

1998-1999  
BUDGET

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# Reform of Government Accounting

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<b>1.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
	– Changes in accounting policies.....	1
	– Report of the Auditor General of Québec .....	1
	– The Public Sector Accounting and Auditing Board (PSAAB).....	1
<b>1.1</b>	<b>Review of accounting policies.....</b>	<b>2</b>
	– Study Committee on Government Accounting .....	2
	– Committee report .....	3
	– The government's decision .....	3
<b>2.</b>	<b>CHANGES IN ACCOUNTING POLICIES .....</b>	<b>4</b>
<b>2.1</b>	<b>Retirement plans .....</b>	<b>4</b>
	— Unrecorded actuarial liabilities .....	4
	– Current accounting policy.....	5
	– Opinion of the Auditor General .....	5
	– Change in the accounting policy .....	5
	— Changes to the retirement plans .....	6
	– Current accounting method.....	6
	– Opinion of the Auditor General .....	6
	– Change in the accounting policy .....	6
	— Treatment of the reported surplus with respect to RREGOP .....	6
	– Current situation.....	6
	– Current accounting policy.....	6
	– Treatment of the surplus .....	6
	– Continuity in the accounting policy .....	7
	— Interest rate applicable to the retirement plans account.....	7
	– Reporting interest expenses .....	7
	– Current interest rate .....	7
	– Interest rate applicable.....	7
	– No impact for employees .....	7

–	Revision of actuarial parameters .....	7
–	Retirement plans sinking fund.....	7
–	Use of the interest rate applied to the retirement plans account .....	8
<b>2.2</b>	<b>Accounting treatment of capital assets .....</b>	<b>8</b>
–	Current accounting policy .....	8
–	New recommendations of the PSAAB with respect to tangible capital assets .....	8
–	Change in the accounting policy .....	9
–	Statement of capital assets.....	9
–	Net debt .....	9
<b>2.3</b>	<b>Measures to reorganize the public sector .....</b>	<b>9</b>
–	Current accounting practice .....	9
–	New accounting practice .....	10
<b>2.4</b>	<b>Accounting treatment of borrowings .....</b>	<b>10</b>
–	Changes in the accounting policy .....	10
<b>2.5</b>	<b>Consolidation of the government's financial statements .....</b>	<b>10</b>
–	Current reporting entity .....	11
–	Change in the accounting policy .....	11
–	Economic units exercising fiduciary activities.....	11
—	Accounting methods for consolidated financial statements...	11
–	Consolidation .....	12
–	Modified equity method.....	12
—	Administrative and financial restructuring of some of the government's economic units.....	13
—	Financing services offered the municipalities.....	13
–	Société québécoise d'assainissement des eaux.....	13
–	Water Purification Program.....	13
–	Change in the accounting policy .....	14
<b>3.</b>	<b>INTEGRATION OF THE REFORM INTO THE BUDGET DOCUMENTS .....</b>	<b>14</b>
<b>4.</b>	<b>IMPACT OF THE CHANGES .....</b>	<b>14</b>

**APPENDIX**

**Additional information on the reform  
of government accounting .....15**



## 1. Introduction

### *Changes in accounting policies*

Over the past thirty years, the government's accounting policies have been undergone major changes three times.

In the Budget Speech of March 1971, Minister of Finance Raymond Garneau announced changes in the accounting policies, mainly to introduce the notion of net debt.

In April 1978, Minister of Finance Jacques Parizeau announced changes in the accounting treatment of retirement plans, to take the actuarial liability into account and amortize it in government expenditure, over a 50-year period. He also specified that the government would henceforth charge interest expense on the balance of the retirement plan account to expenditure.

The last major reform was introduced by Finance Minister Gérard D. Levesque in 1986 and 1987. The Québec government thus became the first government in Canada to consolidate the results of its capital stock corporations in its financial statements. This reform also changed the way in which the allowance for doubtful debts was treated and bad debts were written off. Lastly, the methods of evaluating commitments with respect to the retirement plans were changed.

Since that last reform, the government's financial statements have been based on the accounting policies adopted in 1986 and 1987, with a few minor changes in certain procedures and methods.

### *Report of the Auditor General of Québec*

In his report on the government's financial statements for fiscal 1996-1997, the Auditor General recommended changes to the government's accounting policies to bring them into line with the new recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA).

Aside from the changes requested, he stated that the government's financial statements faithfully reflected its financial position as at March 31, 1997, in accordance with its accounting principles.

### *The Public Sector Accounting and Auditing Board (PSAAB)*

The PSAAB develops, recommends and gains acceptance of accounting, financial reporting and auditing standards of good practice in the public sector. These standards are constantly being revised.

