

VOLUME

1

PUBLIC ACCOUNTS 2020-2021

CONSOLIDATED FINANCIAL
STATEMENTS OF THE
GOUVERNEMENT DU QUÉBEC

Fiscal year ended March 31, 2021

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Published in accordance with section 86
of the Financial Administration Act (CQLR, chapter A-6.001)

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His Honour the Honourable J. Michel Doyon
Lieutenant-Governor of Québec
Parliament Building
Québec

Your Honour,

I am pleased to present you with the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 2021.

A handwritten signature in black ink, appearing to be 'EG', written in a cursive style.

Eric Girard
Minister of Finance

Québec, November 2021

Mr. Eric Girard
Minister of Finance
Parliament Building
Québec

Dear Minister,

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, 2021. These accounts have been prepared under section 86 of the *Financial Administration Act* (CQLR, chapter A-6.001), in accordance with the Government's accounting policies and the public sector accounting standards.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Pageau', written in a cursive style.

Lucie Pageau, CPA, CA
Comptroller of Finance

Québec, November 2021

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Presentation of the Public Accounts

The Public Accounts 2020-2021 have been prepared by the Comptroller of Finance for the Minister of Finance in accordance with the accounting policies adopted by the Conseil du trésor and the public sector accounting standards and pursuant to the provisions of section 86 of the *Financial Administration Act* (CQLR, chapter A-6.001). They are published in two volumes.

Volume 1 – Consolidated financial statements of the Gouvernement du Québec

Volume 1 presents the results and financial position of the Gouvernement du Québec. The financial operations include those of the National Assembly, of the people it appoints, of the government departments, and of all bodies, funds and enterprises controlled by the Government.

Volume 1 presents a financial analysis to increase its usefulness and transparency. The analysis lays out the highlights for the 2020-2021 fiscal year including the financial impact of the actions to manage the COVID-19 health crisis, and compares the actual results with both forecasted results and the 2019-2020 results. It also presents the Government's budget balance in compliance with the *Budget Balance Act* as well as the stabilization reserve's balance. Finally, it presents the development of main trends relating to important items in the consolidated financial statements and the outcome of the analysis of 10 indicators.

In accordance with the *Auditor General Act* (CQLR, chapter V-5.01), the Auditor General of Québec prepares an Independent Auditor's Report included with the Government's consolidated financial statements and in which she expresses her opinion on the financial statements.

Volume 2 – Financial information on the Consolidated Revenue Fund: general fund and special funds

Volume 2 presents the financial information on the Consolidated Revenue Fund, which is made up of the general fund and the special funds. This volume is divided into two sections. The first section reports on the revenue of government departments and budget-funded bodies, their authorized appropriations, the expenses and other costs charged to each of these appropriations and, lastly, the financial operations of the specified purpose accounts they administer. The second section presents the revenue of the special funds as well as their approved and realized expenses and investments.

Acknowledgements

Preparing the Public Accounts requires the participation and collaboration of many employees from different government departments, funds, bodies, and organizations in the health and social services and education networks as well as employees from government enterprises. We would like to thank all of them for their help in preparing these documents.

SECTION

A

**ANALYSIS OF THE
CONSOLIDATED
FINANCIAL STATEMENTS**

1. Highlights for the 2020-2021 fiscal year¹

Summary of consolidated results

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Budget 2020-2021 ^{(1),(2)}	Actual results as at March 31, 2021		Change compared with Budget		Actual results as at March 31, 2020 ⁽³⁾		Change compared with the 2019-2020 actual results	
			M\$	%	(adjusted)	M\$	%		
REVENUE									
Income and property taxes	52 210	51 503	(707)	(1.4)	50 482	1 021	2.0		
Consumption taxes	22 961	21 377	(1 584)	(6.9)	21 348	29	0.1		
Duties and permits	4 643	4 613	(30)	(0.6)	4 535	78	1.7		
Miscellaneous revenue	10 975	9 884	(1 091)	(9.9)	10 962	(1 078)	(9.8)		
Revenue from government enterprises	4 814	4 491	(323)	(6.7)	4 419	72	1.6		
Own-source revenue	95 603	91 868	(3 735)	(3.9)	91 746	122	0.1		
Federal government transfers	25 692	30 716	5 024	19.6	25 228	5 488	21.8		
Total revenue	121 295	122 584	1 289	1.1	116 974	5 610	4.8		
EXPENDITURE									
Health and Social Services	46 562	53 339	6 777	14.6	43 931	9 408	21.4		
Education and Culture	26 989	26 543	(446)	(1.7)	25 473	1 070	4.2		
Economy and Environment	16 683	18 453	1 770	10.6	17 753	700	3.9		
Support for Individuals and Families	11 413	11 063	(350)	(3.1)	10 916	147	1.3		
Administration and Justice	8 653	9 723	1 070	12.4	9 142	581	6.4		
Sub-total	110 300	119 121	8 821	8.0	107 215	11 906	11.1		
Debt service	8 266	7 689	(577)	(7.0)	7 676	13	0.2		
Total expenditure	118 566	126 810	8 244	7.0	114 891	11 919	10.4		
(DEFICIT) ANNUAL SURPLUS	2 729	(4 226)	(6 955)	—	2 083	(6 309)	—		

(1) Based on the data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

(2) For the purposes of establishing budget forecasts, certain factors that constitute risk and uncertainty factors do not depend directly on the government but can lead to real results that differ from those anticipated. Such factors are presented in [Appendix 1](#), "Risks and uncertainties".

(3) Certain figures for 2019-2020 have been reclassified for consistency with the presentation adopted as at March 31, 2021.

¹ The data presented in the financial analysis corresponds to portfolio and responsibilities established in the Expenditure Budget 2020-2021. Between the publication of the Expenditure Budget 2020-2021 and the publication of the Expenditure Budget 2021-2022, the Éducation et Enseignement supérieur portfolio was split up to become the Éducation portfolio and the Enseignement supérieur portfolio

1. Highlights for the 2020-2021 fiscal year (cont'd)

Budget balance

In Budget 2020-2021 of March 10, 2020 (hereinafter “the Budget”), the Government forecast an annual surplus of \$2 729 million for fiscal 2020-2021. Within the meaning of the *Balanced Budget Act*¹ and taking into account the allocation of \$2 729 million in revenue to the Generations Fund, a balanced budget was forecast.

On March 11, 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). On March 13, the Québec government declared a health emergency and quickly implemented measures to control the disease's spread. The budget balance anticipated on March 10, 2020 did not consider the pandemic's impact. In June 2020, in Québec's Economic and Financial Situation, the forecast budgetary balance before the use of the stabilization reserve was revised to a deficit balance of \$14 940 million. After the use of the stabilisation reserve, budget balance was maintained. In November 2020, budget balance was again revised. As a matter of fact, the Update on Québec's Economic and Financial Situation forecasted a \$2 991 million deficit for the budget balance. This balance, before the use of the stabilization reserve, was a deficit of \$15 000 million.

The consolidated financial statements of the Gouvernement du Québec for the fiscal year ended March 31, 2021 show an annual deficit of \$4 226 million. Taking into account the deposits of \$3 313 million in dedicated revenues in the Generations Fund, the budget balance representing the results of operations for the fiscal ended March 31, 2021 shows a deficit of \$7 539 million. Furthermore, budget balance also takes into account the impact of the change in application of the accounting standard respecting transfer payments which amounts to \$3 221 million. As per the meaning of the *Balanced Budget Act*, the government reached a balanced budget using \$10 760 million of the stabilization reserve.

¹ CQLR, chapter E-12.00001

1. Highlights for the 2020-2021 fiscal year (cont'd)

Actions to manage the COVID-19 health crisis

The initiatives to manage the crisis and for economic recovery that the government announced have significantly affected consolidated expenditure in 2020-2021. On one hand, the government has implemented measures to bolster the healthcare system in order to face the health crisis. In that regard, expenditures have largely been incurred by the ministère de la Santé et des Services sociaux and the organizations of that network. On the other hand, initiatives have been implemented to support workers, individuals, and businesses and to mitigate the pandemic's impact on the economy. The federal government contributed to the financing of these measures through additional transfers amounting to 4.5 billion dollars.

The COVID-19 pandemic has also affected in other ways the government's consolidated financial results as at March 31, 2021. The impact stems, in particular, from the lockdown measures, including the temporary closing of establishments, and has mainly led to a reduction in some of the government's own-source revenue and to an increase of certain expenditures categories. It is however difficult to accurately quantify the extent to which the pandemic has affected these revenues and expenditures. For this reason, the following tables cannot be interpreted as reflecting the COVID-19 pandemic's total impact on the government's consolidated results as at March 31, 2021.

Pandemic-related expenditures in the health and social services sector For the period from April 1, 2020 to March 31, 2021⁽¹⁾

(millions of dollars)

Expenditure categories

Remuneration ⁽²⁾	3 535
Operating ⁽³⁾	1 904
Transfer ⁽⁴⁾	945
Personal protective equipment ⁽⁵⁾	1 949
TOTAL	8 333

(1) This represents additional pandemic-related expenditures compiled by organizations in the health and social services network (the list of organizations is presented in [Appendix 3](#) of the consolidated financial statements) as well as those realized by the Ministère de la Santé et des Services sociaux and by the Prescription Drug Insurance Fund. Such expenditures exclude the impact of the elimination of non-priority activities, which lowered health expenditures in 2020-2021.

(2) Remuneration includes, in particular, the wages of full-time staff and managers, including bonuses, overtime, employee future benefits, and payroll taxes. These costs do not include remuneration related to payment requests from health professionals submitted to the Régie de l'assurance maladie du Québec pertaining to billing procedures specific to COVID-19.

(3) Operating expenditures include other direct COVID-19-related expenditures, in particular, the cost of equipment and supplies, transportation expenses, and staff training costs.

(4) Transfer expenditures include, in particular, the amounts paid to seniors' homes and private residential and long-term care centres, support for community organizations, and hospital emergency services.

(5) Pertaining to personal protective equipment and medical supplies relating to the management of the pandemic, particularly masks, gloves and protective gowns. Personal protective equipment received from the federal government adds to this amount.

1. Highlights for the 2020-2021 fiscal year (cont'd)

Financial impact of the initiatives to support Quebecers and our economy

From April 1, 2020 to March 31, 2021

(millions of dollars)

	Estimated financial impacts ⁽¹⁾	Actual consolidated expenditures
Support Quebecers		
Incentive Program to Retain Essential Workers (IPREW)	198	199
Support childcare services	74	98
Enhance financial assistance for education expenses and better student assistance services	290	194
Promote outdoors physical activity, sports, and leisure	70	66
Reinforce support for students and workforce in schools as well as their security	85	81
Adapt teaching environments and promote distance learning	57	45
Other initiatives	223	189
Sub-total	997	872
Mitigate the pandemic's impact on the economy		
Specific aid for mass transit organizations	1 400	1 390
Support for municipalities	900	900
Support for commercial rents	274	210
Concerted Action Program for Maintaining Employment (PACME)	165	122
Tourism initiatives	166	150
Other initiatives	170	137
Sub-total	3 075	2 909

1. Highlights for the 2020-2021 fiscal year (cont'd)

Financial impact of the initiatives to support Quebecers and our economy

From April 1, 2020 to March 31, 2021 (cont'd)

(en millions de dollars)

	Estimated financial impacts ⁽¹⁾	Actual consolidated expenditures
Economic recovery		
Promote Quebecer's reintegration in the job market		
Offer specific support for disabled people	62	60
Implement initiatives aiming to retrain and to improve the workforce's skills	40 ⁽²⁾	11
Other initiatives	132	108
Stimulate economic growth		
Roll out initiatives adapted to certain strategic sectors	39	38
Push for business digitization	20	30
Support outfitters' development	25	25
Renew financial assistance to the National Optics Institute	75	75
Prolong and enhance the Quebec's Cybersecurity Innovation Program	27	27
Support the Applied Research and Expertise Centre for Information Technologies	20	20
Stimulate economic development, and inclusive and diversified entrepreneurship	23	23
Other initiatives	117	88
Foster Québec's manufacturing and local buying		
Improve food self-sufficiency and support the green-house industry	40	40
Other initiatives	35	35
Sub-total	655	580
TOTAL	4 727	4 361

(1) This represents financial impacts estimated in the June 2020 Québec's Economic and Financial Situation, Québec's Economic and Financial Situation, and the March 2021 Budget Plan 2021-2022.

(2) This is the amount presented in budget taking into account a \$50 M reallocation from the "Implement initiatives aiming to retrain and to improve the workforce's skills" initiative to the "Concerted Action Program for Maintaining Employment (PACME)" initiative.

Change in the application of the accounting standard respecting transfer payments

The government has changed the application of the accounting standard respecting transfer payments to account for transfer expenditures according to the completion progress of eligible work by transfer recipients. This accounting change, explained in detail in [Note 3](#) of the consolidated financial statements, raised the consolidated expenditure by \$462 million as at March 31, 2021. The government's net debt and accumulated deficit have also been adjusted upward by \$12.5 billion because of this change.

As a result of this accounting change, the Auditor General of Québec's auditor's report no longer includes a qualified opinion.

2. Variance analysis

2.1. Comparison of actual and forecast results

The forecasts included in Budget 2020-2021 were published on March 10, 2020. Because of the special circumstances surrounding the COVID-19 pandemic, in June 2020, the Minister of Finance made public Québec's Economic and Financial Situation. The publication presents revised forecasts for 2020-2021, including the impact of the government's initiatives to manage the health crisis and support Québec economy. These forecasts were also revised in November 2020's Update on Québec's Economic and Financial Situation.

In keeping with the standards adopted by the Public Sector Accounting Board, the financial analysis that accompanies the government's consolidated financial statements must compare real results with those in its initial budget. However, in the context of the COVID-19 pandemic, it appears that for fiscal 2020-2021, considering the June 2020 adjustments will better serve the objectives of this analysis.

Summary of forecasts and consolidated results

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Budget 2020-2021	Québec's Economic and Financial Situation 2020-2021	Variation	Actual results as at March 31, 2021	Change compared with 2020- 2021 Budget	Change compared with Québec's Economic and Financial
REVENUE						
Own-source revenue excluding revenue from government enterprises	90 789	82 338	(8 451)	87 377	(3 412)	5 039
Revenue from government enterprises	4 814	3 316	(1 498)	4 491	(323)	1 175
Own-source revenue	95 603	85 654	(9 949)	91 868	(3 735)	6 214
Federal government transfers	25 692	29 781	4 089	30 716	5 024	935
Total revenue	121 295	115 435	(5 860)	122 584	1 289	7 149
EXPENDITURE						
Expenditure excluding debt service	110 300	115 504	5 204	119 121	8 821	3 617
Debt service	8 266	8 304	38	7 689	(577)	(615)
Total expenditure	118 566	123 808	5 242	126 810	8 244	3 002
Allowances for economic risks and other support and recovery measures		4 000	4 000	n/a		(4 000)
ANNUAL (DEFICIT) SURPLUS	2 729	(12 373)	(15 102)	(4 226)	(6 955)	8 147

2. Variance analysis (cont'd)

2.1. Comparison of actual and forecast results (cont'd)

Own-source revenue excluding that of government enterprises

In Québec's Economic and Financial Situation of June 2020, own-source revenue excluding revenue from government enterprises was adjusted downward by \$8.5 billion in relation to the March 2020 forecast. The June forecast was attributable to the reduction in the tax bases of personal income tax, corporate tax, and sales tax due to reduced economic activity stemming from the lockdown measures. However, the reduction in the tax bases was smaller than anticipated, namely because of the impact of government initiatives aimed at supporting individuals and businesses.

Revenue from government enterprises

In Québec's Economic and Financial Situation of June 2020, revenue from government enterprises was adjusted downward by \$1.5 billion because of the closing of Loto-Québec's facilities and reduced electricity consumption in the commercial and industrial sectors. However, as at March 31, 2021, Investissement Québec's real results were \$948 million higher than the June 2020 forecast. The performance of its publicly listed equity portfolio and other Investissement Québec investments explain, to a large extent, the increase.

Federal government transfers

In June 2020, revenue from federal government transfers was adjusted upward by \$4.1 billion, in particular because of one-off transfers that the federal government announced to ensure a safe economic recovery. The actual results as at March 31, 2021 take into account these additional transfers on top of the \$303 million for a safe back-to-school season and \$330 million in transfers recorded in 2020-2021 under the Canada-Québec agreement to fund access to high-speed Internet service for nearly 150 000 Québec households.

Expenditures excluding debt service

The expenditures excluding debt service stipulated in Québec's Economic and Financial Situation of June 2020 included downward adjustments to reflect the stoppage of certain activities, especially in the education portfolio but also upward adjustment to reflect the impact of the initiatives implemented to manage the crisis and for economic recovery. The initiatives were estimated at \$6.3 billion in June 2020.

As at March 31, 2021, expenditures excluding debt service were \$3.6 billion higher than those forecast in Québec's Economic and Financial Situation. The support and recovery measures implemented in a pandemic context largely explain these variations since the additional measures were announced after June 2020. The change in application of the accounting standard respecting transfer payments increased expenditures by \$462 million in relation to what was forecast.

2. Variance analysis (cont'd)

2.1. Comparison of actual and forecast results (cont'd)

Debt service

Despite the increase in the debt forecast in Québec's Economic and Financial Situation of June 2020, debt service has not been adjusted upward because of a forecasted decrease of interest rates. Finally, this interest rates decrease was stronger than anticipated, which resulted in a lower debt service than forecast.

2.2. Comparison of actual results with the previous fiscal year

Consolidated revenue

Income and property taxes

FISCAL YEAR ENDED MARCH 31, 2021
(millions of dollars)

	Actual results	Actual results	Change	
	as at March 31, 2021	as at March 31, 2020	M\$	%
Personal income tax	34 998	33 814	1 184	3.5
Contributions dedicated to health services	6 398	6 522	(124)	(1.9)
Corporate tax	8 951	8 607	344	4.0
School property tax	1 156	1 539	(383)	(24.9)
TOTAL	51 503	50 482	1 021	2.0

The \$1 021-million increase in revenue from income and property taxes is attributable to:

- a \$1 184-million increase in personal income tax revenue, stemming mainly from the growth in average weekly earnings and additional tax related to the income support measures that the government granted in response to the COVID-19 pandemic;
- a \$124-million reduction in contributions for health services, stemming, in particular, from the implementation of a contribution credit granted to employers eligible for the Canada Emergency Wage Subsidy in respect of employees on paid leave;
- a \$344-million increase in corporate tax revenue mainly due to receipts higher than in the previous fiscal year affected by government emergency assistance measures that supported corporate profits;
- a \$383-million decrease in revenue from school property taxes, attributable to the school tax reform, which seeks to reduce school tax rates in Québec.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Consumption taxes

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020	Change	
			M\$	%
Sales	17 794	17 536	258	1.5
Fuel	1 916	2 206	(290)	(13.1)
Tobacco	971	938	33	3.5
Alcoholic beverages	619	637	(18)	(2.8)
Other	77	31	46	148.4
TOTAL	21 377	21 348	29	0.1

Consumption tax revenue were \$29 million higher than in the previous fiscal year.

- Sales tax revenue increased by \$258 million, mainly as a result of the reduction in input tax rebates stemming, in particular, from a reduction in exports.
- Fuel tax revenue declined by \$290 million, in particular because of a significant reduction in gasoline consumption during the COVID-19 pandemic.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Duties and permits

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results	Actual results	Change	
	as at March 31, 2021	as at March 31, 2020	M\$	%
Motor vehicles	1 413	1 390	23	1.7
Natural resources	1 778	1 392	386	27.7
Greenhouse gas emissions	635	997	(362)	(36.3)
Other	787	756	31	4.1
TOTAL	4 613	4 535	78	1.7

Revenues from duties and permits increased by \$78 million compared to the preceding fiscal year.

- The \$386-million increase in revenues from natural resources is mainly due to higher mining revenue arising from sustained metal prices on the markets in 2020.
- The \$362-million reduction in revenue collected in the context of Québec's greenhouse gas emission cap-and-trade system results mainly from a reduction in the volume of sales of greenhouse gas emission units.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Miscellaneous revenue

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results	Actual results	Change	
	as at March 31, 2021	as at March 31, 2020	M\$	%
Sales of goods and services	4 601	5 306	(705)	(13.3)
User contributions	1 589	1 838	(249)	(13.5)
Interest on accounts receivable and loans	921	884	37	4.2
Income from portfolio investments	910	805	105	13.0
Fines, forfeitures and recoveries	696	878	(182)	(20.7)
Third-party donations	658	730	(72)	(9.9)
Tuition fees	399	406	(7)	(1.7)
Transfers from entities other than the federal government	110	115	(5)	(4.3)
TOTAL	9 884	10 962	(1 078)	(9.8)

The \$1 078-million decrease in miscellaneous revenue is attributable, in particular, to:

- the \$705-million reduction in revenue from the sale of goods and services due to the COVID-19 pandemic. The reduction in revenue from childcare services, the cancellation of cultural and educational activities in schools and the reduction of parking rates in healthcare institutions are its most notable causes;
- the \$249-million reduction in revenue from the users of the education and the health and social services networks mainly due to the pandemic.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Revenue from government enterprises

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results	Actual results	Change	
	as at March 31, 2021	as at March 31, 2020	M\$	%
Hydro-Québec	1 776	1 959	(183)	(9.3)
Société des alcools du Québec	1 219	1 226	(7)	(0.6)
Investissement Québec	987	(130)	1 117	n. a.
Loto-Québec	433	1 328	(895)	(67.4)
Other	76	36	40	111.1
TOTAL	4 491	4 419	72	1.6

The \$72-million increase in revenue from government enterprises stems essentially from:

- the \$1 117-million increase in Investissement Québec's net financial results, explained by the exceptional performance of its securities portfolio combined with that of its investments in venture capital and investment funds. The adjusted yield on equity stood at 25.1%, as against -4.9% in the preceding fiscal year.

This increase is partially offset by:

- the \$895-million reduction in Loto-Québec's net results, affected by the temporary closing of casinos, gaming halls, and sales outlets;
- the \$183-million reduction in Hydro-Québec's net results, due notably to lower electricity consumption in Québec.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Federal government transfers

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020	Change	
			M\$	%
Equalization	13 252	13 124	128	1.0
Health transfers	6 800	6 617	183	2.8
Transfers for post-secondary education and other social programs	1 590	1 542	48	3.1
Other programs	9 074	3 945	5 129	130.0
TOTAL	30 716	25 228	5 488	21.8

The \$5 488-million increase in federal government transfers results from:

- a \$183-million increase in health transfer revenue that is mainly attributable to canadian nominal GDP growth, which sets the canadian envelope of the Canada Health Transfer's (CHT) growth rate;
- a \$5 129-million increase in transfer revenue for other programs due to, in particular:
 - \$3.4 billion in transfer payments pertaining to new agreements for a safe economic recovery and a safe back to school season to support the provinces in implementing pandemic-related measures,
 - a \$661-million transfer payment made in June 2020 to partly compensate Québec's efforts to mitigate the financial impact of the COVID-19 pandemic,
 - a \$330-million transfer payment pertaining to the Canada-Québec agreement to finance access to high-speed Internet service for nearly 150 000 Québec households,
 - \$535 million in transfer payments related to the Gas tax program.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Consolidated expenditure

Health and Social Services mission

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020 (adjusted)	Change	
			M\$	%
Transfers	6 167	5 246	921	17.6
Remuneration	32 843	28 488	4 355	15.3
Operating	14 237	10 116	4 121	40.7
Doubtful accounts and other allowances	92	81	11	13.6
TOTAL	53 339	43 931	9 408	21.4

Transfers

The \$921-million increase in health transfer expenditures stems mainly from:

- the increase in funding allocated, in particular, to emergency pre-hospitalization services and community-based organizations, totalling \$493 million;
- \$141-million expenses pertaining to measures to support the autonomy of seniors in private accommodation in the context of the COVID-19 pandemic;
- the enhancement of tax credit for caregivers and the increase of the cost of the tax credit for home support for seniors, totalling \$130 million.

Remuneration

The \$4 355-million increase in remuneration expenses in the health sector is mainly attributable to the wage enhancements granted to healthcare workers, including patient-care attendants, to recognize the additional efforts to confront the health crisis, and to the renewal of the collective agreements.

Operating

The \$4 121-million increase in operating expenditures in the health sector stems chiefly from personal protective equipment and an increase in other COVID-19-related operating costs in healthcare institutions.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Education and Culture mission

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020 (adjusted)	Change	
			M\$	%
Transfers	6 320	5 647	673	11.9
Remuneration	16 089	15 371	718	4.7
Operating	4 097	4 391	(294)	(6.7)
Doubtful accounts and other allowances	37	64	(27)	(42.2)
TOTAL	26 543	25 473	1 070	4.2

Transfers

The \$673-million increase in transfer expenditures is attributable to the additional subsidies granted, including:

- \$192 million for the Cultural Sector Economic Recovery Plan and \$104 million for the recreation and sport recovery;
- \$80 million pertaining to film production tax credits;
- a \$136-million increase in grants to private educational institutions and private universities.

Remuneration

The \$718-million increase in remuneration expenses stems principally from the \$722-million increase in remuneration in schools. The renewal of collective agreements, pay increments, and the addition of resources related to the COVID-19 pandemic are the main causes.

Operating

The \$294-million reduction in operating expenses is mainly explained by a \$282-million reduction in operating expenses in schools. The savings are, in particular, due to the cancellation of part of the school transportation contracts, the reduction in travel expenses and the cost of supplies and the cancellation of cultural outings because of the COVID-19 pandemic.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Economy and Environment mission

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020 (adjusted)	Change	
			M\$	%
Transfers	12 504	10 436	2 068	19.8
Remuneration	1 603	1 591	12	0.8
Operating	3 807	4 415	(608)	(13.8)
Doubtful accounts and other allowances	539	1 311	(772)	(58.9)
TOTAL	18 453	17 753	700	3.9

Transfers

The \$2 068-million increase in transfer expenses is primarily due to additional subsidies allocated because of the COVID-19 pandemic, including \$1 390 million for the specific assistance to mass transit organizations.

What is more, an increase has been observed:

- \$669 million in transfer payments for infrastructure programs in respect of drinking water, wastewater, local road networks and other types of infrastructure, and mass transit;
- \$135 million in transfers related to tax credits, essentially to invest in manufacturing and processing equipment, e-business development, and multimedia titles;
- \$179 million in transfers related to financial assistance granted to businesses under the “Assistance for Businesses in Regions on Maximum Alert” section of the Emergency Assistance Program for Small and Medium-Sized Businesses, under which up to 100% of the loan granted to businesses affected by a closure order issued by public health authorities can be forgiven;
- \$60 million in transfers for the multi-resources pathways costs reimbursement program.

These increases are partly offset by the non-recurrence of the subsidies paid in 2019-2020 under the mass transit programs, including:

- \$334 million under the Program to compensate taxi permit holders;
- \$171 million for the Réseau express métropolitain (REM) for decontamination and the relocation of public services.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Operating

The \$608-million reduction in operating expenditures mainly stems from a \$745-million loss triggered in 2019-2020 in the government's investment in the Airbus Canada Limited Partnership following Bombardier's withdrawal from the Airbus A220 program.

Doubtful accounts and other allowances

The \$772-million reduction in doubtful accounts expenditures mainly stems from other than temporary declines in value of investments and increases in allowances for loans, investments, and guaranteed financial initiatives in 2019-2020, in particular as a result of the COVID-19 pandemic.

Support for Individuals and Families

FISCAL YEAR ENDED MARCH 31, 2021
(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020 (adjusted)	Change	
			M\$	%
Transfers	10 086	9 956	130	1.3
Remuneration	604	583	21	3.6
Operating	332	356	(24)	(6.7)
Doubtful accounts and other allowances	41	21	20	95.2
TOTAL	11 063	10 916	147	1.3

Transfers

The \$130-million increase in transfer expenditures is attributable mainly to a \$438-million expense related to the full enhancement of the Family Allowance announced in Québec's Economic and Financial Situation in November 2019.

This increase is partly offset by:

- the \$162-million reduction in the tax credit for childcare expenses;
- the \$135-million decrease in the work premium tax credit.

2. Variance analysis (cont'd)

2.2. Comparison of actual results with the previous fiscal year (cont'd)

Administration and Justice

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020 (adjusted)	Change	
			M\$	%
Transfers	3 708	2 070	1 638	79.1
Remuneration	4 641	4 865	(224)	(4.6)
Operating	1 318	1 346	(28)	(2.1)
Doubtful accounts and other allowances	56	861	(805)	(93.5)
TOTAL	9 723	9 142	581	6.4

Transfers

The \$1 638-million increase in transfer expenditures is attributed primarily to granting additional subsidies in relation to the COVID-19 pandemic, including:

- \$900 million in financial assistance for municipality support in the context of the pandemic;
- \$201 million for Québec's contribution to the Canada Emergency Commercial Rent Assistance program and for the enhancement of this federal assistance program;
- \$199 million for the Incentive Program to Retain Essential Workers.

Moreover, the increase is also attributable to \$660 million in financial assistance aimed at financing access to high-speed Internet service for nearly 150 000 Québec households.

The increases are partly offset by the \$294 million in non-recurrent financial assistance granted in 2019-2020 in respect of spring flooding in 2019.

Doubtful accounts and other allowances

Doubtful account expenditures were \$805 million lower than in 2019-2020, mainly because of a significant drop in the provision rate notably stemming from the revision of the COVID-19 pandemic's impact on the credit risk of individuals and companies.

Debt Service

Despite the increase in the level of debt in 2020-2021, debt service expenditures did not change significantly in relation to 2019-2020 mainly because interest rates reached a historic low in 2020-2021.

3. Balanced Budget Act

Budget balance

The purpose of the *Balanced Budget Act* is to balance the budget of the Québec government. It stipulates that the Government may not incur a budgetary deficit after use of the stabilization reserve.

Budget balance represents the results of the operations of the fiscal year ended on March 31, 2021 which was a deficit of \$7 539 million after taking into account the allocation of \$3 313 million to the Generations fund. Budget balance within the meaning of the *Balanced Budget Act* also takes into consideration \$3 221 million resulting from the change in the application of the accounting standard respecting transfer payments. Following the use of part of the stabilization reserve, budget balance is achieved within the meaning of the Act.

Budget balance within the meaning of the *Balanced Budget Act*

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Budget 2020-2021	Actual results as at March 31, 2021
Annual surplus (deficit)	2 729	(4 226)
Revenue of the Generations Fund	(2 729)	(3 313)
Budget balance representing the results for the operations of the year	—	(7 539)
Change in application of section PS 3410 – Government transfers ⁽¹⁾		(3 221)
Use of part of the stabilization reserve		10 760
Budget balance	—	—

- (1) In compliance with the *Budget Balance Act*, budget balance was established by taking into consideration the amounts added to the accumulated deficit of the fiscal years 2015-2016 to 2019-2020 arising from the change in the application of the accounting standard respecting transfer payments. The Act's provisions were not effective for the fiscal years 2009-2010 to 2014-2015.

3. Balanced Budget Act (cont'd)

Stabilization reserve

The Act provides for the establishment of a stabilization reserve to facilitate the Government's multi-year budget planning. From an accounting standpoint, this reserve has no impact on the annual surplus or deficit.

The stabilization reserve is used to maintain a balanced budget; its balance is reduced by the amount needed to achieve that objective. In addition, the Government may, on the conditions it determines, use the stabilization reserve to deposit sums in the Generations Fund. Its balance is reduced by the amount deposited in the Fund.

The sums allocated annually to the stabilization reserve correspond to the amount of the recorded surplus for that fiscal year, i.e. a budget balance that is greater than zero, established in accordance with the provisions of the *Balanced Budget Act*.

In 2020-2021, \$10 760 million has been used out of the stabilization reserve in compliance with the Act's provisions, which puts the reserve's balance at \$1 221 million as at March 31, 2021.

Stabilization reserve

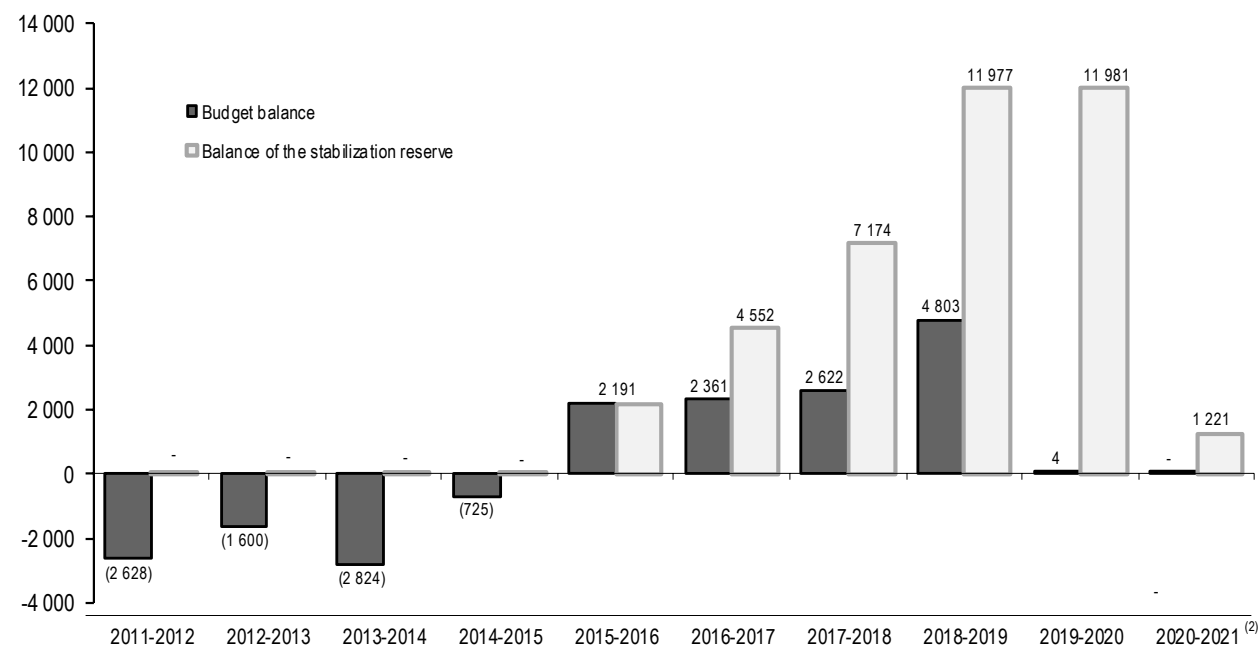
FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	<u>2021</u>
Opening balance	11 981
Use of the reserve to maintain a balanced budget	<u>(10 760)</u>
Closing balance	<u><u>1 221</u></u>

3. Balanced Budget Act (cont'd)

Change in budget balance and stabilization reserve⁽¹⁾ (millions of dollars)



(1) From an accounting standpoint, this reserve has no impact on the annual surplus (deficit).

(2) The 2020-2021 budget balance takes into account the use of \$10 760M of the stabilization reserve.

In 2011-2012, the financial crisis and global recession that had held sway since 2008-2009 led to a substantial deterioration in the Government's financial balances. The provisions of the *Balanced Budget Act* passed on April 21, 2015 and prohibiting a budgetary deficit did not apply to the 2009-2010 to 2014-2015 fiscal years. Over that period, the Government showed budgetary deficits annually in compliance with the Act.

From 2015-2016 to 2018-2019, the Government has shown budgetary surpluses that have been allocated to the stabilization reserve. For fiscal 2020-2021, the COVID-19 pandemic, as well as the change in the application of the accounting standard respecting transfer payments, required the use of \$10 760 million from the stabilization reserve, bringing the latter to \$1 221 million as at March 31, 2021.

