

## Public accounts of the Québec government 1997-1998

[Letter to Lieutenant-Governor of Québec](#) (PDF: 2Ko) 

[Letter to Deputy Prime Minister and Minister of State for the Economy and Finance](#) (PDF: 3Ko) 

### INTRODUCTION

Each year the Ministère des Finances publishes documents on the financial position of the Gouvernement du Québec and the results of its financial transactions.

The *Quarterly Presentation of Financial Transactions* was published at the close of the second, third and fourth quarters of 1997 to account for changes in the financial transactions and facilitate comparison with the projections contained in the *Budget Speech* of March 25, 1997.

The 1997-1998 Public Accounts complete the information relating to the actual results for fiscal 1997-1998, whose main data formed part of the first Quarterly Presentation for 1998-1999.

The Public Accounts for the fiscal year ended March 31, 1998 have been prepared by the Ministère des Finances in accordance with the accounting policies established by the Conseil du trésor and pursuant to the provisions of Division VIII of the Financial Administration Act (R.S.Q., c. A-6). They are published in three volumes entitled: "*Consolidated Financial Statements of the Gouvernement du Québec*", "*Revenue, Appropriations and Expenditure of the Consolidated Revenue Fund*" and "*Financial Statements of the Special Funds of the Gouvernement du Québec*."

#### [Volume 1 – Consolidated Financial Statements of the Gouvernement du Québec](#)

Volume 1 presents summary data on the consolidated financial transactions, statistics and consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1998, accompanied by the Auditor General's report.

#### [Volume 2 – Revenue, Appropriations and Expenditure of the Consolidated Revenue Fund](#)

Volume 2, which is published in three sections, presents the operations of entities whose revenue is credited to the Consolidated Revenue Fund or the Health Services Fund and of those whose operations are provided for by Parliamentary allocations from these funds. These entities consist of Government departments, agencies and other portfolios, and of the National Assembly and the persons it designates.

#### [Volume 3 – Financial Statements of the Special Funds of the gouvernement](#)

Volume 3 contains the financial statements of the special funds of the Gouvernement du Québec, each of which is accompanied by the Auditor General's report on these statements.

André Fiset, f.c.a.

Comptroller of Finance

The Publics accounts can be consulted in the [following libraries](#)

#### **DISCLAIMER**

These extracts constitute the finance ministry final releases. The finance minister assumes no responsibility whatsoever for any errors in the electronic release of the documents. The printed releases are the only official version.

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Québec 

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To the Honourable Lise Thibault  
Lieutenant-Governor  
Parliament Building  
Québec

Dear Madam,

The undersigned has the honour of presenting to Your Excellency the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 1998.

Bernard Landry  
Deputy Prime Minister and Minister of  
State for the Economy and Finance

Québec, December 1998

To the Deputy Prime Minister and Minister  
of State for the Economy and Finance  
Mr. Bernard Landry  
Parliament Building  
Québec

Dear Sir,

In accordance with the commission entrusted to me, I have the honour of presenting the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 1998. These accounts have been prepared under Division VIII of the Financial Administration Act (R.S.Q., c. A-6).

Respectfully yours,

André Fiset, F.C.A.  
Comptroller of Finance

Québec, December 1998



## Volume 1 of Public Accounts 1997-1998

### Consolidated financial statements of the gouvernement du Québec Fiscal year ended March 31, 1998

#### INTRODUCTION

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#### [Volume 3 – Financial Statements of the Special Funds of the Gouvernement du Québec](#)

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André Fiset, f.c.a.

Comptroller of Finance

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## **CONSOLIDATED FINANCIAL STATEMENTS OF THE GOUVERNEMENT DU QUÉBEC**

### **Summary of consolidated financial transactions and statistics**

Volume 1 presents summary data on the consolidated financial transactions, statistics and consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1998, accompanied by the Auditor General's report.

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**SUMMARY**  
**OF CONSOLIDATED**  
**FINANCIAL TRANSACTIONS**  
**AND**  
**STATISTICS**

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## ACCOUNTING REFORM

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In December 1997, a study committee made up of representatives of the Comptroller of Finance, the Auditor General and the Ministère des Finances was mandated to propose a reform of the Government's accounting policies. The last major reform was carried out in 1986-1987.

Since then, Canadian accounting standards for the public sector have changed considerably owing to the recommendations of the Public Sector Accounting and Auditing Board (PSAAB), set up by the Canadian Institute of Chartered Accountants (CICA).

The Study Committee on Government Accounting tabled its report on March 25, 1998. At the time of the *Budget Speech* of March 31, 1998, the Government published the "*Reform of Government Accounting*," in which it adopted the committee's recommendations. The committee proposed that the Government change its accounting policies, drawing on the recommendations of the PSAAB and the accounting practices in force in the other provinces.

The 1997-1998 Public Accounts reflect the new accounting policies put forward by the Government. Three major differences compared with the 1996-1997 Public Accounts should be pointed out:

- All Government commitments with regard to the retirement plans of public sector employees are now included in Government liabilities. These commitments were known in financial circles. It is important to note that this change in no way modifies the Government's financial position; all this information was fully disclosed in a note to the financial statements.
- The cost of fixed assets is amortized, as is common practice in the private sector. Changes in the net book value of assets are charged to net debt and the annual amortization of the cost of fixed assets is included in operating expenses.
- The Government's financial statements are now consolidated. Compared with previous years, the Government's reporting entity has been broadened to include all Government agencies, enterprises and special funds, except for those entities that carry out activities of a fiduciary nature.

The accounting policies presented in these Public Accounts provide a clearer, more complete picture of the Government's financial position and thus promote more consistent and efficient management of public finances as a whole.

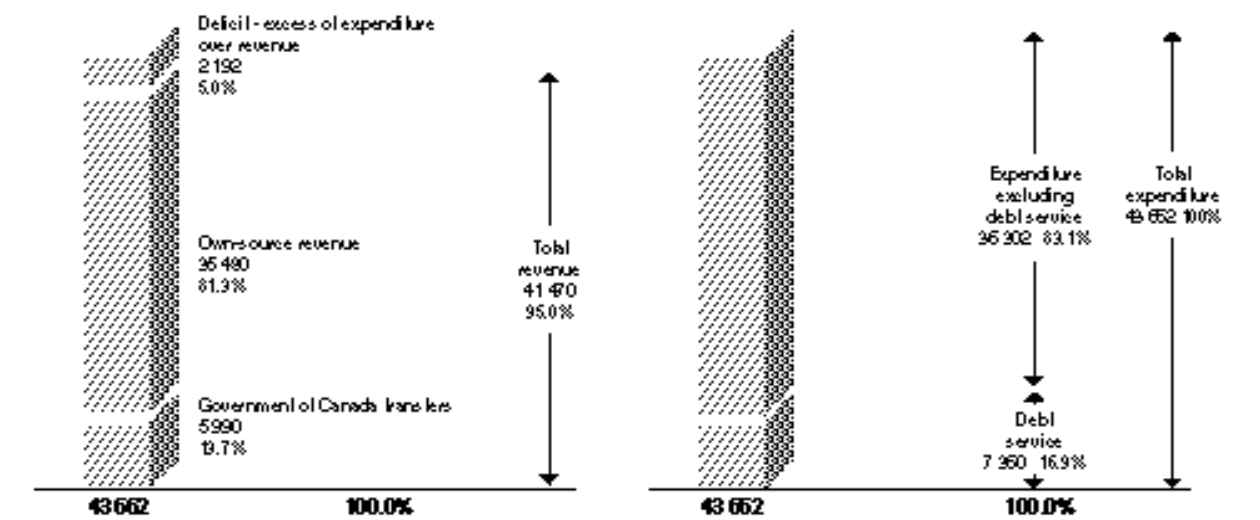
## CONSOLIDATED SUMMARY OF OPERATIONS

FISCAL YEAR ENDED MARCH 31, 1998

(in millions of dollars)

	1998	1997 <sup>(1)</sup>
Own-source revenue	35 480	30 809
Government of Canada transfers	5 990	6 719
<b>Total revenue</b>	<b>41 470</b>	<b>37 528</b>
Expenditure (excluding debt service)	36 302	34 884
Debt service	7 360	5 861
<b>Total expenditure</b>	<b>43 662</b>	<b>40 745</b>
<b>Deficit – excess of expenditure over revenue</b>	<b>2 192</b>	<b>3 217</b>

1998



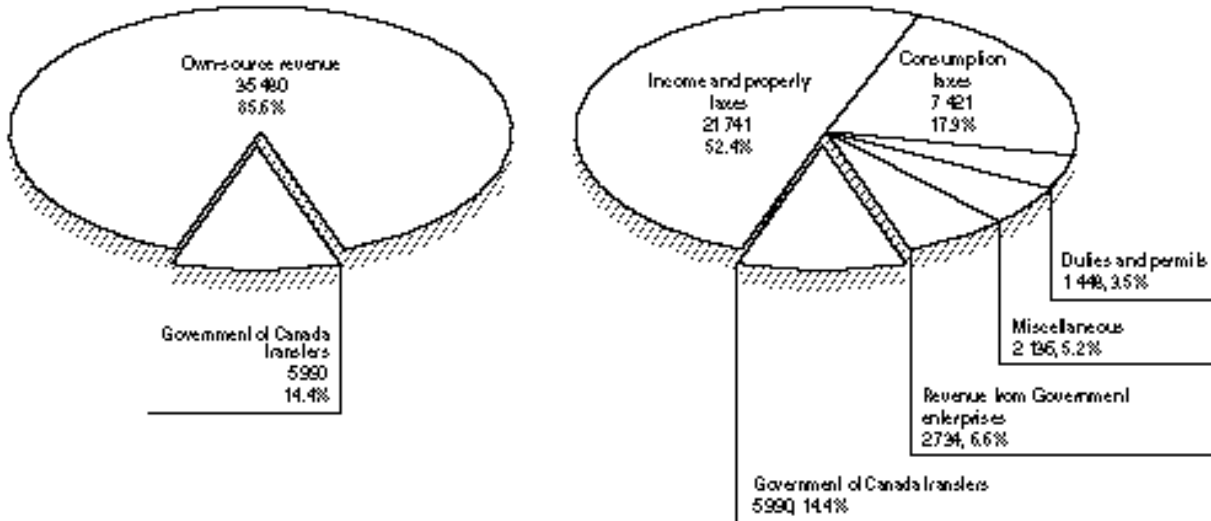
<sup>(1)</sup> The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

**CONSOLIDATED REVENUE**

FISCAL YEAR ENDED MARCH 31, 1998  
(in millions of dollars)

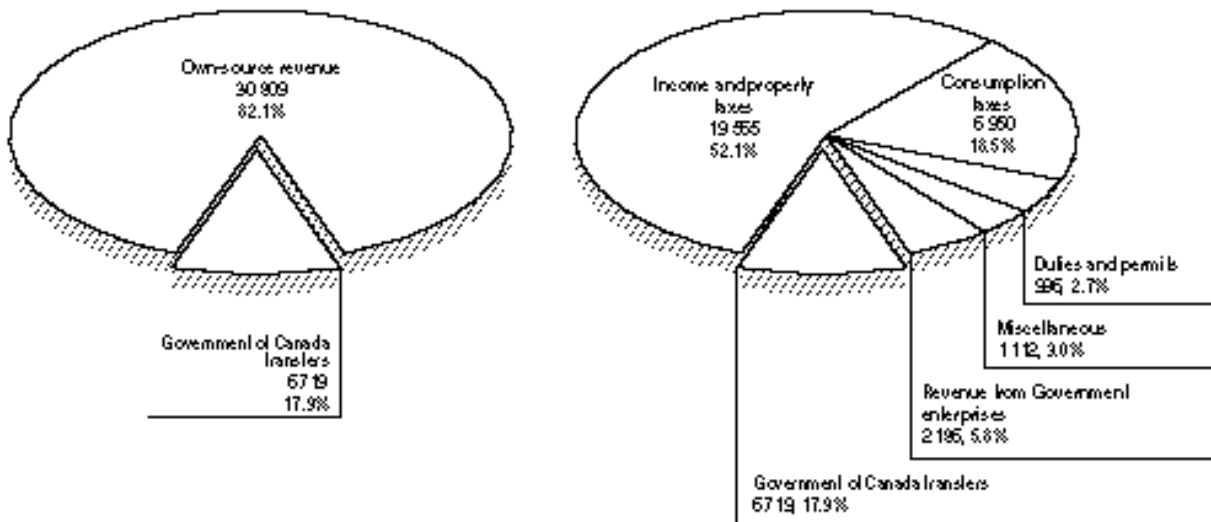
**1998**

**Total revenue: 41 470**



**1997 <sup>(1)</sup>**

**Total revenue: 37 528**



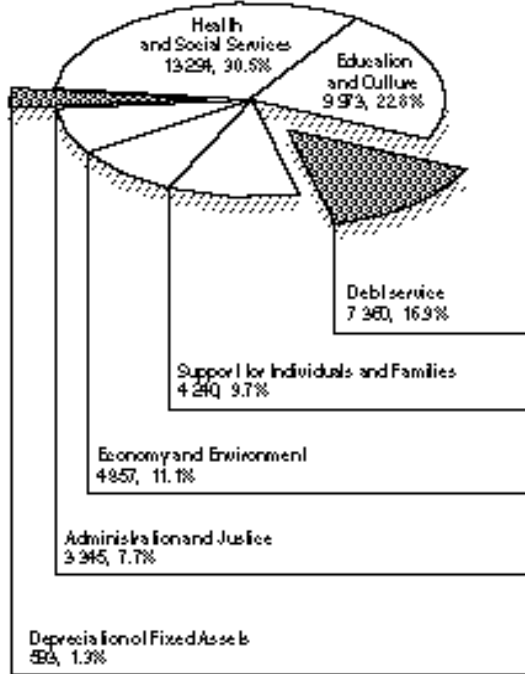
(1) The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

