



**Ministry of
Finance**

1995-1996

Province of Ontario Annual Report

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Message from the Honourable Ernie Eves, Minister of Finance

I am pleased to present the 1996 Annual Report of the Province of Ontario for the fiscal year ended March 31, 1996, which highlights the major financial achievements of the province and presents a summary of financial information.

The 1995-96 Public Accounts, which I am submitting to the Legislature along with this report, include the province's financial statements, the Provincial Auditor's opinion on these statements and more detailed financial information.

The results shown in the financial statements reflect this Government's efforts to bring the deficit under control. I am pleased to report that the actual deficit for 1995-96 is \$8.7 billion, which is below the \$9.3 billion forecast in November, 1995 and below the \$9.1 billion interim figure presented in the 1996 Ontario Budget. The improvement in Ontario's fiscal position reflects the results of this government's measures to get spending under control, the ongoing prudence used in setting financial targets and the province's improving economy.

The actual deficit for 1995-96 is a full \$2.5 billion lower than the \$11.2 billion we faced on taking office. The reduction reflects both the decisions taken at that time to reduce spending and the deficit, as well as an improving economy. We remain committed to balancing the province's books in the fiscal year 2000-01. To that end, we will continue to examine every government program to ensure taxpayers are getting good value for their tax dollars.

This government's first Annual Report increases the financial information provided to the people of the province, as recommended by the Ontario Financial Review Commission (OFRC). This report presents condensed financial statements, with a comparison to the November 1995 fiscal plan on the basis of accounting recommended for governments across Canada. As the OFRC recommended, we are reporting on the province's financial and economic performance against the goals we set. We want all Ontarians to have access to full information on our province's fiscal position.

I welcome any comments or suggestions you may have on the contents of this report. Please send your comments to my office, at the address listed on the inside cover of this report.

Yours sincerely,

Ernie Eves, Q.C.
Minister of Finance
Toronto, September 1996

The Year in Review

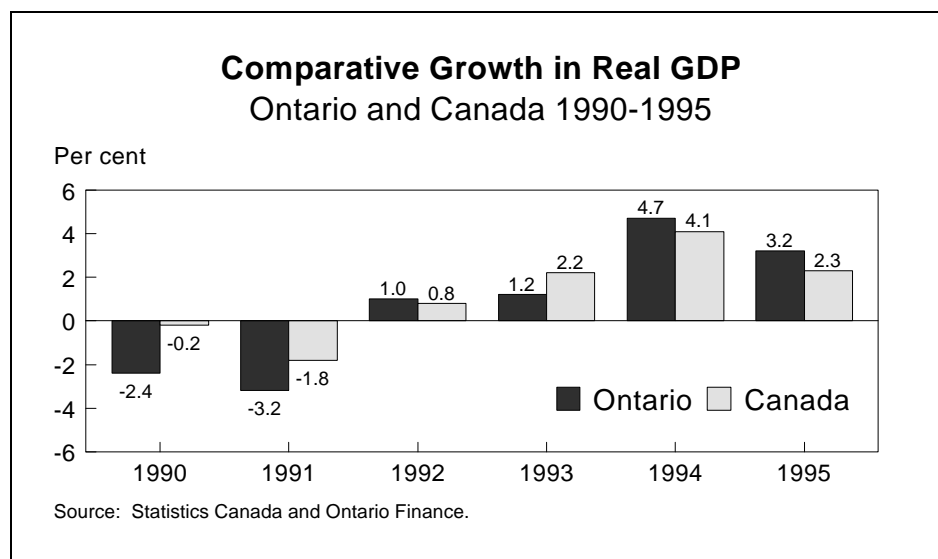
A steadily improving economy in the second half of 1995, lower interest rates and an active fiscal strategy on the part of the government to control the deficit over the course of the fiscal year led to a \$1.403 billion decline in the 1995-96 deficit of \$8.726 billion, from a deficit of \$10.129 billion in 1994-95. Total revenues increased \$2.320 billion largely due to higher tax revenues, which increased by \$1.857 billion as the Ontario economy continued to grow in 1995.

1995-96 Fiscal Highlights (\$ millions)	1994-95	1995-96
Revenue	46,039	48,359
Expenses	56,168	57,085
Deficit	10,129	8,726

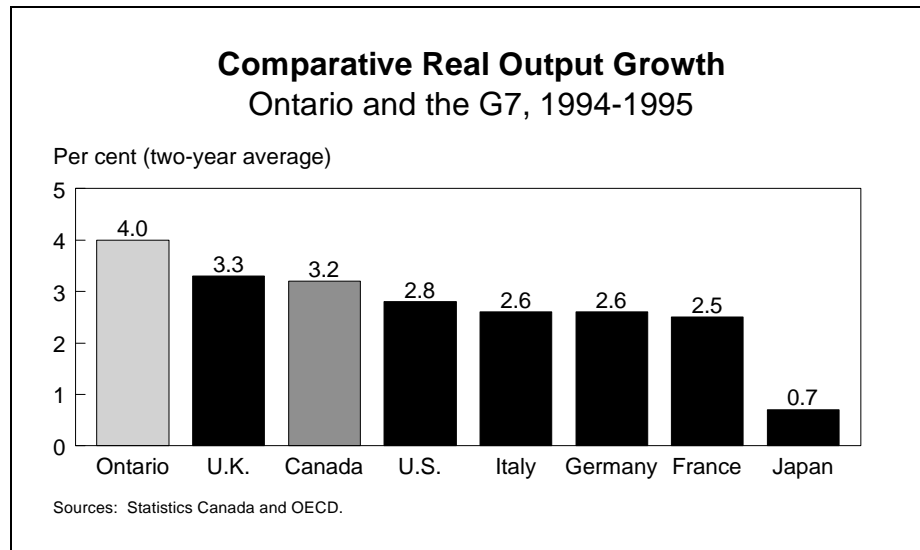
Economic Highlights

Real Gross Domestic Product Growth

The Ontario economy grew by 3.2 per cent in 1995, the second strongest among the provinces and well above the national average. Underlying this growth is an economy that has restructured to become more competitive with higher productivity, low inflation and a more competitive dollar.