Generations Fund

The Generations Fund, created under the *Act to reduce the debt and establish the Generations Fund*, is used exclusively to repay the Government's gross debt. The statement of change in the balance of the Generations Fund is presented in [Note 13](#) "Generations Fund" of the consolidated financial statements.

Budget 2020-2021 forecast that the revenue of the Generations Fund would amount to \$2 729 million. The fund's actual revenue is \$3 313 million, or \$584 million more than forecast. The fund's balance is \$12 212 million as at March 31, 2021.

4. Analysis of main trends

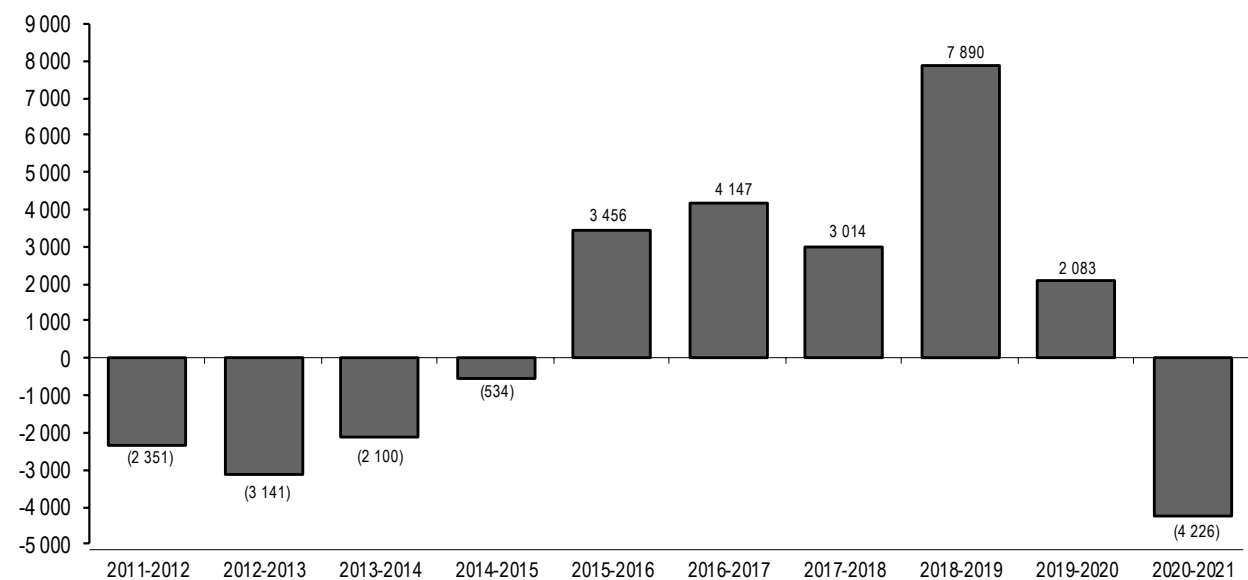
The main trends analysis presented in this section uses financial information from the consolidated financial statements of the Gouvernement du Québec.

The data presented put into perspective the trends observed over the past 10 years for the following main items:

- the annual surplus (deficit);
- consolidated revenue by source;
- consolidated expenditures by mission;
- the net book value of fixed assets;
- the Government's gross debt.

Change in annual surplus (deficit)⁽¹⁾

(millions of dollars)



(1) The annual surpluses (deficits) were adjusted starting in 2011-2012 to consider the change in the application of the accounting standard respecting transfer payments.

From 2011-2012 to 2014-2015, the deficits presented gradually decreased following the introduction of a cap on program spending growth, except in 2012-2013 owing to the recording of a loss of \$1 876 million arising from discontinued operations following the closure of the Gently-2 nuclear generating station. From 2015-2016 to 2018-2019, the Government has generated annual surpluses, which reached \$7 890 million in 2018-2019.

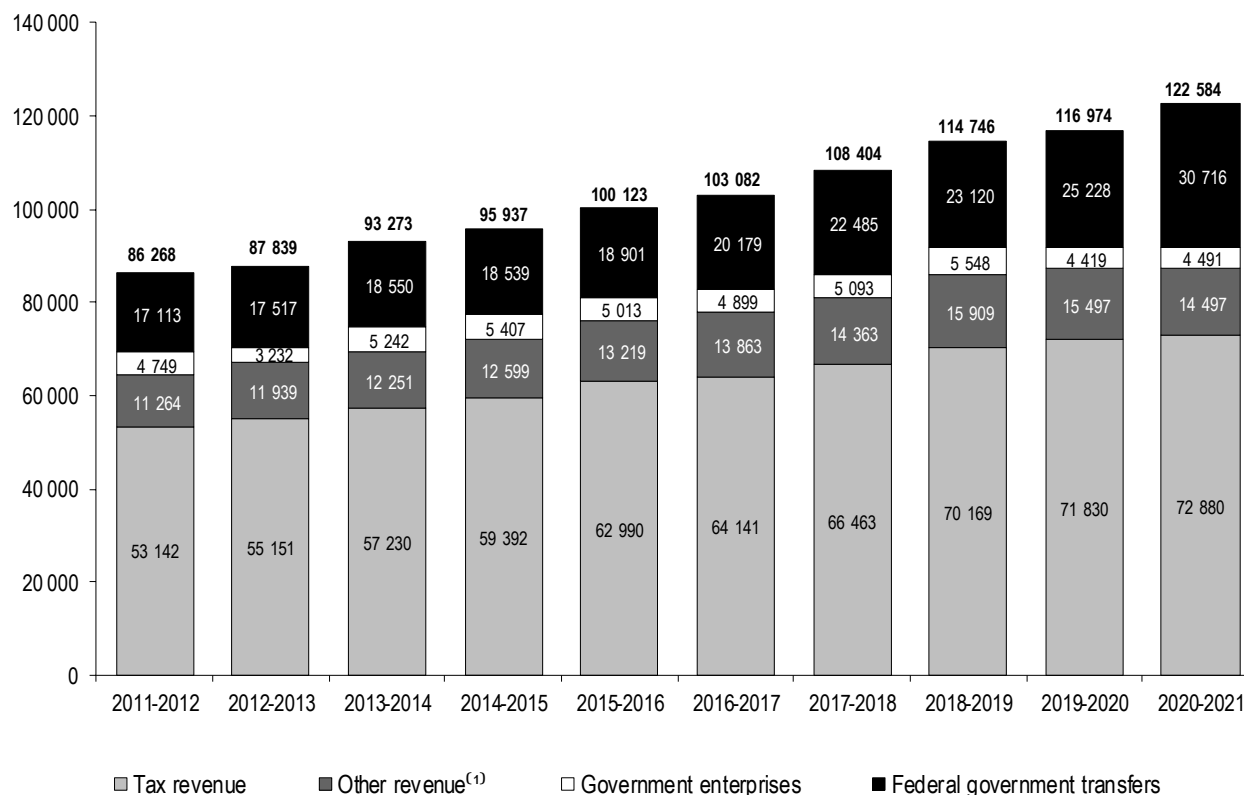
Since 2019-2020, initiatives targeted in the budgets and the COVID-19 pandemic, that entailed revenue losses and additional expenditures for the Government, were part of the factors contributing to the decrease of the surplus for 2019-2020 and the deficit in 2020-2021, the latter amounting to \$4 226 million.

4. Analysis of main trends (cont'd)

Change in consolidated revenue

REVENUE BY SOURCE

(millions of dollars)



(1) Other revenue includes revenue from duties and permits as well as miscellaneous revenue.

The Government's consolidated revenue rose from \$86.3 billion to \$122.6 billion from 2011-2012 to 2020-2021. The annual average growth of this revenue was 4.0%, while that of GDP was 2.8% over the same period.

Total revenue has grown constantly since 2011-2012.

4. Analysis of main trends (cont'd)

Change in consolidated revenue (cont'd)

Income and property taxes

Revenue from income and property taxes rose from \$37 622 million in 2011-2012 to \$51 503 million in 2020-2021. On average, it grew by 3.6% per year over that period, owing in particular to an increase in the average wage and the number of jobs in Québec.

Consumption taxes

Revenue from consumption taxes has grown regularly since 2011-2012, going from \$15 520 million in 2011-2012 to \$21 377 million in 2020-2021. The average annual growth rate for the period was 3.6% owing to sustained growth in retail sales, the one-percentage-point increase in the QST rate as of January 1, 2012, and the harmonization of the QST with the GST as of January 1, 2013 for financial institutions.

Federal government transfers

Federal government transfer revenue rose from \$17 113 million in 2011-2012 to \$30 716 million in 2020-2021. Federal government transfer revenue grew by an average of 6.7% per year over that period. It had been increased from 2011-2012 to 2013-2014, notably because of payments totalling \$2 200 million in federal compensation for harmonization of the sales taxes.

Since 2014-2015, this revenue has grown by 8.8% on average annually to reach \$30 716 million in 2020-2021. This growth is due to an increase in all types of federal transfers and more specifically for 2020-2021, to federal government transfers made to support the implementation by the provinces of pandemic-related measures and to partly compensate Québec's efforts to mitigate the financial impact of the COVID-19 pandemic.

Government enterprises

Revenue from government enterprises, which consists mainly of the results of Hydro-Québec, Loto-Québec, the Société des alcools du Québec and Investissement Québec, went from \$4 749 million in 2011-2012 to \$4 491 million in 2020-2021, which corresponds to an average negative growth of 0.6% per year during that period. That negative growth rate is strongly influenced by a decrease in revenue in 2019-2020 and 2020-2021 due to the COVID-19 pandemic.

4. Analysis of main trends (cont'd)

Change in consolidated revenue (cont'd)

Other revenue

Lastly, other revenue grew substantially from 2011-2012 to 2020-2021 owing to, among other things:

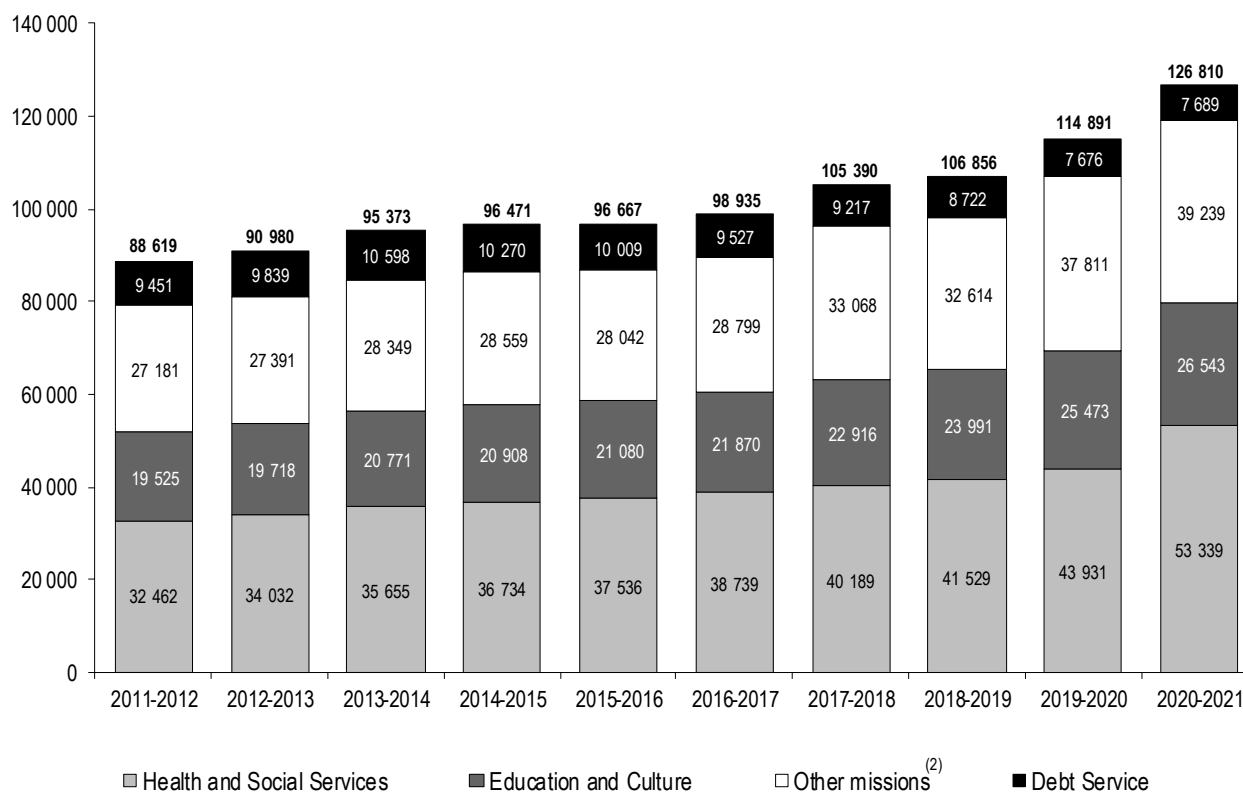
- the auction, since 2013-2014, of greenhouse gas emission allowances under Québec's cap-and-trade system for greenhouse gas emission allowances;
- growth in the income of the Generations Fund, in particular income from portfolio investments;
- growth in revenue from registration fees;
- growth in revenue from mining resources;
- an increase in revenue from user contributions in the health and social services and education networks.

4. Analysis of main trends (cont'd)

Change in consolidated expenditure

EXPENDITURE BY MISSION⁽¹⁾

(millions of dollars)



(1) The expenditures by mission were adjusted starting in 2011-2012 to consider the change in the application of the accounting standard respecting transfer payments.

(2) The other missions are "Economy and Environment", "Support for Individuals and Families" and "Administration and Justice".

Between 2011-2012 and 2020-2021, the Government's consolidated expenditure increased by \$38.2 billion, from \$88.6 billion to \$126.8 billion. The average annual growth of this spending was 4.1%.

Health and Social Services and Education and Culture

The expenditures of the "Health and Social Services" and "Education and Culture" missions are constantly climbing, and this trend has been even more pronounced in the health sector. As at March 31, 2021, spending for health and education account for 63.0% of consolidated expenditure and, of that share, 42.1% is for the "Health and Social Services" mission and 20.9% for the "Education and Culture" mission.

4. Analysis of main trends (cont'd)

Change in consolidated expenditure (cont'd)

Other missions

The expenditures of all the other missions have also increased in recent years, particularly because of:

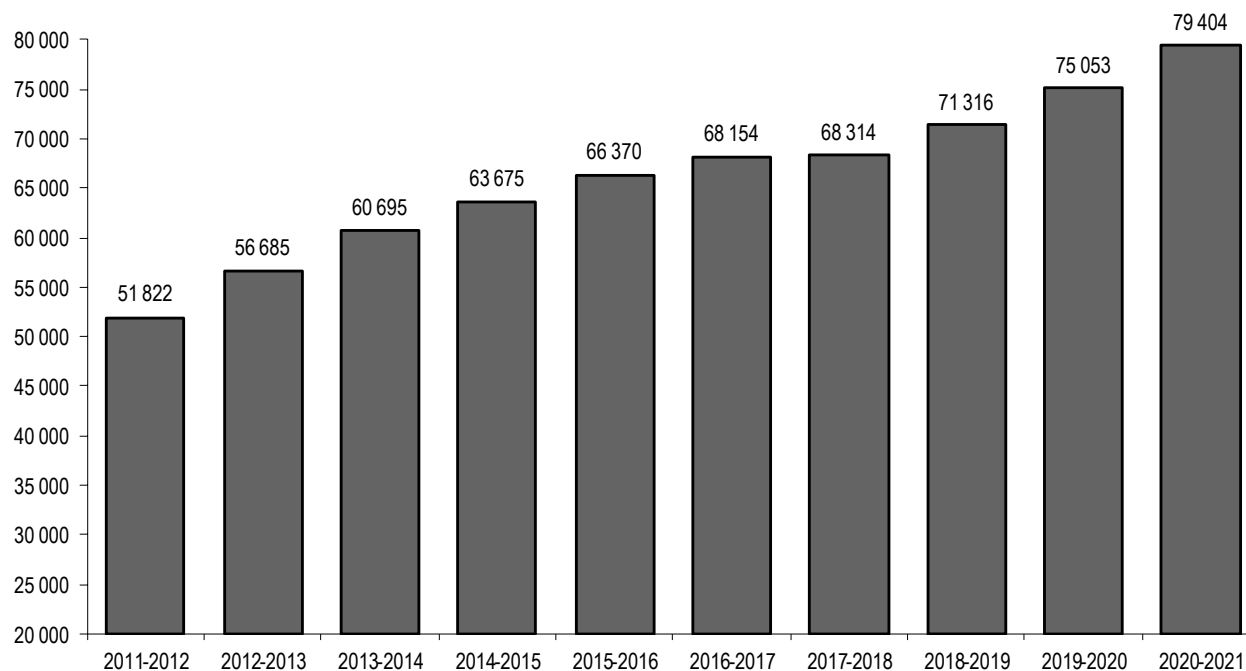
- the increase in spending related to investments in road network improvement, development and maintenance, and in transportation systems;
- growth in spending on municipal affairs and housing, particularly to improve access to housing and to contribute to the repair and construction of water supply and sewer systems and the treatment of municipal wastewater in all regions of Québec;
- growth in financial support for childcare centres and other day care services;
- increased action on environmental protection, sustainable development and climate change;
- the increase in the budgets allocated to public safety, notably to cover costs related to the Sûreté du Québec, correctional services and policing affairs.

Debt service

Debt service increased by an average of 5.9% per year between 2011-2012 and 2013-2014. Since 2014-2015, it has decreased by an average of 4.5% per year to \$7 689 million in 2020-2021.

4. Analysis of main trends (cont'd)

Change in the net book value of fixed assets (millions of dollars)



Fixed assets can be broken down into several different categories, including complex networks, which consist mainly of net investments in road infrastructure. Such investments accounted for 35.6% of the total net book value of fixed assets as at March 31, 2021.

The net book value of fixed assets increased by \$4.3 billion over the past year, from \$75.1 billion as at March 31, 2020 to \$79.4 billion as at March 31, 2021. This shows that investments in fixed assets outstrip the related depreciation of the Government's fixed assets as a whole.

4. Analysis of main trends (cont'd)

Government's gross debt

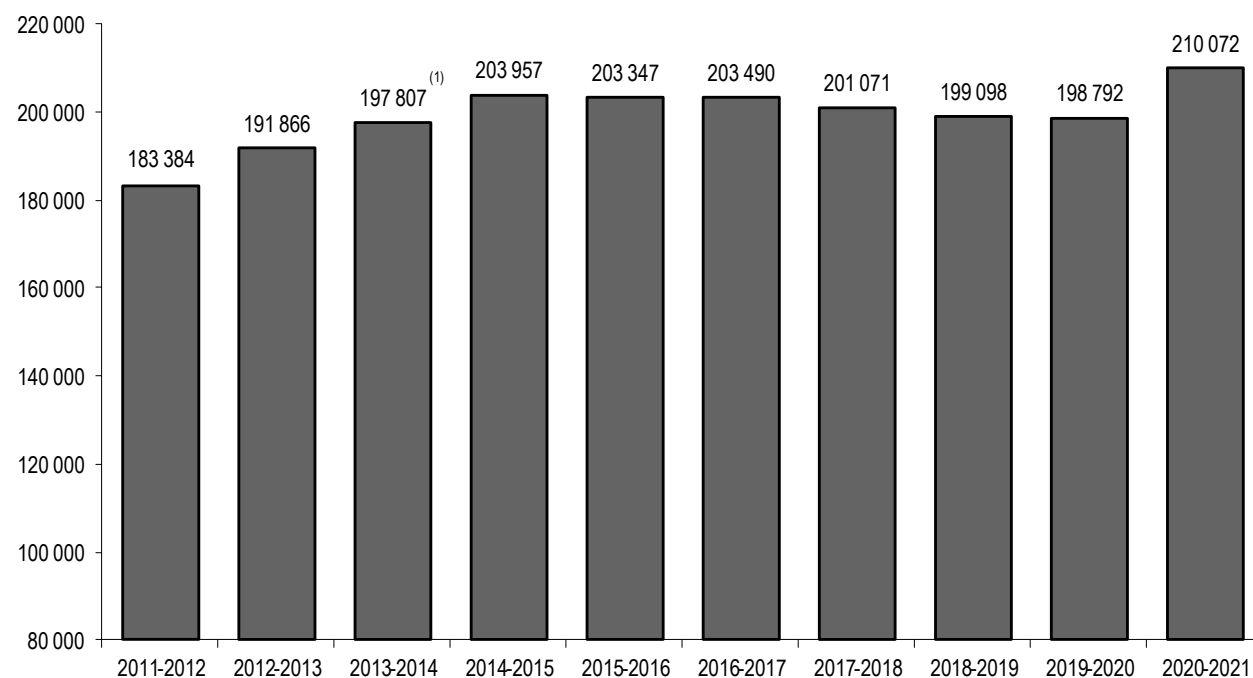
FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Actual results as at March 31, 2021	Actual results as at March 31, 2020
Debts before deferred foreign exchange gains (losses)	218 468	200 963
Plus		
Pension plans and other employee future benefits	12 368	14 716
Less		
Generations Fund	(12 212)	(8 899)
Gross debt including advance borrowings	218 624	206 780
Less		
Advance borrowings	(8 552)	(7 988)
Gross debt	210 072	198 792
As a % of nominal GDP	47.6%	43.2%

Change in the Government's gross debt

(millions of dollars)



Note: The value of the gross debt as at March 31, 2014 was increased by \$709 M to reflect the taking over by Financement-Québec of loans belonging to the Financing Fund made to entities not included in the Government's reporting entity.

4. Analysis of main trends (cont'd)

Increase of the gross debt from March 31, 2011 to March 31, 2021

Gross debt as at March 31, 2011 stood at \$173.4 billion. It amounted to \$210.1 billion as at March 31, 2021. Accordingly, for fiscal 2011-2012 to 2020-2021, the Government's gross debt rose by \$36.7 billion. This increase is due to:

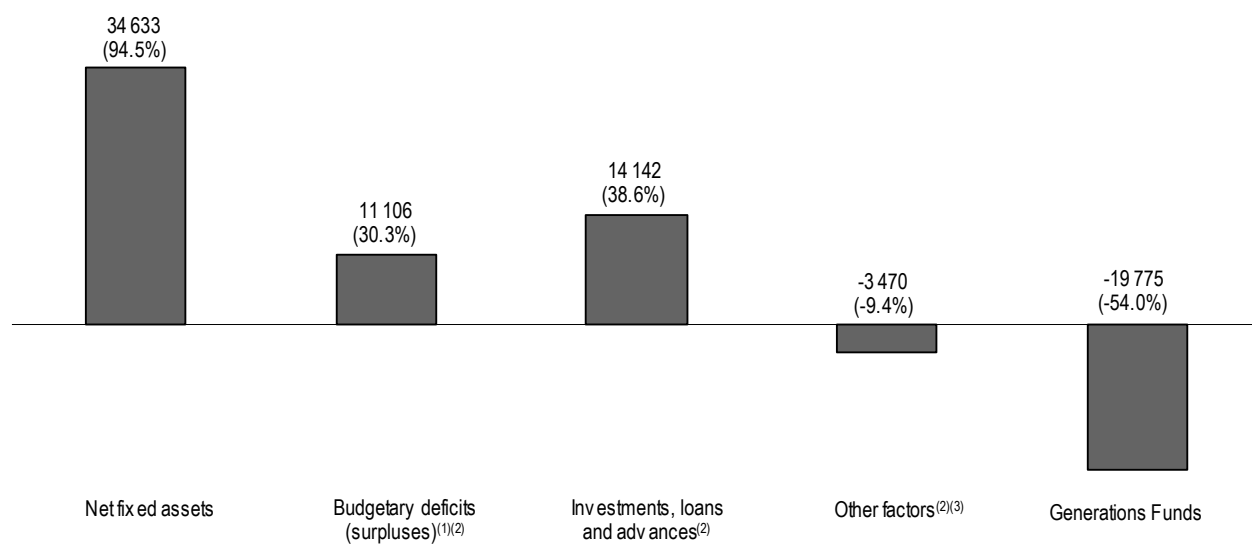
- investments of \$34.6 billion by the Government in its fixed assets;
- investments, loans and advances totalling \$14.2 billion, some of which were made to government enterprises;
- budgetary deficits of \$11.1 billion.

The increase in the gross debt is offset by:

- deposits in the Generations Fund, which reduced the gross debt by \$19.7 billion;
- change in other factors which decreased the gross debt by \$3.5 billion.

Factors responsible for growth in the Government's gross debt from March 31, 2011 to March 31, 2021

(millions of dollars)



(1) For the purpose of establishing the factors responsible for growth in the Government's gross debt, the budget deficits (surpluses) were established based on the adjusted annual deficits (surpluses) established on page 26, minus the Generations Fund's revenues.

(2) The annual budget deficit (surpluses), investments, loans and advances, and other factors were adjusted starting in 2011-2012 to consider the change in the application of the accounting standard respecting transfer payments.

(3) Other factors include, in particular, the change in "Other accounts", such as accounts receivable and accounts payable.

4. Analysis of main trends (cont'd)

Net financial surpluses (requirements) and financing transactions

Net financial surpluses or requirements represent the gap between the Government's revenues and expenditures. More specifically, they mark the Government's available or required cash flow levels after it has conducted all its activities during a given fiscal year.

Net financial surpluses or requirements include the financial impacts of the entire government reporting entity, whether they be budget operations (consolidated statement of operations) or non-budget operations (consolidated statements of financial position).

The primary objective of determining net financial surpluses or requirements is to provide the Ministère des Finances with the most accurate information so that it can make decisions about changes in government borrowing.

Generally, the impact of net financial surpluses or requirements will have a corresponding impact on gross debt, i.e. increases in net financial requirements will entail borrowing, thereby increasing gross debt, while net financial surpluses lead to loan repayments, thereby reducing gross debt.

Financing transactions

Financing transactions show the loans contracted (repaid) and the cash flow generated (used) for all government activities during the fiscal year.

Net financial surpluses (requirements) and financing transactions

(millions of dollars)

	Fiscal year ended March 31	
	2021	2020 (adjusted)
Cash flow provided by operating activities	(6 559)	2 751
Cash flow used for investments activities ⁽¹⁾	(4 397)	1 833
Cash flow used for fixed asset investment activities	(8 367)	(7 545)
Net financial surplus (requirements)⁽²⁾	(19 323)	(2 961)
Cash flow provided by financing activities ⁽¹⁾	18 396	6 768
Change in cash flow during the fiscal year	927	(3 807)
Financing transactions	19 323	2 961

(1) Cash flows used for investment activities included anticipated titles repurchasings totalling \$4 000 M (\$3 000 M as at March 31, 2020) and withdrawals from the Generations Funds for the repayment of borrowings totalling \$0 M (\$2 000 M as at March 31, 2020). For the purposes of the net financial surpluses (requirements) and financing transactions, those transactions are presented in the cash flows used for financing activities.

(2) The net financial surpluses (requirements) include financial requirements related to the payment of revenues dedicated to the Generations Fund totalling \$3 313 M in 2020-2021 (\$2 606 M in 2019-2020).

5. Results of the indicator analysis

The financial indicator analysis aims primarily to clarify and explain the information contained in the consolidated financial statements.

Those indicators are established based on financial information published in the consolidated financial statements. The latter have been adjusted to consider the modification of the application of the accounting standard respecting transfer payments, where appropriate.

The Gouvernement du Québec presents 10 indicators based on those established by the Public Sector Accounting Board in a Statement of Recommended Practice. These indicators are intended to measure a government's sustainability, flexibility and vulnerability:

- sustainability refers to the degree to which the government can meet its existing financial obligations without increasing, in relative terms, the debt or tax burden on the economy;
- flexibility is the extent to which the government can change its debt burden or the tax burden of its citizens to meet its existing financial obligations without compromising its ability to meet its future obligations;
- vulnerability is the degree to which the government is dependent on sources of funding outside its control or influence.

Indicator's evolution over the past five years

(percent)

	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Sustainability					
1. Assets / Liabilities	53.8	55.8	56.7	59.4	61.9
2. Gross debt / Total revenue	197.4	185.5	173.5	169.9	171.4
3. Expenditures by mission / Consolidated expenditure					
3a. Expenditure for the "Health and Social Services" mission / Consolidated expenditure	39.2	38.1	38.9	38.2	42.1
3b. Expenditure for the "Education and Culture" mission / Consolidated expenditure	22.1	21.7	22.5	22.2	20.9
3c. Expenditure for the "Debt service" mission / Consolidated expenditure	9.6	8.8	8.2	6.7	6.1
3d. Expenditure for the other missions / Consolidated expenditure	29.1	31.4	30.5	32.9	30.9
4. Gross debt / GDP	51.0	48.0	45.1	43.2	47.6
5. Debt representing accumulated deficits / GDP	30.7	28.4	25.5	23.4	24.6
6. Consolidated expenditure / GDP	22.4	23.0	22.2	23.3	27.0
Flexibility					
7. Debt service / Total revenue	9.2	8.5	7.6	6.6	6.3
8. NBV of fixed assets / Cost of fixed assets	56.8	56.1	56.0	56.0	56.4
9. Own-source revenue / GDP	20.8	20.5	20.8	19.9	20.8
Vulnerability					
10. Federal government transfers / Total revenue	19.6	20.7	20.1	21.6	25.1

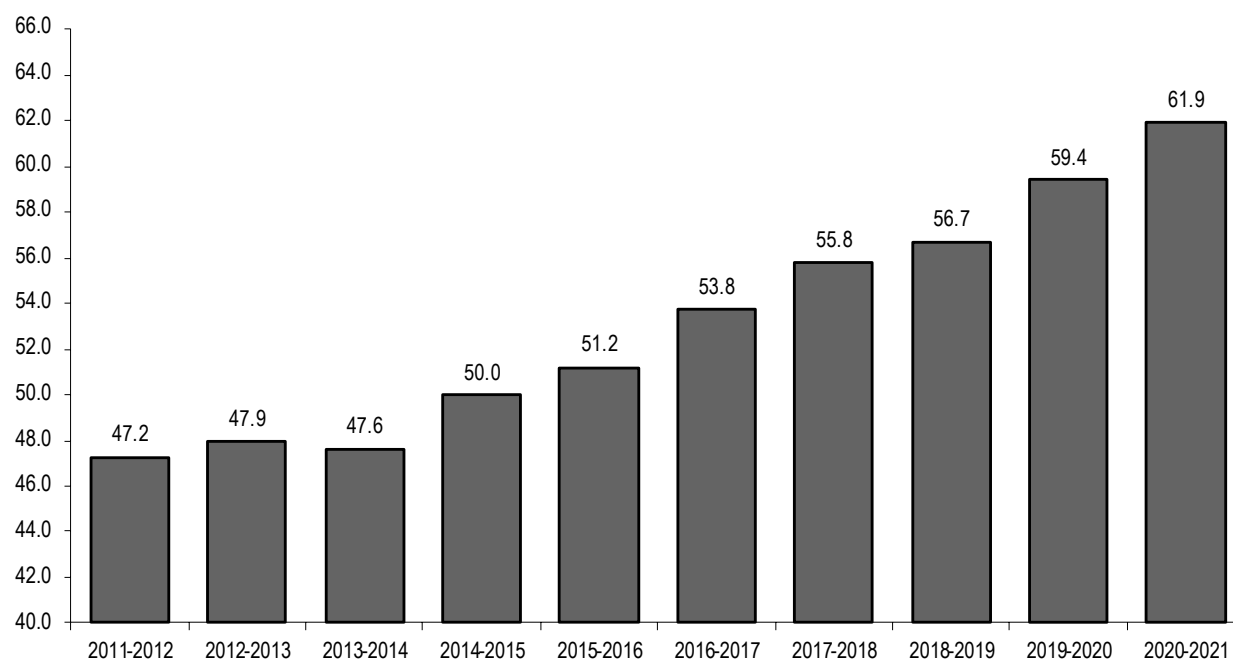
In this section, gross domestic product (GDP) corresponds to nominal GDP as of September 23, 2021.

5. Results of the indicator analysis (cont'd)

Indicator 1: Assets to total liabilities

This indicator illustrates the extent to which the Government finances its current operations through liabilities. A ratio of over 100% indicates that a surplus was accumulated in the past and that the value of the Government's financial and non-financial assets is higher than that of its liabilities. A ratio of less than 100% indicates that a deficit was accumulated in the past and that the value of the Government's financial and non-financial assets is lower than that of its liabilities. An upward ratio illustrates a favourable trend.

Financial and non-financial assets⁽¹⁾ (percentage of total liabilities)



(1) The financial assets and liabilities were adjusted starting in 2011-2012 to consider the change in the application of the accounting standard respecting transfer payments.

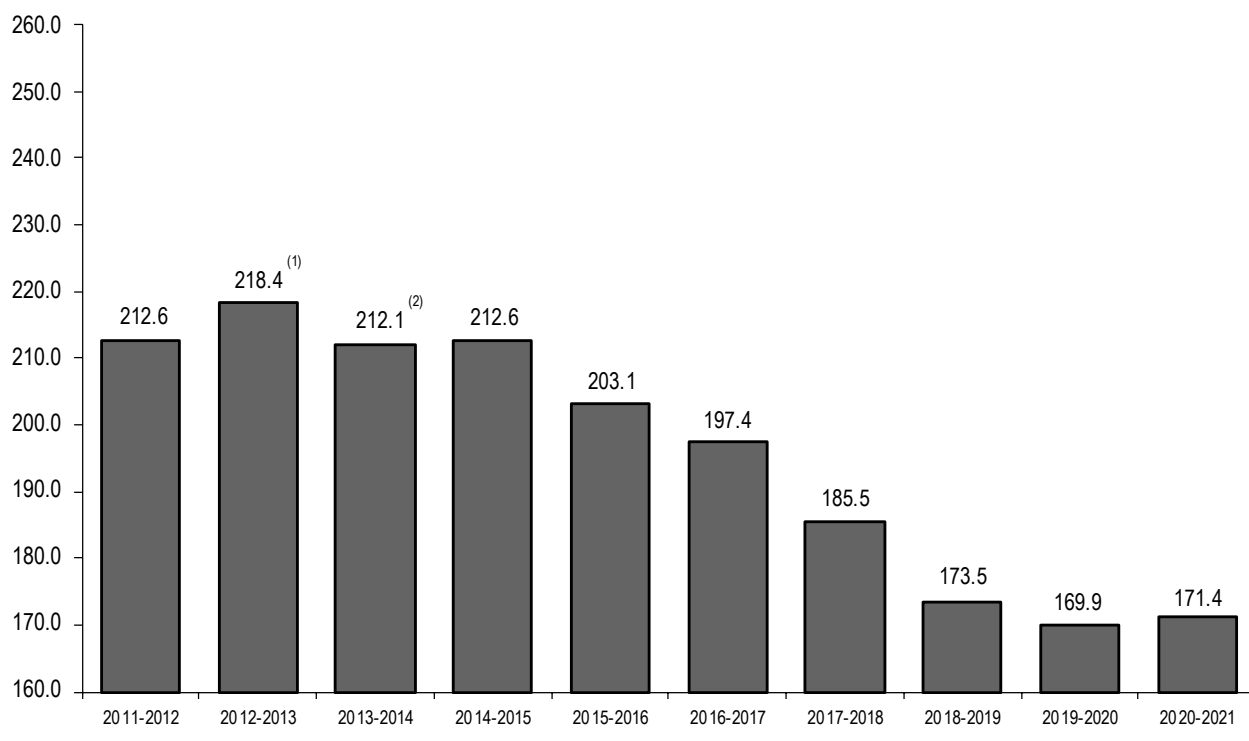
The ratio of financial and non-financial assets to total liabilities was 47.2% in 2011-2012. The ratio stood at 61.9% as at March 31, 2021. Taking the accumulated deficit into account, the value of assets is still lower than that of liabilities. In addition, an improvement can be observed in the ratio, showing that assets have climbed at a faster rate than liabilities. Over the past years, borrowings have been used mainly to finance fixed asset acquisitions.