The Board is usually composed of 12 members, at least eight of whom work in the public sector and are chosen from among the people responsible for financial reporting and for auditing. The other members may be practicing public accountants, officers of public sector organizations or enterprises, legislators, investors, economists, financial analysts or academics.

Governments are not obliged to comply fully with the recommendations of the PSAAB. However, since these recommendations are based on a coherent set of accounting principles and reporting standards for financial statements, governments use them to establish their accounting policies with a view to presenting financial statements that reflect their financial position as faithfully as possible. Moreover, auditors general rely on these standards to assess compliance of government accounting policies.

Since 1986, the PSAAB has published a series of new recommendations on:

- what the government reporting entity should include and how to report the results of the various units included in the reporting entity;
- the accounting and presentation method for :
  - government commitments with respect to their employee retirement plans;
  - tangible capital assets.

These changes are sufficiently significant in terms of the 1986 recommendations for the Québec government to decide to undertake an in-depth review of its accounting policies.

Moreover, the Auditor General recommended in his report on the 1996-1997 financial statements, as he has for several years now, that:

- the government enter the unreported portion of the actuarial liabilities of the retirement plans as a liability in its financial statements. This refers to the obligations of the old retirement plans that the government has been amortizing since 1979;
- the cost of changes in the retirement plans be entered as an expenditure in the fiscal year in which the changes are made;
- the government present consolidated financial statements integrating all its special funds and organizations.

### **1.1 Review of accounting policies**

*Study Committee on  
Government Accounting*

When the 1996-1997 *Public Accounts* were tabled last December, the ministère des Finances announced the creation of a Study Committee on Government Accounting. This committee was made up of representatives of the ministère des Finances, the Comptroller of Finance and the Auditor General.

The committee's mandate was, in particular, to define a new reporting entity for the Québec government, with a view to producing consolidated financial statements. This committee was also mandated to analyse the accounting treatment of the government's commitments with respect to its employee retirement plans, in terms both of past service and of the improvements made to the plans in recent years.

*Committee report*

This committee has just submitted its report. It proposes that the government change its accounting policies, drawing on the PSAAB's recommendations and the accounting practices in force in the other provinces.

The committee recommends that the government's accounting policies be changed with respect to:

- retirement plans;
- capital assets;
- measures to reorganize the public sector;
- borrowings; and
- the presentation of consolidated financial statements.

*The government's decision*

After analysis, the Québec government adopted the recommendations of the Study Committee and will begin a reform of government accounting in fiscal 1997-1998.

As shown in Table 1, this reform will result in a \$125-million increase in the deficit — expenses in excess of revenue — in 1997-1998, a \$73-million increase in 1998-1999 and a \$94-million increase in 1999-2000.

Tables 2 and 6 of this paper give the impact of this reform on the government's overall financial results for fiscal 1997-1998 to fiscal 1999-2000.



TABLE 1

**GOUVERNEMENT DU QUÉBEC**  
**IMPACT OF CHANGES IN ACCOUNTING POLICIES**  
**ON CONSOLIDATED BUDGETARY TRANSACTIONS**  
(in millions of dollars)

	1997-1998	1998-1999	1999-2000
<b>Retirement plans</b>	<b>- 318</b>	<b>- 312</b>	<b>- 247</b>
<b>Changes in the accounting treatment of borrowings</b>	<b>- 38</b>	<b>4</b>	<b>68</b>
<b>Cost of the reform of the health and social services system</b>	<b>- 225</b>	<b>80</b>	<b>113</b>
<b>Changes of the accounting treatment of capital assets of departments and agencies with a budget voted by the National Assembly</b>	<b>- 182</b>	<b>- 132</b>	<b>- 90</b>
<b>Consolidation of public organizations and enterprises</b>			
Special funds	29	- 29	- 48
Insurance agencies	749	401	132
Other organizations	- 140	- 85	- 22
<b>Sub-total</b>	<b>638</b>	<b>287</b>	<b>62</b>
<b>NET IMPACT OF THE REFORM ON THE DEFICIT</b>	<b>- 125</b>	<b>- 73</b>	<b>- 94</b>

Note: A negative amount indicates a financial requirement and a positive amount, a source of financing.

## 2. Changes in accounting policies

### 2.1 Retirement plans

#### Unrecorded actuarial liabilities

Until 1977-1978, the contributions of employees, other than members of RREGOP, were included in government revenue and the government entered the benefits that became payable each year in its budgetary expenditures. Since these plans had been in existence for several decades, this financing method left the government with significant unrecorded financial commitments (unfunded actuarial liability).

Employee contributions to RREGOP have been deposited in an employee fund with the Caisse de dépôt et placement du Québec (CDPQ) ever since the plan came into force on July 1, 1973. The government entered its employer contributions as expenditures but did not charge to its expenditures the interest on the balance of the retirement plans account applicable to this plan. As a result, in 1977-1978, the government's unrecorded commitments to RREGOP were not very high.

