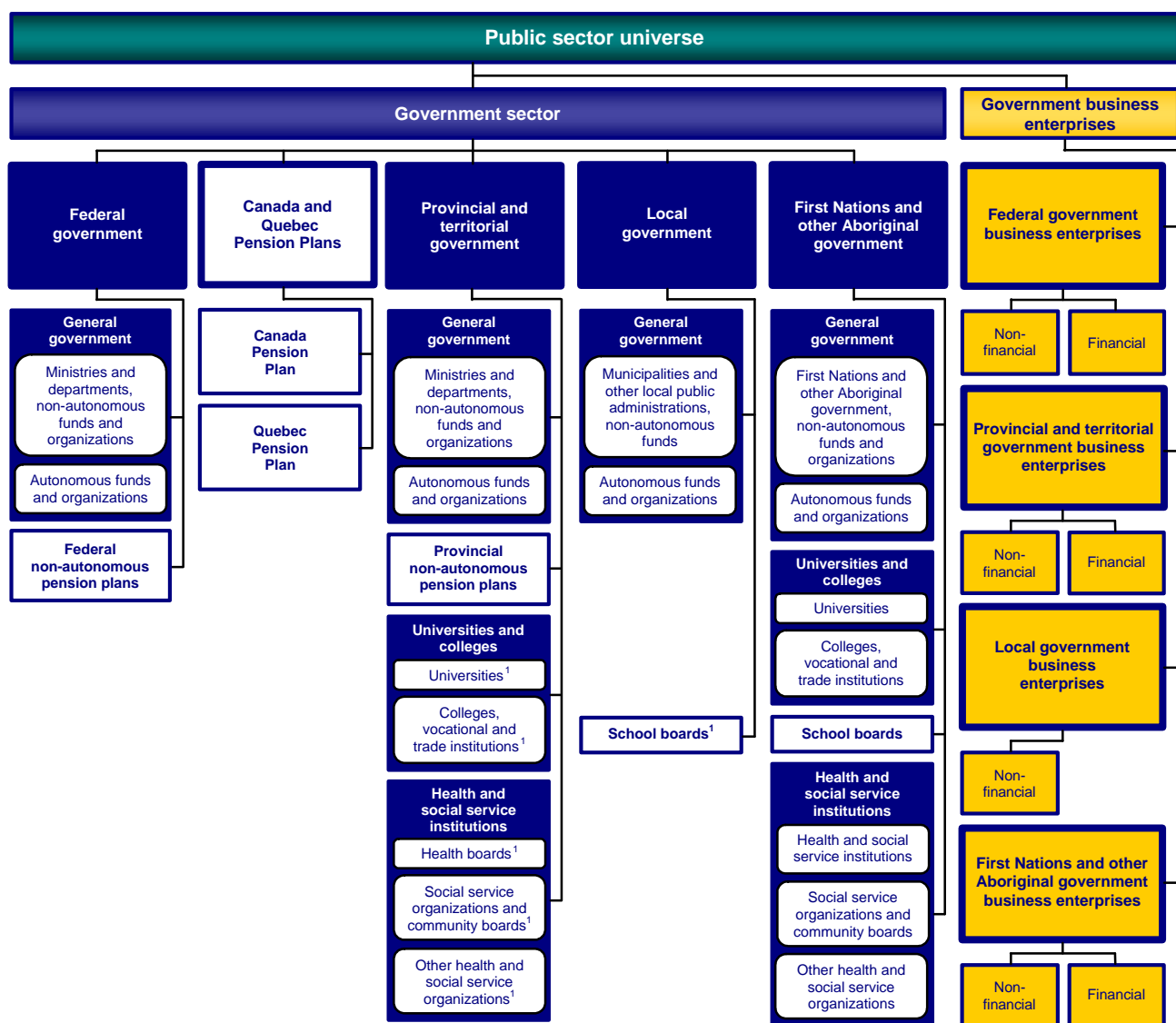
Chapter 4

4 The public sector

4.1 The public sector

The public sector is the domain of statistical observation that measures the economic activity of governments in Canada. It encompasses all entities classified to the government sector and all publicly controlled government business enterprises.

Chart 4.1 The public sector universe



1. Except institutions which are embedded in the federal or provincial and territorial public accounts or local government audited financial statements.

The **government sector** is composed of all governments as well as the non-profit entities created by public administrations to deliver services for the benefit of society. Adhering to the Canadian System of National Accounts (CSNA) sectoring system, the government sector is partitioned into sub-sectors, components and sub-components in order to group different types of government activity. Sub-sectors distinguish units by the government of control. Within the sub-sectors, the components group units by type of activity. In the government sector, these components are general government, non-autonomous pension plans, universities and colleges, school boards, and health and social service institutions. Sub-components isolate the constituents of the components to provide groupings for the lowest level of measurement. Examples of these categories are ministries, municipalities, universities, hospitals and residential care facilities.

Government business enterprises are part of the public sector domain because they are controlled by governments. However, they operate in the market place, often in competition with privately owned organizations. Since they are profit-oriented entities, they must be included in the sectors that reflect their primary economic activity. Therefore, government business enterprises are classified to either the non-financial corporations sector or the financial corporations sector depending on the nature of their activities. Within the CSNA, they are identified as publicly controlled non-financial or financial corporations according to the naming conventions of the Canadian System of National Accounts. However, in the public sector, they are collectively recognized as government business enterprises with either non-financial or financial characteristics.

4.2 The public sector universe

A classification process is necessary in order to determine whether or not an entity belongs in the public sector universe. This process involves analysing and documenting the legal and operating structures, financial performance and activities of the entity in question. There are three criteria used to assess an entity for potential inclusion in the public sector universe:

- Is the entity an institutional unit?
- Is the entity controlled by a government?
- Is the entity a non-market or market producer of goods and services?

4.2.1 The institutional unit

The institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and transactions with other entities. It is the basic unit of statistical measurement in the public sector universe. The institutional unit's characteristics may be further described as follows:

- It is entitled to own goods or assets in its own right and is therefore able to exchange the ownership of goods or assets in transactions with other entities.
- It is able to make economic decisions and engage in economic activities for which it can be held directly responsible and accountable by law.
- It is able to incur liabilities on its own behalf, to accept other obligations or future commitments and to enter into contracts.
- It either maintains a complete set of accounts, including a balance sheet of assets and liabilities or it would be possible and meaningful, from both an economic and legal point of view, to compile a complete set of accounts if required.

An entity may be comprised of a single unit or multiple units that form a consolidated unit. For example, a government consolidates the transactions of its ministries to disclose its activities as a single entity. This consolidation represents one institutional unit.

There are sub-institutional units or sub-units that are included in the public sector universe for information purposes. They do not conform to institutional unit criteria. However, they are consolidated in an entity's financial transactions. It is useful to account for these sub-units in order to understand all the elements that

constitute an entity. Examples of sub-units are government departmental programs as well as special operating funds and accounts. Sub-institutional units take the same sector classification as their parent institutional unit's sector classification.

4.2.2 Government Control

Control is the potential to affect the strategic decisions of an organization either through the board of directors or directly, where an entity operates without a board. Such strategic decisions include the acquisition or disposal of assets, the appointment of the chief executive officer, the allocation of resources or the diversification of activities. The degree of this influence falls into three categories: direct government control, effective government control and indirect government control.

4.2.2.1 Direct government control

- Direct government control of an organization implies that there exists actual or potential majority voting ownership by a government.
- An organization is directly controlled by a government if more than 50% of the voting equity is held directly, other than by way of security only, by and for the benefit of that government.
- Where there exist irrevocable options or the right to acquire shares, or convertible debt or equity, exercisable at the discretion of a government, then the calculation of the voting equity of the government is generally made as if the option had been exercised.

4.2.2.2 Effective government control

- The government holds significant voting equity in an organization when
 - the holding is the largest block of voting equity
 - the holding exceeds 33.3% of the voting equity
 - the block is larger than the combined percentage of the next two largest blocks.
- There exists a method or a variety of methods that yield effective control. For example, there could be significant voting ownership of the organization; technological agreements; supply controls or contracts; management contracts; interlocking directorships; debt; or convertible debt or equity.
- The organization declares that it is effectively controlled by a government.
- In rare instances, these factors will be insufficient to determine effective control. In these circumstances, the inclusion criteria may be based on related information such as historical precedent.

4.2.2.3 Indirect government control

- An organization is indirectly controlled by a government if that government directly or effectively controls a government organization that in turn directly or effectively controls that organization.

These control indicators are based on the classification concepts used by the Industrial Organization and Finance Division of Statistics Canada for all organizations conducting business in Canada. See Appendix C for more information about corporate control.

4.2.2.4 Other indicators typical of government control

The direct, effective and indirect control criteria are applied to all institutional units to determine control. Reports obtained from an organization may not provide the information that is necessary to prove the control conditions. To compensate for this situation, these control types are enhanced by the addition of

criteria that are characteristic of units controlled by governments. Public sector control indicators are specifically designed to establish government control. The following criteria are used in this determination process:

- The entity was created by government legislation.
- The entity was created under existing laws of incorporation.
- The government determines the general policy or program of the entity.
- The government appoints members to the board of directors.
- The government controls the entity through a legally binding agreement.
- In the event of liquidation or dissolution, the entity's assets revert back to a government.

4.2.2.5 Lieutenant Governor in Council or Ministerial control

Governments generally impose strict rules of accountability upon the entities that they control. This adjunct of control is determined by examining the accountability requirements stated in an entity's enabling legislation. These regulations stipulate the procedures that an entity must follow to accomplish their mandate, conduct business, and report to their sponsoring government regarding the spending of public funds.

The following conditions indicate public control through a government's legal representatives, the Lieutenant Governor in Council or the Minister of a government ministry or department:

- The Lieutenant Governor in Council or a Minister holds control.
- The entity's budget must be approved by the government.
- The entity must submit an annual, audited report to a government.
- The entity's financial accounts are subject to examination by an Auditor General.
- The government finances the entity's current operations, in total or large part.
- The government finances the entity's investments, in total or large part.
- The government approves or guarantees loans contracted by the entity.
- The government controls fees charged by the entity.
- The government openly allows itself to be exposed to the financial risks and rewards associated with a venture.

4.2.2.6 The determination of government control

The determination of government control is a decision based on an evaluation of all relevant indicators. For some organizations, a single indicator could be sufficient to establish government control. However, the majority of organizations require multiple indicators which collectively indicate control. The determination process considers all contributing factors which provide the evidentiary support for the decision. Subsequently, the same logic is applied to similar entities to ensure consistent classification treatments.

4.2.2.7 The source of control

In the Canadian System of National Accounts (CSNA), the source of the institutional unit's control must be identified. There are three categories:

- public control
- national private control
- foreign control.

Institutional units controlled by Canadian governments are classified as publicly controlled, whereas those controlled by Canadian private sector entities are classified into the national private control category. For institutional units controlled by entities residing outside Canada, the foreign controlled classification is applied.

4.2.3 Public sector indicators for non-market producers

A non-market producer is an institutional unit that provides goods and/or services for public benefit free of charge or at prices that are not economically significant. (See Appendix D for information about economically significant prices.) The organization may operate on a cost recovery basis or charge user fees but, in general, it does not compete in the open market for a profit and their operations are mainly financed by public funds. All institutional units that are government controlled non-market producers are classified to the government sector. The following indicators are used in this determination process:

- The entity performs a regulatory function.
- The entity is exempt from income tax.
- The entity is a trust wherein the government has access to the assets.
- The entity provides goods and/or services only to a government.
- The entity delivers a government service such as administering government programs or implementing government policies that provide a collective or individual benefit.
- The public has no free choice to acquire or reject the good or service.
- The entity charges prices that are not economically significant.
- The entity gets its primary income from non-market activities.
- Government transfers or grants cover any deficit generated by the entity.
- The entity's employees negotiate collective agreements with a government.

4.2.4 Public sector indicators for market producers

Most market producers are profit-oriented organizations. They are institutional units that provide goods and/or services in the open market at prices that are economically significant. The majority of these organizations are financially self-sufficient and generally do not rely on public funds to support their operations. Since they usually compete with other providers of similar goods and services, the public has free choice in their market selection. All institutional units that are government controlled market producers are classified as public non-financial or financial corporations in either the non-financial corporations sector or the financial corporations sector. The following indicators are used in this determination process:

- The entity has the financial and operational authority to carry on a business.
- The entity competes in the marketplace.
- The public has free choice to acquire or reject the good or service.
- The entity charges prices that are economically significant.
- The entity gets its primary income from market activity.
- The entity can borrow autonomously.
- The entity remits profits and/or dividends to a government.
- The entity's employees do not negotiate collective agreements with a government.

4.2.5 Statistical treatments

The majority of entities in the public sector universe are classified according to the standard inclusion criteria and indicators. Some entities require special solutions to resolve their unique characteristics within larger conceptual frameworks. These classification treatments are necessary in the following circumstances:

- where institutional units in a specific activity group meet the inclusion criteria for a sector that is different than the rest of the group's economic sector classification. Usually, institutional units of the same type are classified to the same economic sector
- where economic ownership rather than legal ownership is the determining factor
- where an institutional unit meets the inclusion criteria for a particular economic sector, but must be classified to another sector in order to meet an analytical need.