5. Results of the indicator analysis (cont'd)

Indicator 2: Gross debt to total revenue

This indicator is intended to put the size of the Government's gross debt into perspective by comparing it with the Government's revenue. A declining ratio indicates a decrease in the relative weight of the gross debt.

Gross debt (percentage of total revenue)



(1) The increase in the ratio in 2012-2013 is due mainly to the recording of the loss of \$1 876 M arising from discontinued operations following the closure of Hydro-Québec's Gentilly-2 nuclear generating station, which reduced revenue accordingly. Excluding this loss, the ratio amounts to 213.9%.

(2) The value of the gross debt as at March 31, 2014 was increased by \$709 M to reflect the taking over by Financement-Québec of loans belonging to the Financing Fund made to entities not included in the Government's reporting entity.

From 2011-2012 to 2012-2013, the gross debt as a percentage of total revenue rose, reaching 218.4%. From 2012-2013 to 2019-2020, the ratio decreased from 218.4% to 169.9%. It stood at 171.4% at March 31, 2021, slightly higher than in the previous fiscal year.

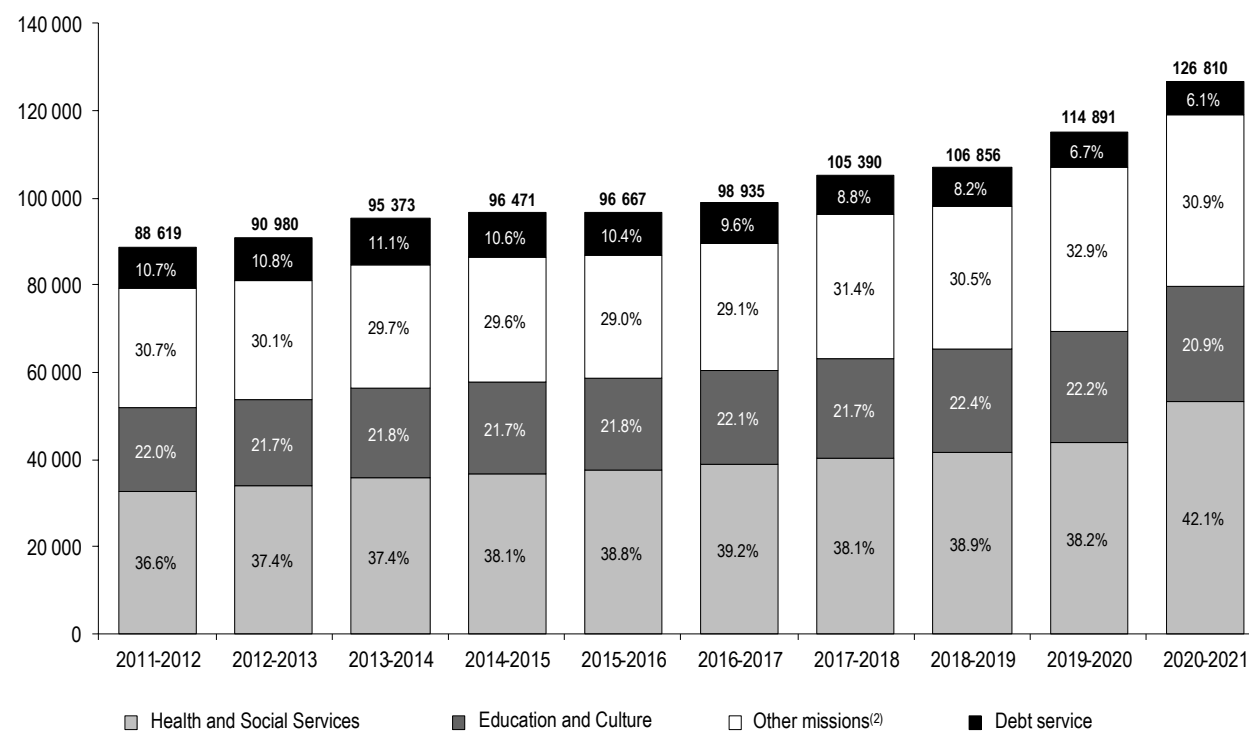
5. Results of the indicator analysis (cont'd)

Indicator 3: Expenditures by mission to consolidated expenditure

This indicator illustrates the change in the breakdown of the Government's consolidated expenditure among the missions.

Expenditures by mission⁽¹⁾

(millions of dollars and percentage of consolidated expenditure)



(1) The expenditures by mission were adjusted starting in 2011-2012 to consider the change in the application of the accounting standard respecting transfer payments.

(2) Other missions are "Economy and Environment", "Support for Individuals and Families" and "Administration and Justice".

The expenses of the "Health and Social Services" mission have shown an average annual progression of 5.7% from 2011-2012 to 2020-2021, compared with 4.1% for consolidated expenditure. This indicator reflects the growing proportion of expenditures for this mission which went from 36.6% to 42.1% over the past 10 years. It reflects, in particular, the increase in the needs entailed by the aging of the population. In 2020-2021, the pandemic's impact significantly affected growth in the share of expenditure of the "Health and Social Services" mission in relation to 2019-2020, which increased by 3.9%.

This indicator also shows that the proportion of expenditures devoted to the "Education and Culture" mission fell from 22.0% to 20.9%. Regarding the other mission expenditures, their share in consolidated expenditure went from 30.7% in 2011-2012 to 30.9% in 2020-2021.

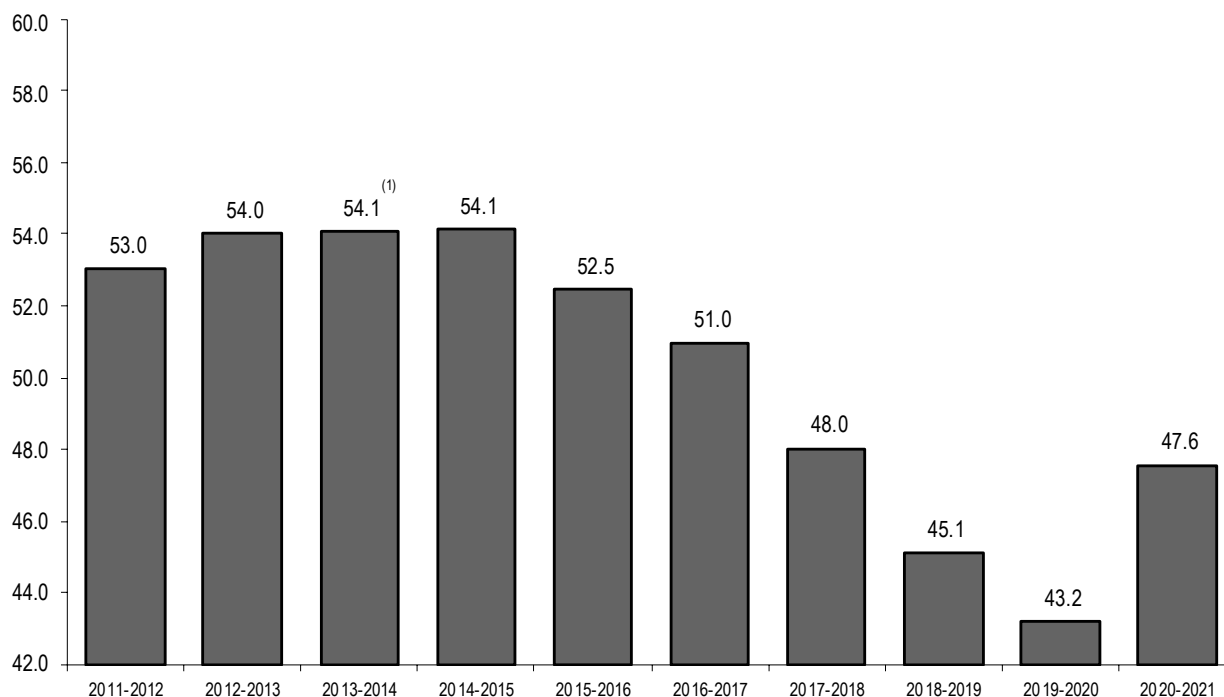
The share of expenditure devoted to "Debt service" fell from 10.7% in 2011-2012 to 6.1% in 2020-2021. Debt service grew at an average annual rate of 5.9% between 2011-2012 and 2013-2014. Since 2014-2015, it has instead decreased by an average annual rate of 4.5%.

5. Results of the indicator analysis (cont'd)

Indicator 4: Gross debt to GDP

This indicator puts the Government's gross debt and its ability to pay into perspective, as measured by GDP. A downward trend in this ratio reflects a decline in the relative weight of the gross debt.

Gross debt (percentage of GDP)



(1) The value of the gross debt as at March 31, 2014 was increased by \$709 M to reflect the taking over by Financement-Québec of loans belonging to the Financing Fund made to entities not included in the Government's reporting entity.

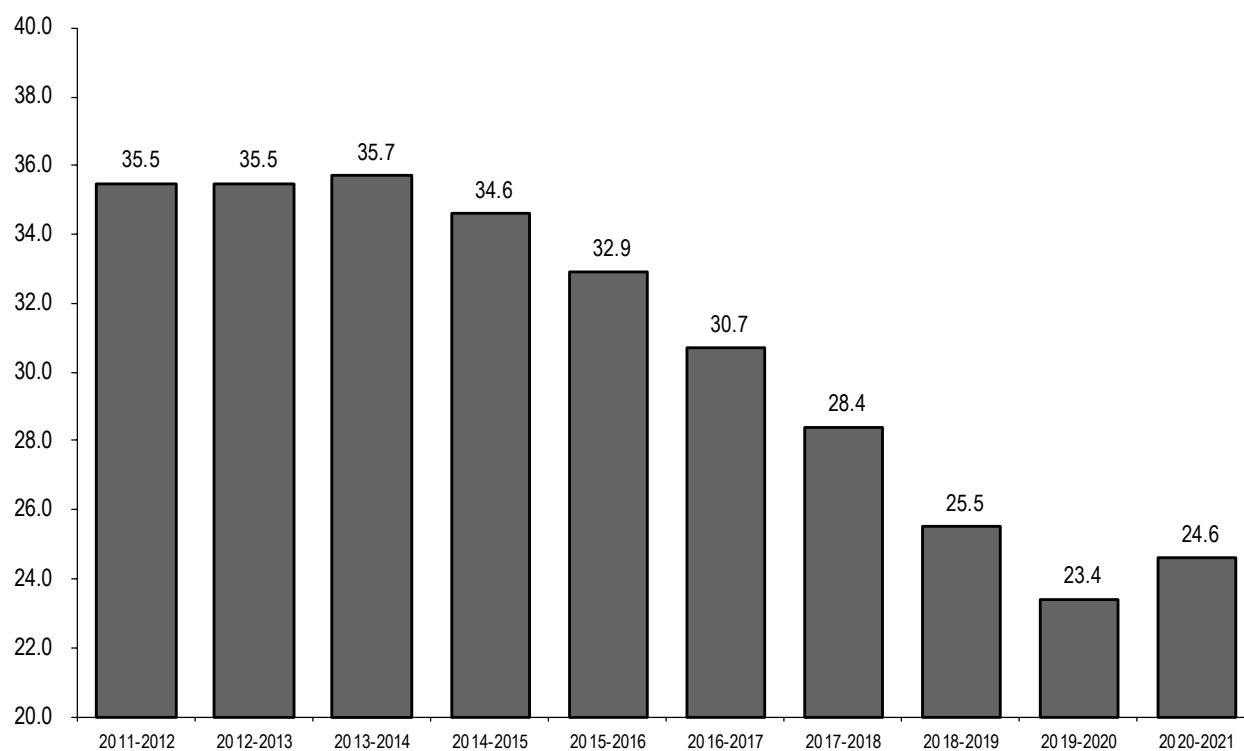
In 2011-2012, the ratio of gross debt to GDP stood at 53.0%. From 2014-2015 to 2019-2020, the ratio decreased from 54.1% to 43.2%. It then increased to reach 47.6% at March 31, 2021. The 4.4% increase in the ratio in 2020-2021 in relation to 2019-2020 is attributable to an increase in the debt to confront the pandemic and a decrease in GDP stemming from the confinement measures, including the temporary closing of certain economic sectors.

5. Results of the indicator analysis (cont'd)

Indicator 5: Debt representing accumulated deficits to GDP

This indicator relates the debt representing accumulated deficits, or the debt not used to finance assets, with the Government's ability to pay, as measured by GDP. A downward trend in this ratio means a reduction in the relative weight of the debt representing accumulated deficits.

Debt representing accumulated deficits⁽¹⁾ (percentage of GDP)



Note: Before taking into account the stabilization reserve.

(1) The debt representing accumulated deficits was adjusted starting in 2011-2012 to take into account the change in the application of the accounting standard respecting transfer payments.

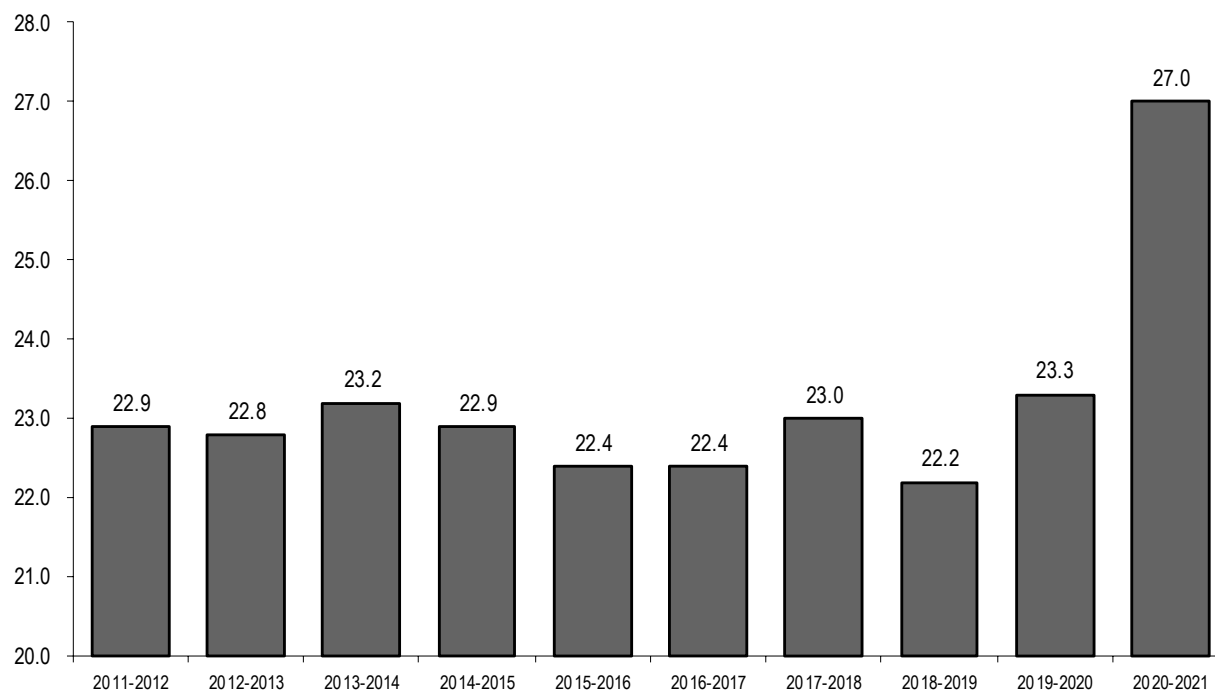
From 2011-2012 to 2012-2013, the ratio of the debt representing accumulated deficits to GDP stood at 35.5%. From 2013-2014 to 2019-2020, the ratio of the debt representing accumulated deficits to GDP has constantly decreased, falling from 35.7% to 23.4%. It increased to 24.6% as at March 31, 2021. The 1.2% increase in the ratio in 2020-2021 in relation to 2019-2020 is attributable to the deficit in the fiscal year and a downturn in GDP stemming from the confinement measures, including the temporary closing of certain economic sectors.

5. Results of the indicator analysis (cont'd)

Indicator 6: Consolidated expenditure to GDP

This indicator makes it possible to compare the growth of government spending with that of the economy over the years. A decline in this indicator means that spending is growing less rapidly than the economy. The indicator shows the change in the relative weight of the cost of public services in the economy.

Expenditures (excluding debt service)⁽¹⁾ (percentage of GDP)



(1) Expenditures by mission were adjusted starting in de 2011-2012 to take into account the change in the application of the accounting standard respecting transfer payments.

Spending grew at a rate below that of GDP from 2011-2012 to 2012-2013, with the result that its relative weight in the economy fell from 22.9% to 22.8%. In 2013-2014, high growth in spending raised the ratio to 23.2%. The ratio gradually decreased to 22.2% in 2018-2019. In 2019-2020, the ratio reached 23.3% due to the high growth in expenses which is notably explained by certain intermittent costs including those related to the COVID-19 pandemic, to the new labour conditions for public servants and to the loss on the investment in Airbus Canada Limited Partnership. In 2020-2021, the ratio increased to 27.0% because of the high growth in spending, attributable mainly to significant one-off costs related to the COVID-19 pandemic, and because of the drop in GDP stemming from the confinement measures, including the temporary closing of certain economic sectors.

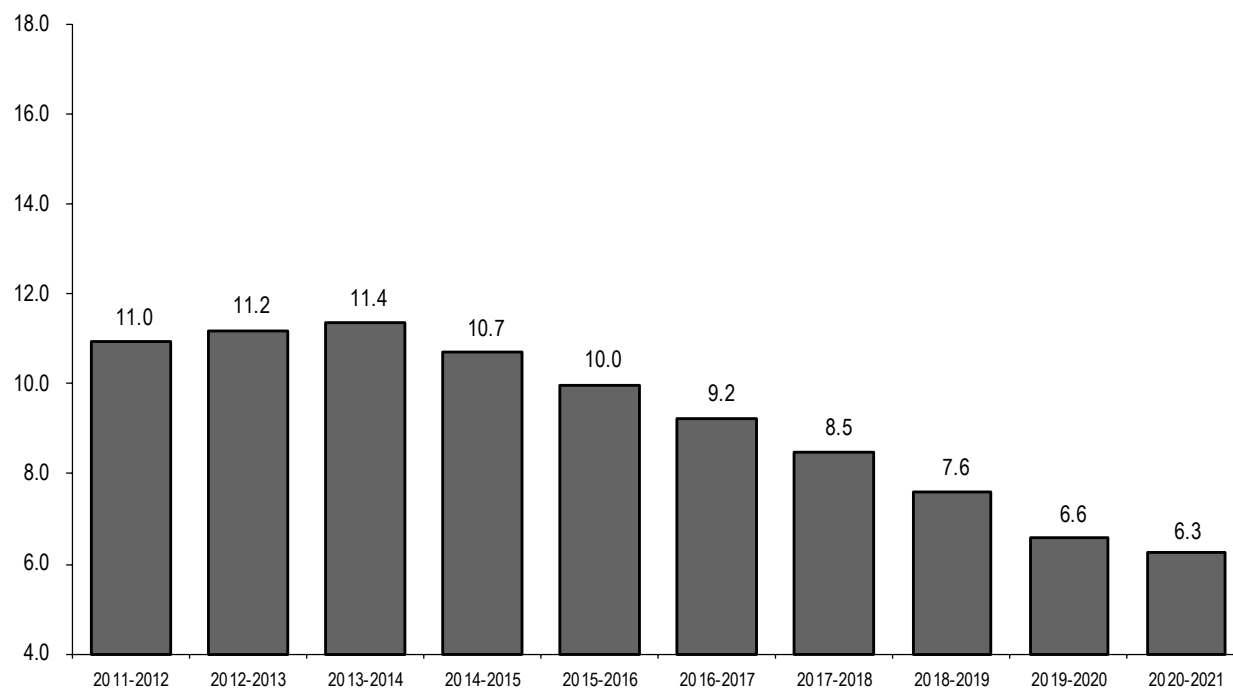
5. Results of the indicator analysis (cont'd)

Indicator 7: Debt service to total revenue

This indicator illustrates the share of government revenue that must be allocated to debt service. A decline in this ratio over time means that a larger share of revenue can be devoted to other mission expenditures.

Debt service

(percentage of total revenue)



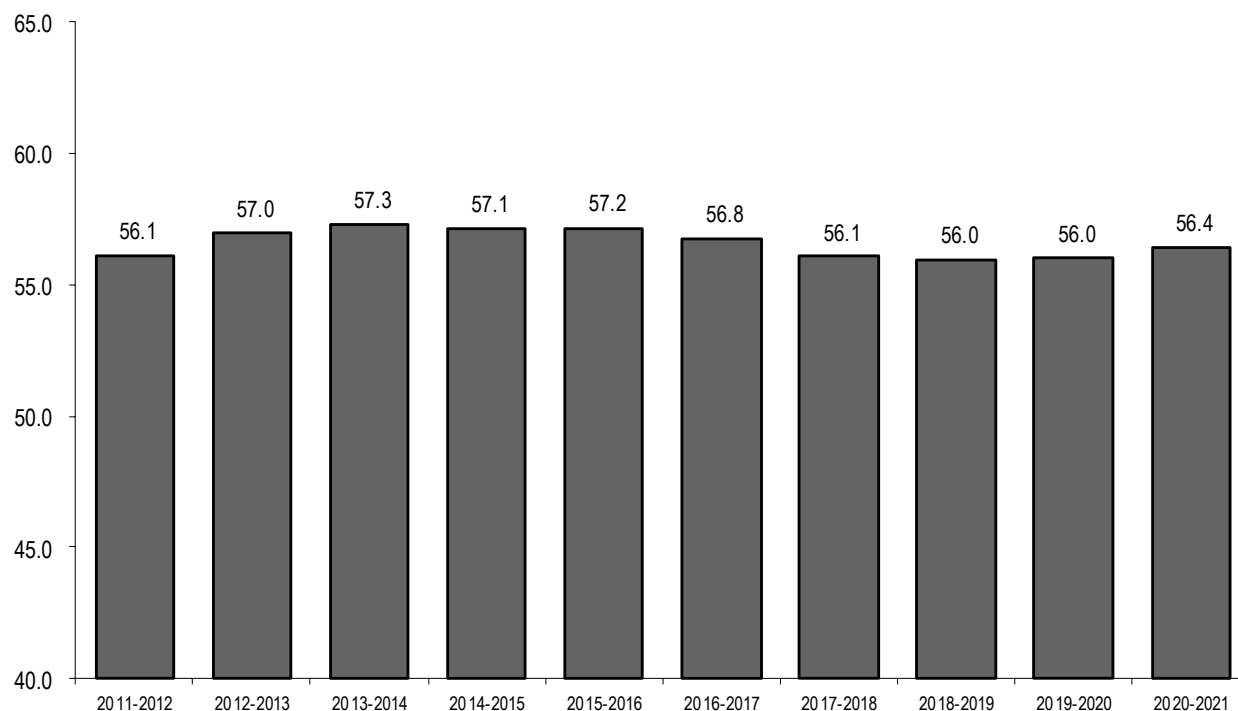
Overall, the proportion of revenue devoted to debt service has fallen since 2011-2012, from 11.0% to 6.3% in 2020-2021. This part is declining steadily over the past 7 years.

5. Results of the indicator analysis (cont'd)

Indicator 8: Net book value of fixed assets to the cost of fixed assets

This indicator shows the extent to which the estimated remaining useful life of tangible assets will enable the Government to supply products and services in the future. An increase in this ratio indicates that on average the age of fixed assets is lower, and thus that their remaining useful life is longer. The fixed assets can thus be used for a longer period of time before they need to be replaced.

Net book value of fixed assets (percentage of the cost of fixed assets)



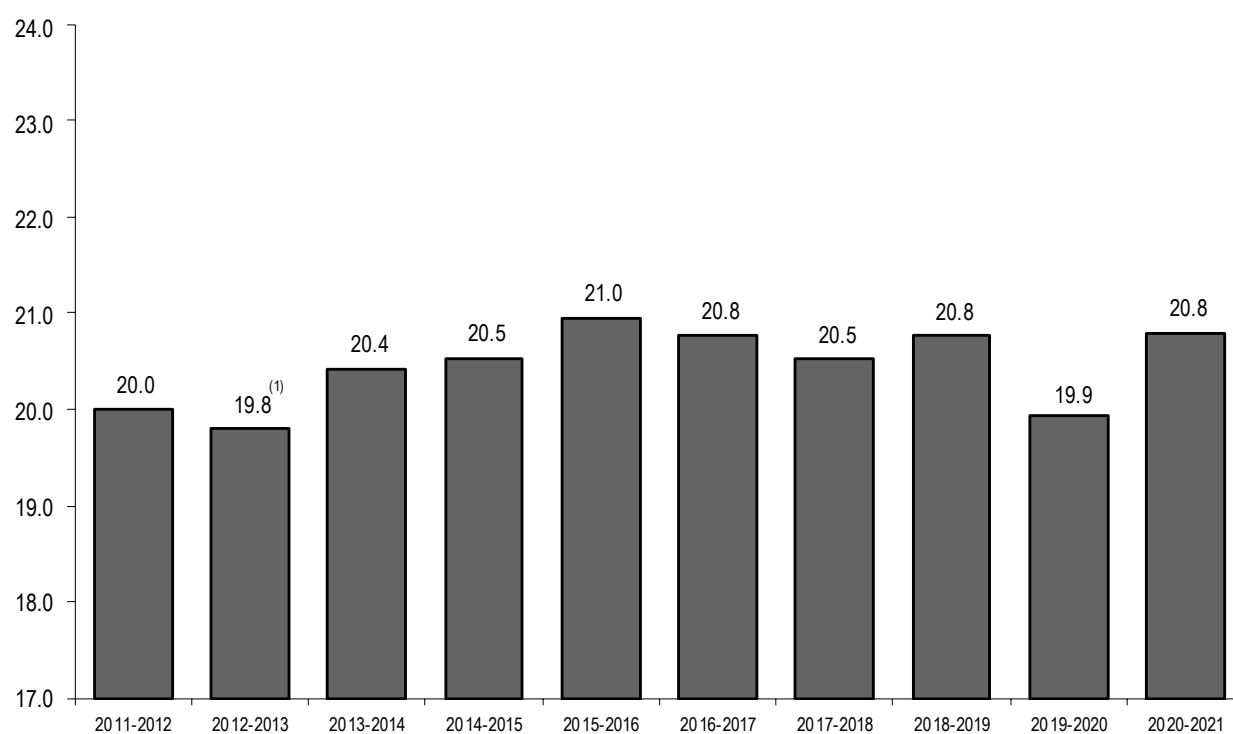
The net book value to the cost of fixed assets indicator has risen over the past years, from 56.1% as at March 31, 2012 to 56.4% as at March 31, 2021. This shows that annual investments in fixed assets have outstripped the related annual depreciation of the Government's fixed assets as a whole.

5. Results of the indicator analysis (cont'd)

Indicator 9: Own-source revenue to GDP

This indicator shows the proportion of collective wealth that the Government must collect in order to fund public services. The Government's own-source revenue consists of income tax and other taxes, user fees and other revenue derived from its enterprises in particular. This revenue includes all of the Government's revenue, apart from transfers received from the federal government. A decline in this ratio over time tends to indicate that more created wealth is directly available to taxpayers.

Own-source revenue (percentage of GDP)



(1) The decline of the ratio in 2012-2013 is due mainly to the recording of the loss of \$1 876 M arising from discontinued operations following the closure of the Hydro-Québec's Gentilly-2 nuclear generating station, which reduced revenue accordingly. Excluding this loss, the ratio amounts to 20.3%.

From 2011-2012 to 2015-2016, the ratio of own-source revenue to GDP has increased from 20.0% to 21.0%. This increase contributed to a return to a balanced budget in 2015-2016. The ratio fell in 2016-2017 and 2017-2018, mainly because of the measures to reduce the tax burden implemented by the Government and the growth of the economy. In 2018-2019, the ratio reached 20.8%, up from the previous year, mainly due to income from portfolio investments of the Generations Fund resulting from withdrawals totalling \$8 billion made in 2018-2019 as well as an exceptional gain on Hydro-Québec's income related to the partial sale of the TM4 subsidiary. In 2019-2020, the ratio fell back to 19.9%, reflecting the non-recurrence of Hydro-Québec's previous year exceptional gains and the impact of school tax reforms on revenue. In 2020-2021, the ratio increased to 20.8% mainly because of the drop in GDP stemming from the confinement measures, including the temporary closing of certain economic sectors.

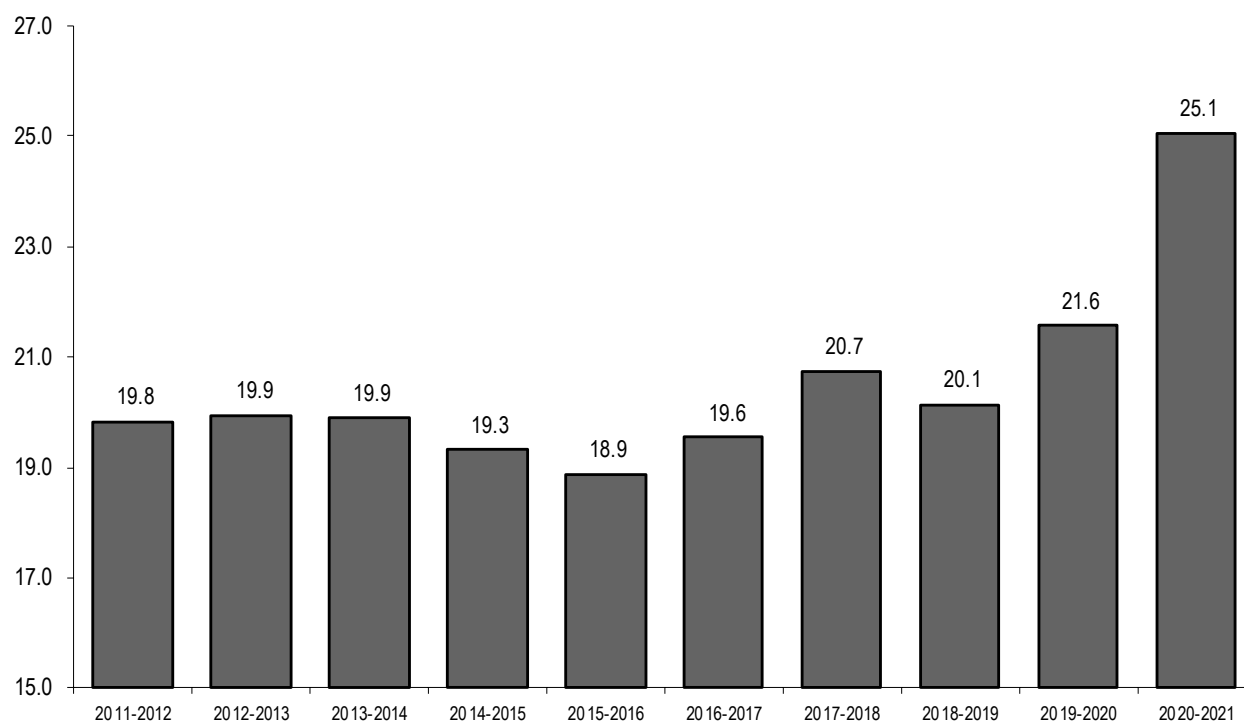
5. Results of the indicator analysis (cont'd)

Indicator 10: Transfers from the federal government to total revenue

Transfers received from the federal government comprise equalization payments, payments from transfers for health care, and for post-secondary education and other social programs, and amounts transferred under various agreements. This indicator measures the proportion of the Québec government's revenue that comes from the federal government.

Federal government transfers

(percentage of total revenue)



The proportion of federal government transfers in total revenue was 19.8% in 2011-2012. The proportion fell slightly in 2014-2015, to 19.3%, due to the end of payments of compensation for harmonization of the QST with the GST. Since reaching a record low in 2015-2016, i.e. 18.9%, the ratio rose over the next two years to reach 20.7% in 2017-2018, owing in particular to the increase in equalization revenue and the increase in health transfers. The share of federal government transfers in total revenue has remained relatively stable at 20.1% in 2018-2019 and reached 21.6% in 2019-2020 as equalization revenue rose due notably to wider gaps in average fiscal capacity among the 10 provinces. In 2020-2021, the ratio increased to 25.1% due to an increase in federal government transfers to support the implementation by the provinces of pandemic-related measures and to partly compensate Québec's efforts to mitigate the financial impact of the COVID-19 pandemic.

6. Additional information

Financial statistics

These tables present certain financial information published in the Government's most recent consolidated financial statements.

Historical data for consolidated financial statement items

FISCAL YEAR ENDED MARCH 31

(millions of dollars)

Fiscal year	Revenue	Expenditure ⁽¹⁾	(Deficit) surplus ⁽¹⁾⁽²⁾	Financial assets ⁽¹⁾	Liabilities ⁽¹⁾	Net debt ⁽¹⁾⁽³⁾	Non-Financial assets ⁽⁴⁾	Accumulated deficit ⁽¹⁾⁽⁵⁾
2020-2021	122 584	126 810	(4 226)	95 396	(285 641)	(190 245)	81 517	(108 728)
2019-2020	116 974	114 891	2 083	81 444	(265 261)	(183 817)	76 107	(107 710)
2018-2019	114 746	106 856	7 890	75 096	(259 631)	(184 535)	72 110	(112 425)
2017-2018	108 404	105 390	3 014	81 050	(269 180)	(188 130)	69 073	(119 057)
2016-2017	103 082	98 935	4 147	73 526	(264 967)	(191 441)	68 906	(122 535)
2015-2016	100 123	96 667	3 456	66 597	(261 093)	(194 496)	67 095	(127 401)
2014-2015	95 937	96 471	(534)	65 943	(260 913)	(194 970)	64 419	(130 551)
2013-2014	93 273	95 373	(2 100)	57 311	(249 176)	(191 865)	61 405	(130 460)
2012-2013	87 839	90 980	(3 141)	58 886	(242 558)	(183 672)	57 392	(126 280)
2011-2012	86 268 ⁽⁶⁾	88 619 ⁽⁶⁾	(2 351)	57 297	(232 545)	(175 248)	52 480	(122 768)

- (1) The financial informations were restated back to 2011-2012 to take into consideration the change in application of the accounting standard respecting transfer payments.
- (2) The budget balance within the meaning of the *Balanced Budget Act* is presented in Table 1.3 (page 50).
- (3) The net debt represents liabilities minus the financial assets presented in the consolidated statement of financial position.
- (4) Table 1.1 (page 48) presents the breakdown of the annual change in non-financial assets.
- (5) Table 1.2 (page 49) presents the breakdown of the annual change in accumulated deficit attributable to the comprehensive income of government enterprises and to accounting changes.
- (6) Revenue and expenditure were restated to take into account the presentation of tax-funded transfers resulting from the accounting standard on tax revenue coming into effect on April 1, 2012.