*Current accounting policy*

In the Budget Speech of March 1977, the Minister of Finance decided to remedy the situation by reflecting in the financial statements the unrecorded actuarial liabilities of the retirement plans other than RREGOP, beginning with the 1979-1980 fiscal year.

The actuarial liability, estimated at the time at about \$7.5 billion, would be gradually entered and amortized over a 50-year period, ending in 2028-2029.

The Québec government thus became the first to reflect the entire actuarial liability of its employee retirement plans in its financial statements, amortizing and recording it as a liability in the financial statements.

Amortizing this actuarial liability over such a long period was a way to avoid burdening a single generation with a debt that had been accumulated over a number of generations.

*Opinion of the Auditor General*

Since 1979, the Auditor General has been of the opinion that this accounting policy is inappropriate. He recommends that this unrecorded actuarial liability be entered in its entirety in the financial statements.

In the reform of 1986 and 1987, the government did not change this accounting policy because, at that time, few provinces recorded their entire liability with respect to their employee retirement plans in their financial statements. Since then, most of the other provinces have complied with the new recommendations on retirement plans drawn up by the PSAAB in November 1988. These recommendations state that this liability must be entered in its entirety in the financial statements.

*Change in the accounting policy*

Today's accounting reform will correct the situation: the recommendations of the PSAAB with respect to retirement plans will be applied.

Therefore, the unrecorded actuarial liability of the retirement plans other than RREGOP, which amounted to an estimated \$13.1 billion at March 31, 1997, will be fully recorded in the 1997-1998 financial statements. This in no way changes the government's financial position; all this information was already known and fully disclosed in a note to the financial statements.

### Changes to the retirement plans

#### *Current accounting method*

In 1989-1990, the government's accounting policy was clarified so that the impact of changes to the retirement plans would be amortized using the straight-line method over a set period corresponding to the estimated average remaining active career of RREGOP members. At present, this rule implies that amortization is calculated over a 16-year period.

This accounting policy was based on generally accepted accounting principles in the private sector in similar circumstances. It has been applied to the changes made to the plans since 1990-1991.

#### *Opinion of the Auditor General*

Since 1995-1996, the Auditor General has asked that this accounting policy be brought into line with the recommendations of the PSAAB on retirement plans. According to these recommendations, the cost of changes should be entered as an expenses for the fiscal year during which they are made.

#### *Change in the accounting policy*

The accounting reform will correct this situation: the recommendation of the PSAAB on the accounting treatment for changes to retirement plans will be applied beginning in fiscal 1997-1998. Consequently, the unamortized actuarial liability in question, which is estimated at \$3.3 billion at March 31, 1997, will be entered in the financial statements.

### Treatment of the reported surplus with respect to RREGOP

#### *Current situation*

At March 31, 1997, RREGOP reported an actuarial surplus of \$3.9 billion, i.e. \$1 billion for the plan for non-unionizable employees and a \$2.9 billion for the plan for unionizable employees. This surplus is mainly the result of actuarial gains and losses and adjustments made to actuarial assumptions.

However, a recent amendment to the *Act respecting the Government and Public Employees Retirement Plan* stipulates that the retirement plan for non-unionizable employees, which had been evaluated on the basis of the balance of the cost up until December 31, 1996 should be evaluated on a shared-cost basis as of January 1, 1997, like the plan for unionizable employees. This legislative amendment creates an actuarial deficit of \$1 billion at April 1, 1997.

#### *Current accounting policy*

Under the government's present accounting policy, actuarial surpluses and deficiencies are amortized over a 16-year period.

#### *Treatment of the surplus*

Under the accounting reform, the real value of these actuarial obligations is recorded in the government's financial statements at the end of 1997-1998. Consequently, the amount of the actuarial liabilities net of the actuarial surplus reported with respect to RREGOP will be recorded. The financial impact of this entry as a net amount is shown in the tables on the reform, and the decision to report this liability as a net amount will be reviewed at the next actuarial valuation.

*Continuity in the accounting policy*

The government's accounting policy will continue to provide for the amortization of actuarial surpluses and deficiencies noted after this reform.

**Interest rate applicable to the retirement plans account***Reporting interest expenses*

In its financial statements, the government records its liability with respect to the retirement plans in the retirement plans account. This account represents the account payable that the government enters for that part of retirement benefits for which it is responsible. One of the components of the change in this account is an interest expense since, in accordance with its accounting policy and the recommendations of the PSAAB, the government must enter interest costs on the retirement plans account as an expenses.

*Current interest rate*

The interest rate used to evaluate the actuarial liability is based on the yield and the composition of the portfolio of the RREGOP's fund for unionizable employees. Therefore, the interest rate used to calculate the annual interest expense is based on an annual estimate of the accounting rate of return of the fund.