**CONSOLIDATED EXPENDITURE**  
 FISCAL YEAR ENDED MARCH 31, 1998  
 (in millions of dollars)

**1998**

**Total expenditure: 43 662**

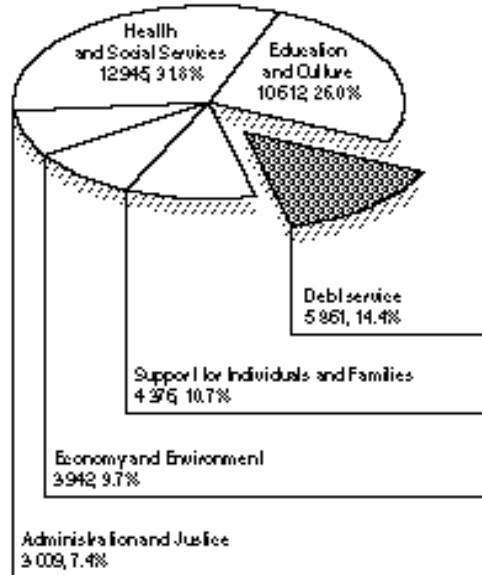
**By mission**



**1997<sup>(1)</sup>**

**Total expenditure: 40 745**

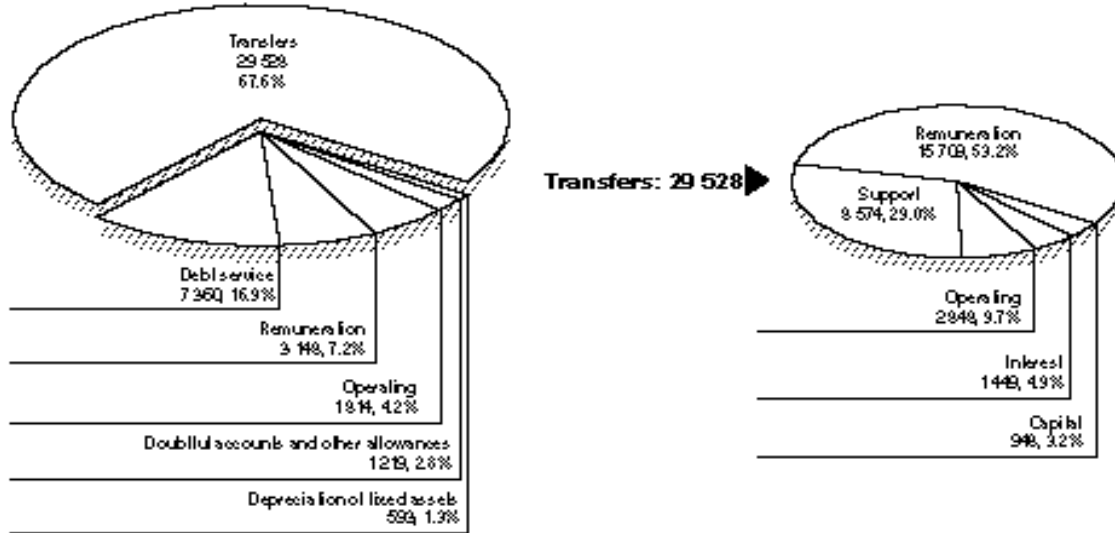
**By mission**



<sup>(1)</sup> The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

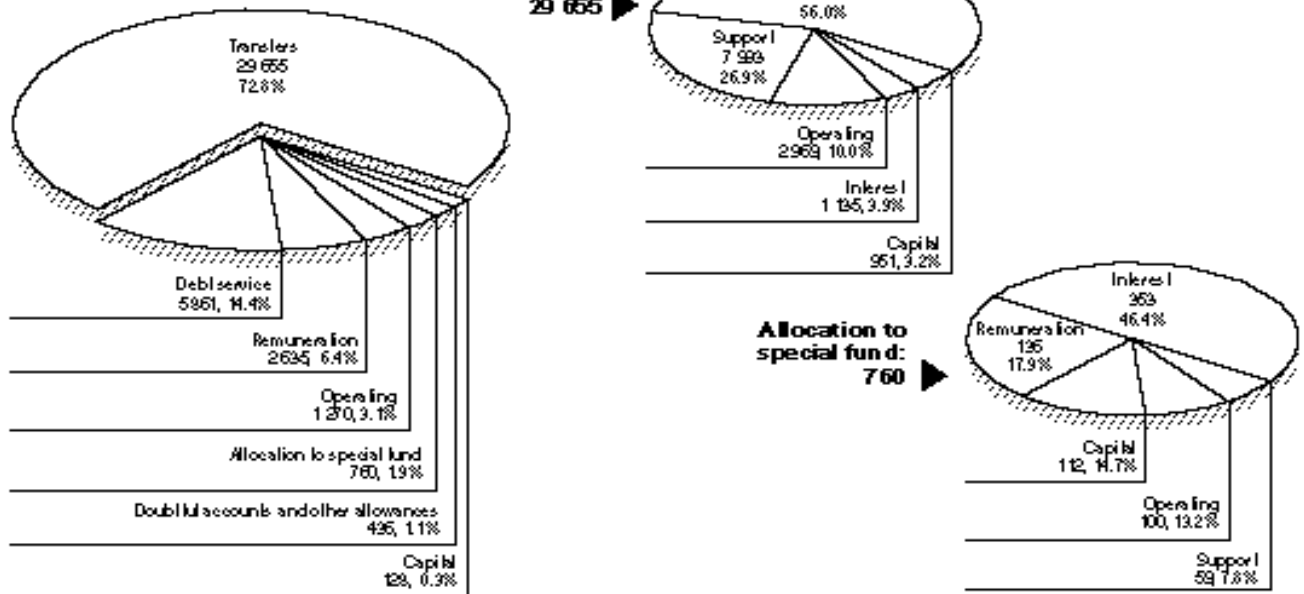
1998

**By supercategory and category**



1997 <sup>(1)</sup>

**By supercategory and category**



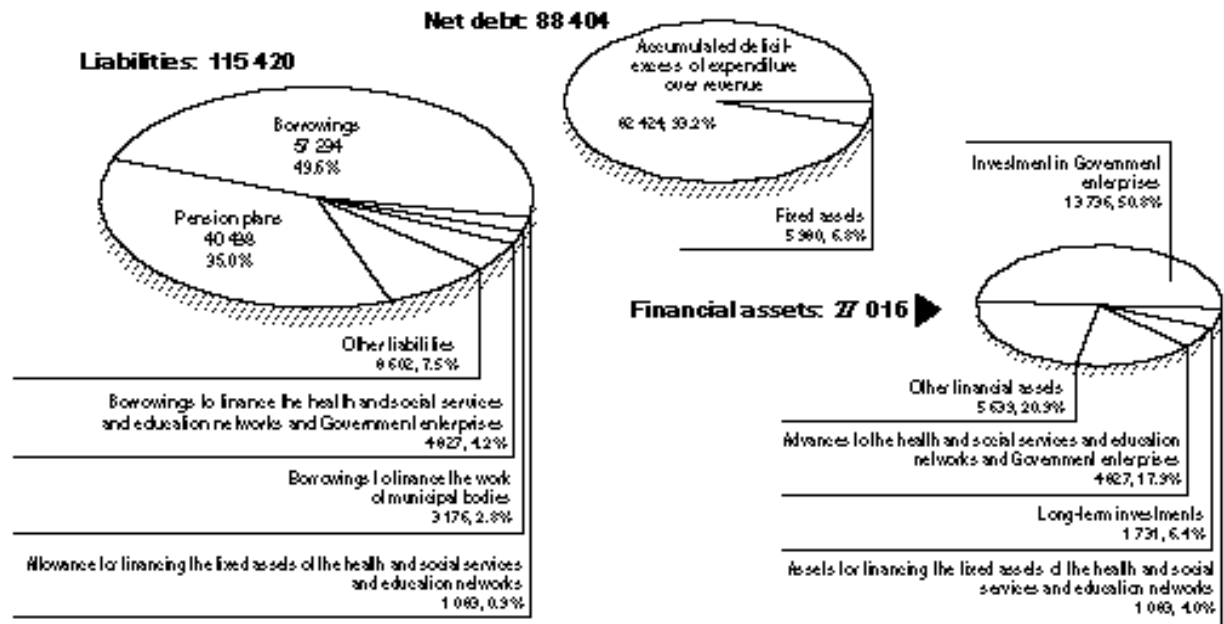
<sup>(1)</sup> The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

# CONSOLIDATED FINANCIAL POSITION

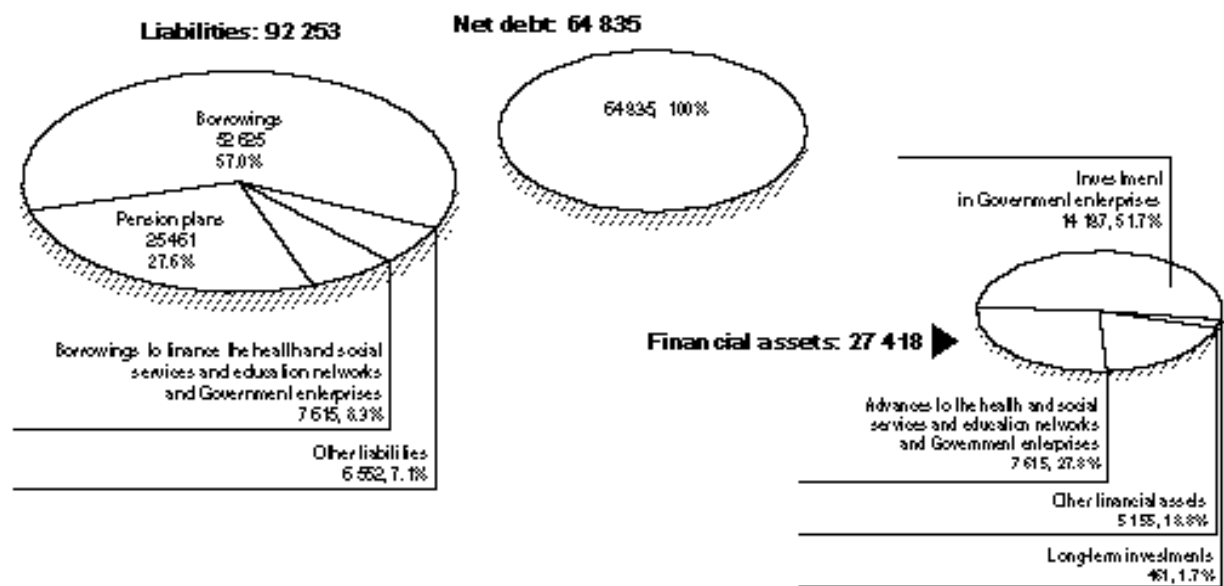
AS AT MARCH 31, 1998

(in millions of dollars)

**1998**



**1997 <sup>(1)</sup>**



<sup>(1)</sup> The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

## FINANCIAL STATISTICS

FISCAL YEAR ENDED MARCH 31, 1998

(in millions of dollars)

Fiscal year	Revenue*	Expenditure*	(Deficit) or surplus	Net debt <sup>(1)</sup>
1997-1998	41 470	43 662	(2 192)	88 404 <sup>(17)</sup>
1996-1997	37 528	40 745	(3 217)	64 835 <sup>(16)</sup>
1995-1996	38 425	42 376	(3 951)	61 621
1994-1995	36 606	42 420	(5 814)	57 670 <sup>(15)</sup>
1993-1994	36 228	41 151	(4 923)	51 837
1992-1993	35 590	40 620	(5 030)	46 914 <sup>(14)</sup>
1991-1992	34 650	38 951	(4 301)	41 885 <sup>(13)</sup>
1990-1991	33 194	36 169	(2 975)	37 558
1989-1990	31 170	32 934	(1 764)	34 583
1988-1989	29 825	31 529	(1 704)	32 819
1987-1988	28 175	30 571	(2 396)	31 115 <sup>(4-10)</sup>
1986-1987	25 427	28 399	(2 972)	28 716 <sup>(4,11,12)</sup>
1985-1986	24 040	27 513	(3 473)	25 735 <sup>(4,9,10)</sup>
1984-1985	22 145	26 018	(3 873)	21 455 <sup>(4,8,9)</sup>
1983-1984	21 713	23 877	(2 164)	17 298 <sup>(4,7)</sup>
1982-1983	19 630	22 093	(2 463)	15 038 <sup>(4)</sup>
1981-1982	17 800	20 421	(2 621)	12 569 <sup>(4,6)</sup>
1980-1981	14 533	18 014	(3 481)	14 326 <sup>(4)</sup>
1979-1980	13 107	15 507	(2 400)	10 836 <sup>(4)</sup>
1978-1979	11 692	13 190	(1 498)	8 460 <sup>(4,5)</sup>
1977-1978	10 995	11 699	(704)	7 058 <sup>(4)</sup>
1976-1977	9 569	10 745	(1 176)	6 353 <sup>(3)</sup>
1975-1976	8 260	9 211	(951)	5 044
1974-1975	7 172	7 614	(442)	4 093
1973-1974	5 689	6 348	(659)	3 651
1972-1973	4 975	5 322	(347)	2 992
1971-1972	4 446	4 801	(355)	2 645
1970-1971	3 810	3 955	(145)	2 290 <sup>(2, 2a)</sup>
1965-1966	1 736	1 999	(263)	1 398
1960-1961	751	855	(104)	374
1955-1956	462	442	20	275

\* The comparative figures for the Consolidated Revenue Fund and the Health Services Fund for fiscal 1996-1997 and previous years have been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

(\$M = millions of dollars)

<sup>(1)</sup> Net debt represents total liabilities minus financial assets, recorded in the statement of financial position.

(see notes on next page)

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**FINANCIAL STATISTICS (cont'd)**  
FISCAL YEAR ENDED MARCH 31, 1998  
(in millions of dollars)

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- (2) Following the retroactive application of the recording of the allowance for losses on guaranteed financial initiatives, the net debt was increased by \$8 M owing to the effect the application has on the surpluses or deficits of fiscal years prior to 1970-1971.
- (2a) Following the retroactive application of the recording of sick leave and vacations, the net debt was increased by \$65 M owing to the effect the application has on the surpluses or deficits of fiscal years prior to 1970-1971.
- (3) At April 1, 1976, the net debt was increased by \$133 M, including \$31 M to take into account the recording of equity investments in Government agencies and enterprises according to the modified equity method and by \$102 M for the recording of borrowings in foreign currencies at their Canadian equivalent.
- (4) Including adjustments by Government agencies and enterprises to their financial statements of \$1 M\$ in 1977-1978, \$1 M in 1978-1979, -\$24 M in 1979-1980, \$9 M in 1980-1981, -\$4 M\$ in 1981-1982, \$6 M in 1982-1983, \$37 M in 1983-1984, \$398 M in 1984-1985, \$168 M in 1985-1986, \$4 M in 1986-1987 and \$4 M in 1987-1988.
- (5) At April 1, 1978, the net debt was reduced by \$97 M to cancel the effect of changes to the net debt, for purposes of comparison, from 1945-1946 to 1977-1978, following the adoption of a new method for recording pension plans.
- (6) Including a decrease of \$4 374 M to take into account the assignment, to the Minister of Finance, of Hydro-Québec shares paid for from retained earnings of this Government enterprise up to December 31, 1980.
- (7) At April 1, 1983, the net debt was increased by \$59 M following the cancellation of receivables (advances, accounts and accrued interest) from the Société d'aménagement de l'Outaouais.
- (8) During fiscal 1984-1985, the net debt was reduced by \$528 M following the transfer, to the Minister of Finance, of Société immobilière du Québec shares for \$80 M and through registering advances of \$448 M as compensation for assets transferred to that Société.
- (9) Including an increase of \$1 078 M in the net debt, through unamortized fluctuations in exchange rates on foreign currency borrowings of \$414 M in 1984-1985 and \$664 M in 1985-1986.
- (10) Including a decrease of \$25 M in 1985-1986 and of \$1 M in 1987-1988 following the transfer, to the Minister of Finance, of Société des établissements de plein air du Québec shares as compensation for assets transferred to that Société.
- (11) At April 1, 1986, the net debt was increased by \$14 M following the write-off of equity investments in the Raffinerie de sucre du Québec.
- (12) During fiscal 1986-1987, the net debt was reduced by \$9 M following the decrease in accounts payable under capital lease contracts at March 31, 1986.
- (13) Including an increase of \$26 M to take into account the adjustment made to sinking fund borrowings according to the change in accounting policies.
- (14) In 1992-1993, the net debt was reduced by \$1 M following the transfer, to the Minister of Finance, of Société des établissements de plein air du Québec shares as compensation for assets transferred to that Société.
- (15) In 1994-1995, the net debt was increased by \$19 M to take into account the write-off of equity investments in the Société générale des industries culturelles.
- (16) The net debt was reduced by \$3 M in 1996-1997 to take into account the portion of unrealized gain on the sale of SOQUIP's interest in Noverco inc. (shares held by the Caisse de dépôt et placement du Québec).
- (17) The net debt was increased by \$21 377 M, including \$13 173 M for recording unrecorded pension plan obligations, \$6 693 M for consolidating Government enterprises, agencies and special funds, \$731 M for changing the method used to record borrowings, \$461 M for recording public sector restructuring measures, \$343 M for recording fixed assets and - \$24 M for the excess of the municipal assessment for fixed assets of the Corporation d'hébergement du Québec over their cost on the date of acquisition.

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**RECONCILIATION OF REVENUE, EXPENDITURE AND DEFICIT - EXCESS  
OF EXPENDITURE OVER REVENUE**  
FISCAL YEAR ENDED MARCH 31, 1998  
(in millions of dollars)

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	<u>1998</u>
REVENUE	
Consolidated Revenue Fund and Health Services Fund	39 164
Government agencies and special funds	8 869
Government enterprises	<u>2 734</u>
	<b>50 767</b>
<b>Less:</b>	
Government's share in the results of its agencies and enterprises, in the form of shares included in the revenue of the Consolidated Revenue Fund	<u>2 188</u>
	<b>48 579</b>
EXPENDITURE	
Consolidated Revenue Fund	41 930
Government agencies and special funds	<u>8 841</u>
	<b>50 771</b>
ELIMINATION OF INTER-ENTITY TRANSACTIONS	
Revenue	(7 109)
Expenditure	<u>(7 109)</u>
	<u>          </u>
DEFICIT - EXCESS OF EXPENDITURE OVER REVENUE	<u><u>2 192</u></u>

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VOLUME 1 of PUBLIC ACCOUNTS 1997-1998

**CONSOLIDATED FINANCIAL STATEMENTS OF THE  
GOUVERNEMENT DU QUÉBEC  
Consolidated financial statements**

Volume 1 presents summary data on the consolidated financial transactions, statistics and consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1998, accompanied by the Auditor General's report.

