



**Ministry of
Finance**



1995-1996

**Public Accounts
of Ontario**



Financial Statements



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This publication is also available in French
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TO THE HONOURABLE
HENRY NEWTON ROWELL JACKMAN, C.M., K.St.J., B.A., LL.B., LL.D.
Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present, to Your Honour, the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1996, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

HONOURABLE ERNIE EVES
Minister of Finance

TORONTO, SEPTEMBER 16, 1996

MINISTER OF FINANCE'S REPORT

It is with pleasure that I present the 1995-96 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1996.

To assist readers, the organization and content of the Public Accounts is described in A Guide to Public Accounts on page viii of this volume.

Comments or queries will be welcomed and should be directed to the Controllershship Branch, Ministry of Finance.

HONOURABLE ERNIE EVES
Minister of Finance

TORONTO, SEPTEMBER 16, 1996

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A GUIDE TO PUBLIC ACCOUNTS

Scope of the 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 expenditure and the Ontario Public Service senior salary disclosure.

SOURCES OF ADDITIONAL INFORMATION

Province of Ontario Annual Report

The government has prepared an annual report which gives financial and economic highlights of the past year and reports on the performance against the goals set out in the Budget. The report includes a summarized version of the financial statements. 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 Ontario Budget

The Ontario government presents a Budget each year, usually in the early 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.

Demographic Bulletin

This bulletin provides population projections and estimates for Ontario and its counties, districts and regional municipalities. It also contains statistics on the components of population change in Ontario and is produced intermittently during the year. Copies may be obtained free from Publications Ontario, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

NOTE

This publication is available in English and in French. Copies in either language may be purchased from Publications Ontario, 880 Bay Street, Toronto, Ontario, M7A 1N8. Phone: (416) 326-5300, toll-free 1-800-668-9938.

Ce document est publié en anglais et en français. On peut acheter l'une ou l'autre de ces versions en s'adressant à Publications Ontario, 880 rue Bay, Toronto (Ontario) M7A 1N8. Téléphone: (416) 326-5300, ligne sans frais d'appel 1-800-668-9938.

INTRODUCTION

The financial statements of the Province of Ontario include the following:

- a statement of management's responsibilities for preparing the financial statements and for maintaining a system of internal controls designed to safeguard assets of the Province;
- the Provincial Auditor's report on the financial statements;
- a summary of significant accounting policies which describes the accounting policies underlying the recording and disclosure of the financial activities of the Province in these financial statements;
- the Statement of Operations and Accumulated Deficit, showing revenues generated from taxes and other sources less expenses incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less those resources owned which are available to pay debts or provide future public services;
- the Statement of Changes in Financial Position, identifying resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements which form an integral part of the financial statements and provide further explanatory information and detail on the balances contained in the various statements.

Different Bases of Government Accounting

These financial statements reflect the implementation of 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.

Financial Statement and Budgetary Accounting - Modified Accrual Basis

The Government implemented modified accrual accounting in the Public Accounts in 1994 and in the Budget in 1996. On a modified accrual basis, the effect of financial transactions is recognized as they occur rather than when cash is received or paid. Revenues are recognized when earned, financial assets when acquired, and costs when incurred.

Appropriation Control - Modified Cash Basis

Spending estimates for the Legislature are prepared on an accounting basis different from that used in preparing the financial statements. The modified cash basis is the basis used in Volumes 1 and 3 of the *Public Accounts of Ontario* in accounting for spending under authorities of the Legislature.

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. Generally, results of operations are computed as the difference between cash received and disbursed, exclusive of financing transactions. The Province's accounting practices for appropriation control purposes are modified to allow for an additional 30 days to pay for goods and services received during the fiscal year just ended.

financial statements

Management Representation

The financial statements are prepared by the Government of Ontario in compliance with legislation, and using 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 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 these financial statements.

The financial statements have been audited by the Provincial Auditor of Ontario and his report follows.

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

Bob Christie
Controller
September 16, 1996

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited 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. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

Toronto, Ontario
September 16, 1996

Erik Peters, FCA
Provincial Auditor

Summary of Significant Accounting Policies

These financial statements 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.

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 schedule 9.

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 these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

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 activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their net assets 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.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in these financial statements in the accrual of pension obligations (see Note 5, Pensions). Pension obligations are based on the Government's best estimates of inflation, investment returns and employee salary levels. Management considers that the recognized amounts for pension obligations are unlikely to change by a material amount in the near term (i.e., within one year from the date of the financial statements). However, in the longer term it is possible that amounts recognized will change by a material amount.

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.

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. The estimated total cost of the Government's share of plan amendments related to past service are expensed in the year the plan is amended.

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.

Financial assets

Financial assets include cash and claims by the Province arising from events and transactions occurring prior to the year-end.

Temporary investments are recorded at the lower of cost or market value.

Loans receivable are recorded at cost less an adjustment for amounts judged to be uncollectible. Forgivable loans and interest concessions on loans are expensed in the year the loan is issued.

Properties held for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenses.

Investment in government enterprises represents the net assets of government enterprises recorded on the basis described under Principles of Consolidation.

Investment in infrastructure and physical assets

Generally accepted practice for businesses in Canada is to show investment in capital as an asset and to draw down this investment