Recent changes in the structure of the various funds held by the CDPQ mean that the method of setting this rate is no longer appropriate.

*Interest rate applicable*

The interest rate that will be applied to the retirement plans account will be the one used for the most recent actuarial valuation. Actuarial surpluses, attributable to the differences between the yield obtained by the fund over the three-year period and the yield forecast in the preceding actuarial valuation, are amortized over 16 years. The use of this rate is justified since it is coherent with the valuation of the actuarial liability.

*No impact for employees*

This change in interest rate will in no way affect the benefits received by employees nor the contributions they make.

*Revision of actuarial parameters*

As part of the accounting reform, the ministère des Finances will re-examine, at the next three-year actuarial valuation, to be carried out in 1998, the parameters on which the actuarial liability and the interest expenses associated with the retirement plans were based.

*Retirement plans sinking fund*

In 1993-1994, the *Financial Administration Act* was amended to allow the Minister of Finance to make long-term investments with the CPDQ in order to build up a retirement plan sinking fund. The amounts accumulated in this fund are earmarked for the payment of future benefits to pensioners.

In establishing the government's net liabilities with respect to the retirement plans, the value of the retirement plans sinking fund is deducted from the balance of the retirement plans account. In addition, the interest yield of this fund is deducted from the interest applied to the retirement plans account.

*Use of the interest rate applied to the retirement plans account*

To ensure coherence between the retirement plans sinking fund and the retirement plans account, and stable growth of the net amount, the rate of return applied to the fund will also be applied to the actuarial valuation. Furthermore, for the three-year actuarial valuations, the disparities attributable to the differences between the yield obtained by the sinking fund and expected yield will be amortized over the same period as that used to amortize the differences in interest in the retirement plans account.

Thus, the amortization of the differences in the yield of the retirement plans sinking fund will vary inversely with the amortization of the difference in the rate applicable to the retirement plans account. At maturity, when the balance in the retirement plans sinking fund is equal to the balance in the retirement plans account, the two amortizations will almost fully offset each other, which means that the process will provide stability in the growth of these aggregates.

## **2.2 Accounting treatment of capital assets**

*Current accounting policy*

Since 1970-1971, the cost of the government's capital assets has been entered as a budgetary expenditure for the fiscal year in which they are acquired. The objective is to ensure that the annual change in the government's net debt includes the cost of capital assets.

*New recommendations of the PSAAB with respect to tangible capital assets*

In September 1997, the PSAAB published new recommendations on the accounting treatment and reporting of tangible capital assets in government financial statements.

Essentially, the PSAAB recommends that new capital assets be reported in the government's financial statements in two stages:

- first, tangible capital assets are capitalized and depreciated over their useful life and only the depreciation is charged to expenses. This recommendation of the PSAAB for the public sector is similar to the one made by the CICA for the private sector;
- then, an adjustment for capital assets is made in order to reflect the difference between the cost of capital assets acquired that year and the depreciation calculated in the preceding stage.

The Study Committee on Government Accounting recommends this accounting treatment for capital assets and that the adjustment for capital assets be reported in the statement of the change in net debt.

*Change in the accounting policy*

The change in the accounting policy gives effect to this recommendation. Thus, beginning in 1997-1998, the government will enter the depreciation of the cost of its capital assets as operating expenses. When the *Public Accounts* are tabled in the fall of 1998, a statement of operating results will replace the statement of revenue and expenditure.

*Statement of capital assets*

Furthermore, the government will include a statement of capital assets in its financial statements. This statement will present pertinent information on the management of capital assets as a whole. Information such as cost of acquisition, depreciation and disposal will provide the government with additional management data on the maintenance and replacement of its capital assets.

*Net debt*

Lastly, the presentation of the net debt in the statement of the financial position will incorporate two components, one on capital assets and one on accumulated deficits – expenses in excess of revenue. This presentation will highlight that part of the government's net debt that is attributable to its capital assets.

For the purposes of calculating the depreciation, the depreciation periods of each of the main categories will be logically established, as provided for in the accounting standards, on the basis of the life of the capital assets.

In September 1997, the PSAAB issued a recommendation according to which the cost of repaving a road surface should be charged to current expenses. This recommendation will be applied in the accounting reform.

### **2.3 Measures to reorganize the public sector**

The government has significantly reorganized parts of the public sector in recent years.

In 1996, retirement incentive bonuses were offered employees to offset shortfalls in retirement benefits. In 1997, temporary retirement incentives were introduced with a view to reducing the total payroll.

Furthermore, structural changes were made in order to offer services better adapted to the needs of the population and generate savings through increased efficiency and cost effectiveness. Major changes of this nature were brought about in the health and social services network.

