



**Ministry of Finance**

# **Public Accounts of Ontario**

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**Financial Statements**

**1998-1999**

**To The Honourable**  
**HILARY M. WESTON**  
***Lieutenant Governor of Ontario***

May It Please Your Honour:

The undersigned has the honour to present, to Your Honour, the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1999, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by a series of loops and a final flourish.

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

## **Minister of Finance's Report**

It is with pleasure that I present the 1998-99 Public Accounts of the Province of Ontario for the fiscal year ended March 31, 1999.

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

Comments or general enquiries will be welcomed and should be directed to the Office of the Controller, Ministry of Finance.

A handwritten signature in black ink, consisting of a large, stylized 'E' followed by a series of loops and a long horizontal stroke.

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

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# A Guide to Public Accounts

## Scope of the Public Accounts

The 1998-99 Public Accounts of the Province of Ontario comprise the financial statements and three volumes:

**Volume 1** contains the Consolidated Revenue Fund schedules and Ministry statements. The Consolidated Revenue Fund schedules reflect the financial activities of the government's ministries on a modified cash basis.

**Volume 2** contains the financial statements of significant provincial corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.

**Volume 3** contains the details of expenditure and the Ontario Public Service senior salary disclosure.

## Sources of Additional Information

### Province of Ontario Annual Report

The government has prepared an annual report which gives financial and economic highlights of the past year and reports on performance against the goals set out in the Budget. The report includes a summarized version of the financial statements. Copies 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. For electronic access to the Province of Ontario Annual Report, visit the Ministry of Finance website at <http://www.gov.on.ca/FIN/english/budeng.htm>.

### The Ontario Budget

The Ontario Government presents a Budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. Copies 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. For electronic access to the Ontario Budget, visit the Ministry of Finance website at <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, per the *Supply Act*. Copies 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.

### 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 targets have been set and how results will be measured. It also includes a summary of expenditures. Copies 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. For electronic access, go to <http://www.gov.on.ca/MBS/english/press/plans99>.

## **Ontario Finances**

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications Branch, 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 Ontario's economic activity. Copies may be obtained free by writing 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>.

## **Introduction**

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

- a statement of the government's responsibilities for preparing the financial statements and for maintaining systems of financial management and internal control;
- the Provincial Auditor's report on the financial statements;
- a summary of the significant accounting policies which underlie the recording and disclosure of the financial activities of the province in these financial statements;
- the Statement of Revenue, Expenditure and Accumulated Deficit, showing revenues generated from taxes and other sources less expenditures incurred during the year;
- the Statement of Financial Position, showing debts for past operations that will require payment from future resources less financial resources which are available to pay debts or provide future public services;
- the Statement of Cash Flows, identifying financial resources used during the year to provide for operations and sources of financing made available for operations; and
- the notes and schedules to the financial statements which form an integral part of the financial statements and provide further explanatory information and detail on the balances contained in the various statements.

## **Basis of Government Accounting**

These financial statements reflect the implementation of 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.

## **Financial Statement and Budgetary Accounting - Modified Accrual Basis**

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



## **Appropriation Control - Modified Cash Basis**

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

On the cash basis, revenues are recognized when cash is collected and expenditures are recognized when cheques are issued or cash is disbursed. Generally, results of operations are computed as the difference between cash received and disbursed, exclusive of financing transactions. The cash basis of accounting used by the province is modified to allow for an additional thirty days to pay for and record goods and services received during the fiscal year just ended and for certain non-cash transactions.

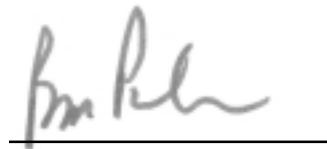
# **Financial Statements**

## Statement of Responsibility for the Financial Statements

The financial statements are prepared by the Government of Ontario in compliance with legislation, and in accordance with accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the 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.

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



Bryne Purchase  
Deputy Minister  
August 9, 1999



Colin Andersen  
Assistant Deputy Minister  
August 9, 1999



Robert Siddall, CA  
Provincial Controller  
August 9, 1999



## Auditor's Report

To the Legislative Assembly of the  
Province of Ontario

I have audited the statement of financial position of the Province of Ontario as at March 31, 1999 and the statements of revenue, expenditure and accumulated deficit and of cash flows for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles recommended for governments by The Canadian Institute of Chartered Accountants. As required by section 12 of the *Audit Act*, I also report that, in my opinion, these accounting principles have been applied, in all material respects, on a basis consistent with that of the preceding year.

Toronto, Ontario  
August 9, 1999

Erik Peters, FCA  
Provincial Auditor

## Summary of Significant Accounting Policies

These financial statements reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada.

### Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations which are accountable for the administration of their financial affairs and resources, either to a minister of the government or directly to the Legislature, and which are owned or controlled by the government. All of these organizations that meet one of the following criteria are separately consolidated: i) revenues, expenditures, assets or liabilities greater than \$50 million; or ii) outside sources of revenues, deficit or surplus greater than \$10 million. A listing of these agencies is provided in Schedule 7. The activities of all other agencies are reflected in these financial statements through the accounts of the ministries responsible for them.

Trusts administered by the government on behalf of other parties are excluded from the reporting entity. Information on trusts administered by the government is provided in Note 10.

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

Government enterprises are defined as those Crown corporations, boards and commissions which, (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations, and (iii) 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 in these financial statements exists in the accruals for pension obligations, personal income tax, corporations tax and restructuring charges.

The nature of the uncertainty in the pension accrual arises because actual results may differ significantly from the province's best estimates of expected results. Uncertainty related to the accrual for personal income tax and corporations tax arises because of the possible differences between the estimated and actual economic growth and related impact on taxes receivable. Uncertainty exists with respect to restructuring charges as the actual expenditures, incurred in the transfer and restructuring of certain programs and services, may differ from the initial estimates of expected costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

### **Revenue**

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

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

### **Expenditure**

Expenditures are recognized in the fiscal year to which they relate.

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

The pension expenditure comprises the cost of pension benefits earned by employees during the year, interest on the pension benefits liability net of pension plan assets and amortization of the government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the government's share of plan amendments related to past service is expensed in the year the plan is amended.

For capital leases entered into by the province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expenditure at the inception of the lease, with an offsetting liability recorded for the lease obligation.

### **Liabilities**

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

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

## **Debt Issued for Provincial Purposes**

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

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

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

The province uses derivative financial instruments (derivatives) only for the purposes of hedging and to minimize interest costs. Derivatives are financial contracts, the value of which is derived from underlying assets. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

## **Pensions**

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

## **Financial Assets**

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

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

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

Investment in Government Enterprises represents the net assets of government enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Loans receivable with significant concessionary terms are recorded at the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expenditure at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan.

## **Tangible Capital Assets**

In June, 1997, the Public Sector Accounting and Auditing Board approved accounting standards for the tangible capital assets of governments. Governments are to proceed with the adoption of such standards as soon as is practical. The province is actively considering the future implementation of these standards as part of the Integrated Financial Information System project.