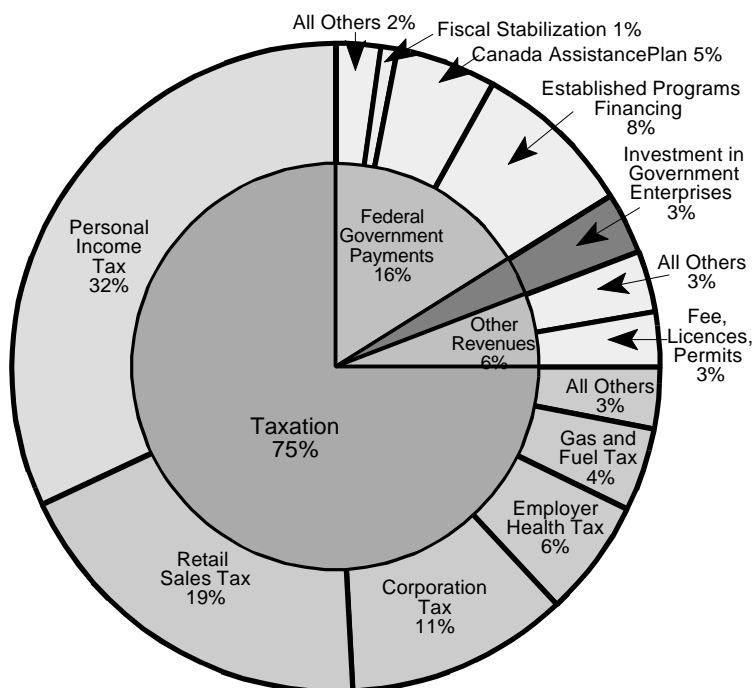
as a charge to operations over the asset's expected useful life. Current practice in governments, however, is to charge the full cost of capital purchases to operations in the year of purchase or construction. This practice reflects when the funds are approved to purchase or construct a capital asset, but does not recognize the future service benefits of these investments in the financial statements. Both governments and the Public Sector Accounting and Auditing Board have recognized the importance of good information on governments' investment in physical assets and the need for further study in this area.

Until the issues surrounding capital are resolved, the financial statements will continue to expense capital spending through ministries and service organizations in the years monies are spent. The capital assets of government enterprises, however, are included in these statements as part of the Province's investment in these entities.

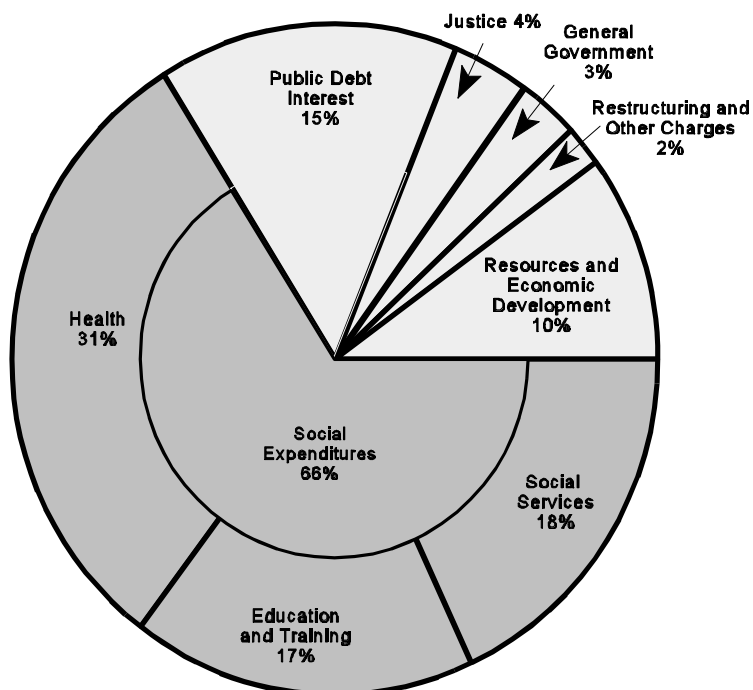
Trust funds

Trust funds under administration by the Province which are not liabilities of the Province are not reflected in the Statement of Financial Position. Otherwise, they are included as liabilities in these financial statements.

Sources of Revenue



Expenses by Major Category



Statement of Operations and Accumulated Deficit

Province of Ontario			
For the year ended March 31 (\$ millions)	Fiscal Plan ₁ 1996	1996	1995
Revenue (Schedule 1)			
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 (Schedule 10)	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 (Schedules 2 and 3)			
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 (Note 1)	<u> </u>	<u>1,352</u>	<u> </u>
	56,094	57,085	56,168
Deficit	9,308	8,726	10,129
Accumulated Deficit			
Balance, beginning of year (Note 2)		90,728	80,599
Balance, end of year		99,454	90,728

See accompanying Notes and Schedules to the Financial Statements

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

Statement of Financial Position

Province of Ontario

As at March 31 (\$ millions)	1996	1995
Liabilities for Provincial Purposes		
Accounts Payable and Accrued Liabilities (Schedule 7)	10,460	8,575
Debt Issued for Provincial Purposes (Note 3)	95,598	85,711
Deposits with the Province of Ontario Savings Office (Note 4)	2,220	2,089
Pensions (Note 5)	8,189	7,467
Other Liabilities	<u>769</u>	<u>780</u>
Total Liabilities for Provincial Purposes	117,236	104,622
Debt Issued for Ontario Hydro (Note 6, Schedule 8)	<u>3,808</u>	<u>3,835</u>
	121,044	108,457
Financial Assets		
Cash and Temporary Investments (Schedule 4)	11,407	8,082
Accounts Receivable (Schedule 5)	2,795	2,853
Loans Receivable (Schedule 6)	304	433
Prepaid Expenses and Other Assets	791	581
Properties Held for Sale (Note 7)	371	
Investment in Government Enterprises (Schedule 10)	2,114	1,945
Advances to Ontario Hydro, Secured by Bonds (Note 6)	<u>3,808</u>	<u>3,835</u>
	21,590	17,729
Accumulated Deficit (Note 2)	99,454	90,728

Contingent Liabilities (Note 8)

See accompanying Notes and Schedules to the Financial Statements

Statement of Changes in Financial Position

Province of Ontario		
For the year ended March 31 (\$ millions)	1996	1995
Cash Used by Operations		
Deficit for the year	(8,726)	(10,129)
Cash Provided (Used) by Investment Activities		
Investment in Government Enterprises	(169)	(141)
Loans Receivable	<u>129</u>	<u>75</u>
	(40)	(66)
Cash Provided (Used) by Financing Activities, Net		
Debt Issued (Retired) for Provincial Purposes - Public	11,196	10,011
- Other	(1,309)	(1,014)
Deposits with Province of Ontario Savings Office	<u>131</u>	<u>30</u>
	10,018	9,027
Other Items	2,073	678
Increase (Decrease) in cash and temporary investments	3,325	(490)
Cash and temporary investments at beginning of year	<u>8,082</u>	<u>8,572</u>
Cash and temporary investments at end of year	11,407	8,082

See accompanying Notes and Schedules to the Financial Statements

Notes to the Financial Statements

(all tables in millions of dollars)

1. Restructuring and Other Charges

During the year, the government made a number of decisions that resulted in the following one-time restructuring and other charges. These decisions included reducing the size of the Ontario Public Service which resulted in the recognition of severance and related costs, providing for early retirement pension option for employees and cancelling certain programs/projects.