6. Additional information (cont'd)

Financial statistics (cont'd)

Table 1.1 – Breakdown of the annual change in non-financial assets

FISCAL YEAR ENDED MARCH 31

(millions of dollars)

Fiscal Year	Current year change		Total change for fiscal year
	Net book value of fixed assets	Other non-financial assets	
2020-2021	4 351	1 059	5 410
2019-2020	3 737	260	3 997
2018-2019	3 002	35	3 037
2017-2018	160	7	167
2016-2017	1 784	27	1 811
2015-2016	2 695	(19)	2 676
2014-2015	2 980	34	3 014
2013-2014	4 010	3	4 013
2012-2013	4 863	49	4 912
2011-2012	5 071	22	5 093

6. Additional information (cont'd)

Financial statistics (cont'd)

Table 1.2 – Breakdown of the annual change in accumulated deficits attributable to the comprehensive income of government enterprises and to accounting changes

FISCAL YEAR ENDED MARCH 31

(millions of dollars)

Fiscal year	Enterprises comprehensive income and other	Restatements of accumulated deficit		Total for other factors	Restatement details
		Government enterprises	Departments and bodies		
2020-2021	3 208	–	(12 504)	(9 296)	Departments and bodies: (\$12 504 M) for the change in the application of the accounting standard on government transfers in order to account for transfer expenditures according to the completion progress of eligible work by transfer recipients.
2019-2020	2 632	–	–	2 632	
2018-2019	(1 303)	45	–	(1 258)	Government enterprises: \$10 M following Hydro-Québec's adoption of new guidance of the Financial Accounting Standards Board (FASB) on leases and \$35 M resulting from accounting changes made by other government enterprises to comply with new International Financial Reporting Standards (IFRS) on financial instruments.
2017-2018	464	–	–	464	
2016-2017	719	–	–	719	
2015-2016	(306)	(107)	–	(413)	Government enterprises: (\$107 M) to finalize the adjustments made in 2014-2015 in order to comply with IFRS.
2014-2015	550	(2 252)	294	(1 408)	Departments and bodies: \$294 M for the adjustment to revenue for previous years, in respect of the sale tax, collected by Canada Revenue Agency from selected listed financial institutions; Government enterprises: (\$2 252 M) in order to comply with IFRS.
2013-2014	(80)	(11)	–	(91)	Government enterprises: (\$11 M) in order to comply with IFRS IAS 19 – Employee Benefits.
2012-2013	(360)	–	(1 098)	(1 458)	Departments and bodies: (\$988 M) for the accounting policy change made to take into account the recommendations of the revised accounting standard on government transfers of the Public Sector Accounting Board; and (\$110 M) to take into account the improvements to the method used to calculate tax revenue allowances.
2011-2012	(376)	(56)	–	(432)	Government enterprises: (\$56 M) in order to comply with IFRS.

6. Additional information (cont'd)

Financial statistics (cont'd)

Table 1.3 – Budget balance within the meaning of the *Balanced Budget Act*
FISCAL YEAR ENDED MARCH 31
(millions of dollars)

Fiscal Year	Restated Surplus (deficit)	Generations Fund	Sub-total	Accounting changes and other ⁽¹⁾	Use of the stabilization reserve	Budget balance ⁽²⁾	Allocation to the stabilization reserve
2020-2021	(4 226)	(3 313)	(7 539)	(3 221)	10 760	-	
2019-2020	2 083	(2 606)	(523)	527		4	(4)
2018-2019	7 890	(3 477)	4 413	390		4 803	(4 803)
2017-2018	3 014	(2 293)	721	1 901		2 622	(2 622)
2016-2017	4 147	(2 001)	2 146	215		2 361	(2 361)
2015-2016	3 456	(1 453)	2 003	188		2 191	(2 191)
2014-2015	(534)	(1 279)	(1 813)	1 088		(725)	
2013-2014	(2 100)	(1 121)	(3 221)	397		(2 824)	
2012-2013	(3 141)	(961)	(4 102)	2 502 ⁽³⁾		(1 600)	
2011-2012	(2 351)	(840)	(3 191)	563		(2 628)	

- (1) In order to comply with the *Budget Balance Act's* provisions, adjustments to the adjusted annual surpluses and deficits are required. Among those adjustments, accounting changes that require affecting the accumulated deficits must be considered in the fiscal year in which the change is made. Thus, adjustments have notably been made to take into account the fact that the change in application of the accounting standard respecting transfer payments must only affect the establishment of the 2020-2021 budget balance.
- (2) The budget balance shows the achievement of a balanced budget in accordance with section 6 of the Act, which stipulates that the Government may not incur a budgetary deficit. This section does not apply to the years 2009-2010 to 2014-2015.
- (3) The Act provides for the exclusion, in the calculation of the budget balance for fiscal 2012-2013, of the result arising from discontinued operations following the decision to close the Gentilly-2 nuclear generating station, presented in Hydro-Québec's annual consolidated financial statements.

6. Additional information (cont'd)

Financial statistics (cont'd)

Table 1.4 – Stabilization reserve
FISCAL YEAR ENDED MARCH 31
(millions of dollars)

Fiscal Year	Opening balance	Amounts allocated to the reserve	Amounts used to maintain a balanced budget	Deposits in the Generations Fund	Closing balance
2020-2021	11 981		(10 760)		1 221
2019-2020	11 977	4			11 981
2018-2019	7 174	4 803			11 977
2017-2018	4 552	2 622			7 174
2016-2017	2 191	2 361			4 552
2015-2016	-	2 191			2 191
2014-2015	-				-
2013-2014	-				-
2012-2013	-				-
2011-2012	-				-

Information by reporting sector

AS AT MARCH 31, 2021

Consolidated operations include financial information from numerous departments, bodies, funds and government enterprises. The Government's financial framework presents consolidated financial forecasts for the revenue and expenditure of all of these entities, grouped by sector according to their control and accountability relationship with the Government. Criteria such as ministerial accountability, legal framework, scope of authority delegated to management, funding method, degree of autonomy and nature of activities are used to classify the entities in the different sectors.

The following tables report on the operations of each of the sectors identified in the Government's financial framework. Since it was possible to associate all revenue and expenditure items with a specific sector, it was not necessary to use allocation methods to allocate some of the items among two or more specific sectors.

6. Additional information (cont'd)

Information by reporting sector (cont'd)

AS AT MARCH 31, 2021

Consolidated statement of operations by sector

(millions of dollars)

	Consolidated Revenue Fund ⁽¹⁾			
	General Fund ⁽²⁾	Tax-funded transfers ⁽³⁾	Government enterprises ⁽⁴⁾	Special funds ⁽⁵⁾
REVENUE				
Income and property taxes	41 551	7 376		1 304
Consumption taxes	20 932	13		2 164
Duties and permits	277			2 369
Miscellaneous revenue	1 783			2 585
Revenue from government enterprises			4 491	
Allocation of enterprises revenue	2 620		(3 445)	228
Total own-source revenue	67 163	7 389	1 046	8 650
Québec government transfers				7 977
Federal government transfers	27 904			731
Total revenue	95 067	7 389	1 046	17 358
EXPENDITURE				
Health and Social Services	51 432	947		313
Education and Culture	26 059	661		109
Economy and Environment	10 254	1 607		9 281
Support for Individuals and Families	6 993	4 037		3 227
Administration and Justice	7 351	137		2 370
Sub-total	102 089	7 389	—	15 300
Debt service	5 437			1 804
Total expenditure	107 526	7 389	—	17 104
ANNUAL (DEFICIT) SURPLUS	(12 459)	—	1 046	254

6. Additional information (cont'd)

Specified purpose accounts ⁽⁶⁾	Generations Fund ⁽⁷⁾	Non-budget funded bodies ⁽⁸⁾	Organizations in the health and social services network ⁽⁹⁾	Organizations in the education networks ⁽⁹⁾	Consolidation adjustments ⁽¹⁰⁾	Consolidated results
				1 160	112	51 503
	500	28			(2 260)	21 377
	1 408	511			48	4 613
149	808	5 849	2 358	1 398	(5 046)	9 884
						4 491
	597					—
149	3 313	6 388	2 358	2 558	(7 146)	91 868
		14 722	33 445	16 697	(72 841)	—
1 022		1 293	269	233	(736) ⁽¹¹⁾	30 716
1 171	3 313	22 403	36 072	19 488	(80 723)	122 584
199		13 592	35 618		(48 762)	53 339
93		792		18 749	(19 920)	26 543
804		4 101			(7 594)	18 453
15		195			(3 404)	11 063
60		2 980			(3 175)	9 723
1 171	—	21 660	35 618	18 749	(82 855)	119 121
		532	554	403	(1 041)	7 689
1 171	—	22 192	36 172	19 152	(83 896)	126 810
—	3 313	211	(100)	336	3 173	(4 226)

6. Additional information (cont'd)

Information by reporting sector (cont'd)

AS AT MARCH 31, 2021

- (1) The Consolidated Revenue Fund consists of money collected or received from various sources over which the Parliament of Québec has the power of appropriation. The fund comprises a general fund and special funds.
- (2) The general fund consists of money paid into the Consolidated Revenue Fund that has not been credited to a special fund under legislative provisions, as well as the expenditures of the National Assembly, persons appointed by it, departments and bodies administered by a minister whose budget is financed by appropriations allocated by the National Assembly. As stipulated in the *Act respecting the Agence du revenu du Québec* (CQLR, chapter A-7.003), tax revenue administered by the Agence du revenu du Québec on behalf of the Government is reduced by the related allowances for doubtful accounts. In addition, income and property tax revenue is reduced by the refundable tax credits provided for in the *Taxation Act* (CQLR, chapter I-3); since, within the meaning of the Act, these credits are payments on account of tax payable or, overpayments of tax payable. This sector also includes the activities of the Health Services Fund.
- (3) Tax revenue used to finance doubtful accounts related to this revenue and transfer expenditures made through the tax system are not subject to the allocation of appropriations by the National Assembly and are the focus of a specific reporting sector. A transfer expenditure made through the tax system is a refundable tax credit that provides a taxpayer with a financial benefit for a purpose other than that of reducing the taxes that the taxpayer would otherwise have been required to pay to the Government.
- (4) Government enterprises are distinct legal entities that have the power to carry out commercial activities. The sale of their goods or delivery of their services target individuals or organizations not included in the Government's reporting entity. Therefore, these enterprises are financially autonomous in that their revenue from outside the reporting entity ensures that they carry out their activities and repay their debts on their own. Since their accounts are accounted for using the modified equity method, only their net surpluses for the fiscal year are presented in the table, after deducting the dividends paid into the general fund.
- (5) A special fund is a fund established by an Act to provide for certain financial commitments of a minister, a budget-funded body or a non-budget-funded body exercising an adjudicative function. Legislative provisions determine which sums paid into the Consolidated Revenue Fund must be credited to a special fund. The results of the special funds do not include the activities of the Health Services Fund and the Generations Fund.
- (6) A specified purpose account is a financial management mechanism created by a government order in council under legislative provisions. It allows a department to account in a distinct way for funds paid into the Consolidated Revenue Fund by a third party under a contract or an agreement that provides for the allocation of the funds to a specific purpose.
- (7) The Generations Fund, created under the *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1), differs from other funds in that it is dedicated exclusively to repaying the Government's debt.
- (8) Non-budget-funded bodies depend in whole or in part on departments for their funding. However, non-budget-funded bodies have more autonomy than those funded by budgetary appropriations. Although non-budget-funded bodies also answer to a minister, the legislation grants their management more extensive funding and operating powers.
- (9) The health and social services network includes integrated health and social services centres, as well as other public institutions and regional authorities. The education networks are made up of the school service centres and school board network, the general and vocational college (CEGEP) network and the Université du Québec and its constituent universities network.
All of these organizations, which are funded largely through budgetary appropriations, are autonomous in regard to the delivery of public services. They are legal entities that are vested with the financial and administrative powers needed to provide public services, and they have a board of directors made up of elected or appointed local representatives from the area or sector served by each organization. In addition, the Government's ability to dispose of their assets is subject to major restrictions.
- (10) Consolidation adjustments stem mainly from the elimination of transactions and balances between entities in the different sectors. Therefore, the revenues and expenses of each sector are presented prior to the elimination of these items. However, transactions and balances between entities within the same sector are eliminated before the segment amounts are determined.
- (11) The Québec government receives federal government transfer revenue whose received assets must be used for the purposes prescribed by the federal government in accordance with contracts or agreements entered into between the two parties. These funds are collected by the general fund and accounted for in specified purpose accounts. The sums are then paid to recipients when the latter become eligible. Consolidation adjustments are made to eliminate the federal transfer revenue related to the sums paid by the general fund to bodies included in the government's reporting entity.

6. Additional information (cont'd)

Information by departmental portfolio

AS AT MARCH 2021

To carry out its missions, the Government sets up programs that are administered directly by government entities, including departments and bodies. The entities under the responsibility of a minister taken as a whole constitute a portfolio.

Expenditures under a departmental portfolio include those incurred by entities under the responsibility of a minister as well as tax-funded transfers that are relevant to the sector covered by the portfolio.

The data presented corresponds to portfolio and responsibilities established in the Expenditure Budget 2020-2021. Between the publication of the Expenditure Budget 2020-2021 and the publication of the Expenditure Budget 2021-2022, the Éducation et Enseignement supérieur portfolio was split up to become the Éducation portfolio and the Enseignement supérieur portfolio.

6. Additional information (cont'd)

Information by departmental portfolio (cont'd)

AS AT MARCH 2021

Expenditure by supercategory

(millions of dollars)

	<u>Transfers</u>	<u>Remuneration</u>	<u>Operating</u>
Éducation et Enseignement supérieur	4 950	16 342	3 932
Santé et Services sociaux	6 306	33 681	14 646
Other portfolios			
Affaires municipales et Habitation	3 542	149	189
Agriculture, Pêcheries et Alimentation	956	187	78
Assemblée nationale		101	44
Conseil du trésor et Administration gouvernementale	(12)	1 238	1 412
Conseil exécutif	1 004	114	37
Culture et Communications	1 195	176	234
Économie et Innovation	2 848	67	145
Énergie et Ressources naturelles	525	137	160
Environnement et Lutte contre les changements climatiques	831	178	145
Famille	6 629	93	81
Finances	1 974	1 099	465
Forêts, Faune et Parcs	351	284	545
Immigration	160	148	86
Justice	212	665	332
Personnes désignées par l'Assemblée nationale	11	73	19
Relations internationales et Francophonie	27	67	26
Sécurité publique	300	1 404	575
Tourisme	288	54	97
Transports	3 413	646	2 547
Travail, Emploi et Solidarité sociale	4 342	469	206
Other portfolios	<u>28 596</u>	<u>7 349</u>	<u>7 423</u>
Sub-Total	<u>39 852</u>	<u>57 372</u>	<u>26 001</u>
Inter-portfolio eliminations ⁽¹⁾	(1 067)	(1 592)	(2 210)
Consolidated expenditure	<u><u>38 785</u></u>	<u><u>55 780</u></u>	<u><u>23 791</u></u>

(1) Consolidation adjustments resulting mainly from the elimination of reciprocal transactions between entities in different portfolios.

6. Additional information (cont'd)

Doubtful accounts and other allowances	Sub-total	Debt service	2021	2020
34	25 258	405	25 663	25 037
92	54 725	590	55 315	45 641
109	3 989	71	4 060	3 459
2	1 223	2	1 225	1 209
	145		145	138
	2 638	146	2 784	3 010
	1 155		1 155	536
3	1 608	17	1 625	1 285
419	3 479	86	3 565	4 559
1	823	2	825	844
	1 154		1 154	1 139
	6 803		6 803	6 419
39	3 577	7 399	10 976	10 610
	1 180	2	1 182	1 035
	394		394	359
11	1 220		1 220	1 173
	103		103	100
	120		120	124
	2 279	2	2 281	2 567
1	440	15	455	387
7	6 613	762	7 375	6 505
47	5 064	1	5 065	5 205
639	44 007	8 505	52 512	50 663
765	123 990	9 500	133 490	121 341
—	(4 869)	(1 811)	(6 680)	(6 450)
765	119 121	7 689	126 810	114 891

Risks and uncertainties

The following factors are elements of risk and uncertainty that are not directly dependent on the Government but that can cause actual results to differ from forecast results, particularly:

- the economic forecasts the Government uses to determine its annual budgetary revenue, particularly those concerning changes in economic growth, employment and the Consumer Price Index. For example, a 1.0% difference in nominal GDP has an impact of about \$800 million on the Government's own-source revenue;
- the level of spending, whose cost is related to the economic situation. For example, changes in the labour market affect the cost of employment assistance and income security programs. Similarly, in the health sector, the aging of the population raises the risk of cost overruns for medication and public services. To this must be added the public capital investment completion rate which affects expenditures related to the depreciation of fixed assets;
- revenue from government enterprises which varies according to assumptions concerning such things as weather conditions, which are hard to predict. For example, a variation of 1°C in winter temperatures compared to normal temperatures has a nearly \$100-million impact on Hydro-Québec's net earnings;
- the economic, taxation and population data the Government uses to determine revenue from federal government transfers, as well as the negotiations carried out regularly with the federal government. These data and negotiations can both affect federal government transfer revenue;
- unforeseen situations such as a pandemic, natural catastrophes or work stoppages;
- the change in interest rates and in returns of the Retirement Plans Sinking Fund, which have an impact on debt service;
- the risk that a financial intermediary will default on its contractual obligations (credit risk);
- the settlement of certain claims and lawsuits pending against the Government before the courts.

The consolidated financial statements also set forth in its notes the uncertainties to which the estimates needed to prepare these statements are subject.

To reduce its exposure to risk, the Government develops management strategies for some of these variables. With the help of economic, fiscal and budgetary policies, the Government can influence its revenue and expenditure, other than debt service, by:

- using economic forecasts that do not anticipate overly high or overly low revenue—a situation that could lead to inappropriate policy decisions;
- monitoring economic, budgetary and financial indicators, including the monthly reports on its budgetary revenue and expenditure, and monitoring the results of the consolidated entities;
- implementing economic support measures.

Risks and uncertainties (cont'd)

A government cannot prevent a recession or the impact of an economic slowdown single-handedly. However, it has the necessary means to play a stabilizing role in order to offset the effects of an economic slowdown and speed up the recovery.

In addition, financing policies lead the Government to have an impact on its debt service through various strategies.

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Statement of responsibility

The Comptroller of Finance is responsible for preparing the Government's consolidated financial statements for the Minister of Finance in accordance with the provisions of section 86 of the *Financial Administration Act* (CQLR, chapter A-6.001). He is also responsible for the integrity and objectivity of the consolidated financial statements in accordance with the accounting policies disclosed in the notes and with the public sector accounting standards.

To fulfill their accounting and financial reporting responsibilities, the Comptroller of Finance and the entities making up the Government's reporting entity maintain financial management systems and internal controls that take costs, benefits and risks into account. These systems are designed to provide reasonable assurance that transactions are duly authorized by Parliament, carried out based on the adopted regulations and are properly recorded in order to account for the use of public funds.

The Comptroller of Finance obtains all the information needed to meet the accounting requirements from government departments, bodies, enterprises and funds and implements processes to ensure that this information is reliable. He submits the Government's consolidated financial statements for audit to the Auditor General of Québec which states the nature and scope of its audit and expresses its opinion in its independent auditor's report to the National Assembly.

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

On behalf of the Gouvernement du Québec,



Pierre Côté
Deputy Minister of Finance



Lucie Pageau, CPA, CA
Comptroller of Finance

Québec, October 22, 2021



INDEPENDENT AUDITOR'S REPORT

To the National Assembly

Report on the Audit of the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Gouvernement du Québec (the Government), which comprise the consolidated statement of financial position as at March 31, 2021, consolidated statement of operations and accumulated deficit, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and notes and appendices to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Government as at March 31, 2021, and the consolidated results of its operations, the consolidated changes in its net debt and its consolidated cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Government in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Volume 1 of the 2020-2021 Public Accounts, but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained Volume 1 of the 2020-2021 Public Accounts prior to the date of this auditor's report. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. Management believes the Government has the ability to continue its operations.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Government to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or activities within the Government to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

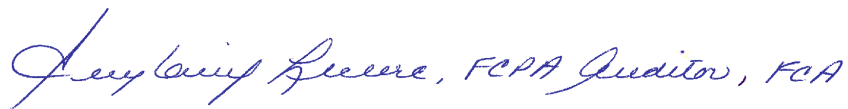
I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the *Auditor General Act* (CQLR, chapter V-5.01), I report that, in my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Government as at March 31, 2021, and the consolidated results of its operations and the changes in its consolidated financial position for the year then ended in accordance with the accounting policies of the Government as stated in the notes to the consolidated financial statements.

As required by the *Auditor General Act* (CQLR, chapter V-5.01), I report that, in my opinion, after giving retroactive effect to the changes to the accounting policy for some transfer expenditures (subsidies) as explained in Note 3, these policies have been applied on a basis consistent with that of the preceding year.

A handwritten signature in blue ink that reads "Guylaine Leclerc, FCPA Auditor, FCA". The signature is fluid and cursive.

Guylaine Leclerc, FCPA auditor, FCA
Auditor General of Québec

Québec, October 22, 2021

Consolidated statement of operations and accumulated deficit

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Notes	2021		2020
		Budget ⁽¹⁾	Actual results	Actual results (adjusted – Note 3)
REVENUE	4			
Income and property taxes		52 210	51 503	50 482
Consumption taxes		22 961	21 377	21 348
Duties and permits		4 643	4 613	4 535
Miscellaneous revenue		10 975	9 884	10 962
Revenue from government enterprises	11	4 814	4 491	4 419
Own-source revenue		95 603	91 868	91 746
Federal government transfers		25 692	30 716	25 228
Total revenue		121 295	122 584	116 974
EXPENDITURE	5			
Health and Social Services		46 562	53 339	43 931
Education and Culture		26 989	26 543	25 473
Economy and Environment		16 683	18 453	17 753
Support for Individuals and Families		11 413	11 063	10 916
Administration and Justice		8 653	9 723	9 142
Sub-total		110 300	119 121	107 215
Debt service		8 266	7 689	7 676
Total expenditure		118 566	126 810	114 891
ANNUAL (DEFICIT) SURPLUS		2 729	(4 226)	2 083
ADJUSTED ACCUMULATED DEFICIT, BEGINNING OF YEAR	6	(95 915)	(107 710)	(112 425)
Other comprehensive income items of government enterprises	6	—	3 208	2 632
ACCUMULATED DEFICIT, END OF YEAR	6	(93 186)	(108 728)	(107 710)

The notes to the financial statements and the appendices are an integral part of the consolidated financial statements.

(1) According to data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

Consolidated statement of financial position

AS AT MARCH 31, 2021

(millions of dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> (adjusted – Note 3)
FINANCIAL ASSETS			
Cash and cash equivalents	7	12 244	13 190
Short-term investments	8	5 018	1 813
Accounts receivable	9	21 489	19 047
Portfolio investments	10	5 510	5 416
Investment in government enterprises	11	32 886	27 974
Loans	12	5 167	4 297
Generations Fund	13	12 212	8 899
Other financial assets	14	870	808
Total financial assets		<u>95 396</u>	<u>81 444</u>
LIABILITIES			
Accounts payable and accrued expenses	15	36 926	31 920
Deferred revenue	16	8 005	7 605
Environmental liability	17	2 838	2 988
Other liabilities	18	6 913	6 898
Pension plans and other employee future benefits	19	12 368	14 716
Debts	20, 21	218 591	201 134
Total liabilities		<u>285 641</u>	<u>265 261</u>
NET DEBT		<u>(190 245)</u>	<u>(183 817)</u>
NON-FINANCIAL ASSETS			
Fixed assets	22	79 404	75 053
Other non-financial assets	23	2 113	1 054
Total non-financial assets		<u>81 517</u>	<u>76 107</u>
ACCUMULATED DEFICIT	6	<u>(108 728)</u>	<u>(107 710)</u>
Contractual obligations and contractual rights	24		
Contingencies	25		

The notes to the financial statements and the appendices are an integral part of the consolidated financial statements.



Pierre Côté
Deputy Minister of Finance



Lucie Pageau, CPA, CA
Comptroller of Finance

Consolidated statement of change in net debt

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	Notes	2021		2020
		Budget ⁽¹⁾	Actual results	Actual results (adjusted – Note 3)
PREVIOUSLY ESTABLISHED NET DEBT, BEGINNING OF YEAR		(171 658)	(171 313)	(172 558)
Accounting change with restatement of previous years	3	—	(12 504)	(11 977)
Restated net debt, beginning of year		(171 658)	(183 817)	(184 535)
Annual (deficit) surplus		2 729	(4 226)	2 083
Change due to fixed assets	22			
Acquisition and work in progress		(8 070)	(8 840)	(8 009)
Depreciation		4 374	4 399	4 198
Disposals, reductions in value and other			90	74
Total change due to fixed assets		(3 696)	(4 351)	(3 737)
Change due to other non-financial assets			(1 059)	(260)
Other comprehensive income items of government enterprises	11		3 208	2 632
Net (increase) decrease in the net debt		(967)	(6 428)	718
NET DEBT, END OF YEAR		(172 625)	(190 245)	(183 817)

The notes to the financial statements and the appendices are an integral part of the consolidated financial statements.

(1) According to data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

Consolidated statement of cash flow

FISCAL YEAR ENDED MARCH 31, 2021

(millions of dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> (adjusted – Note 3)
OPERATING ACTIVITIES ⁽¹⁾			
Annual (deficit) surplus		(4 226)	2 083
Items not affecting cash flow	26	3 645	5 999
Change in assets and liabilities related to operations	26	1 217	1 632
Benefits paid for pension plans and other employee future benefits		<u>(7 195)</u>	<u>(6 963)</u>
Cash flow (used for) from operating activities		<u>(6 559)</u>	<u>2 751</u>
INVESTMENT ACTIVITIES ⁽¹⁾			
Short-term investments made		(9 306)	(5 781)
Short-term investments received		2 024	3 794
Portfolio investments made		(1 116)	(1 575)
Portfolio investments received		735	493
Loans made		(1 409)	(954)
Loans received		459	440
Government enterprises			
Equity related operations		(30)	(9)
Loans and advances made		(999)	(294)
Loans and advances received		419	20
Dividends received		3 362	4 883
Investments in the Generations Fund		(2 536)	(2 184)
Withdrawals from the Generations Fund to repay debts			<u>2 000</u>
Cash flow (used for) from investment activities		<u>(8 397)</u>	<u>833</u>
FIXED ASSET INVESTMENT ACTIVITIES ⁽¹⁾			
Fixed assets acquired		(8 426)	(7 594)
Fixed assets disposed of		<u>59</u>	<u>49</u>
Cash flow used for fixed assets investment activities		<u>(8 367)</u>	<u>(7 545)</u>

Consolidated statement of cash flow (cont'd)
 FISCAL YEAR ENDED MARCH 31, 2021
 (millions of dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> (adjusted – Note 3)
FINANCING ACTIVITIES ⁽¹⁾			
Debt issued		39 514	24 446
Debt repaid		(17 391)	(15 377)
Pension plans and other employee future benefits			
Reimbursements to depositors		165	100
Deposits to funds		(15)	(1 517)
Contributions deposited net of benefits paid		123	116
Cash flow used for financing activities		<u>22 396</u>	<u>7 768</u>
(Decrease) increase in cash and cash equivalents		(927)	3 807
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		13 190	9 341
Cash and cash equivalents resulting from government enterprises restructuring operations		(19)	42
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>12 244</u>	<u>13 190</u>

The notes to the financial statements and the appendices are an integral part of the consolidated financial statements.

(1) Non-cash transactions are not included in the consolidated statement of cash flow and are itemized in [Note 26](#), "Cash flow information".

Notes to the consolidated financial statements

1. Summary of significant accounting policies

Accounting framework

The Gouvernement du Québec accounts for its financial transactions in accordance with the accounting policies adopted by the Conseil du trésor. The primary source of reference for establishing these policies are the Canadian public sector accounting standards.

Reporting entity and government partnerships

The Government's reporting entity encompasses the financial transactions of the National Assembly and persons appointed by the National Assembly, departments and all the bodies, funds and enterprises under the Government's control, that is, entities for which the Government has the power to direct their financial and administrative policies, such that their activities will provide the Government with anticipated benefits or expose it to a risk of loss.

All of the entities in the Government's reporting entity over which the Government exercises control are listed in [appendices 1 to 4](#). The Government's consolidated financial statements also include the financial operations of the partnerships over which the Government exercises shared control. Those partnerships with private sector partners or other governments are presented in [Appendix 5](#).

Property held and fiduciary activities carried out by Government departments and bodies on behalf of the designated beneficiaries mentioned in [Appendix 6](#) are not included in the Government's reporting entity.

Consolidation methods

The assets, liabilities, revenues and expenditures (hereafter referred to as "accounts") of entities included in the Government's reporting entity, with the exception of government enterprises and commercial partnerships, are consolidated line by line in the financial statements. The financial transactions of government non-business partnerships are consolidated line by line, in proportion to the Government's share in each of these accounts under shared control. Prior to consolidation, the accounts of each entity are harmonized according to the Government's accounting policies. Finally, inter-entity transactions and balances as well as unrealized gains and losses relating to transactions on assets and liabilities that remain within the Government's reporting entity are eliminated.

Investments in government enterprises and interests in government business partnerships represent a financial asset for the Government and, given their commercial orientation, management autonomy and financial self-sufficiency, they are accounted for using the modified equity method.

1. Summary of significant accounting policies (cont'd)

Consolidation methods (cont'd)

According to this method, which does not require that accounting policies be harmonized with those of the Government, investments and interests are accounted for at cost. Every year, the cost is adjusted based on the Government's share in the results of these enterprises and government partnerships, with an offsetting entry to revenue, and based on its share in the other items of their comprehensive income, with an offsetting entry to accumulated deficit. The value of the investments is reduced by declared dividends and adjusted by the amount of the elimination of unrealized inter-entity gains and losses pertaining to assets and liabilities that remain within the Government's reporting entity.

Translation of foreign currency

Foreign currency transactions are translated into Canadian dollars at the exchange rates in effect at the time of the transactions. At the end of the fiscal year, monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rates in effect on that date. Gains and losses resulting from exchange rate fluctuations are recognized in the Government's annual results, with the exception of unrealized gains or losses resulting from the translation of long-term items, which are deferred and amortized using the straight-line method over the remaining useful life of the assets or liabilities concerned.

Measurement uncertainty

Measurement uncertainty exists when there is a difference between the amount recorded or presented in the financial statements and another reasonably possible amount. Some uncertainties are called "material" when the range of reasonably possible amounts is wide and when the situation could influence decisions made by the users of the financial statements. The impact of the resolution of the uncertainties may be felt in the short term or in a longer term.

The Government has determined that material measurement uncertainty in the short term was attributable to the assumptions used to determine the allowances for contingencies ([Note 25](#)) pertaining to lawsuits and disputes. Stakes in government enterprises ([Note 11](#)), environmental liability ([Note 17](#)) and pension plans and other employee future benefits ([Note 19](#)) present more long-term material measurement uncertainties due to the assumptions used to determine their value.

Other measurement uncertainties are attributable to the estimates made in the course of the Government's regular operations. New events, experience acquired or the information available to the Government may lead to short-term revision of the allowances for doubtful accounts in accounts receivable ([Note 9](#)), tax revenue and the corresponding receivable and payable amounts ([Notes 9](#) and [15](#)), long-term declines in portfolio investments ([Note 10](#)) and participation deposits held by the Generations Fund in a particular fund of the Caisse de dépôt et de placements du Québec ([Note 13](#)), allowances for loan declines ([Note 12](#)), deferred transfer revenue from the federal government ([Note 16](#)) and liabilities from transfer agreements and provisions for losses on financial interventions ([Note 18](#)).

1. Summary of significant accounting policies (cont'd)

Measurement uncertainty (cont'd)

Moreover, the useful life of fixed assets is estimated based on the period during which they should be of use to the Government. The length of some contracts presented in the contractual obligations and contractual rights is also estimated.

The estimates and assumptions the Government uses to record or present some items in the financial statements are based on the most reliable data and the most likely assumptions available, and require the application of professional judgment.

It is reasonably possible that the amounts will change after the annual revision of the estimates and assumptions. Accounting estimates are revised during the estimate revision period if they concern only that period, or during that revision period and the next ones if they concern several periods. Further information about the nature and circumstances giving rise to measurement uncertainty is presented in the appropriate Notes.

Special considerations related to the COVID-19 pandemic

In March 2020, the World Health Organization declared a worldwide pandemic caused by the novel coronavirus (COVID-19). This situation has perturbed both the worldwide and local economy and has required the introduction of various public health measures as well as financial assistance to individuals and businesses.

The resiliency of Quebec's economy during the health crisis combined with governmental support measures ensures a faster than forecasted recovery of the economic activity. Thus, on March 31, 2021, some recovery in the markets is observed.

In order to create allowances for losses related to loans and loan guarantees and determine the value of investments, the Government has notably taken into account the economic environment resulting from the COVID-19 pandemic. Since the length of the pandemic and its effects are unknown, the actual results of the coming fiscal years may differ from Government estimates. Adjustments made to the assessment methods are detailed in the appropriate Notes.

Moreover, the fair value of the investments held in participation deposits at the Caisse de dépôt et placement du Québec, presented in the various notes to the consolidated financial statement, was established by this entity while taking into account the best information available given the circumstances. Uncertainty regarding the length, the gravity and extend of the pandemic, the effectiveness of government measures and all the economic impacts that may result from them could have future repercussions on those fair values. This is because these fair values will depend on the development of the situation in various economic sectors which remain uncertain and cannot be predicted at the current time.

1. Summary of significant accounting policies (cont'd)

Significant accounting policies by component

To increase the consolidated financial statements' understandability, significant accounting policies by component are detailed in the Notes of the following components:

Notes	Components
Note 4	Revenue
Note 5	Expenditure
Note 6	Accumulated deficit
Note 7	Cash and cash equivalents
Note 8	Short-term investments
Note 9	Accounts receivable
Note 10	Portfolio investments
Note 11	Investments in government enterprises
Note 12	Loans
Note 13	Generations Fund
Note 14	Other financial assets
Note 15	Accounts payable and accrued expenses
Note 16	Deferred revenue
Note 17	Environmental liability
Note 18	Other liabilities
Note 19	Pension plans and other employee future benefits
Note 21	Debts
Note 22	Fixed assets
Note 23	Other non-financial assets
Note 24	Contractual obligations and contractual rights
Note 25	Contingencies

2. Compliance with legislative authorizations

The government must be authorized by Parliament to draw money from the Consolidated Revenue Fund. Parliament grants this authorization by annually passing laws on appropriations or by including provisions in other laws, which authorize departments and budget-funded bodies to make expenditures, capital acquisitions, loans, investments, and bear other costs out of the general fund. For special funds, the annual expenditure and investment forecasts are approved by Parliament in the context of the adoption of appropriation acts or special acts, in particular when a special fund is established.

In accordance with section 86 of the *Financial Administration Act*, Volume 2 of public accounts reports on the annual use of legislative authorizations for investments and expenditures for each of the departmental portfolios and special funds.

For the fiscal year ended March 31, 2021, surpluses on expenditures and other costs totaling \$40 592 million on appropriations voted by Parliament and surpluses of expenditures and investments of special funds on amounts approved of \$733 million and \$6 212 million respectively, were recorded primarily as a result of the change in application of the accounting standard on transfer payments.

3. Accounting changes and reclassification of comparative financial data

Accounting changes

Transfer expenditures

The Québec government contributes to the financing of public infrastructures owned by third parties. In most cases, financing is provided through transfers paid according to a schedule that generally corresponds to the rate of repayment of the loans contracted by the recipients to carry out the projects.

For these projects, the government changed the application of PS 3410, Government transfers, to record transfer expenditures according to the completion progress of eligible work by transfer recipients. Previously, the government recorded transfer expenditures in accordance with the timing of payments authorized by Parliament and the balance of the funded work was reported in contractual obligations. This change results in more timely recording of transfer expenditures in the government's consolidated financial statements. In addition, starting fiscal 2021-2022, parliamentary authorizations are provided according to an estimate of the rhythm of realization of eligible work by recipients.

The change in application of the accounting standard was based on information known to the government regarding the progress of admissible work done by recipients. In line with what was announced in March 2021's Budget, the Government will progressively implement additional information collection from recipients regarding the progress of admissible work to sharpen its estimate.

