



**Ministry of  
Finance**

**1997-1998**

# **Province of Ontario**

## **Annual Report**

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## **Message from the Honourable Ernie Eves, Minister of Finance**

I am pleased to present the 1998 Annual Report of the Province of Ontario for the fiscal year ended March 31, 1998. Our third Annual Report details our government's financial achievements and presents a summary of financial information.

I am submitting the 1997-98 Public Accounts and the Annual Report that include the province's financial statements, the Provincial Auditor's opinion on these statements and more detailed financial information.

For the third year in a row, the financial statements indicate that the Government of Ontario is more than meeting our fiscal commitments as laid out in the Balanced Budget Plan. The deficit for 1997-98 was \$4.0 billion, down \$2.6 billion from the Balanced Budget Plan target of \$6.6 billion and \$1.2 billion less than had been projected in the 1998 Budget.

Prudent and cautious forecasting, combined with strong economic growth, contributed to the deficit being significantly lower than projected.

The province's economy remained strong in 1997, growing by 4.4 per cent. This surpassed the 1997 Budget assumption of 3.2 per cent real GDP growth. Employment growth has remained strong, reflecting a healthy economy. Since the September 1995 Throne Speech, Ontario's private sector has created 302,000 net new jobs.

We made a commitment to balance the province's books by the fiscal year 2000-01. The results for 1997-98 show that we are well on our way to meeting this objective.

We welcome your feedback. If you have any thoughts or comments on how to improve the information in the Public Accounts and Annual Report, fill out the form on page 29 and send it in.

Yours sincerely,

Ernie Eves, Q.C.  
Minister of Finance  
Toronto, September 1998

## 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 \$6,905 million in 1996-97 to \$3,966 million in 1997-98. For the third consecutive year, the government's deficit target has been surpassed. In 1995-96 the deficit target of \$9,308 million was overachieved by \$508 million; in 1996-97, the deficit target of \$8,180 million was improved by \$1,275 million; and in 1997-98, the deficit was \$2,614 million below the 1997 Budget target of \$6,580 million.

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### 1997-98 Fiscal Highlights (\$ Millions)

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	1996-97	1997-98
Revenue	49,450	<b>52,488</b>
Expense	56,355	<b>56,454</b>
<b>Deficit</b>	<b>6,905</b>	<b>3,966</b>

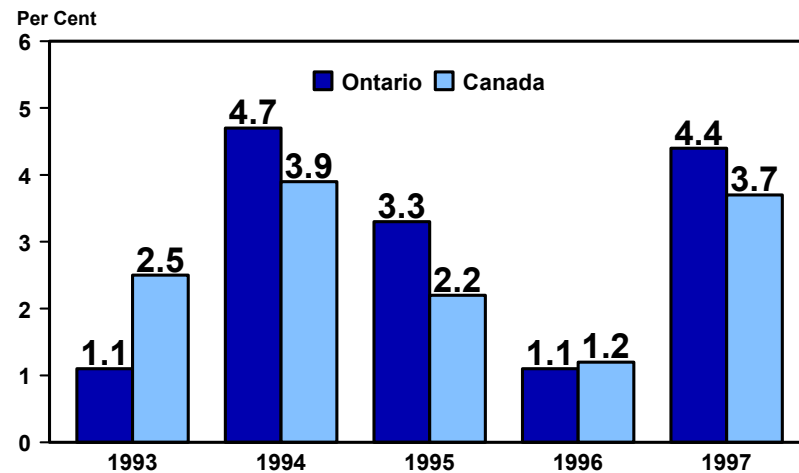
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## Economic Highlights

### Real Gross Domestic Product (GDP) Growth

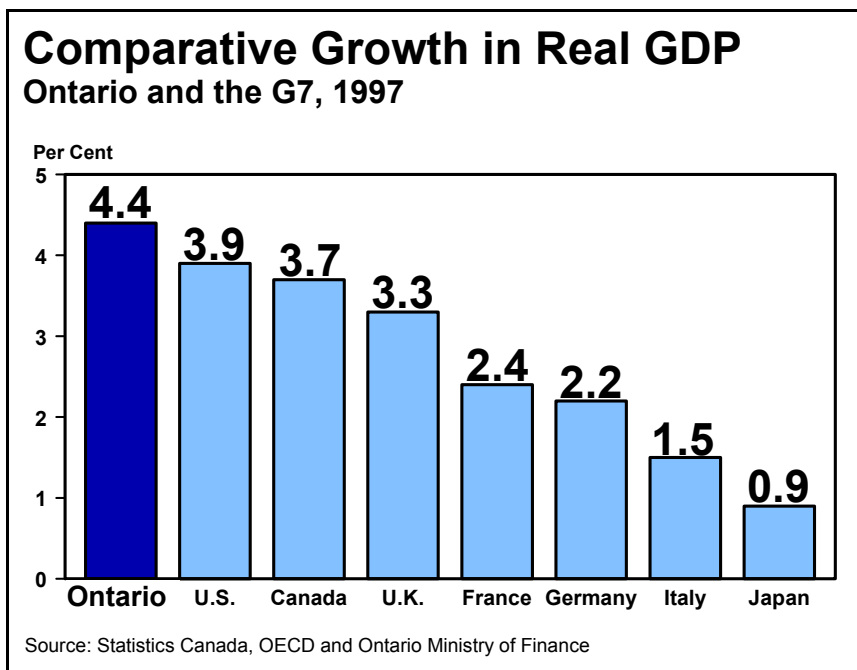
The Ontario economy grew vigorously in 1997, expanding by 4.4 per cent. The robust growth in calendar year 1997 was broadly based, with household, business and export sectors all contributing to economic growth.