4.2.5.1 Treatment to resolve sectoral disparity within a group of institutional units

For statistical purposes, it is important to have all institutional units that behave in a similar manner grouped within the same sector. Depending on how a government has constructed their organizations, the classification of these entities may produce qualification in different sectors, thus compromising sectoral measurement.

To resolve these situations, treatments were devised to ensure that same type activity would always be classified into the economic sector that best typified the general characteristics, regardless of each unit's actual non-market or market behaviour. As an example, the majority of governments organized their public housing authorities as non-market producers while the minority established them as market producers. To resolve this disparity, a classification decision was taken to treat all public housing authorities as non-market producers of the government sector.

4.2.5.2 Treatment where economic ownership rather than legal ownership is the determining factor

Governments create entities that are empowered to finance, develop and manage assets according to specific purposes.

For some entities, their obligations give rise to relationships involving assets under management; the transfer of assets or liabilities to create off-balance sheet arrangements that produce special purpose organizations such as variable interest entities; the acquisition of assets through long term purchase plans, usually in lessor-lessee contracts; and public-private partnerships.

These transactions generate temporary or indefinite economic ownerships. In such circumstances, the ultimate beneficiary of the assets determines the sector classification. The following situations are typical of these conditions:

- **Public sector pension fund managers** who provide services on behalf of beneficiaries. In this instance, the pension fund is controlled and operated by a government but the pensioners are the ultimate economic owners and beneficiaries of the assets. Thus, the government's responsibilities for the pension liabilities are recorded in the Government Sector and the corresponding pension assets are recorded in the Households Sector of the Canadian System of National Accounts (CSNA).
- **Variable interest entities** where a public sector entity is the primary beneficiary of a variable interest entity's financial results. An entity is considered a variable interest entity if it does not have enough equity to finance its own activities, nor do its equity investors have sufficient equity at risk to finance the entity. A public sector entity may have created a variable interest entity or conducted business with an entity that meets the conditions of a variable interest entity.

Although public sector entities do not control variable interest entities, they are the ultimate beneficiaries if they are exposed to the majority of potential losses, or will receive the majority of potential returns. This relationship constitutes an economic ownership where a public sector entity does not legally own or directly control a variable interest entity, but does derive economic benefit from the prospective risks and rewards of its financial activity.

Accounting practices have been broadened to stipulate the consolidation of variable interest entities in a primary beneficiary's financial statements. Thus, public sector entities that have variable interest entity economic relationships, are consolidating variable interest entity financial transactions in their financial statements.

The Canadian System of National Accounts (CSNA) agrees, in principle, with the concept of economic ownership but also whenever possible tries to classify institutional units such that they do not straddle institutional sectors. If a variable interest entity is consolidated into another entity that is in the same sector, then there is no issue. But, if the consolidation crosses an institutional sector, efforts will be made to preserve the separate units.

At present, it appears that this new accounting treatment is having little impact but the treatment of these entities will be reviewed more extensively during the project to introduce changes based on the revision to the System of National Accounts 2008 (SNA 2008).

- **Lessor and lessee relationships** where the lessor legally owns the asset, but the lessee, as economic owner, assumes the majority of the financial risks and rewards until the asset either becomes their permanent property or is returned to the lessor.

Government entities enter into these types of contractual relationships usually to acquire assets over a period of time. As the lessee, they are entitled to economic ownership of the asset throughout the contract period. When the contract conditions and lease payments have been completed, the government entity assumes legal title to the asset.

During the lease period, the assets under economic ownership are classified in the public sector, as if the government entities were the legal owner. At the end of the lease period should the assets become the legal property of a government entity, there is no change in classification. The asset remains classified in the public sector. An example of this type of relationship could involve the acquisition of buildings, equipment, vehicles, vessels or aircraft.

- **Public-private partnerships** are another instance of assets that are acquired by government entities through a financing method similar to lessor-lessee relationships. The same treatment is applied. An example of this type of relationship could involve the development of major infrastructure projects such roads, bridges, transit, water and sewer installations or other public facilities. (See Appendix B for information about public-private partnerships.)

4.2.5.3 Treatment to meet an analytical need

Economies organize some specialized functions differently but it is useful to have them presented in a consistent fashion to allow for analytical consistence. For example, the Foreign Exchange Account of the Government of Canada has characteristics that would normally classify it in the government sector. However, since this activity is often undertaken by the central bank, it is classified with the Bank of Canada as part of the federally controlled monetary authority in the financial corporations sector.

4.2.6 The resistance rule

Over time, an organization's objectives may evolve in different directions. For example, a goal of financial self-sufficiency may not be realized or amendments to enabling legislation could change its mandate. Annual scrutiny of financial transactions ensures consistent classification treatments. If there are changes, then the classification decision will be reviewed and the organization reassessed.

Classification revisions that cause a public sector institutional unit to change from one economic sector to another are only performed when there is a major shift in the entity's main source of revenue evidenced over a period of years or, there is a modification in the entity's enabling legislation causing a change in mandate and funding.

The purpose of this on-going review process ensures that the organization is accurately classified over the course of time and avoids re-classifications that could cause distortions to statistical time series. This quality assurance measure is referred to as the **resistance rule**.

4.3 The public sector classification decision process

There are four phases involved in the public sector classification decision process.

The initial phase involves researching and gathering information about the organization under review. Publicly available documents are normally the basis for the classification assessment. For example, an organization's status, powers and operational requirements are stated in its enabling legislation. Operational and financial performances are published in the organization's annual reports.

The second phase entails applying and documenting the public sector inclusion criteria to the information contained in the entity's enabling legislation, annual report and audited financial statements.

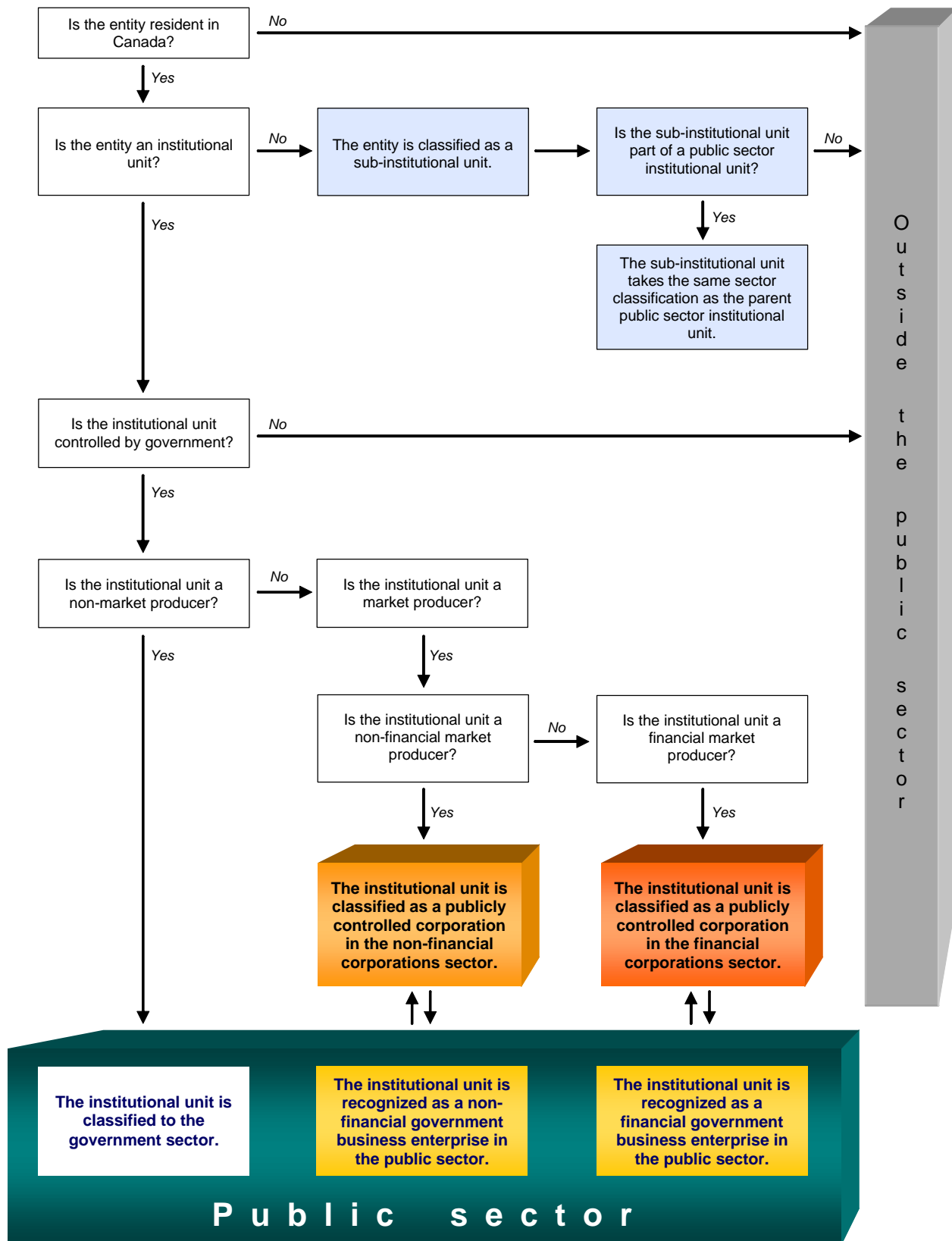
In phase three, all public sector inclusion criteria are evaluated to determine the organization's institutional unit status, control and sector of economic activity. A rationale is then prepared to summarize the conclusions and state the final classification decision.

In the final phase, the entity is assigned classification coding to identify its primary activity within various classification systems. The major classification systems are the

- Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector
- North American Industrial Classification System (NAICS).

The public sector entity classification decision constitutes the official record that summarizes all pertinent information related to the classification of an entity. See Appendix E for an example of a public sector entity classification decision.

Chart 4.2 The public sector classification decision process



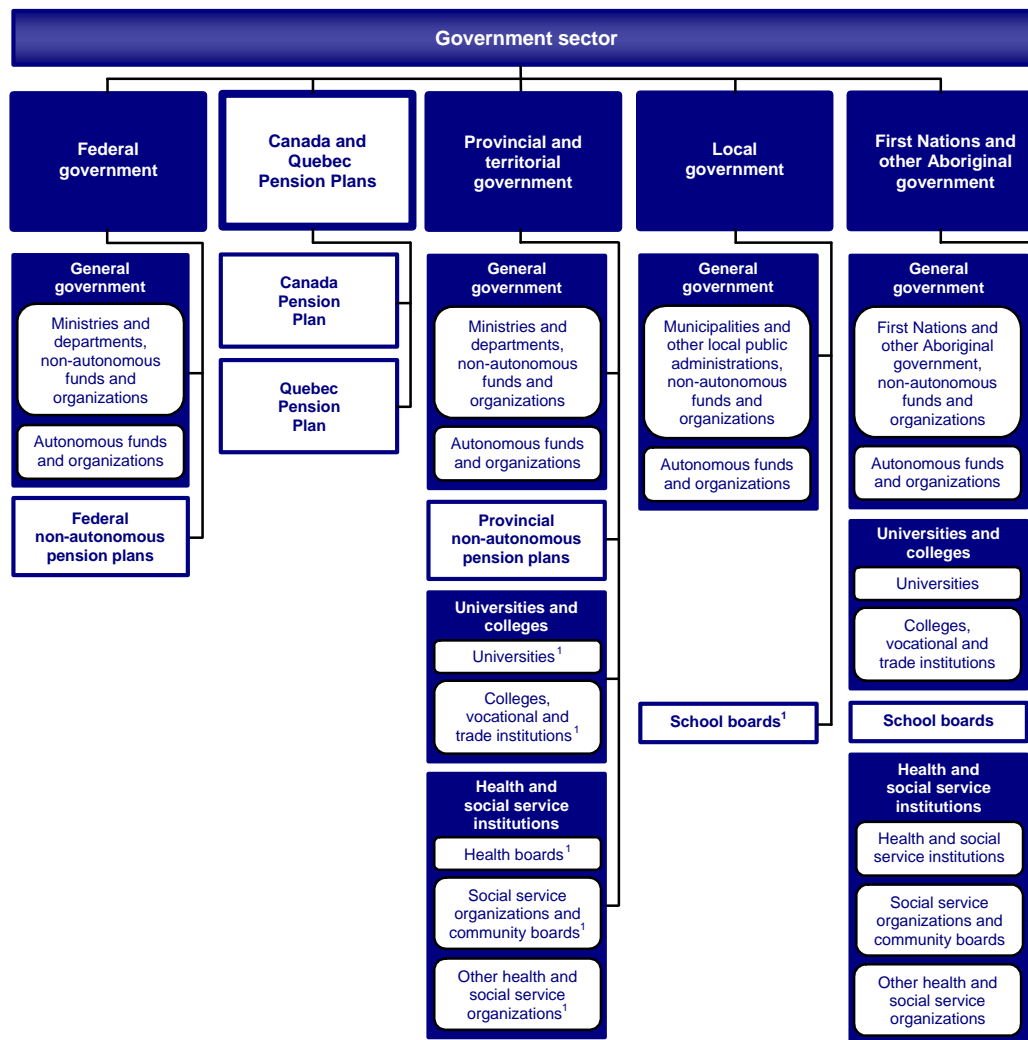
Chapter 5

5 The government sector: non-market producers

5.1 The government sector

The government sector is composed of all governments as well as all non-profit entities created by public administrations to deliver goods and/or services for the benefit of society. In statistical terms, they are collectively referred to as non-market producing units. They are classified within the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector according to economic activity and government of control.