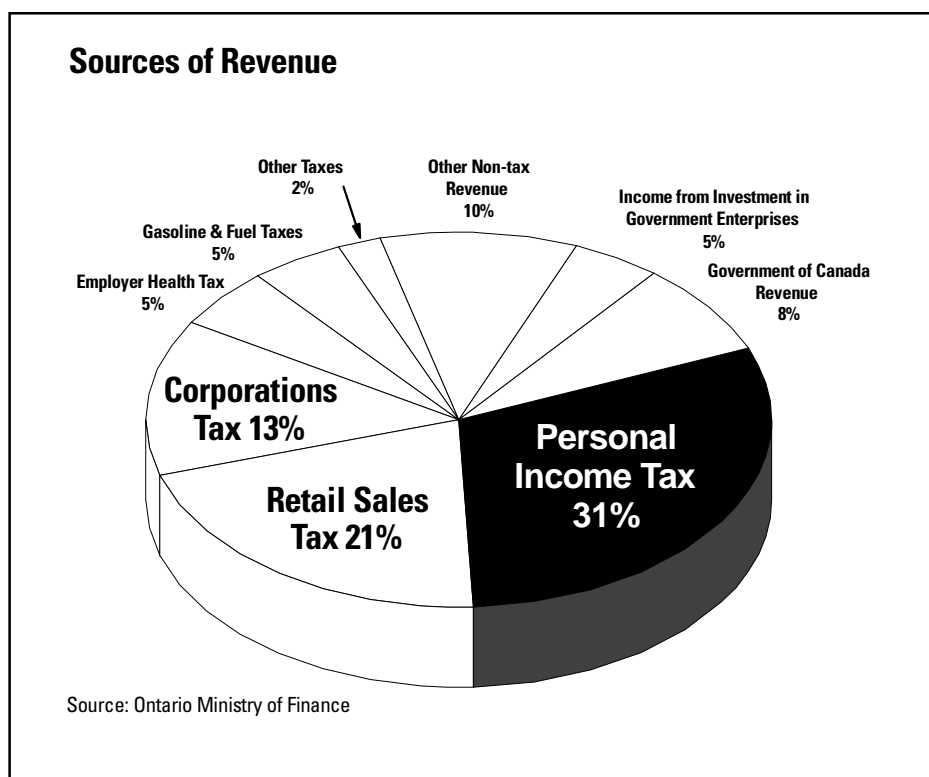
In the interim, except for government enterprises which capitalize assets purchased or constructed, the province continues to charge the full cost of tangible capital assets to operations in the year of purchase or construction.

## **Trust Funds**

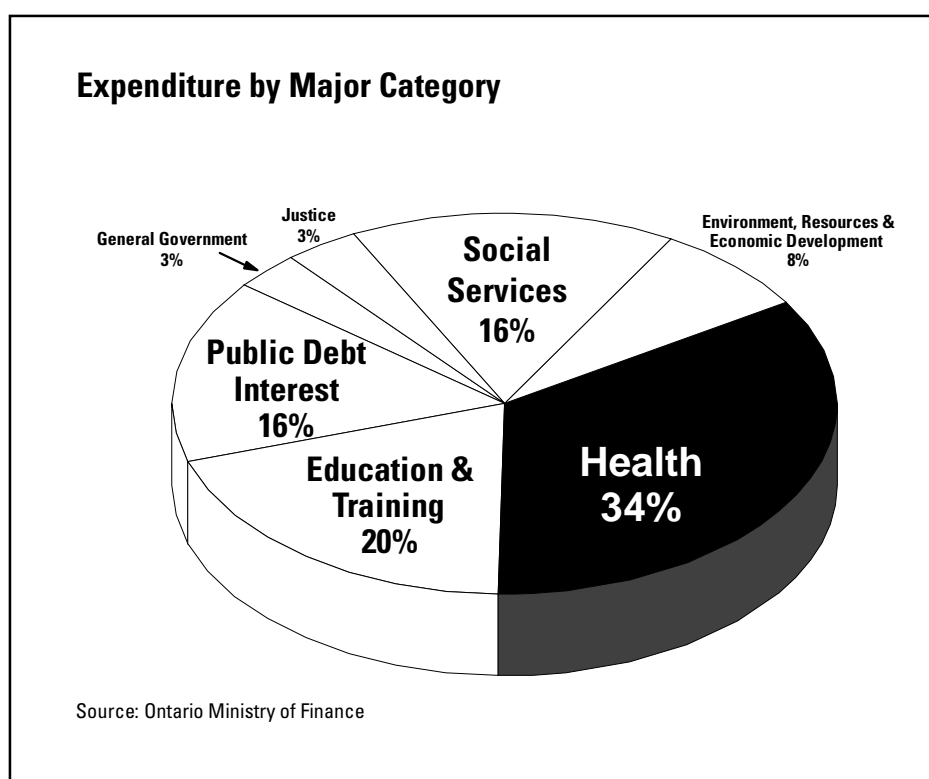
Trust funds under administration by the province which are not liabilities of the province are not reflected in the Statement of Financial Position.



## Sources of Revenue



## Expenditure by Major Category



## Province of Ontario

# Statement of Revenue, Expenditure and Accumulated Deficit

| For the year ended March 31<br>(\$ Millions)                  | Budget <sup>1</sup><br>1999 | Actual<br>1999 | Actual<br>1998 |
|---|-----------------------------|----------------|----------------|
| <b>Revenue</b> (Schedule 1)                                   |                             |                |                |
| 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 (Schedule 8) | 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> (Schedules 2 and 3)                        |                             |                |                |
| 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 (Note 8)                                | —                           | <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        |

See accompanying Notes and Schedules to the Financial Statements

<sup>1</sup> Fiscal plan for the year ended March 31, 1999 per 1998 Ontario Budget.

## Province of Ontario

## Statement of Financial Position

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

Contingent Liabilities (Note 7)

See accompanying Notes and Schedules to the Financial Statements

## Province of Ontario

# Statement of Cash Flows

| For the year ended March 31<br>(\$ 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>   |
| <b>Net Decrease in Cash and Temporary Investments</b>            | <b>(2,634)</b> | <b>(267)</b>   |
| 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>   |

See accompanying Notes and Schedules to the Financial Statements

## Province of Ontario

## Notes to the Financial Statements

(all tables in millions of dollars)

## 1. Debt Issued for Provincial Purposes

The province borrows in both domestic and international markets to fund its deficits and to refinance maturing debt. The following table presents the maturity schedule of the province's outstanding debt, by currency of repayment, expressed in Canadian dollars.

**Debt Issued for Provincial Purposes**

| <b>As at March 31</b>   |                 |               |                |              |               |              |                               | <b>1999</b>      | <b>1998</b>       |
|---|-----------------|---------------|----------------|--------------|---------------|--------------|-------------------------------|------------------|-------------------|
| Currency <sup>1</sup>   | Canadian Dollar | U.S. Dollar   | Pound Sterling | Japanese Yen | Deutsche Mark | French Franc | Other Currencies <sup>2</sup> | <b>Total</b>     | <b>Total</b>      |
| Fiscal Year Payable 1999  |                 |               |                |              |               |              |                               |                  | \$ 6,495          |
| 2000  | 4,334           | 3,312         | —              | 546          | 462           | —            | 387                           | <b>\$ 9,041</b>  | 8,130             |
| 2001  | 3,007           | 3,529         | 725            | 189          | 470           | —            | —                             | <b>7,920</b>     | 8,024             |
| 2002  | 4,386           | 1,316         | —              | 1,756        | —             | —            | 468                           | <b>7,926</b>     | 7,653             |
| 2003  | 3,877           | 6,332         | 450            | 195          | —             | —            | 437                           | <b>11,291</b>    | 11,285            |
| 2004  | 5,699           | 3             | —              | 244          | 1,299         | —            | 249                           | <b>7,494</b>     | —                 |
| 1-5 years   | 21,303          | 14,492        | 1,175          | 2,930        | 2,231         | —            | 1,541                         | <b>43,672</b>    | 41,587            |
| 6-10 years  | 20,765          | 7,284         | 473            | 2,268        | —             | 795          | 704                           | <b>32,289</b>    | 30,801            |
| 11-15 years   | 9,159           | —             | —              | —            | —             | 915          | —                             | <b>10,074</b>    | 12,128            |
| 16-20 years   | 1,074           | —             | —              | —            | —             | —            | —                             | <b>1,074</b>     | 1,431             |
| 21-25 years   | 4,873           | —             | —              | —            | —             | —            | —                             | <b>4,873</b>     | 2,232             |
| 26-50 years <sup>3</sup>  | 13,151          | —             | —              | —            | —             | —            | —                             | <b>13,151</b>    | 13,803            |
| <b>Total</b>  | <b>70,325</b>   | <b>21,776</b> | <b>1,648</b>   | <b>5,198</b> | <b>2,231</b>  | <b>1,710</b> | <b>2,245</b>                  | <b>\$105,133</b> | <b>\$ 101,982</b> |
| The effective interest rates <sup>1</sup> (weighted average) as at March 31, on the above debt are: |                 |               |                |              |               |              |                               |                  |                   |
| 1999  | 9.20%           | 7.77%         | 7.54%          | 7.39%        | 7.40%         | 6.19%        | 6.22%                         | 8.63%            |                   |
| 1998  | 9.64%           | 7.96%         | 8.36%          | 7.50%        | 7.40%         | 6.37%        | 6.28%                         |                  | 8.98%             |

<sup>1</sup> The balances and interest rates above reflect the effect of related derivative contracts, as discussed in Note 2 (Risk Management and Derivative Financial Instruments).

