# Ministry of Finance

# 1996-1997

# Province of Ontario

# **Annual Report**

Please address your comments on this report to:

The Honourable Ernie Eves, Q.C. Minister of Finance 7th Floor Frost Building South 7 Queen's Park Crescent Toronto, Ontario M7A 1Y7

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# Message from the Honourable Ernie Eves, Minister of Finance

I am pleased to present the 1997 Annual Report of the Province of Ontario for the fiscal year ended March 31, 1997. Our second Annual Report, like the first, highlights the government's financial achievements and presents a summary of financial information.

The 1996-97 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.

For the second year in a row, the financial statements show that we are achieving even more than we promised in our plan to cut the province's deficit. I am pleased to report that the actual 1996-97 deficit was \$6.9 billion, down \$1.9 billion from the 1995-96 deficit and \$1.3 billion less than had been projected in the 1996 Ontario Budget. Prudent and cautious forecasting contributed to the deficit being significantly lower than projected.

A substantial reduction in expense from 1995-96 reflects the impact of the expenditure control measures announced in the latter half of 1995.

We are turning the corner on the deficit and are set to meet our commitment to balancing the province's books in the fiscal year 2000-01.

As well, we remain committed to giving all Ontarians access to information on our province's fiscal position, and on the government's financial and economic performance compared to the goals we set.

Yours sincerely,

Ernie Eves, Q.C. Minister of Finance Toronto, September 1997

# The Year in Review

In keeping with the government's plan to balance the Budget by the year 2000-01, the deficit continued its downward track, falling from \$8.8 billion in 1995-96 to \$6.9 billion in 1996-97. For the second consecutive year, the government's deficit target has been surpassed. In 1995-96, the deficit target of \$9.3 billion was bettered by \$508 million; in 1996-97, the actual deficit was \$1.3 billion below the 1996 Ontario Budget target of \$8.2 billion.

1996-97 Fiscal Highlights (\$ billions)	1995-96	1996-97
Revenue	49.5	49.5
Expense	58.3	56.4
Deficit	8.8	6.9

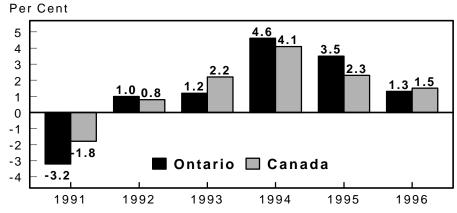
# **Economic Highlights**

#### Real Gross Domestic Product (GDP) growth

The Ontario economy grew by 1.3 per cent in 1996, following growth of 3.5 per cent in 1995. Growth moderated in calendar year 1996, largely because of slower export growth and a drawdown of business inventories. Economic activity in Ontario accelerated in the final quarter of fiscal year 1996-97 (January - March 1997) with real GDP advancing by 6.3 per cent at annual rates.

# **Comparative Growth in Real GDP**

Ontario and Canada 1990 - 1996



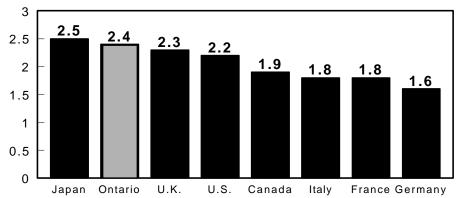
Sources: Statistics Canada and Ontario Ministry of Finance

The major sources of economic growth in Ontario during 1996 were increased business investment in machinery and equipment, up 13.2 per cent; housing, up 13.5 per cent; and non-residential construction, up 6.7 per cent. Consumer spending and exports also contributed to economic growth, rising by 1.8 per cent and 3.3 per cent, respectively. Ontario's growth in 1995 and 1996 outpaced all major industrial nations, except Japan.

# **Comparative Real Output Growth**

Ontario and the G7, 1995 and 1996

Per Cent (two-year average)

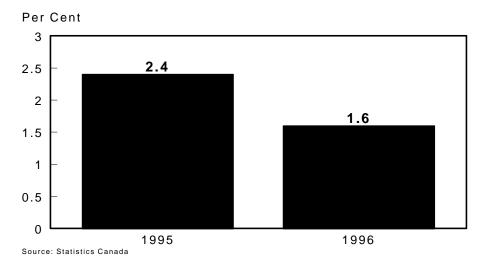


Sources: Statistics Canada and the OECD.