3. Accounting changes and reclassification of comparative financial data (cont'd)

Accounting changes (cont'd)

The effect of this change has been accounted for retroactively with a restatement of prior years and has resulted in a change in the following components of the fiscal years ended on March 31, 2021 and March 31, 2020:

	<u>2021</u>	<u>2020</u>
Consolidated statement of operations and accumulated deficit		
(millions of dollars)		
Expenditure increase (decrease)		
Health and Social Services	5	(18)
Education and Culture	36	98
Economy and Environment	486	460
Support for Individuals and Families	(6)	(10)
Administration and Justice	<u>(59)</u>	<u>(3)</u>
Expenditure increase	<u>462</u>	<u>527</u>
Increase of the annual deficit	462	
Decrease of the annual surplus		527
Increase of accumulated deficit, beginning of year	<u>12 504</u>	<u>11 977</u>
Increase in accumulated deficit, end of year	<u>12 966</u>	<u>12 504</u>
Consolidated statement of financial position		
(millions of dollars)		
Decrease in loans	7 090	6 560
Increase in accounts payable and accrued expenses		91
Increase in other liabilities	<u>5 876</u>	<u>5 853</u>
Increase of net debt and accumulated deficit, end of year	<u>12 966</u>	<u>12 504</u>
Consolidated statement of net debt		
(millions of dollars)		
Increase in net debt, beginning of year	12 504	11 977
Increase of the annual deficit	462	
Decrease of the annual surplus		<u>527</u>
Increase in net debt, end of year	<u>12 966</u>	<u>12 504</u>

3. Accounting changes and reclassification of comparative financial data (cont'd)

	<u>2021</u>	<u>2020</u>
Consolidated statement of cash flow		
(millions of dollars)		
Operating activities		
Increase of the annual deficit	(462)	
Decrease of the annual surplus		(527)
Decrease in non-cash items	(619)	(669)
(Decrease) increase in the change in operating assets and liabilities	(69)	514
Decrease in operating activities cash flows	<u>(1 150)</u>	<u>(682)</u>
Investment activities		
Decrease in loans made	1 181	1 143
Decrease in loans received	(31)	(461)
Increase in investment activities cash flows	<u>1 150</u>	<u>682</u>
Impact on cash and cash equivalents	<u>—</u>	<u>—</u>

Note 24 – Contractual obligations and contractual rights

(millions of dollars)

Contractual obligations by expenditure category

Decrease in transfers – capital	<u>(12 966)</u>
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Reclassification of comparative financial data

Some of the 2019-2020 financial data have been reclassified to comply with the 2020-2021 presentation method.

4. Revenue

Significant accounting policies

Tax revenue (income and property taxes and consumption taxes)

Once the tax measures have been authorized by Parliament, tax revenue is recognized in the following manner:

- Personal income tax revenue and contributions dedicated to health services are recognized when the taxpayer earned the income subject to tax. Revenue not collected at the end of the fiscal year and refunds not yet issued are recorded on the basis of estimates established according to transactions that took place after the end of the fiscal year.
- Corporate income tax revenue is recognized at the time the funds are received. Receipts are primarily comprised of instalment payments the companies calculate based on estimates of their taxable earnings. These revenues are adjusted to take amounts in notices of assessment issued before the end of the fiscal year into account. The receivable or refundable amounts resulting from the variation between the estimated taxable income and the income actually earned by the companies during the fiscal year are not recorded because they cannot be accurately estimated.
- Revenue from school property taxes is recognized over the period in which such taxes are levied.
- Revenue from consumption taxes is recognized at the time of the sale of the products or the delivery of the services, after deducting tax credits.

Tax revenue does not take into account estimates concerning taxes due on unreported revenue within the time prescribed. These amounts are recorded when notices of assessments are issued or following tax checks activities or the filing of tax returns by taxpayers.

Duties and permits

Revenue from duties and permits is recognized when receivable. Where revenue is refundable on demand and is linked to clearly identifiable goods and services that must be rendered by the Government to the holder of the duty or the permit, the revenue is recognized over the reference period of that duty or permit.

4. Revenue (cont'd)

Significant accounting policies (cont'd)

Miscellaneous revenue

Revenue from the sale of goods or services and from user contributions is recognized when the goods are sold or the services are provided.

Income from interest on accounts receivable and loans as well as income from portfolio investments are recognized as they are earned. They cease to be recorded when the recovery of interest or principal is not reasonably assured.

Revenue from donors other than governments is recognized in the year of its donation when such revenue is not designated for a specific purpose. When, on the contrary, such revenue is designated for a specific purpose, it is recognized in revenue according to the conditions of the designation. In the case of donations related to land, the revenue is recognized in the year of acquisition.

Revenue from tuition fees is recognized over the duration of the training in question.

Transfers from governments

Transfers from the federal government and other governments are recognized in revenue for the fiscal year in which they are authorized by the transferring government and in which the eligibility criteria are met, except if the stipulations create an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recorded in revenue as the liabilities are paid.

Measurement uncertainty

The measurement uncertainties that affect revenue are presented in [Note 9](#) on accounts receivable, [Note 11](#) on investment in government enterprises, [Note 15](#) on accounts payable and accrued expenses and [Note 16](#) on deferred revenue.

4. Revenue (cont'd)

Revenue by source

(millions of dollars)

	Fiscal year ended March 31		
	2021		2020
	Budget ⁽¹⁾	Actual results	Actual results
Own-source revenue			
Income and property taxes			
Personal income tax		34 998	33 814
Contributions dedicated to health services		6 398	6 522
Corporate tax		8 951	8 607
School property tax		1 156	1 539
	52 210	51 503	50 482
Consumption taxes			
Sales ⁽²⁾		17 794	17 536
Fuel		1 916	2 206
Tobacco		971	938
Alcoholic beverages		619	637
Other ⁽³⁾		77	31
	22 961	21 377	21 348
Duties and permits			
Motor vehicles		1 413	1 390
Natural resources		1 778	1 392
Greenhouse gas emissions		635	997
Other		787	756
	4 643	4 613	4 535
Miscellaneous revenue			
Sales of goods and services		4 601	5 306
User contributions		1 589	1 838
Interest on accounts receivable and loans		921	884
Income from portfolio investments		910	805
Fines, forfeitures and recoveries		696	878
Third-party donations		658	730
Tuition fees		399	406
Transfers from entities other than the federal government		110	115
	10 975	9 884	10 962
Revenue from government enterprises			
Hydro-Québec		1 776	1 959
Société des alcools du Québec		1 219	1 226
Investissement Québec		987	(130)
Loto-Québec		433	1 328
Other		76	36
	4 814	4 491	4 419
Total own-source revenue	95 603	91 868	91 746
Federal government transfers			
Equalization		13 252	13 124
Health transfers		6 800	6 617
Transfers for post-secondary education and other social programs		1 590	1 542
Other programs		9 074	3 945
Total federal government transfers	25 692	30 716	25 228
Total revenue	121 295	122 584	116 974

(1) According to data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

(2) The solidarity tax credit, worth \$1 702 M (\$1 787 M in 2019-2020), is an abatement since it is designed to refund certain taxes to low-income households. It is presented as a reduction of consumption tax revenue on sales.

(3) Revenue included \$76 M (\$29 M in 2019-2020) from income related to the Québec component of the excise duty on the sale of cannabis.

4. Revenue (cont'd)

Income and property taxes – Additional information on refundable tax credits

In accordance with the applicable tax legislation, refundable tax credits reduce related tax revenue. However, Canadian public sector accounting standards require that these credits be presented in expenditure when they represent transfers funded by the tax system, that is, when they confer on a taxpayer a financial benefit other than a reduction of the income or other taxes that the taxpayer would otherwise have had to pay the Government.

The refundable tax credits of \$7 349 million (\$6 975 million in 2019-2020) have been reclassified in transfer expenditures meaning that revenue derived from income and property taxes amount to \$51 503 million (\$50 482 million in 2019-2020).

Income and property taxes – Reclassification of refundable tax credits

(millions of dollars)

	Fiscal year ended March 31			
	2021		2020	
	Tax revenue net of refundable tax credits	Refundable tax credits	Total	Total
Income and property taxes				
Personal income tax	29 897	5 101	34 998	33 814
Contributions dedicated to health services	6 398		6 398	6 522
Corporate tax	6 702	2 249	8 951	8 607
School property tax	1 156		1 156	1 539
	44 153	7 350	51 503	50 482

4. Revenue (cont'd)

Additional information – Tax-funded transfer expenditures by government mission (millions of dollars)

	Fiscal year ended March 31					
	2021					2020
	EXPENDITURE BY GOVERNMENT MISSION					
Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Total	Total
Income and property taxes						
Personal income tax						
Refundable tax credits						
Family Allowance			3 264		3 264	2 825
Home-support services for seniors	630				630	596
Childcare expenses			535		535	697
Work premium			176		176	311
Caregivers	155				155	59
Senior assistance	105				105	101
Québec education savings incentive		102			102	134
Medical expenses	45				45	60
Tax shield			30		30	48
RénoVert			10		10	80
Other	12	18	17	2	49	62
	947	120	27	4 005	2	4 973
Corporate tax						
Refundable tax credits						
Scientific research and experimental development			484		484	466
E-business			482		482	446
Film production		442			442	362
Multimedia titles			298		298	270
Investments			166		166	95
Reporting of tips				96	96	101
On-the-job training period		37		32	69	67
Resources			42		42	68
Other		62	108		170	127
	—	541	1 580	32	96	2 002
	947	661	1 607	4 037	98	6 975

5. Expenditure

Significant accounting policies

Transfer expenditures

Transfer expenditures are recognized in the fiscal year during which they are duly authorized and in which the recipients satisfied the eligibility criteria.

Remuneration and operating expenses

Remuneration and operating expenses are recorded in the fiscal year during which the goods are consumed or the services are delivered.

Measurement uncertainty

Measurement uncertainties that affect expenditures are presented in [Note 9](#) on accounts receivable, [Note 10](#) on portfolio investments, [Note 12](#) on loans, [Note 17](#) on environmental liability, [Note 18](#) on other liabilities, [Note 19](#) on pension plans and other future benefits and [Note 25](#) on contingencies.

5. Expenditure (cont'd)

Expenditure by supercategory and category (millions of dollars)

	Fiscal year ended March 31		
	2021		2020
	Budget ⁽¹⁾	Actual results	Actual results (adjusted – Note 3)
Expenditure excluding debt service			
Transfers			
Remuneration		3 297	3 075
Operating		733	730
Capital		3 666	3 162
Interest		385	379
Support		30 704	26 009
		38 785	33 355
Remuneration		55 780	50 898
Operating ⁽²⁾		23 791	20 624
Doubtful accounts and other allowances ⁽³⁾		765	2 338
Total expenditure excluding debt service	110 300	119 121	107 215
Debt service⁽³⁾			
Interest on debts		7 896	8 168
Less			
Investment income of the sinking funds relating to borrowings		1 133	1 140
(Losses) Revenue on cash equivalents and on short-term investment		(41)	259
		6 804	6 769
Interest on obligations relating to accrued benefits under the pension plans and employee future benefits		7 128	6 963
Less			
Investment income of the Retirement Plans Sinking Fund and specific pension funds		6 120	5 928
Investment income of other employee future benefit funds		123	128
		885	907
Total debt service	8 266	7 689	7 676
Total expenditure	118 566	126 810	114 891

(1) According to data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

(2) Operating expenditure included an amount of \$4 399 M (\$4 198 M in 2019-2020) related to the depreciation of fixed assets.

(3) This expenditure included net foreign exchange losses of \$7 M (net foreign exchange gains of \$55 M in 2019-2020), i.e. foreign exchange losses of \$12 M (foreign exchange gains of \$57 M in 2019-2020) in the "Debt service" supercategory and foreign exchange gains of \$5 M (foreign exchange losses of \$2 M in 2019-2020) in the "Doubtful accounts and other allowances" supercategory.

6. Accumulated deficit

Significant accounting policies

Government enterprises record some unrealized gains or losses on financial instruments and the actuarial gains or losses on future benefits among the other items of comprehensive income, in accordance with International Financial Reporting Standards (IFRS). Those other items are not included in the Government's annual results and are recorded directly in the accumulated deficit. When these gains or losses on financial instruments are realized, they will be reclassified in revenue from government enterprises and recognized as such in the Government's annual result. Actuarial gains and losses on future benefits will never be reclassified among the Government's annual results.

Details of accumulated deficit

(millions of dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u> (adjusted – Note 3)
PREVIOUSLY ESTABLISHED ACCUMULATED DEFICIT, BEGINNING OF YEAR		(95 206)	(100 448)
Accounting change with restatement of prior years	3	(12 504)	(11 977)
ADJUSTED ACCUMULATED DEFICIT, BEGINNING OF YEAR		(107 710)	(112 425)
Annual (deficit) surplus		(4 226)	2 083
Other comprehensive income items of government enterprises	11	3 208	2 632
ACCUMULATED DEFICIT, END OF YEAR		<u>(108 728)</u>	<u>(107 710)</u>

Accumulated other items of comprehensive income of government enterprises

(millions of dollars)

		<u>Fiscal year ended March 31</u>				
		<u>2021</u>			<u>2020</u>	
	<u>Note</u>	<u>Actuarial gains on employee future benefits</u>	<u>Unrealized gains (losses) on financial instruments</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
Opening balance		1 329	241	82	1 652	(975)
Other comprehensive income items of government enterprises	11	3 427	(176)	(43)	3 208	2 632
		4 756	65	39	4 860	1 657
Items reclassified in other shareholders' equity items		4			4	(5)
Closing balance	11	<u>4 760</u>	<u>65</u>	<u>39</u>	<u>4 864</u>	<u>1 652</u>

7. Cash and cash equivalents

Significant accounting policy

Cash and cash equivalents are comprised of cash and investments with an initial maturity of three months or less generally.

Cash and cash equivalents

(millions of dollars)

	<u>As at March 31</u>	
	<u>2021</u>	<u>2020</u>
Cash	3 844	3 064
Cash equivalents	8 400	10 126
	<u>12 244</u>	<u>13 190</u>

Securities held and weighted average rate by cash equivalents categories

		<u>As at March 31</u>	
	<u>Weighted average rate</u>	<u>2021</u>	<u>2020</u>
	(percent)	(millions of dollars)	(millions of dollars)
Banker's acceptances	0.18	5 023	4 760
Notes	0.20	1 444	847
Deposit certificates	0.22	1 036	1 932
Term deposits	1.15	284	70
Bonds	0.22	381	2 455
Other	0.53	232	62
	<u>0.23</u>	<u>8 400</u>	<u>10 126</u>

8. Short-term investments

Significant accounting policy

Short-term investments are highly liquid investments that the Government does not intend to keep for more than one year. They are recorded at the lower of cost and fair value.

Securities held and weighted average rate by category

	Weighted average rate	As at March 31	
		2021	2020
	(percent)	(millions of dollars)	(millions of dollars)
Banker's acceptances	0.20	6	7
Notes	0.22	610	259
Deposit certificates	0.69	31	29
Term deposits	2.29	11	80
Bonds	0.27	4 356	1 431
Other	0.22	4	7
	0.20 ⁽¹⁾	5 018 ⁽²⁾	1 813 ⁽²⁾

(1) This rate corresponds to the effective rate for short-term investments held as at March 31 and takes into account interest rate swap contracts.

(2) As at March 31, 2021 and 2020, the quoted market value of marketable securities on official markets was close to their book value.

9. Accounts receivable

Significant accounting policies

Receivables are initially recorded at cost, except for income taxes and other taxes receivable, which are recorded at realizable value, i.e. an amount equivalent to what the Government expects to receive. The receivables are then brought down to their net recoverable value by means of an allowance for doubtful accounts. The annual change in this allowance is charged to expenditure.

Revenue from personal income tax, contributions dedicated to health services and consumption taxes uncollected at the end of the fiscal year are recorded as income taxes and other taxes receivable; the amounts are estimated based on transactions carried out after the end of the fiscal year.

Revenue from corporate income taxes uncollected at the end of the fiscal year is recorded as taxes receivable; the amounts are based on notices of assessment issued before the end of the fiscal year.

Measurement uncertainty

Initial assessment of income taxes and other taxes receivable

Income taxes and other taxes receivable stemming from notices of assessment issued after tax checks and contested taxpayer notices are based on estimates that may be hard to measure. The initial evaluation of the amounts the Government expects to collect with regard to such notices is based on the settlement rates of similar files in the past. Adjustments resulting from new information obtained after checks or court rulings are recorded in the fiscal year when they become known.

Estimate of the allowance for doubtful accounts

The value of the allowance for doubtful accounts relating to taxes receivable is uncertain due to the fact that it is estimated on the basis of a statistical sample of accounts receivable representative of the population as a whole. The accounts receivable's potential recoverable amount in the sample is determined primarily by considering the financial position of taxpayers, which takes notably into account the economic environment arising from the impact of the COVID-19 pandemic.

9. Accounts receivable (cont'd)

Details of accounts receivable

(millions of dollars)

	As at March 31	
	2021	2020
Income taxes and other taxes receivable		
Income and property taxes	9 612	8 704
Consumption taxes	4 732	4 906
Duties and permits	594	563
Miscellaneous revenue	5 637	5 133
	20 575	19 306
Allowance for doubtful accounts	(2 648)	(2 791)
	17 927	16 515
Revenue from government enterprises – dividends	423	338
Federal government transfers	3 139	2 194
	21 489	19 047

10. Portfolio investments

Significant accounting policies

Portfolio investments are recorded at cost.

When portfolio investments have significant concessionary terms, that is, if there is a difference of over 25% between their face value and their present value at the Government's average debt rate, the portfolio investments are recorded at their present value when they take effect. This difference constitutes a grant component, which is recognized as an expense. Subsequently, the investment income is recognized and added to the book value of the portfolio investment until their maturity date, using the effective interest method.

When a portfolio investment experiences a loss in value that is other than a temporary decline, its book value is reduced to reflect the decline in value, which is charged to expenditure. Any write-off of the book value of a portfolio investment is recorded as an expenditure and, if subsequently recovered, it is recognized as a revenue.

Measurement uncertainty

Portfolio investments in shares and equity are subject to measurement uncertainty because assumptions are used to estimate the recoverable value of the investments. The factors the Government relies on for determining whether there is a loss in value that is other than a temporary decline in its investments include their length and how sharply the fair value declined compared to cost. For private equity, the Government estimates the recoverable value with the help of experts and approaches based on models that take into account current economic conditions, the financial situation and the profitability outlook for each issuing entity.

The impact of the COVID-19 pandemic on economic activity can notably lead to higher borrowing costs for businesses, restricted access to cash and more material uncertainty about future earnings and cash flow. The Government has estimated the impact of the crisis on the value of its investments using all available information to exercise its judgment. Notably, additional risk factors were included in the usual valuation methods. Those factors, determined based on the industrial sector and the risk level of the enterprise, are adjusted to take into account the reduction of the average portfolio risk related to the pandemic since March 31, 2020.

Participation deposits, bonds and notes have not lost long-term value, since their fair value is higher than their cost.

10. Portfolio investments (cont'd)

Portfolio investments by entity category and nature of securities held

(millions of dollars)

	As at March 31				
	2021				2020
	Shares and capital investments ^{(1),(2)}	Participation deposits ⁽³⁾	Bonds and notes	Total	Total
Governments and local administrations					
Federal and provincial governments			548	548	581
Municipalities and municipal bodies			536	536	439
	<u>—</u>	<u>—</u>	<u>1 084</u>	<u>1 084</u>	<u>1 020</u>
Enterprises	2 469		180	2 649	2 797 ⁽²⁾
Non-profit and fiduciary organizations		1 718	1	1 719	1 559
Other	22		36	58	40
	<u>2 491</u>	<u>1 718</u>	<u>217</u>	<u>4 426</u>	<u>4 396</u>
	<u>2 491</u> ⁽⁴⁾	<u>1 718</u>	<u>1 301</u>	<u>5 510</u>	<u>5 416</u> ⁽⁴⁾

(1) The quoted market value of marketable securities on official markets was \$465 M (\$156 M as at March 31, 2020) and their book value was \$203 M (\$137 M as at March 31, 2020).

(2) The Government holds portfolio investments with repayment terms such that they resemble loans. A valuation allowance of \$96 M (\$216 M as at March 31, 2020) was recorded for those investments.

(3) The Government holds participation units in specific funds entrusted to the Caisse de dépôt et placement du Québec.

(4) The value of the portfolio investments was reduced by \$138 M (\$137 M as at March 31, 2020), which represents the impact of the significantly advantageous terms of some of those investments.

11. Investment in government enterprises

Significant accounting policies

Investment in government enterprises is recorded using the modified equity method based on the Government's proportionate share of each enterprise.

The financial information from government enterprises is based on the IFRS, except for information from Hydro-Québec, which is based on generally accepted accounting principles (GAAP) in the United States. Adjustments are made to Hydro-Québec's financial information to bring it in line with the IFRS; such adjustments mainly concern employee future benefits, financial instruments and asset retirement obligations.

Material measurement uncertainty

Each government enterprise is subject to specific measurement uncertainties inherent to their own activities. These uncertainties are mainly with respect to revenue, other liabilities, including pension plans and other future benefits, fixed assets and financial instruments.

11. Investment in government enterprises (cont'd)

Financial information on government enterprises (millions of dollars)

	As at March 31									
	2021					2020				
	Hydro-Québec				Investis- sément Québec	Loto- Québec	Société des alcools du Québec	Other	Total	Total
	(U.S. GAAP)	(IFRS)								
December 31 2020	Adjustments for the three-month periods	Adjustments – IFRS ⁽¹⁾	March 31 2021							
STATEMENT OF OPERATIONS										
Revenue	13 594	76	18	13 688	2 075	1 395	3 650	636	21 444	21 302
Expenditure	11 291	(40)	787	12 038	1 083	937	2 431	560	17 049	16 914
Annual (deficit) surplus	2 303	116	(769)	1 650	992	458	1 219	76	4 395	4 388
Consolidation adjustments				126	(5)	(25)			96	31
Revenue from government enterprises				1 776	987	433	1 219	76	4 491	4 419
Other comprehensive income items	(702)	75	3 878	3 251	(61)	21	(1)	(2)	3 208	2 632
STATEMENT OF FINANCIAL POSITION										
Fixed assets	67 953	98	1 006	69 057	222	710	204	207	70 400	69 473
Other assets	12 942	2 239	341	15 522	10 851	269	1 068	175	27 885	27 843
Total assets	80 895	2 337	1 347	84 579	11 073	979	1 272	382	98 285	97 316
Debts and advances	48 413	2 865	173	51 451	6 131	448	308	62	58 400	58 055
Other liabilities	11 160	(2 438)	(2 174)	6 548 ⁽²⁾	510	340	926	182	8 506	12 072
Total liabilities	59 573	427	(2 001)	57 999	6 641	788	1 234	244	66 906	70 127
Accumulated other comprehensive income items	(3 110)	269	7 580	4 739	29	105	(7)	(2)	4 864	1 652
Other shareholders' equity items	24 432	1 641	(4 232)	21 841	4 403	86	45	140	26 515	25 537
Total shareholders' equity	21 322	1 910	3 348	26 580	4 432	191	38	138	31 379	27 189
Consolidation adjustments				24	28			(3)	49	(93)
Equity value (modified method)				26 604	4 460	191	38	135	31 428	27 096
Loans					1 243	192		23	1 458	878
Investment in government enterprises				26 604	5 703	383	38	158	32 886	27 974
Dividends and other contributions paid	1 727				–	457	1 219	67	3 470	4 797
Main contractual obligations	56 552				1 618	59	–	–	58 229	55 351
Main contingent liabilities	4 000 ⁽³⁾				372	–	4	–	4 376	362

- (1) The adjustments to bring Hydro-Québec's financial information in line with the IFRS resulted in an increase in the Government's share in this enterprise of \$3 109 M, i.e. a \$769 M reduction in the income from government enterprises and a \$3 878 M increase in the other items of the comprehensive income. The combined adjustments to IFRS had the effect of an increase in the Government's share by \$3 348 M (increasing it by \$239 M as at March 31, 2020).
- (2) The Government granted a financial guarantee of \$685 M (\$685 M as at March 31, 2020) for the Gentilly-2 nuclear generating station. In order to finance the costs related to the long-term nuclear fuel waste management, Hydro-Québec set up a trust of \$166 M (\$160 M as at March 31, 2020).
- (3) Pertaining to a lawsuit for damages and interest filed by Innus Nation inc. Joint lawsuits have also been instituted against Hydro-Québec and the Government. Those lawsuits are disclosed in [Note 25](#) on contingencies.

11. Investment in government enterprises (cont'd)

Inter-entity operations and operations with third-parties not included in the reporting entity

(millions of dollars)

	As at March 31					
	2021			2020		
	Inter-entities	Third parties not included in the reporting entity	Total	Inter-entities	Third parties not included in the reporting entity	Total
STATEMENT OF OPERATIONS						
Revenue	824	20 620	21 444	678	20 624	21 302
Expenditure	1 372	15 677	17 049	1 396	15 518	16 914
Annual surplus (deficit)	(548)	4 943	4 395	(718)	5 106	4 388
STATEMENT OF FINANCIAL POSITION						
Fixed assets		70 400	70 400		69 473	69 473
Other assets	5 445	22 440	27 885	5 654	22 189	27 843
Total assets	5 445	92 840	98 285	5 654	91 662	97 316
Debts and advances	1 473	56 927	58 400	882	57 173	58 055
Other liabilities	751	7 755	8 506	632	11 440	12 072
Total liabilities	2 224	64 682	66 906	1 514	68 613	70 127
Loans granted to government enterprises	1 458			878		
Dividends and other contributions paid	3 470			4 797		

11. Investment in government enterprises (cont'd)

Repayment schedule for debts and advances contracted with third parties and with the Government⁽¹⁾

(millions of dollars)

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Hydro-Québec							
Third parties not included in the reporting entity	5 466	2 017	1 069	1 430	421	41 048	51 451
Government							—
	5 466	2 017	1 069	1 430	421	41 048	51 451
Investissement Québec							
Third parties not included in the reporting entity	1 687	1 259	1 049	439	603	2	5 039
Government	560	249	235	196	17	18	1 275
	2 247	1 508	1 284	635	620	20	6 314
Loto-Québec							
Third parties not included in the reporting entity	249	4	2			2	257
Government	10	11	34	11	10	115	191
	259	15	36	11	10	117	448
Société des alcools du Québec							
Third parties not included in the reporting entity	49	44	39	34	29	113	308
Government							—
	49	44	39	34	29	113	308
Other							
Third parties not included in the reporting entity	5	4	4	5	4	17	39
Government	23						23
	28	4	4	5	4	17	62
Total debt and advances							
Third parties not included in the reporting entity	7 456	3 328	2 163	1 908	1 057	41 182	57 094
Government	593	260	269	207	27	133	1 489
	8 049	3 588	2 432	2 115	1 084	41 315	58 583

(1) The Government guarantees borrowings contracted by Hydro-Québec and Investissement Québec in different currencies. The net value of these guaranteed borrowings stood at \$48 665 M (\$48 623 M as at March 31, 2020) for Hydro-Québec and at \$4 827 M (\$5 122 M as at March 31, 2020) for Investissement Québec.

12. Loans

Significant accounting policies

Loans are recorded at cost.

When loans have significant concessionary terms, that is, if there is a difference of over 25% between their face value and their present value at the Government's average debt rate, the loans are recorded at their present value when they take effect. This difference constitutes a grant component, which is recognized as an expense. Subsequently, the interest income is recognized and added to the book value of the loan until its maturity date, using the effective interest method.

When a direct link can be established between government grants and the repayment of a loan, the latter is recorded as a transfer expenditure.

When the facts or circumstances point to the risk of a loss, a valuation allowance is recorded as a reduction in loans in order to reflect their net recoverable value. The annual change in these allowances is charged to expenditure. Any write-off of the book value of a loan is recorded as an expenditure and, if subsequently recovered, it is recognized as revenue.

Measurement uncertainty

Loans are subject to measurement uncertainty because estimates and assumptions are used to determine the valuation allowance and the net recovery value of the loans. The valuation allowance estimate is revised regularly and adjusted to take several factors into account, including the rate of past losses, sector risks and the borrower's financial situation.

The consequences of the COVID-19 pandemic on economic activity are substantial, and it is hard to foresee the full impacts on business credit risks. In order to estimate the valuation allowance on business loans as at March 31, 2021, the Government included additional risk factors in its usual valuation methods. The estimates for those factors are based on the information available, taking the impact of the crisis on credit portfolios by sector and borrower's risk level into account and are adjusted to factor in the average credit portfolio risk reduction related to the pandemic since March 31, 2020.

12. Loans (cont'd)

Loans granted and weighted average rate by category of borrower

	As at March 31						
	2021			2020			
	Weighted average rate (percent)	Cost	Valuation allowances (millions of dollars)	Net book value	(adjusted – Note 3)		
Cost					Valuation allowances (millions of dollars)	Net book value	
Local administrations							
Municipalities	2.65	701	(44)	657	628	(9)	619
Municipal bodies	2.55	1 511 ⁽¹⁾	(64)	1 447	1 422 ⁽¹⁾	(37)	1 385
	2.58	2 212	(108)	2 104	2 050	(46)	2 004
Enterprises ^{(2),(3)}	2.18	3 233 ⁽¹⁾	(831)	2 402 ⁽⁴⁾	2 717 ⁽¹⁾	(1 092)	1 625 ⁽⁴⁾
Non-profit and fiduciary organizations	2.71	190 ⁽¹⁾		190	209 ⁽¹⁾	(4)	205
Students	2.99	620	(231)	389	637	(243)	394
Other		82		82	69		69
		4 125	(1 062)	3 063	3 632	(1 339)	2 293
	2.42	6 337	(1 170)	5 167	5 682	(1 385)	4 297

- (1) As part of its operations, the Government grants loans to third parties not included in the reporting entity and receives assets as collateral. The cost of the loans granted by the Economic Development Fund was \$3 134 M (\$2 643 M as at March 31, 2020). The table below shows, for each category of loan, the proportion of the nominal balance for which the Government received significant securities and sureties:

	As at March 31			
	2021		2020	
	Cost	Proportion of the nominal balance of loans	Cost	Proportion of the nominal balance of loans
Loans – fixed rate	1 542	29%	1 326	16%
Loans – variable rate	477	39%	361	24%
Loans – no interest	1 115	38%	956	33%

For loans granted by other entities within the reporting entity, the cost of which was \$3 202 M (\$3 039 M as at March 31, 2020), the guarantees received totalled \$197 M (\$183 M as at March 31, 2020).

- (2) Loans to enterprises include U.S. \$74 M (U.S. \$27 M as at March 31, 2020) in loans, whose equivalent value is C \$93 M (C \$37 M as at March 31, 2020), and €60 M (€53 M as at March 31, 2020) in loans whose equivalent value is C \$88 M (C \$82 M as at March 31, 2020).
- (3) Loans with repayment clauses based on royalties are included in the loans to enterprises. The conditions associated with these loans are such that the entire amount advanced is more similar to a subsidy. Therefore, these loans have a zero value.
- (4) The value of loans has been reduced by \$113 M (\$103 M as at March 31, 2020), which represents the impact of the significantly advantageous terms of some of these loans.

12. Loans (cont'd)

Schedule of loan payments receivable by category of borrower

(millions of dollars)

Maturing on March 31	Municipalities and municipal bodies	Enterprises	Non-profit and fiduciary organizations	Students	Other	Total
2022	300	387	37	58	43	825
2023	155	241	5	48		449
2024	129	317	5	48		499
2025	135	291	17	48		491
2026	146	264	6	48		464
	865	1 500	70	250	43	2 728
2027-2031	604	711	42	139		1 496
2032-2036	226	100	36			362
2037-2041	134	167	17			318
2042-2046	46	7				53
2047 and thereafter	37	2				39
	1 912	2 487	165	389	43	4 996
No fixed maturity date	192	28	25		39	284
	2 104	2 515	190	389	82	5 280
Reduction of the value related to loans with significant concessionary terms		(113)				(113)
	2 104	2 402	190	389	82	5 167

13. Generations Fund

The purpose of the Generations Fund, created under the *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1), is to reduce the Government's debt. In accordance with this Act, the fund's assets are used exclusively to repay the Government's gross debt.

Significant accounting policies

Demand and participation deposits in a particular fund of the Caisse de dépôt et placement du Québec (the Caisse) are recorded at cost.

Where participation deposits suffer a loss in value that is other than a temporary decline, their book value is reduced to reflect this decline and the resulting reduction in value is charged to expenditure. At the time of disposition of participation deposits, the difference between the amount received and the book value of these units established using the average cost method is charged to results.

Measurement uncertainty

The value of participation deposits in the particular funds of the Caisse is subject to measurement uncertainty because assumptions are used to estimate the recoverable value of the investments that are not transacted on an active market. The value may vary due to gaps between the assumptions used and the actual value recovered. Among the assumptions used are the judgments of experts and approaches based on models that factor in current economic conditions, the financial situation and the profitability perspectives of the issuing entities.

Statement of financial position

(millions of dollars)

	As at March 31	
	2021	2020
Sums managed by the Caisse de dépôt et placement du Québec		
Demand deposits	2 275	1 051
Income receivable on portfolio investments	28	23
Participation deposits ⁽¹⁾	9 833	7 757
	12 136	8 831
Accounts receivable	76	68
Fund balance	12 212	8 899

(1) The Generations Fund holds participation units in a specific fund at the Caisse. These units are repaid with prior notice according to the Caisse's settlement terms and conditions at the fair value of the fund's net equity at the end of each month. The Generations Fund had 8 669 534 participation units with a total fair value of \$11 307 M (7 077 487 participation units with a total fair value of \$8 633 M as at March 31, 2020).

13. Generations Fund (cont'd)

Statement of change in the balance of the Generations Fund

(millions of dollars)

	Fiscal year ended March 31		
	2021		2020
	Budget ⁽¹⁾	Actual results	Actual results
Opening balance	8 926	8 899	8 293
Own-source revenue			
Consumption taxes			
Specific tax on alcoholic beverages	500	500	500
Duties and permits			
Water-power royalties	866	834	803
Mining revenues	283	574	286
Miscellaneous revenue			
Unclaimed property	15	39	21
Revenue on portfolio investments	462	769	464
Revenue from government enterprises, taken out of dividends			
Hydro-Québec			
Indexation of the average cost of heritage pool electricity	388	382	317
Additional contribution from Hydro-Québec ⁽²⁾	215	215	215
Total own-source revenue	2 729	3 313	2 606
Balance before debt repayment	11 655	12 212	10 899
Sums used to repay debts			(2 000)
Closing balance	11 655	12 212	8 899

(1) According to Data presented in Budget 2020-2021 of the Ministère des Finances tabled on March 10, 2020.

(2) Under the *Hydro-Québec Act* (CQLR, chapter H-5), a sum of \$215 M is taken annually out of Hydro-Québec's dividends and will be deposited in the Generations Fund until 2043.

14. Other financial assets

Significant accounting policy

Deferred expenses related to debts

The accounting policy on deferred expenses related to debts is presented in [Note 21](#) on debts.

Detail of other financial assets

(millions of dollars)

	As at March 31	
	2021	2020
Inventories and other assets intended for sale	39	46
Interests in government business partnerships	79	28
Deferred expenses related to debts	752	734
	870	808

15. Accounts payable and accrued expenses

Significant accounting policies

Refunds of income and other taxes

The amounts of refunds of income and other taxes are based on notices of assessment issued before the end of the fiscal year. Refunds of individual income taxes and consumption taxes that have not yet been made at the fiscal year end are recorded as accounts payable and accrued expenses per estimates based on transactions carried out after the end of the fiscal year end.

Measurement uncertainty

Initial valuation of income and other taxes to be refunded

Income and other tax refunds stemming from disputed taxpayer notices of assessment are based on estimates for which measurement may be uncertain. The initial valuation of the amounts the Government expects to pay with regard to such disputes is based mainly on the settlement rates of similar files in the past.

