



Ministry of Finance

# Province of Ontario

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Annual Report

1998-1999

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## Message From The Minister of Finance



Hon. Ernie Eves

I am proud of the Ontario Government's record of achievement during the 1998–1999 fiscal year.

These results, which are outlined in the 1998–1999 Public Accounts and Annual Report of the Province of Ontario, clearly show that our program of tax cuts to strengthen the economy and stimulate job creation is working.

In 1998, we introduced 36 more tax cuts and accelerated the final phase of the 30 per cent personal income tax cut to July 1, 1998—half a year ahead of schedule. The Ontario economy expanded, generating new jobs and a positive climate for trade and investment.

The provincial economy grew by 4.2 per cent last year, faster than any of the G-7 nations, including the United States and Germany. Retail sales were up by 6.9 per cent and 200,000 new jobs were created, representing the largest net annual increase in new jobs ever recorded for Ontario or for any other province.

As a result of the robust growth, personal income tax revenues increased by \$897 million over the prior year and \$2.6 billion over the 1998 Ontario Budget projection. Increased revenues meant that we had more money to apply against the deficit, which we were able to reduce to \$2 billion—\$1.2 billion less than the \$3.2 billion deficit forecast in the 1999 Ontario Budget.

Through prudent budgeting and controlled spending we are on track to eliminate the deficit and balance the books by 2000–2001. However, the job is not yet finished. We need to be ever vigilant in our efforts to ensure taxpayers' dollars are spent wisely, as we create a government that is leaner, more sensible, more efficient and genuinely concerned about serving you.

The millions of dollars we save every year we will continue to reinvest in priority programs such as health care and quality education. We are building the foundations of prosperity for the people of Ontario so every family and every person can have a better tomorrow.

A stylized, handwritten signature in black ink, appearing to read 'Ernie Eves'.

The Honourable Ernie Eves, Q.C.  
Minister of Finance  
October 1999

## The Year in Review

The deficit continued its downward track towards a balanced budget in 2000–01, falling from \$3,966 million in 1997–98 to \$2,002 million in 1998–99. For the fourth consecutive year, the government's deficit-reduction target has been surpassed as the 1998–99 deficit is \$2,222 million below the 1998 Ontario Budget target of \$4,224 million. In 1995–96, the deficit target of \$9,308 million was bettered by \$508 million; in 1996–97, the actual deficit was \$1,275 million below the 1996 Budget target of \$8,180 million; and in 1997–98, the target of \$6,580 million was overachieved by \$2,614 million.

### 1998–99 Fiscal Highlights

(\$ Millions)	1997–98	1998–99
Revenue	52,518	55,786
Expenditure	56,484	57,788
Deficit	3,966	2,002

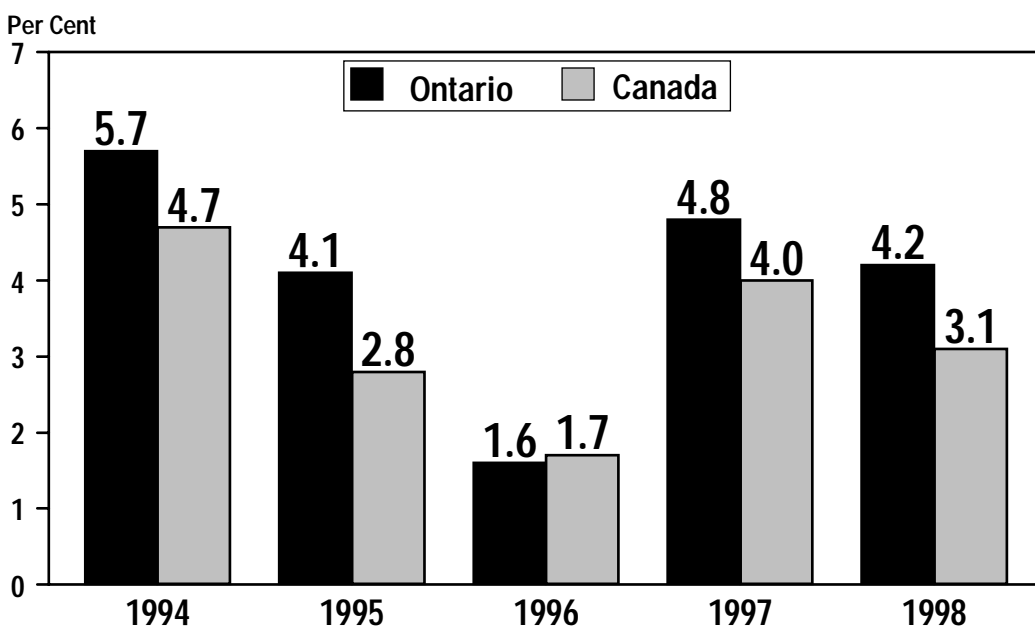
## Economic Highlights

### Real Gross Domestic Product (GDP) Growth

For the calendar year 1998, the Ontario economy recorded strong economic growth, rising 4.2 per cent. Economic growth continued to be broad based, with the household, business and export sectors all showing vigorous growth.