Government Restructuring and Other Charges

for the year ended March 31

	<u>1996</u>
Government Restructuring Charges	
Net employment severance charges (including pension component)	
related to government downsizing	\$ 400
Increase in provision for early retirement pension option	454
 Other Charges	
Social housing cancellation charges	\$ 128
Provision for terminating former Member of Parliament pension plan	30
Eglinton West subway suspension costs	<u>310</u>
Corporate income tax refund - Oil, gas and mining industry	<u>\$ 1,352</u>
Total Expense	

2. Accumulated Deficit

The accumulated deficit balances at the beginning of 1996 and 1995 were restated to reflect the following accounting changes:

- \$461 million to increase the liability for the Student Loan Program
- \$67 million to increase the liability for the Legal Aid Program
- \$(174) million to reduce the Deferred Hedging liability

The adjustments had no net impact on the reported deficit of \$10,129 for 1994-95 but increased the reported deficit for 1993-94 (\$10,848) to \$11,202. Accordingly, the opening accumulated deficit for 1994-95 (\$ 80,245) increased to \$80,599 and the opening accumulated deficit for 1995-96 (\$90,374) increased to \$90,728.

3. Debt and Derivative Financial Instruments

Debt Issued for Provincial Purposes

at March 31

Currency ₁	Canadian Dollar	U.S. Dollar	Australian Dollar	Pounds Sterling	Swiss Franc	Yen	Deutsche Mark	Guilder	1996	1995
Fiscal Year Payable									Total₂	Total
1996										3,412
1997	5,847	1,205				766			7,818	5,858
1998	2,838	2,543							5,381	5,546
1999	3,204	1,463	564			118			5,349	5,073
2000	3,683	2,700				572	462		7,417	7,515
2001	<u>2,562</u>	<u>3,529</u>		<u>725</u>			<u>470</u>		7,286	
1-5 years	18,134	11,440	564	725		1,456	932		33,251	27,404
6-10 years	20,929	12,561		450	719	3,375	1,299	388	39,721	35,164
11-15 years	8,933								8,933	10,932
16-20 years	5,368					288			5,656	6,370
21-25 years	52								52	65
26-39 years	<u>7,985</u>								7,985	<u>5,776</u>
	61,401	24,001	564	1,175	719	5,119	2,231	388	95,598	85,711

The effective interest rates₁ (weighted average) as at March 31, on the above debt are:

1996	10.13%	8.10%	6.70%	8.35%	7.34%	7.80%	7.41%	8.44%	9.36%	
1995	10.36%	8.84%	N/A	8.32%	8.85%	7.34%	7.89%	8.63%		9.77%

Notes:

- 1 All balances are expressed in Canadian dollars. The balances and interest rates above reflect the effect of related derivative contracts entered into by the Province.
- 2 The detailed disclosure of debt issued for provincial purposes is reported in Volume 1, Section 3 of the Public Accounts of Ontario. It reflects additional debt of \$1,157 million (1995, \$1,157 million) payable to the Ontario Housing Corporation, which is eliminated on consolidation.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 1996 is \$105.9 billion. The fair value is higher than the Debt Issued for Provincial Purposes, as recorded on the Statement of Financial Position, because the fair value of fixed price debt generally exceeds book value if current interest rates are lower than the interest rates on the debt issued. The estimated fair value of debt does not reflect the effect of related derivative contracts.

Fair values are designated to approximate amounts at which these debt instruments could be exchanged in a current transaction between willing parties. Public market quotations are not available for many of the debt instruments including: non-public debentures, Ontario Savings Bonds, and private placement issues. Therefore, fair value for these instruments is based on estimates using discounted cash flows and other valuation techniques. These methods are affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk.

The book value of debt is not adjusted to reflect increases or decreases in fair value, as it is the Province's intention not to retire the debentures prior to maturity.

Derivative financial instruments

The Province has sizable financing requirements, which it seeks to meet in a cost-effective manner. Achieving this goal has meant issuing a variety of debt instruments accessing both domestic and international markets. The need to access capital markets exposes the Province to financial and market risk. The Province through its agent, the Ontario Financing Authority, has policies and procedures to safeguard public finances against adverse movements in the capital markets and limit risks, which include: liquidity risk, foreign exchange risk and interest rate risk.

Liquidity risk is the risk that the Province will be unable to meet its current short-term financial obligations. To reduce liquidity risk the

Province maintains liquid reserves, i.e. cash and temporary investments (Schedule 4), at levels that will meet future cash requirements and that will give the Province flexibility in the timing of its debt issues. To further reduce liquidity risk, the Province has syndicated bank lines of credit for U.S. \$4 billion, involving 44 banks worldwide. At March 31, 1996, the Province had \$11.4 billion in cash and temporary investments, and had not drawn on its \$4 billion line of credit.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the Province hedges its cash flows by using derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The Province's current policy restricts foreign exchange exposure to 2% of total debt. At year end 1.3% of total debt was unhedged against the Canadian dollar, with most of the currency exposure in U.S. dollars.

Interest rate risk is the risk of debt servicing costs varying due to changes in interest rates. Since a significant component of the Province's debt has floating rate interest payments, the Province hedges its exposure to floating rates by entering into derivative contracts that convert floating interest payments to fixed interest rate payments. The current policy allows for up to 15% of total debt to be exposed to floating rates. At year end, the percentage of floating rate debt to total debt was 9.5%.

The Province's use of derivative financial instruments ("derivatives") to manage the exposure to foreign currency and floating interest rates introduces counterparty credit risk, the risk of loss due to default by counterparties, but enables the Province to reduce foreign exchange and interest rate risk.