#### Comparative Growth in Real GDP Ontario and Canada 1993 - 1997



Source: Statistics Canada and Ontario Ministry of Finance

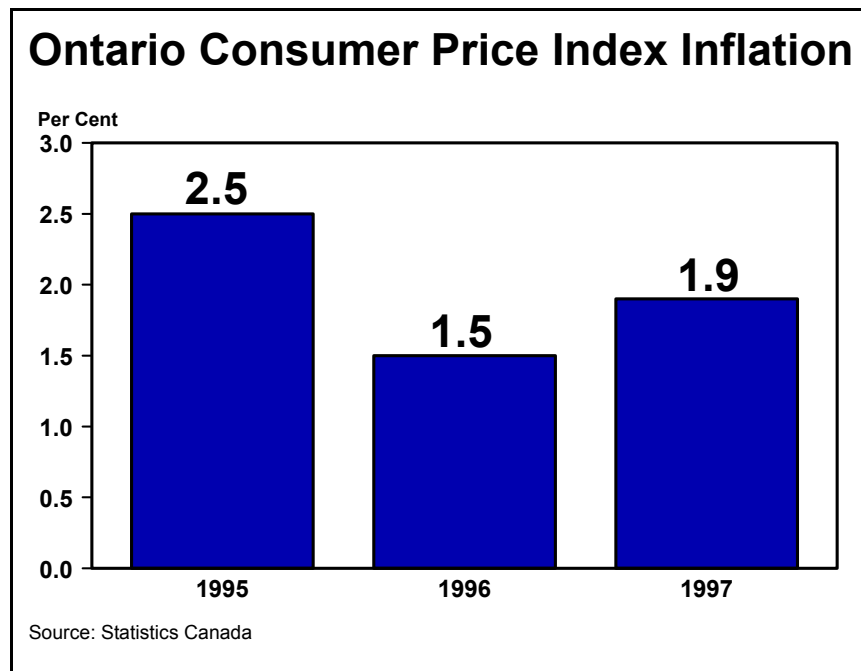
The major sources of growth in Ontario during 1997 were: increased residential construction up 19.1 per cent, business investment in machinery and equipment up 18.7 per cent, and exports up 10.3 per cent. Non-residential construction and consumer spending also contributed to economic growth, rising by 7.4 per cent and 4.5 per cent respectively. Ontario's growth in 1997 outpaced all major industrial nations.