*Current accounting practice*

The accounting practice applied to these measures was in accordance with generally accepted accounting principles in the private sector for regulated enterprises.

The Study Committee has reviewed the accounting treatment given these measures and recommends that their costs be applied in the fiscal year during which they incurred.

*New accounting practice*

The accounting reform corrects this situation: beginning in fiscal 1997-1998, the cost of temporary retirement incentive measures and structural changes will be entered in keeping with this recommendation. Moreover, government transfers to the networks will be adapted to this new accounting practice.

## **2.4 Accounting treatment of borrowings**

The accounting methods applied to borrowings date back to 1986. Since then, new financial instruments have been introduced and accounting policies must be adapted to them.

*Changes in the accounting policy*

The main changes made to the accounting methods applied since 1986 are:

- accounting for all borrowings on the basis of the amount received at the time of issue; most borrowings are currently entered at their nominal value;
- amortization of deferred issue costs and unrealized losses and gains on exchange, calculated separately for each borrowing, and no longer as a global amount;
- use of an accounting method for derivative products that is in line with the method used for borrowings and instruments of the same nature.

The changes affecting borrowings will be applied beginning in 1997-1998.

## **2.5 Consolidation of the government's financial statements**

The Québec government implements policies and delivers services through a number of departments and organizations. Some organizations are administrative and accounting units directly controlled by the government. Others have their own administration whose authority in terms of finance and operations is delegated to them under legislation.

Since these delegated powers authorize the use, in particular, of public moneys or fees that affect a large portion of the general public, the law requires that these organizations render an account of their financial management through the minister responsible for them. The financial statements of each organization are public and are presented in a publication entitled *Financial statements of the enterprises of the gouvernement du Québec* put out by the Minister of Finance. They are not generally included in the government's financial statements, however.

*Current reporting entity*

Under the Québec government's current accounting policies, the financial statements provide an account of all the financial operations of the economic units whose revenues go into the Consolidated Revenue Fund or the Health Services Fund, as well as those whose operations are funded by government allocations from those funds.

In 1986-1987, the government changed its accounting policy and became the first government in Canada to integrate into its results the profits and losses of its capital stock corporations, with the exception of those economic units involved in fiduciary or insurance activities. This accounting practice enabled the government to provide a more complete picture of its financial position.

Since 1986, the PSAAB has published new recommendations that specify the scope of a government reporting entity. The governments of the other provinces have changed their accounting policy to present consolidated financial statements in keeping with the new recommendations of the PSAAB.

*Change in the accounting policy*

The accounting reform corrects the way in which the government's financial position is reported: the government's reporting entity is extended to include all the special funds, public organizations and enterprises. Beginning in fiscal 1997-1998, the ministère des Finances will present consolidated financial statements in the *Public Accounts*.

To determine which economic units will be included in the Québec governments reporting entity, the Study Committee analysed the laws and the financial structures of some 100 economic units that are held or controlled by the government and are accountable to the government. This exercise also involved an examination of the organizations working in the same sectors of activity in the other provinces.

*Economic units exercising fiduciary activities*

Economic units exercising fiduciary activities are excluded from the government reporting entity, as recommended by the PSAAB. Consequently, their financial results are not incorporated into the government's results.

***Accounting methods for consolidated financial statements***

The work of the Study Committee on Government Accounting made it possible to establish appropriate accounting methods for each economic unit classed either as an organization or a public enterprise for the purposes of reporting their financial results.

Tables 7 to 10 list the departments, special funds and economic units considered to be organizations, public enterprises or economic units exercising trust activities, classed according to the nature of their activities and their financial autonomy.



The accounting method applied to the financial results of the economic units included in the government reporting entity is either :

- consolidation,
- or the modified equity method.

#### *Consolidation*

Consolidation is a method of accounting that combines the accounts of the economic units considered to be organizations line-by-line on a uniform basis of accounting and eliminates inter-organizational balances and transactions.

All the economic units in the reporting entity, except those considered to be public enterprises and those that exercise trust activities, will be consolidated in the financial statements of the government using this method. Thus, their revenues and expenses will be added to the revenues and expenses of the government. Their assets and liabilities will also be added to the government's assets and liabilities.

#### *Modified equity method*

The second method, called the modified equity method, consists in integrating the net assets of the economic units of the reporting entity into the government's assets and their net earnings into the government's results.

For accounting purposes, with this method, a public enterprise is defined as an economic unit that possesses the following characteristics:

- it is a separate legal entity with the power to contract in its own name and that can sue and be sued.
- it has been delegated the financial and operational authority to carry on a business;
- it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and
- it can, in the normal course of its activities, maintain its operations and meets its liabilities from revenues outside of the government reporting entity.