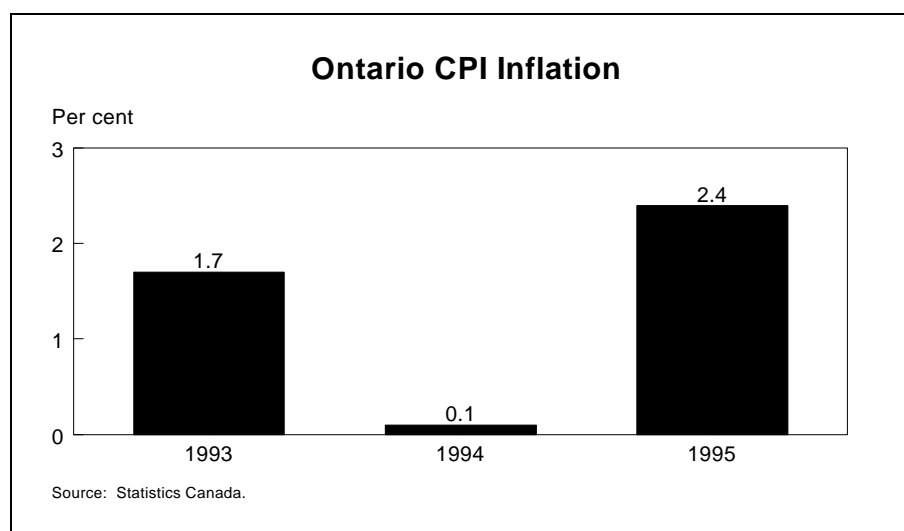


The major sources of economic growth in Ontario during 1995 were increased business investment in machinery and equipment, up 13.7 per cent, and exports, up 9.9 per cent. Consumer spending also contributed modestly to economic growth, rising by 1.6 per cent. Ontario's growth in 1994 and 1995 also outpaced all major industrial nations.



CPI Inflation

Ontario's inflation rate, as measured by the change in the consumer price index (CPI), was 2.4 per cent in 1995. The pick-up in inflation in 1995 reflected the delayed impact of higher import prices due to the decline in the value of the Canadian dollar. The 1994 tobacco tax cut had the effect of lowering CPI inflation by 1.3 percentage points, resulting in a CPI increase of only 0.1 per cent for that year.

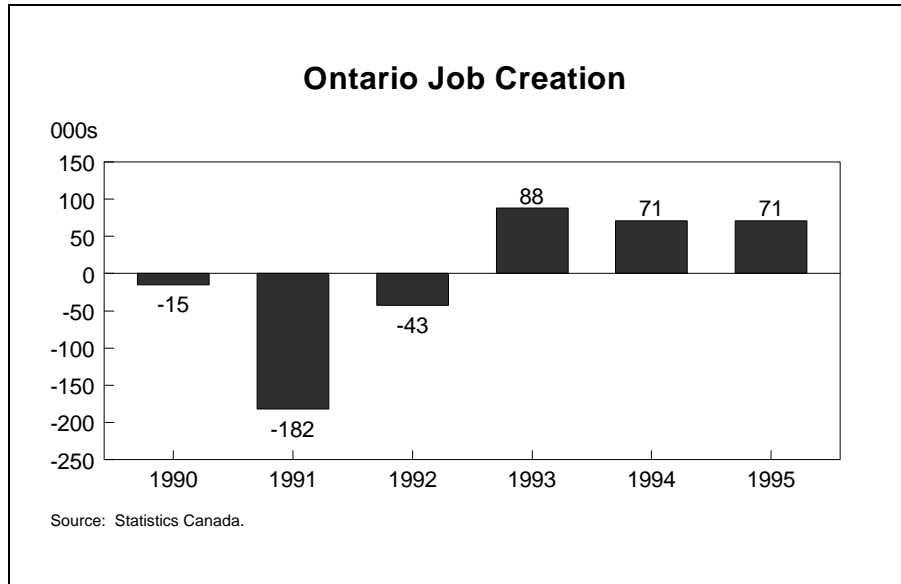


Employment

Ontario created 71,000 jobs in 1995, matching the pace of 1994. The private sector created 116,000 jobs, the strongest gain since 1988, while the public sector lost 45,000 jobs.

Most of the employment increase in 1995 was in the manufacturing sector, with 71,000 new jobs, followed by the community business and personal services sector, up 34,000 new jobs, the transportation, communication and utilities sector, up 22,000 new jobs, and the finance, insurance and real estate sector, up 13,000 new jobs. Job losses were concentrated in public administration (down 33,000), construction (down 20,000) and the wholesale and retail trade sectors (down 18,000).

Ontario's unemployment rate averaged 8.7 per cent in 1995, down almost a full percentage point from 1994.