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**CONSOLIDATED FINANCIAL  
STATEMENTS**

## STATEMENT OF RESPONSIBILITY

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The Government is responsible for the integrity and objectivity of the financial statements prepared at the Ministère des Finances in accordance with the Financial Administration Act (R.S.Q., c. A-6, Division VIII). These statements are prepared in accordance with the accounting policies disclosed in Note 1 of the financial statements

To fulfil its accounting and financial reporting responsibilities, the Government maintains systems of financial management and internal control designed to provide reasonable assurance that transactions are duly authorized by Parliament and properly executed and recorded.

The Comptroller of Finance keeps the accounts of the Gouvernement du Québec by maintaining a centralized record of financial transactions, and obtains all the information needed to meet its accounting and financial reporting requirements from Government departments, agencies, enterprises and funds.

The Government submits its financial statements for audit purposes to the Auditor General who, in his report to the National Assembly, states the nature and scope of his audit as well as his opinion.

The financial statements are part of the Public Accounts tabled annually in the National Assembly by the Minister of Finance.

On behalf of the Gouvernement du Québec

André Fiset, F.C.A.  
Comptroller of Finance

Gilles Godbout  
Deputy Minister of Finance

Québec, December 10, 1998

## AUDITOR GENERAL'S REPORT

---

To the National Assembly,

I have audited the following consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1998:

- operations;
- changes in net debt;
- financial position;
- financial requirements and financing;
- capital assets.

The Minister of Finance is responsible for preparing these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management of government departments and agencies included in the government financial reporting entity, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Gouvernement du Québec as at March 31, 1998, as well as the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set forth in Note 1. As required by the Auditor General Act (R.S.Q., chapitre V-5.01), I report that, in my opinion, except for the retroactive application, without restatement of figures from the preceding financial year, of changes in accounting policies mentioned in Note 2, these accounting policies have been applied on a basis consistent with that of the preceding year.

Auditor General of Québec

Guy Breton, FCA

Québec City, December 10, 1998

## CONSOLIDATED STATEMENT OF OPERATIONS

FISCAL YEAR ENDED MARCH 31, 1998

(in millions of dollars)

<u>Appendix</u>	<u>1998</u>		<u>1997*</u>	
	<u>Budget **</u>	<u>Actual results</u>	<u>Actual results</u>	
5	<b>REVENUE (Note 3)</b>			
	Income and property taxes	20 503	21 741	19 565
	Consumption taxes	7 566	7 421	6 950
	Duties and permits	1 387	1 448	996
	Miscellaneous	1 699	2 136	1 112
	Revenue from Government enterprises	2 816	2 734	2 186
	Own-source revenue	<u>33 971</u>	<u>35 480</u>	<u>30 809</u>
	Government of Canada transfers	<u>6 124</u>	<u>5 990</u>	<u>6 719</u>
		<b><u>40 095</u></b>	<b><u>41 470</u></b>	<b><u>37 528</u></b>
6	<b>EXPENDITURE</b>			
	Health and Social Services	12 884	13 294	12 945
	Education and Culture	9 568	9 973	10 612
	Support for Individuals and Families	4 407	4 240	4 376
	Economy and Environment	4 226	4 857	3 942
	Administration and Justice	3 489	3 345	3 009
	Depreciation of fixed assets	<u>420</u>	<u>593</u>	
	Sub-total	<b><u>34 994</u></b>	<b><u>36 302</u></b>	<b><u>34 884</u></b>
	Debt service	<u>7 426</u>	<u>7 360</u>	<u>5 861</u>
	Total expenditure	<b><u>42 420</u></b>	<b><u>43 662</u></b>	<b><u>40 745</u></b>
	Deficit – excess of expenditure over revenue	<b><u>2 325</u></b>	<b><u>2 192</u></b>	<b><u>3 217</u></b>

\* The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

\*\* The budget was established on the basis of the Budget Speech of March 25, 1997 adjusted to reflect the accounting reform announced in the Budget Speech of March 31, 1998.

**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**FISCAL YEAR ENDED MARCH 31, 1998**  
(in millions of dollars)

	<u>1998</u>	<u>1997*</u>
<b>PREVIOUSLY ESTABLISHED OPENING BALANCE</b>	<b>64 835</b>	<b>61 618</b>
Adjustments as at April 1 <sup>st</sup> , 1997:		
Recording of unrecorded pension plan obligations (Note 2a)	13 173	
Consolidation of Government enterprises, agencies and special funds (Note 2b)	6 693	
Change in the method for recording borrowings (Note 2c)	731	
Recording of public sector restructuring measures (Note 2d)	461	
Recording of fixed assets (Note 2e)	<u>144</u>	
<b>Adjusted opening balance</b>	<b><u>86 037</u></b>	<b><u>61 618</u></b>
Deficit – excess of expenditure over revenue	2 192	3 217
Increase in the net book value of fixed assets	<u>199</u>	
	<b>2 391</b>	
Excess of the municipal assessment for fixed assets of the Corporation d'hébergement du Québec over their cost on the date of acquisition	<u>(24)</u>	
<b>Annual change in net debt</b>	<b><u>2 367</u></b>	
<b>CLOSING BALANCE</b>	<b><u><u>88 404</u></u></b>	<b><u><u>64 835</u></u></b>

\* The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1998

(in millions of dollars)

<u>Appendix</u>		<u>1998</u>	<u>1997*</u>
	<b>LIABILITIES</b>		
7	Bank overdraft	737	514
8	Accounts payable and accrued expenses	7 703	6 038
	Deferred revenue	162	
	Pension plans (Note 5)	40 438	25 461
9	Borrowings (Note 6)	57 294	52 625
10	Borrowings to finance the health and social services and education networks and Government enterprises (Note 7)	4 827	7 615
	Borrowings to finance the work of municipal bodies (Note 8)	3 176	
	Allowance for financing the fixed assets of the health and social services and education networks (Note 9)	1 083	
	<b>TOTAL LIABILITIES</b>	<b>115 420</b>	<b>92 253</b>
	<b>FINANCIAL ASSETS</b>		
11	Short-term investments	70	
12	Accounts receivable	5 666	4 215
13	Investment in Government enterprises	13 736	14 187
14	Long-term investments	1 731	461
15	Other accounts	(97)	940
10	Advances to the health and social services and education networks and Government enterprises (Note 7)	4 827	7 615
	Assets for financing the fixed assets of the health and social services and education networks (Note 9)	1 083	
	<b>TOTAL FINANCIAL ASSETS</b>	<b>27 016</b>	<b>27 418</b>
	<b>NET DEBT</b>	<b>88 404</b>	<b>64 835</b>
	<b>Net debt represented by:</b>		
	Fixed assets (see consolidated statement of fixed assets)	5 980	
	Accumulated deficit – excess of expenditure over revenue	82 424	
		<b>88 404</b>	

\* The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

- . Commitments and contingencies (Note 10)
- . Agencies and funds which carry out activities of a fiduciary nature (Appendix 17)

*André Fiset, F.C.A.*  
*Comptroller of Finance*

*Gilles Godbout*  
*Deputy Minister of Finance*

Québec, December 10, 1998

**CONSOLIDATED STATEMENT OF FINANCIAL REQUIREMENTS AND FINANCING**  
**FISCAL YEAR ENDED MARCH 31, 1998**  
(in millions of dollars)

	<u>1998</u>		<u>1997*</u>	
<b>OPERATING ACTIVITIES</b>				
Deficit – excess of expenditure over revenue		2 192		3 217
Items not affecting liquid assets:				
Government's share in the results of enterprises entered as revenue less declared dividends		931		731
Allowance for doubtful accounts		(848)		(371)
Sick leave and annual leave		(70)		
Allowance for losses on guaranteed financial initiatives		(371)		(76)
Contribution for water purification				(44)
Pension costs (Note 5)		(743)		(1 216)
Interest charges relating to pension plans (Note 5)		(3 049)		(2 040)
Depreciation of fixed assets		(593)		
Amortization of deferred expenses		(85)		(391)
Amortization of unrealized foreign exchange loss		(43)		(62)
Amortization of the capitalization of discounts and Premiums		(151)		(3 469)
		<u>(5 022)</u>		<u>(252)</u>
		(2 830)		(252)
Pensions plans:				
Benefits and other payments		2 046		1 506
Contributions of participants and Government enterprises		(142)		(178)
		<u>1 904</u>		<u>1 328</u>
Specific purpose accounts (Appendix 8)				
Payments and other debits		605		297
Receipts and other credits		(610)		(298)
		<u>(5)</u>		<u>(1)</u>
Changes in liabilities and financial assets related to operations		<u>979</u>		<u>920</u>
Liquid assets used for operating activities		<u>48</u>		<u>1 995</u>
<b>INVESTMENT ACTIVITIES</b>				
Changes in investment in Government enterprises				
Investments made		143		57
Investments realized		(9)		(185)
		<u>134</u>		<u>(128)</u>
Changes in long-term investments				
Investments made		478		306
Investments realized		(77)		(37)
		<u>401</u>		<u>269</u>
Fixed assets				
Acquisition		817		
Disposal		(25)		
		<u>792</u>		
Liquid assets used for investment activities		<u>1 327</u>		<u>141</u>
<b>Net financial requirements</b>		<u><u>1 375</u></u>		<u><u>2 136</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL REQUIREMENTS AND FINANCING** (cont'd)  
 FISCAL YEAR ENDED MARCH 31, 1998  
 (in millions of dollars)

	<u>1998</u>	<u>1997*</u>
<b>FINANCING ACTIVITIES</b>		
Changes in borrowings		
Borrowings made	10 121	7 049
Borrowings repaid	<u>(8 826)</u>	<u>(6 255)</u>
	1 295	794
Revenue from the Retirement Plans		
Sinking Fund	(84)	(91)
Changes in liquid assets **	<u>164</u>	<u>1 433</u>
<b>NET FINANCING</b>	<b><u>1 375</u></b>	<b><u>2 136</u></b>

\* The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.

\*\* Liquid assets include short-term investments less bank overdraft.

**CONSOLIDATED STATEMENT OF FIXED ASSETS**  
**FISCAL YEAR ENDED MARCH 31, 1998**  
(in millions of dollars)

	<u>Land</u>	<u>Building</u>	<u>Facilities</u>	<u>Complex networks</u>	<u>Equipment</u>	<u>Development of data processing systems</u>	<u>1998 Total</u>
Cost of fixed assets – opening balance	153	3 324	58	9 617	1 329	503	14 984
Acquisition	4	71	14	375	206	147	817 <sup>(1)</sup>
Disposal	4	52	1		12	13	82
Cost of fixed assets – closing balance	<u>153</u>	<u>3 343</u>	<u>71</u>	<u>9 992</u>	<u>1 523</u>	<u>637</u>	<u>15 719</u>
Accumulated depreciation – opening balance		1 533	23	6 578	983	86	9 203
Amortization expenses		84	4	340	98	67	593
Impact of disposal		43			9	5	57
Accumulated depreciation – closing balance		<u>1 574</u>	<u>27</u>	<u>6 918</u>	<u>1 072</u>	<u>148</u>	<u>9 739</u>
<b>Fixed assets (Note 4)</b>	<u>153</u> <sup>(2)</sup>	<u>1 769</u>	<u>44</u>	<u>3 074</u>	<u>451</u>	<u>489</u>	<u>5 980</u> <sup>(3)</sup>

<sup>(1)</sup> Including \$6 million in capitalized interest.

<sup>(2)</sup> Fixed assets include land acquired for a nominal fee for public transit purposes.

<sup>(3)</sup> As at April 1, 1997, the fixed assets of the Régie des installations olympiques were recorded at net book value of \$158 million.

## NOTES TO FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Gouvernement du Québec accounts for its financial transactions in accordance with the accounting policies disclosed below. When necessary, the information included in the consolidated financial statements is based on best estimates and judgments

#### REPORTING ENTITY

The Government's reporting entity encompasses departments, agencies, enterprises and special funds which must account for the management of their financial transactions and resources to a Minister or directly to the National Assembly and which are part of the Government or under its control. They are listed in an appendix to the financial statements.

Agencies and funds that carry out activities of a fiduciary nature are not included in the Government's reporting entity. They are listed in an appendix to the financial statements.

#### CONSOLIDATION METHOD

The accounts of the Consolidated Revenue Fund and the other entities included in the Government's reporting entity, with the exception of Government enterprises, have been standardized and combined line by line in accordance with the accounting policies disclosed below. Inter-entity transactions and balances have been eliminated.

Government enterprises are accounted for using the modified equity method. Therefore, investment in these enterprises is recorded at cost, which is adjusted annually by the Government's share in the results of these enterprises with an offsetting entry to revenue, and reduced by the portion of dividends that are paid or reported by an enterprise and that accrue to the Government. A Government enterprise has all of the following characteristics:

- a) it is a separate legal entity that has the authority to enter into contracts in its own name and to go before a court;
- b) it is vested with the financial and administrative power to carry out commercial activities;
- c) its main activity is the sale of goods or the delivery of services to individuals or to organizations not included in the Government's reporting entity;
- d) it may, during the normal course of its operations, pursue its activities and settle its debts using revenue from sources not included in the Government's reporting entity.

#### REVENUE

Revenue from income and property taxes, consumption taxes, duties, permits, fines and forfeitures are recorded in the fiscal year during which they are received, after deducting reimbursements and other amounts deductible under the applicable legislation. Assessments and amounts billed before the end of the fiscal year are entered as revenue.

Revenue from Government of Canada transfers is recorded in the fiscal year during which it is received. However, claims issued and estimates of revenue from transfers related to shared-cost programs without fiscal compensation are recorded in the fiscal year during which the related expenditures are made.

Other revenue is recorded on the accrual basis. Interest income ceases to be recorded when there is no reasonable assurance that the principal or interest will be recovered.

## **EXPENDITURE**

Expenditure includes the cost of goods and services acquired during the fiscal year, with the exception of fixed assets for which an annual depreciation is recorded.

Transfers are recorded in the fiscal year during which the events that give rise to them occur, insofar as the transfers have been authorized and once beneficiaries have met the eligibility criteria.

## **LIABILITIES**

### **Accounts Payable and Accrued Expenses**

#### Specific purpose accounts

The Financial Administration Act (R.S.Q., c. A-6) provides for the creation of specific purpose accounts in which amounts received in respect of a contract or an agreement calling for the allocation of funds to a specific purpose may be deposited. Consequently, certain amounts receivable or payable under shared-cost programs without fiscal compensation or as a result of third-party compensation are recorded in specific purpose accounts.

#### Sick leave and annual leave

Obligations relating to sick leave and annual leave owed to Government employees are recorded as liabilities. The annual change in this account is posted to expenditure.

#### Allowance for losses on guaranteed financial initiatives

Obligations resulting from borrowings and other guaranteed financial initiatives are recorded as liabilities when a loss is probable. The annual change in this allowance is posted to expenditure.

The allowance for probable losses is evaluated using a rate based on past experience regarding losses on each of the guarantee programs. Special guarantees are grouped according to risk level.

### **Pension Plans**

Government pension plans are defined benefit pension plans. Within the context of preparing the Government's financial statements, obligations relating to vested benefits are evaluated using the actuarial projected benefit method prorated on service, according to the most probable assumptions set by the Government with regard, notably, to inflation, interest and employee remuneration. This method has been adjusted, however, to reflect the way in which benefits are earned by employees.