## Comparative Growth in Real GDP

### Ontario and Canada 1994–1998



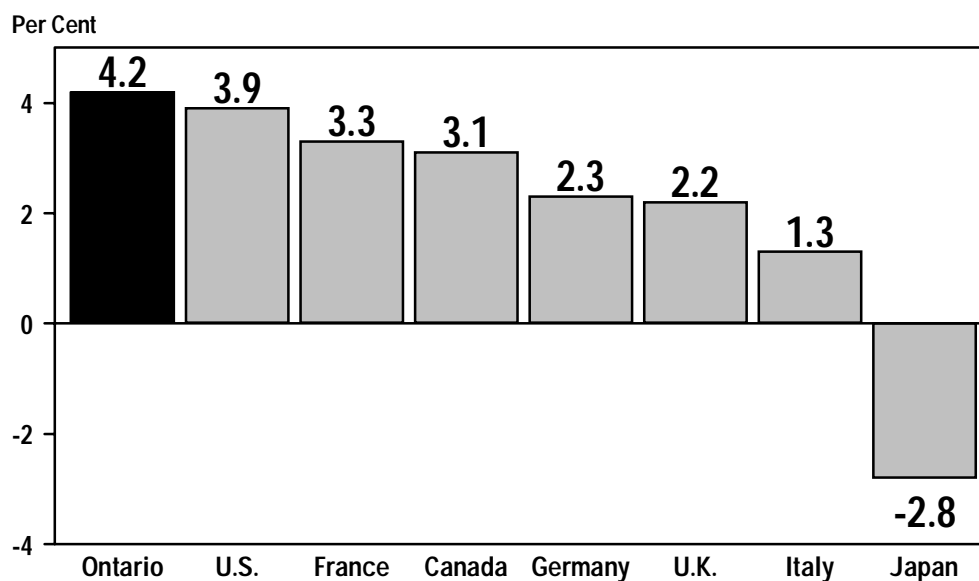
Sources: Statistics Canada and Ontario Ministry of Finance

With solid domestic and foreign demand, business investment in machinery and equipment increased 9.4 per cent. Exports increased 9.1 per cent, with gains concentrated in automotive products and machinery and equipment. The consumer sector recorded its strongest gain in ten years, rising 4.7 per cent.

Ontario's growth in 1998 outpaced all major industrial nations.