Financial Highlights

Basis of Accounting

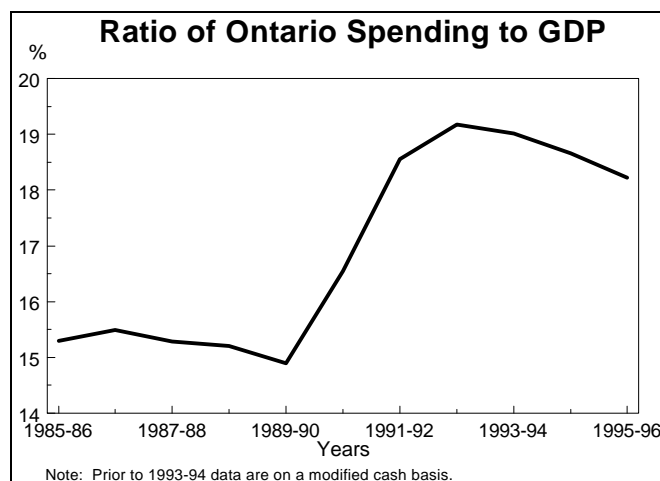
This year, for the first time, the fiscal plan was produced on the basis of accounting recommended by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants, which is the same basis used for the preparation of the financial statements. This implements recommendations made by the Provincial Auditor and the Ontario Financial Review Commission. Ontario's taxpayers can now compare the government's plan with the actual results, knowing that changes between the two are not brought about by differences in accounting bases.

Revenue Highlights

Total revenues increased by \$2.320 billion or five per cent from the 1994-95 level, largely due to the growth in the Ontario economy. This growth led to increases in personal, retail and corporations tax revenues. Increases in tax revenue accounted for \$1.857 billion of the \$2.320 billion increase over the previous year's results.

Expense Highlights

Total expenses increased by \$917 million from 1994-95 levels, largely due to \$1.352 billion in expenses relating to government restructuring and other charges. After excluding these charges and provincial debt interest cost, total spending declined in 1995-96 by \$858 million, or 1.8 per cent, from the previous year. Improved spending performance is largely due to the measures introduced by the government on July 21, 1995 and announced by the Chair of Management Board on September 28, 1995. As a share of gross domestic product, total spending has declined from a high of 19.2 per cent in 1992-93 to 18.2 per cent in 1995-96.

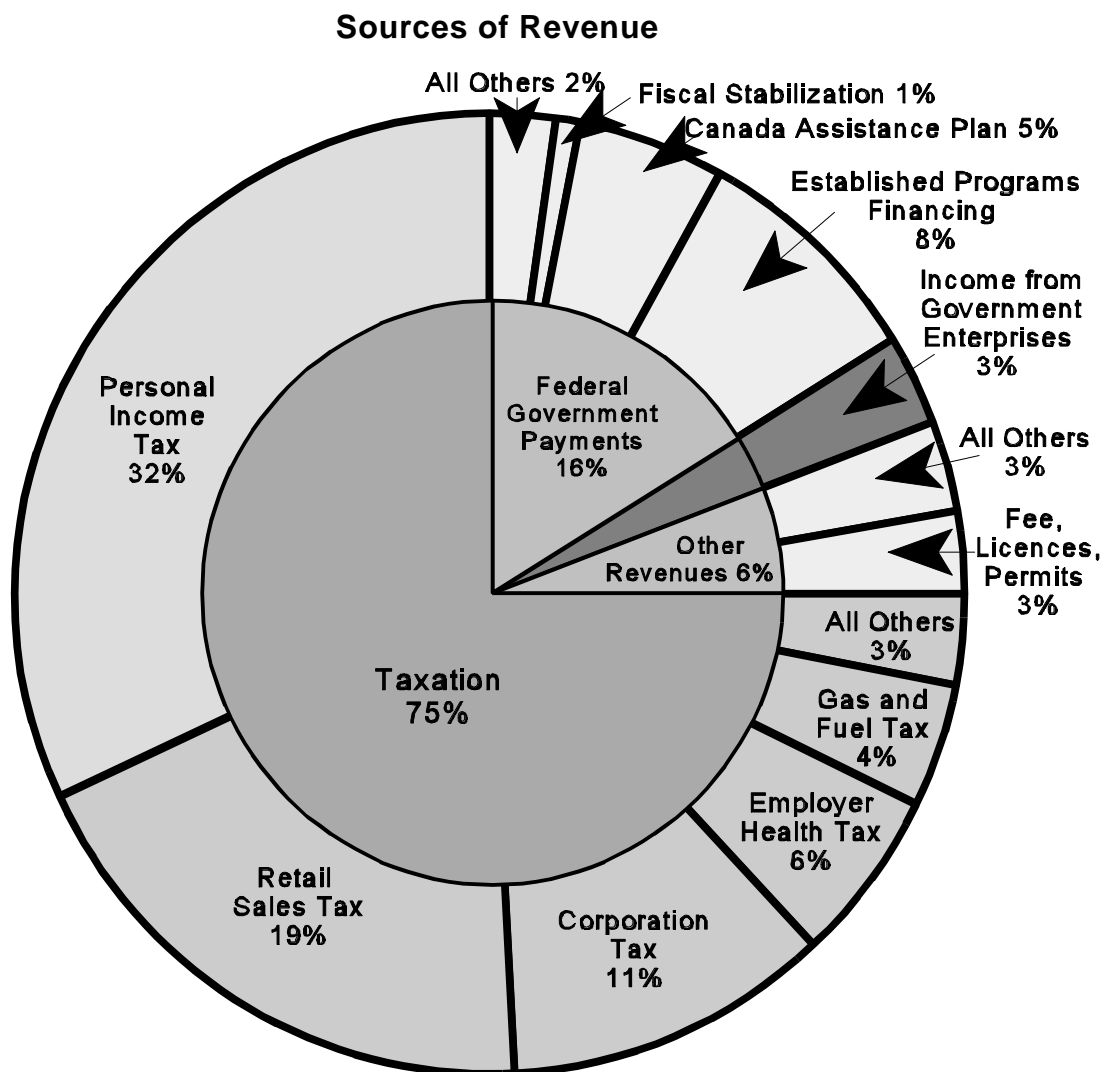


Deficit Highlights

The deficit for 1995-96 of \$8.726 billion decreased by \$1.403 billion, from the 1994-95 deficit of \$10.129 billion. This improvement is due to the government actions and the generally improving economy, as discussed above.