Chart 5.1 The government sector



1. Except institutions which are embedded in the federal or provincial and territorial public accounts or local government audited financial statements.

The government sector contains all

- federal, provincial and territorial government ministries and departments
- municipalities
- First Nations and other Aboriginal governments
- non-autonomous funds and organizations
- autonomous funds and organizations
- public universities and colleges
- public school boards
- public health and social service institutions
- non-autonomous government pension funds
- Canada and Quebec Pension Plans (CPP/QPP).

The government sector does not include supranational bodies such as the United Nations (UN) or other international organizations that may exist and operate within Canada. They are treated as non resident units that are outside the public sector universe.

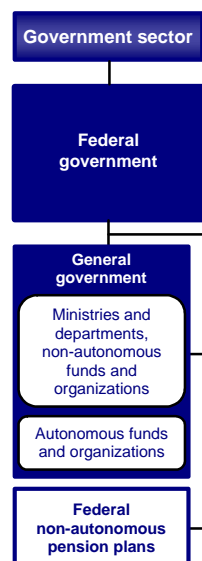
The government sector is divided into sub-sectors that group units by their government of control. This partitioning facilitates the study of activities at finer levels of detail and allows for comparisons among governments. The Canada and Quebec Pension Plans (CPP/QPP) are unique services. They are positioned at the sub-sector level to form their own distinct grouping.

Entities in the federal sub-sector are classified in the Canadian System of National Accounts – Classification of Institutional Units by Sector system within this structure:

- federal government sub-sector
- Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) sub-sector
- provincial and territorial government sub-sector
- local government sub-sector
- First Nations and other Aboriginal governments sub-sector.

5.2 Federal government sub-sector

Chart 5.2 The federal government sub-sector



The federal government sub-sector contains the federal government and all non-market producing units under its control. These entities are engaged in the creation and implementation of federal government policy and the delivery of services such as justice, civil order and the regulation of economic and social actions. They are classified in the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector within this structure:

- federal government sub-sector
 - federal general government component
 - federal ministries and departments sub-component
 - federal non-autonomous funds and organizations sub-component
 - federal autonomous funds and organizations sub-component
 - federal non-autonomous pension plans component.

5.2.1 Federal general government component

The federal general government component contains all federal non-market producing units that operate as ministries, departments, non-autonomous and autonomous government funds and organizations.

5.2.1.1 Federal ministries and departments sub-component

This sub-component contains all federal ministries and departments that provide goods and services for the benefit of society such as justice, civil order and the regulation of economic and social actions. These units are not institutional units. They are sub-units which are listed in the public sector universe to delineate the elements of consolidation that constitute the federal government entity.

5.2.1.2 Federal non-autonomous general government funds and organizations sub-component

The federal government creates entities that do not have the legal or the financial autonomy to function on their own. They are generically referred to as non-autonomous funds and organizations. These entities are special purpose accounts, funds or organizations that do not meet institutional unit criteria. They do not maintain a complete and separate set of financial statements, do not own assets, cannot incur liabilities, nor act on their own behalf. However, they are directly controlled by the federal government, operate within the budgetary framework of a department or ministry, and are normally reported in the government's consolidated financial statements. For example, these types of entities could provide support services in areas such as employment insurance, human rights, security intelligence or environmental damage. They are classified as sub-units in the public sector universe and included to identify the elements of consolidation that comprise the federal government entity.

5.2.1.3 Federal autonomous general government funds and organizations sub-component

Federal autonomous general government funds and organizations are special purpose entities created by the federal government to deliver particular goods and/or services to the public. For example, they might provide deposit insurance, support national museums and parks, or regulate transportation safety. They are sustained by public funds and mandated to account for their operations annually to Parliament. For this purpose, they keep a complete and separate set of financial statements in order to disclose their activities when required. They are non-market producing institutional units classified in the public sector as a constituent of federal general government.

5.3 Pension plans

Pension plans provide income on retirement for specific groups of employees. They are created by governments through legislation that stipulates the pension plan's authority, organization, operation and benefit scheme. The mandatory contributions to these plans form pools of funds that are used to meet the pension plan's obligations.

Pension plans may be either trustee or non-trustee. In **trustee pension plans**, the sponsoring government may assume the role of trustee or a private sector agent may be appointed. In either case, the trustee is the sole custodian of the pension funds and, by law, may not use the funds for any other purpose than to serve the pension plan. In **non-trustee pension plans**, the sponsoring government manages the pension plan; there is no trustee. As administrator, the government has full access to the pension funds in order to service the pension plan or for any other purpose such as directing surplus pension funds for investment.

5.3.1 Trustee Pension Plans: Autonomous institutional units

Governments determine the best method to provide pension benefits for their employees. Governments create pension plans through legislation that specifies a plan's benefit scheme, contributory obligations, organization, and the treatment of the pension funds generated by contributions and investments. Governments appoint trustees to provide administration and management expertise and the legislation stipulates the authority and accountability requirements that the trustees must exercise over the pension plan. The trustees may be an agent in the private sector or the government may assume this role.

The trustees ensure that there are sufficient funds to meet the current and future requirements of the pension plans. To achieve this directive, they invest surplus pension funds to acquire non-financial and financial assets with the view of making a financial gain at minimum risk to the pension funds. The trustees are obliged to prepare annual reports that include a full set of audited financial statements, to account for the assets under their management. The trustees charge the plan for their services. Some examples of autonomous pension plans are municipal employees' retirement plans and teachers' pension plans.

By legislation, trustee pension funds are autonomous institutional units. They are legally entitled to own assets, engage in economic activities, incur liabilities, and maintain a complete set of accounts. However, trustee pension funds are not controlled by governments. The trustee is the custodian of the pension funds on behalf of the beneficiaries. In this role, the trustee has the delegated authority to control the pension funds and act as the legal owner of the pension's assets. Since the government does not control the pension funds, trustee pension plans are not part of the public sector universe.

5.3.2 Non-trustee pension plans: Non-autonomous units

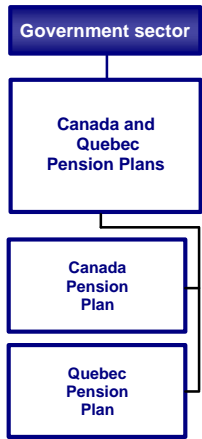
Governments may provide retirement schemes for their employees without the assistance of trustees. Such schemes are organized as non-trustee pension plans. In these circumstances, the sponsoring government performs the duties of pension plan administrator by directing the plan's operational requirements and by managing the funds generated from employee contributions. The pension funds may be held in accounts that are kept separate from the government's other special purpose accounts or the contributions may be deposited directly into the government's general revenue fund. The administrator has access to these funds, using the monies for benefit payouts and administrative costs. Surplus pension funds can be transferred to other government agents for investment purposes.

Non-trustee pension plans are not institutional units. They are not legally entitled to own assets, cannot engage in economic activities, or can they incur liabilities. As well, the administrator is not obliged to keep a complete set of accounts. The government controls the pension fund's accounts and financial activities. As non-autonomous fund accounts, the pension funds are consolidated with the financial transactions of the government managing the plan. Thus, non-autonomous pension funds are constituents of the government sector. Some examples of non-autonomous pension plans are the parliamentary, legislative and public service pension fund accounts and the public service superannuation account.

Non-autonomous pension plans that are organized and directed by federal, provincial, and territorial governments are grouped in separate components within the government sector of the public sector universe. Since non-autonomous pension plans are not institutional units, they are classified as sub-units in the public sector and included to identify the elements of consolidation that comprise a government entity.

5.3.3 Canada and Quebec Pension Plans (CPP/QPP) sub-sector

Chart 5.3 The Canada and Quebec Pension Plans (CPP/QPP) sub-sector



The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) comprise the Canada and Quebec Pension Plans component. They are equivalent social security plans but administered by different levels of government. The Canada Pension Plan is administered by the federal government and the Quebec Pension Plan is administered by the government of Quebec.

The Canada Pension Plan and the Quebec Pension Plan are institutional units classified in the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector within this structure:

- Canada and Quebec Pension Plans sub-sector
 - Canada Pension Plan component
 - Canada Pension Plan sub-component
 - Quebec Pension Plan component
 - Quebec Pension Plan sub-component.

5.4 Provincial and territorial government sub-sector

Chart 5.4 The provincial and territorial government sub-sector



The provincial and territorial government sub-sector contains all provincial and territorial governments as well as all non-market producing units under their control. These entities are engaged in the creation and implementation of government policy and/or the delivery of government services within their jurisdiction.

The sub-sector is divided into components and sub-components that group units according to their activity. The provincial and territorial government sub-sector is divided into these components: general government; non-autonomous pension plans; universities and colleges; and health and social service institutions. There are sub-components that segregate the component constituents into greater detail, for example ministries, universities, and health boards.

Entities in the provincial and territorial sub-sector are classified in the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector within this structure:

- provincial and territorial government sub-sector
 - provincial and territorial general government component
 - ministries and departments sub-component
 - non-autonomous funds and organizations sub-component
 - autonomous funds and organizations sub-component
 - provincial non-autonomous pension plans component
 - universities and colleges component
 - universities sub-component
 - colleges, vocational and trade institutions sub-component
 - health and social service institutions component
 - health boards sub-component
 - hospitals
 - residential care facilities
 - other health care facilities
 - other health care services
 - other services under the jurisdiction of health boards
 - social service organizations and community boards sub-component
 - other health and social service organizations sub-component.

1. Except institutions which are consolidated in the federal or provincial and territorial public accounts or local government audited financial statements.

5.4.1 Provincial and territorial general government component

The provincial and territorial general government component contains all provincial and territorial non-market producing units that operate as ministries, departments, non-autonomous and autonomous government funds and organizations.

5.4.1.1 Provincial and territorial ministries and departments sub-component

The provincial and territorial ministries and departments sub-component contains all provincial and territorial non-market producing units that provide goods and services for the benefit of society, such as justice, civil order, and the administration of education, health and social services. These units are not institutional units. They are sub-units, which are listed in the public sector to identify the elements of consolidation that constitute a provincial or territorial entity.

5.4.1.2 Provincial and territorial non-autonomous general government funds and organizations sub-component

Provincial and territorial governments create entities that do not have the legal or the financial autonomy to function on their own. They are generically referred to as non-autonomous funds and organizations. These entities can be special purpose accounts, funds or organizations, as specified in government regulations that do not meet institutional unit criteria. They do not maintain a complete and separate set of financial statements, do not own assets, cannot incur liabilities, nor act on their own behalf. However, they are directly controlled by a provincial or territorial government, operate within the budgetary framework of a department or ministry, and are normally included in the provincial or territorial government's consolidated financial statements. For example, these types of entities could provide human rights, victim's assistance or emergency measures services. They are classified as sub-units in the public sector universe to identify the elements of consolidation that comprise a provincial or territorial government reporting entity.

5.4.1.3 Provincial and territorial autonomous general government funds and organizations sub-component

Provincial and territorial autonomous general government funds and organizations are special purpose entities created by public administrations to deliver particular goods and/or services to the public. For example, these types of entities could provide public housing, legal aid or workers' compensation services. They are sustained by public funds and mandated to account for their operations annually to their respective legislatures. For this purpose, they keep a complete and separate set of financial statements in order to disclose their activities when required. They are non-market producing institutional units classified in the public sector as a constituent of provincial and territorial general government.

5.4.2 Universities and colleges component

Provincial and territorial governments provide financial support to post secondary education institutions. This may take the form of grants, transfer payments, or funding for special purposes, such as the construction of new buildings, repairs to existing structures, or research. Governments frequently impose accountability requirements on the institutions that receive public funds. The degree of government control over these funding arrangements is an indication as to whether the entity will be classified as an institutional unit in the government sector.

All government controlled, non-market producing, institutional units operating as universities and colleges are identified in the public sector as a separate aggregation to enable analytic study of this activity. The universities and colleges component is divided into two sub-components:

- universities sub-component
- colleges, vocational and trade institutions sub-component.

5.4.2.1 Universities sub-component

The universities sub-component contains all government controlled post-secondary education institutions that have the authority to grant degrees. Most of these institutions are called universities. However, some are called colleges and a few are known as institutes or schools. They are non-market producing institutional units classified in the public sector as a constituent of provincial and territorial government.

5.4.2.2 Colleges, vocational and trade institutions sub-component

The colleges, vocational and trade institutions sub-component contains all government controlled institutions that provide post-secondary education, apart from universities. Some institutions, such as colleges of applied arts and technology or Quebec's Collèges d'enseignement général et professionnel (CEGEPs), offer a broad range of post-secondary programs, while others provide training in specific areas such as arts, forestry, or agriculture. Trade and vocational institutions, in general, provide programs which prepare the trainee for an occupation where the emphasis is on well defined procedures rather than on the theoretical application of ideas and principles. Training facilities in hospitals that provide post-secondary instruction, such as schools of nursing and other health science technologies are classified in the hospital sub-component. All colleges, vocational and trade institutions funded and controlled by government are non-market producing institutional units. They are classified in the public sector as a constituent of provincial and territorial government.