## Comparative Growth in Real GDP

### Ontario and the G-7, 1998

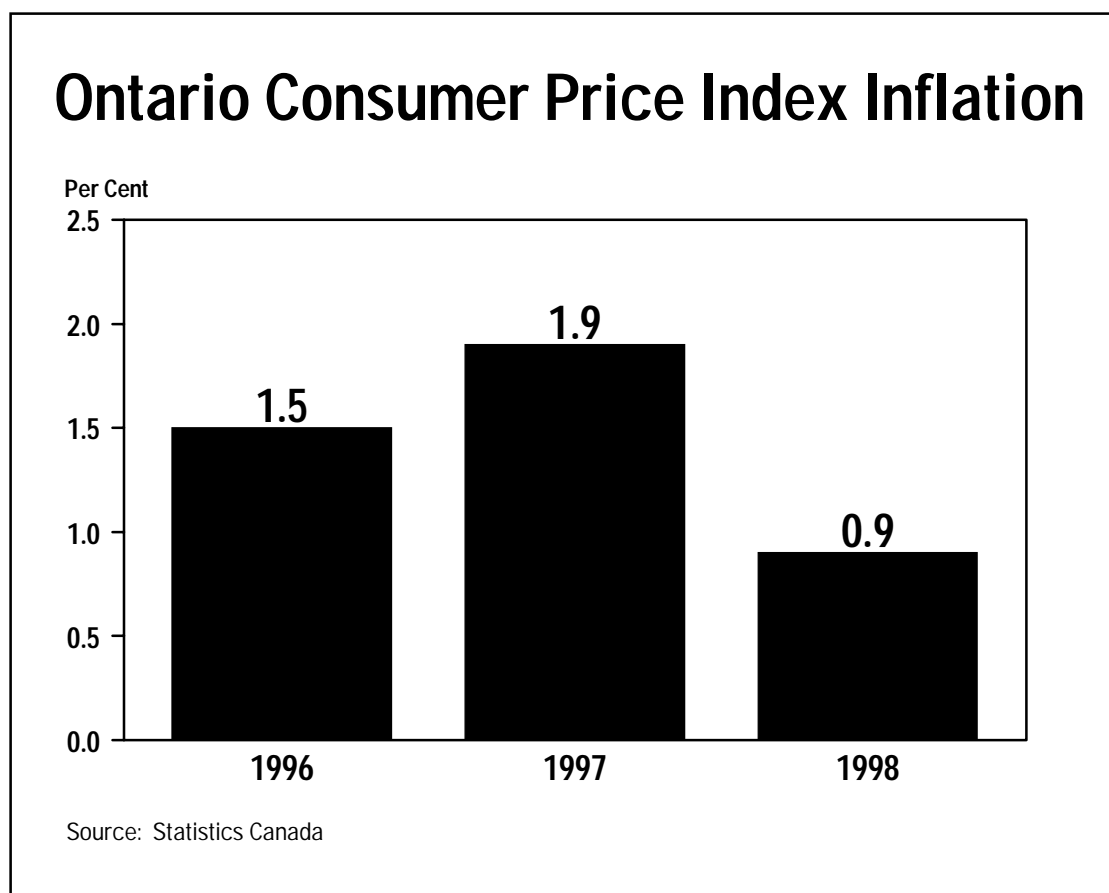


Sources: Statistics Canada, OECD and Ontario Ministry of Finance

## Consumer Price Index Inflation

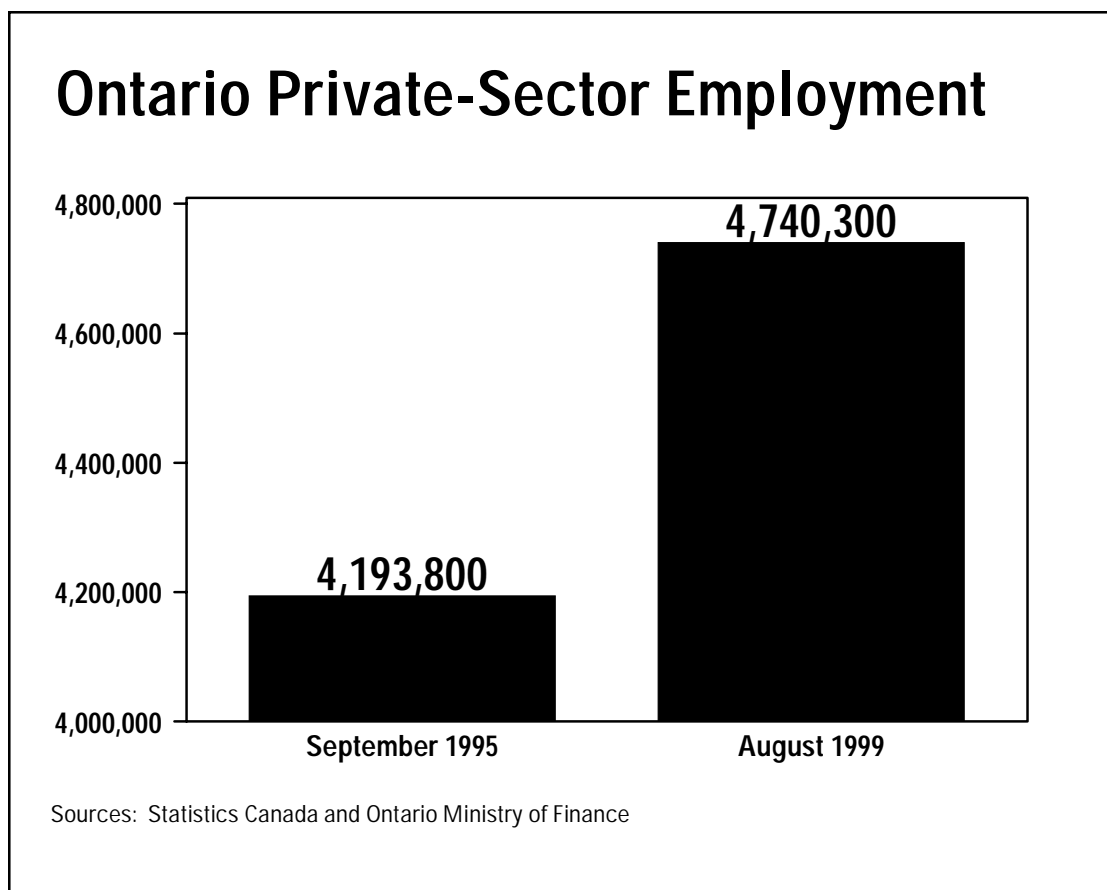
Ontario's inflation rate, as measured by the changes in the consumer price index (CPI), was 0.9 per cent in 1998, down one percentage point from 1.9 per cent in 1997.

Inflation slowed over the second and third quarters (April-September) of 1998, before edging higher in the final quarter of the year. Price pressures were absent from the Ontario economy despite solid growth. Energy prices fell throughout the year.



## Employment

Since the September 1995 Throne Speech, Ontario's private sector has created 546,500 net new jobs.



The largest gains in employment were in the manufacturing sector with 178,000 new jobs, followed by professional, scientific and technical services with 110,000 new jobs and management, administrative and other support services with 71,000 new jobs.

During 1998, on an average annual basis, 200,000 net new jobs were created economy-wide.

Since September 1995, the unemployment rate has fallen 2.0 percentage points from 8.4 per cent to 6.4 per cent.