Sources of Revenue

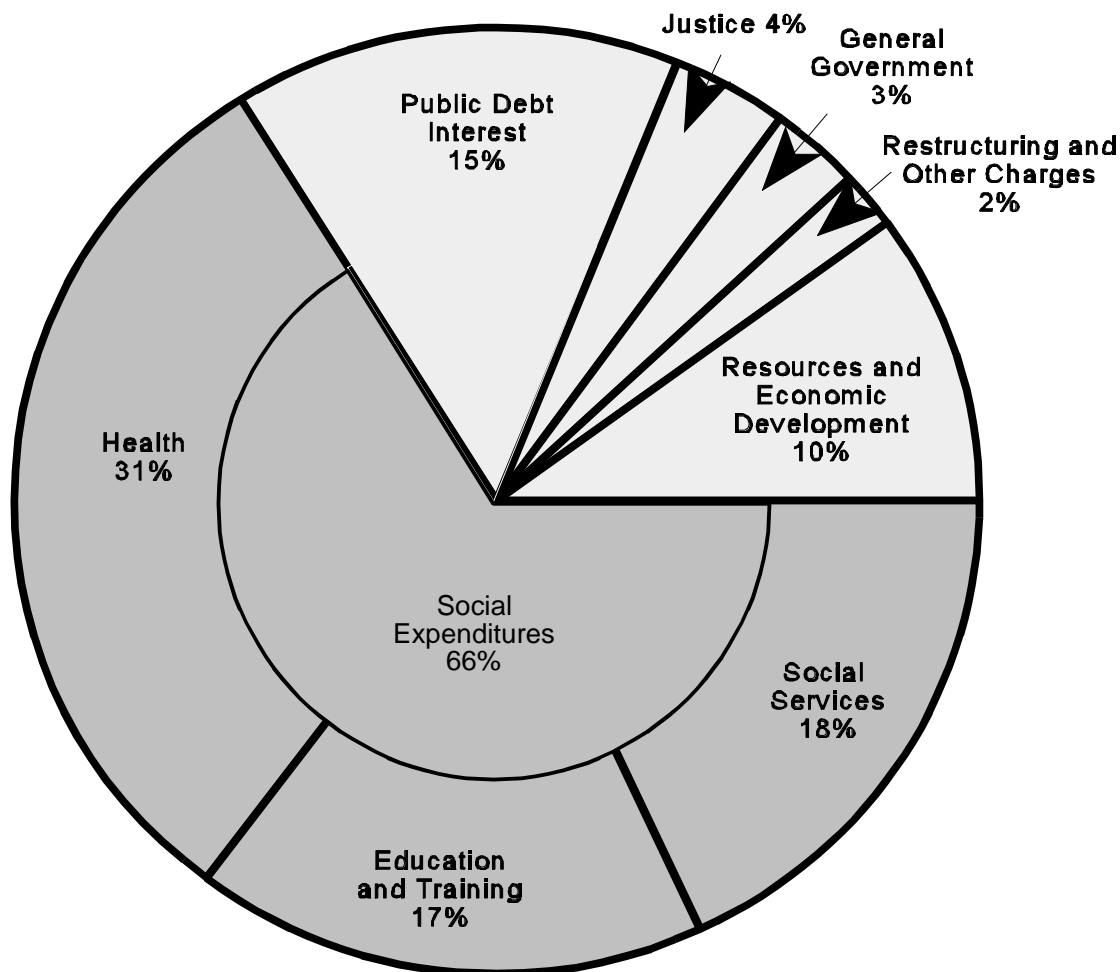
Total revenue for 1995-96 was \$48.359 billion. Tax revenue accounted for 75 per cent of total revenue, federal transfers for 16 per cent, other revenue for 6 per cent and income from government enterprises for 3 per cent.



Expenses

Total Ontario government expenses for 1995-96 were \$57.085 billion. Approximately two thirds of the total relates to social expenses, including health, education and social services. Interest on the province's outstanding debt accounted for 15 per cent. Resources and economic development, justice, general government expenses and restructuring charges accounted for the remaining 19 per cent of expenses in 1995-96.

Expenses by Major Category



The government maintained its commitment to provide at least \$17.4 billion in health-care spending by spending \$17.8 billion in 1995-96, 31 per cent of total spending. The commitment to protecting the quality of classroom-based education was also met with 1995-96 education savings achieved through administrative efficiencies.

The government has also taken measures to ensure that the social assistance system is affordable, and that it supports only people who are truly in need. Compared with the previous year, expenses were down by \$447 million during 1995-96 largely due to a reduction in benefits rates, measures to combat fraud and tighten eligibility, and improved economic conditions.

Managing Expenses

The government has adopted business planning as an important component of its expense management process. Each ministry has developed a business plan that defines its core businesses, identifies key strategies to deliver programs in support of its core businesses in a more effective and efficient manner, and provides suggested direction for performance measures to gauge performance against stated objectives.