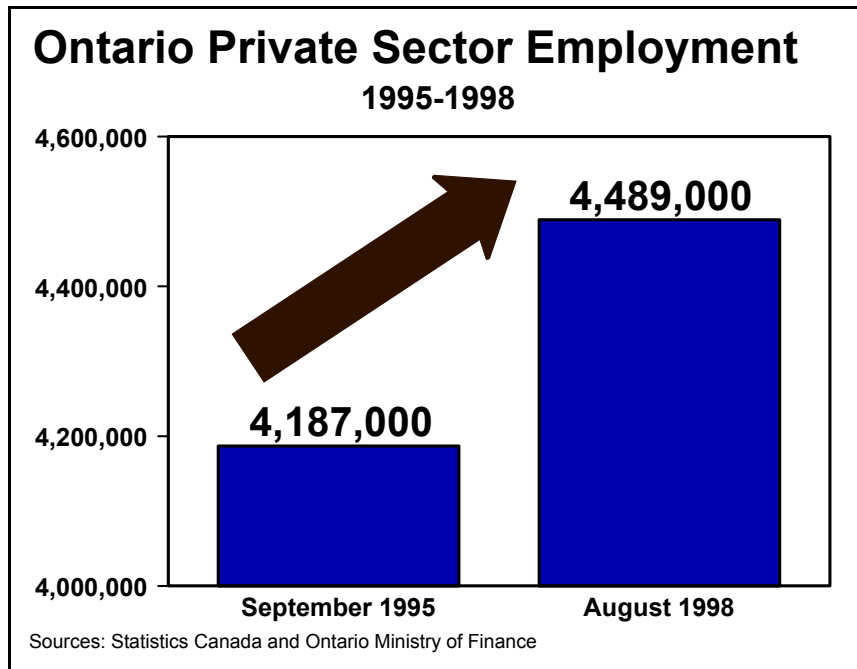
### Consumer Price Index Inflation

Ontario's inflation rate, as measured by the changes in the consumer price index (CPI), was 1.9 per cent in 1997, up slightly from 1.5 per cent in 1996. Inflation declined over the course of 1997, slowing to 1.1 per cent in the fourth quarter (October - December 1997). Despite strong economic growth, price pressure continued to be absent from the Ontario economy in 1997.



## Employment

Since the September 1995 Throne Speech, Ontario's private sector has created 302,000 net new jobs.



The largest employment gains were in the business and personal services sector with 118,000 new jobs, followed by the manufacturing sector with 79,000 new jobs, and the retail and wholesale trade sector with 55,000 new jobs.

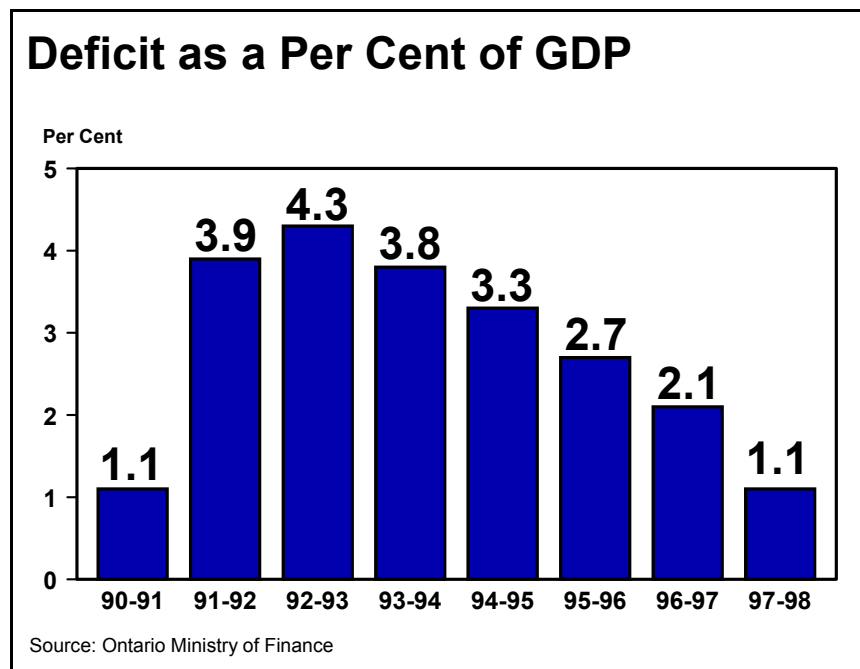
Since September 1995, the unemployment rate fell 1.2 percentage points from 8.4 per cent to 7.2 per cent.

## Fiscal Highlights

### Overachieving the Deficit Reduction Target for the Third Consecutive Year

Through a combination of prudent and cautious fiscal planning and strong economic growth, the government has consistently overachieved the deficit targets set out in the Balanced Budget Plan. The 1997-98 deficit, at \$3,966 million, surpassed the Budget Plan deficit target of \$6,580 million by \$2,614 million.

The deficit for 1997-98 of \$3,966 million represents a reduction of \$2,939 million from the 1996-97 deficit of \$6,905 million. Since 1992-93, the deficit as a share of the economy has fallen from a peak of 4.3 per cent to 1.1 per cent of GDP in 1997-98.



The \$650 million reserve included in the 1997 Budget to protect the fiscal plan against unforeseen risks, such as unexpected and adverse changes in the economic outlook, was not needed and was applied to deficit reduction.

## **Revenue**

Total revenue of \$52.5 billion in 1997-98 increased by \$3.0 billion from 1996-97 levels.