15. Accounts payable and accrued expenses (cont'd)

Accounts payable and accrued expenses

(millions of dollars)

	As at March 31	
	2021	2020 (adjusted – Note 3)
Remuneration	13 436	10 648
Income taxes and other taxes refundable		
Income and property taxes	3 969	4 444
Consumption taxes	2 268	2 579
Suppliers	5 976	4 346
Transfers	6 230	5 591
Accrued interest on debts	3 050	2 929
Advances from trust funds	1 158	1 137
Clearing accounts for collected taxes	839	246
	36 926	31 920

16. Deferred revenue

Significant accounting policies

Amounts received or receivable in regard to revenue that will be earned in a subsequent year are deferred and presented as deferred revenue. More precisely:

- revenue from government transfers is deferred when the stipulations as to the use of the transferred or received resources or as to the actions to be taken in order to keep them create an obligation that meets the definition of a liability. When these stipulations are of a general nature, the actions or communications of the Government that establish those stipulations up to the date of the financial statements may also create a liability. When transfer revenue is deferred, it is recorded as revenue as the liabilities are paid;
- revenue from donors other than governments that is designated for a specific purpose is deferred and recorded as revenue when the resources are used for their prescribed purposes. Donations in the form of fixed assets or cash to acquire fixed assets will be deferred and recorded as revenue at the same pace as fixed asset depreciation;
- revenue from duties and permits refundable on demand that is linked to clearly identifiable goods and services to be rendered by the Government to the right or permit holder is deferred and recorded as revenue during the reference period of such right or permit;
- revenue from school taxes is deferred and recorded for the period during which it is levied.

16. Deferred revenue (cont'd)

Measurement uncertainty

Deferred transfer revenue from the federal government is subject to measurement uncertainty due to possible gaps between the estimate of the Government's expenditures or work progress and what was actually carried out.

Deferred revenue by source or by nature

(millions of dollars)

	As at March 31	
	2021	2020
Federal government transfers	4 176	3 944
Third-party donations ⁽¹⁾	1 930	1 834
Transfers from entities other than the federal government	102	108
Registration and drivers license fees	893	796
School property tax	268	376
Guarantee fees for Hydro-Québec borrowings	171	163
Other	465	384
	8 005	7 605

(1) The third-party donations are mainly from non-profit organizations, including foundations that provide financial support to public institutions in the health and social services network.

Deferred revenue – Stipulations of federal government transfers

(millions of dollars)

	As at March 31	
	2021	2020
For acquisition or construction of fixed assets	2 216	2 148
For other purposes		
Financing of municipal and local infrastructures	1 067	1 393
Maintenance of dams transferred by the federal government	3	3
Financing of research and other projects	890	400
	1 960	1 796
	4 176	3 944

16. Deferred revenue (cont'd)

Deferred revenue – Third-party donation restriction and variations

(millions of dollars)

	Fiscal year ended March 31, 2021				
	Opening balance	New donations	Recognition in revenue	Closing balance	Balance as at March 31, 2020
For acquisition of fixed assets	1 166	134	96	1 204	1 166
For other purposes	668	564	506	726	668
	1 834	698	602	1 930	1 834

17. Environmental liability

Significant accounting policies

Environmental liability

Obligations resulting from the remediation of contaminated sites under the Government's responsibility, or probably under its responsibility, are recognized as environmental liabilities when the contamination exceeds an existing environmental standard, it is expected that the sites can be remediated and a reasonable estimate can be made. In some cases, we have not been able to ascertain the likelihood of the Government being called upon to assume the remediation costs, and in other cases, we were not able to estimate how much it would cost. Sites the Government does not plan to remediate are those that do not pose a danger to public health and safety or those where the contamination is hardly likely to have a significant environmental impact. The environmental liability includes the estimated cost of contaminated site management and remediation.

Material measurement uncertainty

Environmental liability is subject to measurement uncertainty because different methods are used to estimate the remediation and management costs, which increase according to the degree of precision deployed. It is also subject to measurement uncertainty due to the constantly evolving technology used for remediation, which can affect costs, and the fact that not all sites have been thoroughly evaluated as to the extent and nature of the remediation required.

The main assumptions used to estimate the liability are related to the contaminated areas, labour and material costs and the choice of technologies available to eliminate or control contamination. Changes to those assumptions and the regulations could entail significant changes to the recorded liabilities.

17. Environmental liability (cont'd)

Environmental liability

(millions of dollars)

	As at March 31	
	2021	2020
Environmental liabilities	2 838	2 988

The environmental liability recorded for the 1 767 sites inventoried (1 803 sites as at March 31, 2020) takes into account an increase of \$675 million in costs, representing an average cost increase rate of 31% (\$736 million and 33% as at March 31, 2020).

Contingent assets related to the environmental liability

A portion of the costs pertaining to third parties cleaning up contaminated sites for which the Government is probably responsible is recoverable. Those recoverable amounts mainly come in the form of financial guarantees to cover the work if third parties do not honour their commitments. The probable recoverable amounts recorded as contingent Government assets were \$14 million.

18. Other liabilities

Significant accounting policies

Liabilities stemming from transfer agreements

Liabilities stemming from transfer agreements are recorded in the fiscal year during which the transfers were duly authorized and during which the recipients met the eligibility criteria.

Allowance for losses on guaranteed financial initiatives

Obligations resulting from financial initiatives guaranteed by the Government, mainly loan guarantees, are recorded on the basis of probable losses. The allowance is established on the balance of the guaranteed financial initiatives reduced by the estimated realizable value of the security and surety obtained. The annual change in the allowance is charged to expenditure.

Probable losses are annually estimated by grouping financial initiatives into various risk classes and applying an average loss rate to each class. In the case of enterprises whose Government-guaranteed financial initiatives show an exceptionally high cumulative balance or are characterized by specific features, the estimate of probable losses relating to these initiatives is made using case-by-case analysis, regardless of risk class. The authorized guarantees in effect that are not subject to an allowance constitute a contingent liability for the Government.

18. Other liabilities (cont'd)

Measurement uncertainty

Estimated liabilities arising from transfer agreements

Liabilities arising from transfer agreements are subject to measurement uncertainty due to possible differences between the estimated expenditures or work progress performed by recipients and the value of those actually performed.

Estimated allowance for losses on guaranteed financial initiatives

The allowance for losses on financial guarantees is subject to measurement uncertainty because of the assumptions used to assess the likelihood of a borrower defaulting on one of his obligations and forcing the Government to make good on the financial guarantee. Financial guarantees are grouped into different classes with an average rate applied to each one. The allowance rate is based on past experience, the type of guarantee and past losses. When the allowances are taken individually, the main considerations are the sector risks and the borrower's financial situation.

The COVID-19 pandemic has had serious consequences for businesses' economic activities and credit risks. The Government has included risk factors in its usual valuation methods in order to estimate the allowance for losses on loan guarantees granted to them as at March 31, 2021. The Government estimates those factors based on available information, taking into account the impact of the crisis on the guarantee portfolios in effect, by sector and by the borrower's risk level and are adjusted to factor in the average guarantee portfolio risk reduction related to the pandemic since March 31, 2020.

No significant adjustments were made to the methodologies used to estimate allowances for loan guarantees to non-profit organizations and cooperatives, forest, farm and fishery producers and students because the Government estimates that their credit risks are lower due to assistance programs set up by financial institutions and the different levels of government.

Other liabilities

(millions of dollars)

	As at March 31	
	2021	2020 (adjusted – Note 3)
Liability stemming from transfer agreements	6 155	6 232
Allowance for losses on guaranteed financial initiatives	758	666
	6 913	6 898

18. Other liabilities (cont'd)

Schedule of liabilities stemming from transfer agreements

(millions of dollars)

<u>Maturing on March 31</u>	<u>Total</u>
2022	648
2023	579
2024	529
2025	460
2026	412
	2 628
2027 and thereafter	3 527
	6 155 ⁽¹⁾

(1) As part of its transfer programs, the government subsidizes the interest that will be borne by the recipients in subsequent years. For the next five fiscal years, interest is estimated at \$1 590 M and repayments are expected to be \$386 M in 2022, \$355 M in 2023, \$320 M in 2024, \$280 M in 2025 and \$249 M in 2026.

18. Other liabilities (cont'd)

Guaranteed loans and other guaranteed financial initiatives by third party category (millions of dollars)

	As at March 31							
	2021				2020			
	Authorized limit	Authorized guarantees in effect	Allowance for losses on guaranteed financial initiatives	Net risk under guarantees	Authorized limit	Authorized guarantees in effect	Allowance for losses on guaranteed financial initiatives	Net risk under guarantees
Enterprises	1 184	955 ⁽¹⁾	(107)	848	1 067	971 ⁽¹⁾	(124)	847
Non-profit organizations and cooperatives	2 383	2 380 ⁽²⁾	(301)	2 079	2 302	2 300 ⁽²⁾	(203)	2 097
Forest, farm and fisheries' sector producer	7 027	6 121 ⁽³⁾	(57)	6 064	6 521	5 861 ⁽³⁾	(56)	5 805
Students								
Borrowings for which the Government pays interest as long as the borrower is a student ⁽⁴⁾	1 952	1 952 ⁽⁵⁾		1 952	1 483	1 483 ⁽⁵⁾		1 483
Borrowings for which borrowers are responsible for paying principal and interest	2 245	2 245 ^{(5),(6)}	(293)	1 952	2 500	2 500 ^{(5),(6)}	(283)	2 217
		13 653	(758)	12 895		13 115	(666)	12 449

(1) Guarantees of \$942 M (\$953 M as at March 31, 2020) were granted by the Government under the *Act respecting Investissement Québec* (CQLR, chapter I-16.0.1). In addition to loan guarantees, the guarantees include loss and payment guarantees introduced to facilitate the funding of aircraft purchasers. As at March 31, 2021, the Government has received significant securities and sureties for 75% of the nominal balance of its guarantee portfolio (99% of the nominal balance as at March 31, 2020).

(2) Guarantees of \$2 351 M (\$2 270 M as at March 31, 2020) are granted by the Government under the *Act respecting the Société d'habitation du Québec* (CQLR, chapter S-8). The Government guarantees borrowings with financial institutions contracted by non-profit organizations and cooperatives for periods of 25 or 35 years following the approval of an extension by the Government. The principal and interest associated with these borrowings are covered by the non-profit organization or the cooperative. These borrowings finance the cost of acquiring buildings. These guarantees totalled \$2 240 M (\$2 141 M as at March 31, 2020).

In addition, the Government has concluded agreements with the Canada Mortgage and Housing Corporation (CMHC) under which it is committed to pay certain amounts to the CMHC as compensation for losses sustained when a borrower defaults on payment because a project is in difficulty. The guarantees granted cover 25-year periods, except if they are related to borrowings granted for projects in urban regions under the private non-profit housing program, in which case they cover periods of 35 years. The payment of the principal and interest associated with these borrowings is covered by the organizations concerned. These borrowings finance the cost of acquiring buildings. These guarantees totalled \$97 M (\$115 M as at March 31, 2020).

(3) Guarantees of \$5 978 M (\$5 744 M as at March 31, 2020) are granted by the Government under the *Act respecting La Financière agricole du Québec* (CQLR, chapter L-0.1). This amount corresponds to balances of principal and interest on borrowings for which La Financière agricole du Québec reimburses the lenders' residual losses and related charges. The producers' assets are held as security by the lenders; they consist particularly of farm or forest production units, milk quotas and surety.

(4) These borrowings bear interest at the banker's acceptance rate plus 150 basis points. The interest that will be subsidized by the Government in subsequent years is estimated at \$90 M.

(5) The guarantees are granted by the Government under the *Act respecting financial assistance for education expenses* (CQLR, chapter A-13.3). It guarantees the reimbursement of losses of principal and interest to lending institutions.

(6) To help individuals during the COVID-19 crisis, the Government will assume the repayment of interest on student loans for a twelve-month period beginning April 1, 2021. The interest to be assumed by the Government during this period is estimated at \$72 M.

19. Pension plans and other employee future benefits

Significant accounting policies

Obligations relating to the pension plans and other employee future benefits

Obligations relating to defined-benefit pension plans and employee future benefit programs are evaluated using the projected benefit method prorated on years of service and the most probable assumptions set by the Government. The method used takes into account the way in which benefits payable by the Government are accrued by participants. The Survivor's Pension Plan's obligations are established using an actuarial method that determines the present value of the pensions accrued by beneficiaries as a result of the eligible person's death.

Actuarial gains and losses determined during the revaluation of obligations stem from experience adjustments to forecasts and from changes to assumptions. They are recognized in expenditure using the straight-line method, as of the fiscal year following the year in which they are taken into account in the value of obligations relating to accrued benefits. The amortization period corresponds to the expected average remaining service life (EARSL) of plan or program participants. For the Survivor's Pension Plan, the amortization period corresponds to the average remaining life expectancy of beneficiaries.

Annual interest is determined by applying the discount rate of the obligation relating to accrued benefits to each program or plan to the average value of the related obligation.

Retirement Plans Sinking Fund and specific pension funds

The investments of the Retirement Plans Sinking Fund (RPSF), specific pension funds and employee future benefit programs funds are valued at an adjusted market value. With this valuation method, the difference between the real return based on market value and the forecast return is amortized over five years.

When the adjusted market value of a pension plan fund is higher than that of its obligations, the resulting surplus is capped through a valuation allowance so that the pension plans liability reflects only the future benefit that the Government expects to derive from this surplus. The annual change in the allowance is charged to expenditure.

Actuarial gains and losses attributable to the use of the forecast rate of return are amortized using the straight-line method. The amortization period corresponds to the EARSL of plan or program.

The annual return of a fund is obtained by applying the rate of return stipulated in the actuarial valuations of the obligations of each pension plan or the employee future benefit program to the average balance of the plan in question.

Material measurement uncertainty

Obligations relating to pension plans and other employee future benefits may vary because of differences between the economic and demographic assumptions made for actuarial valuation purposes and the actual results. The impact of a change in the main assumptions on the value of obligations relating to accrued benefits under the four main pension plans is shown after the table "Main economic assumptions used".

19. Pension plans and other employee future benefits (cont'd)

Liability regarding the pension plans and other employee future benefits

(millions of dollars)

	As at March 31			
	Value before unamortized actuarial (losses) gains	Unamortized actuarial (losses) gains	2021	2020
Pension plans				
Obligations relating to accrued benefits	116 681	(3 820)	112 861	109 310
Retirement Plans Sinking Fund	(97 425)	3 276	(94 149)	(88 404)
Specific pension plan funds	(6 353)	198	(6 155)	(5 942)
	12 903	(346)	12 557	14 964
Other employee future benefits				
Obligations relating to accrued benefits	1 479	(34)	1 445	1 450
Other employee future benefit funds	(1 776)	142	(1 634)	(1 698)
	(297)	108	(189)	(248)
	12 606	(238)	12 368	14 716

The Government's defined-benefit pension plans

Several defined-benefit pension plans have been put in place by the Government for its employees, for the Members of the National Assembly and for the judges. The Government and participants contribute to the funding of all of these plans.

The Government's defined benefits plans are divided into two categories: cost-sharing and cost-balance. The distinction lies in the Government's responsibility for funding vested benefits and for paying benefits.

The obligations related to vested benefits borne by the participants and the net assets available for paying those benefits are set out in [Appendix 8](#) entitled "Fiduciary transactions conducted by the Government". Further information can be found in the financial statements of plans published by Retraite Québec.

The Government's pension plans grant a defined benefit to participants when they retire, which is calculated on the basis of an average for their best paid years, generally five, and their number of years of service. The portion of benefits accrued after July 1, 1982 or, in the case of the Pension Plan of the Université du Québec (PPUQ), after January 1, 2005, is partially indexed to the cost of living; the portion of benefits accrued before those dates is usually indexed.

19. Pension plans and other employee future benefits (cont'd)

The Government's defined-benefit pension plans (cont'd)

The Government allows its enterprises and organizations not included in the Government's reporting entity¹ to join its pension plans, with the employers making contributions to the plans.

Funding and paying benefits

The Government established the RPSF to create an asset for paying all or part of the pension plans' benefits. The RPSF is for plans whose benefits are paid by the general fund of the Consolidated Revenue Fund.

Some pension plans have their own pension funds so that they can pay the benefits required by their provisions. If the amounts in a pension fund are insufficient to pay the benefits payable by the Government, or if there is no pension fund, the benefits are paid by the general fund of the Consolidated Revenue Fund. This situation does not apply to the PPUQ.

¹ Those organisms are mainly organizations that conduct fiduciary transactions for the Government or provide services to bodies within the Government's reporting entity.

19. Pension plans and other employee future benefits (cont'd)

Characteristics of the Government's defined-benefit plans

	Types of plan		Presence of a specific fund	Expected average remaining service life (EARSL) (in years) ⁽²⁾
	Cost-sharing ⁽¹⁾	Cost-balance		
Plans				
RREGOP ⁽³⁾				15
– regular service ⁽⁴⁾	✓ 50.0% ⁽⁵⁾			
– service transferred from the TPP and the CSSP		✓		
– pension credits acquired following plan-to-plan transfers		✓	✓	
PPMP				10
– regular service – other than pensioners' benefits prior to January 1, 2015 ⁽⁴⁾	✓ 50.0% ⁽⁵⁾			
– regular service – pensioners' benefits prior to January 1, 2015		✓ ⁽⁶⁾		
– service transferred from the TPP and the CSSP		✓		
– RPSO		✓		
TPP ⁽³⁾		✓		15
PPCT ⁽³⁾		✓		15
CSSP ⁽³⁾		✓		15
PPUQ		✓	✓	11
SPMSQ				15
– regular service since January 1, 2007	✓ 55.0% ⁽⁷⁾		✓ ⁽⁸⁾	
– regular service prior to January 1, 2007		✓		
PPPOCS	✓ 54.0% ⁽⁹⁾			15
PPCJQ		✓		11
PPFEQ		✓	✓	3
PPMNA		✓		6

(1) The percentage indicated represents the portion of obligations relating to accrued benefits payable by the Government.

(2) The EARSL is used to determine the amortization period for the plan's actuarial gains and losses.

(3) A common EARSL is used for this group of plans whose continuity is ensured by the Government and Public Employees Retirement Plan (RREGOP).

(4) Contributions paid by employers required to pay contributions are deposited in a transitional fund. This fund is liquidated regularly because the sums deposited in it are used to pay benefits.

(5) The Government's portion is 58.3% in the case of benefits accrued prior to July 1, 1982.

(6) In accordance with the *Act to foster the financial health and sustainability of the Pension Plan of Management Personnel and to amend various legislative provisions* (S.Q. 2017, chapter 7), assented to in May 2017, the Government will henceforth cover the portion of benefits payable by participants to pensioners who retired before January 1, 2015 or to their assigns. In exchange, the Government received a share of the value of the contribution fund of Pension Plan of Management Personnel (PPMP) participants, which was transferred to the RPSF.

(7) The Government's portion is 61% in the case of benefits accrued between January 1, 2020, and January 1, 2021 and 66.7% in the case of benefits accrued before January 1, 2020.

(8) Every three years at the latest, the Government must pay its contributions into the fund, as determined by the actuarial valuations realized for that purpose.

(9) The Government's portion is 46.0% in the case of benefits accrued prior to January 1, 2013.

19. Pension plans and other employee future benefits (cont'd)

Pension plans liability

(millions of dollars)

	As at March 31			
	Value before unamortized actuarial (losses) gains	Unamortized actuarial (losses) gains	2021	2020
Obligations relating to accrued benefits				
RREGOP				
– regular service	69 469	(2 288)	67 181	64 007
– transferred service	2 463	(98)	2 365	2 432
PPMP				
– regular service	17 764	(120)	17 644	17 178
– transferred service	1 007	(71)	936	977
– RPSO	2 103	(87)	2 016	1 891
TPP	8 866	(656)	8 210	8 530
PPCT	1 020	(136)	884	924
CSSP	2 835	(144)	2 691	2 830
PPUQ	4 309	143	4 452	4 278
SPMSQ	4 959	(309)	4 650	4 510
PPPOCS	608	(23)	585	553
PPCJQ	845	(18)	827	788
PPFEQ	201	(11)	190	184
PPMNA	232	(2)	230	228
	116 681	(3 820)	112 861	109 310
Retirement Plans				
Sinking Fund	(97 425)	3 276	(94 149)	(88 404)
Specific pension plan funds				
PPUQ fund	(4 894)	123	(4 771)	(4 519)
SPMSQ fund	(950)	50	(900)	(864)
Other pension plan funds	(925)	25	(900)	(892)
Valluation allowance – PPUQ	338		338	261
Valluation allowance – Other funds	78		78	72
	(6 353)	198	(6 155)	(5 942)
	12 903	(346)	12 557	14 964

19. Pension plans and other employee future benefits (cont'd)

Change in obligations relating to accrued pension plan benefits

(millions of dollars)

	<u>Fiscal year ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Obligations, beginning of year	113 750	110 835
Cost of accrued benefits	2 803	2 677
Interest on obligations	7 045	6 875
Compensations ⁽¹⁾	122	120
Benefits paid	(7 035)	(6 814)
Plan-to-plan transfers	16	41
Changes to plans ⁽²⁾	5	6
Actuarial (gains) losses	(33)	10
Change in obligations relating to certain pension credits ⁽³⁾	<u>8</u>	<u> </u>
Obligations, end of year	<u>116 681</u>	<u>113 750</u>

- (1) The Government pays an annual amount of compensation into the funds of contributions by RREGOP and PPMP participants in order to finance those plans and limit contribution increases for the participants. For the PPMP, the annual compensation paid up until 2022, based on services rendered during the fiscal year, must be enough to offset the fund's loss due to the transfer of RREGOP participants, and is capped at \$100 M.
- (2) Amendments, coming into effect January 1, 2021 and January 1, 2020 respectively, were made to the provisions of the PPUQ and resulted in a \$5 M (\$6 M as at March 31, 2020) increase in the value of its obligations.
- (3) The Government's obligations regarding certain pension credits acquired following the transfer of supplemental pension plans to RREGOP correspond to the actuarial value of these acquired pension credits or to the actuarial value of the fund created to provide for their payment, whichever is higher.

19. Pension plans and other employee future benefits (cont'd)

Actuarial valuations

Every three years, the value of obligations relating to accrued benefits under the pension plans is determined by actuarial valuations. The value of these obligations is extrapolated for the period between two actuarial valuations.

Date of the most recent actuarial valuations used to determine the value of obligations related to vested benefits

December 31, 2020 (filed in 2020-2021)	December 31, 2019 (filed in 2020-2021)	December 31, 2018 (filed in 2019-2020)	December 31, 2017 (filed in 2018-2019)
PPUQ	RPSO	RREGOP	RREGOP
	PPPOCS	– pension credits related to plan-to-plan transfers	– regular service
	PPCJQ		– service transferred from the CSSP and the TPP
	PPFEQ	– redemption of years of service	
	PPMNA	PPCT	PPMP
		SPMSQ	– regular service ⁽¹⁾
			– service transferred from the CSSP and the TPP
			TPP
			CSSP

Note: The filing year corresponds to the government fiscal year for which an actuarial valuation of the plan is required, based on the timetable for preparing the valuation.

(1) PPMP regular service is divided into two categories, as shown in the table entitled "Characteristics of the Government's defined-benefit plans".

19. Pension plans and other employee future benefits (cont'd)

Main economic assumptions used (percent)

	Plans administered by Retraite Québec		PPUQ	
	2021-2030	2031 and thereafter	2021-2030	2031 and thereafter
Rate of return, net of inflation	4.35	4.35	4.20	4.20
Inflation rate	2.00	2.00	2.00	2.00
Discount rate for obligations relating to accrued benefits	6.35	6.35	6.20	6.20
Salary growth rate, net of inflation	0.50	0.50	0.50	0.50

Impact of a change in the main assumptions on the value of obligations relating to accrued benefits under the main pension plans⁽¹⁾

Assumptions	Change	Impact on the value of obligations as at March 31, 2021	
		(millions of dollars)	(percent)
Economic			
– Rate of return, net of inflation	– Increase of 0.05%	(650)	-0.6
	– Decrease of 0.05%	660	+0.7
– Inflation rate	– Increase of 0.25%	(1 570)	-1.6
	– Decrease of 0.25%	1 610	+1.6
– Salary growth rate, net of inflation	– Increase of 0.25%	560	+0.6
	– Decrease of 0.25%	(540)	-0.5
Demographic			
– Life expectancy ⁽²⁾	– Increase of 0.5 year	780	+0.8
	– Decrease of 0.5 year	(790)	-0.8

(1) The main pension plans are the RREGOP – regular service, the PPMP – regular service, the Teachers Pension Plan (TPP) and the Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ).

(2) According to current RREGOP assumptions, the life expectancy of recipients aged 60 is 26.3 years for men and 29.5 years for women.

19. Pension plans and other employee future benefits (cont'd)

Change in the adjusted market value of the RPSF and specific pension plan funds

(millions of dollars)

	Fiscal year ended March 31					2020
	2021				Total	
	RPSF	PPUQ fund	SPMSQ fund	Other pension plan funds		
Adjusted market value, beginning of year	90 722	4 561	907	916	97 106	91 369
Anticipated investment income	5 761 ⁽¹⁾	277	57	27	6 122	5 829
Deposit from the general fund of the Consolidated Revenue Fund					—	1 500
Contributions paid ⁽²⁾		158		304	462	441
Benefits paid		(190)	(25)	(334)	(549)	(520)
Actuarial gains (losses)	942	88	11	4	1 045	(1 513)
Change in the value of assets relating to certain pension credits ⁽³⁾				8	8	—
Adjusted market value, end of year⁽⁴⁾	97 425	4 894	950	925	104 194	97 106

(1) The forecast return on the RPSF is 6.35% (6.35% in 2019-2020); the realized return, based on the market value of investments, was 16.50% (-2.92% in 2019-2020).

(2) This item included \$208 M (\$204 M in 2019-2020) in contributions from participants, government enterprises and organizations not included in the Government's reporting entity.

(3) The Government's obligations regarding certain pension credits acquired following the transfer of supplemental pension plans to RREGOP correspond to the actuarial value of these acquired pension credits or to the actuarial value of the fund created to provide for their payment, whichever is higher.

(4) The market value of the RPSF and the specific pension plan funds totalled \$106 543 M (\$91 400 M as at March 31, 2020). More precisely, the respective market values of the RPSF, the PPUQ fund, the SPMSQ fund and other specific pension funds were \$99 514 M, \$5 107 M, \$973 M and \$949 M respectively (\$85 421 M, \$4 243 M, \$857 M and \$879 M, respectively, as at March 31, 2020).

RPSF investment policy as at March 31 of the current year

The sums deposited in the RPSF are entrusted to the Caisse de dépôt et placement du Québec (the Caisse). The Caisse manages these sums according to the investment policy set by the Minister of Finance. This policy provides for investments in a diversified portfolio that includes fixed income securities (e.g. bonds), inflation-sensitive investments (e.g. actual assets such as real estate assets and infrastructure) and equity.

19. Pension plans and other employee future benefits (cont'd)

RPSF portfolio (percent)

	As at March 31	
	2021	2020
Fixed-income securities	33.00	33.00
Actual assets	21.75	20.00
Equity	45.25	47.00
	100.00	100.00

Pension benefits expense (millions of dollars)

	Fiscal year ended March 31	
	2021	2020
Cost of accrued benefits	2 803	2 677
Compensations ⁽¹⁾	122	120
Contributions from participants and employers	(208)	(204)
	2 717	2 593
Changes to plans ⁽¹⁾	5	6
Amortization of actuarial losses	587	749
Change in valuation allowances	83	78
	3 392	3 426

(1) Information on compensations and changes to the plans is presented in the notes under the table "Change in obligations relating to accrued pension plan benefits".

Pension plan debt service expense (millions of dollars)

	Fiscal year ended March 31	
	2021	2020
Interest on obligations relating to accrued benefits	7 045	6 875
Investment income of the funds ⁽¹⁾	(6 120)	(5 928)
	925	947

(1) This income was reduced by \$2 M (increased by \$99 M in 2019-2020) due to the amortization in actuarial losses (actuarial gains in 2019-2020) related to the RPSF and other specific pension plan funds.

19. Pension plans and other employee future benefits (cont'd)

Other employee future benefits

The Government has also introduced other future benefit programs for its employees, which provide for the accumulation of sick leave and the payment of survivor's pensions. The Université du Québec and its constituent universities also offer their employees certain lump-sum payments upon early retirement as well as a retiree group insurance plan. These programs give rise to long-term obligations for the Government, which generally covers all of the costs.

Accumulated sick leave

Certain public service employees subject to the *Public Service Act* (CQLR, chapter F-3.1.1) and teachers in the school service centres and school board network can accumulate, in a reserve, the unused sick leave days they are entitled to annually.

For non-management employees, the number of unused sick leave days that may be accumulated in a reserve is limited to 20 days. This reserve is convertible into cash in its entirety in the event of termination of the employment relationship and may not be used during preretirement leave. Sick leave days accumulated before those agreements limiting the reserve to 20 days come into effect, minus the days originally transferred to this reserve, may continue to be used as preretirement leave up to the expiry date prescribed in the agreement, which varies between March 31, 2022 and March 31, 2024. The balance of these unused days at the expiry date will be convertible into cash at the rate of 70%.

For non-unionized employees who are members of the PPMP and Retirement Plan for Seniors Officials (RPSO), mainly management, the days accumulated in the reserve can be utilized as fully paid leave days in certain situations provided for in the different labour agreements or for preretirement leave. In case of termination of employment, retirement or death, the employees receive in money 50% of the value of these accumulated days, up to an amount representing the equivalent of 66 days' salary. Teachers receive in money the total value of the accumulated days.

The *Financial Administration Act* (CQLR, chapter A-6.001) authorizes the Minister of Finance to deposit money with the Caisse, up to an amount equal to the value of its obligation relating to accumulated sick leave in order to build up the Accumulated Sick Leave Fund. The purpose of this fund is to provide for the payment of some or all of the benefits due to employees for accumulated sick leave.

Survivor's Pension Plan

The Survivor's Pension Plan stipulates that a pension is paid to the spouse and dependent children following the death of an eligible person. The plan chiefly covers management and similar personnel in the public and parapublic sectors. The Government pays amounts into a fund at the Caisse, reserved exclusively for the payment of benefits earned by plan beneficiaries.

19. Pension plans and other employee future benefits (cont'd)

Other employee future benefits liability

(millions of dollars)

	As at March 31			
	Value before unamortized actuarial (losses) gains	Unamortized actuarial (losses) gains ⁽¹⁾	2021	2020
Obligations relating to accrued benefits				
Accumulated sick leave	739	(7)	732	759
Survivor's Pension Plan	448	(8)	440	431
Université du Québec programs	292	(19)	273	260
	1 479	(34)	1 445	1 450
Other employee future benefit funds				
Accumulated Sick Leave Fund	(1 311)	129	(1 182)	(1 250)
Survivor's Pension Plan Fund	(465)	13	(452)	(448)
	(1 776)	142	(1 634)	(1 698)
	(297)	108	(189)	(248)

(1) The amortization period for actuarial gains and losses varies from 14 to 15 years for accumulated sick leave, while it is 18 years for the Survivor's Pension Plan and 13 years for Université du Québec programs.

Change in obligations relating to accrued other employee future benefits

(millions of dollars)

	Fiscal year ended March 31				
	2021			2020	
	Accumulated sick leave	Survivor's Pension Plan	Université du Québec programs	Total	Total
Obligations, beginning of year	768	438	278	1 484	1 530
Cost of accrued benefits	41	20	19	80	74
Interest on obligations	46	27	10	83	88
Benefits paid	(117)	(37)	(21)	(175)	(190)
Actuarial losses (gains)	1		6	7	(18)
Obligations, end of year	739	448	292	1 479	1 484

19. Pension plans and other employee future benefits (cont'd)

Actuarial valuations

Every three years, the value of obligations relating to accrued other employee future benefits is determined by actuarial valuations. For the period between two actuarial valuations, this value is extrapolated.

Dates of the most recent actuarial valuations used to determine the value of obligations related to vested benefits

December 31, 2019 (filed in 2020-2021)	March 31, 2019 (filed in 2018-2019)	December 31, 2018 (filed in 2018-2019)
Université du Québec programs	Accumulated sick leave	Survivor's Pension Plan

Note: The filing year corresponds to the Government's fiscal year for which an actuarial valuation of the plan is required based on the production schedule of the valuation.

Main long-term economic assumptions used (percent)

	Accumulated sick leave	Survivor's Pension Plan	Université du Québec programs
Rate of return, net of inflation	4.35	4.35	—
Inflation rate	2.00	2.00	2.00
Discount rate for obligations relating to accrued benefits	6.35	6.35	3.50
Salary growth rate, net of inflation	0.50	—	0.50

19. Pension plans and other employee future benefits (cont'd)

Change in the adjusted market value of other employee future benefit funds

(millions of dollars)

	Fiscal year ended March 31			
	2021			2020
	Accumulated Sick Leave Fund	Survivor's Pension Plan Fund	Total	Total
Adjusted market value, beginning of year	1 373	453	1 826	1 858
Anticipated investment income ⁽¹⁾	84	28	112	116
Deposits from the general fund of the Consolidated Revenue Fund		15	15	17
Repayments to the general fund of the Consolidated Revenue Fund ⁽²⁾	(165)		(165)	(100)
Benefits paid		(37)	(37)	(37)
Actuarial gains (losses)	19	6	25	(28)
Adjusted market value, end of year⁽³⁾	1 311	465	1 776	1 826

- (1) The forecast returns on the assets of the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund both amount to 6.35% (6.35% in 2019-2020); the realized returns, based on the market value of investments, were 17.11% and 17.24% respectively (-2.31% and -2.87% respectively in 2019-2020).
- (2) Under the *Financial Administration Act* (CQLR, chapter A-6.001), the payment of any benefit that affects the liabilities of the obligation relating to accumulated sick leave may be repaid into the Consolidated Revenue Fund out of the Accumulated Sick Leave Fund.
- (3) The market values of the Accumulated Sick Leave Fund and the Survivor's Pension Plan Fund were \$1 347 M and \$477 M respectively (\$1 297 M and \$427 M respectively as at March 31, 2020).

Accrued benefits expense relating to other employee future benefits

(millions of dollars)

	Fiscal year ended March 31				
	2021			2020	
	Accumulated sick leave	Survivor's Pension Plan	Université du Québec programs	Total	Total
Cost of accrued benefits	41	20	19	80	74
Amortization of actuarial losses (gains)	3	(1)	5	7	7
	44	19	24	87	81

19. Pension plans and other employee future benefits (cont'd)

Debt service expense relating to other employee future benefits

(millions of dollars)

	Fiscal year ended March 31				
	2021			2020	
	Accumulated sick leave	Survivor's Pension Plan	Université du Québec programs	Total	Total
Interest on obligations relating to accrued benefits	46	27	10	83	88
Investment income of the funds ⁽¹⁾	(97)	(26)		(123)	(128)
	<u>(51)</u>	<u>1</u>	<u>10</u>	<u>(40)</u>	<u>(40)</u>

(1) This income is increased by the amortization of \$13 M (\$13 M in 2019-2020) in actuarial gains related to the Accumulated Sick Leave Fund and reduced by the amortization of \$2 M (\$1 M in 2019-2020) in actuarial losses related to the Survivor's Pension Plan Fund.

20. Risk management and derivative instruments

To meet the financial requirements arising from its operations and investment activities and from the repayment of borrowings that are maturing, the Government has provided itself with an annual financing and debt-management program targeting Canadian and international financial markets.

Participation in these markets involves various types of risk. Therefore, the Government devises risk-management strategies using the different derivative instruments at its disposal.