With the focus placed on the core business of government, program spending is being reduced by eliminating non-essential programs and finding more cost-effective ways to carry out the priority roles of government.

The province's finances are already beginning to reflect the government's approach to expense management. Total spending in 1995-96, excluding public debt interest and restructuring and other charges, declined by \$858 million from 1994-95.

Overachieving the 1995-96 Deficit Reduction Target by \$582 million

Change in Deficit

The deficit for 1995-96, at \$8.726 billion, overachieved the November 1995 fiscal plan deficit target by \$582 million. The difference relates in part to the improving Ontario economy in the second half of 1995, as well as to refinements of interim estimates made at the time of the 1996 Budget. The final audited deficit figure reflects these improvements.

Changes in Revenue

Total revenue was \$1.573 billion above the November fiscal plan level. This reflected the combination of the cautious nature of the November revenue projection, the receipt of a \$367 million fiscal stabilization payment from the federal government and increases as a result of refining the year-end estimate of receivables for taxes and the Family Support Program.

Tax Revenue

Tax revenue was \$884 million above the November projection, largely due to stronger-than-projected economic growth. Strong corporate profit growth pushed Corporations Tax revenue up by \$584 million above the November outlook. The remaining \$300 million increase in tax revenues reflects the following changes:

- C Personal Income Tax revenue was \$183 million above the November projection due to year-end adjustments to improve the estimate of personal income tax owing for 1995-96;
- C Retail Sales Tax revenue was \$69 million higher, reflecting both a cautious forecast and stronger economic growth in the last quarter of 1995-96;
- C Employer Health Tax revenue was \$75 million higher, reflecting both a cautious forecast and stronger-than-projected growth in total wages and salaries during the year; and
- C Revenues from all other taxes were \$27 million below the November outlook.

Transfers from the Government of Canada

Total payments of \$7,645 million were \$343 million higher than the November estimate, due primarily to the receipt of a final settlement under the Fiscal Stabilization program of \$367 million for the province's 1992-93 claim. Excluding this final settlement, transfers from the Government of Canada actually dropped by \$24 million. This drop was primarily made up of:

- C Established Programs Financing payments decreased by \$90 million, partially offsetting higher Personal Income Tax revenues; and
- C Payments under the Canada-Ontario Infrastructure Works program were \$64 million higher than the fiscal plan forecast, due to faster than anticipated project completions during the 1995-96 fiscal year. However, overall project costs have not increased.

Other Revenue

Other revenue was \$279 million above the November projection. The increase in revenues was primarily as a result of improving the year-end estimate of receivables under the Family Support Plan by \$312 million. A decrease in revenues of \$31 million from other fees and licenses partially offset this increase.

Income from Government Enterprises

Income from government enterprises was \$67 million above the November projection. This gain largely reflected the reclassification of the Ontario Realty Corporation (ORC) as a government service organization rather than as a government enterprise, as recommended by the Ontario Financial Review Commission. As a result, the ORC's net loss of \$75 million estimated in the November fiscal plan was no longer included in this category, but instead its revenues and expenses were consolidated on a line-by-line basis in the financial statements of the province. Other changes include income from the Casino Corporation and the Ontario Lottery Corporation, which came in at \$22 million and \$26 million respectively higher than forecast, offset by an increase in net losses of GO transit of \$38 million.

Changes in Expenses

Expenses were \$991 million above the November fiscal plan, mainly as a result of \$1.352 billion in expenses arising from government restructuring decisions made during the fiscal year and other charges.

Apart from the restructuring and other charges, total expenses were \$361 million below the level projected in the fiscal plan. Key sources of savings included:

- Ⓒ \$714 million in lower-than-forecast public debt interest expenses resulting from contingencies which proved to be too cautious, as well as lower-than forecast interest rates and cash requirements;
- Ⓒ \$180 million in lower health spending due to a refinement of expense requirements in a number of areas; and
- Ⓒ \$161 million in reduced Ontario Public Service pension expense arising from the adoption of the government's best estimates of inflation, return on investment and salary escalation rates instead of the pension plan administrator's estimates of these factors.

The above savings more than offset expenses that were above levels originally projected in the November fiscal plan, including:

- Ⓒ \$271 million provision for Family Benefit Reimbursement against the recovery of family support payments (included in revenue). Net impact on the deficit is a reduction of \$41 million;
- Ⓒ \$172 million primarily due to a provision for pension increases resulting from a Teachers' Pension Plan Board review of all pensions currently being paid;

- C \$136 million increased costs for loan provisions for a larger than expected increase of recipients under the Ontario Student Assistance Plan (OSAP) and \$34 million for bad debts under OSAP; and
- C \$132 million increase in the Province's liability under the Canada-Ontario Infrastructure Program to recognize costs incurred by local partners which had not been reimbursed by the province prior to year-end.