<sup>2</sup> Other Currencies comprise: Australian Dollar, Euro, Greek Drachma, Swiss Franc, Netherlands Guilder, Norwegian Kroner and New Zealand Dollar.

<sup>3</sup> The longest term to maturity is to March 1, 2045.

## Public Accounts 1998-1999

| <b>Debt Issued for Provincial Purposes</b>           |                   |             |
|--|-------------------|-------------|
| <b>As at March 31</b>                                | <b>1999</b>       | <b>1998</b> |
| <b>Debt Payable to:</b>                              |                   |             |
| Public investors                                     | <b>\$ 74,146</b>  | \$ 69,329   |
| Ontario Teachers' Pension Plan                       | <b>13,213</b>     | 13,822      |
| Canada Pension Plan Investment Fund                  | <b>10,487</b>     | 11,358      |
| Public Service Pension Plan                          | <b>3,604</b>      | 3,681       |
| OPSEU Pension Plan                                   | <b>1,712</b>      | 1,749       |
| Canada Mortgage and Housing Corporation              | <b>1,208</b>      | 1,246       |
| The Ontario Municipal Employees' Retirement Fund     | <b>666</b>        | 697         |
| Colleges of Applied Arts and Technology Pension Plan | <b>89</b>         | 91          |
| Ryerson Retirement Pension Plan                      | <b>8</b>          | 9           |
| <b>Total Debt Issued for Provincial Purposes</b>     | <b>\$ 105,133</b> | \$ 101,982  |

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of Debt Issued for Provincial Purposes at March 31, 1999 is \$127.4 billion (1998, \$121.6 billion). This is higher than the book value of \$105.1 billion (1998, \$102.0 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

## 2. Risk Management and Derivative Financial Instruments

The province accesses both domestic and foreign markets in its efforts to issue debt in the most cost-effective manner. The province's participation in the world's capital markets brings with it certain risks. The province employs prudent risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which the province agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows the province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the province include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk of debt servicing costs and principal payments varying due to fluctuations in foreign exchange rates. To minimize currency risk, the province uses derivative contracts to convert foreign currency cash flows into Canadian dollar denominated cash flows. The province's current policy allows unhedged foreign exchange exposure up to 5 per cent of total provincial purpose debt (Debt Issued for Provincial Purposes plus Deposits with the Province of Ontario Savings Office and Other Liabilities). At year end, 1.1 per cent (1998, 0.5 per cent) of this debt was unhedged, with most of the currency exposure to U.S. dollars.

Interest rate risk is the risk of debt servicing costs varying due to changes in interest rates. The province reduces its exposure to rate changes by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt, net of liquid reserves, to reach a maximum of 20 per cent of total provincial purpose debt. For the fiscal year 1998-99, the province's floating rate debt, net of liquid revenues, as a percentage of total provincial purpose debt averaged 5.9 per cent, compared to 7.3 per cent in fiscal year 1997-98. As of March 31, 1999, floating rate debt, net of liquid reserves, as a percentage of total provincial purpose debt was 6.8 per cent (1998, 4.4 per cent).

Liquidity risk is the risk that the province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the province maintains liquid reserves (i.e. Cash and Temporary Investments (Note 6)), at levels that will meet future cash requirements and will give the province flexibility in the timing of issuing debt. To further reduce liquidity risk, the province has syndicated lines of credit for U.S. \$1.3 billion (1998, U.S. \$1.3 billion) involving 37 banks worldwide, which had not been drawn on as at March 31, 1999.

The table below presents a maturity schedule of the province's derivatives, by type, outstanding at March 31, 1999, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit or market risk. Notional amounts are not representative of actual cash flows.

## Derivative Portfolio Notional Value

| As at March 31                           |               |               |              |               |              |               |                       | 1999             | 1998             |
|--|---------------|---------------|--------------|---------------|--------------|---------------|-----------------------|------------------|------------------|
| Maturity in<br>Fiscal Year               | 2000          | 2001          | 2002         | 2003          | 2004         | 6-10<br>Years | Over<br>6-10<br>Years | Total            | Total            |
| Cross currency<br>swaps                  | \$6,460       | \$5,641       | \$6,257      | \$7,904       | \$3,413      | \$13,590      | \$915                 | <b>\$ 44,180</b> | \$ 43,861        |
| Interest rate<br>swaps                   | 4,181         | 4,702         | 3,691        | 8,638         | 1,657        | 16,661        | 606                   | <b>40,136</b>    | 35,326           |
| Forward foreign<br>exchange<br>contracts | 1,498         | —             | —            | —             | —            | —             | —                     | <b>1,498</b>     | 1,677            |
| Options                                  | 230           | 60            | —            | —             | —            | —             | —                     | <b>290</b>       | 345              |
| Futures                                  | 468           | —             | —            | —             | —            | —             | —                     | <b>468</b>       | 867              |
| Forward rate<br>agreements               | 600           | —             | —            | —             | —            | —             | —                     | <b>600</b>       | 200              |
| <b>Total</b>                             | <b>13,437</b> | <b>10,403</b> | <b>9,948</b> | <b>16,542</b> | <b>5,070</b> | <b>30,251</b> | <b>1,521</b>          | <b>\$ 87,172</b> | <b>\$ 82,276</b> |

Derivatives introduce credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 1999.



## Credit Risk Exposure

| As at March 31                              |                    | 1999            | 1998          |
|---|--------------------|-----------------|---------------|
| Interest rate contracts:                    | Swaps              | \$ 953          | \$ 873        |
|   | Other <sup>1</sup> | 8               | 6             |
| Foreign exchange contracts:                 | Swaps              | 4,159           | 2,128         |
|   | Other <sup>1</sup> | 1               | 5             |
| Gross credit risk exposure                  |                    | \$ 5,121        | \$ 3,012      |
| Less: Netting agreements <sup>2</sup>       |                    | (3,086)         | (2,674)       |
| <b>Net Credit Risk Exposure<sup>3</sup></b> |                    | <b>\$ 2,035</b> | <b>\$ 338</b> |

<sup>1</sup> Other includes credit exposure on options, futures, forward rate agreements and forward foreign exchange agreements.

<sup>2</sup> Contracts do not have coterminous settlement dates.

<sup>3</sup> At March 31, 1999, the province has also entered into other derivative contracts for which the province has an unrealized loss of \$845 million (1998, \$2.2 billion) which has not been included to reduce the Net Credit Risk Exposure. Its inclusion would bring the fair value of the derivative portfolio to an unrealized net asset of \$1.2 billion (1998, unrealized net liability \$1.9 billion).

The province limits its credit risk exposure on derivatives by entering into contractual netting agreements with virtually all of its counterparties which enables it to settle derivative contracts on a net basis in the event of a counterparty default. The gross credit risk exposure represents the amount of loss that the province would suffer if every counterparty to which the province was exposed were to default at the same time. The net credit risk exposure includes the mitigating impact of these netting agreements.

The province also manages its credit risk exposure by monitoring compliance with credit and risk limits regularly and by dealing with counterparties with good credit ratings. All of the province's swap counterparties hold a "BBB+" rating or higher. At year-end, 78 per cent (1998, 96 per cent) of the notional amount of swaps outstanding was with financial institutions holding an "AA-" or higher rating. Counterparties for money market and foreign exchange transactions must have at least an R1-mid rating by Dominion Bond Rating Service or an A-1 or P-1 rating by Standard and Poor's or Moody's respectively.