### **Consumer Price Index inflation**

Ontario's inflation rate, as measured by the change in the consumer price index (CPI), was 1.6 per cent in 1996, down from 2.4 per cent in 1995. For 1996, reduced inflation resulted from a stronger Canadian dollar, plus the continued absence of price pressures in the highly competitive Ontario economy.

### **Ontario Consumer Price Index Inflation**



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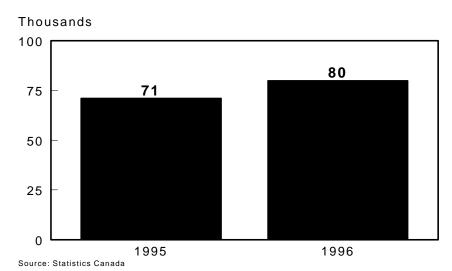
#### **Employment**

Ontario created 80,000 jobs in 1996, up from 71,000 jobs created in 1995. The private sector created 90,000 jobs, while the public sector lost 10,000 jobs.

The largest employment gains in 1996 were in the wholesale and retail trade sector, with 44,000 new jobs, followed by the business and personal services sector, up 30,000 new jobs, and the manufacturing sector, up 16,000 new jobs.

The labour force grew by 107,000 persons in 1996, compared to an increase of 25,000 in 1995, as improving job prospects led to higher rates of labour force participation. This caused Ontario's unemployment rate to rise to 9.1 per cent in 1996, from 8.7 per cent in 1995.

### **Ontario Job Creation**



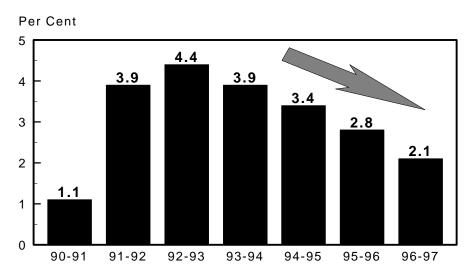
# **Fiscal Highlights**

# Overachieving Deficit Reduction Goals for the Second Consecutive Year

For the second year in a row, the Government has more than met its deficit reduction target. The deficit for 1996-97, at \$6.9 billion, surpassed the Budget Plan deficit target of \$8.2 billion by \$1.3 billion.

The 1996-97 deficit decreased by \$1.9 billion to \$6.9 billion, down from the 1995-96 deficit of \$8.8 billion. This improvement is due to government actions to control spending and the generally improving economy. Since 1992-93, the deficit as a share of the economy has fallen from a peak of 4.4 per cent to 2.1 per cent of GDP in 1996-97.

### Deficit as a Per Cent of GDP



#### Revenue

Total revenue in 1996-97, at \$49.5 billion was unchanged from the prior year.

#### **Expense**

Total expense in 1996-97, at \$56.4 billion fell by \$1.9 billion from 1995-96 levels. Improved spending performance is largely due to the full-year impact of expenditure control measures previously announced. Nevertheless, during 1996-97, the government decided to make significant investments totalling \$2.4 billion in key areas to promote restructuring efforts which will provide more efficient and effective services in such areas as health care and municipalities.

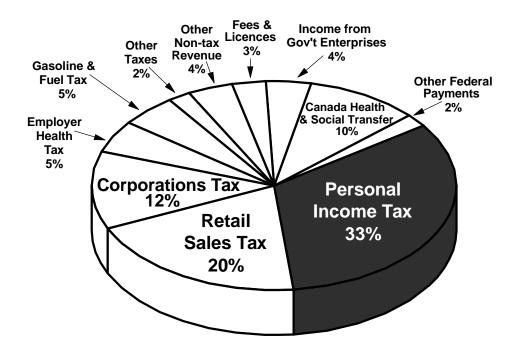
#### Change in accounting policy

In accordance with the revised recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA), the province reclassified Ontario Housing Corporation (OHC) and Toronto Area Transit Operating Authority (GO Transit) from government enterprises to government service organizations. This adjustment was reflected in the 1996-97 interim numbers included in the 1997 Ontario Budget. The impact of this accounting change on the 1996-97 and 1995-96 deficit was an increase of \$98 million and \$74 million respectively.