#### Total cost of plans

The annual cost of vested benefits for all pension plans, including the cost of changes to the plans and the amortization of adjustments to estimates based on actuarial gains or losses, are charged to expenditure, with an offsetting entry in the retirement plans account, i.e. pension plan liability. Changes to actuarial assumptions are included in the adjustments to estimates based on actuarial gains or losses.

In the case of the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP), the Teachers Pension Plan (TPP), the Pension Plan of Certain Teachers (PPCT) and transfers from the TPP and the CSSP to RREGOP, adjustments to estimates based on actuarial gains or losses are amortized using the straight-line method over a period corresponding to the

estimated average remaining years of service of participants in these plans as a whole. However, adjustments to estimates based on actuarial gains or losses for the other pension plans are amortized over a period corresponding to the estimated average remaining years of service of participants in each plan.

The total cost of the pension plans also includes interest charges on obligations relating to vested benefits, with an offsetting entry to liabilities in the retirement plans account. The investment revenue of the Retirement Plans Sinking Fund, created to pay for benefits under these plans, is taken into account in computing interest charges on obligations relating to vested benefits.

## **Borrowings**

Borrowings are recorded at the amount received at the time of issue, adjusted by the premium or discount amortization to obtain the amount of principal repayable at maturity. Issue expenses are recorded as deferred expenses and amortized over the term of each borrowing.

The value of borrowings in foreign currency is adjusted using the rates in effect on the balance sheet date, and the changes are recorded as unrealized foreign exchange gains or losses and amortized over the term of each borrowing.

Gains or losses on hedging instruments are deferred and amortized over the remaining term of each agreement. However, foreign exchange gains or losses on short-term agreements aimed at covering the long-term debt are amortized over the remaining term of the borrowing portfolio in the currency concerned.

The amortization is calculated using the straight-line method, except in the case of discounts and premiums, which are amortized according to the effective rate of return on each borrowing.

## **FINANCIAL ASSETS**

Short-term investments, accounts receivable and loans and advances are recorded initially at cost and then brought down to their net recoverable value through valuation allowances.

Investment in Government enterprises is recorded using the modified equity method.

Other long-term investments are entered at cost and reduced by any durable loss in value. The loss in value is charged to operations for the fiscal year during which it is known.

## **FIXED ASSETS**

Fixed assets consist of acquired, built, developed or improved non-financial assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services.

They include land, buildings, facilities such as parks and outdoor recreational areas, complex networks such as dams, canals, roads and bridges, equipment such as vehicles and furniture, and the development of data processing systems.

Fixed assets are recorded at cost and amortized using a logical, systematic method over a period corresponding to their useful life. They are a component of net debt. Their cost includes carrying charges capitalized during their construction, improvement and development.

The cost of fixed assets held under lease contracts is equal to the present value of payments due. Works of art and historic property are not recorded as fixed assets but are mentioned in a note to the financial statements, and their cost is charged to expenditure for the fiscal year during which they are acquired.

Fixed assets acquired through donation or for a nominal fee are recorded at their fair value at the time of acquisition with an offsetting entry to deferred revenue liabilities, which are gradually transferred to operating results using the same term and method of amortization as for the fixed assets concerned. However, land is recorded at its nominal value.

Sums received from agencies not included in the Government's reporting entity for the purchase of fixed assets are recorded as deferred revenue liabilities and gradually transferred to operating results using the same term and method of amortization as for the fixed assets concerned. However, contributions received for the purchase of land are deducted from the latter's cost.

## 2. CHANGES IN ACCOUNTING POLICIES

The impact of the various changes in accounting policies on operations prior to March 31, 1997 was recorded on April 1, 1997 in the consolidated statement of changes in net debt for the fiscal year ended March 31, 1998. These changes resulted in a \$147-million increase in the deficit – excess of expenditure over revenue for the fiscal year ended March 31, 1998.

The financial statements for the year ended March 31, 1997 were not adjusted to take these changes into account.

The retroactive application, without restatement, of the changes in accounting policies explained below resulted in an increase (decrease) in the following financial statement items for the current fiscal year:

### a) Recording of Unrecorded Pension Plan Obligations

The Government accounts for all of its pension plan obligations, records the cost of changes to the pension plans in the fiscal year in which they occur and records the assets of the Retirement Plans Sinking Fund at a value based on their market value.

Previously, the unrecorded actuarial liability for pension plans other than the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Peace Officers in Correctional Services (PPPOCS), established on March 31, 1979, was recorded gradually and amortized over a 50-year period ending in 2028-2029. The cost of changes to the pension plans was amortized using the straight-line method over a period corresponding to the estimated average remaining years of service of RREGOP participants, as of the fiscal year beginning in the calendar year during which the changes became effective. The assets of the Retirement Plans Sinking Fund were recorded at acquisition cost.

	<b>1998</b>
	(in millions of dollars)
Net debt	13 302
Pension plans	13 302
Deficit – excess of expenditure over revenue	129

b) Consolidation of Government Enterprises, Agencies and Special Funds

The Government has redefined its reporting entity so that it now includes its special funds, agencies and enterprises. Previously, the financial statements accounted for all of the financial transactions of entities whose revenue was credited to the Consolidated Revenue Fund or the Health Services Fund and of those whose operations were provided for by Parliamentary allocations from these funds.

	<u>1998</u>
	(in millions of dollars)
Net debt	6 557
Borrowings	3 982
Borrowings to finance the health and social services and education networks and Government enterprises	(4 376)
Borrowings to finance the work of municipal bodies	3 176
Other liabilities	1 024
Allowance for financing the fixed assets of the health and social services and education networks	1 083
Investment in Government enterprises	(927)
Long-term investments	878
Advances to the health and social services and education networks and Government enterprises	(4 376)
Other financial assets	1 674
Assets for financing the fixed assets of the health and social services and education networks	1 083
Deficit – excess of expenditure over revenue	(574)

c) Change in the Method for Recording Borrowings

The Government records borrowings based on the amount received at the time of issue, and calculates separately, for each borrowing, the amortization of deferred issue expenses and unrealized foreign exchange gains or losses. Previously, except in the case of deep discount borrowings, borrowings were recorded at their par value and the corresponding issue expenses and premiums or discounts were amortized over the remaining term of the debts, while foreign exchange gains or losses were amortized over the remaining term of the debts in foreign currency.

	<u>1998</u>
	(in millions of dollars)
Net debt	775
Other accounts:	
Deferred expenses	(133)
Unrealized foreign exchange loss	(774)
Borrowings	(132)
Deficit – excess of expenditure over revenue	44

d) Recording of Public Sector Restructuring Measures

The cost of structural changes to the health and social services network and of departure incentive programs and temporary retirement measures used to be amortized over a set period. As of 1997-1998, costs related to these measures and structural changes are recorded in the fiscal year during which they are implemented.

	<b>1998</b>
	(in millions of dollars)
Net debt	656
Accounts payable and accrued expenses	656
Deficit – excess of expenditure over revenue	195

e) Recording of Fixed Assets

The Government records the amortization of the cost of fixed assets as expenditure and the change in the net book value of fixed assets as net debt. Previously, the cost of fixed assets was recorded as a budgetary expenditure in the fiscal year during which they were acquired.

In addition, road repair costs are now recorded as current expenditures. Previously, these expenses were recorded as assets of the Road Network Preservation and Improvement Fund and were amortized over the estimated useful life of the assets concerned. This change has resulted in an increase in the Government's contribution to the financing of the Fund's operating activities.

	<b>1998</b>
	(in millions of dollars)
Net debt	231
Accounts payable and accrued expenses	231
Deficit – excess of expenditure over revenue	353

### 3. REVENUE

**ACCORDING TO APPLICABLE LEGISLATION, REVENUE IS SHOWN AFTER DEDUCTION OF THE FOLLOWING ITEMS:**

	<b>1998</b>	<b>1997</b>
	(in millions of dollars)	
	(Note 13)	
Personal income tax:		
Property tax refunds	151	181
Family assistance allowances	350	353
Refundable tax credits:		
Sales tax	155	200
Lodging of direct ascendants	15	17
Day care expenses	213	197
Other	13	
Amounts to be carried forward	<b>897</b>	<b>948</b>

	<u>1998</u>	<u>1997</u>
	(in millions of dollars)	
	(Note 13)	
Amounts brought forward	<u>897</u>	<u>948</u>
Corporate taxes:		
Refundable tax credits:		
Losses other than capital losses	55	79
Scientific research and experimental development	134	287
Manpower training	43	71
Cinematographic productions	65	71
Tax credit for large corporations	175	
Other	19	11
	<u>491</u>	<u>519</u>
Duties and permits:		
Refundable mining duties credits for losses pertaining to exploration and capital expenditures and other		8
Road checks	34	34
Silvicultural work and other forest management activities	407	192
	<u>441</u>	<u>234</u>
	<u>1 829</u>	<u>1 701</u>

#### 4. FIXED ASSETS

Fixed assets are recorded at acquisition cost and shown in net debt. They are depreciated over their estimated useful life using the following methods:

Category	Depreciation method	Useful life
Buildings	Straight-line and annuity	10 to 50 years
Facilities	Straight-line and annuity	5 to 10 years
Complex networks	Straight-line	10 to 40 years
Equipment	Straight-line	3 to 20 years
Development of data processing systems	Straight-line	5 to 10 years

Works of art and historic property consist mainly of paintings, sculptures, drawings, prints, photographs, installations, films and videos.

#### 5. PENSION PLANS

The Gouvernement du Québec contributes to several pension plans for its employees. The Members of the National Assembly, the judges of the Court of Québec and employees of the public and parapublic sectors participate in these plans.

## PENSION PLANS

	Estimated number of participants as at December 31, 1997	Number of beneficiaries as at December 31, 1997
Government and Public Employees Retirement Plan (RREGOP)	493 500	98 804
Teachers Pension Plan and Pension Plan of Certain Teachers (TPP and PPCT)	21 000 *	38 614
Civil Service Superannuation Plan (CSSP)	7 800 *	26 903
Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	4 200	2 920
Pension Plan of Peace Officers in Correctional Services (PPPOCS)	2 800	636
Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFETQ)	330	50
Pension Plan of the Judges of the Court of Québec (PPJCQ)	295	267
Pension Plan of the Members of the National Assembly (PPMNA)	130	263
	<b>530 055</b>	<b>168 457</b>

\* These plans have not admitted any new participants since July 1, 1973.

These plans are defined benefit pension plans which guarantee employees a set income upon retirement. Benefits are calculated on the basis of participants' average income for the five best paid years and their number of years of service. The portion of benefits accrued prior to July 1, 1982 is usually indexed to the cost of living, while those accrued after that date are partially indexed.

Under section 130 of the Act respecting the Government and Public Employees Retirement Plan, the Government must contribute at the following rates to the payment of benefits to employees who retire from the public and parapublic sectors: 58.33% (7/12) for years of service prior to July 1, 1982 and 50% for years of service since July 1, 1982.

Actuarial obligations relating to vested benefits have been calculated, for accounting purposes, according to the recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA). These obligations were evaluated by the Commission administrative des régimes de retraite et d'assurances (CARRA) using the actuarial projected benefit method prorated on service and the most probable long-term economic assumptions.

Long-term economic assumptions used for accounting purposes:

Yield, net of inflation	4.70%
Inflation rate	3.00%
Salary escalation rate, net of inflation	1.25%

To establish or adjust the contribution rate of employees and the Government in respect of RREGOP, CARRA uses a method recognized by the Canadian Institute of Actuaries, namely, the aggregate actuarial cost method based on attained age, net of assets, as well as fairly cautious long-term economic assumptions. On the basis of this method and these assumptions, the assets of the RREGOP pension fund contributed by the Government amounted to \$28 608 million as at December 31, 1997. The Government's liability for this plan, calculated for accounting purposes according to the recommendations of the Canadian Institute of Chartered Accountants, amounts to \$18 664 million, as shown in the Government's financial statements as at March 31, 1998.

The most recent estimates, i.e. those of December 31, 1997, which were produced and issued in 1998, were determined on the basis of actuarial valuations as at December 31, 1996 for RREGOP, the TPP, the CSSP, the PPMNA and the PPJCQ, as at December 31, 1994 for the SPMSQ, the PPPOCS and the PPFETQ, and as at December 31, 1990 for the PPCT.

The contributions of participants and autonomous employers to RREGOP and the PPFETQ are paid into the Caisse de dépôt et placement du Québec, while contributions to the other pension plans are paid into the Consolidated Revenue Fund and recorded as liabilities for these plans.

The Government's liability for RREGOP and the PPFETQ corresponds to its obligations as an employer, while for the other plans, it corresponds to its obligations towards participants, that is, its obligations as an employer and those relating to contributions paid by participants and autonomous employers into the Consolidated Revenue Fund.

#### PENSION PLAN LIABILITY

	Obligations relating to vested benefits <sup>(1)</sup>	Adjust- ments	Pension plan liability as at March 31, 1998	Pension plan liability as at March 31, 1997
		(in millions of dollars)		(Note 13)
RREGOP				
- regular service	16 759	(579)	16 180	15 351
- transferred service	2 506	(22)	2 484	541
TPP and PPCT	14 956	(386)	14 570	7 029
CSSP	5 630	(194)	5 436	1 418
Other	2 887	60	2 947	2 136
	<b>42 738</b>	<b>(1 121)</b>	<b>41 617</b>	<b>26 475</b>
Sinking funds <sup>(2)</sup>	(1 179)		(1 179)	(1 014)
	<b>41 559</b>	<b>(1 121)</b>	<b>40 438</b>	<b>25 461</b>

(1) After taking into account adjustments to estimates based on actuarial gains or losses for the pension plans from 1993 to 1996, the actuarial valuations for RREGOP, the TPP and the CSSP as at December 31, 1996 resulted in a \$1 078-million increase in the Government's obligations at that date, compared with the obligations estimated using the actuarial valuations as at December 31, 1993, carried out for the purposes of the 1996-1997 financial statements. In accordance with the accounting policies, this amount will be amortized as of 1998-1999 over the estimated average remaining years of service of participants.

(2) Under the Financial Administration Act (R.S.Q., c. A-6, Division VII.I), the Minister of Finance may make long-term investments, by way of a deposit with the Caisse de dépôt et placement du Québec, using a part of the Consolidated Revenue Fund up to an amount equal to the sums recorded in the retirement plans account in order to create a sinking fund to provide for the payment of all or part of the benefits awarded under these plans. The sinking fund's assets are recorded at a value based on their market value. During fiscal 1997-1998, the Minister did not make investments of this type in the Retirement Plans Sinking Fund. However, at March 31, 1998, \$84 million in revenue (\$91 million in 1997) was credited to the sinking fund, and was taken into account in calculating the interest charges on obligations relating to vested benefits.

#### TOTAL COST OF PENSION PLANS

	1998	1997
	(in millions of dollars)	
		(Note 13)
Pension costs		
Cost of vested benefits excluding interest charges	885	881
Employee contributions	(120)	(150)
Autonomous employer contributions	(22)	(28)
	<b>743</b>	<b>703</b>
Amortization of unrecorded actuarial liability		844
Amortization of adjustments to estimates based on actuarial gains or losses		(517)
Amortization of the cost of changes to the plans		186
	<b>743</b>	<b>1 216</b>
Interest charges relating to the pension plans	3 049	2 040
<b>Total</b>	<b>3 792</b>	<b>3 256</b>

## 6. BORROWINGS

Borrowings translated into Canadian dollars are shown below by currency and year of maturity. Monetary units by currency take currency swap contracts into account:

Currency <sup>1</sup>	1998			1997	
	In millions of monetary units	Total in Canadian equivalent (in millions of dollars)	Weighted average interest rate %	In millions of monetary units	Total in Canadian equivalent (in millions of dollars) (Note 13)
In Canadian dollars	37 111	37 111	8.002	33 460	33 460
In U.S. dollars	8 011	11 353	8.078	6 923	9 583
In Japanese yen	485 642	5 178	5.866	478 009	5 349
In Swiss francs	2 826	2 626	3.103	2 599	2 502
In Deutsche marks	1 700	1 302	5.110	1 980	1 644
In French francs	4 187	957	11.129	4 265	1 052
In pounds sterling	198	469	9.531	200	455
		<b>58 996</b>	<b>7.610 %</b>		<b>54 045</b>
Less:					
Sinking funds		1 702			1 420
<b>Total</b>		<b>57 294</b>			<b>52 625</b>

(1) Foreign monetary units are translated into their Canadian equivalent at the rates in effect on March 31.