At March 31, 1999, the province's most significant concentrations of credit risk were with four "A+" or higher rated counterparties, each of whom represented more than 10 per cent of the Net Credit Risk Exposure. The net cost to the province, if it had to replace all of the swap contracts with these four counterparties is \$650 million, \$282 million, \$241 million and \$234 million respectively.

### 3. Deposits with the Province of Ontario Savings Office

The Province of Ontario Savings Office (POS0) accepts deposits from the general public, government and other public bodies. These deposits form part of the Consolidated Revenue Fund and are direct liabilities of the province. The Ontario Financing Authority operates POS0 as agent of the Minister of Finance.

## 4. Pensions

### Pension Liability

| As at March 31                  | 1999            | 1998            |
|---------------------------------|-----------------|-----------------|
| Obligation for pension benefits | \$ 66,269       | \$ 63,438       |
| Less: pension fund net assets   | (73,844)        | (66,694)        |
| Adjustments (see below)         | 5,511           | 4,027           |
| Unamortized experience gains    | 8,492           | 7,291           |
| <b>Pension Liability</b>        | <b>\$ 6,428</b> | <b>\$ 8,062</b> |

Adjustments in the above table are made for the following: i) amounts reported by the pension plans at December 31, instead of the province's year-end of March 31; ii) experience gains and enhancement costs which are not attributable to the province; and iii) pension contributions payable by the province which are reflected in the pension plan assets.

### Pension Expenditure

| For the year ended March 31                | 1999            | 1998            |
|--|-----------------|-----------------|
| Cost of pension benefits                   | \$ 1,805        | \$ 2,402        |
| Adjustment for supplementary pension plans | —               | 473             |
| Amortization of experience gains           | (909)           | (731)           |
| Employee contributions                     | (854)           | (820)           |
| Interest                                   | (194)           | 33              |
| <b>Total Pension Expenditure</b>           | <b>\$ (152)</b> | <b>\$ 1,357</b> |

Experience gains are amortized over 11 to 13 years. The government's best estimate of the future inflation rate used in the pension calculations is 2.5 per cent (1998, 3.0 percent).

### General

The province is responsible for sponsoring several pension plans. The most significant plans are the Public Service Pension Plan (PSPP), the Ontario Public Service Employees' Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are defined benefit plans which provide Ontario government employees and elementary and secondary school teachers and administrators a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to the Consumer Price Index to provide protection against inflation. Plan members and the province are each responsible for matching contributions to the plans of between seven and nine per cent of the member's salary.

Funding of these plans is based on statutory actuarial valuations. Such valuations, undertaken at least every three years, use more conservative assumptions than the annual best estimates' valuations which are used for financial statement purposes. Under partnership agreements between the province and OPSEU and between the province and the Ontario Teachers' Federation (OTF), new gains and losses arising after January 1, 1993 from the statutory actuarial funding valuations are to be shared equally by the partners.

The province had also committed to make additional payments over forty years to eliminate the unfunded liabilities of all three plans that were identified in the January 1, 1990 statutory valuations, as follows:

| <b>Contribution Commitments</b>       |                 |
|---------------------------------------|-----------------|
| <b>As at March 31</b>                 |                 |
| <b>1999</b>                           | \$ 177          |
| <b>2000</b>                           | 168             |
| <b>2001</b>                           | 177             |
| <b>2002</b>                           | 187             |
| <b>2003</b>                           | 197             |
| <b>2004 and thereafter</b>            | 5,244           |
| <b>Total Contribution Commitments</b> | <b>\$ 6,150</b> |

In April, 1998, the province and the OTF reached an agreement to eliminate the \$8.4 billion unfunded liability of the OTPP using funding gains expected to be identified in the January 1, 1998 and 1999 statutory actuarial valuations. The funding gains realized up to January 1, 1999 were insufficient to eliminate the unfunded liability. The province continued to make special payments in 1998-99, leaving an outstanding commitment of \$18 million at March 31, 1999. This \$18 million commitment was paid subsequent to year-end and is included in the table above. Except for this \$18 million, the above table reflects the province's contribution commitment to the PSPP and the OPSEU Pension Plan.

Amendments to the *Income Tax Act* (Canada) in 1992 limited the earnings that pension benefits from registered pension plans could be based on. To provide members of these pension plans with the same benefits as before this amendment, supplementary pension plans (the Ontario Teachers' Retirement Compensation Arrangement and the Public Service Pension Plan Supplementary Benefit Account) were established. The province's expenditure and liability with respect to these plans are included in the financial statements.

In March, 1999, the province and the OPSEU reached an agreement to amend the OPSEU Pension Plan to extend the Factor 80 program from April 1, 2000 to March 31, 2002 for OPSEU employees who receive notice of surplus on or before March 31, 2002. The impact of this amendment is \$16 million and is included in the 1998-99 Pension Expenditure. Subsequent to March 31, 1999, the government made a similar decision to amend the PSPP to extend the Factor 80 program for PSPP employees.

### Other Plans

The province maintains accounts within the Consolidated Revenue Fund regarding pension and related benefit funds for the Provincial Judges Pension Fund and the Deputy Ministers' Supplementary Benefit Account. The obligations for pension benefits related to these funds total \$365 million (1998, \$341 million) and are included in Other Liabilities.

## 5. Ontario Hydro

### Nature of Ontario Hydro and its Treatment in the Financial Statements

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

Under the *Power Corporation Act*, revenues of the corporation are applied to cover costs of operations, including provision for debt retirement. Any residual amount is held in reserve to offset future costs and for debt redemption and cannot be distributed to the province without legislative amendment to the *Power Corporation Act*. Given that no equity is available for distribution to the province, these financial statements do not reflect either the equity or net income/loss from operations of Ontario Hydro. The financial statements of Ontario Hydro for the period ended March 31, 1999 are reproduced in Volume 2 of the *Public Accounts of Ontario*.

### Ontario Hydro Summary Financial Information

As at March 31, 1999, Hydro's financial statements reported assets of \$39.6 billion and an accumulated deficit of \$2.7 billion. For the 15 months ended March 31, 1999, Hydro reported revenues of \$11.6 billion and a net income of \$2.3 billion.

### Debt Issued for Ontario Hydro

Advances to, and debt incurred for, Ontario Hydro on the province's Statement of Financial Position relate to amounts borrowed on behalf of Ontario Hydro. The province has issued securities, and advanced the proceeds to Ontario Hydro, in exchange for Ontario Hydro bonds with like terms and conditions. These transactions, and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not part of the province's own budget plan. The debt servicing costs and the related recoveries are directly offset and are not reflected separately in the financial statements. Both the advances and debt incurred are stated in Canadian dollars using year-end rates of exchange. Details of debt issued for Ontario Hydro are provided in Schedule 6.

### Provincial Guarantees of Ontario Hydro Debt

At March 31, 1999, the province had guaranteed debentures/bonds and notes of Ontario Hydro totaling \$26.2 billion (1998, \$27.8 billion).

During the year, Ontario Hydro paid the province a fee of \$155 million (1998, \$156 million) related to the provision of the debt guarantees.

### **Other Transactions with Ontario Hydro**

For the year ended March 31, 1999, Ontario Hydro was charged \$113 million (1998, \$116 million) in water rental fees for the use of water for hydro-electric generation.

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

### **Restructuring of the Ontario Electricity Industry and Events Subsequent to March 31, 1999**

In October 1998, the Province enacted *The Energy Competition Act* to restructure the Ontario electricity industry and introduce competition during the year 2000. On April 1, 1999, Ontario Hydro was restructured into five successor entities as follows:

- Ontario Power Generation Inc. (OPG) is a generation company;
- Ontario Hydro Services Company Inc. (OHSC) is a regulated transmission and distribution business and operates certain energy service businesses in an unregulated, competitive business environment;
- Ontario Electricity Financial Corporation (OEFC) is the continuation of Ontario Hydro to manage its debt and administer assets, liabilities, rights and obligations not transferred to another successor entity;
- Independent Electricity Market Operator (IMO) is the regulated centralized independent system co-ordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA) performs a regulatory function related to electrical inspections.