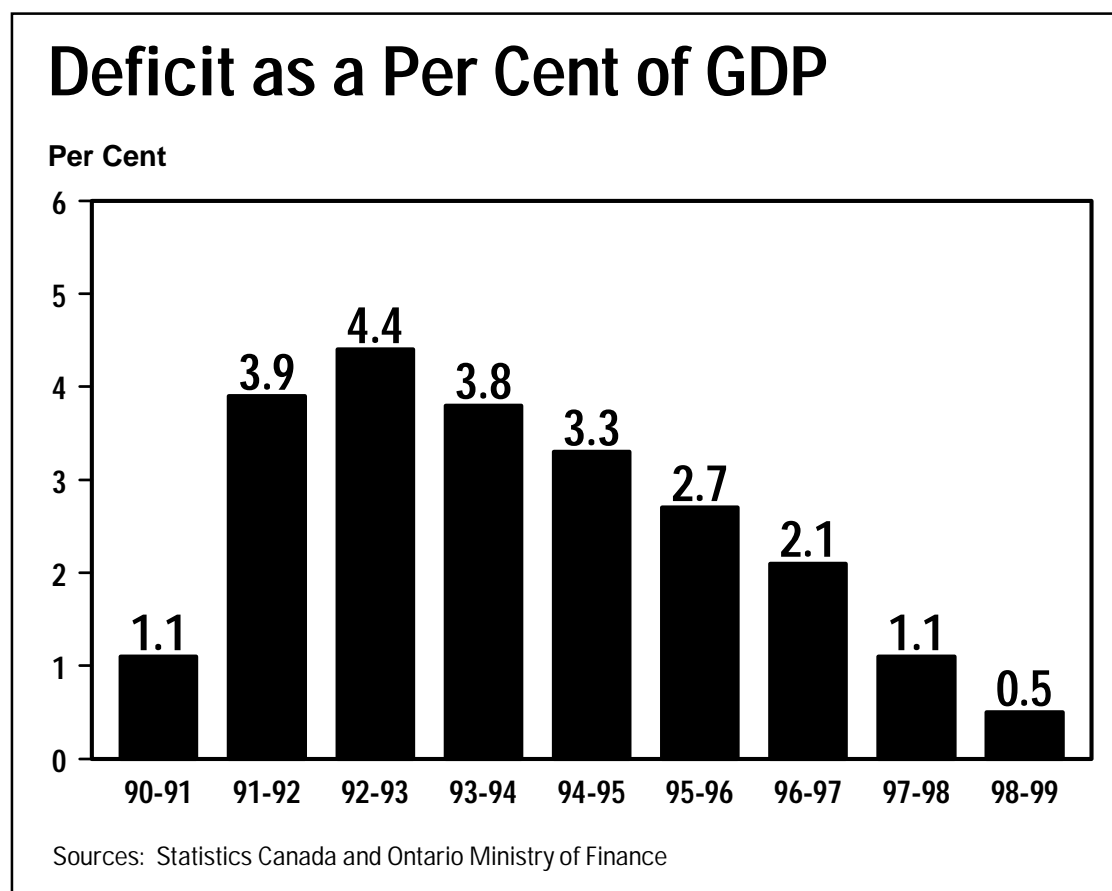
## Fiscal Highlights

### Deficit

The government has overachieved the deficit targets set out in the Balanced Budget Plan each year through prudent fiscal planning and strong economic growth. At \$2,002 million, the deficit for 1998–99 represents a decrease of \$1,964 million from the 1997–98 deficit of \$3,966 million and a reduction of \$2,222 million from the 1998 Ontario Budget deficit target of \$4,224 million.

The deficit as a share of the economy has fallen from a peak of 4.4 per cent in 1992–93 to 0.5 per cent of provincial GDP in 1998–99. In 1998–99, the deficit was below one per cent of GDP for the first time this decade.

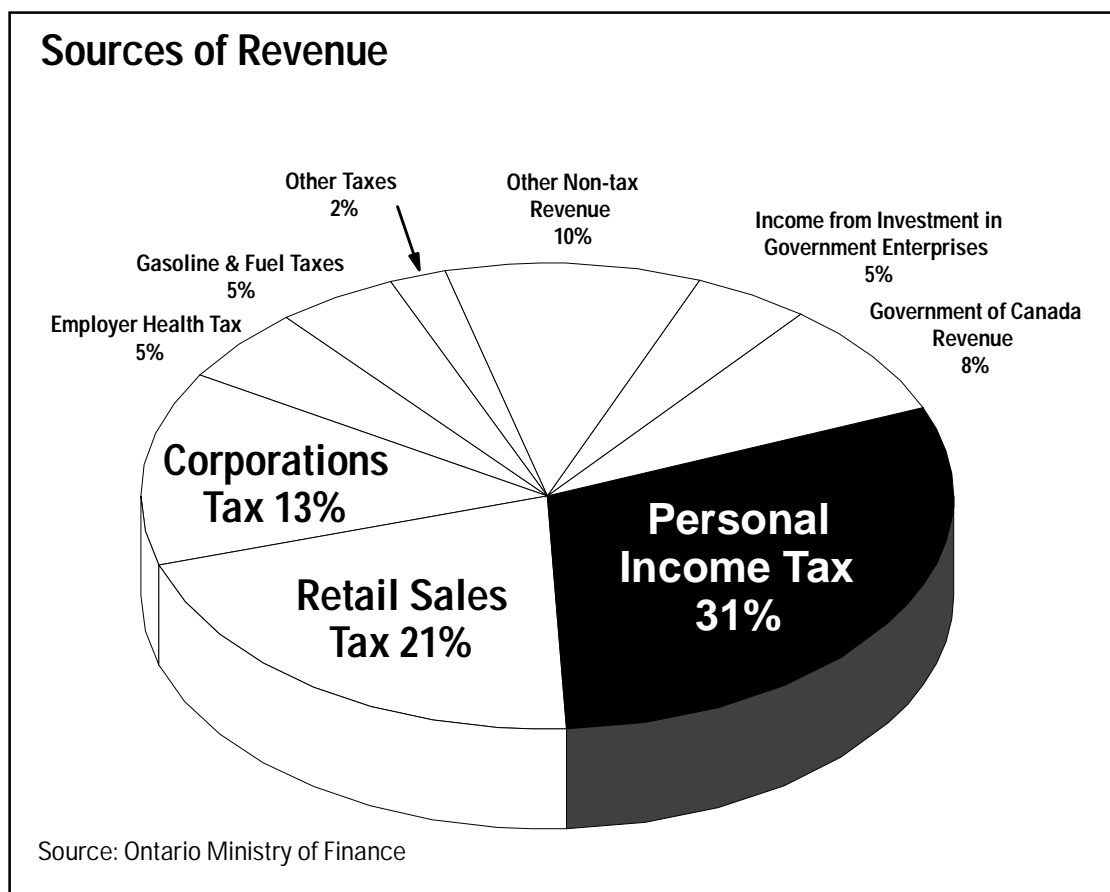
The \$650 million reserve included in the 1998 Ontario Budget to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook, was not needed and was applied to deficit reduction.