Foreign exchange risk

Foreign exchange risk is the risk that the cash flows needed to pay the interest and repay the principal on borrowings in foreign currency will vary according to exchange market fluctuations. To manage this risk, the Government uses derivative instruments such as currency swap contracts and foreign exchange forward contracts. These contracts, whose purpose is to exchange cash flows from one currency to another, will mature at various dates up to 2037. In managing foreign exchange risk, the Government also acquires assets in foreign currency within its sinking funds relating to borrowings.

20. Risk management and derivative instruments (cont'd)

Foreign exchange risk (cont'd)

As at March 31, 2021 and 2020, after taking into account derivative instruments used to manage foreign exchange risk and assets in foreign currency held in sinking funds relating to borrowings, 100% of the structure of the debt was in Canadian dollars. This percentage is calculated on the basis of the Government's gross debt.¹ A change of 1% in the Canadian dollar in relation to foreign currencies would not have a significant impact on the gross debt¹ and debt service.

Debt service takes into account foreign exchange losses of \$12 million (foreign exchange gains of \$57 million in 2019-2020).

Interest rate risk

Interest rate risk is the risk that debt service will vary according to interest rate fluctuations. To reduce its exposure to interest rate risk, the Government uses interest rate swap contracts or other types of derivative instruments. Interest rate swap contracts make it possible to exchange payments of interest at fixed rates for payments of interest at variable rates, or vice versa, on the basis of a reference par value.

After taking into account derivative instruments used to manage interest rate risk, the structure of the debt was 83% at fixed interest rates and 17% at variable interest rates (88% at fixed interest rates and 12% at variable interest rates as at March 31, 2020). These percentages are calculated on the basis of the Government's gross debt.¹ The debt at fixed rates is the debt that will not mature and not be subject to a change of interest rate in the coming fiscal year.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations. To protect itself from such a risk within the scope of derivative instrument transactions, the Government has adopted a credit risk management policy that limits potential counterparty losses. In accordance with this policy, the Government uses over-the-counter derivative instruments only with counterparties with which it has concluded framework agreements.

A credit limit is set for each counterparty based mainly on its credit rating. When this limit is exceeded, a process is implemented to ensure compliance with the limit set with the counterparty. Under certain framework agreements, credit overruns receive credit support that may be covered through short-term securities or cash.

¹ Gross debt including advance borrowings.

20. Risk management and derivative instruments (cont'd)

Credit risk (cont'd)

The Government deals with major financial institutions that receive credit ratings from at least two credit rating agencies, one of which must be Standard & Poor's or Moody's. When a transaction agreement comes into effect, the institution must have a rating of A or higher from at least one of these agencies. As at March 31, 2021 and 2020, 100% of the transactions in effect met this criterion.

Liquidity risk

Liquidity risk is the risk that the Government will not be able to meet its financial commitments over the short term. To offset this risk, the general fund of the Consolidated Revenue Fund has lines of credit totalling C\$1 165 million with various Canadian banking institutions. As at March 31, 2021, the outstanding amount of these lines of credit was \$28 million. As at March 31, 2020, the lines of credit were not being used.

The general fund of the Consolidated Revenue Fund has also concluded a credit agreement totalling U.S. \$3 400 million with a Canadian and international banking syndicate. To date, no transactions have been carried out under this credit agreement.

In addition, the general fund of the Consolidated Revenue Fund keeps, in the sinking fund for government borrowings, prudential liquid assets invested mainly in highly liquid securities of the federal Government. In the event of major disruptions in financial markets, these securities can be sold and the liquid assets recovered rapidly, thus enabling the Government to honour its financial commitments. As at March 31, 2021, the book value of these prudential liquid assets was C\$13 182 million (C\$13 226 million as at March 31, 2020).

21. Debts

Significant accounting policies

Debts

Debts 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. The amortization is calculated using the effective rate for each borrowing.

Issue expenses related to debts are deferred and amortized over the term of each borrowing using the straight-line method. The unamortized balance is included in deferred expenses related to debts.

Derivative instruments

The Government uses derivative instruments to manage foreign exchange and interest rate risks related to debts. These instruments are recorded at cost.

Derivative instruments, such as currency swap contracts and foreign exchange forward contracts, are used to manage the foreign exchange risk associated with the repayment of interest and principal on borrowings in foreign currency and with the cash management transactions this entails. The components of these instruments, namely, financial assets and liabilities, are offset against one another and presented in "Debts".

Interest rate exchanges stemming from interest rate swap contracts used to change exposure to interest rate risk over the long term are reconciled with interest charges for the borrowings with which these swap contracts are associated.

Gains or losses on long-term derivative instruments are deferred and amortized using the straight-line method over the term of each contract. However, gains or losses on derivative instruments used to modify the interest rate risk are amortized over the term of the underlying security.

Sinking funds relating to borrowings

Securities held by the sinking funds relating to borrowings are recorded at the amount paid at the time of purchase, adjusted by the premium or discount amortization to obtain the amount of principal receivable at maturity. The amortization is calculated on the basis of the effective rate for each security.

The difference between the book value of a security and the amount received at the time of its disposal is recorded in the Consolidated statement of operations.

21. Debts (cont'd)

Debts by category and weighted average rate

	As at March 31					
	2021		2020			
	Weighted average rate ⁽¹⁾	In monetary units (millions)	Equivalent in Canadian dollars (millions)	Weighted average rate ⁽¹⁾	In monetary units (millions)	Equivalent in Canadian dollars (millions)
Debts contracted on financial markets						
In Canadian dollars						
Short-term borrowings ^{(2),(3)}		3 887	3 887		3 930	3 930
Treasury bills		3 898	3 898 ⁽²⁾		3 884	3 884
Savings products ⁽⁴⁾		12 081	12 081		11 287	11 287
Bonds and notes ^{(2),(4)}		172 262	172 262		156 742	156 742
Mortgage loans		44	44		40	40
Sums payable to (receivable from) counterparties ⁽⁵⁾		(699)	(699)		2 927	2 927
Sub-total	3.22%	191 473	191 473	3.44%	178 810	178 810
Derivatives		50 348	50 348		42 506	42 506
		241 821	241 821		221 316	221 316
In U.S. dollars						
Short-term borrowings ⁽³⁾					1 252	1 776
Bonds and notes ⁽²⁾		22 600	28 419		20 598	29 223
Sums payable to (receivable from) counterparties ⁽⁵⁾		364	458		406	576
Sub-total	3.15%	22 964	28 877	3.44%	22 256	31 575
Derivatives		(21 480)	(27 011)		(20 245)	(28 722)
		1 484	1 866		2 011	2 853
In euros						
Bonds and notes	0.91%	13 128	19 376	1.25%	9 267	14 442
Derivatives		(12 092)	(17 847)		(8 249)	(12 856)
		1 036	1 529		1 018	1 586
In Australian dollars						
Bonds and notes	3.89%	1 870	1 790	3.89%	1 874	1 626
Derivatives		(1 867)	(1 787)		(1 871)	(1 623)
		3	3		3	3
In pound sterling						
Bonds and notes	1.19%	1 049	1 818	1.19%	1 048	1 845
Derivatives		(1 050)	(1 820)		(1 050)	(1 848)
		(1)	(2)		(2)	(3)
In Swiss francs						
Bonds and notes	1.41%	1 024	1 366	1.41%	1 024	1 506
Derivatives		(1 025)	(1 367)		(1 025)	(1 507)
		(1)	(1)		(1)	(1)
In yens						
Bonds and notes	2.42%	21 000	239	2.42%	21 000	276
Derivatives		(21 000)	(239)		(21 000)	(276)
		—	—		—	—
In Swedish kronas						
Bonds and notes	1.17%	1 700	245	1.17%	1 700	242
Derivatives		(1 698)	(245)		(1 698)	(241)
		2	—		2	1
Total carried forward			245 216			225 755

21. Debts (cont'd)

Debts by category and weighted average rate (cont'd)

	As at March 31					
	2021			2020		
	Weighted average rate ⁽¹⁾	In monetary units (millions)	Equivalent in Canadian dollars (millions)	Weighted average rate ⁽¹⁾	In monetary units (millions)	Equivalent in Canadian dollars (millions)
Debts contracted on financial markets						
Total brought forward			245 216			225 755
In New Zealand dollars						
Bonds and notes	3.35%	181	159	3.35%	181	152
Derivatives		(181)	(159)		(181)	(152)
		—	—		—	—
In Hong Kong dollars						
Bonds and notes	1.95%	540	87	1.95%	540	99
Derivatives		(540)	(87)		(540)	(99)
		—	—		—	—
Sub-total			245 216			225 755
Debts arising from agreements and contracts						
In Canadian dollars						
Private-public partnership agreements		3 876	3 876		3 928	3 928
Capital leases		324	324		299	299
Sub-total	4.74%	4 200	4 200	4.74%	4 227	4 227
Total	3.00% ⁽⁶⁾		249 416	3.35% ⁽⁶⁾		229 982
Less						
Sinking funds relating to borrowings⁽⁷⁾						
In Canadian dollars		27 345	27 345		24 318	24 318
In U.S. dollars		1 680	2 112		2 203	3 126
In euros		1 010	1 491		1 011	1 575
			30 948			29 019
Total debts before deferred foreign exchange gains			218 468			200 963
Deferred foreign exchange gains			123			171
Total debts			218 591			201 134

- (1) The weighted average rates by currency of the debts are determined based on the effective interest rates of the debts in effect as at March 31, not including derivatives.
- (2) The Government held \$16 499 M of his own securities (\$14 243 M as at March 31, 2020), i.e. \$11 877 M (\$11 400 M as at March 31, 2020) in its sinking funds relating to borrowings, \$2 917 M (\$771 M as at March 31, 2020) in its short-term investments, \$771 M (\$723 M as at March 31, 2020) in its investments in government enterprises, \$457 M (\$535 M as at March 31, 2020) in its portfolio investments and \$477 M (\$814 M as at March 31, 2020) in its cash equivalents.
- (3) Short-term borrowings are mainly comprised of bank loans and short-term notes. As at March 31, 2020, short-term notes in American dollars included commercial paper.
- (4) These categories included securities issued with a book value of \$2 858 M (\$2 847 M as at March 31, 2020) the proceeds of which are allocated to specific projects with environmental benefits. As at March 31, 2021, no assets were allocated to specific projects (allocated assets with a book value of \$401 M were included in cash equivalents as at March 31, 2020).
- (5) Sums received (paid) as security for credit support under credit risk management agreements. Additional information is provided in [Note 20](#), "Risk management and derivative instruments".
- (6) This weighted average rate is determined based on the effective interest rates of debts in effect as at March 31, taking derivatives into account.
- (7) Payments to the sinking funds relating to borrowings stem from commitments made by the Government to pay off its debts. These funds are associated with \$89 800 M in debts (\$79 692 M as at March 31, 2020).

21. Debts (cont'd)

Change in the balance of sinking funds relating to borrowings

(millions of dollars)

	Fiscal year ended March 31	
	2021	2020
	Equivalent in Canadian dollars	
Opening balance	28 659	25 632
Payments from the general fund of the Consolidated Revenue Fund and from other entities included in the Government's reporting entity	3 167	3 495
Net investment income	1 133	1 140
	32 959	30 267
Sums used to repay debts	(1 902)	(1 608)
Closing balance	31 057	28 659

Balance of sinking funds relating to borrowings – Detailed information

(millions of dollars)

	As at March 31	
	2021	2020
	Equivalent in Canadian dollars	
Investments		
Treasury bills	5 516	6 897
Deposit certificates		27
Bonds and notes ⁽¹⁾	25 304	21 787
Derivatives	(1)	132
	30 819	28 843
Accrued interest and other assets	129	176
Funds balance before deferred foreign exchange losses (gains)	30 948	29 019
Deferred foreign exchange losses (gains)	109	(360)
Funds balance	31 057	28 659

(1) As part of its operations related to risk management, the Government gives as security financial securities. The Government had given investment securities included in the sinking funds relating to borrowings, whose book value was \$180 M (\$63 M as at March 31, 2020).

21. Debts (cont'd)

Debt repayment schedule by currency

(millions of dollars)

Maturing on March 31	Equivalent in Canadian dollars								Debts arising from agreements and contracts In Canadian dollars	Total
	Debts contracted on financial markets									
	In Canadian dollars ⁽¹⁾	In U.S. dollars	In euros	In Australian dollars	In pound sterling	In Swiss francs	Other currencies	Sub-total		
2022	20 123 ⁽²⁾	(238)						19 885	116	20 001
2023	13 293	24						13 317	103	13 420
2024	15 051	(1 355)	(21)		(1)			13 674	107	13 781
2025	17 875	(21)	(7)	1	(1)	(1)		17 846	112	17 958
2026	17 130	350	(7)					17 473	117	17 590
	83 472	(1 240)	(35)	1	(2)	(1)	—	82 195	555	82 750
2027-2031	55 822	921	17	2				56 762	671	57 433
2032-2036	13 586	73	56					13 715	815	14 530
2037-2041	13 627							13 627	969	14 596
2042-2046	22 529							22 529	840	23 369
2047 and thereafter	25 440							25 440	350	25 790
	214 476	(246)	38	3	(2)	(1)	—	214 268	4 200	218 468

(1) In regard to callable savings products totalling \$2 487 M, the schedule provides for the repayment of \$1 348 M in 2022, \$356 M in 2023, \$236 M in 2024, \$155 M in 2025, \$102 M in 2026 and \$290 M in 2027-2031.

(2) The debt repayment schedule in Canadian dollars contracted on financial markets takes into account the repayment of \$3 898 M in treasury bills and \$3 887 M in short-term borrowings for 2022.

21. Debts (cont'd)

Debt repayment schedule by sinking funds relating to borrowings, by currency

(millions of dollars)

Maturing on March 31	Equivalent in Canadian dollars			Total
	In Canadian dollars	In U.S. dollars	In euros	
2022	2 775			2 775
2023	4 389			4 389
2024	2 016	1 382	1 491	4 889
2025	3 011			3 011
2026	1 680			1 680
	13 871	1 382	1 491	16 744
2027-2031	11 152	730		11 882
2032-2036				—
2037-2041				—
2042-2046	1 610			1 610
2047 and thereafter	712			712
	27 345	2 112	1 491	30 948

Debts arising from private-public partnership agreements and capital leases

(millions of dollars)

	As at March 31	
	2021	2020
	Equivalent in Canadian dollars	
Private-public partnership agreements⁽¹⁾		
Hospital centres and residential and long-term care centres	2 675	2 695
Road transportation infrastructures	1 058	1 084
Correctional facility	83	86
Performance hall	60	63
	3 876	3 928
Capital leases	324	299
	4 200	4 227

(1) Private-public partnership agreements are contracts that provide for the design, construction, financing and maintenance of fixed assets by a private partner and, in some cases, for the operation of those assets by the partner. The debts related to these private-public partnership agreements have a term of 25 to 39 years.

22. Fixed assets

Significant accounting policies

Fixed assets

Fixed assets are recorded at cost and depreciated—except for land, which is not depreciated—on a straight-line basis over a period corresponding to their useful life. Their cost includes financing charges capitalized during their construction, improvement or development.

Works of art and historic properties, such as paintings, sculptures, drawings, prints, photographs, films and videos are not recorded as fixed assets. Their cost is charged to expenditure in the fiscal year during which they are acquired.

Fixed assets acquired through government transfer or through donation, including those acquired for a nominal value, are recorded at their fair value at the time of acquisition.

Land in the public domain and natural resources, such as forests, water and mining resources, which the Government holds by virtue of the fact that they were devolved to the state and not purchased, are not recorded in the Government's consolidated financial statements. Intangible items do not constitute non-financial assets for the Government.

Fixed assets held under capital leases

The cost of fixed assets held under capital leases is equal to the present value of minimum payments due for the rental of such assets, without exceeding the fair value of the leased asset. Fixed assets under construction, development or improvement are not depreciated.

Fixed assets acquired under private-public partnership agreements

Some fixed assets are acquired under private-public partnership agreements. These agreements are long-term contracts by which the Government involves one or more private partners in designing, building, maintaining and operating a public good, with or without funding from these partners. The fixed asset and the debt associated with it are recognized when the risks and advantages associated with the ownership of the public good are devolved to the Government, for the most part, in accordance with the terms of the agreement concerned.

The cost of a fixed asset acquired under a private-public partnership agreement is equal to the lower of the present value of the cash flows associated with the fixed asset and the fixed asset's fair value. If the cash flows associated with the fixed asset cannot be isolated from those related to its operation, the cost of the asset is determined on the basis of its fair value. The fair value of the fixed asset is estimated on the basis of the agreement's specifications.

22. Fixed assets (cont'd)

Categories	Useful life
Buildings <i>(Institutional and operational buildings, leasehold improvements, etc.)</i>	10 to 50 years
Facilities <i>(Organization and development of natural spaces: land, parks, forests, watercourses, etc.)</i>	5 to 20 years
Complex networks <i>(Road, maritime and air transportation infrastructures, natural resource development networks, dams and other large structures, etc.)</i>	10 to 60 years
Equipment <i>(Transport vehicles, machinery, office furniture and equipment, specialized medical, educational, scientific and industrial equipment, etc.)</i>	3 to 30 years
Data processing and office automation equipment <i>(Computers, printers and other peripheral devices, software, telecommunication, radiocommunication and information processing equipment, etc.)</i>	3 to 10 years
Development of data processing systems <i>(Design, production and implementation of data processing systems, including the cost of equipment and software acquired for this purpose)</i>	5 to 10 years

22. Fixed assets (cont'd)

Change in fixed assets by category

(millions of dollars)

	Land	Buildings	Facilities	Complex networks	Equipment	Data processing and office automation equipment	Development of data processing systems	Total
Cost								
Opening balance	2 733	61 873	1 914	46 300	12 624	3 015	5 525	133 984
Acquisitions	87	675	35	100	920	585	58	2 460
Work in progress		3 277	207	2 389	77	55	375	6 380
Impact of disposals and reductions in value	(1)	(189)	(16)	(949)	(649)	(258)	(90)	(2 152)
Restatements and other adjustments		(17)	13	3	6	3	(8)	—
Closing balance	2 819	65 619	2 153	47 843	12 978	3 400	5 860	140 672
Accumulated depreciation								
Opening balance	—	25 001	757	19 132	8 082	2 275	3 684	58 931
Depreciation expenses		1 513	85	1 379	726	400	296	4 399
Impact of disposals		(141)	(14)	(944)	(623)	(260)	(80)	(2 062)
Restatements and other adjustments						(1)	1	—
Closing balance	—	26 373	828	19 567	8 185	2 414	3 901	61 268
Net book value as at March 31, 2021	2 819	39 246	1 325	28 276	4 793	986	1 959	79 404 ⁽¹⁾
Net book value as at March 31, 2020	2 733	36 872	1 157	27 168	4 542	740	1 841	75 053 ⁽¹⁾

(1) Financing charges of \$27 M (\$78 M in 2019-2020) were capitalized during the fiscal year in the cost of the fixed assets.

22. Fixed assets (cont'd)

Fixed assets rented under capital leases

(millions of dollars)

	<u>Buildings</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
Cost	338	18	16	372
Accumulated depreciation ⁽¹⁾	<u>72</u>	<u>13</u>	<u>10</u>	<u>95</u>
Net book value as at March 31, 2021	<u>266</u>	<u>5</u>	<u>6</u>	<u>277</u>
Net book value as at March 31, 2020	<u>251</u>	<u>6</u>	<u>14</u>	<u>271</u>

(1) The depreciation expense for these fixed assets was \$16 M (\$12 M in 2019-2020).

Fixed assets acquired under private-public partnership agreements

(millions of dollars)

	<u>Buildings</u>	<u>Facilities</u>	<u>Complex networks</u>	<u>Equipment</u>	<u>Total</u>
Cost	5 397	196	2 303	152	8 048
Accumulated depreciation ⁽¹⁾	<u>526</u>	<u>41</u>	<u>496</u>	<u>53</u>	<u>1 116</u>
Net book value as at March 31, 2021	<u>4 871</u>	<u>155</u>	<u>1 807</u>	<u>99</u>	<u>6 932</u>
Net book value as at March 31, 2020	<u>4 902</u>	<u>155</u>	<u>1 864</u>	<u>110</u>	<u>7 031</u>

(1) The depreciation expense for these fixed assets was \$178 M (\$179 M in 2019-2020).

Fixed assets under construction, development or improvements (work in progress)⁽¹⁾

(millions of dollars)

	<u>Buildings</u>	<u>Facilities</u>	<u>Complex networks</u>	<u>Equipment</u>	<u>Data processing and office automation equipment</u>	<u>Development of data processing systems</u>	<u>Total</u>
Cost as at March 31, 2021	<u>5 042</u>	<u>243</u>	<u>302</u>	<u>108</u>	<u>59</u>	<u>938</u>	<u>6 692</u>
Cost as at March 31, 2020	<u>3 788</u>	<u>215</u>	<u>1 062</u>	<u>87</u>	<u>50</u>	<u>758</u>	<u>5 960</u>

(1) No depreciation expense was recorded for these fixed assets in 2020-2021 and 2019-2020.

23. Other non-financial assets

Significant accounting policy

Inventories

Inventories are valued at the lower of cost and net realizable value.

Detail of the other non-financial assets

(millions of dollars)

	As at March 31	
	2021	2020
Inventories	1 409	523
Prepaid expenses	704	531
	<u>2 113</u> ⁽¹⁾	<u>1 054</u>

(1) Includes \$1 022 M pertaining to personal protective equipment and medical supplies related to management of the pandemic, in particular, masks, gloves, and protective gowns.

24. Contractual obligations and contractual rights

Significant accounting policies

A contractual obligation is presented when all of the following conditions are met:

- there is a legally enforceable written document dated March 31 giving the other party the power to take the matter to court for enforcement;
- this written document leads to the loss of discretionary power, that is, the Government is likely to have little or no opportunity to amend the written terms and conditions or withdraw from them on its own initiative and therefore has no other realistic alternative than to settle the obligation when the transaction or event occurs;
- the Government will have to sacrifice economic resources in the future to settle the obligation;
- the transaction or event giving rise to the obligation or right has not yet occurred.

A contractual right is disclosed under the same circumstances, i.e. when there is a legally enforceable written document as at March 31 depriving the other party of discretionary power and will lead to an inflow of economic resources for the Government when the transaction or event occurs.

Contractual obligations or rights stemming from agreements of indeterminate length are calculated and presented over a six-year period: each of the first five years of the agreements and an additional year for the balance. Contractual obligations resulting from agreements where the amounts are paid in perpetuity are spread over 30 years.

24. Contractual obligations and contractual rights (cont'd)

Contractual obligations by expenditure and investment category

(millions of dollars)

Maturing on March 31	Expenditures						Investments		Total
	Transfers		Remune- ration ⁽¹⁾	Operating			Acquisitions of fixed assets	Loan and investment pledges	
	Capital	Agreements concerning non-capital expenditures		Capital leases	Procurement of goods and services ⁽²⁾	Others			
2022	2 303	4 463	8 099	621	5 690	1 021	4 960	1 638	28 795
2023	1 187	2 484	8 258	512	2 828	617	1 330	435	17 651
2024	1 110	1 526	235	432	1 731	3	818	173	6 028
2025	1 114	1 055	115	411	1 109	1	604	65	4 474
2026	1 057	455	115	328	965		175	51	3 146
	6 771	9 983	16 822	2 304	12 323	1 642	7 887	2 362	60 094
2027 and thereafter	7 296	5 650	100	1 995	7 965		103	91	23 200
	14 067	15 633	16 922	4 299	20 288	1 642	7 990	2 453	83 294
No fixed maturity date								1 019	1 019
	14 067	15 633	16 922	4 299	20 288	1 642	7 990	3 472	84 313

(1) Remuneration-related contractual obligations stem from agreements with medical specialists and general practitioners.

(2) Contractual obligations related to the procurement of goods and services included an amount of \$7 366 M stemming from private-public partnership agreements.

Contractual rights by revenue category

(millions of dollars)

Maturing on March 31	Duties and permits		Miscellaneous revenue			Federal government transfers		Total
	Natural resources	Other	Sales of goods and services	Third-party donations	Other	Health transfers	Other programs	
2022	409	8	357	120	26	338	4 928	6 186
2023	98	3	235	63	13		4 811	5 223
2024	22	1	223	46	12		5 715	6 019
2025	19	1	215	25	11		5 197	5 468
2026	20	1	211	5	4		4 751	4 992
	568	14	1 241	259	66	338	25 402	27 888
2027 and thereafter	85	2	417	2	37		5 879	6 422
	653	16	1 658	261	103	338	31 281	34 310

25. Contingencies

Significant accounting policies

Contingent liabilities

Obligations stemming from lawsuits and disputes are recorded as liabilities when a future event is likely to confirm the existence of a liability as at the date of the financial statements and a reasonable estimate of the loss can be made. If it is impossible to determine whether the event is likely to occur, or the event is likely to occur but no reasonable estimate of that likeliness can be made, a contingent liability is presented in an additional note.

The accounting principles used for contingent liabilities relating to environmental liabilities and allowances for losses from guaranteed financial initiatives are presented in [Note 17](#) on environmental liabilities and [Note 18](#) on other liabilities respectively.

Contingent assets

Contingent assets are presented when a future event is likely to confirm the existence of an asset as at the date of the financial statements.

Material measurement uncertainty

Contingent assets and liabilities may vary based on the assumptions made to determine the likelihood that an existing situation will be resolved as at the date of the financial statements and the assumptions made to estimate the value of contingent liabilities. Among the assumptions used are past experience, current negotiations, recent settlements and court rulings.

Those forecasts may vary widely in the coming year. Since the disclosure of information could negatively affect the outcomes of lawsuits and disputes, information as to the amounts and extent of related uncertainties is not provided.

The measurement uncertainty with respect to environmental liability and the allowance for losses on guaranteed financial initiatives is presented in [Note 17](#) on environmental liability and [Note 18](#) on other liabilities respectively.

25. Contingencies (cont'd)

Contingent liabilities

Legal proceedings and disputes

A number of claims have been instituted against the Government, which is also involved in legal proceedings before the courts. These different disputes result from breaches of contract and damages suffered by individuals or property. In some cases, the amounts claimed are mentioned, in others, no mention is made of them. Claims for which an amount has been established total \$2 750 million, after deducting the allowances taken by the Government in this regard.

Some of Québec's Indigenous communities have instituted legal proceedings involving \$10 082 million in damages and interest against the Government for land claims, the recognition of certain ancestral rights and other related questions. These proceedings are at different stages (some proceedings being currently suspended or inactive) and should eventually be resolved through negotiations, rulings or the abandonment of proceedings by applicants.

Since the outcome of these proceedings is uncertain, the Government cannot determine its potential losses.

Complaints have also been filed against the Government by some of its employees and some of the unions representing them pursuant to the application of the *Pay Equity Act* (CQLR, chapter E-12.001), particularly within the framework of pay equity audits conducted in 2010 and 2015 for the parapublic sector plan. Regarding the 2020 evaluation of pay equity maintenance, work has begun for the programs concerned in accordance with the process established by the Act. The exercise should be carried out over several years. The Government records an allowance for a given job class targeted by complaints when a compensation adjustment will probably be made for that job class and the Government can reasonably estimate the amount that it will have to disburse. The estimation method used to value the liability includes the assumptions deemed most probable by the Government.

Contingent assets

Legal proceedings and disputes

The Government has made claims to third parties and filed lawsuits. Those different disputes arise notably from losses incurred and damages to property. Claims for which the Government thinks that it is probable that the resolution will be favorable for it and that a compensation will be received, amount to \$52 million.

26. Cash flow information

Items not affecting cash flow

(millions of dollars)

	Fiscal year ended March 31	
	2021	2020 (adjusted – Note 3)
Doubtful accounts	221	1 027
Allowances related to loans and portfolio investments and guaranteed financial initiatives	227	1 769
Capitalized interests on loans and portfolio investments	(89)	(85)
Reinvestment of the income from Generations Fund investments	(769)	(464)
Revenue from government enterprises	(4 491)	(4 419)
Gains on the disposal of assets	(714)	(625)
Loss in value of assets other than temporary	321	305
Amortization of deferred expenses related to debts	144	113
Amortization of deferred revenue related to the acquisition of fixed assets	(210)	(225)
Activities related to pension plans and other employee future benefits		
Cost of accrued benefits ⁽¹⁾	3 006	2 871
Changes to plans	5	6
Amortization of actuarial losses	595	756
Interest on obligations relating to accrued benefits	7 128	6 963
Change in valuation allowances	83	78
	<u>10 817</u>	<u>10 674</u>
Reinvestment of revenue from fund's investments	<u>(6 243)</u>	<u>(6 056)</u>
	4 574	4 618
Amortization of discounts and premiums	18	(135)
Amortization of deferred foreign exchange losses (gains)	12	(64)
Depreciation of fixed assets	4 399	4 198
Other items not affecting cash flow	<u>2</u>	<u>(14)</u>
	<u>3 645</u>	<u>5 999</u>

(1) This item includes compensations paid by the Government into the contribution funds of participants in the Government and Public Employees Retirement Plan (RREGOP) and the Pension Plan of Management Personnel (PPMP).

26. Cash flow information (cont'd)

Change in assets and liabilities related to operations (millions of dollars)

	Fiscal year ended March 31	
	2021	2020 (adjusted – Note 3)
Assets		
Accounts receivable	(2 590)	(1 430)
Generations Fund – Accounts receivable	(8)	42
Other financial assets	(207)	(263)
Other non-financial assets	(1 061)	(260)
	(3 866)	(1 911)
Liabilities		
Accounts payable and accrued expenses	4 713	2 066
Deferred revenue	610	1 111
Environmental liabilities	(150)	(20)
Other liabilities	(90)	386
	5 083	3 543
	1 217	1 632

Additional information (millions of dollars)

	Fiscal year ended March 31	
	2021	2020
Interest paid	7 730	7 988
Dividends receivable from Government enterprises	423	338
Fixed asset acquisition included in accounts payable and accrued expenses	(1 337)	(1 038)

26. Cash flow information (cont'd)

Non-cash transactions

(millions of dollars)

	Fiscal year ended March 31	
	2021	2020
Investment activities		
Short-term investments – repurchase of titles	4 000	3 000
Portfolio investments made		(190)
Loans recovered		122
Gouvernement enterprises		
Abolition du Centre de recherche industrielle du Québec	(50)	
Abolition of the Innovatech corporations		87
	3 950	3 019
Fixed asset investment activities		
Fixed assets acquired ⁽¹⁾	(117)	(351)
Fixed assets disposed of	32	
	(85)	(351)
Financing activities		
Debts issued ⁽¹⁾	124	349
Debts – repurchase of titles	(4 017)	(3 000)
Specific pension plan funds	(8)	
	(3 901)	(2 651)

(1) These non-cash transactions stem mainly from private-public partnership agreements and capital leases.

27. Related party information

The Government is a related party to its key management personnel, their close relatives and entities for which one or more of those people have the power to guide financial and administrative decisions. The Government's main management personnel are ministers, deputy ministers, and presidents and executive directors or their equivalent.

The Government concluded no significant transactions with related parties during fiscal 2020-2021, for amounts different from those that would have been established between non-related parties.

**National Assembly, appointed persons, government departments
and bodies whose financial transactions were conducted from
the general fund of the Consolidated Revenue Fund**

National Assembly

Persons Appointed by the National Assembly

Auditor General
Chief Electoral Officer¹
Lobbyists Commissioner
Public Protector
The Ethics Commissioner

Departments and bodies

Affaires municipales et Habitation

Commission municipale du Québec
Tribunal administratif du logement

Agriculture, Pêcheries et Alimentation

Commission de protection du territoire agricole du Québec
Régie des marchés agricoles et alimentaires du Québec

Conseil du trésor

Commission de la fonction publique
Infrastructures technologiques Québec

Conseil exécutif

Commission d'accès à l'information

Culture et Communications

Conseil du patrimoine culturel du Québec

Économie et Innovation

Commission de l'éthique en science et en technologie

Éducation

Commission consultative de l'enseignement privé
Conseil du statut de la femme
Conseil supérieur de l'éducation

Énergie et Ressources naturelles

Enseignement supérieur

Comité consultatif sur l'accessibilité financière aux études
Commission d'évaluation de l'enseignement collégial

Environnement et Lutte contre les changements climatiques

Bureau d'audiences publiques sur l'environnement

Famille

Curateur public

National Assembly, appointed persons, government departments and bodies whose financial transactions were conducted from the general fund of the Consolidated Revenue Fund (cont'd)

Finances

Forêts, Faune et Parcs

Immigration, Francisation et Intégration

Justice

- Comité de la rémunération des juges
- Comité de la rémunération des procureurs aux poursuites criminelles et pénales
- Commission de toponymie
- Commission des droits de la personne et des droits de la jeunesse
- Conseil de la justice administrative
- Conseil de la magistrature
- Conseil supérieur de la langue française
- Directeur des poursuites criminelles et pénales
- Office de la protection du consommateur
- Office québécois de la langue française
- Tribunal des droits de la personne

Relations internationales et Francophonie

Revenu²

Santé et Services sociaux

- Commissaire à la santé et au bien-être
- Office des personnes handicapées du Québec

Sécurité publique

- Bureau des enquêtes indépendantes
- Bureau du coroner
- Comité de déontologie policière
- Commissaire à la déontologie policière
- Commissaire à la lutte contre la corruption
- Commission québécoise des libérations conditionnelles
- Régie des alcools, des courses et des jeux

Tourisme

Transports

- Commission des transports du Québec

Travail, Emploi et Solidarité sociale

- Commission des partenaires du marché du travail

(1) The Chief Electoral Officer is also Chair of the Commission de la représentation électorale.

(2) Transactions of the general fund of the Consolidated Revenue Fund related to the enforcement or administration of any statute under the responsibility of the Minister of Revenue are administered by the Agence du revenu du Québec.