All of the above entities will be included in the province's financial statements in future years. Condensed supplementary financial information on the activities of OPG, OHSC and OEFC, which will be accounted for as government enterprises, will be included in the Schedules to the financial statements.

In 1999-00 the Province will invest \$5.1 billion in OPG and \$3.8 billion in OHSC through a debt-for-equity swap. This \$8.9 billion equity investment in OPG and OHSC is expected to increase Income from Government Enterprises by approximately \$527 million in 1999-00, offset by an increase in the Province's Public Debt Interest of approximately \$520 million in 1999-00.

The province's investment in OEFC is expected to have no impact on Income from Government Enterprises, as net income from OEFC is expected to be nil. OEFC's debt, liabilities and associated financing costs will be repaid from notes receivable from the Province, OPG and OHSC and from dedicated electricity revenues (e.g. payments-in-lieu of property taxes and corporate income and capital taxes). Any residual debt will be serviced through a Competition Transition Charge (CTC), if necessary.

## Public Accounts 1998-1999

The following represents management's preliminary estimate of the financial structure of the OEFC.

### OEFC

(\$ billions)

#### Assets

|   |         |         |
|---|---------|---------|
| Notes Receivable from the Province  |         | \$ 8.9  |
| Notes Receivable from OPGI  |         | 3.4     |
| Notes Receivable from OHSC  |         | 4.8     |
| Deferred charges (to be recovered from future dedicated revenue streams): |         |         |
| Physical productive capacity  | \$ 13.4 |         |
| Power Purchase agreements   | 5.2     |         |
| Nuclear Risk Sharing agreement  | 2.4     | 21.0    |
|   |         | \$ 38.1 |

#### Liabilities

|  |         |
|--|---------|
| Ontario Hydro debt guaranteed by the Province of Ontario | \$ 26.2 |
| Ontario Hydro debt owed to the Province of Ontario       | 4.3     |
| Amount owing under Power Purchase Agreements             | 5.2     |
| Amount owing under the Nuclear Risk Sharing agreement    | 2.4     |
|  | \$ 38.1 |

OEFC's assets and liabilities reflect the changes resulting from financial restructuring. (Assets and liabilities reported on the OEFC's audited balance sheet may include other assets and liabilities not shown here.) Numbers have been rounded.

## 6. Cash and Temporary Investments

### Cash and Temporary Investments

| As at March 31                                | 1999            | 1998            |
|---|-----------------|-----------------|
| Cash  | \$ (1,413)      | \$ (1,029)      |
| Temporary investments                         | 4,291           | 7,295           |
| Less: assets sold under repurchase agreements | (98)            | (852)           |
|   | 4,193           | 6,443           |
| <b>Total Cash and Temporary Investments</b>   | <b>\$ 2,780</b> | <b>\$ 5,414</b> |

The fair value of temporary investments, net of the assets sold under repurchase agreements, at March 31, 1999 is \$4.3 billion (1998, \$6.4 billion). Temporary investments primarily consist of investments in government bonds and money market instruments. Fair value is determined using quoted market prices.

A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

## 7. Contingent Liabilities

### Obligations Guaranteed by the Province

| As at March 31                                 | 1999                  | 1999             | 1999          | 1998             | 1998          |
|--|-----------------------|------------------|---------------|------------------|---------------|
|  | Maximum<br>Authorized | Outstanding      | Provision     | Outstanding      | Provision     |
| Debentures/bonds and<br>notes of Ontario Hydro | \$ 26,238             | \$ 26,238        | \$ —          | \$ 27,772        | \$ —          |
| Loans guaranteed                               | 2,953                 | 2,893            | 993           | 2,774            | 953           |
| Other  | 166                   | 20               | —             | 129              | —             |
| <b>Total</b>                                   | <b>\$ 29,357</b>      | <b>\$ 29,151</b> | <b>\$ 993</b> | <b>\$ 30,675</b> | <b>\$ 953</b> |

The provision for loans guaranteed is based on an estimate of the likely loss arising from guarantees under the Ontario Student Loan Program and is reflected in the Accrued Liabilities for Transfer Payments (Schedule 5).

### Ontario Housing Corporation — Loan Insurance Agreements

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

In the event of a loan default, OHC can either remedy the default or acquire the units and assume the loan obligation. The OHC share of defaults on solely provincial funded projects would be 100% of net amounts incurred on loans defaulted and approximately 70% of net amounts incurred on defaults of joint federal-provincial projects. As at December 31, 1998, there were \$5.5 billion (1997, \$5.6 billion) of mortgage loans outstanding on provincially-funded projects and the provincial share of mortgage loans outstanding on jointly-funded projects was \$2.0 billion (1997, \$1.9 billion). As the province provides operating subsidies sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

### Claims against the Crown

There are claims outstanding against the Crown of which 56 are for amounts over \$50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the province, if any, cannot be determined because the outcome of these actions is uncertain.

## 8. Restructuring Charges

The government continues to implement restructuring decisions made over the past three years in the health, education and municipal sectors. This resulted in a restructuring charge of \$76 million (1998, \$1,595 million).

## 9. Commitments

The nature of the government's activities results in some large multi-year contracts and obligations. Major commitments that can be reasonably estimated are summarized as follows:

| <b>Commitments</b>       |                 |             |
|--------------------------|-----------------|-------------|
| <b>As at March 31</b>    | <b>1999</b>     | <b>1998</b> |
| Transfer payments        | <b>\$ 978</b>   | \$ 1,347    |
| Leases                   | <b>814</b>      | 932         |
| Construction contracts   | <b>714</b>      | 627         |
| Other                    | <b>393</b>      | 321         |
| <b>Total Commitments</b> | <b>\$ 2,899</b> | \$ 3,227    |

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy obligations under commitments each year from 2000 to 2004 inclusive, and a total for amounts due in the year 2005 and subsequent years.

### Schedule of Minimum Payments

**As at March 31, 1999**

| <b>Minimum Payments to be Made in:</b> | <b>Transfer Payments</b> | <b>Leases</b> | <b>Construction Contracts</b> | <b>Other</b>  | <b>Total</b>    |
|--|--------------------------|---------------|-------------------------------|---------------|-----------------|
| 2000                                   | \$ 560                   | \$ 159        | \$ 444                        | \$ 260        | <b>\$ 1,423</b> |
| 2001                                   | 169                      | 131           | 241                           | 43            | <b>584</b>      |
| 2002                                   | 134                      | 120           | 29                            | 40            | <b>323</b>      |
| 2003                                   | 51                       | 95            | —                             | 7             | <b>153</b>      |
| 2004                                   | 14                       | 110           | —                             | 3             | <b>127</b>      |
| 2005 and thereafter                    | 50                       | 199           | —                             | 40            | <b>289</b>      |
| <b>Total</b>                           | <b>\$ 978</b>            | <b>\$ 814</b> | <b>\$ 714</b>                 | <b>\$ 393</b> | <b>\$2,899</b>  |



## 10. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration are provided below.

### Workplace Safety and Insurance Board

| As at December 31                      | 1998              | 1997              |
|--|-------------------|-------------------|
| Assets                                 | \$ 9,338          | \$ 8,721          |
| Liabilities                            | 16,436            | 16,778            |
| Unfunded Liability                     | (7,098)           | (8,057)           |
| Revenues                               | 3,649             | 3,418             |
| Expenditures                           | 2,690             | 2,800             |
| Net Income from Operations             | 959               | 618               |
| Changes Legislated by Bill 99          | —                 | 1,785             |
| Surplus                                | 959               | 2,403             |
| Unfunded Liability, Beginning of Year  | (8,057)           | (10,460)          |
| <b>Unfunded Liability, End of Year</b> | <b>\$ (7,098)</b> | <b>\$ (8,057)</b> |

### Other Trust Funds

| As at March 31, 1999                                    | Assets   | Liabilities |
|---|----------|-------------|
| The Public Guardian and Trustee for Province of Ontario | \$ 1,029 | \$ 973      |
| Motor Vehicle Accident Claims Fund                      | \$ 32    | \$ 106      |

| As at December 31, 1998                         | Assets      | Liabilities  |
|---|-------------|--------------|
| <b>Deposit Insurance Corporation of Ontario</b> | <b>\$ 6</b> | <b>\$ 37</b> |

The most recent financial statements related to the significant trusts under administration are reproduced in Volume 2 of the *Public Accounts of Ontario*.