## Revenue

Total revenue was \$55,786 million in 1998-99, an increase of \$3,268 million from 1997-98 levels.

Revenue increases were mostly due to the continued strong growth of the economy and the \$1,590 million increase in the transitional reimbursement of expenditure from municipalities for Local Services Realignment. Taxation revenues grew \$1,808 million while federal payments fell by \$583 million.

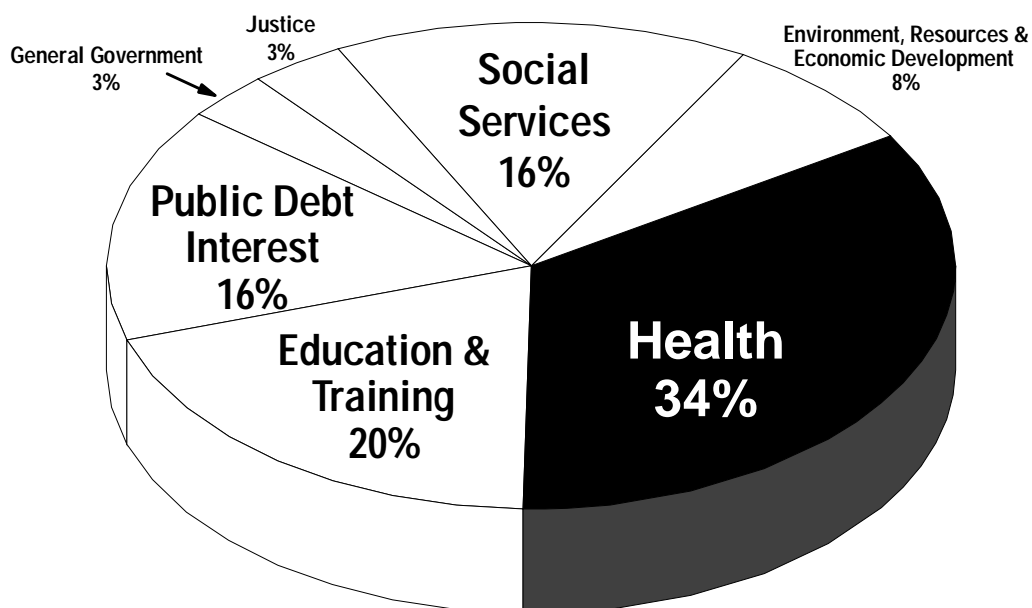


## Expenditure

Total expenditure in 1998–99 rose by \$1.3 billion from 1997–98 levels. This increase is mainly due to increases in key areas such as health and education spending, and one-time spending, including the establishment of the Ontario Innovation Trust and provincial expenditures related to Year 2000 computer system changes.

Total provincial government expenditure for 1998–99 was \$57.8 billion. About 70 per cent of the total related to social programs spending, including health, education and social services. Interest on Ontario's outstanding debt accounted for another 16 per cent of expenditure. Environment, resources and economic development, justice and general government expenditure accounted for the remaining 14 per cent.

**Expenditure by Major Category**



Source: Ontario Ministry of Finance

## Summary of In-Year Changes to Revenue

Total revenue in 1998–99 was \$55,786 million, \$2,396 million above the \$53,390 million projected in the 1998 Ontario Budget. Tax revenue was \$2,631 million above projection in 1998–99 as a result of the strength of the Ontario economy. Most of the in-year tax revenue gain was from improved Personal Income Tax, Retail Sales Tax and Employer Health Tax revenue, resulting in large part from the strength of economic growth and job creation.

### Summary of In-Year Changes to Revenue in 1998–99

(\$ Millions)

#### Taxation Revenue

Personal Income Tax	2,555	
Retail Sales Tax	216	
Employer Health Tax	102	
Corporations Tax	(153)	
Land Transfer Tax	(110)	
All Other	21	
		2,631

#### Federal Payments

Canada Health and Social Transfer	(397)	
All Other	(16)	
		(413)

#### Income from Government Enterprises

Ontario Casino Corporation	167	
Liquor Control Board of Ontario	49	
Ontario Lottery Corporation	(158)	
Other	51	
		109

#### Other Revenue

Sales and Rentals	160	
Local Services Realignment – Reimbursement of Expenditure	(152)	
All Other	61	
		69