5.4.3 Health and social service institutions component

Provincial and territorial governments are responsible for health and social services within their jurisdiction by legislative authority of Constitution Acts from 1867 to 1982. Health and social service institutions are therefore a constituent of these governments. The health and social service institutions component contains all non-market producing institutional units operating as autonomous public health boards, social service organizations and community boards, and other health and social service organizations of provincial and territorial governments. For-profit, privately owned and operated health and social service institutions are not included in the public sector statistical universe.

5.4.3.1 Health boards sub-component

The health boards' sub-component contains all autonomous public health organizations responsible for administering, managing, delivering and funding health services, either directly or indirectly, within a specific geographic area. They have the authority to work with local health service providers to create a health care plan for their region, to determine priorities in providing health services, and to allocate resources to hospitals, continuing care facilities, community health services, and public health programs within their jurisdiction. They are required to report annually to their respective ministry or department of health to account for the use of public funds. Their consolidated financial statements usually contain all the units within their authority. They are non-market producing institutional units classified in the public sector as a constituent of provincial and territorial government. Health board services encompass these categories:

- hospitals, including any training facilities in hospitals such as schools of nursing or other health science technologies
- residential care facilities
- other health care facilities
- other health care services
- other services under the jurisdiction of the health board.

5.4.3.2 Social service organizations and community boards sub-component

The social service organizations and community boards sub-component contains all autonomous public social service organizations and community boards that have the authority to provide community level child and family services, social programs, and other support services directly or in collaboration with local organizations and community groups. They are non-market producing institutional units classified in the public sector as a constituent of provincial and territorial government.

5.4.3.3 Other health and social service organizations sub-component

The other health and social service organizations sub-component contains all other autonomous public health or social service institutions such as hospitals, residential care facilities, and other health and social service institutions that do not fall under the administrative authority of health boards or social service organizations and community boards. They are non-market producing institutional units classified in the public sector as a constituent of provincial and territorial government.

5.5 Local government sub-sector

Chart 5.5 The local government sub-sector



The local government sub-sector contains all local governments and all the non-market producing units under their control. These entities are engaged in the creation and implementation of local government policy and the delivery of services within their jurisdiction. They are classified in the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector within this structure:

- local government sub-sector
 - local general government component
 - municipalities and other local public administrations sub-component
 - non-autonomous funds and organizations sub-component
 - autonomous funds and organizations sub-component
 - school boards component.

5.5.1 Local general government component

The local general government component contains all local non-market producing units that operate as municipalities, as well as their non-autonomous and autonomous funds and organizations. It also includes any other forms of local government administration that are empowered by provincial or territorial legislation to provide specific services to the public.

1. Except institutions which are embedded in the federal or provincial and territorial public accounts or local government audited financial statements.

5.5.1.1 Municipalities and other local public administrations sub-component

The municipalities and other local public administrations sub-component contains all municipal governments and the non-market producing institutional units under their control that provide goods and services for the benefit of persons residing in a local area. They represent municipal administrations that are engaged in the creation and implementation of local government policy and/or in the delivery of services within their jurisdiction. They are non-market producing institutional units classified in the public sector as a constituent of local general government.

This sub-component also contains all other forms of local government administration that provincial and territorial governments have created to provide services within a geographical area. These entities may manage a locality in co-operation with neighbouring municipalities or they may perform their

administrative functions entirely on their own. For the most part, these entities are not institutional units and therefore are classified as sub-units in the public sector. They are included to show the entities that comprise the local general government sub-sector.

5.5.1.2 Local non-autonomous general government funds and organizations sub-component

Local governments create entities that do not have the legal or the financial autonomy to function on their own. They are generically referred to as non-autonomous funds and organizations. These entities can be special purpose accounts, organizations or funds that do not meet institutional unit criteria. They do not maintain a complete and separate set of financial statements, do not own assets, cannot incur liabilities, nor act on their own behalf. However, they are directly controlled by a local government, operate within the budgetary framework of a municipal department, and are normally reported in the local government's consolidated financial statements. For example, these types of entities could provide municipally supported recreational or cultural services in the community. They are classified as sub-units in the public sector to show the elements of consolidation that comprise the local general government entity.

5.5.1.3 Local autonomous general government funds and organizations sub-component

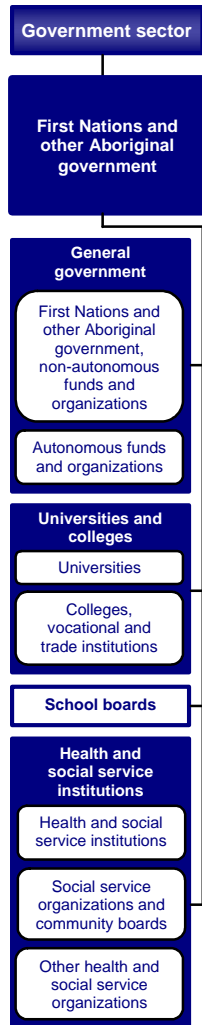
Local autonomous general government funds and organizations are special purpose entities created by public administrations to deliver particular goods and/or services to the public, such as public libraries, conservation authorities and water treatment facilities. They are non-market producing institutional units classified in the public sector as a constituent of local general government.

5.5.2 School boards component

School boards are local education authorities created to administer local taxation and/or provincial grants on behalf of persons residing within a specific geographic area. They operate under authority delegated from the province or territory, in accordance with the Education Act of the province or territory where they are located. Their consolidated financial statements usually contain all the schools within their authority. They are non-market producing institutional units classified in the public sector as a constituent of local government. Exceptions do exist where elementary and secondary schools are controlled and administered by provincial and territorial departments of education and are thus consolidated in the public accounts of their respective government.

5.6 First Nations and other Aboriginal government sub-sector

Chart 5.6 First Nations and other Aboriginal government sub-sector



Institutional units for the First Nations and other Aboriginal government sub-sector will be classified in the government sector of the public sector universe. This designation is not yet fully articulated as the transition of the First Nations and other Aboriginal people to more independent forms of government is still in process. However, during the interim, First Nations and other Aboriginal government institutional units are classified in a manner similar to provincial and territorial governments in the Canadian System of National Accounts (CSNA) – Classification of Institutional Units by Sector within this structure:

- First Nations and other Aboriginal government sub-sector
 - First Nations and other Aboriginal general government component
 - First Nations and other Aboriginal government sub-component
 - non-autonomous funds and organizations sub-component
 - autonomous funds and organizations sub-component
 - First Nations and other Aboriginal government school boards component
 - School boards sub-component
 - First Nations and other Aboriginal government universities and colleges component
 - Universities sub-component
 - Colleges, vocational and trade institutions sub-component
 - First Nations and other Aboriginal government health and social service institutions component
 - Health and social service institutions sub-component
 - hospitals
 - residential care facilities
 - other health care facilities
 - other health care services
 - Social service organizations and community boards' sub-component
 - Other health and social service organizations sub-component.

Chapter 6

6 The corporate sector: market producers

6.1 The corporate sector

The corporate sector is a broader domain of statistical measurement. It is a combination of the non-financial corporations sector and the financial corporations sector. It encompasses all publicly and privately controlled resident institutional units that conduct business in the market place as either non-financial or financial corporations. They are market producers.

Chart 6.1 The corporate sector domain

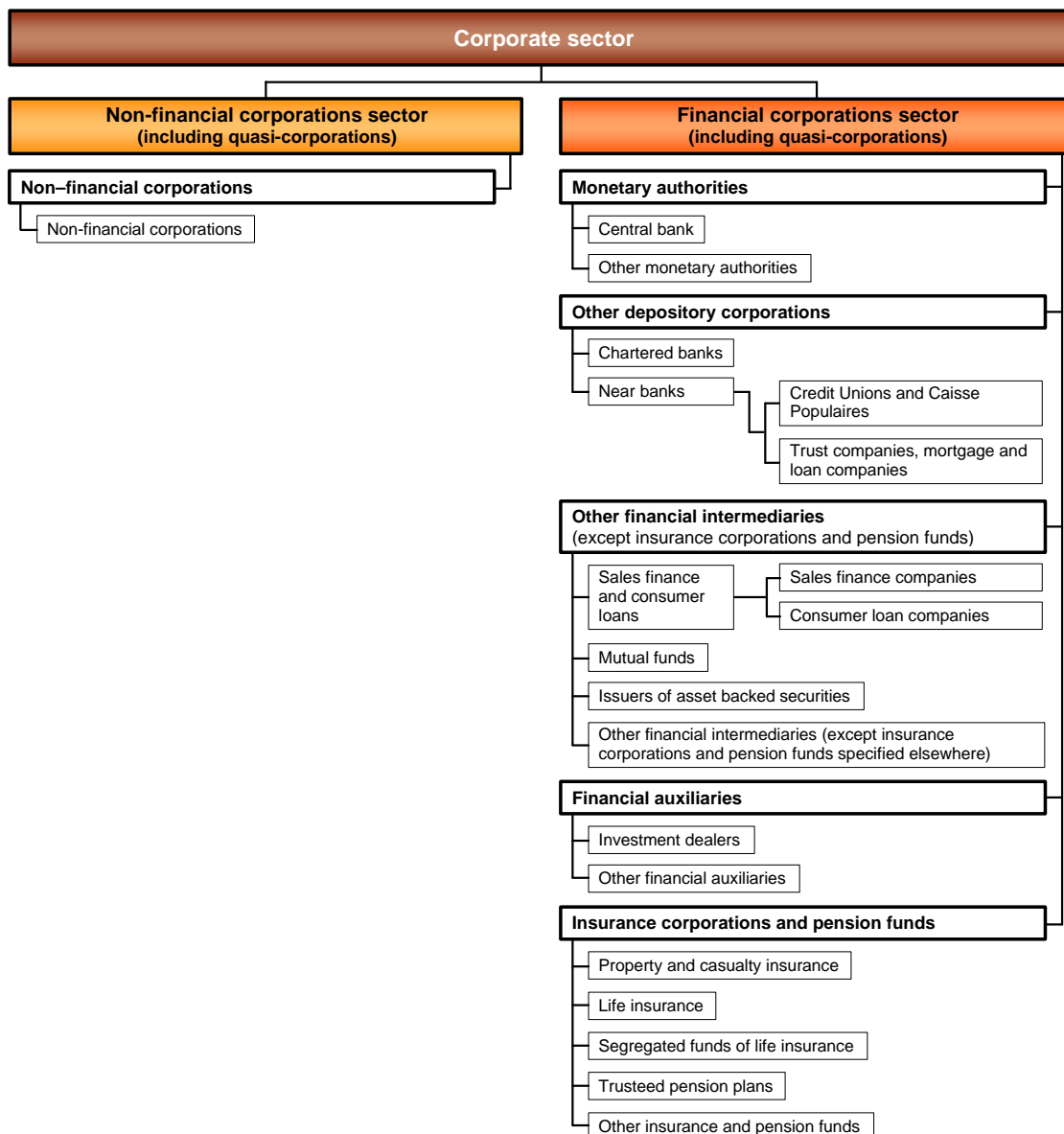
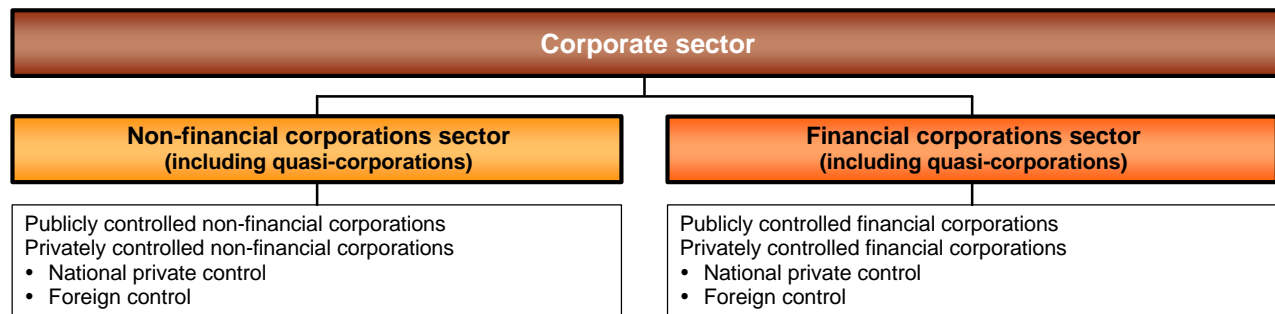


Chart 6.2 The corporate sector: control

6.1.1 Non-financial corporations sector

The non-financial corporations sector contains all market producing institutional units whose principal activity is the sale of non-financial goods and services in the market place. The composition of this sector is too diverse to categorize its economic activity into specific types of observation. The sectoring system is applied and the whole category is carried through the sub-sector component and sub-component levels as follows:

- non-financial corporations sub-sector
 - non-financial corporations component
 - non-financial corporations sub-component.