## 11. Subsequent Event

On May 5, 1999, the Province completed the sale of the Ontario Transportation Capital Corporation for proceeds of approximately \$3.1 billion. The estimated net gain of \$1.6 billion on this sale will be recorded as revenue in fiscal 1999-2000.

## 12. Year 2000

The Year 2000 issue arises when some computerized systems use two digits rather than four to identify a year. Systems affected by the Year 2000 issue may not function as intended before, on, or after January 1, 2000. If the issue is not addressed, the impact on the province's normal operations could range from minor errors to significant system failure.

The government has established a Year 2000 Corporate Project Management Office (CPMO) to develop a consistent Year 2000 strategy for the government and to coordinate, facilitate and support ministry efforts to become Year 2000 ready. It has defined priority projects and ranked government Year 2000 work. The CPMO monitors progress across the government and reports regularly to senior information technology committees, deputy ministers and ministers. It also shares best practices, liaises with other jurisdictions and addresses common needs such as technical and financial resources and procurement.

The costs of addressing potential problems by modifying, replacing, or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the province's financial position. Such costs are recognized in the period when the expenditures are incurred. The government identified a requirement of approximately \$380 million for its own Year 2000 work. \$180 million of this amount has been spent to March 31, 1999. In addition, the government identified a requirement of approximately \$510 million for broader public sector Year 2000 work. \$290 million of this amount has been spent to March 31, 1999.

Rigorous quality assurance routines, business continuity plans and mitigation strategies are being implemented to provide additional assurance that government services will continue to be provided before, during and after the transition to the Year 2000.

Despite the government's efforts to address this issue, there remains a risk that all aspects of the Year 2000 issue affecting the government, including those related to the efforts of organizations in the broader public sector, suppliers and other third parties, will not be fully resolved.

### 13. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 1999 presentation.

## **Schedules to the Financial Statements**

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**Province of Ontario**

**Schedule 1: Revenue**

|  | Budget        | Actual        | Actual        |
|--|---------------|---------------|---------------|
| For the year ended March 31  | 1999          | 1999          | 1998          |
| (\$ Millions)  |               |               |               |
| <b>Taxation</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 Tax   | 2,045         | <b>2,068</b>  | 2,028         |
| Fuel Tax   | 600           | <b>592</b>    | 563           |
| Land Transfer Tax  | 580           | <b>470</b>    | 565           |
| Tobacco Tax  | 470           | <b>447</b>    | 425           |
| Other Taxation   | 301           | <b>330</b>    | 245           |
|  | 40,446        | <b>43,077</b> | 41,269        |
| <b>Government of Canada</b>  |               |               |               |
| Canada Health and Social Transfer                                    | 3,950         | <b>3,553</b>  | 3,970         |
| Social Housing   | 353           | <b>358</b>    | 387           |
| Indian Welfare Service Agreement                                     | —             | <b>155</b>    | 87            |
| Canada-Ontario Infrastructure Works                                  | 92            | <b>71</b>     | 116           |
| Vocational Rehabilitation  | 46            | <b>71</b>     | 53            |
| Young Offenders Act  | 59            | <b>57</b>     | 59            |
| Bilingualism Development   | 40            | <b>55</b>     | 49            |
| Other  | 388           | <b>195</b>    | 377           |
|  | 4,928         | <b>4,515</b>  | 5,098         |
| <b>Income from Investment in Government Enterprises (Schedule 8)</b> | 2,438         | <b>2,547</b>  | 2,291         |
| <b>Other</b>   |               |               |               |
| Local Services Realignment   | 2,261         | <b>2,109</b>  | 519           |
| Vehicle/Registration Fees  | 915           | <b>890</b>    | 820           |
| Sales and Rentals  | 480           | <b>640</b>    | 582           |
| Other Fees and Licences  | 570           | <b>661</b>    | 548           |
| Liquor Licence Revenue   | 510           | <b>519</b>    | 506           |
| Royalties  | 265           | <b>289</b>    | 286           |
| Fines and Penalties  | 40            | <b>50</b>     | 174           |
| Miscellaneous  | 537           | <b>489</b>    | 425           |
|  | 5,578         | <b>5,647</b>  | 3,860         |
| <b>Total Revenue</b>   | <b>53,390</b> | <b>55,786</b> | <b>52,518</b> |

**Province of Ontario**

**Schedule 2: Expenditure**

| <b>For the year ended March 31</b>          | <b>1999</b>   | <b>1998</b> |
|---|---------------|-------------|
| <b>(\$ Millions)</b>                        |               |             |
| Salaries and Wages                          | <b>3,291</b>  | 3,286       |
| Employee Benefits                           | <b>576</b>    | 775         |
| Pensions (Note 4)                           | <b>(152)</b>  | 1,357       |
| Transportation and Communication            | <b>346</b>    | 351         |
| Services                                    | <b>2,181</b>  | 1,771       |
| Supplies and Equipment                      | <b>587</b>    | 585         |
| Acquisition/Construction of Physical Assets | <b>966</b>    | 1,072       |
| Transfer Payments                           | <b>40,315</b> | 36,401      |
| Interest on Debt                            | <b>9,016</b>  | 8,729       |
| Restructuring (Note 8)                      | <b>76</b>     | 1,595       |
| Other Transactions                          | <b>586</b>    | 562         |
| <b>Total Expenditure</b>                    | <b>57,788</b> | 56,484      |

**Province of Ontario**

**Schedule 3: Expenditure by Ministry**

|   | Budget        | Actual        | Actual        |
|---|---------------|---------------|---------------|
| For the year ended March 31                 | 1999          | 1999          | 1998          |
| (\$ Millions)                               |               |               |               |
| <b>Ministry</b>                             |               |               |               |
| Agriculture, Food and Rural Affairs         | 343           | 310           | 465           |
| Attorney General                            | 824           | 824           | 728           |
| Board of Internal Economy                   | 121           | 117           | 113           |
| Citizenship, Culture and Recreation         | 312           | 351           | 289           |
| Community and Social Services               | 7,868         | 7,686         | 8,098         |
| Consumer and Commercial Relations           | 133           | 136           | 92            |
| Economic Development, Trade and Tourism     | 170           | 159           | 197           |
| Education and Training                      | 10,700        | 11,230        | 8,306         |
| Teachers' Pension (Note 4)                  | 61            | 67            | 1,443         |
| Energy, Science and Technology              | 206           | 356           | 69            |
| Environment                                 | 223           | 196           | 240           |
| Executive Offices                           | 19            | 17            | 14            |
| Finance                                     | 1,369         | 1,680         | 866           |
| Public Debt Interest                        | 9,214         | 9,016         | 8,729         |
| Health                                      | 19,153        | 19,744        | 19,035        |
| Intergovernmental Affairs                   | 4             | 4             | 5             |
| Labour                                      | 111           | 108           | 117           |
| Management Board Secretariat                | 1,265         | 577           | 273           |
| Public Service/OPSEU Pensions (Note 4)      | (100)         | (219)         | (86)          |
| Municipal Affairs and Housing               | 1,819         | 1,673         | 2,640         |
| Ontario Native Affairs Secretariat          | 21            | 20            | 21            |
| Natural Resources                           | 417           | 604           | 614           |
| Northern Development and Mines              | 279           | 259           | 235           |
| Office of Francophone Affairs               | 3             | 3             | 2             |
| Office Responsible for Women's Issues       | 21            | 20            | 18            |
| Solicitor General and Correctional Services | 1,260         | 1,324         | 1,186         |
| Transportation                              | 1,348         | 1,526         | 2,775         |
| Year-End Savings <sup>1</sup>               | (200)         | —             | —             |
| <b>Total Expenditure</b>                    | <b>56,964</b> | <b>57,788</b> | <b>56,484</b> |

<sup>1</sup> For Budget purposes, this item was not allocated to individual ministries.