<b>Total In-Year Revenue Changes</b>	<b>2,396</b>
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- Personal Income Tax (PIT) revenue was \$17,190 million, \$2,555 million above the 1998 Ontario Budget projection. Of this increase, \$1,573 million is due to higher estimated 1997–98 PIT than was reported in the 1997–98 Public Accounts. Under Public Sector Accounting Board (PSAB) guidelines, the difference between the higher estimate and the 1997–98 Public Accounts estimate is recorded in 1998–99.
- Retail Sales Tax was \$216 million above the 1998 Ontario Budget projection due to strong consumer and business spending.
- Robust employment growth boosted Employer Health Tax revenue \$102 million above forecast.
- Corporations Tax revenue was \$153 million below the Budget forecast due to weaker-than-projected corporate profits in 1998. Corporate profits fell 3.0 per cent in 1998.
- Land Transfer Tax revenue was \$110 million below the 1998 Ontario Budget forecast due to a weaker-than-projected resale housing market.
- All other Taxation Revenue was \$21 million above the 1998 Ontario Budget projections. This increase was due to the reclassification of \$64 million in Estate Fees revenue as Estate Administration Tax Revenue, partially offset by lower Mining Profits Tax and Tobacco Tax revenue.
- Transfers from the Government of Canada for 1998–99 were \$4,515 million, \$413 million lower than the 1998 Ontario Budget forecast. This largely reflects \$397 million in lower-than-projected Canada Health and Social Transfer (CHST) payments for 1998–99 as a result of a downward revision of estimates to Ontario's population going back to 1995, and an increase in the Province's PIT revenue. Under the federal CHST allocation formula, an increase in the value of Ontario's income tax points results in lower federal cash payments to the Province.
- Income from Government Enterprises was \$109 million above the 1998 Ontario Budget projection. Stronger net income growth for the Ontario Casino Corporation and the Liquor Control Board of Ontario was offset by lower Ontario Lottery Corporation (OLC) income. OLC income was \$158 million below forecast due to changes in the charity casino and slot machines at race tracks program and a revised implementation schedule.
- Total Other Revenue was up \$69 million.
  - Sales and Rentals was \$160 million higher, largely due to higher GO Transit revenue.
  - Reimbursement of expenditure from municipalities was lower by \$152 million, reflecting LSR program savings and changes in cost-sharing arrangements to the benefit of municipalities.
  - All other revenue was up by \$61 million, mainly from Other Fees and Licences and Royalties, partially offset with decreases in Vehicle and Driver Registration Fees and Miscellaneous revenue.

## Summary of In-Year Changes to Expenditure

Total provincial government expenditure was \$824 million above the 1998 Ontario Budget Plan mainly due to in-year increases in health and education spending, and the establishment of the Ontario Innovation Trust, partially offset by savings in capital spending and Public Debt Interest.

### Major Sources of Change in Spending from the 1998 Ontario Budget Plan

- One-time assistance totalling \$229 million was provided in-year to hospitals, including \$129 million to assist with managing change and improving their financial positions, and \$100 million for the Hospital System Transition Fund to assist hospitals with short-term financial pressures.
- Ontario provided an additional \$200 million in-year for compensation to individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990. This amount is in addition to the \$113 million provided in 1997–98 for those infected between 1986 and 1990.
- Ontario's share of start-up costs for Canadian Blood Services, established in 1998, added \$120 million to expenditure in-year.
- Consistent with the 1997–98 Public Accounts treatment of the Province's three-year commitment to fund debt service costs for school board capital debentures, an in-year increase in expenditure of \$307 million is reflected in 1998–99.
- The province established the Ontario Innovation Trust and provided an endowment of \$250 million for the purpose of providing funding to Ontario research institutions for infrastructure, including laboratories, buildings and equipment.
- The province provided \$103 million for the 1999 Special Circumstances Fund in addition to the \$77 million for 1998 reported in the 1998 Ontario Budget. This funding is to assist municipalities with transitional expenditures resulting from Local Services Realignment.
- Slower-than-projected implementation and planning delays in projects reduced 1998–99 Ministry of Health capital expenditure by a total of \$284 million in-year.
- Financing at lower interest rates and lower borrowing requirements than planned at the time of the 1998 Ontario Budget, generated in-year Public Debt Interest (PDI) savings of \$198 million.

## Local Services Realignment

The goal of Local Services Realignment (LSR) is to improve accountability, reduce waste and duplication, and provide better government services at a lower cost to Ontario taxpayers. Provincial and municipal services are being realigned in order to provide the best possible services at the lowest possible cost.

Responsibility for a number of programs was transferred to municipalities on January 1, 1998, including social assistance, child care, public health, land ambulance, social housing, transit, airports, community policing and provincial offences court administration and revenues.

As a transition measure and to ensure continuity of service, the province continues to deliver some LSR programs on behalf of municipalities, pending full program transfer. During the transition period, municipalities reimburse the province for expenditures made on their behalf. In 1998–99, the province recovered \$2.1 billion from municipalities for these expenditures.

### Impact on Education Spending

Starting in 1998, residential education property taxes were reduced by approximately \$2.5 billion annually, with the tax room made available to municipalities to help fund their new LSR service responsibilities. Provincial grants to school boards were increased to offset the loss of property tax revenue.

This realignment is reflected in the Ministry of Education's total spending, which increased by \$2.9 billion from \$8.3 billion in 1997–98 to \$11.2 billion in 1998–99 (not including expenditure on the Teachers' Pension Plan), largely as a result of increased school board operating grants. School board operating grants increased by \$2.9 billion from \$4.5 billion in 1997–98 to \$7.4 billion in 1998–99, more than offsetting the reduction in residential education property taxes available to school boards.

# Borrowing and Debt Management

## 1998–99 Borrowing Program

The province borrowed \$9.3 billion in the long-term capital markets to fund the deficit and refinance maturing debt. Of the \$9.3 billion, \$9.2 billion was the nominal value of the debt issued and \$0.1 billion represents the proceeds received above this nominal value. An additional \$0.7 billion was issued to buy back and retire existing Province of Ontario securities, with no net impact on outstanding debt. The province also increased net short-term borrowing by \$0.4 billion.

The Canadian dollar market remained Ontario's primary source of funds, accounting for nearly 70 per cent of long-term borrowing transacted during the year (\$6.5 billion of \$9.3 billion). Ontario residents invested \$2.0 billion in the fourth Ontario Savings Bonds campaign.