# **Sources of Revenue**

Total revenue for 1996-97 was \$49.5 billion. Tax revenue accounted for 77 per cent, federal transfers for 12 per cent, other revenue for 7 per cent and income from government enterprises for 4 per cent.

### **Sources of Revenue**

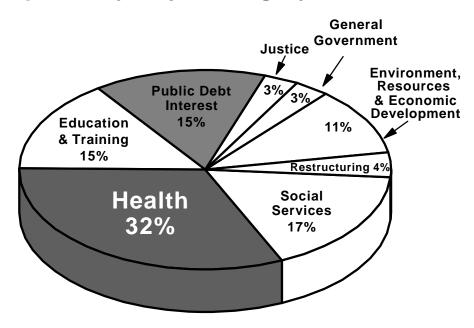


# **Expense**

Total provincial government expense for 1996-97 was \$56.4 billion. Almost two-thirds of the total related to spending on health, education and social services. Interest on Ontario's outstanding debt accounted for 15 per cent of total expense. Restructuring charges, environment, resources and economic development, justice and general government expense accounted for the remaining 21 per cent of expense in 1996-97.

Health-care spending totalled \$18.9 billion in 1996-97. This amount includes \$970 million to support restructuring in the health-care sector.

# **Expense by Major Category**



#### **Business planning**

The government is implementing the second year of its Business Plan 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 performance measures to gauge performance against stated objectives. Ministry Business Plans were released by the Chair of Management Board of Cabinet in June 1997.

# **Summary of In-Year Changes to Revenue**

Total revenue in 1996-97, at \$49.5 billion, was \$2.8 billion above the \$46.7 billion level projected in the 1996 Ontario Budget. The strength of the economy and the cautious nature of the Budget projections both contributed to the revenue gain.

In-Year Changes to Revenue in 1996-97 (\$ millions)		
Taxation Revenue		
Personal Income Tax	1,144	
Corporations Tax	482	
Retail Sales Tax	444	
Land Transfer Tax	79	
Tobacco Tax	26	
Employer Health Tax	107	
All Other (Including Gas, Fuel and		
Mining Profits Taxes)	16	_
		2,298
Federal Payments		
Social Housing	341	
Canada Health and Social Transfer	(446)	
Canada-Ontario Infrastructure Works	(81)	
All Other (Including Young Offenders		
and Vocational Rehabilitation)	(66)	_
		(252)
Income from Government Enterprises		
Ontario Housing Corporation	232	
GO Transit	157	
Ontario Casino Corporation	19	
Ontario Lottery Corporation	(82)	
All Other (Including Ontario Clean		
Water Agency)	(49)	_
		277
Other Revenue		
Sales and Rentals	476	
Miscellaneous	(30)	
Fines and Penalties	57	
All Other (Including Vehicle and Driver		
Registration Fees)	(36)	_
		467
Total In-Year Revenue Changes		2,790