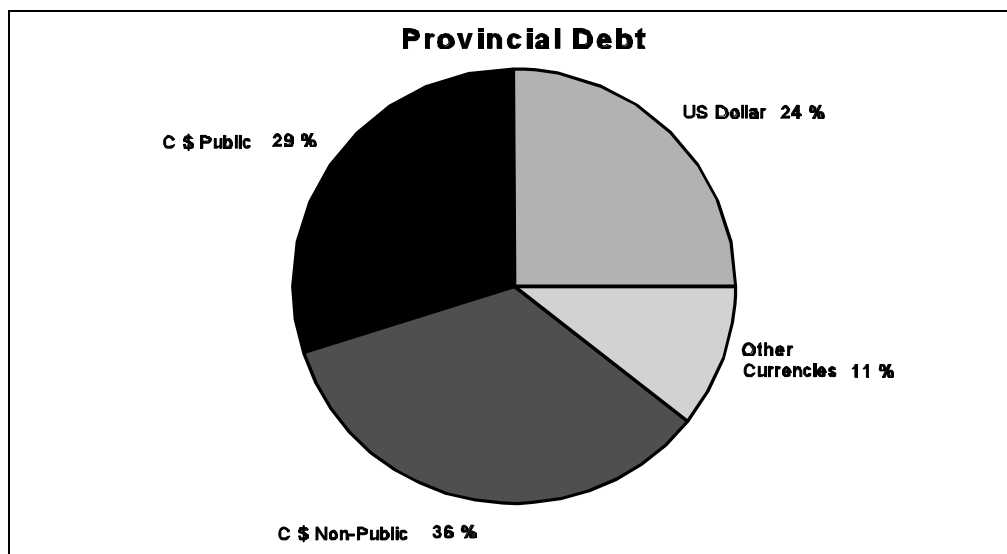
Restructuring and Other Charges

Based on decisions made by the government during the year, the results for 1995-96 include a charge of \$1.352 billion. This amount consists of:

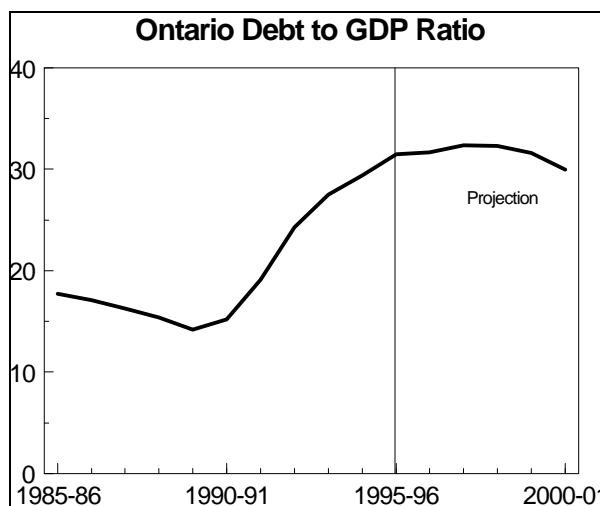
- C \$454 million increase in the provision for early retirement pension option for civil servants, reflecting the increased take-up of this option;
- C \$400 million in employee severance charges (including net pension costs);
- C \$310 million provision to reflect a landmark decision of the courts affecting corporate taxation issues for the oil, gas and mining industries;
- C \$128 million in social housing cancellation costs;
- C \$30 million for termination of the former MPP pension plan; and
- C \$30 million for the costs of suspending construction of the Eglinton West subway.

Ontario's Debt

Provincial debt totalled \$98.6 billion at March 31, 1996. The majority of the debt (\$64.4 billion or 65 per cent) was issued in Canadian dollars. At March 31, 1996 all but \$1.4 billion of debt issued in other currencies had been converted into debt in Canadian dollars through the use of risk management techniques.



Provincial debt as a percentage of Gross Domestic Product rose to 31.5 per cent in 1995-96 from 29.4 per cent in 1994-95. The government expects this ratio to turn around in future years, as the deficit reduction measures take effect.



Financing

Approximately one third of the debt (\$32.6 billion) is held as non-marketable debentures by Ontario's public sector pension funds and by the Canada Pension Plan Investment Fund.

In 1995-96, the province's net borrowing was \$10.007 billion. Total borrowing was \$12.160 billion, of which \$2.153 billion was used to repay maturing debt, consisting mainly of \$833 million for public debt retirements, \$784 million for the Canada Pension Plan, \$198 million for the Ontario Teachers' Pension Plan, \$182 million for the Ontario Municipal Employees' Retirement Fund, and \$92 million for the Public Service Pension Plan. In addition, cash and temporary investments increased by \$3.325 billion.

While the Canadian domestic market remained the primary source of funds in 1995-96 (\$6.597 billion), the Ontario Financing Authority (OFA) continued to diversify its use of financing instruments and markets on behalf of the province. The OFA sought to take advantage of the most favorable conditions when choosing markets and timing, within its overall prudent public finance policy framework. This meant that borrowing was achieved in a cost-effective manner, while maintaining a prudent risk-profile for the province. Taking advantage of a strengthening Canadian dollar in international markets, the OFA launched the first Canadian Dollar Global bond issue since 1994. In addition, U.S. Dollar Global, Swiss Franc, Australian Dollar and Deutsche Mark bonds were issued, as well as bonds designed to appeal to retail investors in Canada and Japan.

Lower interest rates also enabled the OFA to reduce interest costs for new issues and refinancings. Some maturing debt had interest rates as high as 13 per cent; this debt has been refinanced with long-term Canadian interest rates as low as 7.5 per cent. The weighted average interest rate on the debt issued for provincial purposes in 1995-96 was 9.36 per cent, lower than the 9.77 per cent rate in 1994-95.

Prudent Debt Management

As a government agency, the OFA follows prudent practices in managing the province's debt. Risk-management activities are governed by strict policies and procedures limiting Ontario's exposure to interest rate and currency fluctuations.

Although \$34.2 billion (or 35 per cent) of Ontario debt has been issued in foreign currencies over the years, transactions have been entered into that have eliminated all but \$1.4 billion of Ontario's exposure to foreign currencies. Ontario's interest rate exposure was also very low. At March 31, 1996, the percentage of floating rate debt to total debt was 9.5 per cent.