Maturing in	In Canadian dollars	In U.S. dollars	In Japanese yen	In Swiss francs	In Deutsche marks	Other	Total 1998 (in millions of dollars) (Note 13)
1999	5 101	1 272	1 308	326	15		8 022
2000	4 066	890		202	489		5 647
2001	3 889			431			4 320
2002	2 711	896		436	308		4 351
2003	2 876	673		238	77		3 864
	<b>18 643</b>	<b>3 731</b>	<b>1 308</b>	<b>1 633</b>	<b>889</b>		<b>26 204</b>
2004-2008	10 005	2 267		514	337	505	13 628
2009-2013	2 750	173	1 965	479		803	6 170
2014-2018	565	747	1 675		76		3 063
2019-2023	1 752	142	18			118	2 030
2024 and thereafter	2 233	3 754	212				6 199
<b>Total</b>	<b>35 948</b>	<b>10 814</b>	<b>5 178</b>	<b>2 626</b>	<b>1 302</b>	<b>1 426</b>	<b>57 294</b>

Note: This schedule takes into account 2 309 in 1999 for treasury bills and 435 in 1999 for treasury notes, and was drawn up considering projected reimbursements of 423 in 1999, 297 in 2000, 265 in 2001, 211 in 2002, 169 in 2003 and 543 in 2004-2008 for bonds redeemable on demand. Moreover, the amounts in Canadian and U.S. currency take the sinking funds into account.

## FINANCIAL INSTRUMENTS

To meet the financial requirements arising from its operations, to refund maturing loans and to maintain the desired level of liquid assets, the Government has provided itself with an annual financing program targeting Canadian and international financial markets.

To manage interest and exchange rate fluctuations in these markets, the Government uses financial instruments such as currency and interest rate swap contracts as well as forward exchange contracts.

## 7. BORROWINGS TO FINANCE THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS AND GOVERNMENT ENTERPRISES

Borrowings contracted by the Government for organizations in the health and social services and education networks and for Government enterprises are shown separately as liabilities. To offset these borrowings, advances to the health and social services and education networks and Government enterprises are granted on the same conditions as the borrowings and are recorded as financial assets.

Borrowings translated into Canadian currency are shown below by currency and year of maturity. Monetary units by currency take currency swap contracts into account:

Currency <sup>1</sup>	1998			1997	
	In millions of monetary units	Total in Canadian equivalent <small>(in millions of dollars)</small>	Weighted average interest rate%	In millions of monetary units	Total in Canadian equivalent <small>(in millions of dollars) (Note 13)</small>
In Canadian dollars	4 696	4 696	6.344	7 102	7 102
In U.S. dollars	86	120	5.777	360	498
In Japanese yen	2 019	21	2.250	2 000	22
		<b>4 837</b>	<b>6.312</b> %		<b>7 622</b>
Less:					
Sinking funds		10			7
<b>Total</b>		<b>4 827</b>			<b>7 615</b>

<sup>(1)</sup> Foreign monetary units are translated into their Canadian equivalent at the rates in effect on March 31.

Maturing in	In Canadian dollars	In U.S. dollars	In Japanese yen	Total 1998 <small>(in millions of dollars) (Note 13)</small>
1999	712	1		713
2000	583			583
2001	519			519
2002	482			482
2003	643	115	21	779
	<b>2 939</b>	<b>116</b>	<b>21</b>	<b>3 076</b>
2004-2008	1 547	4		1 551
2009-2013	16			16
2014-2018	11			11
2019-2023	173			173
2024 and thereafter				
<b>Total</b>	<b>4 686</b>	<b>120</b>	<b>21</b>	<b>4 827</b>

## 8. BORROWINGS TO FINANCE THE WORK OF MUNICIPAL BODIES

Under the water treatment program, the Government is committed, in accordance with an agreement with the municipalities and the Société québécoise d'assainissement des eaux (SQAE), to contributing to the financing of work costs by reimbursing, based on their date of maturity, the principal and interest on borrowings contracted by the SQAE.

Borrowings, such as bonds and notes payable, translated into Canadian dollars are shown below by currency and year of maturity:

Currency <sup>1</sup>	1998		
	In millions of monetary units	Total in Canadian equivalent <small>(in millions of dollars)</small>	Weighted average interest rate %
In Canadian dollars	2 141	2 141	8.78
In U.S. dollars	172	227	9.34
In Japanese yen	12 000	169	10.05
In Swiss francs	125	102	12.69
In Deutsche marks	411	363	9.43
In Luxembourg francs	4 000	174	7.72
<b>Total</b>		<b>3 176</b>	<b>9.08 %</b>

<sup>(1)</sup> Translated at the rates applicable to related exchange risk hedging instruments.

Maturing in	In Canadian dollars	In U.S. dollars	In Japanese Yen	In Swiss francs	In Deutsche marks	In Luxem- bourg francs	Total
1999	527	58					585
2000	75						75
2001	200	69		102	119		490
2002	180		99				279
2003	399						399
	<b>1 381</b>	<b>127</b>	<b>99</b>	<b>102</b>	<b>119</b>		<b>1 828</b>
2004-2008	710	100	70		244	174	1 298
2009-2013							
2014-2018	50						50
2019-2023							
2024 and thereafter							
<b>Total</b>	<b>2 141</b>	<b>227</b>	<b>169</b>	<b>102</b>	<b>363</b>	<b>174</b>	<b>3 176</b>

## 9. ALLOWANCE FOR FINANCING THE FIXED ASSETS OF THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS

Under the General and Vocational Colleges Act (R.S.Q., c. C-29), the Education Act (R.S.Q., c. I-13.3), the University Investments Act (R.S.Q., c. I-17) and the Act respecting health services and social services (R.S.Q., c. S-5), the Government has created sinking funds for the purpose of repaying, out of the sums deposited by the Minister responsible, borrowings (principal and interest) contracted to finance the fixed assets of organizations in the health and social services and education networks.

As at March 31, 1998, the net assets of these sinking funds were as follows:

	<b>1998</b>
	(in millions of dollars)
Sinking funds relating to borrowings by:	
General and vocational colleges in Québec	178
Québec school boards	385 <sup>(1)</sup>
Québec university establishments	210
Québec health and social services organizations	310
	<b>1 083</b>

<sup>(1)</sup> Including \$24 million deposited with a financial institution and disbursed on April 1, 1998.

## 10. COMMITMENTS AND CONTINGENCIES

- A) Commitments for transfers to non-profit organizations and enterprises, school boards, municipalities, educational institutions and health and social services institutions for reimbursement of the principal on borrowings contracted for capital expenditures and for other capital expenditures, as well as certain other commitments, are shown in summary form in Appendix 16. As at March 31, 1998, these commitments totalled \$17 267 million (\$19 836 million as at March 31, 1997).
- B) Net guaranteed financial initiatives as at March 31, 1998 totalled \$44 981 million (\$43 624 million as at March 31, 1997) including \$38 632 million as at March 31, 1998 (\$38 194 million as at March 31, 1997) related to Hydro-Québec loan guarantees. These net guaranteed financial initiatives are shown in summary form in Appendix 16.
- C) The Government is faced with claims and lawsuits, pending or potential. Some pertain to territorial claims by Native groups and benefit claims by social aid recipients under 30 years of age, while others, involving \$487 million (\$385 million in 1997), derive from breach of contract, personal injury or property damage and other similar causes. Since the outcome of these contingencies is uncertain, it is impossible to determine the potential loss the Government might incur.

## 11. MAJOR TRANSACTIONS BETWEEN GOVERNMENT ENTERPRISES AND ENTITIES INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

For fiscal 1998, major transactions between the Government and its enterprises totalled \$389 million, including \$247 million remitted to the Corporation d'hébergement du Québec.

## 12. YEAR 2000 UNCERTAINTY

The dawning of the year 2000 poses a problem in that many data processing systems use two numbers rather than four to identify years. Date-sensitive Government computer programs might confuse the year 2000 with 1900 or another year, which would cause system errors or breakdowns when data involving dates from the year 2000 is processed. Similar problems might also arise in systems that use certain dates from 1999 to represent items other than dates. The impact of the year 2000 problem might be felt on January 1, 2000, or even prior to or after that date. Unless steps are taken to remedy the situation, financial transactions and reporting might be subject to minor errors, if not major system breakdowns that could interfere with the Government's ability to carry out its normal activities. It is impossible to be certain that all year 2000 problems that might affect the Government, including those relating to the activities of its clients and suppliers or other third parties, will be fully resolved.

Nevertheless, the Government is striving to remedy without delay the data processing problems that might occur at the beginning of the year 2000. Costs related to changing, replacing or removing major system components are not expected to have a significant impact on the Government's financial position. Government actions mainly target systems, technological facilities, interfaces and specialized equipment involved in maintaining essential activities relating to health, safety and economic stability, while closely monitoring the progress of all work required to ensure a smooth start to the year 2000.

Essential activities have been identified and all efforts are aimed at ensuring they are maintained. However, given that it is impossible to make all the necessary preparations, even if less crucial work is postponed, the Government intends to immediately begin preparing contingency plans and implementing preventive measures if such steps have not already been taken.

### **13. COMPARATIVE FIGURES**

The comparative figures for 1997 have not been restated to reflect the changes in accounting policies since they cannot be properly determined. Certain figures were reclassified, however, for consistency with the presentation adopted in 1998.



VOLUME 1 of PUBLIC ACCOUNTS 1997-1998

**CONSOLIDATED FINANCIAL STATEMENTS OF THE  
GOUVERNEMENT DU QUÉBEC**  
**Appendices**

Volume 1 presents summary data on the consolidated financial transactions, statistics and consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1998, accompanied by the Auditor General's report.

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**GOVERNMENT DEPARTMENTS AND AGENCIES WHOSE FINANCIAL TRANSACTIONS  
WERE CONDUCTED WITHIN THE CONSOLIDATED REVENUE FUND AND INCLUDED  
IN THE GOVERNMENT'S REPORTING ENTITY**

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Affaires municipales

- Bureau de révision de l'évaluation foncière du Québec
- Commission municipale du Québec
- Régie de la sécurité dans les sports du Québec
- Régie du logement

Agriculture, Pêcheries et Alimentation

- Commission de protection du territoire agricole du Québec
- Régie des marchés agricoles et alimentaires du Québec
- Régie des assurances agricoles du Québec
- Tribunal d'appel en matière de protection du territoire agricole

Assemblée nationale

Conseil du trésor, Administration et Fonction publique  
Commission de la fonction publique

Conseil exécutif

Culture et Communications

- Commission de protection de la langue française
- Commission de toponymie
- Commission des biens culturels du Québec
- Conseil de la langue française
- Office de la langue française
- Régie des télécommunications
- Régie du cinéma

Développement des régions et Affaires autochtones

Éducation

- Commission consultative de l'enseignement privé
- Commission d'évaluation de l'enseignement collégial
- Conseil supérieur de l'éducation

Emploi, Solidarité et Condition féminine

- Conseil du statut de la femme

Environnement et Faune

- Bureau d'audiences publiques sur l'environnement

Famille et Enfance

- Conseil de la famille et de l'enfance
- Office des services de garde à l'enfance

Finances

- Inspecteur général des institutions financières
- Régie de l'assurance-dépôts du Québec

Industrie, Commerce, Science et Technologie

- Conseil de la science et de la technologie

Justice

- Tribunal des droits de la personne

Métropole

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## APPENDIX 1 (CONT'D)

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### Personnes désignées par l'Assemblée nationale

- Directeur général des élections - Commission de la représentation
- Protecteur du citoyen
- Vérificateur général

### Relations avec les citoyens et Immigration

- Bureau de révision en immigration
- Commission d'accès à l'information
- Commission des droits de la personne et des droits de la jeunesse
- Conseil des aînés
- Conseil des relations interculturelles
- Conseil permanent de la jeunesse
- Office de la protection du consommateur

### Relations internationales

### Ressources naturelles

### Revenu

### Santé et Services sociaux

- Conseil de la santé et du bien-être
- Conseil médical du Québec
- Office des personnes handicapées du Québec

### Sécurité publique

- Comité de déontologie policière
- Commission québécoise des libérations conditionnelles
- Régie des alcools, des courses et des jeux

### Tourisme

### Transports

- Commission des transports du Québec

### Travail

- Commission de l'équité salariale
- Conseil consultatif du travail et de la main-d'oeuvre
- Conseil des services essentiels
- Régie du bâtiment du Québec

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**AGENCIES AND SPECIAL FUNDS  
WHOSE OWN REPORTING ENTITY  
IS INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY**

---

**AGENCIES**

Agence de l'efficacité énergétique  
 Agence métropolitaine de transport  
 Bibliothèque nationale du Québec  
 Commission d'appel en matière de lésions professionnelles  
 Commission de la capitale nationale du Québec  
 Commission de reconnaissance des associations d'artistes  
 Commission des affaires sociales  
 Commission des normes du travail  
 Commission des services juridiques  
 Commission des valeurs mobilières du Québec  
 Conseil des arts et des lettres du Québec  
 Conseil des assurances de dommages  
 Conseil des assurances de personnes  
 Corporation d'urgences-santé de la région de Montréal métropolitain  
 Fondation de la faune du Québec  
 Fonds d'aide aux recours collectifs  
 Fonds d'assurance-prêts agricoles et forestiers  
 Fonds de la recherche en santé du Québec  
 Fonds pour la formation de chercheurs et l'aide à la recherche  
 Institut de police du Québec  
 Institut de recherche et d'information sur la rémunération  
 Institut de tourisme et d'hôtellerie du Québec  
 Musée d'art contemporain de Montréal  
 Musée de la civilisation  
 Musée du Québec  
 National Manpower Training Fund  
 Office de la sécurité du revenu des chasseurs et piégeurs cris  
 Office des professions du Québec  
 Parc technologique du Québec métropolitain  
 Régie de l'assurance-maladie du Québec  
 Régie de l'énergie  
 Régie des installations olympiques and Special Olympic Fund  
 Sidbec  
 Société de développement des entreprises culturelles  
 Société de développement industriel du Québec  
 Société de financement agricole  
 Société de la Place des Arts de Montréal  
 Société de télédiffusion du Québec  
 Société des traversiers du Québec  
 Société d'habitation du Québec  
 Société d'investissement Jeunesse  
 Société du Centre des congrès de Québec  
 Société du Grand Théâtre de Québec  
 Société du Palais des congrès de Montréal  
 Société du parc industriel et portuaire de Bécancour  
 Société du parc industriel et portuaire Québec-Sud  
 Société immobilière du Québec

**AGENCIES (cont'd)**

Société nationale de l'amiante  
 Société québécoise d'assainissement des eaux  
 Société québécoise de développement de la main-d'oeuvre  
 Société québécoise de récupération et de recyclage  
 Société québécoise d'information juridique

**SPECIAL FUNDS**

Assistance Fund for Independent Community Action  
 Assistance Fund for Victims of Crime  
 Civil Status Fund  
 Collection Fund  
 Departure Incentive Management Fund  
 Distance Education Fund  
 Financial Assistance Fund for Certain Disaster Areas  
 Financing Fund  
 Forestry Fund  
 Fund of the Bureau de la statistique du Québec  
 Fund to Combat Poverty through Reintegration into the Labour Market  
 Fund for the Contributions of Motorists to Public Transit  
 Fund for the Management of Québec Immovables on Foreign Soil  
 Fund for the Sale of Goods and Services of the Ministère des Ressources naturelles  
 Government Information Fund  
 Government Services Fund  
 Health Services Fund  
 Horse-Racing Industry Fund  
 Ice Storm Fund  
 Information Technology Fund of the Conseil du trésor  
 Information Technology Fund of the Ministère de l'Emploi et de la Solidarité  
 Information Technology Fund of the Ministère des Finances  
 Information Technology Fund of the Ministère du Revenu  
 International Development Fund  
 Labour Market Development Fund  
 Land and Geographic Information Fund  
 Police Services Fund  
 Prescription Drug Insurance Fund  
 Québec Cadastre Reform Fund  
 Register Fund of the Ministère de la Justice  
 Road Network Preservation and Improvement Fund  
 Tourism Partnership Fund  
 Special Local Activities Financing Fund  
 Support Payments Fund \*

\* This body also carries out activities of a fiduciary nature that are not included in the Government's reporting entity.