Internationally, the province successfully raised the equivalent of \$1.5 billion Canadian through a U.S. dollar Global issue, the first since February 1996. The Province also issued the Canadian dollar equivalent of \$472 million in Sterling, \$249 million in Swiss Francs, \$105 million in Japanese Yen, \$207 million in New Zealand dollars, \$48 million in Greek Drachma, \$46 million in Euro and an additional \$193 million in U.S. dollars.

## 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, 1999, Ontario's Total Provincial Purpose Debt stood at \$109.2 billion. Nearly 30 per cent of this amount (\$31.0 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. In 1998–99, the weighted-average effective interest rate on Debt Issued for Provincial Purposes declined to 8.6 per cent from 9.0 per cent the year before.

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.

Nearly one-third (\$34.8 billion) of Ontario's Total Provincial Purpose Debt has been issued in foreign currencies. At March 31, 1999, all but \$1.2 billion (1.1 per cent) of 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 five per cent or less of Ontario's Total Provincial Purpose Debt.



At all times during the year, the proportion of net floating-rate debt was well below the policy limit of 20 per cent of Ontario's debt. Floating-rate debt as a percentage of Ontario's Total Provincial Purpose Debt (net of liquid reserves) decreased from an average of 7.3 per cent in 1997–98 to an average of 5.9 per cent in 1998–99. On March 31, 1999, the floating-rate debt, net of liquid reserves, was 6.8 per cent of Ontario's debt, up from 4.4 per cent on March 31, 1998. For more details on risk management and derivative financial instruments, please refer to Note 2 in the Financial Statements, 1998–99 Public Accounts of Ontario.

### Ontario Hydro

To meet the former Ontario Hydro's financing requirements in a cost-effective manner, the province issued \$1.5 billion of debt on its behalf in the last quarter of 1998 and first quarter of 1999. The province received Ontario Hydro securities bearing like terms and conditions in return for the proceeds of these issues. At the end of 1998–99, debt issued by the province for the former Ontario Hydro totalled \$4.3 billion, up \$1.4 billion from the \$2.9 billion outstanding at the end of 1997–98.

Under the Electricity Act, 1998, effective April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established as the legal continuation of the former Ontario Hydro. The \$26.2 billion of former Ontario Hydro debt plus the \$4.3 billion issued by the province for the former Ontario Hydro as at March 31, 1999, is now the legal obligation of the OEFC. The \$26.2 billion continues to be fully guaranteed by the Province of Ontario. A more detailed discussion of the electricity sector restructuring can be found in Note 5 to the Financial Statements, 1998–99 Public Accounts of Ontario.

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

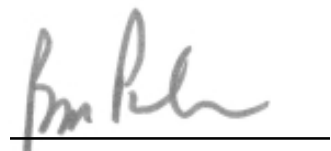
(\$ Millions)	1994–95	1995–96	1996–97	1997–98	1998–99
Revenue	46,039	49,473	49,450	52,518	55,786
Expenditure					
Programs and Capital	48,336	48,944	45,568	46,160	48,696
Public Debt Interest	7,832	8,475	8,607	8,729	9,016
Restructuring	—	854	2,180	1,595	76
Total Expenditure	56,168	58,273	56,355	56,484	57,788
<b>Deficit</b>	<b>10,129</b>	<b>8,800</b>	<b>6,905</b>	<b>3,966</b>	<b>2,002</b>
Ontario's Debt					
Debt Issued for Provincial Purposes	85,711	98,407	98,392	101,982	105,133
Province of Ontario Savings Office	2,089	2,220	2,135	2,245	2,517
Other Liabilities	780	769	984	1,247	1,524
<b>Total Provincial Purpose Debt</b>	<b>88,580</b>	<b>101,396</b>	<b>101,511</b>	<b>105,474</b>	<b>109,174</b>
Ontario Hydro					
Debt Incurred by the Province	3,835	3,808	3,140	2,885	4,248
Contingent Liabilities					
Hydro	31,561	29,077	29,027	27,772	26,238
Other	2,221	2,513	2,759	2,903	2,913
<b>Gross Domestic Product (GDP) at Market Prices</b>	<b>307,528</b>	<b>326,178</b>	<b>336,278</b>	<b>355,116</b>	<b>367,190</b>
<b>Personal Income Per Capita (Dollars)</b>	<b>23,874</b>	<b>24,528</b>	<b>24,689</b>	<b>25,404</b>	<b>26,185</b>
<b>Total Ontario Debt as a Per Cent of GDP</b>	<b>28.8</b>	<b>31.1</b>	<b>30.2</b>	<b>29.7</b>	<b>29.7</b>

# Condensed Financial Statements

## 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 Board (PSAB) and, where applicable, the Canadian Institute of Chartered Accountants (CICA) Handbook for private and public sector 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.



Bryne Purchase  
Deputy Minister  
August 9, 1999



Colin Andersen  
Assistant Deputy Minister  
August 9, 1999



Robert Siddall, CA  
Provincial Controller  
August 9, 1999



## 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, 1999 and the statements of revenue, expenditure and accumulated deficit and of cash flows for the year then ended. In my Auditor's Report to the Legislative Assembly dated August 9, 1999, I expressed an unqualified opinion on those financial statements. My audit report and the complete financial statements are included in the *1998-99 Public Accounts of Ontario*.

In my opinion, the accompanying condensed statements of financial position, of revenue, expenditure and accumulated deficit and of cash flows 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 cash flows, reference should be made to the complete financial statements included in the *1998-99 Public Accounts of Ontario*.