The table below presents a maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 1996, based on the notional amounts of the contracts, and does not represent cash flows. Notional amounts represent the volume of outstanding contracts and are not indicative of credit or market risk.

Derivative Portfolio Notional Value

at March 31, 1996

Maturity in Fiscal Year	1997	1998	1999	2000	2001	6- 10 Years	Over 10 Years	Total
Swaps:								
Cross Currency	\$ 2,308	2,543	2,839	4,217	5,194	21,793	945	39,839
Interest Rate	652	4,901	1,024	3,990	4,192	17,947		32,706
Forward Foreign								
Exchange Contracts	2,519							2,519
Forward Rate Agreements	1,258							1,258
Futures	1,742							1,742
	<u>\$ 8,479</u>	<u>7,444</u>	<u>3,863</u>	<u>8,207</u>	<u>9,386</u>	<u>39,740</u>	<u>945</u>	<u>78,064</u>

Definitions:

Swap: a legal arrangement under which each of the parties (the counterparties) agrees to take responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest rate payments or vice versa. A cross currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

Forward foreign exchange contracts: an agreement between two parties to set exchange rates in advance.

Forward rate agreement (FRA): an agreement between two parties to set future borrowing/lending rates in advance.

Future: a contract that confers an obligation to buy/sell a commodity with a specified price and amount, on a future date.

The Province, by mitigating exposure to foreign currency and interest rate risks through the use of derivative contracts, takes on counterparty credit risk. Counterparty credit risk arises from the potential for a counterparty to default on contractual derivative obligations. Credit exposures are monitored regularly to ensure compliance with credit and risk limits. The Province also enters into contractual netting arrangements to minimize counterparty credit risk. Netting arrangements provide for the calculation of a single monetary obligation if the counterparty defaults on a payment. Since the majority of the derivative contracts do not have coterminous settlement dates, netting arrangements would not be settled simultaneously. At year end, the Province had netting arrangements with virtually all of its swap counterparties.

Counterparty credit risk is measured through the replacement value of derivative contracts. Replacement value represents the cost of replacing the contracts, at year end market rates, should the counterparties default on their obligations to the Province. The replacement value will fluctuate over time as a result of changes in foreign exchange rates, interest rates and terms to maturity.

Credit risk exists where the contract has a positive replacement value, as the value indicates the amount the counterparty would owe to the Province. The table below shows the credit risk of derivative financial instruments at March 31, 1996.

Counterparty Credit Risk Exposure

at March 31	1996
Interest Rate Contracts:	
Swaps	\$ 591
Forward Rate Agreements	
Futures	5
Foreign Exchange Contracts:	
Swaps	\$ 1,841
Forward Foreign Exchange Agreements	<u>6</u>
Gross Credit Risk Exposure	\$ 2,443
Less: Netting Arrangements	<u>(1,778)</u>
Net Credit Risk Exposure	<u>\$ 665</u>

Where the contract has a zero or negative replacement value, the Province has no credit risk, as this represents the amount the Province would owe to the counterparty. As a result, there would be no loss to the Province should the counterparty default on its contractual obligations. Derivative contracts with a total negative replacement value with a counterparty are not included above and at March 31, 1996, these amounts totalled \$945 million.

The Province limits exposure to credit risk by dealing with highly rated counterparties. Presently, the Province requires its swap counterparties to hold an "A" rating or better. At year-end, 95% of the notional amount of swaps outstanding were with financial institutions holding an "AA-" or higher rating.

At March 31, 1996, the Province's most significant concentrations of credit risk were with three counterparties, all rated "AA" or better, each of whom represented more than 10% of the net swap contracts receivable. One of these swap counterparties is an "AAA" rated European bank. The net cost to the Province, if it had to replace all of the swap contracts with this bank is \$86 million. The replacement cost of swap contracts held by the other two counterparties, an "AA" rated European bank and an "AA+" rated European bank, is \$76 million and \$104 million respectively.

4. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POSO) provides financial and deposit services to the general public. Funds on deposit with POSO are in turn deposited with the Consolidated Revenue Fund of the Province. The operation of POSO is the responsibility of the Ontario Financing Authority.

5. Pensions

The Province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan, the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan. The most recent audited financial statements of the Public Service, OPSEU Trust Pension Plan and Ontario Teachers' Pension Plans are reproduced in Volume 2 of the *Public Accounts of Ontario*.

The OPSEU Pension Plan was created in June of 1994 through legislation dividing the Public Service Pension Plan and creating a separate plan for OPSEU members and for certain other unionized non-management employees. The Ontario Pension Board, which administers the Public Service Pension Plan, continued to administer both plans until 1995.

These three plans are defined benefit plans which provide Ontario government employees and elementary and secondary school teachers a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the Province are each normally the members of the plan.

Funding of these plans is based on statutory actuarial valuations. Such valuations, undertaken on a triennial basis, use more conservative assumptions than those used in best estimates' valuations which are used for financial statement purposes. Under partnership agreements between the Province and OPSEU and between the Province and the Ontario Teachers' Federation, new gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are to be shared equally by the partners. However, as indicated in the table below, the Province has committed to make additional payments over forty years to eliminate the unfunded liabilities of these plans that were identified in the January 1, 1990 statutory valuations.

Outstanding pension commitments

1997	\$ 569
1998	610
1999	644
2000	660
2001	707
2002 and thereafter	<u>42,811</u>
Total	<u>\$ 46,001</u>

Significant changes during the period

During the year, the Province agreed to provide options for pension bridging and re-opening Factor 80 to members of the Public Service and OPSEU pension plans. The bridging provision allows employees who are declared surplus before January 1, 1999 and who are close to retirement to take an unpaid leave (up to two years) to bridge to their retirement. Factor 80 allows an unreduced pension for employees whose age and years of credit total 80 years, and is available up to March 31, 2000. Re-opening the Factor 80 allows employees declared surplus, who did not exercise the Factor 80 option when they first became eligible, to exercise this option.