Thus, for example, the financial results of Hydro-Québec, the Société de l'assurance automobile du Québec (SAAQ) and the Commission de la santé et de la sécurité au travail (CSST) will be recorded using the modified equity method. Hydro-Québec's net earnings are already included in the government's financial results.

Although these economic units have a great deal of autonomy, the legislation governing them requires that they render an account of their management to the National Assembly. In addition, the government appoints the members of their board of directors as well as their officers. Given their characteristics, they must be included in the government reporting entity.

### **Administrative and financial restructuring of some of the government's economic units**

Given their activities, some of the government's economic units possess the basic characteristics required to be considered public enterprises in the government reporting entity. However, administrative and financial changes will be made so that they fully satisfy the criteria established. This is true of the Financing Fund of the ministère des Finances, the Société d'habitation du Québec, the Corporation d'hébergement du Québec and the Sociétés Innovatech.

Because of the nature of its activities as a financial intermediary, the Financing Fund will be converted to a public enterprise in the government reporting entity.

Changes will be made in the financial structure of the other units mentioned above so that their commercial activities are reported separately using the modified equity method.

### **Financing services offered the municipalities**

*Société québécoise  
d'assainissement des eaux*

The Société québécoise d'assainissement des eaux (SQAE) is a corporation constituted, among other things, to finance works for the municipalities participating in the Water Purification Program. However, the municipalities are not obliged to obtain their financing through the SQAE.

*Water Purification Program*

Under this program, the government has signed an agreement with the municipalities and the SQAE according to which it will help finance the cost of the work. The government enters as annual expenses the part of the costs it assumes through a subsidy for the repayment of capital and interest in keeping with the schedule of borrowings contracted by the SQAE.

Even if the cost is shared between the government and the municipalities, the Study Committee on Government Accounting believes that the SQAE's results must be reported using consolidation method.

Since the borrowings are contracted by the SQAE for the municipalities, they are entered as liabilities in the government's financial statements, under the heading "Borrowings for municipal works".

*Change in the accounting policy*

Under the accounting reform, beginning in 1997-1998, borrowings by the SQAE will be reported as liabilities in the government's financial statements, under the heading "Borrowings for municipal works".

### **3. Integration of the reform into the budget documents**

The extension of the reporting entity and the new terms and conditions of the accounting treatment and reporting of capital assets will have a significant impact on future budget plans. This will result not only in a review of certain elements of the budget documents and financial reports, but also in the adaptation of the framework for managing budgetary and non-budgetary transactions.

Exceptionally, the impact of this reform of government accounting is only given for the probable deficit for fiscal 1997-1998 and the deficit forecast in the 1998-1999 budget plan. The documents presented in the next Budget, however, will be based on the new accounting policies.

### **4. Impact of the changes**

As shown in Table 5, the accounting reform, particularly the part dealing with consolidation, results in a \$3.9-billion increase in the direct debt in 1997-1998. This represents borrowings already financed on the financial markets.

As shown in Table 4, commitments with respect to the retirement plans add another \$13.8 billion to the government's liabilities in 1997-1998, \$13.5 billion of which will be entered in the net debt at March 31, 1997.

Furthermore, these changes give rise to an adjustment to the net debt item of the new consolidated statement of the financial position which, after the reform, will present an overall picture of the extended government reporting entity.

In addition to the adjustment with respect to the retirement plans, this adjustment to the net debt will involve \$1.5 billion for the consolidation of government enterprises, \$5.3 billion for other organizations, \$740 million for changes in the accounting treatment of borrowings and \$335 million with respect to the restructuring of the health and social services system.

TABLE 2

**GOUVERNEMENT DU QUÉBEC**  
**CONSOLIDATED SUMMARY OF OPERATING RESULTS**  
(in millions de dollars)

	1997-1998	1998-1999	1999-2000
Revenue before the reform	38 750	40 715	41 992
Impact of the reform	2 019	1 800	1 654
<b>Revenue after the reform</b>	<b>40 769</b>	<b>42 515</b>	<b>43 646</b>
Expenses before the reform	- 40 819	- 41 842	- 41 992
Impact of the reform	- 2 144	- 1 873	- 1 748
<b>Expenses after the reform</b>	<b>- 42 963</b>	<b>- 43 715</b>	<b>- 43 740</b>
Deficit before the reform	- 2 069	- 1 127	0
Impact of the reform	- 125	- 73	- 94
Measures required to comply with the zero-deficit target in 1999-2000 after the reform			94
<b>Deficit - expenses in excess of revenue</b>	<b>- 2 194</b>	<b>- 1 200</b>	<b>0</b>

Note: A negative amount indicates a financial requirement and a positive amount, a source of financing.