Toronto, Ontario  
August 9, 1999

Erik Peters, FCA  
Provincial Auditor

# Province of Ontario

## Statement of Revenue, Expenditure and Accumulated Deficit

For the year ended March 31 (\$ Millions)	Budget 1999	Actual 1999	Actual 1998
<b>Revenue</b>			
Personal Income Tax	14,635	<b>17,190</b>	16,293
Retail Sales Tax	11,435	<b>11,651</b>	10,843
Corporations Tax	7,600	<b>7,447</b>	7,456
Employer Health Tax	2,780	<b>2,882</b>	2,851
Gasoline and Fuel Taxes	2,645	<b>2,660</b>	2,591
Other Taxes	1,351	<b>1,247</b>	1,235
Total Taxation	40,446	<b>43,077</b>	41,269
Government of Canada	4,928	<b>4,515</b>	5,098
Income from Investment in Government Enterprises	2,438	<b>2,547</b>	2,291
Other Revenue	5,578	<b>5,647</b>	3,860
	53,390	<b>55,786</b>	52,518
<b>Expenditure</b>			
Health	19,153	<b>19,694</b>	18,492
Education and Training	10,761	<b>11,297</b>	9,525
Social Services	9,345	<b>9,117</b>	9,290
Public Debt Interest	9,214	<b>9,016</b>	8,729
Environment, Resources and Economic Development	4,196	<b>4,535</b>	5,760
Justice	2,001	<b>2,096</b>	1,878
General Government	2,294	<b>1,957</b>	1,215
Restructuring Charges	—	<b>76</b>	1,595
	56,964	<b>57,788</b>	56,484
Reserve	650		
<b>Deficit</b>	4,224	<b>2,002</b>	3,966
<b>Accumulated Deficit</b>			
Balance, Beginning of Year		<b>112,735</b>	108,769
Balance, End of Year		<b>114,737</b>	112,735

## Province of Ontario

## Statement of Financial Position

As at March 31 (\$ Millions)	1999	1998
<b>Liabilities for Provincial Purposes</b>		
Accounts Payable and Accrued Liabilities	11,285	12,686
Debt Issued for Provincial Purposes	105,133	101,982
Deposits with the Province of Ontario Savings Office	2,517	2,245
Pensions	6,428	8,062
Other Liabilities	1,524	1,247
Total Liabilities for Provincial Purposes	126,887	126,222
Debt Issued for Ontario Hydro	4,248	2,885
	131,135	129,107
<b>Financial Assets</b>		
Cash and Temporary Investments	2,780	5,414
Accounts Receivable	3,593	3,666
Loans Receivable	3,300	2,246
Other Assets	467	417
Properties Held for Sale	237	271
Investment in Government Enterprises	1,773	1,473
Advances to Ontario Hydro, Secured by Bonds	4,248	2,885
	16,398	16,372
<b>Accumulated Deficit</b>	<b>114,737</b>	<b>112,735</b>

Province of Ontario

# Statement of Cash Flows

For the year ended March 31 (\$ Millions)	1999	1998
<b>Cash Flows Used in Operating Activities</b>		
Deficit for the Year	(2,002)	(3,966)
Adjustments for:		
Income from Investment in Government Enterprises	(2,547)	(2,291)
Remittances to the Province from Government Enterprises	2,247	1,973
Changes in Non-cash Working Capital	(3,755)	317
<b>Cash Flows Used in Operating Activities</b>	<b>(6,057)</b>	<b>(3,967)</b>
<b>Cash Flows from Financing Activities</b>		
Debt Issued for Provincial Purposes	10,290	10,847
Debt Retired for Provincial Purposes	(7,139)	(7,257)
Increase in Deposits with the Province of Ontario Savings Office	272	110
<b>Cash Flows from Financing Activities</b>	<b>3,423</b>	<b>3,700</b>
Net Decrease in Cash and Temporary Investments	(2,634)	(267)
Cash and Temporary Investments at Beginning of Year	5,414	5,681
<b>Cash and Temporary Investments at End of Year</b>	<b>2,780</b>	<b>5,414</b>



## 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 on revenue, expenditure and accumulated deficit of the province, refer to the audited financial statements included in the *1998–99 Public Accounts of Ontario*.

The financial statements of the province reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada. The province's investments in physical assets are recognized as expenditures 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 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 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 interorganization 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 combined net assets are included in the financial statements as Investment in Government Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure 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 1998–99 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.

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## Province of Ontario, Annual Report, 1998-1999

### FEEDBACK FORM

Public accountability and customer satisfaction are important to the Ontario Government. Here is your opportunity to tell us if the information in the Annual Report is easy to understand, relevant and useful to you or your organization. What improvements can you suggest to improve next year's report? Take the time to complete this **Feedback Form**. We want to hear from you.

Please circle a number from 1-5, with 1 (one) poor and 5 (five) excellent, with your rating.

1. **What was your level of satisfaction with the report?** 1 2 3 4 5

2. **Did the report meet your need for information?** Yes No

If no, please explain:

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#### 3 **Part One: Narrative**

Based on your reading of pages 5-21, was the material ...

Easy to Read and Understand 1 2 3 4 5

Informative with Appropriate Level of Detail 1 2 3 4 5

A Complete Picture of the Province's Finances and Fiscal Position 1 2 3 4 5

Relevant and Useful 1 2 3 4 5

#### 4 **Part Two: Condensed Financial Statements**

Based on your review of pages 23-28, were the statements

Informative with Appropriate Level of Detail 1 2 3 4 5

#### 5 **Comments and Suggestions for Improvement**

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