6.1.2 Financial corporations sector

The financial corporations sector contains all market producing institutional units whose principal activity is the sale of financial services in the market place. It is partitioned into these sub-sectors:

- monetary authorities sub-sector
- other depository corporations sub-sector
- other financial intermediaries (except insurance corporations and pension funds) sub-sector
- financial auxiliaries sub-sector
- insurance corporations and pension funds sub-sector.

Each sub-sector is divided into components and sub-components to enable analytic study at finer levels of detail. The components, with their related sub-sector, are

- monetary authorities sub-sector
 - central bank component
 - other monetary authorities component
- other depository corporations sub-sector
 - chartered banks component
 - near banks component
- other financial intermediaries (except insurance corporations and pension funds) sub-sector
 - sales finance and consumer loans component
 - mutual funds component
 - issuers of asset backed securities component

- other financial intermediaries (except insurance corporations and pension funds specified elsewhere) component
- financial auxiliaries sub-sector
 - investment dealers component
 - other financial auxiliaries component
- insurance corporations and pension funds sub-sector
 - property and casualty insurance component
 - life insurance component
 - segregated funds of life insurance component
 - trustee pension plans component
 - other insurance and pension funds component.

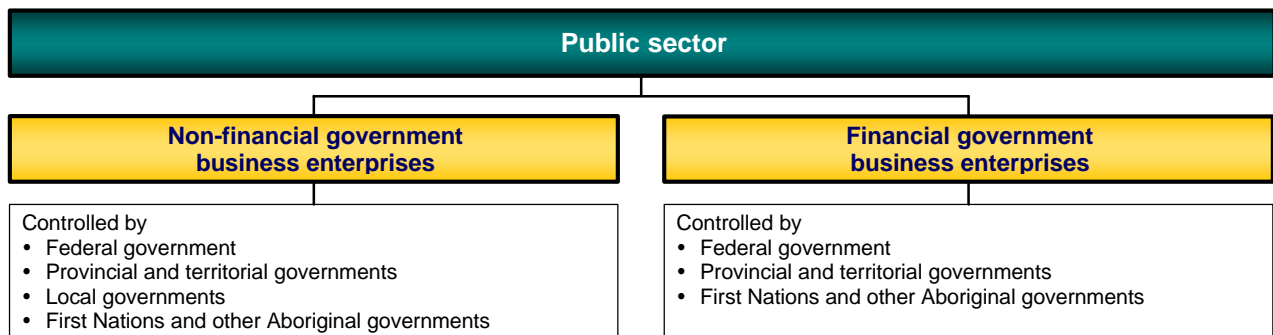
6.1.3 Quasi-corporations

Quasi-corporations are unincorporated entities that are sufficiently independent to behave as if they were corporations. They must keep a complete set of accounts, including a balance sheet or be capable of producing a complete set of accounts if required. This is a primary condition that must be evidenced in order for an entity to qualify as a quasi-corporation. They may operate in the non-financial corporations sector or the financial corporations sector. Within the public sector, quasi-corporations are government controlled units that are engaged in market production.

6.2 Public sector government business enterprises

In the public sector, publicly controlled non-financial corporations and financial corporations are referred to as government business enterprises. They are market producing institutional units that are controlled by governments. Government business enterprises conduct business in the market place producing goods and services for sale at prices which are economically significant. They may operate as a monopoly or in active competition with similar private sector organizations. These market entities must be classified within the sectors that reflect their primary economic activity. For this reason, government business enterprises are classified in the non-financial corporations sector or the financial corporations sector according to the nature of their activities.

Chart 6.3 Public sector government business enterprises: control



Government business enterprises are usually established by governments through an Act of Parliament or Legislature, in accordance with existing laws governing incorporation or by legally binding agreements. In some instances, an entity will become part of the public sector through the government's takeover of a private corporation, by expropriation, by purchasing a controlling portion of voting shares, or by other means. Certain public sector entities may be classified as government business enterprises in accordance with international convention. For

example, the national central bank and monetary authorities that manage foreign exchange are classified as government business enterprises in keeping with this standard.

In instances where ownership is dispersed among governments and/or their enterprises, the ownership of the entire entity and related financial statistics will be prorated on the basis of each government's or business enterprise's investment in relation to the total government / business enterprise equity. An example of these types of shared ownerships can be found in lottery corporations that form enterprise consortiums for the Atlantic and western provinces.

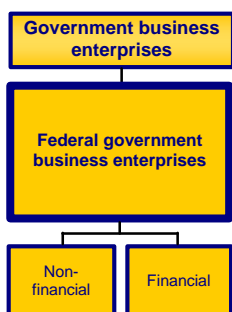
A subsidiary of a government business enterprise whose accounts are consolidated with those of its parent is deemed to be a government business enterprise. Where separate financial statements are available for a subsidiary, then it will be classified according to its own sector and industrial activity.

In the public sector universe, government business enterprises are classified by activity and level of government, namely

- federal non-financial or financial government business enterprises
- provincial and territorial non-financial or financial government business enterprises
- local non-financial government business enterprises
- First Nations and other Aboriginal government non-financial or financial government business enterprises.

6.2.1 Federal government business enterprises

Chart 6.4 Federal government business enterprises



Federal government business enterprises are market producing institutional units that are classified as either non-financial or financial entities according to the nature of their activities.

6.2.1.1 Federal non-financial government business enterprises

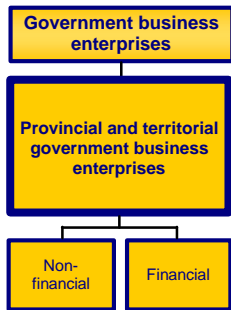
Federal non-financial government business enterprises are market-producing institutional units whose principal activity is the sale of non-financial goods and services in the market place. Examples of these activities would be the postal service, port authorities and marketing boards. They are classified in the non-financial corporations sector as public non-financial corporations under federal control.

6.2.1.2 Federal financial government business enterprises

Federal financial government business enterprises are market-producing institutional units whose principal activity is the sale of financial services in the market place. Examples of these activities would be the business development banking, farm credit and the central banking services of the Bank of Canada. They are classified in the financial corporations sector as public financial corporations under federal control.

6.2.2 Provincial and territorial government business enterprises

Chart 6.5 Provincial and territorial government business enterprises



Provincial and territorial government business enterprises are market producing institutional units that are classified as either non-financial or financial entities according to the nature of their activities.

6.2.2.1 Provincial and territorial non-financial government business enterprises

Provincial and territorial non-financial government business enterprises are market-producing institutional units whose principal activity is the sale of non-financial goods and services in the market place. Examples of these activities would be lotteries, the services of liquor authorities and electricity corporations. They are classified in the non-financial corporations sector as public non-financial corporations under provincial or territorial control.

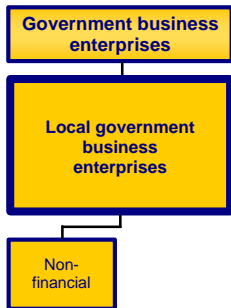
6.2.2.2 Provincial and territorial financial government business enterprises

Provincial and territorial financial government business enterprises are market-producing institutional units whose principal activity is the sale of financial services in the market place. An example of these activities would be the services of investment and financing corporations. They are classified in the financial corporations sector as public financial corporations under provincial or territorial control.

6.2.3 Local government business enterprises

Currently, the local level of government contains only market producing institutional units that are non-financial in nature.

Chart 6.6 Local government business enterprises



6.2.3.1 Local non-financial government business enterprises

Local non-financial government business enterprises are market-producing institutional units whose principal activity is the sale of non-financial goods and services in the market place. Examples of these activities would be those of municipally controlled gas and electricity commissions. They are classified in the non-financial corporations sector as public non-financial corporations under local control.

6.2.4 First Nations and other Aboriginal government business enterprises

This category is not yet completed as the task of enumerating the business activities of First Nations and other Aboriginal governments is still in process. In the interim, all Aboriginal business enterprises are classified in the same structure as provincial and territorial government business enterprises.

Chart 6.7 First Nation and other Aboriginal government business enterprises



6.2.4.1 First Nations and other Aboriginal non-financial government business enterprises

First Nations and other Aboriginal government non-financial government business enterprises would be market-producing institutional units whose principal activity is the sale of non-financial goods and services in the market place. Examples of these activities would be mining, power generation and artisan activities. They are classified in the non-financial corporations sector as non-financial corporations under First Nations and other Aboriginal government control.

6.2.4.2 First Nations and other Aboriginal financial government business enterprises

First Nations and other Aboriginal government financial government business enterprises would be market-producing institutional units whose principal activity is the sale of financial services in the market place. Examples of these activities would be business development, insurance, and investment. They would be classified in the financial corporations sector as financial corporations under First Nations and other Aboriginal government control.

Chapter 7

7 Government financial reporting

7.1 Government accountability

Governments are accountable for their activities. They are obligated to inform the public about the stewardship of their jurisdictions. Disclosures usually take the form of annual reports that include an accounting of government's financial transactions for a fiscal period. In Canada, these financial reporting exercises are generally governed by the accounting guidelines prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Public Sector Accounting Board's "Public Sector Accounting Handbook" states that governments' financial statements should consolidate the financial statements of all organizations under their control with the exception of government business enterprises. Government business enterprises should be reported in the government's summary financial statements on a modified equity basis. The net assets of the government business enterprises are reflected as an investment (a financial asset) on the government's consolidated statement of financial position, while the government business enterprises net income is presented as a separate item on the government's statement of results.

Under the Public Sector Accounting Board's reporting guidelines, governments have been directed to list all entities that have been included in their consolidated financial statements. The list can vary by jurisdiction, but generally comprises government units such as their autonomous funds and organizations; hospitals, universities, colleges and schools; and the consolidated revenue fund. As governments revise their reporting methods to comply with the Public Sector Accounting Board guidelines, these units will eventually be consolidated using the full line by line consolidation method.

7.2 The reporting cycle

Before the commencement of a fiscal period, public administrations submit estimates of expenditure to the federal parliament, provincial-territorial legislatures or municipal councils to seek funding approval for the programs and services necessary to fulfill their mandates. At the end of a fiscal period, activities are summarized to report on government's budgeted intentions compared to actual expenditures. All financial transactions are consolidated into a primary set of financial statements and audited by an appropriate authority. At government's discretion, financial information may be disaggregated from their consolidated statements, in order to account for the activities of special purpose organizations, funds and enterprises. The extent of this disclosure depends on government's ability to provide details for each entity in their administration.

7.3 Statistical perspective

Often, it is not possible to obtain financial information for each unit of an economic reporting entity. While statistical coverage is complete for a sector, data for component aggregations within sub-sectors may be incomplete due to the fact that governments have chosen to provide separate financial statements only for certain entities while the transactions of other entities are embedded within a government's main financial statements. Thus, information is readily available for entities that have their own financial statements or that have the ability to report separately from their parent entity's consolidated statements. These institutional units are usually the autonomous government funds, organizations and business enterprises that are mandated to maintain their own books of account. Classifications can be applied to distinguish, group and measure their unique activities with similar units.

Embedded entities, on the other hand, are not institutional units. They do not have separate financial information. Their operations are included with the parent government's financial transactions. Since their performances cannot be distinguished from the government's operations, they must be classified to the same sub-component as their parent's, according to the concepts of the System of National Accounts 2008 (SNA 2008). Embedded

entities may be classified according to their characteristics using the North American Industrial Classification System and listed with units of similar activity to show a complete universe. However, their embedded status restricts sectoral measurement to their parent's sub-component classification.

7.4 Entities embedded in the federal government sub-sector

These embedded entities are the federally controlled non-profit public institutions whose financial transactions are not available separately from their parent government. Examples of these units are federal hospitals, nursing stations, residential care facilities and colleges operating through the Department of National Defence, Health Canada and Veteran's Affairs Canada.

7.5 Entities embedded in the provincial and territorial government sub-sector

These embedded entities are the provincially or territorially controlled non-profit public institutions whose financial transactions are not available separately from their parent government. Examples of these units are some provincial or territorial hospitals, residential care facilities and school boards.

7.6 Entities embedded in the local government sub-sector

These embedded entities are the locally controlled non-profit public institutions whose financial transactions are not available separately from their parent local government. Examples of these units are municipally owned hospitals and residential care facilities.

Appendix A

Public-private partnerships¹

"Public-private partnerships are complex, long-term contracts between two units, one of which is normally a private, for profit enterprise and the other normally is a government unit. Public-private partnerships normally involve a collection of expensive fixed assets being acquired by the private unit, which then operates and manages the assets to produce and deliver services either to the government unit or to the general public on behalf of the government unit. At the end of the contract, the government unit often acquires legal ownership of the fixed assets, sometimes without payment or for a payment that clearly is less than the market value. The fixed assets are often referred to as infrastructure assets because many of the large projects undertaken by means of public-private partnerships involve the provision of transportation, communications, utilities, or other services typically described as infrastructure services.