Pension liability at March 31

	<u>1996</u>	<u>1995</u>
Obligation for pension benefits	\$ 54,623	\$ 51,113
Less: pension fund net assets	(52,806)	(47,176)
Adjustments (see below)	2,159	907
Unamortized estimation adjustments	<u>4,213</u>	<u>2,623</u>
Pension liability at March 31	<u>\$ 8,189</u>	<u>\$ 7,467</u>

Adjustments were made to the amounts reported by the pension plans at December 31 as follows: i) to adjust the figures to the Province's year-end of March 31; ii) to adjust for experience gains and enhancement costs which are not attributable to the Province; and iii) to adjust for pension contributions payable by the Province which are reflected in the pension plan assets.

Pension expense

for the year ended March 31	<u>1996</u>	<u>1995</u>
Cost of pension benefits	\$ 2,340	\$ 2,107
Amortization of estimation adjustments	(399)	(246)
Employee contributions	(867)	(945)
Interest on pension liability	<u>423</u>	<u>409</u>
Total Pension Expense	<u>\$ 1,497</u>	<u>\$ 1,325</u>

Estimation adjustments are amortized over 12 to 14 years. The Government's best estimate of the future inflation rate used in the pension calculations is 3.5%. Provisions detailed in Note 1 (downsizing \$30 million, and early retirement \$454 million) are included in the pension expense above.

Other plans

The Province maintains accounts within the Consolidated Revenue Fund regarding pension and related benefit funds for the Provincial Judges Pension Fund, the Legislative Assembly Retirement Allowances Account, and the Deputy Ministers' Supplementary Benefit Account. The obligations for pension benefits related to these funds total \$297 million (1995, \$246 million) and are included in Other Liabilities.

During the year, the Government decided to terminate the Legislative Assembly Retirement Allowances Account, the pension plan for Members of the Provincial Parliament. Consequently, a provision for terminating this plan was booked during the year (See Note 1 Restructuring and Other Changes).

6. Ontario Hydro**Nature of Ontario Hydro and its treatment in the financial statements**

Ontario Hydro is the largest agency in the Province. Operating under the authority of the *Power Corporation Act*, Ontario Hydro has broad powers to generate, supply and deliver electric power throughout Ontario.

Notes to the Financial Statements - Continued

Under the *Power Corporation Act*, revenues of the corporation are applied to cover costs of operations including provision for debt retirement. Any residual amount is held in reserve to offset future costs and for debt redemption and cannot be distributed to the Province without legislative amendment to the *Power Corporation Act*. Given that no equity is available for distribution to the Province, these financial statements do not reflect either the equity or income/loss from operations of Ontario Hydro. The financial statements of Ontario Hydro for the year ended December 31, 1995 are reproduced in Volume 2 of the *Public Accounts of Ontario*.

Transactions with the Province

Debt issued for Ontario Hydro

Advances to, and debt incurred for, Ontario Hydro on the Province's Statement of Financial Position relate to amounts borrowed on behalf of Ontario Hydro. The Province had issued securities, and advanced the proceeds to Ontario Hydro in exchange for Ontario Hydro bonds with like terms and conditions. These transactions, and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the Province's own budget plan. The debt servicing costs and the related recoveries are directly off-set and are not reflected separately in the financial statements. Both the advances and debt incurred are stated in Canadian dollars using year-end rates of exchange. Details of debt issued for Ontario Hydro are provided in schedule 8.

Provincial guarantees of Ontario Hydro Debt

At March 31, 1996, the Province had guaranteed debentures/bonds and notes of Ontario Hydro totalling \$29,077 million (1995, \$31,561 million). During the year, Ontario Hydro paid the Province a fee related to the provision of the debt guarantees of \$170 million (1995, \$174 million).

Other transactions with Ontario Hydro

For the year ended March 31, 1996, Ontario Hydro was charged \$115 million (1995, \$111 million) in water rental fees for the use of water for hydro-electric generation.

The Province and its agencies purchase power from Ontario Hydro at market rates.

7. Properties held for sale

Properties held for sale are owned by the Ontario Realty Corporation (ORC), a crown agency. In prior years, the ORC was classified as a business enterprise for purposes of consolidation and its net assets were included under Investment in Government Enterprises. This year, it is classified as a service organization and its assets and liabilities are consolidated on a line by line basis in these financial statements. This change in classification complies with a recommendation of the Ontario Financial Review Commission, issued in November, 1995.

8. Contingent liabilities

Obligations guaranteed by the Province

at March 31

	<u>1996</u>	<u>1996</u>	<u>1996</u>	<u>1995</u>	<u>1995</u>
	Maximum	Outstanding	Provision	Outstanding	Provision
Authorized					
Debitures/Bonds and Notes of					
Ontario Hydro	\$ 29,077	\$ 29,077	\$	\$ 31,561	\$
Loans guaranteed	3,246	2,468	1,010	2,134	823
Other	161	87		87	
Total	<u>\$ 32,484</u>	<u>\$ 31,632</u>	<u>\$ 1,010</u>	<u>\$ 33,782</u>	<u>\$ 823</u>

The provision is based on an estimate of the likely loss arising from guarantees under the Ontario Student Loan Program and is reflected in the accrued liabilities for Transfer Payments (schedule 7)

Ontario Housing Corporation — loan insurance agreements

Ontario Housing Corporation (OHC) has loan insurance agreements with Canada Mortgage and Housing Corporation (CMHC) pertaining to mortgage loans on projects funded under various non-profit housing programs administered by the Ministry of Housing. Under the agreements, CMHC insures mortgage loans made by lenders approved under the *National Housing Act* for the purpose of purchasing, improving, constructing or altering housing units. While insurance is provided by CMHC, the Ontario Housing Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded entirely by the Province, and must share any net costs incurred for loan defaults on projects funded jointly by CMHC and the Province.

In the event of a loan default OHC can either remedy the default or acquire the units and assume the loan obligation. The OHC share of defaults on solely provincial funded projects would be 100% of net amounts incurred on loans defaulted and approximately 70% of net

Notes to the Financial Statements - Continued

amounts incurred on defaults of joint federal-provincial projects. To date there have been no claims for defaults on insured mortgage loans. The mortgage loans insured under these agreements with CMHC include \$5.4 billion for provincially funded projects and the provincial share of joint federal provincial projects is \$1.7 billion.