TABLE 3

**GOUVERNEMENT DU QUÉBEC**  
**CONSOLIDATED SUMMARY OF EXPENSES**  
(in millions of dollars)

	1997-1998	1998-1999	1999-2000
<b>Program spending of the reporting entity before the reform</b>	<b>- 34 961</b>	<b>- 35 444</b>	<b>- 35 755</b>
Retirement plans	609	739	750
Accounting treatment of the costs of restructuring the health and social services system	- 225	80	113
New accounting treatment of the capital assets of the departments and organizations whose budgets are voted by the National Assembly	- 182	- 132	- 90
<b>Program spending under the current reporting entity</b>	<b>- 34 759</b>	<b>- 34 757</b>	<b>- 34 982</b>
<b>Debt service before the reform</b>	<b>- 5 858</b>	<b>- 6 398</b>	<b>- 6 237</b>
Retirement plans	- 927	- 1 051	- 997
New accounting method for borrowings	- 38	4	68
<b>Debt service after the reform</b>	<b>- 6 823</b>	<b>- 7 445</b>	<b>- 7 166</b>
<b>Total expenses under the current reporting entity</b>	<b>- 41 582</b>	<b>- 42 202</b>	<b>- 42 148</b>
Impact of the extension of the reporting entity on expenses	- 1 381	- 1 513	- 1 592
<b>Total expenses after the reform</b>	<b>- 42 963</b>	<b>- 43 715</b>	<b>- 43 740</b>

TABLE 4

**GOUVERNEMENT DU QUÉBEC**  
**SUMMARY OF THE IMPACT OF THE ACCOUNTING REFORM ON THE**  
**RETIREMENT PLANS ACCOUNT<sup>1</sup>**  
(in billions of dollars)

	1997-1998	1998-1999	1999-2000
Unreported actuarial liability	13.3	13.4	13.4
Past changes	3.3	3.3	3.4
RREGOP's actuarial surplus	- 3.8	- 3.6	- 3.4
Retirement plan for non-unionizable employees	1.0	1.0	0.9
<b>Impact of the new accounting method for commitments with respect to the retirement plans</b>	<b>13.8</b>	<b>14.1</b>	<b>14.3</b>

1 End-of-period balance of the retirement plans account.

TABLE 5

**GOUVERNEMENT DU QUÉBEC**  
**SUMMARY OF THE IMPACT OF THE ACCOUNTING REFORM**  
**ON THE DIRECT DEBT**  
(in billions of dollars)

	1997-1998	1998-1999	1999-2000
Impact of the new method of reporting borrowings	- 0.2	- 0.2	- 0.2
Impact of the extension of the reporting entity	4.1	4.9	5.4
<b>Impact of the reform on the direct debt</b>	<b>3.9</b>	<b>4.7</b>	<b>5.2</b>

TABLE 6

**GOUVERNEMENT DU QUÉBEC**  
**CONSOLIDATED SUMMARY OF THE CHANGE IN THE NET BOOK VALUE**  
**OF TANGIBLE CAPITAL ASSETS**

(in millions of dollars)

	1997-1998	1998-1999	1999-2000
Investments <sup>1</sup>	780	1 057	950
Amortization	- 539	- 604	- 683
Increase in net book value of capital assets	241	453	267

1 Investments by departments, special funds, and other economic units reported using the consolidation method.

TABLE 7

**GOVERNMENT DEPARTMENTS AND ORGANIZATIONS WHOSE FINANCIAL TRANSACTIONS ARE CARRIED OUT FROM THE CONSOLIDATED REVENUE FUND AND INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY**

Affaires municipales	Famille et Enfance
Bureau de révision de l'évaluation foncière du Québec	Conseil de la famille
Commission municipale du Québec	Office des services de garde à l'enfance
Régie de la sécurité dans les sports du Québec	Finances
Régie du logement	Inspector General of Financial Institutions
Agriculture, Pêcheries et Alimentation	Industrie, Commerce, Science et Technologie
Commission de protection du territoire agricole du Québec	Conseil de la science et de la technologie
Régie des assurances agricoles du Québec	Société de développement industriel du Québec
Régie des marchés agricoles et alimentaires du Québec*	Justice
Société de financement agricole – Financement agricole	Tribunal des droits de la personne
Tribunal d'appel en matière de protection du territoire agricole	Métropole
National Assembly and designated persons	Relations avec les citoyens et de l'Immigration
Directeur général des élections - Commission de la représentation	Bureau de révision en immigration
Public Protector	Commission d'accès à l'information
Auditor General	Commission des droits de la personne et des droits de la jeunesse
Conseil du trésor, Administration et Fonction publique	Conseil des aînés
Commission de la fonction publique	Conseil des Communautés culturelles et de l'Immigration
Conseil exécutif	Office de la protection du consommateur
Culture et Communications	Relations internationales
Commission de toponymie	Ressources naturelles
Commission des biens culturels du Québec	Société de financement agricole – Financement forestier
Conseil de la langue française	Revenu
Office de la langue française	Santé et Services sociaux
Régie des télécommunications	Conseil de la santé et du bien-être
Régie du cinéma	Conseil médical du Québec
Développement des régions et Affaires autochtones	Office des personnes handicapées du Québec
Education	Sécurité publique
Commission consultative de l'enseignement privé	Comité de déontologie policière
Commission d'évaluation de l'enseignement collégial	Commission québécoise des libérations conditionnelles
Conseil supérieur de l'éducation	Régie des alcools, des courses et des jeux
Emploi, Solidarité et Condition féminine	Tourisme
Conseil du statut de la femme	Transports
Environnement et Faune	Commission des transports du Québec
Bureau d'audiences publiques sur l'environnement	Travail
	Conseil consultatif du travail et de la main-d'œuvre
	Conseil des services essentiels
	Régie du bâtiment du Québec