- The strength of the economy helped to raise tax revenues \$2.3 billion above the prudent Budget projection. Personal Income Tax revenue was \$1.1 billion above the Budget projection as a result of stronger-than-expected income growth in 1995 and continued employment and income growth in 1996. Of this increase, \$745 million is due to a higher estimate of 1995-96 Personal Income Tax revenue.
- Corporations Tax revenue was \$482 million or 9 per cent higher, reflecting both the cautious nature of the Budget projection and the strength of corporate profits.
- Retail Sales Tax was \$444 million or 4.7 per cent above projection due to stronger growth in consumer and business spending (1996 nominal consumption was 2.9 per cent, compared to 1996 Budget projection of 2.5 per cent) and the caution built into the Budget projection.
- The strong resale housing market pushed Land Transfer Tax revenue over the Budget projection by \$79 million or 21.6 per cent. The number of housing resales in Ontario rose 31.3 per cent in 1996.
- Tobacco Tax was \$26 million or 7.9 per cent above the Budget projection because of an increase of 0.35 cents per cigarette in the federal tobacco tax in November 1996 and stronger-thanexpected sales.
- Employer Health Tax revenue was \$107 million or 4 per cent higher, largely reflecting the cautious nature of the Budget projection.
- Increased Social Housing revenue of \$341 million includes social housing payments of \$205 million made to the OHC, now shown as a federal payment as a result of the accounting reclassification of the OHC to a government service organization, and \$136 million in federal payments made to the Ministry of Municipal Affairs and Housing, previously reported as part of "Other" federal payments.
- Revenue from the Canada Health and Social Transfer was down \$446 million from the Budget projection as a result of strongerthan-expected Personal Income Tax revenue. Under the federal Canada Health and Social Transfer allocation formula, an increase in Personal Income Tax results in lower federal cash payments to the province.
- A slower-than-expected pace of construction of Canada-Ontario Infrastructure Works projects resulted in an \$81 million decline in 1996-97 federal infrastructure payments compared to the Budget projection.

- Higher-than-projected Income from Government Enterprises primarily reflects the reclassification of OHC and GO Transit, which removed a combined loss of \$389 million from this revenue category. These gains were partly offset by the delay in the implementation of Video Lotteries to 1997-98 from 1996-97, and a one-time restructuring charge which reduced income from the Ontario Lottery Corporation.
- Sales and Rentals revenue increased by \$476 million, including \$304 million from the inclusion of the gross revenue of the OHC and \$108 million from GO Transit.
- Fines and Penalties were \$57 million or 57 per cent higher as a result of higher fines under the *Highway Traffic Act* and an underestimate of the accounts receivable balance in the Budget projection.

# **Summary of In-Year Changes to Expense**

Expense was \$2.2 billion above the 1996 Budget Plan. Investments in restructuring were \$1.5 billion higher than the \$900 million provision included in the Budget. The reclassification of the Ontario Housing Corporation and GO Transit from business enterprises to government service organizations added \$1.1 billion to total expense, including \$232 million in public debt interest expense.

### Significant sources of change in spending from budget

- Response to the Ontario Student Opportunities Trust Fund initiative announced in the 1996 Budget far exceeded expectations. Consequently, the government provided an additional \$149 million in matching funds for individual university and college trust funds during 1996-97, raising the total to \$249 million.
- A \$105 million provision was made for benefit liability in the Provincial Judges' Pension Fund.
- The Drug Benefits program incurred an overall increase in expense of \$93 million in-year, mainly due to increased utilization under the Special Drugs program and the Ontario Drug Benefit plan.
- An increase in public debt interest costs of \$232 million, resulting from the reclassification of GO Transit and OHC, was more than offset by other savings of \$370 million in public debt interest costs. These savings arose from several factors: a decline in public market borrowing from the Budget estimate; a decline in interest rates; and effective risk-management activities that further lowered borrowing costs.
- Savings of \$219 million in Ontario Teachers' Pension expense were realized mainly as a result of the use of more current information reflecting higher investment earnings in the year.
- Savings of \$190 million in the Public Service Pension Plan and OPSEU Pension Trust expense were realized, mainly the result of the use of more current assumptions reflecting a low inflation outlook and higher investment earnings.

### Restructuring

In recognition of the scale of restructuring taking place in the province, total restructuring amounted to \$2.4 billion in 1996-97.

The government made significant investments to promote restructuring efforts in key areas such as health care, municipalities and education, as well as in the Ontario Public Service (OPS). Restructuring investments included:

- A provision of \$970 million to account for the government's share
  of costs in those individual communities where health care
  restructuring and re-alignment plans exist.
- Changes totalling \$772 million for municipal sector restructuring, including:
  - \$350 million to cover the maintenance costs associated with the transferring of certain highways to municipalities.
  - \$200 million to support the muncipalities in assuming funding responsibilities for municipal transit, GO Transit, ferries, and municipal airports.
  - \$150 million for capital refurbishment of non-profit housing and co-operative housing to be transferred to municipalities.
  - \$72 million provided for exit costs associated with the transfer of certain areas of provincial responsibility to the municipal level of government.
- \$438 million for employee severance costs resulting from reductions in the size of the OPS.
- \$250 million for the province's share of the cost of a retirement incentive for teachers to renew the profession.