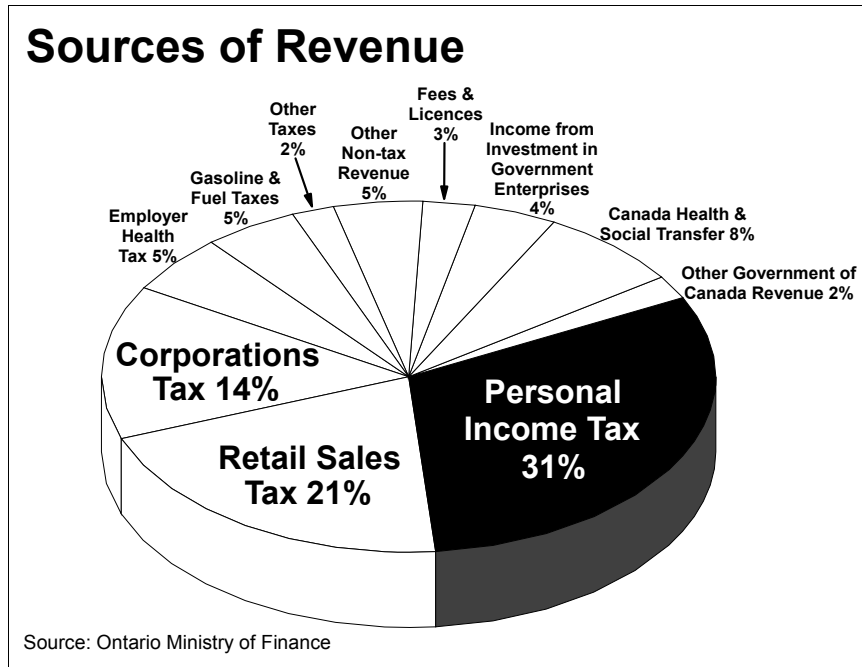
Revenue increases were mostly due to the continued strong growth of the economy and the transitional \$519 million reimbursement of expenditure from municipalities for Local Services Realignment. Taxation revenues grew \$2.7 billion while federal payments fell by \$0.7 billion.

## **Expense**

Vigilant control of government spending was maintained during the fiscal year. Total expense increased by \$99 million from 1996-97 levels to \$56.5 billion in 1997-98. At the same time, significant investments to support restructuring in key sectors such as health, education and municipalities were accommodated within the fiscal plan and amounted to \$2.2 billion in 1996-97 and \$1.6 billion in 1997-98.

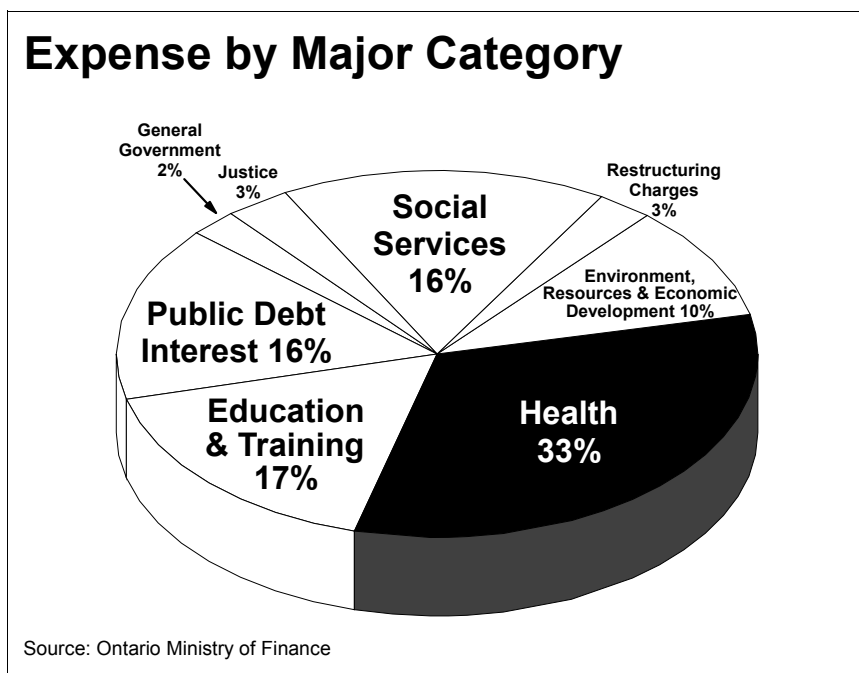
## Sources of Revenue

Total revenue for 1997-98 was \$52.5 billion. Tax revenue accounted for 78 per cent, federal transfers 10 per cent, other revenue 8 per cent, and income from investment in government enterprises 4 per cent.



## Expense by Major Category

Total provincial government expense for 1997-98 was \$56.5 billion. About two-thirds of that total related to spending on social programs, including health, education and social services. Interest on Ontario's outstanding debt accounted for 16 per cent of expense. Environment, Resources and Economic Development expense, Restructuring Charges, and Justice and General Government expense accounted for the remaining 18 per cent.



## Summary of In-Year Changes to Revenue

Total revenue in 1997-98 was \$52,488 million, \$4,088 million above the \$48,400 million level projected in the 1997 Budget. The strength of the economy, the cautious nature of the Budget projections, and \$519 million for transitional reimbursement of expenditures from municipalities for Local Services Realignment contributed to the revenue increase.