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**ENTERPRISES INCLUDED IN THE GOVERNMENT'S  
REPORTING ENTITY**

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Centre de recherche industrielle du Québec

Commission de la santé et de la sécurité du travail

Corporation d'hébergement du Québec \*\*

Financing Fund \*\*

Fonds d'indemnisation du courtage immobilier

Hydro-Québec \*

Loto-Québec

Régie de l'assurance-dépôt du Québec

Société de développement de la Baie James (SDBJ)

Société de l'assurance automobile du Québec

Société de récupération, d'exploitation et de développement forestiers du Québec (REXFOR)

Société des alcools du Québec

Société des établissements de plein air du Québec

Société d'habitation du Québec \*\*

Société générale de financement du Québec

Société Innovatech du Grand Montréal

Société Innovatech du Sud du Québec

Société Innovatech Québec et Chaudière - Appalaches

Société québécoise des transports

Société québécoise d'exploration minière (SOQUEM)

Société québécoise d'initiatives agro-alimentaires (SOQUIA)

Société québécoise d'initiatives pétrolières (SOQUIP)

\* This body also carries out operations of a fiduciary nature that are not included in the Government's reporting entity.

\*\* Entities affected by the administrative and financial restructuring measures announced as part of the reform of Government accounting.

**AGENCIES AND FUNDS WHICH CARRY OUT ACTIVITIES OF A FIDUCIARY NATURE  
AND WHICH ARE NOT PART OF THE GOVERNMENT'S REPORTING ENTITY**

---

Caisse de dépôt et placement du Québec

Comité centraide - secteur public

Commission administrative des régimes de retraite et d'assurances

Commission de la construction du Québec

Curateur public (Le)

Fonds central pour le bénéfice des personnes incarcérées

Fonds d'assurance récolte

Fonds d'assurance stabilisation des revenus agricoles

Fonds de contrat à terme

Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes

Fonds d'indemnisation en assurance de dommages

Fonds d'indemnisation en assurance de personnes

Funds administered by the Régie des marchés agricoles et alimentaires du Québec

Hydro-Québec - Caisse de retraite

Régie des rentes du Québec

Support Payments Fund (fiduciary section)

Travel Agents' Security Funds

Trust Funds

**BREAKDOWN OF REVENUE**

FISCAL YEAR ENDED MARCH 31, 1998  
(in millions of dollars)

	<u>1998</u>	<u>1997</u> (Note 13)
<b>Income and property taxes</b>		
Personal income tax	14 165	12 867
Contributions to the Health Services Fund	4 071	3 768
Corporate taxes	3 505	2 931
Other		(1)
	<u>21 741</u>	<u>19 565</u>
<b>Consumption taxes</b>		
Retail sales	5 505	5 213
Fuel	1 532	1 454
Tobacco	371	283
Pari-mutuel	13	
	<u>7 421</u>	<u>6 950</u>
<b>Duties and permits</b>		
Motor vehicles	700	490
Alcoholic beverages	129	123
Natural resources	396	227
Other	223	156
	<u>1 448</u>	<u>996</u>
<b>Miscellaneous</b>		
Sales of goods and services	1 397	510
Interest	339	234
Fines, forfeitures and recoveries	400	368
	<u>2 136</u>	<u>1 112</u>
<b>Revenue from Government enterprises</b>		
Commission de la santé et de la sécurité du travail	511	
Société des alcools du Québec	378	372
Loto-Québec	1 068	972
Hydro-Québec	636	661
Other	141	181
	<u>2 734</u>	<u>2 186</u>
<b>Total own-source revenue</b>	<u>35 480</u>	<u>30 809</u>
<b>Government of Canada transfers</b>		
Equalization	4 229	4 102
Contributions to social programs	1 660	2 554
Contributions to welfare programs		(2)
Other transfers related to fiscal arrangements	26	(37)
Other programs	75	102
<b>Total Government of Canada transfers</b>	<u>5 990</u>	<u>6 719</u>
<b>Total revenue</b>	<u>41 470</u>	<u>37 528</u>

**BREAKDOWN OF EXPENDITURE**  
**FISCAL YEAR ENDED MARCH 31, 1998**  
(in millions of dollars)

	<u>1998</u>	<u>1997</u> (Note 13)
<b>BY SUPERCATEGORY AND CATEGORY</b>		
Transfers		
Remuneration	15 709	16 607
Operating	2 848	2 969
Capital	948	951
Interest	1 449	1 135
Support	<u>8 574</u>	<u>7 993</u>
	<b>29 528</b>	<b>29 655</b>
Allocation to special fund		
Remuneration		136
Operating		100
Capital		112
Interest		353
Support		<u>59</u>
		<b>760</b>
Remuneration	<b>3 148</b>	<b>2 635</b>
Operating	<b>1 814</b>	<b>1 270</b>
Depreciation of fixed assets	<b>593</b>	
Capital		<b>128</b>
Doubtful accounts and other allowances	<u>1 219</u>	<u>436</u>
<b>Sub-total</b>	<b>36 302</b>	<b>34 884</b>
Debt service	<u>7 360</u>	<u>5 861</u>
<b>TOTAL EXPENDITURE</b>	<b><u>43 662</u></b>	<b><u>40 745</u></b>

**BANK OVERDRAFT**  
AS AT MARCH 31, 1998  
(in millions of dollars)

---

	<u>1998</u>	<u>1997</u>
		(Note 13)
Outstanding cheques	482	622
Short-term borrowings	653	
	<u>1 135</u>	<u>622</u>
Cash in bank	193	41
Cash and notes on hand and outstanding deposits	205	67
	<u>398</u>	<u>108</u>
	<u>737</u>	<u>514</u>

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**ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

AS AT MARCH 31, 1998

(in millions of dollars)

	<u>1998</u>	<u>1997</u>
		(Note 13)
Remuneration	113	105
Suppliers	712	648
Advances from trust funds	87	392
Clearing account for collected taxes		
Municipal taxation	375	348
Other	97	35
Specific purpose accounts <sup>(2)</sup>	5	1
Transfers to:		
School boards and educational institutions	706	869
Health and social services institutions	798	125
Municipalities and municipal bodies	62	59
Other	1 355	503
Accrued interest on borrowings	1 550	1 482
Sick leave and annual leave <sup>(1)</sup>	748	713
Allowance for losses on guaranteed financial initiatives <sup>(1)</sup>	791	634
Survivor's pension plan <sup>(1)</sup>	304	
Allowance for water purification		124
	<u><b>7 703</b></u>	<u><b>6 038</b></u>

<sup>(1)</sup> Includes mainly sums payable over a period extending beyond the year after the date of the statement of financial position.<sup>(2)</sup> Summary of specific purpose accounts.

	Payments and other debits	Receipts and other credits		Surplus
		Government of Canada transfers – Other programs	Sales of goods and services	
<b>SALES OF GOODS AND SERVICES</b>				
Account for training, partnership and the organization of special events	4		5	1
Account for administering the Goods and Services Tax	104		104	
Account for financing the horse-racing industry recovery plan	5		5	
Other	6		9	3
<b>GOVERNMENT OF CANADA TRANSFERS</b>				
Account for minority language education and second-language instruction	6	6		
Account for the Canada-Québec strategic road improvement program	9	9		
Account for infrastructure work	67	67		
Ice storm account	396	396		
Other	8	9		1
		<u>487</u>	<u>123</u>	
	<u>605</u>	<u>610</u>		<u>5</u>

**BORROWINGS**  
AS AT MARCH 31, 1998  
(in millions of dollars)

Summary by type of currency and borrowing	1998			1997	
	In millions of monetary units	Total in Canadian equivalent	Weighted average interest rate %	In millions of monetary units	Total in Canadian equivalent (Note 13)
<b>IN CANADIAN DOLLARS</b>					
Treasury bills	2 309	2 309		2 730	2 730
Savings products	1 980	1 980		1 563	1 563
Bonds and notes	20 870	20 870		17 561	17 561
Medium-term notes on the Canadian market	1 579	1 579		949	949
Medium-term notes on the U.S. market	15	15			
Medium-term notes on the European market	30	30		30	30
Commitments under capital leases	272	272			
Currency swap contracts	10 056	10 056		10 627	10 627
	<b>37 111</b> C\$	<b>37 111</b>	<b>8.002</b> %	<b>33 460</b> C\$	<b>33 460</b>
<b>IN U.S. DOLLARS</b>					
Treasury bills	307	435		69	96
Bonds and notes	8 162	11 563		8 225	11 385
Medium-term notes on the Canadian market	13	19		13	18
Medium-term notes on the U.S. market	926	1 312		936	1 296
Medium-term notes on the European market	1 311	1 858		1 017	1 408
Currency swap contracts	(2 708)	(3 834)		(3 337)	(4 620)
	<b>8 011</b> U.S.\$	<b>11 353</b>	<b>8.078</b> %	<b>6 923</b> U.S.\$	<b>9 583</b>
<b>IN JAPANESE YEN</b>					
Bonds and notes	342 305	3 639		308 661	3 454
Medium-term notes on the U.S. market	3 390	36		3 400	38
Medium-term notes on the European market	471 531	5 012		509 416	5 700
Currency swap contracts	(331 584)	(3 509)		(343 468)	(3 843)
	<b>485 642</b> ¥	<b>5 178</b>	<b>5.866</b> %	<b>478 009</b> ¥	<b>5 349</b>
<b>IN SWISS FRANCS</b>					
Bonds and notes	916	852		866	835
Currency swap contracts	1 910	1 774		1 733	1 667
	<b>2 826</b> Sfr	<b>2 626</b>	<b>3.103</b> %	<b>2 599</b> Sfr	<b>2 502</b>
<b>IN DEUTSCHE MARKS</b>					
Bonds and notes	2 687	2 058		2 706	2 247
Medium-term notes on the European market	495	379		147	122
Currency swap contracts	(1 482)	(1 135)		(873)	(725)
	<b>1 700</b> DM	<b>1 302</b>	<b>5.110</b> %	<b>1 980</b> DM	<b>1 644</b>
<b>IN FRENCH FRANCS</b>					
Bonds and notes	7 805	1 784		9 800	2 418
Medium-term notes on the European market	4 794	1 096		2 000	493
Currency swap contracts	(8 412)	(1 923)		(7 535)	(1 859)
	<b>4 187</b> Ffr	<b>957</b>	<b>11.129</b> %	<b>4 265</b> Ffr	<b>1 052</b>
<b>IN POUNDS STERLING</b>					
Bonds and notes	198	469		200	455
	<b>198</b> £	<b>469</b>	<b>9.531</b> %	<b>200</b> £	<b>455</b>
AMOUNTS TO BE CARRIED FORWARD		<b>58 996</b>			<b>54 045</b>

**BORROWINGS** (cont'd)  
AS AT MARCH 31, 1998  
(in millions of dollars)

Summary by type of currency and borrowing	1998			1997	
	In millions of monetary units	Total in Canadian equivalent	Weighted average interest rate %	In millions of monetary units	Total in Canadian equivalent (Note 13)
AMOUNTS BROUGHT FORWARD		<u>58 996</u>			<u>54 045</u>
IN DUTCH GUILDERS					
Bonds and notes	351	238		350	258
Currency swap contracts	(351)	(238)		(350)	(258)
	DFI			DFI	
IN AUSTRALIAN DOLLARS					
Bonds and notes	366	362		385	418
Currency swap contracts	(366)	(362)		(385)	(418)
	A\$			A\$	
IN LUXEMBOURG FRANCS					
Bonds and notes	2 055	76			
Currency swap contracts	(2 055)	(76)			
	Lfr				
IN SPANISH PESETAS					
Bonds and notes	10 074	91			
Currency swap contracts	(10 074)	(91)			
	SPP				
		<u>58 996</u>	<u>7.610 %</u>		<u>54 045</u>
LESS:					
Sinking Fund Relating to Borrowings by the Gouver- nement du Québec		<u>1 702</u>			<u>1 420</u>
		<u>57 294</u>			<u>52 625</u>

**BORROWINGS** (cont'd)  
AS AT MARCH 31, 1998  
(in millions of dollars)

**SINKING FUND**  
**FUND BALANCE**  
**AS AT MARCH 31, 1998**

	<u>1998</u>	<u>1997</u> (Note 13)
Previously established opening balance	1 427	1 210
Adjustment:		
Re-evaluation of investments in foreign currencies	3	
Consolidated agencies and special funds	22	
Adjusted balance	<u>1 452</u>	<u>1 210</u>
Plus:		
Payment from the Consolidated Revenue Fund	107	94
Net revenue	181	101
Revenue on interest rate swap contracts	26	37
	<u>1 766</u>	<u>1 442</u>
Less:		
Funds used to repay specific borrowings	54	15
Closing balance	<u>1 712</u> <sup>(1)</sup>	<u>1 427</u>

<sup>(1)</sup> Includes \$10 million (\$7 million in 1997) from the Sinking Fund Relating to Government Borrowings contracted to finance the health and social services and education networks and Government enterprises.

**SINKING FUND**  
**BALANCE SHEET**  
**AS AT MARCH 31, 1998**

	<u>1998</u>	<u>1997</u> (Note 13)
Investments		
Treasury bills		
Gouvernement du Québec	225	51
Government of Canada		15
Deposit certificates	244	152
Loans on securities		109
Bonds		
Gouvernement du Québec	728	760
Government of Canada	53	
Government of the United States	2	3
Guaranteed by the Gouvernement du Québec	488	402
Municipal bodies	13	
Borrowings by the Gouvernement du Québec	24	
	<u>1 777</u>	<u>1 492</u>
Other assets		
Cash on hand	1	20
Accrued interest on investments	17	17
Accounts receivable on interest rate swap contracts	26	37
	<u>44</u>	<u>74</u>
Liabilities		
Unrealized foreign exchange gain	10	15
Deferred revenue	103	112
Deferred gains on forward exchange contracts	(4)	12
	<u>109</u>	<u>139</u>
Fund balance	<u>1 712</u> <sup>(1)</sup>	<u>1 427</u>

<sup>(1)</sup> Includes \$10 million (\$7 million in 1997) from the Sinking Fund Relating to Government Borrowings contracted to finance the health and social services and education networks and Government enterprises.

**BORROWINGS** (cont'd)  
AS AT MARCH 31, 1998  
(in millions of dollars)

**SINKING FUND**  
**SOURCE AND APPLICATION OF FUNDS**  
AS AT MARCH 31, 1998

	<u>1998</u>	<u>1997</u> (Note 13)
<b>Source of funds</b>		
Funds received from the Consolidated Revenue Fund, net revenue and revenue – Sinking Fund related to Granted Borrowings	309	232
Securities matured or sold	<u>87 514</u>	<u>39 220</u>
Decrease in accrued interest on investments	87 823	39 452
Increase in deferred gains on forward exchange contracts	<u>(16)</u>	<u>8</u>
	<u><b>87 807</b></u>	<u><b>39 467</b></u>
<b>Application of funds</b>		
Purchase of bonds and notes	87 772	39 437
Funds used to repay specific borrowings	<u>54</u>	<u>15</u>
Increase in bank balance	87 826	39 452
	<u>(19)</u>	<u>15</u>
	<u><b>87 807</b></u>	<u><b>39 467</b></u>



**SHORT-TERM INVESTMENTS**

AS AT MARCH 31, 1998

(in millions of dollars)

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	<u>1998</u>	<u>1997</u>
Canada treasury bills	1	
Deposit certificates	30	
Banker's acceptances	32	
Municipal bonds	2	
Other	<u>5</u>	
	<u><u>70</u></u>	

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**ACCOUNTS RECEIVABLE**

AS AT MARCH 31, 1998

(in millions of dollars)

	<u>1998</u>	<u>1997</u>
		(Note 13)
Accounts receivable		
Income and property taxes <sup>(1)</sup>	2 213	2 363
Consumption taxes <sup>(1)</sup>	1 208	1 570
Duties and permits <sup>(1)</sup>	142	106
Miscellaneous	1 511	597
Revenue from Government enterprises	411	67
Government of Canada transfers	660	126
Specific purpose accounts:		
Sales of goods and services	16	5
Government of Canada transfers	104	141
Expenditure and other	301	447
	<u>6 566</u>	<u>5 422</u>
Less: Allowance for doubtful accounts	<u>911</u>	<u>1 219</u>
Plus: Accrued interest on investments	<u>11</u>	<u>12</u>
	<u><u>5 666</u></u>	<u><u>4 215</u></u>

<sup>(1)</sup> Including, for agents and assignees, \$596 million for income and property taxes (\$596 million in 1997), \$860 million for consumption taxes (\$983 million in 1997) and \$94 million for duties and permits (\$68 million in 1997).