# **Financing and Debt Management**

#### Financing

Financing requirements of \$12.4 billion (including the refinancing of maturing debt) were met through public market borrowing (\$6.5 billion<sup>1</sup>), a decrease in liquid reserves (\$5.7 billion), and internal sources (\$0.2 billion).

During the year, \$6.4 billion of maturing debt was refinanced, including \$1.3 billion of non-marketable debt. Some of this maturing debt had interest rates as high as 16.9 percent. The weighted average interest rate on debt issued for provincial purposes in 1996-97 was approximately 5.6 per cent, lower than the 9.0 per cent rate for all outstanding provincial debt.

The Canadian domestic market remained Ontario's primary source of funds, accounting for more than half of total borrowing transacted during the year (\$3.7 billion of \$6.5 billion). Key features of the 1996-97 domestic borrowing program were: structured Medium-Term Notes (MTNs) targeted to specific retail and institutional investors, and the second Ontario Savings Bond campaign, which raised more than \$1 billion.

Internationally, Ontario borrowed in US, Australian, and New Zealand dollars, as well as French francs, Norwegian kroner, and Japanese yen. Two billion dollars were raised from Japanese investors, including \$0.9 billion from the province's first Samurai<sup>2</sup> issues. Similarly, Ontario's inaugural Euro-French franc issue (\$0.8 billion) was well received in the market.

Responding to investor demand, the province doubled the authorized size of its European Medium Term Note (EMTN) program to \$6 billion. Fourteen transactions were completed under this program during the fiscal year.

Excludes \$0.7 billion of financing transacted in 1996-97 but settled in 1997-98. Total financing raised during the fiscal year was \$7.2 billion.

Bonds issued into the Japanese domestic market by non-Japanese issuers.

Overall, international debt issues offered very attractive rates when converted back into Canadian dollars relative to domestic sources. By diversifying its use of financing instruments and markets within a prudent public finance policy framework, the Ontario Financing Authority is able to take advantage of the most favourable conditions when choosing markets and timing. Results of this financing approach are stable debt management and cost-effective funding. In 1996-97, the cost of new debt issued in foreign markets was 36 basis points lower than the cost of borrowing in the Canadian market.

#### Debt management

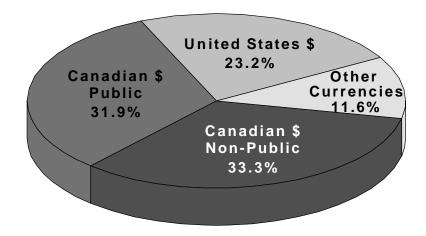
On March 31, 1997 total Ontario debt stood at \$101.5 billion. Included in this amount was \$2.8 billion resulting from the accounting reclassification of Ontario Housing Corporation and GO Transit.

Approximately one-third of the debt (\$33.8 billion) is held as non-marketable (or non-public) debentures by Ontario's public sector pension funds, the Canada Pension Plan Investment Fund, and the Canada Mortgage and Housing Corporation.

Prudent debt management is vital to the government's overall debt reduction efforts. Several key principles guide this activity, including: managing debt with a view toward ensuring cost-effectiveness and stability, maintaining a smooth maturity profile through term selection, and limiting Ontario's exposure to currency and interest rate fluctuations.

In total, nearly 35 per cent, or \$35.3 billion, of Ontario's debt has been issued in foreign currencies. At March 31, 1997, all but \$0.7 billion (0.7 per cent) of this debt, had been effectively converted into Canadian dollars through the use of risk management techniques. Existing policies limit unhedged foreign exchange exposure to 5 per cent or less of total Ontario debt.