Governments engage in public-private partnerships for a variety of reasons, including the hope that private management may lead to more efficient production and that access to a broader range of financial sources can be obtained. Public-private partnership contracts frequently generate difficult accounting decisions because legal ownership of the assets may differ from operational control, there may be an advance agreement for the transfer of legal ownership part way through the service lives of the assets, observed monetary transactions may take place at prices that are not market prices, and actual transactions may have to be rearranged to reveal their true economic character.

Public-private partnerships vary greatly. A general description that includes the most common accounting problems is as follows: a private enterprise agrees to acquire a complex of fixed assets and then to use those assets together with other production inputs to produce services. Those services may be delivered to the government, either for use as an input to its own production (for example, motor vehicle maintenance services) or for distribution to the public without payment (for example, education services), in which case the government will make periodic payments during the contract period and the private enterprise expects to recover its costs and earn an adequate rate of return on its investment from those payments. Alternatively, the private enterprise may sell the services to the public (for example, a toll road), with the price regulated by the government but set at a level that the private enterprise expects will permit it to recover its costs and earn an adequate rate of return on its investment. At the end of the contract period, the government may gain legal ownership and operational control of the assets, possibly without payment. There can be many variations in public-private partnership contracts regarding the disposition of the assets at the end of the contract, the required operation and maintenance of the assets during the contract, the price, quality, and volume of services produced, and so forth.

The private enterprise acquires the fixed assets and is the legal owner of the assets during the contract period, although the acquisition is often aided by the implicit backing of the government. The contract may require, however, that the assets meet the design, quality, and capacity specified by the government, be used in the manner specified by the government to produce the services required by the contract, and be maintained in accordance with standards specified by the government. Furthermore, the assets typically have service lives much longer than the contract period so that the government will control the assets, bear the risks, and receive the rewards for a major portion of the assets' service lives. Thus, it frequently is not obvious whether the private enterprise or the government controls the assets over their service lives and/or will bear the majority of the risks and reap the majority of the rewards.

1. The General Government and Public Sectors, paper prepared by John Pitzer and Jean-Pierre Dupuis, presented at the fifth meeting of the Task Force on Harmonization of Public Sector Accounting (TFHPSA) chaired by the International Monetary Fund (IMF) and hosted by the Organisation for Economic Co-operation and Development (OECD) in Paris, France, March 8-10, 2006, paragraphs 224 to 229, pages 41 and 42. This excerpt is reproduced with the permission of John Pitzer.

As with leases, the economic owner of the assets related to a public-private partnership is determined by assessing which unit bears the majority of the risks and which unit is expected to receive a majority of the rewards of the assets. Some of the factors that might be considered in making this assessment are:

- The degree to which the government controls the design, quality, size, and maintenance of the assets. The degree to which the government is able to control the services produced, the units to which the services are provided, and the prices of the services produced
- Construction risk, which includes the possibility of additional costs resulting from late delivery, not meeting specifications or building codes, and environmental and other risks requiring payments to third parties
- Availability risk, which includes the possibility of additional costs or the incurrence of penalties because the volume and/or quality of the services do not meet the standards specified in the contract
- Demand risk, which includes the possibility that the demand for the services is higher or lower than expected
- Residual value and obsolescence risk, which includes the risk that the asset will be worth less than their expected value at the end of the contract and the degree to which the government has an option to acquire the assets
- The presence, if any, of third party revenues—the greater the reliance on sales to the public, the more the private enterprise should be assessed to be the economic owner.

The relative importance of each factor is likely to vary with each public-private partnership. It is not possible to state prescriptive rules that will be applicable to every situation in a satisfactory way. The provisions of each public-private partnership will have to be evaluated in order to decide which unit is the economic owner."

Appendix B

Canadian System of National Accounts (CSNA) – Classification of institutional units by sector

Total Canadian economy

Non-financial corporations sector (including quasi-corporations)

Non-financial corporations sub-sector

Non-financial corporations component

Non-financial corporations sub-component

- Public control
- National private control
- Foreign control

Financial corporations sector (including quasi-corporations)

Monetary authorities sub-sector

Central bank component

Central bank sub-component

- Public control

Other monetary authorities component

Other monetary authorities sub-component

- Public control

Other depository corporations sub-sector

Chartered banks component

Chartered banks sub-component

- Public control
- National private control
- Foreign control

Near banks component

Credit unions and caisses populaires sub-component

- Public control
- National private control
- Foreign control

Trust companies, mortgage and loan companies sub-component

- Public control
- National private control
- Foreign control

Other financial intermediaries (except insurance corporations and pension funds) sub-sector

Sales finance and consumer loans component

Sales finance companies sub-component

- Public control
- National private control
- Foreign control

Consumer loan companies sub-component

- Public control
- National private control
- Foreign control

Mutual funds component

Mutual funds sub-component

- Public control
- National private control
- Foreign control

Issuers of asset backed securities component

Issuers of asset backed securities sub-component

- Public control
- National private control
- Foreign control

Other financial intermediaries

(except insurance corporations and pension funds specified elsewhere) component

Other financial intermediaries

(except insurance corporations and pension funds specified elsewhere) sub-component

- Public control
- National private control
- Foreign control

Financial auxiliaries sub-sector

Investment dealers component

Investment dealers sub-component

- Public control
- National private control
- Foreign control

Other financial auxiliaries component

Other financial auxiliaries sub-component

- Public control
- National private control
- Foreign control

Insurance corporations and pension funds sub-sector

Property and casualty insurance component

Property and casualty insurance sub-component

- Public control
- National private control
- Foreign control

Life insurance component

Life insurance sub-component

- Public control
- National private control
- Foreign control

Segregated funds of life insurance component

Segregated funds of life insurance sub-component

- Public control
- National private control
- Foreign control

Trusted pension plans component

Trusted pension plans sub-component

- Public control
- National private control
- Foreign control

- Other insurance and pension funds component
 - Other insurance and pension funds sub-component
 - Public control
 - National private control
 - Foreign control

Government sector

Federal government sub-sector

- Federal general government component
 - Federal general government sub-component
 - Ministries and departments
 - Non-autonomous funds and organizations
 - Autonomous funds and organizations
 - Public control
- Federal non-autonomous pension plans component
 - Federal non-autonomous pension plans sub-component
 - Public control

Canada and Quebec Pension Plans (CPP/QPP) sub-sector

- Canada Pension Plan (CPP) component
 - Canada Pension Plan (CPP) sub-component
 - Public control
- Quebec Pension Plan (QPP) component
 - Quebec Pension Plan (QPP) sub-component
 - Public control

Provincial and territorial government sub-sector

- Provincial and territorial general government component
 - Provincial and territorial general government sub-component
 - Ministries and departments
 - Non-autonomous funds and organizations
 - Autonomous funds and organizations
 - Public control
- Provincial and territorial non-autonomous pension plans component
 - Provincial and territorial non-autonomous pension plans sub-component
 - Public control
- Universities and colleges component
 - Universities sub-component
 - Public control
 - Colleges, vocational and trade institutions sub-component
 - Public control
- Health and social service institutions component
 - Health boards sub-component
 - Hospitals
 - Residential care facilities
 - Other health care facilities
 - Other health care services
 - Other services under health board jurisdiction
 - Public control
 - Social service organizations and community boards sub-component
 - Public control
 - Other health and social service organizations sub-component
 - Public control

Local government sub-sector

Local general government component

Local general government sub-component

- Municipalities and other local public administrations
- Non-autonomous funds and organizations
- Autonomous funds and organizations
 - Public control

School boards component

School boards sub-component

- Public control

First Nations and other Aboriginal government sub-sector

First Nations and other Aboriginal general government component

First Nations and other Aboriginal general government sub-component

- First Nations and other Aboriginal government
- Non-autonomous funds and organizations
- Autonomous funds and organizations
 - Public control

First Nations and other Aboriginal government school boards component

First Nations and other Aboriginal government school boards sub-component

- Public control

First Nations and other Aboriginal government universities and colleges component

First Nations and other Aboriginal government universities sub-component

- Public control

First Nations and other Aboriginal government colleges, vocational and trade institutions sub-component

- Public control

First Nations and other Aboriginal government health and social service institutions component

First Nations and other Aboriginal government health and social service institutions sub-component

- Hospitals
- Residential care facilities
- Other health care facilities
- Other health care services
 - Public control

First Nations and other Aboriginal government social service organizations and community boards sub-component

- Public control

First Nations and other Aboriginal government other health and social service organizations sub-component

- Public control

Households sector**Employees sub-sector**

Employees component

Employees sub-component

- National private control

Recipients of property income and transfers sub-sector

Recipients of property income and transfers component

Recipients of property income and transfers sub-component

- National private control

Non-profit institutions serving households sector

Non-profit institutions serving households sub-sector

- Non-profit institutions serving households component
 - Non-profit institutions serving households sub-component
 - National private control
 - Foreign control

Unincorporated business sector

Unincorporated employers with mixed incomes sub-sector

- Unincorporated non-financial employers with mixed incomes component
 - Unincorporated non-financial employers with mixed incomes sub-component
 - National private control
- Unincorporated financial employers with mixed incomes component
 - Unincorporated financial employers with mixed incomes sub-component
 - National private control

Own account workers with mixed incomes sub-sector

- Own account non-financial workers with mixed incomes component
 - Own account non-financial workers with mixed incomes sub-component
 - National private control
- Own account financial workers with mixed incomes component
 - Own account financial workers with mixed incomes sub-component
 - National private control

Household enterprises producing for own final use sub-sector

- Household enterprises producing for own final use component
 - Household enterprises producing for own final use sub-component
 - National private control
- Services of owner occupied dwellings component
 - Services of owner occupied dwellings sub-component
 - National private control
- Domestic services produced by employing paid staff component
 - Domestic services produced by employing paid staff sub-component
 - National private control

Rest of the world

Appendix C

Corporate control¹

"The controlling interest, referred to as the enterprise head, may be an individual, a related group, a corporation or a government. Controlled corporations are called subsidiaries. A multi-corporation enterprise contains one or more subsidiaries. A corporation that is not controlled by another corporation and that does not control another corporation is called a single-corporation enterprise.

Government business enterprises (GBEs) are public sector enterprises engaged in operations of a commercial nature.

Corporate control is the potential to affect the corporate strategic decision-making process of the board of directors of a corporation. Direct control is exercised by a person, group or corporation if more than 50% of the voting equity of a corporation is held, directly or indirectly, other than by way of security only, by or for the benefit of that person, group or corporation. In the case of irrevocable options or the right to acquire shares, the calculation of the voting equity is made as if all options have been exercised. Effective control of a corporation implies control of the corporation through methods other than ownership of the majority voting equity of the corporation. Effective control is referred to as assigned control in Statistics Canada's Inter-Corporate Ownership CD-ROM. An assessment of effective control may be based on any of the following rules:

- If more than 50% of the directors of a corporation are also directors of a trust or an estate, or are also members of a related group, then the corporation is effectively controlled by that trust, estate or related group.
- If more than 50% of the directors of a corporation are also directors of another corporation, and if there is a significant voting ownership of the corporation by that other corporation, then the corporation is effectively controlled by that other corporation.
- If control is acknowledged by a corporation, then the acknowledgement is sufficient to assign effective control.

Finally, care should be taken in using the word "controlled". In many cases where control is said to exist, corporations may still function with considerable autonomy in their financial, marketing, or operational activities. The concept of corporate control should be viewed as a potential that exists and is exercised within the framework of a corporate industrial society with highly varied management practices."

1. Corporate control criteria are based exclusively on the classification concepts used by the Industrial Organization and Finance Division (IOFD) of Statistics Canada. The public sector classification process uses these same concepts to determine government control. This text is a direct quotation of IOFD's concepts and are included in the Guide to the Public Sector with their permission.

Appendix D

Economically significant prices¹

"Economically significant prices are prices that have a significant influence on the amounts the producers are willing to supply and on the amounts that purchasers wish to buy. It is the criterion that is used to classify output and producers as market or non-market. Market producers provide all or most of their output at prices that are economically significant. Non-market producers provide all or most of their output to others free of charge or at prices that are not economically significant. Thus the criterion of economically significant price is used to decide whether the unit set up by government, or in which government has controlling interest, is to be designated as market and considered a public corporation, or non-market and classified in the general government sector.

It can be presumed that prices are economically significant when the producers are private corporations. When there is public control, however, the unit's prices may be modified for public policy purposes, which may cause difficulties in determining whether the prices are economically significant. Public corporations are often established to provide goods that the market would not produce in the desired quantities or prices. The sales of such corporations may cover a large portion of their costs, but one can expect that they respond to market forces quite differently than would private corporations.

It is likely that corporations receiving substantial government financial support or that enjoy other risk reducing factors such as government guarantees will act differently than corporations without such advantages because their budget constraints are softer. Public corporations also may provide goods and services where markets are concentrated (monopolies and monopsonies). These corporations may charge below-market prices and effectively subsidize their customers, or above-market prices and effectively tax them.

The difference between a market and non-market producer that sells its output for a price, then, relates largely to the ways in which the producer responds to changes in market conditions. To decide this inherently difficult question, it is useful to consider a taxonomy that specifies which units are the consumers of the goods and services in question and whether the producer is the only supplier.