**INVESTMENT IN GOVERNMENT ENTERPRISES**

AS AT MARCH 31, 1998

(in millions of dollars)

**INVESTMENT IN GOVERNMENT ENTERPRISES**

			<u>1998</u>	<u>1997</u>
	<u>Loans and advances</u>	<u>Equity value</u>	<u>Investment in Government enterprises</u>	<u>Investment in Government enterprises</u> (Note 13)
Centre de recherche industrielle du Québec		13	13	
Commission de la santé et de la sécurité du travail <sup>(2)</sup>	1	(1 832)	(1 831)	1
Corporation d'hébergement du Québec		300	300	
Financing Fund		13	13	
Fonds d'indemnisation du courtage immobilier <sup>(3)</sup>		3	3	
Hydro-Québec <sup>(2)</sup>	6	13 144	13 150	12 873
Loto-Québec		90	90	94
Régie de l'assurance-dépôts du Québec <sup>(3)</sup>		139	139	
Sidbec <sup>(2)</sup>				(25)
Société de développement de la Baie James <sup>(2)</sup>		3	3	3
Société de l'assurance automobile du Québec <sup>(2)</sup>		402	402	
Société de récupération, d'exploitation et de développement forestiers du Québec (REXFOR)	14	230	244	240
Société des alcools du Québec		45	45	41
Société des établissements de plein air du Québec	15	18	33	(1) (5)
Société des traversiers du Québec				(5)
Société du parc industriel et portuaire Québec-Sud				2
Société d'habitation du Québec <sup>(3)</sup>		13	13	
Société générale de financement du Québec (SGF) <sup>(2)</sup>		704	704	574
Société immobilière du Québec				90
Société Innovatech du Grand Montréal	62	94	156	26
Société Innovatech du Sud du Québec	4	5	9	4
Société Innovatech Québec et Chaudière – Appalaches	20	15	35	7
Société nationale de l'amiante				5
Société québécoise des transports				1
Société québécoise d'exploration minière (SOQUEM)		66	66	72
Société québécoise d'initiatives agro-alimentaires (SOQUIA)		124	124	117
Société québécoise d'initiatives pétrolières (SOQUIP)		25	25	20
<b>Total</b>	<b><u>122</u></b>	<b><u>13 614</u></b>	<b><u>13 736</u></b>	<b><u>14 139</u></b> <sup>(1)</sup>

<sup>(1)</sup> Excluding \$48 million in endowments, loans and advances to consolidated Government agencies.

<sup>(2)</sup> The equity value was determined on the basis of financial statements audited as at December 31, 1997, and adjusted according to unaudited provisional results for January 1 to March 31, 1998.

<sup>(3)</sup> The equity value was determined on the basis of financial statements audited as at December 31, 1997.

**INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)**

AS AT MARCH 31, 1998

(in millions of dollars)

**MATURITY OF BONDS, NOTES, LOANS AND ADVANCES**

	<u>1998</u>	<u>1997</u> (Note 13)
1998		9
1999	108 <sup>(1)</sup>	12
2000	7	7
2001		
2002		
2003		
	<u>115</u>	<u>28</u>
2004-2008		
2009-2013		
2014-2018		
2019-2023		
2024 and thereafter		
	<u>115</u>	<u>28</u>
No fixed maturity date	<u>7</u>	<u>53</u>
	<u><u>122</u></u>	<u><u>81</u></u>

<sup>(1)</sup> Under section 42 of the Act respecting the Société Innovatech du Grand Montréal (S.Q., 1998, c. 19), the Act respecting the Société Innovatech du Sud du Québec (S.Q., 1998, c. 22) and the Act respecting the Société Innovatech Québec et Chaudière-Appalaches (S.Q., 1998, c. 21), advances of \$62 million, \$4 million and \$21 million respectively will be converted into capital stock on the terms set by the Minister of Finance.

**INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)**

AS AT MARCH 31, 1998

(in millions of dollars)

**SUMMARY OF THE FINANCIAL STATEMENTS OF GOVERNMENT ENTERPRISES**

	1998						1997
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity	Net equity
Centre de recherche industrielle du Québec	28	34	(6)	14	27	13	
Commission de la santé et de la sé- curité du travail <sup>(3)</sup>	2 338	1 817	521	8 139	6 318	(1 821) <sup>(3)</sup>	
Corporation d'hébergement du Québec	195	216	(21)	3 805	4 105	300	
Financing Fund	215	209	6	2 809	2 822	13	
Fonds d'indemni- sation du cour- tage immobilier <sup>(3)</sup>					3	3	
Hydro-Québec <sup>(2)</sup>	8 290	7 654	636	43 013	56 319	13 306 <sup>(4)</sup>	12 888
Loto-Québec	2 837	1 747	1 090	456	546	90	94
Régie de l'assurance- dépôts du Québec <sup>(3)</sup>	21	1	20	1	140	139	
Sidbec <sup>(2)</sup>							(25)
Société de déve- loppement de la Baie-James <sup>(2)</sup>	19	19		6	9	3	3
Société de l'assu- rance automobile du Québec <sup>(2)</sup>	1 162	1 131	31	4 830	5 232	402	
Société de récupé- ration, d'exploita- tion et de déve- loppement fores- tiers du Québec (REXFOR)	139	135	4	134	364	230	226
Société des alcools du Québec	1 136	758	378	211	256	45	41
Société des établissements de plein air du Québec	31	30	1	62	52	(10) <sup>(5)</sup>	(10)
Société des traver- siers du Québec							(5)
Société du parc industriel et portuaire Québec- Sud							2
Société d'habita- tion du Québec <sup>(3)</sup>	233	233		2 525	2 538	13	
Société générale de financement du Québec <sup>(2)</sup>	466	426	40	283	987	704	574
Société immobi- lière du Québec							82
<b>Amounts to be carried forward</b>	<b>17 110</b>	<b>14 410</b>	<b>2 700</b>	<b>66 288</b>	<b>79 718</b>	<b>13 430</b>	<b>13 870</b>

**INVESTMENT IN GOVERNMENT ENTERPRISES**

AS AT MARCH 31, 1998

(in millions of dollars)

**SUMMARY OF THE FINANCIAL STATEMENTS OF GOVERNMENT ENTERPRISES (cont'd)**

	1998						1997
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity	Net equity
<b>Amounts brought forward</b>	<b>17 110</b>	<b>14 410</b>	<b>2 700</b>	<b>66 288</b>	<b>79 718</b>	<b>13 430</b>	<b>13 870</b>
Société Innovatech du Grand Montréal	3	10	(7)	63	157	94	
Société Innovatech du Sud du Québec	1	1		5	10	5	
Société Innovatech Québec et Chaudière-Appalaches	3	3		21	36	15	
Société nationale de l'amiante							5
Société québécoise des transports <sup>(1)</sup>							1
Société québécoise d'exploration minière (SOQUEM)	1	7	(6)	1	67	66	73
Société québécoise d'initiatives agro-alimentaires (SOQUIA)	130	114	16	14	138	124	108
Société québécoise d'initiatives pétrolières (SOQUIP)	9	4	5	15	40	25	20
<b>TOTAL</b>	<b>17 257</b>	<b>14 549</b>	<b>2 708</b>	<b>66 407</b>	<b>80 166</b>	<b>13 759</b>	<b>14 077</b>

<sup>(1)</sup> This corporation was dissolved on April 1, 1998.

<sup>(2)</sup> These results were derived from financial statements audited as at December 31, 1997 and have been adjusted according to unaudited provisional results for January 1 to March 31, 1998.

<sup>(3)</sup> These results were derived from financial statements audited as at December 31, 1997.

<sup>(4)</sup> Excluding \$144 million representing loan guarantee fees for the 1998 calendar year recorded as Government revenue during fiscal 1997-1998 and \$19 million representing an unrealized gain during related party transactions.

<sup>(5)</sup> Including \$8 million for the loss applied against assets relating to activities abandoned in 1994 and excluding an increase of \$35 million in the investment corresponding to the Government's recognition of an account payable for the reimbursement of an advance granted by the Minister responsible for Regional Development and for the reimbursement of liabilities relating to these abandoned activities.

**INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)**

AS AT MARCH 31, 1998

**COMMITMENTS OF GOVERNMENT ENTERPRISES****Commission de la santé et de la sécurité du travail**

In 1995, the Commission signed a framework agreement with the consortium formed by the National Bank, Desjardins and Bell Canada for the purpose of acquiring electronic business services. In addition to enabling the Commission to improve its client services, this agreement will have an economic and technological impact by fostering the development of Québec's expertise in electronic business and the creation of French-language products exportable over the medium term throughout the French-speaking world.

Under this agreement and the specific or private contracts that will stem from it, the Commission has authorized a financial commitment of \$50 million over seven and a half years. As at December 31, 1997, this amount had been allocated, out of the operating surplus for the current 1997 fiscal year and according to an interest-free amortization mechanism, to the financing of expenditures incurred in coming fiscal years for the use of electronic business products and services.

In 1998, a specific contract for \$39 million, expiring in 2003, was signed for the introduction and use of electronic business products and services that had been developed previously.

**Corporation d'hébergement du Québec**

As at March 31, 1998, the Corporation's contractual commitments for work to be completed on construction and restoration projects under way totalled \$55 million (1997: \$31 million).

**Hydro-Québec**

Hydro-Québec has provided for a capital investment of \$1 870 million for 1998, prior to taking the subsequent event into account.

**Loto-Québec**

On May 13, 1998, the Gouvernement du Québec authorized the Société and its subsidiaries to acquire a minority interest in a consortium for the purpose of purchasing, revitalizing and operating the Manoir Richelieu. Since June 1, 1998, the Société is committed to assuming up to 50% of the total projected investment. This amount was estimated at \$141 million on the date the financial statements were prepared.

**CONTINGENCIES OF GOVERNMENT ENTERPRISES****Commission de la santé et de la sécurité du travail****Businesses under Federal Jurisdiction**

On May 26, 1988, the Supreme Court of Canada ruled that the Act respecting occupational health and safety was not applicable to businesses under federal jurisdiction. Following this ruling, the Commission reimbursed these employers for assessments that were wrongfully paid, including interest of 5% per year.

However, lawsuits were filed in Québec Superior Court by several out-of-province transportation firms which consider themselves to be under federal jurisdiction. They are claiming full reimbursement of the assessments paid to the Commission for the period 1981-1988, inclusively, rather than just the portion of assessments applicable under the Act respecting occupational health and safety. These firms are also claiming interest on their eventual refunds at the rate set under section 28 of the Act respecting the Ministère du Revenu, rather than the 5% rate determined by the Commission. These lawsuits total approximately \$46 million not including the claim for interest.

**Concept of Insurable Earnings**

As at August 31, 1998, 510 lawsuits had been filed in Superior Court by employers claiming reimbursement, plus interest, from the Commission for assessments they had wrongfully paid since 1986.

**INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)**

AS AT MARCH 31, 1998

**CONTINGENCIES OF GOVERNMENT ENTERPRISES (cont'd)****Commission de la santé et de la sécurité du travail (cont'd)**

These 510 employers claim that the gross salaries they are required to declare to the Commission under section 289 of the Act respecting industrial accidents and occupational diseases for purposes of calculating their assessments do not include indemnities for employee benefits such as annual leave, statutory holidays, sick leave, etc.

These lawsuits amount to about \$72 million. However, the Commission has declared that it will ensure that the assessment plan is applied uniformly, fairly and retroactively to all employers, should the courts conclude that it had erroneously applied section 289 of the Act respecting industrial accidents and occupational diseases, and that every effort will be made to ensure that those who did not institute legal proceedings do not suffer any loss or disadvantage.

In a ruling handed down on April 27, 1995, the Superior Court of Québec nullified the assessment notices issued to three of the claimants from 1986 to 1993 and ordered them to file new statements of wages. It also recognized that the Commission has the right to conduct the necessary audits during its regular assessment process and ordered the Commission to make new assessments if necessary.

The claimants appealed the ruling and the Commission filed a cross-appeal against the nullification of the assessments. The case was heard in October 1996 and a ruling was handed down by the Court of Appeal on February 18, 1998 rejecting the claimants' appeal and allowing the cross-appeal lodged by the Commission. On September 17, 1998, the Supreme Court of Canada rejected, with costs, the application for leave to appeal submitted by the three claimants. The other lawsuits are expected to be settled in 1999.

The Commission is unable to predict the outcome of these lawsuits. Any payment that may result from these claims will be recorded as operations in the fiscal year in which it occurs.

**SUBSEQUENT EVENT****Hydro-Québec**

Following the ice storm that affected southwestern Québec from January 5 to 9, 1998, over one million customers were without power for periods ranging from a few days in the Greater Montréal area to several weeks in Montérégie.

A preliminary estimate of the costs incurred to restore power as quickly as possible has been made. The estimate is based on information in the financial statements of December 31, 1997.

Hydro-Québec estimates the total cost of the ice storm at slightly over \$800 million, including expenses related to emergency measures, investments required to rapidly restore power to customers and repair facilities, and lost income from electricity sales. Investment costs, which account for nearly two thirds of the total estimate, will be recorded as fixed assets.

The Gouvernement du Québec is committed to assuming the portion of investments, estimated at \$235 million, which corresponds to the net cost of restoring the network to the state it was in prior to the disaster.

**LONG-TERM INVESTMENTS**

AS AT MARCH 31, 1998

(in millions of dollars)

**GOVERNMENT INVESTMENTS**

	1998			1997	
	Shares and capital investments	Bonds and notes	Loans and advances	Total	Total (Note 13)
Municipalities and municipal bodies:					
Municipalities		22		22	27
Municipal bodies		5		5	5
		<b>27</b>		<b>27</b>	<b>32</b>
Individuals, enterprises and other					
Students			404	404	304
Enterprises	192		1 071	1 263	
Survivor's pension plan			292	292	
Other		60	234	294	266
	<b>192</b>	<b>60</b>	<b>2 001</b>	<b>2 253</b>	<b>570</b>
Allowance for doubtful accounts			549	549	141
	<b>192</b>	<b>60</b>	<b>1 452</b>	<b>1 704</b>	<b>429</b>
	<b>192</b>	<b>87</b>	<b>1 452</b>	<b>1 731</b>	<b>461</b>

**MATURITY OF INVESTMENTS**

	1998	1997
		(Note 13)
1998		62
1999	337	51
2000	214	7
2001	81	109
2002	140	42
2003	94	4
	<b>866</b>	<b>275</b>
2004-2008	555	121
2009-2013	208	1
2014-2018	2	
2019-2023	2	
2024 and thereafter		
	<b>1 633</b>	<b>397</b>
No fixed maturity date	84	50
	<b>1 717</b> <sup>(1)</sup>	<b>447</b> <sup>(1)</sup>

<sup>(1)</sup> Excluding \$14 million (\$14 million in 1997) in equity investments.