### Summary of In-Year Changes to Revenue in 1997-98

(\$ Millions)

#### Taxation Revenue

Personal Income Tax	1,803	
Corporations Tax	1,006	
Retail Sales Tax	453	
Employer Health Tax	211	
Land Transfer Tax	115	
All Other (Including Gas, Fuel and Mining Profits Taxes)	108	
		<b>3,696</b>

#### Federal Payments

Canada Health and Social Transfer	(235)	
Canada-Ontario Infrastructure Works	(85)	
Ice Storms	212	
Other	(89)	
		<b>(197)</b>

#### Income from Government Enterprises

Ontario Casino Corporation	31	
Liquor Control Board of Ontario	15	
Ontario Lottery Corporation	(71)	
Other	(4)	
		<b>(29)</b>

#### Other Revenue

Reimbursement of Expenditures from Municipalities	519	
Royalties	61	
Fines and Penalties	84	
Sales and Rentals	137	
All Other (Including LLBO Fees and Licences, Other Fees and Licences)	(183)	
		<b>618</b>

<b>Total In-Year Revenue Changes</b>	<b>4,088</b>
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, Personal Income Tax revenue was \$1,803 million above the 1997 Budget

projection as a result of stronger 1997 income growth and higher 1996 PIT assessments than previously estimated. Of the PIT increase, \$1,016 million is due to higher estimated 1996-97 PIT than reported in the 1996-97 Public Accounts. Under Public Sector Accounting and Auditing Board (PSAAB) guidelines, the difference between the higher estimate and the 1996-97 Public Accounts estimate is recorded in 1997-98.

- , Corporations Tax revenue was \$1,006 million higher than forecast in the 1997 Budget outlook due to robust corporate profit growth in 1997. Corporate profits in 1997 grew by 16.8 per cent, which exceeded the 1997 Budget projection of 13.8 per cent.
- , The strength of consumer and business spending in Ontario in 1997 pushed Retail Sales Tax revenue \$453 million above the 1997 Budget projection.
- , Employer Health Tax revenue was \$211 million above the 1997 Budget outlook due to faster than projected growth in incomes in 1997.
- , The strong resale housing market increased Land Transfer Tax revenue by \$115 million over the 1997 Budget projection.
- , Transfers from the Government of Canada for 1997-98 were \$5,098 million, \$197 million lower than the 1997 Budget forecast. This largely reflects \$235 million in lower-than-projected Canada Health and Social Transfer (CHST) payments for 1997-98 as a result of higher than expected Personal Income Tax Revenues. Under the federal CHST allocation formula, increases in Ontario's personal income tax revenue result in lower CHST payments to Ontario. Canada-Ontario Infrastructure Works program revenues for 1997-98 were \$85 million lower than forecast in the 1997 Budget because some projects that were started in 1997-98 were carried over into 1998-99 for completion. The federal government's share of disaster relief for people, businesses, and municipalities affected by the ice storms in Eastern Ontario, amounted to \$212 million.



- , Income from Investment in Government Enterprises was \$29 million below the 1997 Budget projection. Income from the Ontario Lottery Corporation was down \$71 million as a result of changes to the implementation of charity gaming in Ontario. Partially offsetting this decline was higher income from the Ontario Casino Corporation and the Liquor Control Board of Ontario.
- , Other Revenue was \$618 million above the 1997 Budget projection primarily due to the inclusion of \$519 million from transitional reimbursement of expenditures from municipalities for Local Services Realignment. Higher Royalties, Fines and Penalties and Sales and Rentals also contributed to the increase in Other Revenue.

## Summary of In-Year Changes to Expense

Expense was \$2,124 million above the 1997 Budget Plan mainly as a result of increased in-year investments of \$985 million for restructuring, a \$698 million increase in Teachers' Pension Plan expense, an increase of \$329 million in the health sector, and savings of \$461 million in Public Debt Interest.

### Major Sources of Change in Spending from the 1997 Budget Plan

- , The provision for Restructuring Charges was increased by \$985 million in-year to \$1,595 million to support restructuring efforts in the health care, education and municipal sectors.
- , Teachers' Pension Plan expense increased by \$698 million in-year, mainly due to an additional expense related to the province's liability from the Teachers' Retirement Compensation Arrangement, and from benefit enhancements recently agreed to by the Ontario Teachers' Federation and the province.
- , The increase of \$329 million in the health sector was mainly due to increased utilization of doctors' services and drug programs, a special provision to provide financial assistance to persons who contracted Hepatitis C or were infected through secondary contact via the blood system, and increased funding for seniors, people with continuing care needs and children with disabilities.
- , Relief to people, small businesses, farmers and public institutions affected by ice storms in Eastern Ontario resulted in additional costs of \$261 million. The federal government's share of the relief program is \$212 million and is reflected in provincial revenues.
- , Savings of \$461 million in Public Debt Interest were primarily due to interest rates lower than the prudent Budget assumptions. Other factors were lower borrowing requirements and higher-than-expected investment income.
- , Ontario Public Service and OPSEU Pension Plan expense declined \$231 million, mainly due to improved investment performance and lower interest expense.