Claims against the Crown

There are claims outstanding against the Crown of which 26 are for amounts over \$50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, can not be determined because the outcome of these actions is uncertain.

9. Significant Commitments

The nature of the Government's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures.

The significant contractual commitments outstanding as at March 31, 1996 total \$5,113 million and include lease commitments of \$1,242 million and general commitments of \$3,871 million. General commitments outstanding include \$2,361 million for transfer payments, \$1,092 million for construction contracts, \$229 million for the purchase of goods services and equipment and \$189 million for strategic investments.

Outstanding Commitments

1997	\$ 2,519
1998	1,118
1999	697
2000	253
2001	128
2002 and thereafter	398
Total	<u>\$ 5,113</u>

Other significant commitments of the Province include payments to eliminate unfunded liabilities of the Teachers and Public Sector pension plans as well as debt related payments. Details of these significant commitments are provided in Notes 3 and 5.

As at March 31, 1996 the Province is also committed to enter into swaps, during fiscal 1996-97, which would convert future floating U.S. interest payments to floating Canadian interest payments on a notional principal of US\$ 1.8 billion. In fiscal 1996-97, it is also committed to enter into swaps which would convert floating Canadian interest payments to fixed interest payments on a notional principal of \$200 million.

10. Trust Funds under administration

Trust funds under administration include the Workers' Compensation Board. Summary financial information from their most recent audited financial statements are provided below.

Notes to the Financial Statements - Concluded

Workers' Compensation Board

at Dec. 31

	<u>1995</u>	<u>1994</u>
Assets		
Cash	\$ 284	\$ 478
Accounts Receivable	123	179
Investments	6,472	5,901
Capital Assets	198	123
Other	172	129
Total	\$ 7,249	\$ 6,810
Liabilities		
Payables and accruals	\$ 499	\$ 475
Other Liabilities	143	137
Injured Worker's Retirement Fund	124	75
Benefits Liability	17,375	17,525
Unfunded Liability	(10,892)	(11,402)
Total	\$ 7,249	\$ 6,810
Revenues		
Revenue from Operations	\$ 2,653	\$ 2,351
Investment	593	499
Total	3,246	2,850
Expenses		
Expenses from Operations	2,736	2,720
Surplus(Loss)	510	130
Unfunded Liability, beginning of year	11,402	11,532
Unfunded Liability, end of year	\$ 10,892	\$ 11,402

On July 3, 1996 the Honourable Cam Jackson, Minister without Portfolio reiterated the government's commitment to restore the WCB to financial health by retiring its unfunded liability at or before the year 2014 through specific measures identified in Minister's report.

Other Trust Funds

at March 31, 1996

	Assets	Liabilities
Public Trustee for the Province of Ontario	\$ 521	\$ 517
Accountant of the Ontario Court	\$ 466	\$ 447

at December 31, 1995

Deposit Insurance Corporation of Ontario	\$ 4	\$ 79
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The most recent audited financial statements related to the significant trusts under administration are reproduced in Volume 2 of the *Public Accounts of Ontario*. Trust funds under administration related to the Public Service Pension Plan are disclosed in Note 5.

11. Comparative figures

The comparative figures have been reclassified as necessary to conform to the 1996 presentation and to reflect accounting changes per Note 2.

Schedules to the Financial Statements

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Schedule 1 Revenue

Province of Ontario			
For the year ended March 31 (\$ millions)	Fiscal Plan ₁ 1996	1996	1995
Taxation			
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
Fuel Tax	510	500	495
Land Transfer Tax	360	335	372
Tobacco Tax	330	337	322
Other Taxation	<u>247</u>	<u>274</u>	<u>286</u>
	35,432	36,316	34,459
Government of Canada			
Established Programs Financing	3,910	3,820	4,059
Canada Assistance Plan	2,507	2,508	2,577
Fiscal Stabilization		367	184
Young Offenders Act	63	61	82
National Training Act	59	55	75
Bilingualism Development	58	62	65
Vocational Rehabilitation	62	63	61
Other	<u>643</u>	<u>709</u>	<u>504</u>
	7,302	7,645	7,607
Income from Investment in Government Enterprises (schedule 10)	1,200	1,267	1,068
Other			
Vehicle/Registration Fees	745	736	751
Other Fees and Licences	662	631	686
Liquor Licence Board of Ontario Revenues	535	530	532
Royalties	236	263	223
Fines and Penalties	141	143	163
Sales and Rentals	85	81	98
Miscellaneous	<u>448</u>	<u>747</u>	<u>452</u>
	2,852	3,131	2,905
Total Revenue	46,786	48,359	46,039

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

Schedule 2 Expenses

Province of Ontario

For the Year Ended March 31 (\$ millions)	1996	1995
Salaries and Wages	4,041	3,798
Employee Benefits	1,312	1,444
Transportation and Communication	279	298
Services	1,419	1,261
Supplies and Equipment	542	599
Acquisition/Construction of Physical Assets	217	372
Transfer Payments	40,092	40,027
Interest on Debt	8,255	7,832
Other Transactions	928	537
Total Expenses	57,085	56,168

Schedule 3 Expenses by Ministry

Province of Ontario			
For the year ended March 31 (\$ millions)	Fiscal Plan ¹ 1996	1996	1995
Ministry			
Agriculture, Food and Rural Affairs	453	425	421
Attorney General	751	1,085	834
Board of Internal Economy	185	206	135
Citizenship, Culture and Recreation	429	392	450
Community and Social Services	9,075	8,830	9,436
Consumer and Commercial Relations	148	140	150
Economic Development, Trade and Tourism	379	498	580
Education and Training	8,556	8,949	8,778
Teachers' Pension (note 5)	640	812	643
Environment and Energy	505	477	543
Executive Offices	12	13	10
Finance	604	702	428
Public Debt Interest	8,969	8,255	7,832
Health	17,955	17,775	17,848
Intergovernmental Affairs	5	5	6
Labour	144	135	135
Management Board Secretariat	591	1,226	1,083
Public Service/OPSEU Pensions (note 5)	412	685	682
Municipal Affairs and Housing	2,018	2,333	1,797
Ontario Native Affairs Secretariat	37	25	33
Natural Resources	586	566	532
Northern Development and Mines	263	229	294
Office of Francophone Affairs	3	2	3
Office Responsible for Women's Issues	21	18	22
Solicitor General and Correctional Services	1,149	1,113	1,138
Transportation	2,204	2,189	2,355
Total Expenses	56,094	57,085	56,168