Ontario maintains equally prudent policies with respect to credit, liquidity and refinancing risk. The OFA measures and monitors compliance with all these policies on a regular basis, through a structure that separates monitoring from execution of transactions. For more details, please refer to the Notes to the Financial Statements in the Public Accounts.

Ontario Hydro

The province has also borrowed on behalf of Ontario Hydro in the United States and from the Canada Pension Plan. Securities directly issued by Ontario Hydro are guaranteed by the province.

During 1995-96, provincial debt issued for Ontario Hydro fell by \$27 million to \$3.808 billion from \$3.835 billion at March 31, 1995. Ontario Hydro debt guaranteed by the province also fell during the period by \$2.484 billion to \$29.077 billion from \$31.561 billion. The combined decrease of \$2.511 billion in Ontario Hydro debt represents the significant improvement in the financial position of Ontario Hydro as a result of restructuring over the past two years.

The OFA coordinates financing with Ontario Hydro to take advantage of financing opportunities in both Canadian and international capital markets.

Five-Year Review of Selected Financial and Economic Statistics

(\$ MILLION)	1991-92 ¹	1992-93 ¹	1993-94 ²	1994-95	1995-96
REVENUE	40,753	41,807	43,674	46,039	48,359
EXPENSES:					
Programs and Capital	47,487	48,942	47,747	48,336	47,478
Public Debt Interest	4,196	5,293	7,129	7,832	8,255
Restructuring and Other Charges					1,352
TOTAL EXPENSES	51,683	54,235	54,876	56,168	57,085
DEFICIT	10,930	12,428	11,202	10,129	8,726
Ontario's debt					
Debt issued for provincial purposes	50,618	66,101	76,714	85,711	95,598
Province of Ontario Savings Office and other deposits	2,040	2,068	2,059	2,089	2,220
Other liabilities	425	438	666	780	769
Total Ontario Debt	53,083	68,607	79,439	88,580	98,587
Ontario Hydro					
Debt incurred by the province	6,933	6,717	4,537	3,835	3,808
Contingent Liabilities					
Hydro	28,065	32,411	31,789	31,561	29,077
Other	2,304	2,246	2,219	2,221	2,555
Gross Domestic Product (GDP) at Market Prices	278,463	282,803	288,569	301,082	313,319
Personal Income per Capita (dollars)	23,469	23,570	23,411	23,638	24,093
Total Ontario Debt as a per cent of GDP	19.1	24.3	27.5	29.4	31.5

¹ Financial information for 1991-91 and 1992-93 is provided on a modified cash basis.

² The previously reported deficit of \$10,848 million has been adjusted by \$354 million to \$11,202 million to reflect accounting changes.

1995-1996

Condensed Financial Statements

Opinion of the Provincial Auditor on the Condensed Financial Statements of the Province of Ontario

To the Minister of Finance:

I have audited, in accordance with generally accepted auditing standards, the statement of financial position of the Province of Ontario as at March 31, 1996 and the statements of operations and accumulated deficit and changes in financial position for the year then ended. In my Auditor's Report to the Legislative Assembly dated September 16, 1996, I expressed an unqualified opinion on those financial statements. My audit report and the financial statements are included in the *1995-96 Public Accounts of Ontario*.

In my opinion, the accompanying condensed financial statements have been accurately extracted from the aforementioned financial statements of the province.

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
September 16, 1996

Management Representation

The condensed financial statements are extracted from the audited financial statements of the province which are in compliance with legislation, and use accounting principles as recommended by the Public Sector Accounting and Auditing Board. The government accepts responsibility for the objectivity and integrity of the financial statements. The financial statements have been audited by the Provincial Auditor of Ontario and are included in the *1995-96 Public Accounts of Ontario*.

The government is also responsible for maintaining systems of financial management and internal control to ensure with reasonable certainty that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded, and financial records are reliable in preparation of the province's financial statements.

Michael L. Gourley
Deputy Ministry of Finance
September 16, 1996

Bob Christie
Controller
September 16, 1996

Statement of Financial Position

Province of Ontario		
As at March 31 (\$ millions)	1996	1995
Liabilities for Provincial Purposes		
Accounts Payable and Accrued Liabilities	10,460	8,575
Debt Issued for Provincial Purposes	95,598	85,711
Deposits with the Province of Ontario Savings Office	2,220	2,089
Pensions	8,189	7,467
Other Liabilities	769	780
Total Liabilities for Provincial Purposes	117,236	104,622
Debt Issued for Ontario Hydro	3,808	3,835
	121,044	108,457
Financial Assets		
Cash and Temporary Investments	11,407	8,082
Accounts Receivable	2,795	2,853
Loans Receivable	304	433
Prepaid Expenses and Other Assets	791	581
Properties Held for Sale	371	
Investment in Government Enterprises	2,114	1,945
Advances to Ontario Hydro, Secured by Bonds	3,808	3,835
	21,590	17,729
Accumulated Deficit	99,454	90,728