The output is sold primarily to corporations and households

Prices are economically significant when they encourage supply—such as by covering the majority of the producer's costs (including consumption of fixed capital and a return to capital)—and consumer's choices are significantly determined by the prices charged. There is no prescriptive numerical relationship between the value of output and production costs, for the price to be considered a market price. While no specific threshold carries full agreement at the international level, Eurostat requires the value of goods and services sold to average at least half of the production costs over a sustained multiyear period.

Because economic circumstances vary considerably, it may be desirable to accept a different threshold to achieve consistent economic measurement over time, between branches and across countries. For the same reason, the distinction between market and non-market may be made for a group of entities undertaking similar activities (such as higher educational institutions or transport systems) rather than on a case-by-case basis.

One method of assessing whether a price is economically significant is to compare the output of a public unit selling goods and services with its production costs. The output at basic prices of the unit is measured as equal to the total amount of goods and services sold (the "sales"), plus the change in inventories of finished goods and work-in-

1. Government Finance Statistics Manual 2001, Companion Material, "Coverage and Sectorization of the Public Sector"; Paul Cotterell (IMF Expert) with Ethan Weisman and Tobias Wickens, December 2006; ANNEX 2: Market/non-market delineation—The notion of economically significant prices, pages 24-25.

progress (if significant), excluding taxes on products and subsidies on products (except those subsidies that are also granted to all private producers for this type of activity). In all cases, subsidies or transfers to cover an overall deficit are excluded. Own-account production is not considered part of sales in this context. Production costs are the sum of intermediate consumption, compensation of employees, capital services, and other taxes on production.

The output is sold only to government

Some services that are typically required by all units are supplied as ancillary services by a unit specially created for the purpose. These include activities such as transportation, purchasing, sales, marketing, computer services, communications, cleaning, and maintenance. A unit that provides these types of services exclusively to its parent unit or to other units in the same group of units is described as an ancillary unit, and is classified to the same sector as the parent unit.

A public producer is considered an ancillary unit to government when it is the only supplier of its services and supplies all its output only to government. That is, it is treated as a non-market unit unless it competes with a private producer in tendering for a contract with government on normally accepted commercial terms.

If a public producer supplies all its output to government but is one of several producers, it is considered a market producer if there is evidence that it competes with other producers in the market and its prices satisfy the general criteria of economically significant prices.

The output is sold to both government and others

If a unit is the only supplier of its services, it is a market producer if its sales to non-government units are more than half of its total output or its sales to government satisfies the tender condition above.

If there are several suppliers, a public producer is a market producer if it competes with the other producers."

Appendix E

Example of a public sector entity classification decision

Public sector classification decision

Part 1 Introduction

Entity	Provincial Racing Commission
Government	Province of XXXXXXXXXXXX
Decision	Autonomous organization within the "autonomous organizations" category of the provincial and territorial general government sub-component of the provincial and territorial government sub-sector of the government sector.

Entity information

"Originally established in 19XX under the *Provincial Racing Commission Act*, the Provincial Racing Commission [the Commission] is a Crown agency of the government responsible for regulating the horse racing industry in the province. The Commission reports to the Minister and assists the Ministry in fulfilling its responsibilities in ensuring public confidence and social controls in the gaming sector. The Commission maintains the integrity of the horse racing industry through regulation and standards setting.

In response to changes in the industry, the Government passed new legislation in 200X, called the *Provincial Racing Commission Act, 200X*. The Act converted the Provincial Racing Commission to a self-financing regulatory agency with a Governing Board."

Source of information: Provincial Racing Commission's website: www.provincialracingcommission.ca

"On December 15, 200X the new *Provincial Racing Commission Act 200X* was proclaimed in force. Introduction of the new Act was motivated by two objectives:

- strengthen and modernize the Commission's regulatory framework; and
- establish the Commission as a self financing body."

Source of information: Provincial Racing Commission's website: www.provincialracingcommission.ca

"Effective December 15, 200X, the Provincial Racing Commission Act continued the Provincial Racing Commission (the Commission) as an independent regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the province."

Source of information: Provincial Racing Commission's 200X-200X Annual Report
Note 1 to the Financial Statements

Part 2 Classification criteria

1.0 Institutional unit

- It is entitled to own assets in its own right.
- It is able to make economic decisions and engage in activities for which it can be held directly responsible and accountable by law.
- It is able to incur liabilities on its own behalf, enter into contracts and accept obligations.
- It maintains a complete set of accounts separate from a government.

2.0 Government control indicators

- The entity was created by government legislation.
- Direct control is held by possessing 100% of the voting equity.
- The government determines the general policy or program of the entity.
- The government appoints members to the board of directors.
- The entity's assets revert back to a government in the event of liquidation or dissolution.
- The Lieutenant Governor in Council or a Minister holds control.
- Its budget is approved by the government.
- It submits an annual, audited report to a government.
- Its financial accounts are subject to examination by the Auditor General.
- The government does not finance the entity's current operations, in total or large part.
- The government does not finance the entity's investments.
- The government does not approve or guarantee loans contracted by the entity.

3.0 Public sector indicators for non-market producers

- It performs a regulatory function.
- It is exempt from income tax.
- It is not constituted as a trust fund.
- It does not provide goods and/or services only to a government.
- It administers government policy (regulation of horse racing activity) by delivering specific services as an agent of the government. The services provide a collective benefit.
- The public has no free choice to acquire or reject the good or service from a government.
- It does not charge prices that are economically significant.
- It gets its primary income from non-market activity.
- Government transfers or grants do not cover any deficit generated by the entity.
- The entity's employees negotiate collective agreements with a government.

4.0 Public sector indicators for market producers

- It does not have the financial and operational authority to carry on a business.
- It does not compete in the market place.
- The public has no free choice to acquire or reject the good or service.
- It does not charge prices that are economically significant.
- It does not get its primary income from market activity.
- It cannot borrow autonomously.
- It does not remit profits and/or dividends to a government.

5.0 Inclusion in the public sector based on economic ownership

- It is not responsible for a pension fund's liabilities.
- It is not the primary beneficiary to a variable interest entity.
- It is not the lessee in a long-term asset purchase agreement.
- It is not a partner in a public-private partnership.

Part 3 Classification rationale
--

The Provincial Racing Commission (the Commission) is a Crown agency of the government responsible for regulating the horse racing industry in the province. The Commission reports to the Minister and assists the Ministry in fulfilling its responsibilities in ensuring public confidence and social controls in the gaming sector. The Commission maintains the integrity of the horse racing industry through regulation and standards setting.

This organization satisfies the first inclusion criterion; it is an institutional unit. It also meets the second inclusion criterion; it is controlled by government.

In the determination of its economic sector, the criteria collectively indicate that the Commission is a non-market producer. While all factors were considered, the dominant conditions were its regulatory functions; compulsory services (licensing, registration, standards); and its administration of government policy to provide a collective benefit to the public. As well, it is a not-for-profit organization that does not compete in the marketplace.

Due to the nature of its activities, the Provincial Racing Commission is classified as an autonomous organization in the "Autonomous Organizations" category within the Provincial and Territorial General Government sub-component of the Provincial and Territorial Government sub-sector of the Government Sector.

Supporting references to similar classification decisions

Prairie Racing Corporation

Supporting cross-references to classification standards

Guide to the Public Sector of Canada, Chapter 4

Financial Management System (FMS) Manual, Chapter 3

Part 4 Other information

Information sources

The Provincial Racing Commission's website <http://www.provincialracingcommission.ca>
 Provincial Racing Commission Act 200X
 Provincial Racing Commission's 200X-200X Annual Report

Contact information

Contact name: Xxxxx Xxxxxxx
 Title: Director of Finance and Administration
 Address: 100 Main Street
 City, Province
 X0X 0X0
 Telephone: (999) 999-9999 Fax: (999) 999-9999
 E-mail: inquiry@provincialracingcommission.ca
 Web site: <http://www.provincialracingcommission.ca>

Institutional units owned by this entity

None

Part 5 Classification profiling

Classification of institutional units by sector Based on the Canadian System of National Accounts (CSNA)

CSNA sector code:	13	Government sector
CSNA sub-sector code:	132	Provincial and territorial government
CSNA component code:	1321	Provincial and territorial general government
CSNA sub-component code:	13210	Provincial and territorial general government - <i>Autonomous organizations</i>
CSNA control code:	132101	Public control

North American Industrial Classification (NAICS) 200X

NAICS sector code:	91	Public administration
NAICS sub-sector code:	912	Provincial and territorial public administration
Industry group code:	9121	Provincial protective services
Industry code:	91215	Provincial regulatory services
Canadian industry code:	912150	Provincial regulatory services

Part 6 Employee and financial information

Employee information

Employees: Yes
Number of employees: Not available

Financial information for the period ended March 31, 200X

Gross revenue: \$ 15,665,000
Gross expenditures: \$ 12,484,000
Total assets: \$ 5,685,000
Net depreciable assets: \$ 325,000

Part 7 Classification decision implementation dates

1. Entity incorporation date: Year: XXXX
2. Public sector universe inclusion date: Current production cycle: April 1, 200X
3. Fiscal year data capture effective date: 200X-200X
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Part 8 Request for classification decision initiator

Name: Junior Classification Officer
Classification and Dissemination Section
Public Institutions Division

Date: May 20, 200X

Reviewed by: Senior Classification Officer
Classification and Dissemination Section
Public Institutions Division

Date: May 21, 200X

Part 9 Classification decision approval

Public Sector Classification Decision Committee:

Committee Chairperson and Assistant Director, Public Institutions Division

Director, Public Institutions Division

Chief, Classification and Dissemination Section, Public Institutions Division

Chief, Federal - Provincial Governments Section, Public Institutions Division

Chief, Local Government Section, Public Institutions Division

This classification decision was approved by the Committee and signed on June 12, 200X by the Chairperson of the Public Sector Classification Decision Committee, Public Institutions Division.

Appendix F

Public sector glossary

Accounting

Accounting is a system that records, measures and reports the financial events of an economic entity. There are different types of accounting systems that may be used for this purpose. They are **accrual accounting**, **cash accounting**, **fund accounting**, and **modified cash accounting**. See **flow**.

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

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

Fund accounting: An accounting system in which a self-balancing group of accounts is provided, for each accounting unit established by legal, contractual or voluntary action, especially in government units and non-profit organizations. Examples of the types of funds that are accounted for separately by government units are the **capital fund**, the **reserve fund**, the current, operating, general, or **revenue fund**, the **sinking fund**, and the **trust fund**.

Modified cash accounting: An accounting system that uses the cash accounting system during an accounting period but accrues certain items at the end of the period, e.g., trade accounts, sales and purchases of goods and services, and in some cases, taxes. There is no uniformity on the items subject to accrual. Also, see **gross convention**.

Accrual accounting

See **accounting**.

Asset

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

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

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

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

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

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

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

Asset backed securities

See **securities**.

Autonomous general government funds

See **fund**.

Autonomous general government organizations

See **institutional unit** under **unit**.

Autonomous pension fund

See **pension fund** under **fund**.

Balance sheet (modified cash)

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

Bonds, debentures, notes

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

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

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

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

Other bonds: Bonds issued by Canadian corporations, hospitals and non-profit institutions, as well as non-guaranteed bonds of **government business enterprises**. Also included are asset-backed securities.

Budgetary unit

See **unit**.

Business sector

See **sector**.

Canada and Quebec Pension Plans (CPP/QPP)

See **social security scheme**.

Canada bonds

See **bonds, debentures, notes**.

Capital fund

See **fund**.

Capital grant

See **grant**.

Capital tax

See **tax**.

Capital transfer

See **transfer**.

Cash accounting

See **accounting**.

Company

See **statistical unit** under **unit**.

Consolidated government

The consolidation of the data of the federal government, the provincial, territorial, and local governments and of the Canada and Quebec Pension Plans (CPP/QPP). This entails combining the financial accounts of units within a government, or combining the financial accounts of different levels of governments (federal, provincial, territorial, or local) to yield aggregate unduplicated financial statistics. See **consolidation**.

Consolidation

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

Consolidation of a variable interest entity

See **variable interest entities**.

Contingent liability

See **liability**.

Corporate sector

See **sector**.

Corporation

A legal entity created for the purpose of producing goods or services for the market. A corporation is collectively owned by shareholders who have the authority to appoint directors responsible for its general management. Corporations may be described by different names such as: corporations, incorporated enterprises, limited companies, public corporations, private companies, joint-stock companies, limited liability companies, or limited liability partnerships.

Crown corporation: A corporation created by a specific Act of Parliament or Legislature, owned by the Crown (Her Majesty in Right of Canada), controlled by government, and accountable to the public through a Minister. It may operate either as a not-for-profit entity in the government sector or as a for-profit entity in either the non-financial corporations sector or the financial corporations sector depending on the nature of its activities.

Financial corporation: An entity that is principally engaged in financial intermediation or related auxiliary financial activities with the intention of making a profit for its shareholders.

Non-financial corporation: An entity that is principally engaged in the production of goods and/or non-financial services with the intention of making a profit for its shareholders.

Non-profit corporation: An entity that is principally engaged in the production of goods and/or services that is not a source of profit or other financial gain for its owners.

Private corporation: A non-financial or financial corporation that is not controlled by a government.