\* This organization also carries out operations of a fiduciary nature.



TABLE 8

**ORGANIZATIONS AND SPECIAL FUNDS WITH THEIR OWN ACCOUNTING UNIT INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY**
**AGENCIES AND FUNDS**

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  
 Cree Hunters and Trappers Income Security Board  
 Office des professions du Québec  
 Parc technologique du Québec métropolitain  
 Régie de l'assurance-maladie du Québec  
 Régie des assurances agricoles du Québec  
 Régie de l'énergie  
 Régie des installations olympiques et le Fonds spécial olympique  
 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 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

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

**SPECIAL FUNDS**

Fonds d'aide à l'action communautaire autonome  
 Fonds d'aide aux victimes d'actes criminels  
 Fonds d'assistance financière pour certaines régions sinistrées  
 Fonds de l'assurance-médicaments  
 Fonds de conservation et d'amélioration du réseau routier  
 Fonds de développement du marché du travail  
 Fonds de développement international  
 Fonds spécial de financement des activités locales  
 Fonds de gestion des départs assistés  
 Fonds de la formation à distance  
 Fonds de la gestion des immeubles du Québec à l'étranger  
 Fonds de la lutte contre la pauvreté par la réinsertion au travail  
 Fonds de la réforme du cadastre québécois  
 Fonds de l'industrie des courses de chevaux  
 Fonds de l'information gouvernementale  
 Fonds de l'état civil  
 Fonds de perception  
 Fonds des contributions des automobilistes au transport en commun  
 Fonds des pensions alimentaires\*  
 Fonds des registres du ministère de la Justice  
 Fonds des services gouvernementaux  
 Health Services Fund  
 Fonds des services de police  
 Fonds des technologies de l'information sous la responsabilité de la ministre de la Sécurité du revenu et ministre d'État de l'Emploi et de la Solidarité  
 Fonds des technologies de l'information du Conseil du trésor  
 Fonds des technologies de l'information du ministère des Finances  
 Fonds des technologies de l'information du ministère du Revenu  
 Fonds d'information géographique et foncière  
 Fonds du Bureau de la statistique du Québec  
 Fonds de partenariat touristique  
 Fonds forestier  
 Fonds national de la formation de la main-d'oeuvre  
 Fonds pour la vente de biens et services du ministère des Ressources naturelles

\* This organization also carries out operations of a fiduciary nature.

TABLE 9

**GOVERNMENT 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  
 James Bay Development Corporation  
 Société de l'assurance automobile du Québec  
 Société de récupération, d'exploitation et de développement forestiers du Québec  
 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  
 Société québécoise d'initiatives agro-alimentaires  
 Société québécoise d'initiatives pétrolières

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\* Their classification reflects the changes in administrative and financial structures that will be made in 1998-1999.

\*\* These organizations also carry out operations of a fiduciary nature.

TABLE 10

**AGENCIES AND FUNDS THAT CARRY OUT OPERATIONS OF A  
FIDUCIARY NATURE AND ARE EXCLUDED FROM THE GOVERNMENT'S  
REPORTING ENTITY**

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Caisse de dépôt et placement du Québec  
Comité Centraide - public sector  
Commission administrative des régimes de retraite et d'assurances  
Commission de la construction du Québec  
Curateur public (Le)  
Fonds administrés par la Régie des marchés agricoles et alimentaires du Québec  
Fonds central pour le bénéfice des personnes incarcérées  
Fonds des cautionnements des agents de voyages  
Fonds des pensions alimentaires (partie fiduciaire)  
Fonds d'indemnisation des assurances de dommages  
Fonds d'indemnisation du courtage immobilier  
Fonds en fidéicommiss  
Hydro-Québec - Caisse de retraite  
Régie des rentes du Québec

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