**Province of Ontario**

**Schedule 4: Accounts Receivable**

| <b>As at March 31</b>                              | <b>1999</b>    | <b>1998</b> |
|--|----------------|-------------|
| <b>(\$ Millions)</b>                               |                |             |
| Taxes  | <b>3,154</b>   | 2,717       |
| Transfer Payments <sup>1</sup>                     | <b>1,598</b>   | 1,354       |
| Other Accounts Receivable                          | <b>741</b>     | 711         |
|  | <b>5,493</b>   | 4,782       |
| Less: Provision for Doubtful Accounts <sup>1</sup> | <b>(2,219)</b> | (1,891)     |
|  | <b>3,274</b>   | 2,891       |
| Local Services Realignment                         | <b>179</b>     | 316         |
| Government of Canada                               | <b>140</b>     | 459         |
| <b>Total Accounts Receivable</b>                   | <b>3,593</b>   | 3,666       |

<sup>1</sup> The transfer payment receivable consists primarily of recoverables of \$864 million (1998, \$822 million) for the Provincial Allowances and Benefits program, and \$666 million (1998, \$503 million) for the Student Support program. The provision for doubtful accounts includes a provision of \$780 million (1998, \$719 million) for Provincial Allowances and Benefits and \$566 million (1998, \$427 million) for Student Support.

**Province of Ontario**

**Schedule 5: Accounts Payable and Accrued Liabilities**

| <b>As at March 31</b>                                 | <b>1999</b>   | <b>1998</b> |
|---|---------------|-------------|
| <b>(\$ Millions)</b>                                  |               |             |
| Transfer Payments                                     | <b>3,718</b>  | 3,430       |
| Interest on Public Debt                               | <b>2,832</b>  | 2,723       |
| Restructuring   | <b>1,655</b>  | 3,130       |
| Salaries, Wages and Benefits                          | <b>1,377</b>  | 1,548       |
| Other   | <b>1,301</b>  | 1,475       |
| Deferred Revenue                                      | <b>226</b>    | 222         |
| Obligations Under Capital Leases                      | <b>165</b>    | 127         |
| Deferred Hedging                                      | <b>11</b>     | 31          |
| <b>Total Accounts Payable and Accrued Liabilities</b> | <b>11,285</b> | 12,686      |

**Province of Ontario**

**Schedule 6: Debt Issued for Ontario Hydro**

| <b>As at March 31</b>  | <b>1999</b>  | <b>1998</b>  |
|--|--------------|--------------|
| <b>(\$ Millions)</b>   |              |              |
| Fiscal Year Payable  |              |              |
| 1999   |              | 137          |
| 2000   | —            | —            |
| 2001   | 500          | 500          |
| 2002   | 500          | 500          |
| 2003   | —            | —            |
| 2004   | —            | —            |
| 1 - 5 Years  | 1,000        | 1,137        |
| 6 - 10 Years   | 2,597        | 508          |
| 11 - 15 Years  | 651          | 1,240        |
| 16 - 20 Years  | —            | —            |
|  | <b>4,248</b> | <b>2,885</b> |
| The effective interest rates (weighted average) on the above debt are: | <b>9.21%</b> | 11.48%       |
| <b>Debt Payable to:</b>  | <b>1999</b>  | <b>1998</b>  |
| Canada Pension Plan Investment Fund                                    | 2,748        | 2,748        |
| Public Investors   | 1,500        | 137          |
| <b>Total Debt Issued for Ontario Hydro</b>                             | <b>4,248</b> | <b>2,885</b> |

See Note 5, Ontario Hydro.



**Province of Ontario**

**Schedule 7: Government Enterprises and Government Service Organizations<sup>1</sup>**

**Government Enterprises**

|   |   |
|---|---|
| Algonquin Forestry Authority                | Natural Resources                       |
| Ontario Development Corporation             | Economic Development, Trade and Tourism |
| Liquor Control Board of Ontario             | Consumer and Commercial Relations       |
| Metropolitan Toronto Convention Centre      | Economic Development, Trade and Tourism |
| Niagara Parks Commission                    | Economic Development, Trade and Tourism |
| Ontario Casino Corporation                  | Management Board Secretariat            |
| Ontario Clean Water Agency                  | Environment                             |
| Ontario Lottery Corporation                 | Management Board Secretariat            |
| Ontario Northland Transportation Commission | Northern Development and Mines          |
| Ontario Transportation Capital Corporation  | Transportation                          |

**Government Service Organizations**

|  |   |
|--|---|
| Agricorp   | Agriculture, Food and Rural Affairs     |
| Northern Ontario Heritage Fund Corporation                         | Northern Development and Mines          |
| Cancer Care Ontario  | Health                                  |
| Ontario Educational Communications Authority<br>(TV Ontario)       | Citizenship, Culture and Recreation     |
| Ontario Financing Authority  | Finance                                 |
| Ontario Housing Corporation  | Municipal Affairs and Housing           |
| Ontario Place Corporation  | Economic Development, Trade and Tourism |
| Ontario Realty Corporation   | Management Board Secretariat            |
| Toronto Area Transit Operating Authority (Go Transit) <sup>2</sup> | Transportation                          |
| Ontario Securities Commission                                      | Finance                                 |

<sup>1</sup> The most recent audited financial statements of these crown agencies are reproduced in Volume 2 of the *Public Accounts of Ontario*.

<sup>2</sup> On December 18, 1998 the Province gave Royal Assent to Bill 56, an Act to establish the Greater Toronto Services Board and the Greater Toronto Transit Authority (GTTA) and to amend the *Toronto Area Transit Operating Authority (TATOA) Act*. The transfer of the transit business from the Province to GTTA occurred on August 7, 1999.