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

Schedule 4 Cash and Temporary Investments

Province of Ontario		
As at March 31 (\$ millions)	1996	1995
Cash	(1,027)	(485)
Temporary Investments	12,434	8,567
Total Cash and Temporary Investments	11,407	8,082

The fair value of Temporary Investments at March 31, 1996 is \$12.5 billion. Fair value is determined using quoted market prices.

Schedule 5 Accounts Receivable

Province of Ontario		
As at March 31 (\$ millions)	1996	1995
Taxes Receivable	2,232	2,567
Other Accounts Receivable	1,579	1,029
Less: Provision for Doubtful Accounts	(1,112)	(841)
Government of Canada	96	98
Total Accounts Receivable	2,795	2,853

Schedule 6 Loans Receivable

Province of Ontario		
As at March 31 (\$ millions)	1996	1995
Local Governments	148	159
Other	156	274
Total Loans Receivable	304	433

Schedule 7 Accounts Payable and Accrued Liabilities

Province of Ontario		
As at March 31 (\$ millions)	1996	1995
Transfer Payments	4,307	3,733
Interest on Public Debt	2,494	2,289
Salaries, Wages and Benefits	1,452	1,456
Materials, Supplies and Other	1,914	1,014
Deferred Revenue	208	151
Deferred Hedging	85	(68)
Total Accounts Payable and Accrued Liabilities	10,460	8,575

Schedule 8

Debt Issued for Ontario Hydro

Province of Ontario

As at March 31, 1996
(millions of Canadian dollars)

Fiscal Year Payable	Canadian	United States	1996 Total	1995 Total
1996				
1997				
1998				
1999				
2000				
2001	500		500	
1 - 5 years	500	0	500	0
6 - 10 years	500		500	1,000
11 - 15 years	1,748		1,748	1,748
16 - 20 years		1,060	1,060	1,087
21-25 years				
	2,748	1,060	3,808	3,835

The effective interest rates (weighted average) on the above debt are:

1996	11.47%	14.72%	12.39%	
1995	11.47%	14.78%		12.41%

Debt Payable to:

	1996	1995
Minister of Finance of Canada		
Canada Pension Plan Investment Fund	2,748	2,748
Public Investors	1,060	1,087
	3,808	3,835

Schedule 9

Listing of Government Enterprises and Government Service Organizations¹

Province of Ontario

Government Enterprises

Development Corporations
Liquor Control Board of Ontario
Metro Toronto Convention Centre
Niagara Parks Commission
Ontario Casino Corporation
Ontario Clean Water Agency
Ontario Housing Corporation
Ontario Lottery Corporation
Ontario Northland Transportation Commission
Ontario Transportation Capital Corporation²
Toronto Area Transit Operating Authority (Go Transit)

Responsible Ministry

Economic Development and Trade
Consumer and Commercial Relations
Culture, Tourism and Recreation
Culture, Tourism and Recreation
Economic Development and Trade
Environment and Energy
Housing
Culture, Tourism and Recreation
Northern Development and Mines
Transportation
Transportation

Government Service Organizations

Crop Insurance Commission
Interim Waste Authority³
Northern Ontario Heritage Fund Corporation
Ontario Aerospace Corporation
Ontario Cancer Institute
Ontario Cancer Treatment and Research Foundation
Ontario Educational Communications Authority (TV Ontario)
Ontario Financing Authority
Ontario Realty Corporation⁴
Ontario Training and Adjustment Board
St. Lawrence Parks Commission

Agriculture, Food and Rural Affairs
Environment and Energy
Northern Development and Mines
Economic Development and Trade
Health
Health
Culture, Tourism and Recreation
Finance
Management Board Secretariat
Education and Training
Culture, Tourism and Recreation

The most recent audited financial statements of these organizations are reproduced in Volume 2 of the *Public Accounts of Ontario*.

1 Only the larger of the enterprises and service organizations are listed in this schedule.

2 More details are provided in footnote 1 of schedule 10.

3 The Interim Waste Authority ceased operations in June 1995.

4. Ontario Realty Corporation, previously reported as a government enterprise, has been reclassified as a government service organization in fiscal 1995-96.

Schedule 10

Investment in Government Enterprises

Province of Ontario

For the year ended as indicated (\$ millions)	Liquor Control Board	Metropolitan Toronto Convention Centre	Niagara Parks Commission	Ontario Casino Corporation	Ontario Clean Water Agency
	March 31, 1996	March 31, 1996	October 31, 1995	March 31, 1996	December 31, 1995
Assets					
Cash/Temporary Investments	26.0		14.1	88.4	30.2
Accounts Receivable	7.1	1.2	2.2	2.8	12.7
Inventories	202.6	0.3	3.4	0.6	
Prepaid Expenses	3.8	0.1	0.1	2.5	
Long-term Investments					582.9
Fixed Assets	134.8	113.3	75.0	159.1	2.5
Other Assets		5.9		49.3	16.3
Total Assets	374.3	120.8	94.8	302.7	644.6
Liabilities					
Bank Indebtedness		0.2			
Accounts Payable	160.7	24.7	4.5	59.9	27.8
Notes Payable					
Deferred Revenue		2.5			
Long-term debt		86.8			438.3
Other Liabilities				9.9	38.1
Total Liabilities	160.7	114.2	4.5	69.8	504.2
Net Assets(Liabilities)	213.6	6.6	90.3	232.9	140.4
Revenue					
Revenue From Operations	1,909.8	19.9	25.1	620.1	183.7
Transfers from the Government					
Total Revenue	1,909.8	19.9	25.1	620.1	183.7
Expenses					
Expenses From Operations	1,243.1	19.4	18.3	197.8	167.4
Provincial Taxes				115.5	
Total Expenses	1,243.1	19.4	18.3	313.3	167.4
Income(Loss) before Extra-ordinary Items	666.7	0.5	6.8	306.8	16.3
Extra-ordinary Items					
Net Income(Loss)	666.7	0.5	6.8	306.8	16.3
Net Assets(Deficiency) -Beginning	236.2	6.1	83.5	103.1	123.9
Payments from (to) CRF	(689.3)	0.0		(177.0)	0.2
Net Assets (Deficiency)	213.6	6.6	90.3	232.9	140.4