Statement of Operations and Accumulated Deficit

Province of Ontario			
For the year ended March 31 (\$ millions)	Fiscal Plan ¹ 1996	1996	1995 ₁
Revenue			
Personal Income Tax	15,450	15,633	14,758
Retail Sales Tax	9,355	9,424	9,090
Corporations Tax	4,590	5,174	4,557
Employer Health Tax	2,620	2,695	2,640
Gasoline Tax	1,970	1,944	1,939
Other Taxes	<u>1,447</u>	<u>1,446</u>	<u>1,475</u>
Total Taxation	35,432	36,316	34,459
Government of Canada	7,302	7,645	7,607
Income from Government Enterprises	1,200	1,267	1,068
Other Revenue	<u>2,852</u>	<u>3,131</u>	<u>2,905</u>
	<u>46,786</u>	<u>48,359</u>	<u>46,039</u>
Expenses			
Health	17,955	17,775	17,848
Social Services	10,689	10,439	10,607
Education and Training	9,196	9,761	9,421
Public Debt Interest	8,969	8,255	7,832
Resources and Economic Development	5,769	5,914	6,345
Justice	1,797	2,031	1,860
General Government	1,719	1,558	2,255
Restructuring and Other Charges	<u>56,094</u>	<u>1,352</u>	<u>56,168</u>
	<u>56,094</u>	<u>57,085</u>	<u>56,168</u>
Deficit	9,308	8,726	10,129
Accumulated Deficit			
Balance, beginning of year		90,728	80,599
Balance, end of year		99,454	90,728

¹ Fiscal Plan per 1995 Fiscal and Economic Statement, November 1995.

Notes to the Condensed Financial Statements

Introduction

These notes are a brief summary of the accounting policies followed by the province relating to the Condensed Financial Statements. For more detailed notes on these accounting policies and for more extensive information on the financial position and results of operations of the province, the reader is referred to the audited financial statements included in the *1995-1996 Public Accounts of Ontario*.

The financial statements of the province reflect accrual and consolidation accounting as recommended by the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA). These recommendations generally follow the practices recommended by the CICA for private and public corporations in Canada, except for the treatment of an entity's investment in physical assets. Current practice in governments is to charge the full cost of capital purchases to operations in the year of purchase or construction.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those of Crown corporations, boards and commissions which are owned or controlled by the government and which are accountable for the administration of their financial affairs and resources, either to a Minister of the Government or directly to the Legislature. A listing of the larger organizations included in the reporting entity is provided in the audited financial statements of the province.

Trusts administered by the government on behalf of other parties are excluded from the reporting entity.

Principles of Consolidation

The activities of Crown corporations, boards and commissions, classified as government service organizations are consolidated on a line-by-line basis with the Consolidated Revenue Fund in the financial statements, and significant inter-organization accounts and transactions have been eliminated.

Government enterprises are defined as those Crown corporations, boards and commissions which have the financial and operating authority to carry on a business, and have as their principal activity and source of revenue, the selling of goods and services to individuals and non-government organizations. The net assets of government enterprises are included in the financial statements as Investment in Government Enterprises on the Statement of Financial Position and their net income is shown as a separate item on the Statement of Operations and Accumulated Deficit.

Basis of Accounting - Revenue

Revenues are recognized in the fiscal year that the events to which they relate occur.

Amounts received or receivable prior to the end of the year which relate to revenues that will be earned in a subsequent fiscal year, are reported as liabilities.

Basis of Accounting - Expenses

Expenses are recognized in the fiscal year that the events to which they relate occur.

Grants are recognized in the period during which both payment is authorized and any eligibility criteria are met.

The pension expense comprises the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets, pension benefits liability, amortization of the government's share of any experience gains or losses, less contributions made by the employees.

Liabilities

Liabilities are recorded to the extent that they represent obligations of the government to outside parties as a result of events and transactions occurring prior to the year-end.

Liabilities include probable losses on loan guarantees issued by the government, and contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined.

Debt Issued for Provincial Purposes

Debt is comprised of Treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

The Province employs a variety of risk management strategies, including the use of derivative financial instruments. Derivative financial instruments ("derivatives") are financial contracts, the value of which is derived from underlying assets. Derivatives include swaps, forward rate agreements, forward currency contracts and futures. The Province uses derivatives only for the purposes of hedging (the practice of making or entering into offsetting commitments to minimize the impact of market fluctuations) and to minimize debt interest costs. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Debt denominated in foreign currencies which has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the agreements. Other foreign currency debt, contingent liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Interest on Public Debt includes interest on outstanding debt, amortization of foreign exchange gains or losses, amortization of debt discounts or premiums, amortization of deferred hedging gains and losses and interest income on investments.

Pensions

The pension liability is calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels, and other underlying assumptions. When actual plan experience differs from that expected, or when assumptions are revised, gains and losses arise. These are amortized and expensed over the average remaining service life of plan members.

Sources of Additional Information

The Ontario Public Accounts

The 1995-96 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:

- Volume 1 contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund reflects the financial activities of the government's ministries on a modified cash basis.
- Volume 2 contains the financial statements of significant provincial crown corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.
- Volume 3 contains the details of expenses and the Ontario Public Service senior salary disclosure.

Copies may be obtained from Publications Ontario, 880 Bay Street, Toronto, Ontario, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

The Ontario Budget

The Ontario Government presents a Budget each year, usually in the spring. This document outlines expected expenses and revenue for the upcoming fiscal year. Copies may be obtained free from Publications Ontario, 880 Bay Street, Toronto, Ontario, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

The Estimates of the Province of Ontario

The government's spending estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry that the Legislative Assembly will be asked to approve in the form of the *Supply Act*. Copies of the Estimates may be obtained free from Publications Ontario, 880 Bay Street, Toronto, Ontario, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 5th Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, Ontario, M7A 1Y7.

Ontario Economic Accounts

This quarterly report contains data on the composition of Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Office of Economic Policy, 5th Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1.