### Restructuring Charges

In recognition of the extent of restructuring currently underway in the health care, education and municipal sectors, the government made significant investments in

these key areas in 1997-98. Total Restructuring Charges amounted to \$1,595 million. Restructuring investments included the following:

- , Charges totalling \$998 million for assisting in municipal restructuring, including:
  - \$829 million to discharge provincial responsibilities flowing from the cancellation of the Toronto Transit Commission/City of Toronto Capital Subsidy Agreement;
  - \$50 million to cover the costs associated with the transfer of certain highways to municipalities;
  - \$23 million for co-operative and non-profit housing capital reserves; and,
  - a \$96 million increase in the provision for Local Services Realignment exit costs.
  
- , A provision of \$532 million for health care restructuring to account for the government's share of costs in realigning hospital services in those individual communities where hospital restructuring plans exist.
  
- , Charges totalling \$224 million for school boards' amalgamation costs.
  
- , A net reduction of \$159 million in the 1997-98 Ontario Public Service employee severance expense reflects severance charges resulting from the restructuring decisions taken by the government during the year, which were offset by a downward revision of the severance provisions recorded in 1995-96 and 1996-97.

## Borrowing and Debt Management

### 1997-98 Borrowing Program

The province borrowed \$11.3 billion in long-term capital markets to fund the deficit, refinance maturing debt and pay down short-term debt. Of the \$11.3 billion, \$10.8 billion was the nominal value of the debt issued and \$0.5 billion represents the proceeds received above this nominal value.

The Canadian dollar market remained Ontario's primary source of funds, accounting for over 86 per cent of long-term borrowing transacted during the year (\$9.8 billion of \$11.3 billion). Of the total borrowed in Canada, \$6.0 billion was borrowed in the 30-year term to take advantage of low long-term interest rates. Ontario residents invested \$1.5 billion in the third Ontario Savings Bonds campaign. In addition, to improve the liquidity and marketability of future domestic longer-dated Medium Term Notes, the province introduced a benchmark Medium Term Note targeted to institutional investors.

Ontario also borrowed internationally in Japanese Yen and French Francs. The province raised \$0.8 billion from Japanese investors via five separate issues including Euro Medium Term Notes and a Samurai bond issue (Samurai bonds are bonds issued into the Japanese domestic market by non-Japanese issuers). Ontario's second Euro-French Franc issue raised \$0.7 billion.

### Debt Management

Ontario's total Provincial Purpose Debt is comprised of Debt Issued for Provincial Purposes plus Deposits with the Province of Ontario Savings Office and Other Liabilities. On March 31, 1998, Ontario's total Provincial Purpose Debt stood at \$105.5 billion. Nearly one third of this amount (\$32.7 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 cost-effectiveness and stability, ensuring a smooth maturity profile through term selection, and limiting Ontario's exposure to currency and interest rate fluctuations. For additional details, please refer to the Notes 2 and 3 to the Financial Statements in the *1997-98 Public Accounts of Ontario*.

Nearly one-third (\$34.2 billion) of Ontario's total Provincial Purpose Debt has been issued in foreign currencies. At March 31, 1998, all but \$0.5 billion (0.5 per cent) of Ontario's total Provincial Purpose Debt had been converted or hedged into Canadian dollars through the use of risk-management techniques. Existing policies

limit unhedged foreign exchange exposure to 5 per cent or less of Ontario's total Provincial Purpose Debt.

At all times during the year, the proportion of floating-rate debt was well below the policy limit of 20 per cent of Ontario's total Provincial Purpose Debt. Floating-rate debt as a percentage of Ontario's total Provincial Purpose Debt (net of liquid reserves) increased from an average of 3.7 per cent in 1996-97 to an average of 7.3 per cent (\$7.5 billion) in 1997-98. On March 31, 1998, the floating-rate debt was 2.4 per cent of Ontario's total Provincial Purpose Debt, down from 3.4 per cent on March 31, 1997. The floating-rate debt is lower at year-end as liquid reserves are increased at that time to meet cash requirements during the Budget process – a period of up to 2 months – when the Ontario Financing Authority refrains from accessing capital markets.

## Ontario Hydro

The Ontario Financing Authority coordinates financing with Ontario Hydro to optimize market reception for the Ontario credit in the Canadian and international capital markets.