Government bodies and special funds

Bodies¹

Agence du revenu du Québec
Autorité des marchés financiers
Autorité des marchés publics
Bibliothèque et Archives nationales du Québec
Centre d'acquisitions gouvernementales
Centre de la francophonie des Amériques
Commission de la capitale nationale du Québec
Commission des services juridiques
Conseil des arts et des lettres du Québec
Conservatoire de musique et d'art dramatique du Québec (June 30)
Corporation d'urgences-santé
École nationale de police du Québec² (June 30)
École nationale des pompiers du Québec² (June 30)
Financement-Québec
Fondation de la faune du Québec
Fonds d'aide aux actions collectives
Fonds de l'assurance médicaments – Prescription Drug Insurance Fund
Fonds de recherche du Québec–Nature et technologies – Québec Research Fund–Nature and Technology
Fonds de recherche du Québec–Santé – Québec Research Fund–Health
Fonds de recherche du Québec–Société et culture – Québec Research Fund–Society and Culture
Héma-Québec
Institut de la statistique du Québec
Institut de tourisme et d'hôtellerie du Québec (June 30)
Institut national de santé publique du Québec
Institut national des mines
Institut national d'excellence en santé et en services sociaux
La Financière agricole du Québec
Musée d'art contemporain de Montréal
Musée de la civilisation
Musée national des beaux-arts du Québec
Office de la sécurité du revenu des chasseurs et piégeurs cris – Cree Hunters and Trappers Income Security Board (June 30)
Office des professions du Québec
Office Québec-Monde pour la jeunesse
Régie de l'assurance maladie du Québec
Régie de l'énergie
Régie du bâtiment du Québec
Société de développement de la Baie-James (December 31)
Société de développement des entreprises culturelles
Société de développement et de mise en valeur du Parc olympique³
Société de financement des infrastructures locales du Québec
Société de la Place des Arts de Montréal
Société de l'assurance automobile du Québec (December 31)
Société de télédiffusion du Québec (Télé-Québec)
Société des établissements de plein air du Québec
Société des parcs de sciences naturelles du Québec

Government bodies and special funds (cont'd)

Bodies¹ (cont'd)

Société des traversiers du Québec
Société d'habitation du Québec
Société du Centre des congrès de Québec
Société du Grand Théâtre de Québec (August 31)
Société du Palais des congrès de Montréal
Société du parc industriel et portuaire de Bécancour
Société du Plan Nord
Société nationale de l'amiante⁴
Société portuaire du Bas-Saint-Laurent et de la Gaspésie inc.
Société québécoise de récupération et de recyclage
Société québécoise des infrastructures
Société québécoise d'information juridique

Special funds of the Consolidated Revenue Fund

Access to Justice Fund
Administrative Labour Tribunal (Fund of the)⁵
Administrative Tribunal of Québec (Fund of the)⁵
Air Service Fund
Assistance Fund for Independent Community Action
Avenir Mécénat Culture Fund
Cannabis Prevention and Research Fund
Cannabis Sales Revenue Fund
Capitale-Nationale Region Fund
Caregiver Support Fund
Crime Victims Assistance Fund
Economic Development Fund
Educational Childcare Services Fund
Electrification and Climate Change Fund
Energy Transition, Innovation and Efficiency Fund
Financing Fund
Financial Markets Administrative Tribunal (Fund of the)⁵
Fund for the Protection of the Environment and the Waters in the Domain of the State
Generations Fund
Goods and Services Fund
Government Infrastructure and Digital Services Fund
Health and Social Services Information Resources Fund
Health Services Fund
Highway Safety Fund
IFC Montréal Fund
Information Technology Fund of the Ministère de l'Emploi et de la Solidarité sociale
Labour Market Development Fund
Land Transportation Network Fund
Natural Resources and Energy Capital Fund

Government bodies and special funds (cont'd)

Special funds of the Consolidated Revenue Fund (cont'd)

Natural Resources Fund
Northern Plan Fund
Police Services Fund
Public Contracts Fund
Québec Cultural Heritage Fund
Québec Enterprise Growth Fund
Québec Fund for Social Initiatives
Regions and Rurality Fund
Register Fund of the Ministère de la Justice
Rolling Stock Management Fund
Special Contracts and Financial Assistance for Investment Fund
Sports and Physical Activity Development Fund
Tax Administration Fund
Territorial Information Fund
Tourism Partnership Fund
University Excellence and Performance Fund

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- (1) When a fiscal year ends on a date other than March 31, the date is indicated in parentheses. Interim data are then used for the period between the end of the fiscal year and March 31.
 - (2) No data are available for the period between the end of the fiscal year and March 31.
 - (3) The Société de développement et de mise en valeur du Parc olympique replaced the Régie des installations olympiques on November 1, 2020.
 - (4) The Société nationale de l'amiante has ceased its operations. Since June 1, 2016, this entity has been constituted as a legal person established in the public interest governed by the provisions of the Business Corporations Act (CQLR, chapter S-3.1.1).
 - (5) The financial data for this special fund, which were used for consolidation purposes, also include those pertaining to the body financed by this fund.

Organizations in the Government's health and social services, education and higher education networks

Health and social services network

Integrated health and social services centres

Centre intégré de santé et de services sociaux de Chaudière-Appalaches
Centre intégré de santé et de services sociaux de l'Abitibi-Témiscamingue
Centre intégré de santé et de services sociaux de la Côte-Nord
Centre intégré de santé et de services sociaux de la Gaspésie
Centre intégré de santé et de services sociaux de la Montérégie-Centre
Centre intégré de santé et de services sociaux de la Montérégie-Est
Centre intégré de santé et de services sociaux de la Montérégie-Ouest
Centre intégré de santé et de services sociaux de Lanaudière
Centre intégré de santé et de services sociaux de Laval
Centre intégré de santé et de services sociaux de l'Outaouais
Centre intégré de santé et de services sociaux des Îles
Centre intégré de santé et de services sociaux des Laurentides
Centre intégré de santé et de services sociaux du Bas-Saint-Laurent
Centre intégré universitaire de santé et de services sociaux de la Capitale-Nationale
Centre intégré universitaire de santé et de services sociaux de la Mauricie-et-du-Centre-du-Québec
Centre intégré universitaire de santé et de services sociaux de l'Est-de-l'Île-de-Montréal
Centre intégré universitaire de santé et de services sociaux de l'Estrie – Centre hospitalier universitaire de Sherbrooke
Centre intégré universitaire de santé et de services sociaux de l'Ouest-de-l'Île-de-Montréal
Centre intégré universitaire de santé et de services sociaux du Centre-Ouest-de-l'Île-de-Montréal
Centre intégré universitaire de santé et de services sociaux du Centre-Sud-de-l'Île-de-Montréal
Centre intégré universitaire de santé et de services sociaux du Nord-de-l'Île-de-Montréal
Centre intégré universitaire de santé et de services sociaux du Saguenay–Lac-Saint-Jean

Other public institutions and regional authorities

Centre de santé Inuulitsivik – Inuulitsivik Health Centre
Centre de santé Tulattavik de l'Ungava – Ungava Tulattavik Health Centre
Centre hospitalier de l'Université de Montréal
Centre hospitalier universitaire Sainte-Justine
Centre régional de santé et de services sociaux de la Baie-James
Centre universitaire de santé McGill – McGill University Health Centre
CHU de Québec – Université Laval
CLSC Naskapi
Conseil cri de la santé et des services sociaux de la Baie-James – Cree Board of Health and Social Services of James Bay
Institut de cardiologie de Montréal
Institut national de psychiatrie légale Philippe-Pinel
Institut universitaire de cardiologie et de pneumologie de Québec – Université Laval
Régie régionale de la santé et des services sociaux du Nunavik – Nunavik Regional Board of Health and Social Services

Organizations in the Government's health and social services, education and higher education networks (cont'd)

Education network

School service centres¹

Centre de services scolaire au Coeur-des-Vallées
Centre de services scolaire de Charlevoix
Centre de services scolaire de Kamouraska–Rivière-du-Loup
Centre de services scolaire de la Baie-James
Centre de services scolaire de la Beauce-Etchemin
Centre de services scolaire de la Capitale
Centre de services scolaire de la Côte-du-Sud
Centre de services scolaire De La Jonquière
Centre de services scolaire de la Moyenne-Côte-Nord
Centre de services scolaire de la Pointe-de-l'Île
Centre de services scolaire de la Région-de-Sherbrooke
Centre de services scolaire de la Riveraine
Centre de services scolaire de la Rivière-du-Nord
Centre de services scolaire de la Seigneurie-des-Mille-Îles
Centre de services scolaire de Laval
Centre de services scolaire de la Vallée-des-Tisserands
Centre de services scolaire de l'Énergie
Centre de services scolaire de l'Estuaire
Centre de services scolaire de l'Or-et-des-Bois
Centre de services scolaire de Montréal
Centre de services scolaire de Portneuf
Centre de services scolaire de Rouyn-Noranda
Centre de services scolaire de Saint-Hyacinthe
Centre de services scolaire de Sorel-Tracy
Centre de services scolaire des Affluents
Centre de services scolaire des Appalaches
Centre de services scolaire des Bois-Francis
Centre de services scolaire des Chênes
Centre de services scolaire des Chic-Chocs
Centre de services scolaire des Découvreurs
Centre de services scolaire des Draveurs
Centre de services scolaire des Grandes-Seigneuries
Centre de services scolaire des Hautes-Laurentides
Centre de services scolaire des Hautes-Rivières
Centre de services scolaire des Hauts-Bois-de-l'Outaouais
Centre de services scolaire des Hauts-Cantons
Centre de services scolaire des Îles
Centre de services scolaire des Laurentides
Centre de services scolaire des Monts-et-Marées
Centre de services scolaire des Navigateurs
Centre de services scolaire des Patriotes
Centre de services scolaire des Phares
Centre de services scolaire des Portages-de-l'Outaouais
Centre de services scolaire des Premières-Seigneuries

Organizations in the Government's health and social services, education and higher education networks (cont'd)

Education network (cont'd)

School service centres¹ (cont'd)

Centre de services scolaire des Rives-du-Saguenay
Centre de services scolaire des Samares
Centre de services scolaire des Sommets
Centre de services scolaire des Trois-Lacs
Centre de services scolaire du Chemin-du-Roy
Centre de services scolaire du Fer
Centre de services scolaire du Fleuve-et-des-Lacs
Centre de services scolaire du Lac-Abitibi
Centre de services scolaire du Lac-Saint-Jean
Centre de services scolaire du Lac-Témiscamingue
Centre de services scolaire du Littoral
Centre de services scolaire du Pays-des-Bleuets
Centre de services scolaire du Val-des-Cerfs
Centre de services scolaire Harricana
Centre de services scolaire Marguerite-Bourgeoys
Centre de services scolaire Marie-Victorin
Centre de services scolaire René-Lévesque

School boards¹

Commission scolaire Central Québec – Central Québec School Board
Commission scolaire crie – Cree School Board
Commission scolaire Eastern Shores – Eastern Shores School Board
Commission scolaire Eastern Townships – Eastern Townships School Board
Commission scolaire English-Montréal – English Montreal School Board
Commission scolaire Kativik – Kativik School Board
Commission scolaire Lester-B.-Pearson – Lester B. Pearson School Board
Commission scolaire New Frontiers – New Frontiers School Board
Commission scolaire Riverside – Riverside School Board
Commission scolaire Sir-Wilfrid-Laurier – Sir Wilfrid Laurier School Board
Commission scolaire Western Québec – Western Québec School Board

Comité de gestion de la taxe scolaire de l'île de Montréal

Organizations in the Government's health and social services, education and higher education networks (cont'd)

Higher education networks

General and vocational colleges (CEGEPs)¹

Cégep André-Laurendeau
Cégep Beauce-Appalaches
Cégep d'Ahuntsic
Cégep de Baie-Comeau
Cégep de Bois-de-Boulogne
Cégep de Chicoutimi
Cégep de Drummondville
Cégep de Granby
Cégep de Jonquière
Cégep de l'Abitibi-Témiscamingue
Cégep de la Gaspésie et des Îles
Cégep de La Pocatière
Cégep de Lévis-Lauzon
Cégep de l'Outaouais
Cégep de Maisonneuve
Cégep de Matane
Cégep de Rimouski
Cégep de Rivière-du-Loup
Cégep de Rosemont
Cégep de Sainte-Foy
Cégep de Saint-Félicien
Cégep de Saint-Hyacinthe
Cégep de Saint-Jérôme
Cégep de Saint-Laurent
Cégep de Sept-Îles
Cégep de Sherbrooke
Cégep de Sorel-Tracy
Cégep de Thetford
Cégep de Trois-Rivières
Cégep de Valleyfield
Cégep de Victoriaville
Cégep du Vieux Montréal
Cégep Édouard-Montpetit
Cégep François-Xavier Garneau
Cégep Gérald-Godin
Cégep Limoilou
Cégep Lionel-Groulx
Cégep Marie-Victorin
Cégep Montmorency
Cégep régional Champlain – Champlain Regional College
Cégep régional de Lanaudière
Cégep Saint-Jean-sur-Richelieu

Organizations in the Government's health and social services, education and higher education networks (cont'd)

Higher education networks (cont'd)

General and vocational colleges (CEGEPs)¹ (cont'd)

Collège d'Alma
Collège Shawinigan
Dawson College
Heritage College
John Abbott College
Vanier College of General and Vocational Education

Université du Québec and its constituent universities²

École de technologie supérieure
École nationale d'administration publique
Institut national de la recherche scientifique
Télé-université
Université du Québec
Université du Québec à Chicoutimi
Université du Québec à Montréal
Université du Québec à Rimouski
Université du Québec à Trois-Rivières
Université du Québec en Abitibi-Témiscamingue
Université du Québec en Outaouais

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- (1) School service centres, school boards and colleges have a fiscal year that ends on June 30. Interim data are used for the period between the end of their fiscal year and March 31, except in the case of the Cree School Board. No data are available for that school board for the period from July 1 to March 31.
- (2) The financial data of the Université du Québec and its constituent universities that were used for consolidation purposes cover the period from May 1, 2020 to April 30, 2021, the date on which their fiscal year ends. Operations and events relating to these entities that occurred between April 1 and 30, 2021 did not have a material financial impact on the Government's financial position and consolidated results.

Government enterprises¹

Capital Financière agricole inc.

Hydro-Québec (December 31)

Investissement Québec

Loto-Québec

Société des alcools du Québec (fiscal year ended on the last Saturday of the month of March)

Société ferroviaire et portuaire de Pointe-Noire S.E.C.

Société québécoise du cannabis (fiscal year ended on the last Saturday of the month of March)

(1) When the fiscal year of a government enterprise ends on a date other than March 31, the date is indicated in parentheses. Interim data are then used for the period between the end of the enterprise's fiscal year and March 31.

The Government holds a 100% share of those enterprises, except for Capitale Financière agricole inc. where it holds 90.10%.

Government business partnerships – Purpose and percentage holding¹

<u>Government partnerships</u>	<u>Purpose of the government partnership</u>	<u>Percentage holding</u>	
		<u>2021</u>	<u>2020</u>
Fonds du développement économique			
Nemaska Lithium inc (December 31)	Resumption of the mine's activity and of lithium transformation in Quebec.	50%	–
La Financière agricole du Québec			
Fonds d'investissement pour la relève agricole (FIRA) S.E.C. (September 30)	Support for the next generation of Québec farmers by promoting the start-up and transfer of farming businesses	33%	33%
Société de développement de la Baie-James			
Camp 257 S.E.C. (December 31)	Sale of restaurant, accommodation and gasoline services	33%	33%
Société de développement des entreprises culturelles			
Fonds Capital Culture Québec S.E.C. (December 31)	Innovative financing for Québec cultural export businesses	60%	60%
Fonds d'investissement de la culture et des communications S.E.C. (December 31)	Financial partnerships for businesses that create, produce, distribute and disseminate cultural and communication products and services	33%	33%
La Financière des entreprises culturelles (FIDEC) S.E.C. (December 31)	Financing for cultural businesses to enable them to continue to grow on international markets	46%	46%

(1) When the fiscal year of a partnership ends on a date other than March 31, the date is indicated in parentheses. Interim data are then used for the period between the end of the partnership's fiscal year and March 31.

Government non-business partnerships – Purpose and percentage holding¹

<u>Government partnerships</u>	<u>Purpose of the government partnership</u>	<u>Percentage holding</u>	
		2021	2020
Natural Resources and Energy Capital Fund			
Quebec Precious Metals Corporation, Ressources Québec inc. (Rare Earth [Kipawa]) (December 31)	Development of the rare earth mining project in Kipawa in southern Témiscamingue	32%	32%
Pieridae Energy Limited, Ressources Québec inc., Tugliq Énergie S.A.R.F. (Propriété Bourque) (December 31)	Exploration, development, production and provision of hydrocarbons in the Bourque deposit in Gaspésie	45%	45%
Cuda Oil and Gas inc., Ressources Québec inc., Gestion Bernard Lemaire inc. (projet Galt) (December 31)	Exploration and development of natural resources on the properties comprising the Galt project	17%	17%
CIUSSS de l'Estrie – Centre hospitalier universitaire de Sherbrooke			
Laboratoire de simulation clinique (April 30)	Support for the university hospital community – clinical training and implementation of a simulation laboratory	45%	45%
Société québécoise des infrastructures			
Société Bon Pasteur S.E.N.C. (December 31)	Management of buildings to be used for the rental of commercial and residential premises	50%	50%

(1) When the fiscal year of a partnership ends on a date other than March 31, the date is indicated in parentheses. Interim data are then used for the period between the end of the partnership's fiscal year and March 31.

Appendix 6 Properties held and fiduciary transactions

Properties held and fiduciary transactions that are not part of the Government's reporting entity and that are administered for designated beneficiaries¹

Accounts under administration (December 31)
Under administration of the Curateur public

Account under administration of the Educational Childcare Services Fund
under administration of the Ministère de la Famille

Caisse de dépôt et placement du Québec (December 31)

Cautionnements individuels des agents de voyages
under administration of the Office de la protection du consommateur

Comité Entraide – public and parapublic sectors
under administration of the Ministère du Travail, de l'Emploi et de la Solidarité sociale

Commission de la construction du Québec (December 31)

Compensation regime for municipal bodies
under administration of the Société québécoise de récupération et de recyclage

Conseil de gestion de l'assurance parentale (December 31)

Fonds central de soutien à la réinsertion sociale (December 31)
under administration of the Ministère de la Sécurité publique

Fonds d'assurance automobile du Québec (December 31)
under administration of the Société de l'assurance automobile du Québec

Fonds d'assurance-garantie
under administration of the Régie des marchés agricoles et alimentaires du Québec

Fonds d'assurance-récolte
Fonds d'assurance-stabilisation des revenus agricoles
under administration of the La Financière agricole du Québec

Fonds des pensions alimentaires
under administration of the Agence du revenu du Québec

Fonds d'indemnisation des clients des agents de voyages
under administration of the Office de la protection du consommateur

Fonds d'indemnisation des services financiers
under administration of the Autorité des marchés financiers

Appendix 6

Properties held and fiduciary transactions (cont'd)

Properties held and fiduciary transactions that are not part of the Government's reporting entity and that are administered for designated beneficiaries¹ (cont'd)

Guarantee fund
under administration of the Régie du bâtiment du Québec

Parental Insurance Fund (December 31)
under administration of the Conseil de gestion de l'assurance parentale (December 31)

Retraite Québec (December 31)

Trust fund under administration of the Bureau général de dépôts pour le Québec
under administration of the Ministère des Finances

Unclaimed property (December 31)
under administration of the Agence du revenu du Québec

Workforce Skills Development and Recognition Fund
under administration of the Ministère du Travail, de l'Emploi et de la Solidarité sociale

(1) When a fiscal year ends on a date other than March 31, the date is indicated in parentheses.

Consolidated statement of revenue and consolidated statement of expenditure by government mission

The Government provides segmented financial information for each of its missions. This information is intended to present the resources allocated to support its missions, and to provide users with relevant information for accountability and decision-making purposes. Intersegment transactions are usually evaluated at book value.

The following tables present the revenue sources and costs of each of the Government's missions, namely:

- **Health and Social Services**, which encompasses the activities of:
 - the Ministère de la Santé et des Services sociaux (except for the condition of seniors sector),
 - the bodies and special funds that contribute to this mission;
- **Education and Culture**, which encompasses the activities of:
 - the Ministère de la Culture et des Communications (except for the debt management sector),
 - the Ministère de l'Éducation (except for the status of women sector),
 - The Ministère de l'Enseignement supérieur,
 - the Ministère de l'Immigration, de la Francisation et de l'Intégration,
 - the bodies and special funds that contribute to this mission;
- **Economy and Environment**, which encompasses mainly the activities of:
 - the Ministère des Affaires municipales et de l'Habitation (except for the sector related to compensation in lieu of taxes and support to municipalities, the sector related to support to ministerial activities and the Commission municipale du Québec sector),
 - the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation,
 - the Ministère de l'Économie et de l'Innovation,
 - the Ministère de l'Énergie et des Ressources naturelles,
 - the Ministère de l'Environnement et de la Lutte contre les changements climatiques,
 - the Ministère des Forêts, de la Faune et des Parcs,
 - the Ministère des Relations internationales et de la Francophonie,
 - the Ministère de la Sécurité publique (promotion and development of the Capitale-Nationale sector),
 - the Ministère du Tourisme,
 - the Ministère des Transports,

**Consolidated statement of revenue and consolidated statement of expenditure
by government mission** (cont'd)

- **Economy and Environment**, which encompasses mainly the activities of (cont'd):
 - the Ministère du Travail, de l'Emploi et de la Solidarité sociale (sector regarding employment assistance measures),
 - the bodies and special funds that contribute to this mission;
- **Support for Individuals and Families**, which encompasses mainly the activities of:
 - the Ministère de l'Éducation (status of women sector),
 - the Ministère de la Famille,
 - the Ministère de la Justice (compensation and recognition sector),
 - the Ministère de la Santé et des Services sociaux (condition of seniors sector),
 - the Ministère du Travail, de l'Emploi et de la Solidarité sociale (except for the sector regarding employment assistance measures),
 - the bodies and special funds that contribute to this mission;
- **Administration and Justice**, which encompasses mainly the activities of:
 - the National Assembly and persons appointed by it,
 - the Ministère des Affaires municipales et de l'Habitation (sector related to compensation in lieu of taxes and support to municipalities, the sector related to support to ministerial activities and the Commission municipale du Québec sector),
 - the Conseil du trésor,
 - the Conseil exécutif,
 - the Ministère des Finances (except for the debt management),
 - the Ministère de la Justice (except for the compensation and recognition sector),
 - the Ministère de la Sécurité publique,
 - the Generations Fund,
 - the bodies and special funds that contribute to this mission.

Consolidated statement of revenue and consolidated statement of expenditure by government mission (cont'd)

- **Administration and Justice** (cont'd):

In addition, revenue and expenditure related to the application or enforcement of any Act, which are under the responsibility of the Minister of Revenue, are presented in this mission, except for refundable tax credits that meet the definition of a tax-funded transfer. Each of these tax credits is presented in the expenditures of the government mission with which it is associated. Revenue from federal government transfers falling under the responsibility of the Ministère des Finances, i.e. revenue from equalization payments, payments from transfers for health care and for post-secondary education and other social programs, are also presented in this mission;

- **Debt Service:** which encompasses mainly the activities of the Ministère des Finances (debt management sector).

The revenue and expenditure of each government mission are presented after the eliminations of transactions and balances between the entities and unrealized gains and losses related to transactions on assets and liabilities that remained in the Government's reporting entity. In addition, when an entity's activities are related to several missions, its revenue and expenditure are allocated among the missions concerned.

Appendix 7

Segment disclosures (cont'd)

Consolidated statement of revenue by government mission

(millions of dollars)

	Fiscal year ended March 31, 2021					
	Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Total
REVENUE						
Income and property taxes		1 156	79		50 268	51 503
Consumption taxes		108	1 990	15	19 264	21 377
Duties and permits	2	41	2 786	54	1 730	4 613
Miscellaneous revenue	3 786	1 440	1 286	125	3 247	9 884
Revenue from government enterprises			161		4 330	4 491
Total own-source revenue	3 788	2 745	6 302	194	78 839	91 868
Federal government transfers	592	1 160	2 948	36	25 980	30 716
Total revenue	4 380	3 905	9 250	230	104 819	122 584

	Fiscal year ended March 31, 2020					
	Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Total
REVENUE						
Income and property taxes		1 539	79		48 864	50 482
Consumption taxes		90	2 338	30	18 890	21 348
Duties and permits	2	54	3 031	47	1 401	4 535
Miscellaneous revenue	4 135	1 976	1 732	208	2 911	10 962
Revenue from government enterprises					4 419	4 419
Total own-source revenue	4 137	3 659	7 180	285	76 485	91 746
Federal government transfers	228	1 380	2 185	38	21 397	25 228
Total revenue	4 365	5 039	9 365	323	97 882	116 974

Appendix 7 Segment disclosures (cont'd)

Consolidated statement of expenditure by government mission

(millions of dollars)

	Fiscal year ended March 31, 2021						
	Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Debt Service	Total
EXPENDITURE BY SUPERCATEGORY							
Transfer	6 167	6 320	12 504	10 086	3 708		38 785
Remuneration	32 843	16 089	1 603	604	4 641		55 780
Operating	14 237	4 097	3 807	332	1 318		23 791
Doubtful accounts and other allowances	92	37	539	41	56		765
Total expenditure excluding debt service	53 339	26 543	18 453	11 063	9 723	–	119 121
Debt service						7 689	7 689
Total expenditure	53 339	26 543	18 453	11 063	9 723	7 689	126 810

	Fiscal year ended March 31, 2020						
	Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Debt service	Total
				(adjusted – Note 3)			
EXPENDITURE BY SUPERCATEGORY							
Transfer	5 246	5 647	10 436	9 956	2 070		33 355
Remuneration	28 488	15 371	1 591	583	4 865		50 898
Operating	10 116	4 391	4 415	356	1 346		20 624
Doubtful accounts and other allowances	81	64	1 311	21	861		2 338
Total expenditure excluding debt service	43 931	25 473	17 753	10 916	9 142	–	107 215
Debt service						7 676	7 676
Total expenditure	43 931	25 473	17 753	10 916	9 142	7 676	114 891

Appendix 8

Fiduciary transactions conducted by the Government

Summary of properties held and fiduciary transactions administered for designated beneficiaries

(millions of dollars)

	As at March 31, 2021		
	Assets	Liabilities	Net assets (liabilities)
Accounts under administration ⁽¹⁾ , under administration of the Curateur public	731	113	618
Account under administration of the Educational Childcare Services Fund	4	4	—
Caisse de dépôt et placement du Québec ⁽¹⁾	412 093	46 601	365 492 ^{(2),(3)}
Cautionnements individuels des agents de voyages	8 ⁽²⁾	5	3
Comité Entraide – public and parapublic sectors	5	5	—
Commission de la construction du Québec			
General administration fund ⁽¹⁾	315	343	(28)
Supplemental Pension Plan ⁽¹⁾ :			
general account	4 014 ⁽²⁾	2 354	1 660
complementary account	14 346 ⁽²⁾	14 346	—
pensioners' account	9 500 ⁽²⁾	9 115	385
Other funds ⁽¹⁾	2 402	1 428	974
Compensation regime for municipal bodies	182	182	—
Conseil de gestion de l'assurance parentale ⁽¹⁾	12	12	—
Parental Insurance Fund ⁽¹⁾	582 ⁽²⁾	71	511
Fonds central de soutien à la réinsertion sociale ⁽¹⁾	2		2
Fonds d'assurance automobile du Québec ⁽¹⁾	13 539 ⁽²⁾	8 581	4 958
Fonds d'assurance-garantie	11 ⁽²⁾		11
Fonds d'assurance-récolte	268 ⁽²⁾	16	252
Fonds d'assurance-stabilisation des revenus agricoles	25	132	(107)
Fonds des pensions alimentaires	176	176	—
Fonds d'indemnisation des clients des agents de voyages	154 ⁽²⁾	86	68
Fonds d'indemnisation des services financiers	99 ⁽²⁾	24	75

Appendix 8

Fiduciary transactions conducted by the Government (cont'd)

Summary of properties held and fiduciary transactions administered for designated beneficiaries (cont'd)

(millions of dollars)

	As at March 31, 2021		
	Assets	Liabilities	Net assets (liabilities)
Guaranty fund	6	24	(18)
Retraite Québec ⁽¹⁾	254	239	15
Government pension plans – share paid by participants ⁽¹⁾ :			
RREGOP	82 341 ⁽²⁾	72 514	9 827
PPMP	10 333 ⁽²⁾	9 044	1 289
PPPOCS	783 ⁽²⁾	694	89
SPMSQ	693 ⁽²⁾	674	19
Other pension plans administered by Retraite Québec ⁽¹⁾	416 ⁽²⁾	340	76
Québec Pension Plan Fund ⁽¹⁾			
Québec Pension Plan – Base plan	87 759 ⁽²⁾	238	87 521
Québec Pension Plan – Additional plan	1 374 ⁽²⁾	7	1 367
Trust fund under administration of the Bureau général de dépôts pour le Québec	1 161	1 161	–
Unclaimed property ⁽¹⁾ , under administration of the Agence du revenu du Québec	262	166	96
Workforce Skills Development and Recognition Fund	151	13	138

(1) The data are as at December 31, 2020, i.e. the end date of the trust fund's fiscal year.

(2) The funds of certain trusts are entrusted in whole or in part to the Caisse de dépôt et placement du Québec (the Caisse). The net assets of the Caisse, shown at fair value, included \$224 053 M in funds entrusted to it by these trusts.

(3) The net assets of the Caisse include assets taken into account in the Government's consolidated financial statements, particularly those of the Retirement Plans Sinking Fund and the Generations Fund. The fair value of these assets was \$119 463 M.

GLOSSARY

Glossary

The following terms are used in the sections “Analysis of the consolidated financial statements” and “Consolidated financial statements” contained in this volume. Definitions mainly come from the *CPA Canada Public Sector Accounting Handbook*.

Accrual basis of accounting

The accrual basis of accounting is an accounting method that involves taking into account, in determining an entity's net results, the revenues the entity earned and the expenditures it incurred during a fiscal year without considering the moment the transactions were settled through cash receipts or disbursements or in any other manner.

Advance borrowings

Advance borrowings are borrowings made by the general fund of the Consolidated Revenue Fund in a fiscal year to meet its financial requirements in the next fiscal year.

Budget balance

The budget balance and its calculation method are defined in the *Balanced Budget Act* (CQLR, chapter E-12.00001).

The budget balance measures the attainment of a balanced budget. For a given fiscal year, it is the result of the difference between the revenue and expenditure determined in accordance with the Government's accounting policies and taking into account the following adjustments:

- items not included in the budget balance:
 - i) the revenue and expenditure recorded in the Generations Fund,
 - ii) certain retroactive adjustments to revenue from government enterprises,
 - iii) for fiscal 2012-2013, the result arising from discontinued operations following the decision to close the Gentilly-2 nuclear generating station, presented in Hydro-Québec's annual consolidated financial statements;
- items included in the budget balance:
 - i) entries charged directly to the accumulated deficit, except for those resulting from:
 - (1) the retroactive effect of any new CPA Canada standard or the years preceding the changeover year proposed by the CPA Canada,
 - (2) accounting changes resulting from the 2006-2007 accounting reform appearing in the public accounts.

Glossary (cont'd)

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. An investment would normally qualify as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

Consolidated Revenue Fund

The Consolidated Revenue Fund consists of all money received or collected from various sources over which the Parliament of Québec has the power of appropriation. It comprises a general fund and special funds.

Cost-sharing plans

Cost-sharing pension plans are joint plans for which the Government's responsibility for payment of the benefits granted by the plan is limited to its share of the cost of benefits accrued by employees.

Cost-balance plans

Cost-balance pension plans are plans for which the Government covers the total cost of accrued benefits, net of the contributions paid by employees and certain employers.

Debt representing accumulated deficits

The debt representing accumulated deficits consists of the accumulated deficits presented in the Government's consolidated financial statements.

Derivative instruments

Derivative instruments are instruments whose value fluctuates depending on an underlying instrument, regardless of whether the underlying instrument is actually held or issued.

Financial assets

Financial assets represent assets available at the end of the fiscal year that can be used to repay existing debts or to finance future operations. They are not intended to be used to deliver public services.

Financial instruments

Financial instruments are liquid assets, equity securities in an entity or contracts that are both a source of financial assets for one of the two contracting parties and a source of financial liabilities or equity instruments for the other contracting party.

Glossary (cont'd)

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.

General fund

The general fund consists of money paid into the Consolidated Revenue Fund that has not been credited to a special fund under legislative provisions.

Generations Fund

Under the *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1), the Minister of Finance deposits the sums that make up this fund with the Caisse de dépôt et placement du Québec. These sums are used exclusively for repaying the Government's gross debt.

Government enterprises

A government enterprise has all of the following characteristics:

- it is a separate legal entity that has the authority to enter into contracts in its own name and to go before a court;
- it is vested with the financial and administrative power to carry out commercial activities;
- 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;
- 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.

Government business partnerships

A government business partnership has all of the following characteristics:

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

Glossary (cont'd)

Gross debt

The gross debt corresponds to the sum of debts before deferred foreign exchange gains or losses and the liability regarding the pension plans and other employee future benefits. The balance of the Generations Fund is subtracted from this amount.

The gross debt for a fiscal year does not include borrowings contracted by the Minister of Finance for the following fiscal year.

Gross domestic product (GDP)

GDP is the value of all goods and services produced within the geographical limits of a country or a territory during a given calendar year.

Inventories

Inventories consist of supplies that are consumed in the normal course of operations during the coming fiscal years.

Liabilities

Liabilities are obligations of the Government toward third parties on the financial statement date arising from past transactions or events, and whose fulfilment will give rise to an outflow of resources representative of economic benefits in the future.

Missions

Missions are the basic activity areas of a government that constitute its raison d'être. In Québec, there are six missions: "Health and Social Services", "Education and Culture", "Economy and Environment", "Support for Individuals and Families", "Administration and Justice", and "Debt Service".

Net debt

The net debt corresponds to the difference between the Government's financial assets and its liabilities. It consists of accumulated deficits and non-financial assets.

Non-financial assets

Non financial assets represent assets who, by their nature, are used in the normal course of the Government's activities to deliver public services.

Own-source revenue

Own-source revenue consists of revenue from income and property taxes, consumption taxes, duties and permits, miscellaneous sources and government enterprises.

Retirement Plans Sinking Fund (RPSF)

Under the *Financial Administration Act* (CQLR, chapter A-6.001), the Minister of Finance may make long-term investments by depositing money from the general fund of the Consolidated Revenue Fund with the Caisse de dépôt et placement du Québec, up to an amount equal to the sums recorded as the pension plans liability, in order to create a sinking fund to provide for the payment of all or part of the benefits awarded under these plans.

Revenue from duties and permits

Revenue from duties and permits arises from transactions with consideration for which the Government grants a third party, in exchange for liquid assets, a right of use or an operating permit or issues a third party a certificate.

Sinking Fund relating to Government Borrowings

Under the *Financial Administration Act* (CQLR, chapter A-6.001), the Minister of Finance may create a sinking fund to provide for the repayment of any borrowing that is part of the Government's public debt. To that end, the Minister may, with the authorization of the Government, take out of the general fund of the Consolidated Revenue Fund any sum the Minister pays into the sinking fund. In addition, prudential liquid assets are kept in the sinking fund to enable the Government to fulfill its financial commitments in the event of major disruptions in financial markets.

Special fund

A special fund is a fund established by an Act to provide for certain financial commitments of a minister, a budget-funded body or a non-budget-funded body exercising an adjudicative function. Legislative provisions determine which sums paid into the Consolidated Revenue Fund must be credited to a special fund.

Supercategories

Supercategories consist of the categories used to account for expenditures. There are five expenditures supercategories.

Transfer

This supercategory includes expenditures that are paid out to provide beneficiaries with various forms of financial support. For the Government, these expenditures do not constitute direct acquisitions of goods or services or funds granted for the purpose of obtaining a return, as in the case of an investment, or amounts for which it expects to be repaid at a later date, as in the case of loans.

Glossary (cont'd)

Supercategories (cont'd)

Remuneration

This supercategory includes expenditures incurred for ordinary remuneration, overtime and certain other indemnities paid directly by the Government to permanent and part-time employees and to casual employees, including students and seasonal public sector employees. It also includes the remuneration of health professionals, salaries and allowances incurred towards members of the National Assembly, any person appointed or designated by the National Assembly to perform a function under its jurisdiction, the personnel it manages, judges and members of the Sûreté du Québec. Lastly, it includes all benefits and other contributions paid by the Government in its capacity as an employer, particularly, contributions to the pension plans, the Québec Pension Plan, the Québec Parental Insurance Plan and employment insurance.

Operating

This supercategory includes expenditures incurred in the course of an entity's administrative activities, apart from remuneration expenses, transfer expenses, doubtful accounts and other allowances, and debt service. In particular, it includes the estimated cost of reassessments and of the Government's new obligations regarding the remediation of contaminated sites, as well as the depreciation of fixed assets.

Doubtful accounts and other allowances

This supercategory includes expenditures resulting from changes in the allowance for doubtful accounts, the allowance for losses on financial initiatives guaranteed by the Government and the valuation allowance for loans, portfolio investments and advances.

Debt service

This supercategory includes interests on debts and on obligations related to accrued benefits of pensions plans and other future benefits. The revenues dedicated to the repayment of those liabilities are presented as a reduction of debt service is sufficient. The latter also includes the amortization of premiums, discounts and costs related to the issuance and management of debts, as well as foreign exchange gains and losses, including their amortization.

Transfer expenditures

Transfers are economic benefits granted by a government to a recipient, for no consideration in goods or services and for which the government does not expect to be reimbursed at a later date or to obtain a direct financial return.