Province of Ontario

Schedule 8: Investment in Government Enterprises

|   | Algonquin<br>Forestry<br>Authority<br>March 31, 1999 | Ontario<br>Development<br>Corporation<br>March 31, 1999 | Liquor Control<br>Board of<br>Ontario<br>March 31, 1999 | Metropolitan<br>Toronto<br>Convention<br>Centre<br>March 31, 1999 | Niagara Parks<br>Commission<br>October 31, 1998 |
|---|--|---|---|---|---|
| <b>For the year ended</b><br><b>(\$ Millions)</b> |  |   |   |   |   |
| <b>Assets</b>                                     |  |   |   |   |   |
| Cash/Temporary Investments                        | 3.3  | 47.5  | 24.5  | 0.2   | 18.7  |
| Accounts Receivable                               | 1.7  | 5.8   | 6.1   | 2.6   | 2.4   |
| Inventories                                       | 0.2  |   | 236.3   | 0.2   | 4.2   |
| Prepaid Expenditures                              |  |   | 8.8   | 0.4   | 0.1   |
| Long-term Investments                             |  | 31.7  |   |   |   |
| Fixed Assets                                      | 1.6  | 11.5  | 148.2   | 154.1   | 94.0  |
| Other Assets                                      | 1.9  |   |   | 4.6   |   |
| <b>Total Assets</b>                               | <b>8.7</b>   | <b>96.5</b>   | <b>423.9</b>  | <b>162.1</b>  | <b>119.4</b>                                    |
| <b>Liabilities</b>                                |  |   |   |   |   |
| Bank Indebtedness                                 |  |   |   |   |   |
| Accounts Payable                                  | 0.4  | 9.9   | 210.0   | 3.9   | 4.2   |
| Notes Payable                                     |  |   |   |   |   |
| Deferred Revenue                                  | 1.2  |   |   | 4.3   |   |
| Long-term Debt                                    |  |   |   | 151.8   |   |
| Other Liabilities                                 | (0.2)  |   |   |   |   |
| <b>Total Liabilities</b>                          | <b>1.4</b>   | <b>9.9</b>  | <b>210.0</b>  | <b>160.0</b>  | <b>4.2</b>                                      |
| <b>Net Assets</b>                                 | <b>7.3</b>   | <b>86.6</b>   | <b>213.9</b>  | <b>2.1</b>  | <b>115.2</b>                                    |
| <b>Revenue</b>                                    |  |   |   |   |   |
| Revenue from Operations                           | 18.1   | 25.2  | 2,349.9   | 37.6  | 69.4  |
| Transfers from the Government                     |  |   |   |   |   |
| <b>Total Revenue</b>                              | <b>18.1</b>  | <b>25.2</b>   | <b>2,349.9</b>  | <b>37.6</b>   | <b>69.4</b>                                     |
| <b>Expenditure</b>                                |  |   |   |   |   |
| Expenditure from Operations                       | 17.7   | 7.9   | 1,540.4   | 43.1  | 59.5  |
| Provincial Taxes                                  |  |   |   |   |   |
| <b>Total Expenditure</b>                          | <b>17.7</b>  | <b>7.9</b>  | <b>1,540.4</b>  | <b>43.1</b>   | <b>59.5</b>                                     |
| Income (Loss)                                     |  |   |   |   |   |
| before Extraordinary Items                        | 0.4  | 17.3  | 809.5   | (5.5)   | 9.9   |
| Extraordinary Items                               |  |   |   |   |   |
| <b>Net Income(Loss)</b>                           | <b>0.4</b>   | <b>17.3</b>   | <b>809.5</b>  | <b>(5.5)</b>  | <b>9.9</b>                                      |
| Net Assets - Beginning of Year                    | 6.9  | 89.0  | 184.4   | 7.6   | 105.3   |
| Payments from (to) CRF                            |  | (19.7)  | (780.0)   |   |   |
| <b>Net Assets</b>                                 | <b>7.3</b>   | <b>86.6</b>   | <b>213.9</b>  | <b>2.1</b>  | <b>115.2</b>                                    |

## Province of Ontario

## Schedule 8: Investment in Government Enterprises

| Ontario<br>Casino<br>Corporation | Ontario Clean<br>Water Agency | Ontario Lottery<br>Corporation | Ontario Northland<br>Transportation<br>Commission | Ontario<br>Transportation<br>Capital Corp. | Adjustments <sup>1</sup> | Total     |
|----------------------------------|-------------------------------|--------------------------------|---|--|--------------------------|-----------|
| March 31, 1999                   | December 31, 1998             | March 31, 1999                 | December 31, 1998                                 | March 31, 1999                             |                          |           |
| 499.7                            | 124.7                         | 108.5                          |   | 0.8  | 4.3                      | 832.2     |
| 11.7                             | 7.6                           | 43.5                           | 18.6  | 26.9                                       | 13.8                     | 140.7     |
| 4.7                              |                               |                                | 11.0  |  | 2.6                      | 259.2     |
| 10.8                             |                               | 14.0                           | 0.5   |  | (0.8)                    | 33.8      |
|                                  | 93.1                          |                                | 2.9   |  | (30.2)                   | 97.5      |
| 733.4                            | 3.1                           | 73.7                           | 217.1   | 1,926.2                                    | (450.7)                  | 2,912.2   |
| 32.2                             | 0.5                           | 59.0                           | 17.7  | 43.2                                       | 1.4                      | 160.5     |
| 1,292.5                          | 229.0                         | 298.7                          | 267.8   | 1,997.1                                    | (459.6)                  | 4,436.1   |
|                                  |                               |                                | 5.6   |  | 4.1                      | 9.7       |
| 209.0                            | 21.2                          | 88.1                           | 13.5  | 16.7                                       | (9.5)                    | 567.4     |
|                                  |                               |                                |   | 509.0                                      |                          | 509.0     |
|                                  |                               | 9.5                            | 0.2   |  | 0.4                      | 15.6      |
| 16.0                             | 1.0                           |                                | 48.9  | 1,002.9                                    | (31.3)                   | 1,189.3   |
| 254.5                            | 9.7                           | 49.1                           | 4.3   | 55.7                                       | (0.7)                    | 372.4     |
| 479.5                            | 31.9                          | 146.7                          | 72.5  | 1,584.3                                    | (37.0)                   | 2,663.4   |
| 813.0                            | 197.1                         | 152.0                          | 195.3   | 412.8                                      | (422.6)                  | 1,772.7   |
| 2,095.3                          | 120.6                         | 2,194.4                        | 125.3   | 113.2                                      | 0.6                      | 7,149.6   |
|                                  |                               |                                | 4.2   |  |                          | 4.2       |
| 2,095.3                          | 120.6                         | 2,194.4                        | 129.5   | 113.2                                      | 0.6                      | 7,153.8   |
| 943.4                            | 105.4                         | 1,461.3                        | 149.8   | 156.0                                      | 71.0                     | 4,555.5   |
| 395.9                            |                               |                                |   |  | (395.9)                  |           |
| 1,339.3                          | 105.4                         | 1,461.3                        | 149.8   | 156.0                                      | (324.9)                  | 4,555.5   |
| 756.0                            | 15.2                          | 733.1                          | (20.3)  | (42.8)                                     | 325.5                    | 2,598.3   |
|                                  |                               | (51.2)                         |   |  |                          | (51.2)    |
| 756.0                            | 15.2                          | 681.9                          | (20.3)  | (42.8)                                     | 325.5                    | 2,547.1   |
| 783.1                            | 184.2                         | 49.5                           | 216.2   | 253.7                                      | (406.8)                  | 1,473.1   |
| (726.1)                          | (2.3)                         | (579.4)                        | (0.6)   | 201.9                                      | (341.3)                  | (2,247.5) |
| 813.0                            | 197.1                         | 152.0                          | 195.3   | 412.8                                      | (422.6)                  | 1,772.7   |

<sup>1</sup> Adjustments are made for government enterprises with a year end other than March 31, and to eliminate capital assets transferred to enterprises by the province.

## **Schedule 8: Investment in Government Enterprises**

### **Algonquin Forestry Authority**

The Algonquin Forestry Authority is a crown agency established in 1975 under the *Algonquin Forestry Authority Act*. It is responsible for forest management and harvesting activities within the Algonquin Park.

### **Ontario Development Corporation**

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and wind down their activities over a period of years. The portfolios and responsibilities of the Development Corporations were transferred to the Ontario Development Corporation during the year. Since May 1998, the Ontario Development Corporation has used a private sector asset management company to fulfil its responsibilities for managing and administering its term-loan portfolios and commercial guarantee portfolios.

### **Liquor Control Board of Ontario**

The Liquor Control Board of Ontario is responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

### **Metropolitan Toronto Convention Centre**

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

### **Niagara Parks Commission**

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

### **Ontario Casino Corporation**

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

### **Ontario Clean Water Agency**

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

### **Ontario Lottery Corporation**

The Ontario Lottery Corporation (OLC) was established in 1975 under the *Ontario Lottery Corporation Act*, with the mandate to develop, undertake, organize, conduct and manage lotteries in Ontario on behalf of the provincial government. Since its creation, OLC has also entered a joint venture with other provinces, through the Interprovincial Lottery Corporation, to operate national and multi-province games. OLC is also responsible for the conduct and management of charity casinos and slot machine programs at race tracks in Ontario.

### **Ontario Northland Transportation Commission**

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

### **Ontario Transportation Capital Corporation**

The Ontario Transportation Capital Corporation's primary objective has been to own and finance the construction of transportation related capital investments. On May 5, 1999 the Province completed the sale of the Corporation (Note 11).