In the past, the province has borrowed in its own name on behalf of Ontario Hydro in the United States and from the Canada Pension Plan. On March 31, 1998, debt issued by the province for Ontario Hydro totalled \$2.9 billion, down \$0.2 billion from the \$3.1 billion outstanding at the end of 1996-97. In addition to the \$2.9 billion issued by the province on behalf of Ontario Hydro, securities of \$27.8 billion directly issued by Ontario Hydro are guaranteed by the province as of March 31, 1998.

On November 6, 1997, the Ontario Government announced a proposal for the restructuring of Ontario's electricity system and for the creation of a competitive market by the year 2000 for wholesale and retail customers. A more detailed discussion of the relationship between the Province of Ontario and Ontario Hydro can be found in Note 6 to the Financial Statements in the *1997-98 Public Accounts of Ontario*.

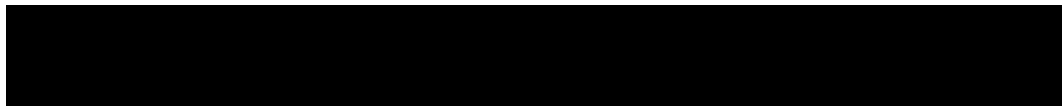
### Five-Year Review of Selected Financial and Economic Statistics

\$ Millions	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue	43,674	46,039	49,473	49,450	52,488
Expense:					
Programs and Capital	47,747	48,336	48,944	45,568	46,130

Public Debt Interest	7,129	7,832	8,475	8,607	8,729
Restructuring			854	2,180	1,595
Total Expense	54,876	56,168	58,273	56,355	56,454
<b>Deficit</b>	<b>11,202</b>	<b>10,129</b>	<b>8,800</b>	<b>6,905</b>	<b>3,966</b>
<b>Ontario's Debt</b>					
Debt Issued for Provincial Purposes	76,714	85,711	98,407	98,392	101,982
Province of Ontario Savings Office	2,059	2,089	2,220	2,135	2,245
Other Liabilities	666	780	769	984	1,247
<b>Total Provincial Purpose Debt</b>	<b>79,439</b>	<b>88,580</b>	<b>101,396</b>	<b>101,511</b>	<b>105,474</b>
Ontario Hydro					
Debt Incurred by the Province	4,537	3,835	3,808	3,140	2,885
Contingent Liabilities					
Hydro	31,789	31,561	29,077	29,027	27,772
Other	2,219	2,221	2,513	2,759	2,903
Gross Domestic Product (GDP) at Market Prices	291,716	305,023	322,874	331,024	346,871
Personal Income Per Capita (dollars)	23,576	23,544	24,128	24,285	24,582
Total Ontario Debt as a Per Cent of GDP	27.2	29.0	31.4	30.7	30.4



# **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, 1998 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 14, 1998, I expressed an unqualified opinion on those financial statements. My audit report and the complete financial statements are included in the *1997-98 Public Accounts of Ontario*.

In my opinion, the accompanying condensed statements of financial position, of operations and accumulated deficit and of changes in financial position have been accurately extracted from the aforementioned audited financial statements of the province.

The condensed financial statements provide only a brief summary of the significant accounting policies followed by the province and do not include the Notes and Schedules that accompany the complete financial statements. Accordingly, these condensed financial statements do not include all the disclosures required by accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. Therefore, readers are cautioned that these statements may not be appropriate for their purposes. For more extensive information on the province's financial position, results of operations and changes in financial position, reference should be made to the complete financial statements included in the *1997-98 Public Accounts of Ontario*.

Toronto, Ontario  
August 14, 1998

Erik Peters, FCA  
Provincial Auditor



## Statement of Responsibility for the Condensed Financial Statements

The condensed financial statements are extracted from the audited financial statements of the province. These statements are in compliance with legislation and use accounting principles as recommended by the Public Sector Accounting and Auditing Board (PSAAB) and, where applicable, the Canadian Institute of Chartered Accountants (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.