1 Adjustments include the elimination of inter-government activity and balances, amounts to adjust for the activities and balances of the Development Corporations based on draft unaudited financial statements, amounts to adjust the figures for government enterprises with a year end other than March 31 and the elimination of land and structures transferred to Ontario Transportation Capital Corporation by the Province.

Schedule 10

Investment in Government Enterprises - Continued

Province of Ontario

Ontario Housing Corporation December 31, 1995	Ontario Lottery Corporation March 31, 1996	Ontario Northland Transportation Commission December 31, 1995	Ontario Transportation Capital Corp. March 31, 1996	Toronto Area Transit Operating Authority March 31, 1996	Adjustments ₁	Total
	29.6	9.3	0.2	6.7	64.9	269.4
130.7	23.0	22.6	1.0	4.3	(100.3)	107.3
		9.1		1.5	4.6	222.1
	14.0	0.4		1.1	(0.2)	21.8
1,246.2					141.4	1,970.5
	91.5	231.3	1,153.8	963.7	(423.0)	2,502.0
1,437.4	67.2	11.5	31.6	38.6	(1,247.2)	410.6
2,814.3	225.3	284.2	1,186.6	1,015.9	(1,559.8)	5,503.7
3.3					7.1	10.6
114.1	58.8	19.4	24.9	41.0	(4.1)	531.7
			183.6		(183.7)	(0.1)
	7.9	0.3	200.0	2.1	(199.6)	13.2
1,056.5		35.2	500.0	433.0	(1,058.2)	1,491.6
1,437.4	67.2	4.0	24.6	9.1	(247.6)	1,342.7
2,611.3	133.9	58.9	933.1	485.2	(1,686.1)	3,389.7
203.0	91.4	225.3	253.5	530.7	126.3	2,114.0
547.6	2,126.9	122.3		101.8	21.9	5,679.1
259.0		15.2	0.8	198.1	(473.1)	0.0
806.6	2,126.9	137.5	0.8	299.9	(451.2)	5,679.1
806.7	1,478.7	135.1	0.8	310.0	24.3	4,401.6
					(115.5)	0.0
806.7	1,478.7	135.1	0.8	310.0	(91.2)	4,401.6
(0.1)	648.2	2.4	0.0	(10.1)	(360.0)	1,277.5
					(10.5)	(10.5)
(0.1)	648.2	2.4	0.0	(10.1)	(370.5)	1,267.0
206.1	108.6	222.3	254.0	609.1	(440.0)	1,512.9
(3.0)	(665.4)	0.6	(0.5)	(68.3)	936.8	(665.9)
203.0	91.4	225.3	253.5	530.7	126.3	2,114.0

Schedule 10

Investment in Government Enterprises - Continued

Development Corporations

The Corporations' primary objectives are to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide timely financial assistance and related advisory services to small and medium sized Ontario based businesses by making and guaranteeing loans, acquiring equity securities and operating industrial park facilities. They also administer certain activities on behalf of other Provincial ministries and agencies.

Liquor Control Board of Ontario

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Metro Toronto Convention Centre

The Corporation operates, maintains and manages an international class convention centre facility in the Municipality of Metropolitan Toronto. This facility is being expanded to further promote and develop tourism and industry in Ontario.

Niagara Parks Commission

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Casino Corporation

The Ontario Casino Corporation was established to conduct and manage games of chance; to ensure that games of chance are conducted and managed in accordance with the *Ontario Casino Corporation Act, 1993* and the *Gaming Control Act, 1992* and regulations made under these Acts; to provide for the operation of casinos; and, to provide for the operation of any business that it considers reasonably related to operating a casino, including any business that offers goods and services to persons who play games of chance in a casino.

Ontario Clean Water Agency

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems as well as providing services to communities, all on a cost-recovery basis.

Ontario Housing Corporation

Ontario Housing Corporation provides rent-geared-to-income accommodation to households in need. The properties are mainly owned by the Corporation and managed by local housing authorities who act as agents of the Corporation. Rent-geared-to-income accommodation is also made available under the Rent Supplement Program by private landlords and the non-profit sector. These units are administered by local housing authorities and regional offices of the Ministry of Housing.

Ontario Lottery Corporation

The Ontario Lottery Corporation (OLC) was established in 1975 under the *Ontario Lottery Corporation Act*, with the mandate to develop, undertake, organize, conduct and manage lotteries in Ontario on behalf of the provincial government. Since its creation, OLC has also entered a joint venture with other provinces, through the Interprovincial Lottery Corporation, to operate national and multi-province games. Corporate profits are returned to the Province of Ontario for distribution. From there, the funds are used for the operation of Ontario's hospitals, physical fitness, sports, recreational and cultural activities, and social service organizations through the Ontario Trillium Foundation.

Schedule 10

Investment in Government Enterprise

Ontario Northland Transportation Commission

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

Ontario Transportation Capital Corporation

The Corporation provides financing for transportation related capital investments. In addition, the Corporation has entered into an agreement with an Ontario-based consortium of contractors to develop, design, and build highway 407.

Toronto Area Transit Operating Authority

The Toronto Area Transit Operating Authority, also known as GO Transit, operates an inter-regional transit system centred on the Greater Toronto Area and encourages operational integration of transit systems within its operating area.