# **Total Ontario Debt by Currency**



The percentage of floating-rate debt to Ontario debt (net of liquid reserves) was less than five per cent (\$3.4 billion) at year-end. This was well below Ontario's limit of 20 per cent of the province's total debt for such exposure. The province maintains equally prudent policies with respect to counterparty credit, liquidity and refinancing risk. For more details, please refer to the Notes to the Financial Statements in the Public Accounts.

### Ontario Hydro

The Ontario Financing Authority coordinates financing with Ontario Hydro to optimize market reception to the Ontario credit in both Canadian and international capital markets. In the past, the province has borrowed on behalf of Ontario Hydro in the United States and from the Canada Pension Plan. In 1996-97, debt issued by the province for Ontario Hydro declined by \$0.7 billion to \$3.1 billion.

Securities of \$29 billion directly issued by Ontario Hydro are guaranteed by the province.

A more detailed discussion of the relationship between the Province of Ontario and Ontario Hydro, including the reliance of Ontario Hydro on the province can be found in Note 7 to the Financial Statements in the Public Accounts.

# **Five-Year Review of Selected Financial** and Economic Statistics

(\$ millions)	1992-93 <sup>1</sup>	1993-94	1994-95	1995-96 <sup>2</sup>	1996-97
REVENUE	41,807	43,674	46,039	49,473	49,450
EXPENSE:					
Programs and Capital	48,942	47,747	48,336	48,944	45,318
Public Debt Interest	5,293	7,129	7,832	8,475	8,607
Restructuring				854	2,430
TOTAL EXPENSE	54,235	54,876	56,168	58,273	56,355
DEFICIT	12,428	11,202		8,800	6,905
	12,420	11,202	10,129	0,000	0,903
ONTARIO'S DEBT					
Debt Issued for Provincial					
Purposes	66,101	76,714	85,711	98,407	98,313
Province of Ontario Savings					
Office	2,068	2,059	2,089	2,220	2,135
Other Liabilities	438	666	780	769	1,063
TOTAL ONTARIO DEBT	68,607	79,439	88,580	101,396	101,511
ONTARIO HYDRO					
Debt Incurred by the Province	6,717	4,537	3,835	3,808	3,140
CONTINGENT LIABILITIES					
Hydro	32,411	31,789	31,561	29,077	29,027
Other	2,246	2,219	2,221	2,513	2,759
Gross Domestic Product (GDP) at					
market prices	282,803	288,569	300,827	314,077	323,027
Personal Income Per Capita					
(dollars)	23,569	23,413	23,484	23,887	23,909
Total Ontario Debt as a per cent					
of GDP	24.3	27.5	29.4	32.3	31.4

Financial information for 1992-93 is provided on a modified cash basis.
 The previously reported deficit of \$8,726 million has been adjusted by \$74 million to \$8,800 million to reflect changes brought about by the adoption of revised PSAAB recommendations.

# Ministry of Finance

# 1996-1997

# 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, 1997 and the statements of operations and accumulated deficit and of changes in financial position for the year then ended. In my Auditor's Report to the Legislative Assembly dated August 15, 1997, I expressed an unqualified opinion on those financial statements. My audit report and the financial statements are included in the 1996-97 Public Accounts of Ontario.

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

Erik Peters, FCA Provincial Auditor Toronto, Ontario August 15 ,1997

# Statement of Responsibility for the Condensed Financial Statements

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 and, where applicable, the CICA Handbook for private and public corporations in Canada. 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.

Michael L. Gourley Deputy Minister of Finance August 15, 1997 Anne M. Evans Controller August 15,1997