Tony Salerno

Colin Andersen




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t Siddall, CA

Deputy Minister (Acting)  
August 14, 1998

Assistant Deputy Minister  
August 14, 1998

Controller  
August 14, 1998

## Province of Ontario

# Statement of Operations and Accumulated Deficit

For the year ended March 31 (\$ Millions)	Budget 1998	Actual 1998	Actual 1997
<b>Revenue</b>			
Personal Income Tax	14,490	<b>16,293</b>	16,357
Retail Sales Tax	10,390	<b>10,843</b>	9,964
Corporations Tax	6,450	<b>7,456</b>	5,852
Employer Health Tax	2,640	<b>2,851</b>	2,772
Gasoline and Fuel Taxes	2,515	<b>2,591</b>	2,491
Other Taxes	1,020	<b>1,167</b>	1,030
Total Taxation	37,505	<b>41,201</b>	38,466
Government of Canada	5,295	<b>5,098</b>	5,778
Income from Investment in Government Enterprises	2,320	<b>2,291</b>	1,959
Other Revenue	3,280	<b>3,898</b>	3,247
	48,400	<b>52,488</b>	49,450
<b>Expense</b>			
Health	18,087	<b>18,416</b>	17,921
Social Services	9,512	<b>9,272</b>	9,273
Education and Training	8,930	<b>9,524</b>	8,957
Public Debt Interest	9,190	<b>8,729</b>	8,607
Environment, Resources and Economic Development	4,940	<b>5,728</b>	6,230
Justice	1,698	<b>1,835</b>	1,720
General Government	1,363	<b>1,355</b>	1,467
Restructuring Charges	610	<b>1,595</b>	2,180
	54,330	<b>56,454</b>	56,355
<b>Reserve</b>	650		
<b>Deficit</b>	6,580	<b>3,966</b>	6,905
<b>Accumulated Deficit</b>			
Balance, Beginning of Year	108,769	<b>108,769</b>	101,864
Balance, End of Year	115,349	<b>112,735</b>	108,769

## Province of Ontario

**Statement of Financial Position**

<b>As at March 31</b>	<b>1998</b>	<b>1997</b>
<b>(\$ Millions)</b>		
<b>Liabilities for Provincial Purposes</b>		
Accounts Payable and Accrued Liabilities	12,686	11,766
Debt Issued for Provincial Purposes	101,982	98,392
Deposits with the Province of Ontario Savings Office	2,245	2,135
Pensions	8,062	8,188
Other Liabilities	1,247	984
Total Liabilities for Provincial Purposes	126,222	121,465
Debt Issued for Ontario Hydro	2,885	3,140
	129,107	124,605
<b>Financial Assets</b>		
Cash and Temporary Investments	5,414	5,681
Accounts Receivable	3,666	2,852
Loans Receivable	2,246	2,158
Other Assets	417	543
Properties Held for Sale	271	307
Investment in Government Enterprises	1,473	1,155
Advances to Ontario Hydro, Secured by Bonds	2,885	3,140
	16,372	15,836
<b>Accumulated Deficit</b>	<b>112,735</b>	<b>108,769</b>

## Province of Ontario

# Statement of Changes in Financial Position

For the year ended March 31 (\$ Millions)	1998	1997
<b>Cash Used by Operations</b>		
Deficit for the Year	(3,966)	(6,905)
<b>Cash Provided (Used) by Investment Activities</b>		
Investment in Government Enterprises	(318)	23
<b>Cash Provided (Used) by Financing Activities, Net</b>		
Debt Issued for Provincial Purposes	10,847	6,398
Debt Retired for Provincial Purposes	(7,257)	(6,492)
Deposits with Province of Ontario Savings Office	110	(85)
	3,700	(179)
<b>Other Items</b>	317	1,320
Decrease in Cash and Temporary Investments	(267)	(5,741)
Cash and Temporary Investments at Beginning of Year	5,681	11,422
Cash and Temporary Investments at End of Year	5,414	5,681

# Condensed Significant Accounting Policies

## Introduction

These notes provide 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 *1997-98 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. 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 that are 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.

Ontario Hydro is not included in the reporting entity as the *Power Corporation Act* precludes distribution of any Hydro surplus to the province.

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

## **Principles of Consolidation**

The activities of crown corporations, boards and commissions, classified as government service organizations, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in the financial statements. 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

### Public Accounts of the Province of Ontario

The 1997-98 Public Accounts of the Province of Ontario are made up of the financial statements and three volumes:

1. **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.
2. **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.
3. **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. For electronic access to the Ontario Budget, go to <http://www.gov.on.ca/FIN/english/budeng.htm>.

### 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 which are submitted for approval to the Legislative Assembly in 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. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what performance measures have been set and how results will be measured. It also includes a summary of expenditures. For electronic access to the Business Plans, go to <http://www.gov.on.ca/MBS/english/press/plans98>.

## **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, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

## **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, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

Copies of the above publications may be obtained free by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto.



You can help improve the information provided in this annual report by completing the attached questionnaire and mailing it to:

Attention: Robert Siddall, Controller

Frost Building South, 1st Floor

Toronto, Ontario M7A 1Y7

or by e-mail to: [siddalr@gov.on.ca](mailto:siddalr@gov.on.ca)

1. How would you rate the clarity of the information provided in this report?

- 2. Do you believe that the narrative in the report is:**

3. Do you believe that sufficient information was provided in the report on the following items:

4. Do you believe that the financial information was supported adequately through the use of tables, graphs and other illustrations?

5. We would appreciate any other suggestions you may have to help us improve next year's report.



## Notes