Public corporation: An entity controlled by a government that operates in the non-financial or financial corporations sectors as a for-profit entity. The only shareholder is the government on behalf of the public.

Public financial corporation: An entity controlled by a government that is principally engaged in financial intermediation or related auxiliary financial activities with the intention of making a profit. The only shareholder is the government on behalf of the public.

Public non-financial corporation: An entity controlled by a government that is principally engaged in the production of goods and/or non-financial services with the intention of making a profit. The only shareholder is the government on behalf of the public.

Public sector corporation: An entity controlled by a government that may operate as a not-for-profit unit in the government sector or as a for-profit financial or non-financial government business enterprise.

Quasi-corporation: An unincorporated enterprise that functions as if it was a corporation, and which has a complete set of accounts, including a balance sheet.

Crown Corporation

See **corporation**.

Current grant

See **grant**.

Debentures

See **bonds, debentures, notes**.

Debt

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

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

Guaranteed debt: The borrowings issued by an entity and guaranteed by another entity.

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

Deficit

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

Defined-benefit scheme

See **pension fund** under **fund**.

Economic ownership

For lessor-lessee relationships and public-private partnerships: A state of entitlement relating to a consumer's rights and obligations during a period of contracted asset utilization. This state applies whether the intention is to use the asset for a specified period and then return it to the legal owner or to acquire legal title to the asset after all payments and conditions have been met.

For pension beneficiaries and variable interest entities: A primary beneficiary's relationship to an entity that it does not own or control, but must assume the potential risks or accept the prospective rewards of that entity's financial results.

Economically significant prices

Prices that have a significant influence on the amounts the producers are willing to supply or on the amounts that purchasers are willing to buy.

Employee

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

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

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

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

Employment

Employment is a measure of the number of persons drawing pay for services rendered or for paid or unpaid absences, regardless of whether they are employed on a full time, part-time or temporary basis. See **employee**.

Enterprise

See **statistical unit** under **unit**.

Entity

Something that exists as a particular and discrete unit.

Equity

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

Establishment

See **statistical unit** under **unit**.

Expenditure

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

Expense

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

Extra-budgetary unit

See **unit**.

Federal government

See **government**.

Federal government sub-sector

See **sub-sector**.

Financial asset

See **asset**.

Financial corporation

See **corporation**.

Financial corporations sector

See **sector**.

Financial flows

See **flow**.

Financial instruments

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

Financial Management System (FMS)

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

Financial transaction

See **transaction**.

Fixed assets

See **asset**.

Flow

Flow reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves a change in the volume, composition, or value of an entity's assets and liabilities.

Financial flows: Financial flows record the net transactions in a class of assets and liabilities between two periods.

Full-time employee

See **employee**.

Functional classification

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

Fund

Monies dedicated to the support of specific services.

Autonomous general government funds: Funds that operate independently of the governments that created them. They are legislated to keep separate books of account; are able to own assets and incur liabilities; enter into contracts; accept obligations; and engage in economic activities for which they can be held directly responsible under the law. Since funds have no employees, they are managed by agents of the government.

Capital fund: A fund used to record the financing sources and expenditures for the acquisition, rehabilitation or replacement of capital assets. In general, capital assets refer to buildings, equipment, machinery, and infrastructure.

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

Non-autonomous general government funds: Funds that cannot function autonomously. They are public monies set aside to support specific purposes and managed by the resources within a government ministry or department. They do not have their own employees.

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

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

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

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

Reserve fund: A pool of money set aside by government authorization to meet the needs of a future event.

Revenue fund: Also referred to as a current, operating, or general fund. It is the fund into which the main sources of financing available to government units are recorded. Examples of the types of income comprising this fund are taxation revenue, grants, interest earned on investments, service charges, and licenses and permits. As well, the revenue fund initially records those sources of financing that are eventually transferred to the capital fund and the reserve funds. The revenue fund also records the everyday operating expenditures.

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

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

Trust fund: A fund of financial assets held in trust for a beneficiary.

Fund accounting

See **accounting**.

Government

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

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

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

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

Government agency

A government agency is a permanent or semi-permanent organisation in the machinery of government that is responsible for the oversight and administration of specific functions, such as an intelligence agency. There is a notable variety of types of agency. Although usage differs, a government agency is normally distinct both from a Department or Ministry, and other types of public body established by government. The functions of an agency are normally executive in character since different types of organisation (such as commissions) are normally used for advisory functions, but this distinction is often blurred in practice. A government agency may be established by either a national government or a provincial/territorial government within a federal system. Agencies can be established by legislation or by executive powers. The autonomy, independence and accountability of government agencies also vary widely. The term is not normally used for an organisation created by the powers of a local government body.

Government business enterprises

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

Government of Canada short-term paper

See **short-term paper**.

Government sector

See **sector**.

Government unit

See **unit**.

Grant

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

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

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

Gross convention

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

Gross government debt

See **debt**.

Guaranteed debt

See **debt**.

Households sector

See **sector**.

Holding of own debt

Refers to a case where a government holds as an investment, debt instruments that it has itself issued.

Income trust

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

Institutional unit

See **unit**.

Interest on the public debt

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

Liability

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

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

Local government

See **government**.

Local government sub-sector

See **sub-sector**.

Location

See **statistical unit** under **unit**.

Market

A forum for the sale, purchase or trade of goods and services.

Market producers: Institutional units that sell most or all of their output in the open market at prices which are economically significant.

Non-market producers: Institutional units that provide most of their output for public benefit either free or at prices which are not economically significant.

Market producer

See **market**.

Military pay and allowances

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

Ministry

A ministry is a department of a government, led by a minister. Ministries are usually subordinate to the cabinet and prime minister. A government will usually have numerous ministries, each with a specialised field of service. National ministries vary greatly between countries, but some common ones include Ministry of Defence, Ministry of Foreign Affairs, Ministry of Finance, and Ministry of Health. In Canada, some provincial-level government departments are called "ministries" (such as in Ontario and British Columbia) but most, along with their federal analogues, are termed "departments." Their heads are referred to as "ministers" in both levels of government. Some countries such as Switzerland, the Philippines and the United States do not use the term "ministry" for their government departments, and instead simply call them departments. In Hong Kong the term "bureau" is used.

Modified cash accounting

See **accounting**.

Municipal bonds

See **bonds, debentures, notes**.

Mutual fund

See **fund**.

Net financial debt

See **debt**.

Net financial wealth

The excess of **financial assets** over **liabilities**.

Net worth

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

Non-autonomous general government fund

See **fund**.

Non-autonomous general government organization

See **institutional unit** under **unit**.

Non-autonomous pension fund

See **pension fund** under **fund**.

Non-financial asset

See **asset**.

Non-financial corporation

See **corporation**.

Non-financial corporations sector

See **sector**.

Non-market producer

See **market**.

Non-produced, non-financial assets

See **asset**.

Non-profit corporation

See **corporation**.

Non-profit institution

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

Non-profit institutions serving households sector

See **sector**.

Non-resident

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

Non-resident sector

See **sector**.

Notes

See **bonds, debentures, notes**.

Other bonds

See **bonds, debentures, notes**.

Other short-term paper

See **short-term paper**.

Part-time employee

See **employee**.

Pension fund

See **fund**.

Pension unit

See **unit**.

Primary beneficiary

See **variable interest entities**.

Private corporation

See **corporation**.

Private sector

See **sector**.

Privatization

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

Provincial and territorial government

See **government**.

Provincial and territorial government sub-sector

See **sub-sector**.

Provincial bonds

See **bonds, debentures, notes**.

Public accounts

Financial statements for the federal, provincial and territorial governments, which are audited by each government's respective Auditor General.

Public corporation

See **corporation**.

Public financial corporation

See **corporation**.

Public non-financial corporation

See **corporation**.

Public-private partnerships

Public-private partnerships are complex, long-term contracts between two units, one of which is normally a private, for profit enterprise and the other normally is a government unit.

Public sector

See **sector**.

Public sector corporation

See **corporation**.

Quasi-corporation

See **corporation**.

Refundable (payable tax) income tax credit

See **tax**.

Reserve fund

See **fund**.

Resident

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

Revenue

A transaction that results in an increase in **net worth**.

Revenue fund

See **fund**.

Royalties

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

Salaried employee

See **employee**.

Salaries and wages

See **wages and salaries**.

Sector

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

Business sector: A larger domain of statistical observation that aggregates the non-financial corporations sector, the financial corporations sector and the unincorporated business sector.

Corporate sector: A larger domain of statistical observation that aggregates the non-financial corporations sector and the financial corporations sector.

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

Government sector: Consists of all resident **government units** and all resident non-market, non-profit institutions that are controlled and mainly financed by resident government units. The economic activities of governments are shown in the government sector and consist of operations of the **federal government** (including defence), the **provincial and territorial governments, local (municipal) governments**, universities, colleges, vocational and trade schools, publicly funded hospitals and residential care facilities, and publicly funded schools and school boards. **Government business enterprises** are classified to either the **non-financial corporations sector** or the **financial corporations sector**.

Households sector: Consists of all resident households.

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

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

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

Private sector: A larger domain of statistical observation that aggregates all resident units not controlled by governments.

Public sector: A larger domain of statistical observation that aggregates all units of the government sector and all publicly controlled non-financial and financial government business enterprises.

Unincorporated business sector: Consists of all resident businesses that are not legally formed as corporations.

Securities

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

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

Segregated fund

See **fund**.

Shares, Stocks

Shares, commonly known as stocks, are financial instruments consisting of common and preferred shares (including term preferred shares and mutual fund shares), plus contributed surplus.

Short-term paper

Marketable financial instrument comprising:

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

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

Sinking fund

See **fund**.

Social security fund

See **social security scheme**.

Social security scheme

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

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

Statistical unit

See **unit**.

Stocks

See **shares, stocks**.

Sub-sector

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

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

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

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

Subsidiary

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

Subsidy

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

Supplementary labour income

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

Surplus

An excess of **revenue** over **expenditures**.

Tangible fixed assets

See **fixed asset** under **asset**.

Tangible non-produced fixed assets

See **fixed asset** under **asset**.

Tax

A levy imposed on persons, property, or business for the support of government.

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

Refundable (payable) income tax credit: An amount deductible from the amount of income tax owing, with the amount exceeding the tax liability payable to the individual or corporation.

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

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

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

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

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

Tax assessment

See **tax**.

Tax credit

See **tax**.

Tax liability

See **tax**.

Tax refund

See **tax**.

Transaction

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

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

Transfer

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

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

Trust fund

See **fund**.

Unamortized foreign exchange loss

Recognition on the balance sheet of losses that would be encountered if the current foreign exchange rate would be applied in converting debt denominated in foreign currencies.

Unincorporated business sector

See **sector**.

Unit

An element of measure that represents a portion of a complex whole.

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

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

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

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

Autonomous general government organizations: Institutional units that are empowered to operate independently from their parent government. They have their own employees and may be organized as Crown corporations, boards, commissions or agencies.

Non-autonomous general government organizations: Sub-institutional units that cannot function independently from their parent government. They operate within a government ministry or department. There are no separate books of account; rather their activities are part of the ministry's or department's financial transactions.

Pension unit: A unit dedicated to the operation of a pension fund or a social security scheme.

Statistical unit: A unit designated to measure and analyze the activity of an economic entity for statistical purposes. Statistics Canada enumerates the constituents of an economic entity according to each constituent's ability to report certain types of financial and employment information. There are four distinct categories in this hierarchy, namely: the enterprise, company, establishment and location.

Enterprise: Represents the complete organizational composition of a business entity. An enterprise unit is capable of providing consolidated financial statements that account for the entire organization. It is the equivalent of an institutional unit.

Company: Represents the smallest organizational unit of a business entity. It is capable of providing financial information that accounts only for its own operations.

Establishment: Describes a production unit within the organization. To be classified as an establishment, the unit must be located within one province or territory and be able to provide financial information on the value and cost of its output as well as the value and cost of labour required to produce the output.

Location: Represents a unit that conducts economic activity from a location within one province or territory, and is capable of providing, as a minimum, employment information.

Variable interest entities

Variable interest entities are characterized by their inability to meet the potential equity risks associated with their own financial activities and any holders of the equity at risk do not have controlling financial interest. Variable interest entities may take different forms such as corporations, trusts, limited liability companies or limited partnerships.

Consolidation of a variable interest entity: A business enterprise must consolidate a variable interest entity when that enterprise has a variable interest that will cover most of the variable interest entity's expected losses or receive most of the variable interest entity's anticipated residual return.

Primary beneficiary: An entity that is the ultimate receiver of the economic risks and rewards associated with a variable interest entity. Also, an entity that consolidates a variable interest entity is called the primary beneficiary.

Variable interests: Variable interests are rights and obligations that convey economic gains or losses from changes in the values of a variable interest entity's assets and liabilities. They represent the reward of benefiting from a variable interest entity's expected residual returns and the risk of losing an investment in a variable interest entity or incurring a significant loss due to a contingent obligation to transfer assets to the variable interest entity. Some examples of variable interests are guarantees, equity investments, written put options and forward contracts.

Variable interests

See **variable interest entities**.

Wages and salaries

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

Warrant

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

Withholding taxes

See **tax**.