Robert Siddall, CA Director August 15, 1997

# Province of Ontario Statement of Operations and Accumulated Deficit

For the year ended March 31 (\$ millions)	Budget 1997	Actual 1997	Actual 1996
_			
Revenue			
Personal Income Tax	15,213	16,357	15,633
Retail Sales Tax	9,520	9,964	9,424
Corporations Tax	5,370	5,852	5,174
Employer Health Tax	2,665	2,772	2,695
Gasoline and Fuel Tax	2,505	2,491	2,444
Other Taxes	895	1,030	946
Total Taxation	36,168	38,466	36,316
Government of Canada	6,030	5,778	7,881
Income from Government Enterprises	1,682	1,959	1,730
Other Revenue	2,780	3,247	3,546
	46,660	49,450	49,473
Expense			
Health	17,885	17,921	17,775
Social Services	9,401	9,273	10,377
Education and Training	8,725	8,707	9,761
Public Debt Interest	8,745	8,607	8,475
Environment, Resources and Economic			
Development	5,486	6,230	7,102
Justice	1,724	1,720	2,032
General Government	1,324	1,467	1,897
Restructuring	900	2,430	854
	54,190	56,355	58,273
Reserve	650		
Deficit	8,180	6,905	8,800
Accumulated Deficit			
Balance, beginning of year		101,864	93,064
Balance, end of year		108,769	101,864

# Province of Ontario Statement of Financial Position

As at March 31		
(\$ millions)	1997	1996
_(+		
Liabilities for Provincial Purposes		
Accounts Payable and Accrued Liabilities	12,016	10,669
Debt Issued for Provincial Purposes	98,313	98,407
Deposits with the Province of Ontario Savings Office	2,135	2,220
Pensions	7,938	8,189
Other Liabilities	1,063	769
Total Liabilities for Provincial Purposes	121,465	120,254
Debt issued for Ontario Hydro	3,140	3,808
	124,605	124,062
Financial Assets		
Cash and Temporary Investments	5,681	11,422
Accounts Receivable	2,852	2,817
Prepaid Expense	373	691
Other Assets	680	674
Properties Held for Sale	307	371
Investment in Government Enterprises	2,803	2,415
Advances to Ontario Hydro, Secured by Bonds	3,140	3,808
	15,836	22,198
Accumulated Deficit	108,769	101,864

# Province of Ontario Statement of Changes in Financial Position

For the year ended March 31		
(\$ millions)	1997	1996
Cash Used by Operations		
Deficit for the year	(6,905)	(8,800)
Cash Provided (Used) by Investment Activities		
Investment in Government Enterprises	(388)	(115)
Cash Provided (Used) by Financing Activities, Net		
Debt Issued (Retired) for Provincial Purposes		
– Public	1,243	11,219
<ul><li>Other</li></ul>	(1,337)	(1,346)
Deposits with Province of Ontario Savings Office	(85)	131
	(179)	10,004
Other Items	1,731	2,242
Increase (Decrease) in Cash and temporary investments	(5,741)	3,331
Cash and temporary investments at beginning of year	11,422	8,091
Cash and temporary investments at end of year	5,681	11,422

# **Condensed Significant Accounting Policies**

#### 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, refer to the audited financial statements included in the 1996-97 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) and, where applicable, the CICA Handbook for private and public corporations in Canada. Consistent with PSAAB recommendations the province's investments in physical assets are expensed when the assets are acquired.

### Reporting entity

The financial statements report the combined activities of the Consolidated Revenue Fund and of organizations owned or controlled by the government and accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature. These include crown corporations, boards and commissions.

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. 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,
- have as their principal activity and source of revenue, the selling of goods and services to individuals and non-government organizations, and

 are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity.

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 it is reasonably possible that there could be a material 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, personal income tax, corporations tax and restructuring charges.

#### **Sources of Additional Information**

#### Scope of the Public Accounts

The 1996-97 Public Accounts of the Province of Ontario are made up of 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.

### The Ontario Budget

The Ontario government presents a budget each year, usually in the early spring. This document outlines expected expense and revenue for the upcoming fiscal year and presents a medium-term fiscal plan.

#### 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*.

#### **Ontario Government Business Plans**

Business plans are published annually by each ministry, following the Ontario Budget and publication of the spending estimates. The business plans highlight what each ministry has done over the previous year, what is planned for the coming year, what targets have been set and how results will be measured. For electronic access to business plans, visit the Ontario Government web site at www.gov.on.ca and click on "What's New".

#### **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 directly 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 directly to the Ministry of Finance, Office of Economic Policy, 5th Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1.

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