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**OTHER ACCOUNTS**  
AS AT MARCH 31, 1998  
(in millions of dollars)

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	<u>1998</u>	<u>1997</u> (Note 13)
Deferred expenses	80	123
Unrealized foreign exchange (gain) loss	<u>(177)</u>	<u>817</u>
	<u><b>(97)</b></u>	<u><b>940</b></u>

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**COMMITMENTS AND CONTINGENCIES**

AS AT MARCH 31, 1998

(in millions of dollars)

**COMMITMENTS**

	<u>1998</u>	<u>1997</u>
TRANSFERS		(Note 13)
<b>For repayment of the principal on borrowings for capital expenditures:</b>		
School boards and educational institutions	6 250	6 515
Health and social services institutions	3 392	3 243
Municipalities and municipal bodies	2 750	5 266
Various other bodies	227	207
Government agencies and special funds		611
Government enterprise		20
	<u>12 619</u>	<u>15 862</u>
<b>For other capital expenditures:</b>		
School boards and educational institutions	1 631	1 036
Health and social services institutions	1 530	1 262
Municipalities and municipal bodies	1 266	1 482
Various other bodies	176	133
Government agencies and special funds		16
	<u>4 603</u>	<u>3 929</u>
	<u>17 222</u>	<u>19 791</u>
OTHER	<u>45</u>	<u>45</u>
	<u>17 267</u> *	<u>19 836</u> *

\* Commitments in foreign currency are shown at their Canadian equivalent at the exchange rates in effect on March 31 and take currency swap contracts into account.

**COMMITMENTS AND CONTINGENCIES (cont'd)**

AS AT MARCH 31, 1998

(in millions of dollars)

**SUMMARY SCHEDULE OF TRANSFER COMMITMENTS  
FOR REPAYMENT OF THE PRINCIPAL ON BORROWINGS  
FOR CAPITAL EXPENDITURES**

<u>Maturity</u>	<u>School boards</u>	<u>General and vocational colleges</u>	<u>Universities</u>	<u>Health and social services institutions</u>	<u>Municipa- lities and municipal bodies</u>	<u>Various other bodies</u>	<u>Total</u>
1999	279	150	236	343	308	30	1 346
2000	808	153	290	486	262	30	2 029
2001	368	195	317	412	312	28	1 632
2002	437	98	201	254	219	76	1 285
2003	484	100	298	544	228	31	1 685
1999-2003	2 376	696	1 342	2 039	1 329	195	7 977
2004-2008	712	354	497	1 171	765	31	3 530
2009-2013	159	17	29	88	264	1	558
2014-2018	39	11	4	49	177		280
2019-2023	3	5	2	15	215		240
2024-2028		3		17			20
2029-2033		1		13			14
	<b>3 289</b>	<b>1 087</b>	<b>1 874</b>	<b>3 392</b>	<b>2 750</b>	<b>227</b>	<b>12 619</b>

Note: This schedule was drawn up according to the dates shown on the bonds or notes at the balance sheet date. Any refinancing after that date will affect the above schedule.

**COMMITMENTS AND CONTINGENCIES (cont'd)**

AS AT MARCH 31, 1998

(in millions of dollars)

**GUARANTEED FINANCIAL INITIATIVES**

	<u>1998</u>	<u>1997</u>
LOAN GUARANTEES		(Note 13)
<b>Government agencies and enterprises</b>		
Hydro-Québec	38 632	38 194
Société de développement industriel du Québec	593	729
Société immobilière du Québec		311
Société québécoise d'assainissement des eaux		178
Société d'habitation du Québec	282	476
Other	61	117
	<u>39 568</u> <sup>(1-2)</sup>	<u>40 005</u> <sup>(1-2)</sup>
<b>Individuals and corporations</b>		
Loans to students	3 219	3 014
Loans to fishermen	48	50
Loans to workers	34	33
Loans to farm producers	2 837	6
Loans to industry	66	70
	<u>6 204</u>	<u>3 173</u>
<b>Total loan guarantees</b>	<u>45 772</u>	<u>43 178</u>
<b>ASSETS SECURED BY THE GOVERNMENT</b>		
Société de développement industriel du Québec		<u>1 229</u>
<b>Total loan guarantees and assets secured by the Government</b>	<u>45 772</u>	<u>44 407</u>
Less:		
Reduction in investment in Government enterprises		25
Allowance for losses on guaranteed financial initiatives	791	634
Allowance for water purification		124
<b>Total allowances</b>	<u>791</u>	<u>783</u>
<b>NET GUARANTEED FINANCIAL INITIATIVES</b>	<u><u>44 981</u></u>	<u><u>43 624</u></u>

(1) Loan guarantees in foreign currency are shown at their Canadian equivalent at the exchange rates in effect on March 31 and take currency swap contracts into account.

(2) Principal on borrowings.

**SUMMARY OF THE FINANCIAL STATEMENTS OF AGENCIES AND FUNDS  
WHICH CARRY OUT ACTIVITIES OF A FIDUCIARY NATURE  
AS AT MARCH 31, 1998  
(in millions of dollars)**

	1998			1997	
	Liabilities	Assets	Increase (decrease) in accrued equity	Net equity	Net equity
Caisse de dépôt et placement du Québec <sup>(1)</sup>	6 913	70 524	6 397	63 611	57 214
Comité centraide – public sector <sup>(3)</sup>	6	6			
Commission administrative des régimes de retraite et d'assurances <sup>(1)</sup>					
RREGOP	109	55 206	8 831	55 097	46 266
TTP and PPCT	5	14 528	7 277	14 523	7 246
CSSP	3	5 490	3 930	5 487	1 557
SPMSQ		2 150	469	2 150	1 681
PPMNA		288	158	288	130
PPPOCS		494	63	494	431
PPFETQ		103	10	103	93
Supplementary benefits plans		53	32	53	21
Commission de la construction du Québec <sup>(1)</sup>					
General Fund	12	14		2	2
Supplemental pension plan – general account	60	3 098	216	3 038	2 822
Supplemental pension plan – pensioners' account	1	2 329	262	2 328	2 065
Other	195	1 101	144	906	761
Curateur public (Le) <sup>(1)</sup>	49	237	(33)	188	223
Funds administered by the Régie des marchés agricoles et alimentaires du Québec <sup>(2)</sup>		3		3	3
Fonds central pour le bénéfice des personnes incarcérées <sup>(1)</sup>		2		2	2
Fonds d'assurance récolte et stabilisation des revenus agricoles <sup>(2)</sup>	243	309	217	66	(151)
Fonds de contrat à terme <sup>(2)</sup>	8	6	(2)	(2)	
Travel Agents' Security Funds <sup>(2)</sup>	10	7	(2)	(3)	(1)
Support Payments Fund <sup>(2)</sup>	194	194			
Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes <sup>(2)</sup>	1	21	1	20	19
Trust Funds <sup>(2)</sup>	260	260			
Hydro-Québec – Caisse de retraite <sup>(1)</sup>	4	7 822	652	7 818	7 166
Régie des rentes du Québec <sup>(2)</sup>					
Fonds de surveillance des régimes complémentaires de retraite	1	2	1	1	
Fonds du régime d'assurance parentale	5	5			
Fonds du régime de rentes de Québec	274	16 889	1 185	16 615	15 430
Fonds pour l'administration de programme d'aide aux familles	6	6			
	<b>8 359</b>	<b>181 147</b>	<b>29 808</b>	<b>172 788</b>	<b>142 980</b>
Less: Funds entrusted to the Caisse de dépôt et placement du Québec		49 610	5 170	49 610	44 440
	<b>8 359</b>	<b>131 537</b>	<b>24 638</b>	<b>123 178</b>	<b>98 540</b>

Note: The Fonds d'indemnisation en assurance de dommages and the Fonds d'indemnisation en assurance de personnes are not shown since the related amounts are less than \$1 million.

<sup>(1)</sup> Financial statements as at December 31, 1997.

<sup>(2)</sup> Financial statements as at March 31, 1998.

<sup>(3)</sup> Financial statements as at January 31, 1998.



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#### REVENUE, APPROPRIATIONS AND EXPENDITURE OF THE CONSOLIDATED REVENUE OF THE GOUVERNEMENT DU QUÉBEC

FISCAL YEAR ENDED MARCH 31, 1998

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#### Explanatory Notes

#### CONTENTS OF VOLUME

**Volume 2**, divided into three sections, reports on the operations of entities whose revenue is paid into the Consolidated Revenue Fund or the Health Services Fund and entities whose operating activities are paid for out of these funds using appropriations allotted by Parliament. Such entities include Government departments and agencies or portfolios, the National Assembly and persons designated by it.

**Section 1** includes summary data on revenue, appropriations and expenditure for all Government portfolios, the report of excess of expenditure over appropriations and the statement of use of appropriations.

**Section 2** presents the breakdown of revenue, authorized appropriations and expenditure by portfolio, adjusted in the case of permanent appropriations to take into account expenditure in excess of initial and supplementary appropriations. This section discusses in particular:

- revenue by category, subcategory and sub-subcategory;
- authorized appropriations and expenditure by program, element, supercategory and category;
- transfers by financial assistance category and category of beneficiary.

**Section 3** contains information concerning remuneration, suppliers of goods and services, beneficiaries of transfers, and special funds that received allocations.

Revenue and expenditure are presented in accordance with the accounting policies stated in the Government's Consolidated Financial Statements (Volume 1), except for participation in Government enterprises. Revenue from Government agencies and enterprises that are joint stock corporations is accounted for using the modified equity method, whereas revenue from other agencies is recorded at the same rate as appropriation of the surplus.

Figures in the thousands of dollars may vary by \$1 000 (up or down) due to rounding.

## LIST AND DEFINITION OF EXPENDITURE SUPERCATEGORIES AND CATEGORIES

### SUPERCATEGORIES

#### *Remuneration*

This supercategory includes operating expenditures incurred for regular remuneration, overtime and certain other indemnities paid directly by the Government to permanent employees, part-time employees and temporary employees, such as students and seasonal workers in the public sector. It also includes the salary and indemnities paid to members of the National Assembly, judges and members of the Sûreté du Québec, as well as the employee benefits and other contributions paid by the Government in its capacity as employer, such as its contribution to pension plans, the Québec Pension Plan and the health insurance plan.

#### *Operating*

Remuneration expenses excepted, this supercategory includes the operating expenditures incurred for the acquisition, rental and use of goods and services, including depreciation of fixed assets.

#### *Debt Service*

This supercategory includes the interest to service the direct debt, the interest on the retirement plans account, the amortization of deferred expenses and unrealized exchange gains and losses, foreign exchange expenditures and the costs associated with management of the debt.

#### *Allocation to a Special Fund*

This supercategory includes the expenditures incurred by a department or agency to assume all or part of the expenditures charged to a special fund it administers in order to ensure financial balance or to post amortization and the related financial charges to an asset being accounted for and amortized in a fund.

#### *Transfer*

This supercategory includes the spending incurred in making payments to beneficiaries for the purpose of providing various forms of financial support, and which does not involve the Government in direct acquisition of goods and services.

## - *Doubtful Accounts and Other Provisions*

The "Doubtful Accounts and Other Provisions" supercategory includes expenditures related to fluctuations in the "Provision for Doubtful Accounts" and the "Provision for Losses on Financial Initiatives Guaranteed by the Government."

## .. *Loans, Investments, Advances and Others*

This supercategory includes capital contributions and advances made to Government agencies and enterprises, acquisitions of Government or corporate equity and bonds, advances for the establishment or operation of local funds, as well as loans made to municipalities, non-profit organizations or natural or legal persons in the private sector. It also includes disbursements that do not involve expenditure; such commitments are posted to the net debt.

## .. *Fixed Assets*

This supercategory includes expenditures incurred for the acquisition, construction, development and improvement of fixed assets. It also includes the same expenditures as the "Remuneration," "Operating" and "Debt Service" supercategories when they are incurred in relation to fixed assets.

## **CATEGORIES**

The categories "Remuneration," "Operating," "Debt Service," "Doubtful Accounts and Other Provisions," "Loans, Investments, Advances and Others," and "Fixed Assets" are the sole components of the supercategories of the same name and have the same definitions.

There are five spending categories within the "Transfer" and "Allocation to a Special Fund" supercategories:

*allocation to a special fund - remuneration* includes the appropriations allocated for remunerating the personnel assigned to a special fund;

*allocation to a special fund - operating* includes the appropriations allocated for the operation, other than remuneration, of a special fund;

*allocation to a special fund - capital* includes the appropriations allocated for the amortization of an asset posted to a special fund;

*allocation to a special fund - interest* includes the appropriations allocated for interest and other charges inherent to a debt posted to a special fund;

*allocation to a special fund - support* includes the appropriations used to provide beneficiaries of a program managed through a special fund with financial support in various forms and do not involve the Government in direct acquisition of goods and services.

*transfer - remuneration* includes transfers for remunerating the personnel of Government agencies and enterprises as well as agencies in the education and health and social services networks.

*transfer - operating* includes transfers for operations, other than remuneration, of Government agencies and enterprises as well as agencies in the education and health and social services networks.

*transfer - capital* includes transfers for capital expenditures or for repayment of the principal on loans contracted for capital expenditures.

*transfer - interest* includes transfers for the interest payments on loans contracted for capital expenditures when the debt service is assumed by the Government.

*transfer - support* includes transfers used to provide beneficiaries with financial support for purposes other than those mentioned in the "Transfer - Remuneration," "Transfer - Operating," "Transfer - Capital" and "Transfer - Interest" categories.

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## SECTION 1

### SUMMARY OF REVENUE, APPROPRIATIONS AND EXPENDITURE, REPORT OF EXCESS OF EXPENDITURE OVER APPROPRIATIONS AND STATEMENT OF USE OF APPROPRIATIONS

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#### CONTENTS

Summary of revenue by portfolio and category

Summary of miscellaneous revenue and revenue from Government of Canada transfers

Report of excess of expenditure over appropriations and statement of use of appropriations

Summary of appropriations, expenditure and other charges by portfolio

Summary of appropriations, expenditure and other charges by mission, portfolio and program

Summary of appropriations and expenditure by portfolio, department and agency and expenditure supercategory

Summary of transfer expenditure

Summary of allocations to a special fund

Summary of remuneration by portfolio and supercategory

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REPORT OF EXCESS OF EXPENDITURE OVER APPROPRIATIONS AND STATEMENT OF USE OF APPROPRIATIONS  
fiscal year ended March 31, 1998

#### EXCESS OF EXPENDITURE OVER APPROPRIATIONS

Parliament authorizes the Government, under legislation respecting annual appropriations (voted appropriations) and through permanent appropriations provided for in other legislation, to acquire fixed assets and make expenditures, loans, investments, advances and other disbursements out of the Consolidated Revenue Fund.

Each portfolio program comprises voted appropriations and permanent appropriations, as the case may be. There is no limit to authorized expenditures using permanent appropriations. Unexpended voted appropriations at fiscal year-end become lapsed and must be written off. The excess of expenditure over voted appropriations must be entered in the year-end statement and paid out of the following year's appropriations. A report of this excess, if one occurs, must be included in the Public Accounts in accordance with section 71 of the Financial Administration Act (R.S.Q., c. A-6).

According to the statement of use of appropriations for the fiscal year ended March 31, 1998, no excess of expenditure entered in the accounts over voted appropriations was recorded for the year then ended, except for an amount of \$108 464 000 under Program 3 - Financial Assistance for Education - of the Ministère de l'Éducation, which will be charged to the appropriations allocated for this purpose by Parliament in 1998-1999, in accordance with section 58 of the Financial Administration Act.

**André Fiset, FCA**

**Gilles Godbout**

**Comptroller of Finance**

**Deputy Minister of Finance**

**Québec, March 1999**

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Volume 3 of Public Accounts 1997-1998

FINANCIAL STATEMENTS OF SPECIAL FUNDS OF THE GOUVERNEMENT DU QUÉBEC

FISCAL YEAR ENDED MARCH 31, 1998

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Sept-Iles (Québec)  
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**Bibliothèque Gabrielle-Roy**

Service de la référence  
350, rue Saint-Joseph Est  
Québec (Québec)  
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**Cabinet du premier ministre**

Dépositaire universel  
Édifice J, salle 1.09  
Québec (Québec)  
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